

# 2021/22 DRAFT STATEMENT OF ACCOUNTS



This page is intentionally left blank

**CONTENTS**

Narrative Report from the Service Director for Finance and Section 151 Officer.....	4
Statement of Responsibilities for the Statement of Accounts .....	28
Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2022.....	29
Movement in Reserves Statement for the Year Ended 31 March 2022 .....	30
Balance Sheet .....	31
Cash Flow Statement .....	32
Notes to the Financial Statements .....	33
Collection Fund for the Year Ended 31 March 2022.....	109
Notes to the Collection Fund.....	110

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

### INTRODUCTION

My role as the Service Director for Finance and Section 151 Officer is to ensure that the Council's financial affairs are properly administered and its financial position remains stable and robust. The preparation of the Statement of Accounts provides the opportunity to look back at the past financial year and to report on the current financial and non-financial position of the Council.

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 2021/22 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 2021/22 (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 events of the last two years have had a significant impact on the Council itself, in terms of flexible working arrangements and the more customer focused approach which has been adopted.

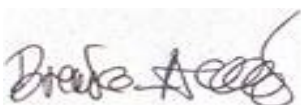
The reported balanced revenue outturn position for 2021/22 needs to be seen in the context of the financial challenges the Council faced during the year. The Council successfully reprioritised staff and resources to meet community and business need, supporting the vulnerable and working with partners. However, there are significant financial challenges ahead of us with the current 'cost of living crisis' and the recent challenges presented by the war in Ukraine.

It is important to note that the deadline for the production of the draft Statement of Accounts has remained as it was for 2020/21, which is 31 July. This entails that the draft accounts were submitted for audit by 31 July 2022 rather than 31 May 2022 and the timeline for completion of the annual audit is therefore 30 November 2022 rather than 31 July 2022.

The Council will submit the draft Statement of Accounts to the Audit and Governance Committee on the 29 September 2022 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 and 2021/22.

The Narrative Report is an important part of the accounts providing key information about Plymouth, including the key issues affecting the Council and its accounts. It also contains a summary of the financial position as at 31 March 2022.



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

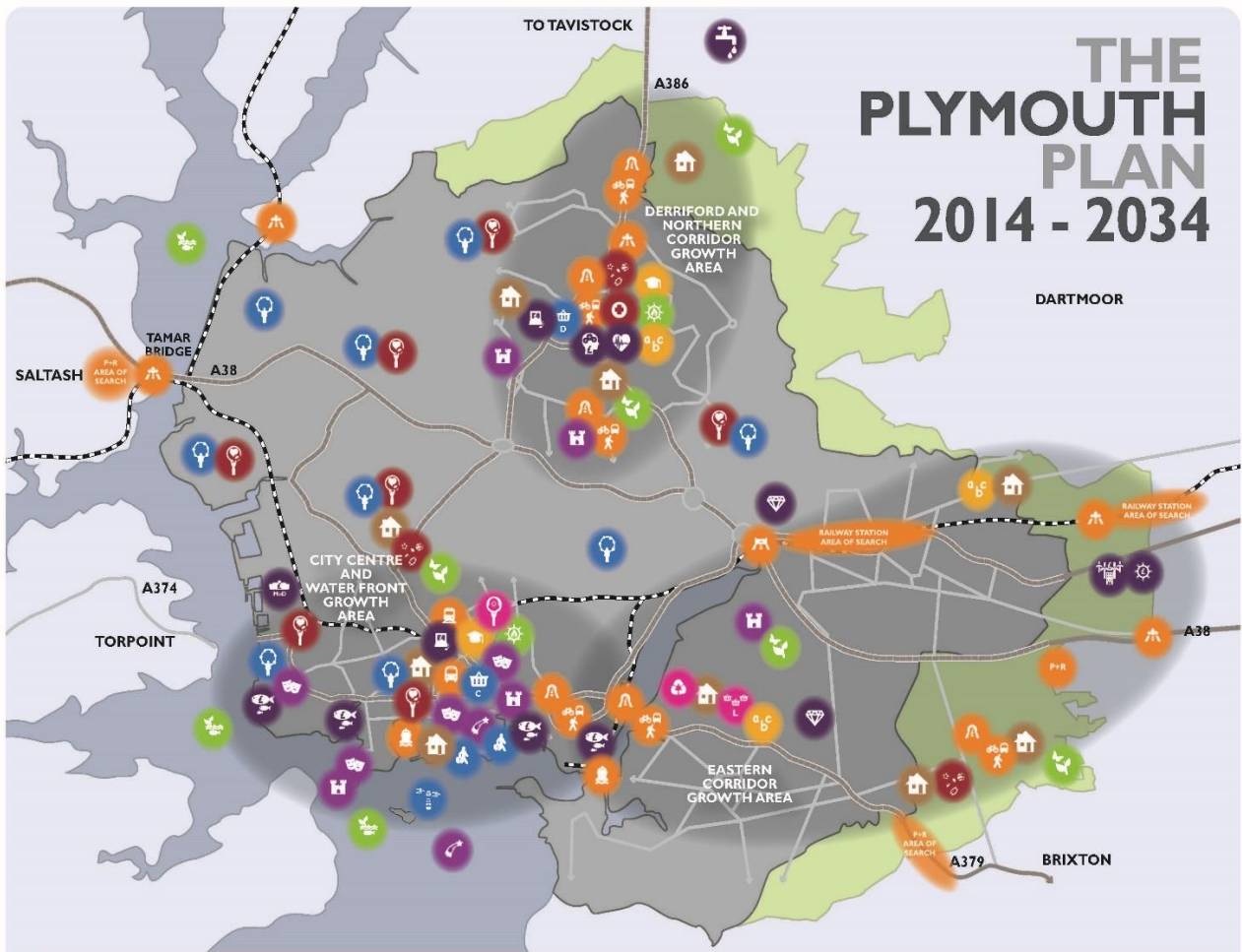
Plymouth is internationally renowned as the UK's premier marine city, and famous for its waterfront, maritime heritage and culture.

## 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

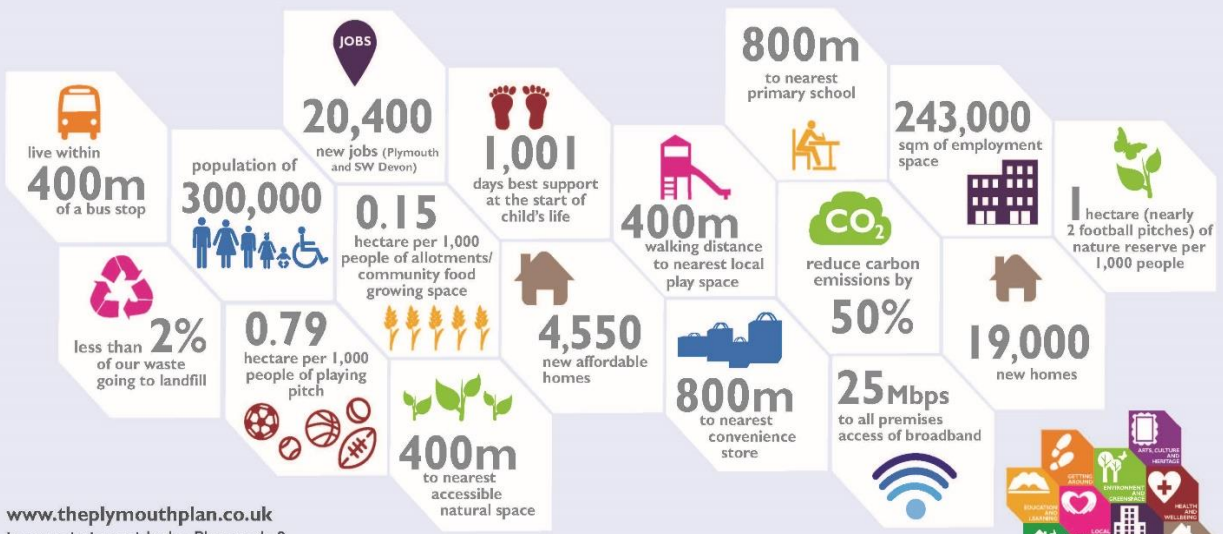
## WHAT PRINCIPLES WILL GUIDE US?





KEY					

© Crown copyright and database rights 2017 Ordnance Survey 100018333



[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 YOUR CITY, YOUR COUNCIL



## CITY VISION Britain's Ocean City

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

**OUR MISSION** To build back better and make Plymouth a great place to live, work and visit.

### OUR VALUES we are:

<p><b>DEMOCRATIC</b></p> <p>Plymouth is a place where people can have their say about what is important to them and where they are empowered to make change happen.</p>	<p><b>RESPONSIBLE</b></p> <p>We take responsibility for our actions, we are accountable for their impact on others and the environment and expect others to do the same.</p>	<p><b>FAIR</b></p> <p>We will be honest and open in how we act. We will treat everyone with respect, champion fairness and create opportunities.</p>	<p><b>COLLABORATIVE</b></p> <p>We will provide strong community leadership, working with residents, communities and businesses to deliver our common ambition.</p>
---	--	--	--

### OUR PRIORITIES

<p><b>UNLOCKING THE CITY'S POTENTIAL</b></p> <ul style="list-style-type: none"> <li>A clean and tidy city</li> <li>A green, sustainable city that cares about the environment</li> <li>Offer a wide range of homes</li> <li>A vibrant economy, developing quality jobs and skills</li> <li>An exciting, cultural and creative place</li> <li>Create a varied, efficient, sustainable transport network</li> </ul>	<p><b>CARING FOR PEOPLE AND COMMUNITIES</b></p> <ul style="list-style-type: none"> <li>A friendly welcoming city</li> <li>Reduced health inequalities</li> <li>People feel safe in Plymouth</li> <li>Focus on prevention and early intervention</li> <li>Keep children, young people and adults protected</li> <li>Improved schools where pupils achieve better outcomes</li> </ul>
---	---

### DELIVERING ON OUR COMMITMENTS BY:

<p>Empowering our people to deliver</p>	<p>Providing a quality service to get the basics right first time</p>	<p>Engaging with and listening to our residents, businesses and communities</p>	<p>Providing value for money</p>	<p>Championing Plymouth regionally and nationally</p>
---	---	---	----------------------------------	---



[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 2021 to 2025 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 2021/22 was:

- Conservative Party – 26 Councillors
- Labour Party – 24 Councillors
- Independent – 7 Councillors

Following the election in May 2021, the Council was left in no overall control, with the Conservatives needing 29 seats to hold a majority. However, the Independent Members joined with the Conservative Party and appointed Cllr Nick Kelly as the Leader of the Council. The Council has adopted the 'Strong' Leader and Cabinet model as its political management structure. The Leader of the Council 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 the Chief Executive, 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 264,700 (2021) 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 peninsula 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 both 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%, improved broadband for 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.

### Municipal Journal - Local Authority of the Year

Plymouth City Council has scooped the top award beating five other councils who were shortlisted for the prestigious awards organised by the Municipal Journal.

Council Leader Nick Kelly, Deputy Shadow Leader Councillor Sue Dann and Chief Executive Tracey Lee were presented with the award by Ed Balls at a ceremony in London.

The judges said: "Pride in the city leaps off the pages of Plymouth's submission. It has taken a novel, consistent and effective approach to putting the city on the map as Britain's Ocean City. The Council is clearly ambitious, strongly engaged in its communities and is working well with partners on key agendas."

2020 was always going to be a big year for Plymouth, with years of preparation leading up to the 400th anniversary of the sailing of the Mayflower – but instead the Council, like many others, found

itself dealing with a global pandemic, lockdowns and the myriad of challenges it brought. Here's just some of outstanding achievements:

- Our Economy: We launched our Resurgam programme to address the unprecedented economic challenges caused by the pandemic and to get back on track in meeting the city's ambitious growth targets. It sets out action plans for the city's 11 key economic sectors; including a focus on increasing spend in the local economy; a Skills Launchpad and supporting Marine, Green and Culture priorities;
- We distributed over £95 million to 6,029 Plymouth businesses. The Skills Launchpad worked with over 100 businesses to identify 8,000 job creations over 18 months, and enabled 10,000 citizens to access self-support;
- Our infrastructure: £200 million investment including the Forder Valley Link Road and Interchange, the Brunel Plaza redevelopment at the railway station; £47m of highway maintenance and engineering projects and 12 projects under the Transforming Cities Fund for sustainable travel and green infrastructure;
- We opened The Box - the £42m redevelopment of the Grade II listed former museum and art gallery and central library buildings with a contemporary extension;
- We've kept on track with our improvement journey in supporting children and young people in need of social care. In Spring 2020, social workers completed risk assessments for every child and young person in the service. These identified which children needed face-to-face visits;
- 800 laptops delivered to vulnerable children, enabling regular contact and better management of schoolwork;
- We maintained the timeliness of single assessments at 95 per cent, and children in need, child protection and children in care visits were all completed on time;
- Our school meals provider CATERed, which we own with the city's schools ensured free school meals were available to all eligible pupils throughout school closures – that's nearly 14,000 meals a week in the summer 2020, rising to 47,000 meals a week when schools reopened;
- We supported 97 care homes with our adult social care provider Livewell Southwest, University Hospitals Plymouth and the Devon Clinical Commissioning Group. We provided dedicated infection control advice and training, managed staffing and resources, delivered emergency PPE, and set up local testing arrangements for residents and staff prior to national testing programmes;
- Through Caring for Plymouth, our partnership with Livewell Southwest and the voluntary and community sector, we took over 8,000 calls from vulnerable people, carried out 3,000 welfare checks, delivered hundreds of food parcels and fetched medicine and prescriptions 1,600 times;
- Through the Plymouth Alliance Contract we are taking a system approach for people with complex needs, covering substance misuse, homelessness, mental health and offending and have seen a dramatic drop in rough sleeping and the prevention or relief of homelessness for 988 households over the last year – double our annual target;
- We agreed our City Climate Emergency and Corporate Carbon Reduction plans which have over 100 realistic, achievable and deliverable actions. Successes so far include upgrading homes of vulnerable residents with energy efficient measures; installation of 77 electric charging points; a rolling investment in LED lighting in subways and other highway infrastructure. Our Transforming Cities Fund programme includes 300 public electric vehicle charge points, 400 electric bikes, setting up an electric car club, 14 kilometres of off

road-cycle improvements, junction improvements and a new control centre, hosting the latest in technological signal advancements.

Plymouth City Council's Pause Social Outcomes Partnership was highly commended in the 'Delivering Better Outcomes' category. Pause is a charity that works with women who have experienced, and are at risk of, having children removed from their care. The programme offers an intensive relationship-based, trauma-informed model of support to women, so the removal of a child should never have to happen more than once.

Plymouth was the first council in the UK to commission a Pause service through an innovative Social Outcomes Partnership, in which the Council works collaboratively alongside other local and national organisations including Trevi, Bridges Outcomes Partnerships and the Pause national charity, with a shared aim to improve outcomes experienced by some of the city's most vulnerable families.

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

The Council launched an 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.

### **COVID-19 Support for Plymouth Businesses and Residents**

Plymouth City Council is part of an ambitious cross-border project that will deliver a unique package of COVID-19 recovery support for local businesses and people.

The C-CARE (COVID Channel Area Response Exchange) initiative, funded by the Interreg France (Channel) England programme, is set to reach businesses and people that have been hit hardest in the pandemic.

Drawing on a range of expertise from local government, enterprise and tourism in the UK and France, the project will support people at risk of exclusion from the labour market and businesses at risk of closure.

C-CARE aims to reach 4,500 people and almost 2,000 businesses through its pilot initiatives which include skills training to help individuals find new routes into employment or starting a business, and advice and grants aimed at helping companies reset their business models in response to the pandemic.

It is hoped that the insights and evidence gathered from both sides of the Channel will feed into local plans for Plymouth, to aid recovery and resilience planning and ensure measures are in place to support businesses and people adapt to future pandemics or economic shocks.

The package of support covers four strands of activity:

1. **Respond, Reflect, Report** will enable partners, stakeholders and other Channel projects to review initial COVID-response, gather good practice and bring together lessons learnt in order to shape a new package of COVID-19 response and recovery actions.
2. **C-CARE Support for Social Inclusion** will deliver targeted support to more than 4,547 individuals to develop new skills and tools to help them into employment or start a business.
3. **C-CARE Support for Business Recovery** will provide direct support to over 1,947 businesses via advice, vouchers and grants aimed at helping sectors hard-hit by the pandemic to develop new business models to respond market changes and ensure a green, inclusive and sustainable economic recovery.
4. **C-CARE Reset and Redesign** will develop blueprints for future town centres to improve long term prospects for businesses and work on new ways to tackle social exclusion.

The C-CARE initiative will mean additional support for people and businesses in Plymouth. This will include the creation of bespoke 'skills action plans' for 500 people that have been disproportionately affected by the pandemic, equipping them with the skills they need for the work opportunities that are available.

The project will also support the 'Resurgam Charter' programme, which focuses on inclusive economic growth and provides local businesses with useful tools to help adapt to new ways of working and build resilience.

The C-CARE project received €6.7million from the European Regional Development Fund via the Interreg France (Channel) England programme. The project runs until June 2023.

### **National Marine Park (NMP)**

Partners across the city created the UK's first ever National Marine Park in 2019 and the 'Park in the Sea' was awarded £9.5 million in 2021 from the National Lottery Heritage Fund Horizon Awards to fully develop the idea.

Now the search is on for an interim chief executive officer to set up all aspects of the park, shape a city wide programme, support the community and stakeholder engagement and help make the park vision become a reality.

The 'Park in the Sea' aims to:

- Support the ongoing enhancement of our world class natural environment and heritage landscape;
- Get the entire city and surrounding communities involved with the Sound;
- Increase access to our heritage so everyone can enjoy the benefits;
- Provide new employment opportunities and career pathways in sustainable future ocean jobs;
- Position Plymouth as a UK top day-visitor destination;
- Champion health and wellbeing with a new generation of engaged volunteers, communities and champions;
- Support the positive transition to net zero carbon by 2030.

Over the next two years the interim chief executive will guide the NMP into being a legal entity in its own right, to further develop relationships with over 100 organisations involved in the Sound and establish a marine parks operating model.

In July 2021 the City Council NMP project team outlined its ambition to create five ‘gateways’ to the park, each with a particular focus that will inspire more people to explore, connect and enjoy the sea. They include:

- Tinside – for health and wellbeing activities
- National Marine Aquarium – a hub for nature and the environment
- Mountbatten – active recreation
- Mount Edgcombe – learning about the Sound’s epic history including over 600 wrecks that lie beneath the waves
- Smart Sound – digital harnessing the power of the latest digital technology

The Council will be consulting with partners over the next two years with a full engagement programme to be developed to ensure everyone has their say in what they would like to see as part of the National Marine Park.

### **World’s First 5G Marine-focused Testbed**

The city of Plymouth has long been established as a leader in the international maritime industry, and the deployment of a 5G Mobile Private Network (MPN) to create the world’s first marine-focused 5G testbed is another breakthrough. The Smart Sound Connect Marine 5G MPN, deployed by Vodafone in partnership with Nokia and operated by Plymouth Marine Laboratory (PML), is to be the world’s first 5G marine-focused testbed, cementing Plymouth’s position at the forefront of marine and maritime innovation. The testbed will be free to use for local and international businesses to create and develop marine 5G use cases.

Some of the first companies to make use of the 5G environment are:

- **Marine Assured Autonomy Testbed (MAAT):** Led by Lloyds Register and the National Physical Laboratory (NPL), the MAAT programme will see the creation of a fully synthetic and virtualised environment to test, prove and assure marine autonomy scenarios by utilising live data from Smart Sound Connect on a digital platform. This “digital twin” environment will form the basis for a marine autonomy certification and classification programme for autonomous vehicles.
- **Requirements for Operational Assurance of Data Standards (ROADS):** ROADS is an international collaborative programme to develop specific digital standards and measurements. The creation of such standards will be supported by and coordinated through leading UK agencies, including the National Physical Laboratory (NPL), who are partnering with Lloyd’s Register and Ocean Futures on the Maritime Assured Autonomous Testbed (MAAT) programme.
- **Bounty Project:** The Bounty Project is an educational and public programme that utilises Bounty’s End, a replica sailing vessel from the channel 4 series, “Mutiny”. The project will see live cameras and data sensors mounted on the vessel to provide live streaming from voyages around Plymouth Sound to be used publicly and in schools and colleges.

Access to these private networks is delivered through high performance remote operations centres based in Oceansgate and Plymouth Marine Laboratory (PML). The service is fully managed by PML.

Smart Sound Connect has been funded by the Heart of the South West Local Enterprise Partnership. The network is the first of its kind and will be free for businesses, academics and Government organisations to use in their testing and research on and under the waters of Plymouth Sound.

Featuring five mobile sites, including one on The Sound’s iconic Napoleonic era fort, the network will provide private connectivity for guaranteed performance.

A Mobile Private Network (MPN) has all the features of the widespread mobile network but is private and only available to specific users and devices. This has the benefit of increased security, guaranteed performance. An MPN can be deployed in any location and can range from a single office or factory to wide areas of farmland or coastline.

## The Way We Work

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>, ARCA (Plymouth) Limited and @Plymouth Care.

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.

## The Council's Performance

The Plymouth City Corporate Plan 2021-25 sets out the Council's vision of Plymouth being 'Once of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone'. This was

approved by Full Council in June 2021. 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. The COVID-19 pandemic has had far reaching impacts across all services, including the ability for the Council to report on performance against some indicators.

## 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 from 2013 to the end of March 2022. As can be seen from the table below Plymouth has benefitted from an additional £11.106m since 1 April 2013 and the Devon economy has benefitted overall by £58.546m since the pool's inception in 2013.

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 2022								
Business Rate Retention Scheme	2013-16 50%	2016/17 50%	2017/18 50%	2018/19 100% Pilot	2019/20 50%	2020/21 50%	2021/22 50%	Total
	£	£	£	£	£	£	£	£
Devon	1,774,429	856,728	1,383,502	15,306,012	2,228,157	2,145,986	2,511,070	26,205,884
East Devon	250,785	124,356	204,928	1,669,512	315,779	303,873	355,874	3,225,107
Exeter	562,211	279,293	443,865	961,211	682,088	656,335	768,694	4,353,697
Mid Devon	132,305	65,383	107,621	195,650	166,760	160,490	187,934	1,016,143
North Devon	258,998	128,363	206,831	658,941	319,050	307,028	359,561	2,238,772
South Hams	151,543	0	0	460,047	308,947	297,284	348,174	1,565,995
Teignbridge	255,425	126,470	205,035	480,085	316,768	304,841	356,989	2,045,613
Torridge	106,051	52,241	89,908	382,617	139,918	134,669	157,684	1,063,088
West Devon	97,992	48,424	83,235	270,162	128,901	124,053	145,268	898,035
Plymouth	1,536,610	750,350	1,204,222	1,727,204	1,904,143	1,837,986	2,145,916	11,106,431
Torbay	761,647	370,922	580,334	263,329	922,674	888,429	1,039,828	4,827,163
<b>Total</b>	<b>5,887,996</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>8,376,992</b>	<b>58,545,928</b>

### Strategy and Resource Allocation – The Council's Budget and Medium Term Financial Plan 2021/22 to 2026/27

The Council's gross revenue budget for 2021/22 was £519.061m, which after adjusting for income equates to a net budget requirement of £195.568m. This was approved by Full Council on the 22 February 2021 and included £21.069m of increased pressures in 2021/22 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 (2022/23 to 2026/27). 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			
	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
<b>Revenue Resources Available</b>	<b>(196.529)</b>	<b>(202.996)</b>	<b>(210.393)</b>	<b>(216.012)</b>	<b>(221.757)</b>
Baseline spend requirement	195.568	195.568	195.568	195.568	195.568
Plus identified additional costs	29.506	44.800	56.297	66.970	75.624
<b>Overall Spend Requirement</b>	<b>225.074</b>	<b>240.368</b>	<b>251.865</b>	<b>262.538</b>	<b>271.192</b>
<b>Total Funding Gap Before Savings</b>	<b>28.545</b>	<b>37.372</b>	<b>41.472</b>	<b>46.526</b>	<b>49.435</b>
Savings	(6.181)	(11.303)	(11.303)	(11.303)	(11.303)
One-off	(6.123)	0.000	0.000	0.000	0.000
Grant income	(12.591)	(2.823)	(2.823)	(2.823)	(2.823)
<b>Total Savings</b>	<b>(24.895)</b>	<b>(14.126)</b>	<b>(14.126)</b>	<b>(14.126)</b>	<b>(14.126)</b>
<b>Shortfall</b>	<b>3.650</b>	<b>23.246</b>	<b>27.346</b>	<b>32.400</b>	<b>35.309</b>
Assumed Resource Increase to Balance Budget	(3.650)	(3.650)	(3.650)	(3.650)	(3.650)
<b>Budget Gap</b>	<b>0.000</b>	<b>19.596</b>	<b>23.696</b>	<b>28.750</b>	<b>31.659</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, it makes financial planning for the medium term extremely difficult.

### 2021/22 Revenue Outturn

The Council has balanced its budget, reporting a breakeven position for 2021/22. The overall net spend matches the net budget of £195.568m. The outturn position needs to be considered in the context of a challenging financial climate, made more so with responding to COVID-19. The setting



aside of resources, as approved by Full Council on the 28 February 2022, has assisted in balancing the 2022/23 Revenue Budget.

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.

Most directorates, with the exception of Corporate Items and People, came in on or under budget for their business as usual activity.

The net revenue budget of £195.568m was allocated to council services as follows:

Directorate	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Council Approved Net Budget	Business as Usual 2021/22 Outturn	Year End Over/ (Under) Spend
	£m	£m	£m	£m	£m
Executive Office	6.088	(0.550)	5.538	5.538	0.000
Corporate Items	18.595	(41.024)	(22.429)	(22.118)	0.311
Customer and Corporate Services	115.655	(71.685)	43.970	43.925	(0.045)
People Directorate	272.956	(129.804)	143.152	143.413	0.261
Office for the Director of Public Health	19.497	(19.972)	(0.475)	(0.890)	(0.415)
Place Directorate	86.270	(60.458)	25.812	25.700	(0.112)
<b>Total</b>	<b>519.061</b>	<b>(323.493)</b>	<b>195.568</b>	<b>195.568</b>	<b>0.000</b>

### Government Funding for COVID

As in 2020/21, the Council received a range of grants including compensation for Business Rate Reliefs from Central Government to support the overall response to the COVID-19 pandemic. The financial impact of these grants is included within the outturn and Statement of Accounts. The grants and Business Rate Reliefs were administered by the Council in line with the guidance received from Central Government.

The Council had to determine whether in administering the grants received they were acting as an agent or principal:

- The Council acted as an agent where it did not have 'control' of the grant conditions and there was no flexibility over the level of grant payable;
- The Council acted as principal if it was able to use its own discretion when allocating the amount of grant payable and the conditions of the grant.

### Grant Support for Businesses

The Business Grant schemes operating across 2020/21 and 2021/22 are set out in the table below. The Council paid out £95.857 million in Government grants to more than 6,029 local businesses during 2020/21 and 2021/22.

A huge team of up to 50 staff from several departments across the Council were involved in the largest business grant exercise the Council has ever undertaken. There were a number of separate Government grant schemes to administer over the two years of administration, this involved running a business helpline, providing Frequently Answered Questions (FAQs) and regular updates on the Council and Invest Plymouth website and proactively reaching out to businesses that were eligible for payments to ensure they didn't miss out on the funding made available by Government. The support was vital to help businesses survive ongoing restrictions.

The Council spent 100% of its allocation for the award of discretionary Business Grants where it was acting as Principal and did its best to identify eligible businesses where it was acting as an agent for the government. The table below summarises the position for each grant scheme at the end of the two year period of administration:

<b>COVID Business Grants</b>							
<b>Grant Name</b>	<b>Funding</b>	<b>Spend</b>	<b>Balance</b>	<b>Payment Count</b>	<b>Unique Business Count</b>	<b>% Spend</b>	<b>Scheme Status</b>
<b>Lockdown 1</b>							
SBRG and RLHSG	£45,457,650	£45,415,000	£42,650	3,748	3,519	100%	Closed
Discretionary Scheme	£2,270,750	£2,270,750	£0	367	357	100%	Closed
	<b>£47,728,400</b>	<b>£47,685,750</b>	<b>£42,650</b>	<b>4,115</b>	<b>3,870</b>		
<b>Lockdown 2</b>							
LRSG (Closed) November	£4,009,122	£3,302,344	£706,778	2,075	1,878	82%	Closed
<b>December 2020 Tier 2/3 Restrictions</b>							
LRSG (Closed) December	£291,260	£335,320	-£44,060	447	425	115%	Closed
LRSG (Open) December	£1,079,936	£813,532	£266,404	647	602	75%	Closed
Christmas Support Payment	£118,000	£117,000	£1,000	117	108	99%	Closed
	<b>£1,489,196</b>	<b>£1,265,852</b>	<b>£223,344</b>	<b>1,211</b>	<b>722</b>		
<b>Other Lockdown 2 &amp; Tier 2/3</b>							
LRSG (Sector)	£0	£33,281	-£33,281	10	9	N/A	Closed
<b>Lockdown 3</b>							
LRSG (Closed) January	£6,013,683	£4,993,521	£1,020,162	2,090	1,892	83%	Closed
Closed Business Lockdown Payment	£12,024,000	£10,002,000	£2,022,000	2,092	1,893	83%	Closed
LRSG (Closed) February	£6,300,049	£5,171,162	£1,128,887	2,070	1,878	82%	Closed
	<b>£24,337,732</b>	<b>£20,166,683</b>	<b>£4,171,049</b>	<b>6,252</b>	<b>1,982</b>		
<b>Post Lockdown 3</b>							
Restart Grant	£13,788,369	£12,037,437	£1,750,932	1,573	1,417	87%	Closed
<b>Post Lockdown 1 Discretionary</b>							
Additional Restrictions Grant	£9,040,203	£9,040,203	£0	3,609	2,383	100%	Closed
<b>Omicron</b>							
Omicron Hospitality and Leisure Grant	£2,658,168	£2,325,478	£332,690	696	622	87%	Closed
<b>Totals</b>	<b>£103,051,190</b>	<b>£95,857,028</b>	<b>£7,194,162</b>	<b>19,541</b>	<b>6,029</b>	<b>93%</b>	

### COVID-19 Ringfenced Grants

Throughout 2021/22 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.

<b>Grant Name</b>	<b>Awarding Body</b>	<b>PCC Acting as Agent or Principal</b>	<b>Brought Forward into 2021/22</b>	<b>Grant Received in 2021/22</b>	<b>Total Grant</b>	<b>Expenditure as at 31 March 2022</b>	<b>Grant Remaining</b>
			<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Additional dedicated Home to School and college Transport	Department for Education (DfE)	Principal	177,137	33,921	211,058	211,058	0
Clinically Extremely Vulnerable Fund	Department for Levelling Up, Homes & Communities (DLUHC)	Principal	201,600	462,775	664,375	664,375	0

Grant Name	Awarding Body	PCC Acting as Agent or Principal	Brought Forward into 2021/22	Grant Received in 2021/22	Total Grant	Expenditure as at 31 March 2022	Grant Remaining
			£	£	£	£	£
Community Testing	Department of Health and Social Care (DHSC)	Principal	28,345	293,972	322,317	322,317	0
Contain Outbreak Management Fund	DHSC	Principal	3,148,294	2,026,937	5,175,231	5,175,231	0
Council Tax Hardship Fund	DLUHC	Principal	0	2,927,382	2,927,382	1,784,478	1,142,904
COVID - 19 PPE Grant	DHSC	Principal	0	31,210	31,210	31,210	0
COVID Catch-up Premium Schools	DfE	Principal	0	219,827	219,827	219,827	0
COVID Channel Area Response Effort – C-Care	European Regional Development Fund (ERDF)	Principal	0	244,148	244,148	1,169,000	0
COVID Local Grant Scheme	Department for Work and Pensions (DWP)	Principal	0	1,089,460	1,089,460	1,089,460	0
COVID School Exceptional Costs	DfE	Principal	0	9,026	9,026	9,026	0
COVID Winter Grant Scheme	DWP	Principal	0	325,579	325,579	325,579	0
Emergency Funding for Local Government	DLUHC	Principal	7,714,000	7,854,381	15,568,381	15,568,381	0
Free School Meals COVID Grant	DfE	Principal	0	46,967	46,967	46,967	0
Income Compensation Scheme	DLUHC	Principal	0	91,454	91,454	91,454	0
Infection Control	DHSC	Agent	0	5,019,769	5,019,769	5,019,769	0
Local Transport Authority - Bus Recovery Grant	Department for Transport (DfT)	Principal	81,950	176,479	258,429	249,969	8,460
National Leisure Recovery Fund	Department for Culture media and Sport	Principal	330,690	0	330,690	273,167	57,523
Practical Support Grant	DHSC	Principal	65,369	637,909	703,278	703,278	0
Recovery Premium	DfE	Principal	0	177,480	177,480	177,480	0
Reopening High Streets Safely	ERDF	Principal	53,840	0	53,840	53,840	0
School Led Tutoring	DfE	Principal	0	177,312	177,312	177,312	0
Schools National Testing Programme	DfE	Principal	0	202,840	202,840	202,840	0
Summer Schools Programme	DfE	Principal	0	100,197	100,197	100,197	0
Test & Trace Support Grant	DLUHC	Principal	1,143,299	0	1,143,299	853,728	289,571
Test & Trace Support Payment Admin Grant	DLUHC	Principal	97,070	73,996	171,066	171,066	0
Test and Trace Support Payments Grant	DHSC	Principal	0	1,164,500	1,164,500	1,169,000	0

Grant Name	Awarding Body	PCC Acting as Agent or Principal	Brought Forward into 2021/22	Grant Received in 2021/22	Total Grant	Expenditure as at 31 March 2022	Grant Remaining
			£	£	£	£	£
Travel Demand Management	DfT	Principal	79,149	0	79,149	79,149	0
Welcome Back Fund	ERDF	Principal	0	303,756	303,756	303,756	0
Wellbeing Grant	DfE	Principal	0	29,437	29,437	26,557	2,880
Workforce Recruitment & Retention	DfE	Principal	0	869,446	869,446	869,446	0
<b>Total COVID Related Funding Received</b>			<b>13,120,743</b>	<b>24,590,161</b>	<b>37,710,903</b>	<b>37,138,917</b>	<b>1,501,338</b>

### Other COVID-19 Grants

The announcement of several Business Rate Reliefs was announced after the 2021/22 budget had been set:

- Grant in lieu of Business Rates – Compensation for the award of Retail, Leisure, Hospitality and Nursery Business Rate Relief.

This meant that once the reliefs were awarded it created a Collection Fund deficit for which a compensating grant was awarded. However, due to the complexities of Collection Fund accounting, the grant is applied through the revenue budget of the following year (2022/23). When the 2022/23 budget was set, it was assumed that £12.727m of reliefs would be awarded, so the 2022/23 budget was prepared anticipating this impact. This sum has therefore been included in both the Collection Fund outturn and in the earmarked reserves.

- COVID-19 Additional Relief Fund (CARF)

On 25 March 2021, the Government announced the CARF to enable Local Authorities to provide Business Rate Relief to businesses other than those already receiving COVID-19 reliefs. The details of the scheme were finally issued in December 2021 and the Council was awarded £5.831m at the end of February 2022. The Council had to adopt a local discretionary scheme which was approved by a Delegated Decision on the 2 March 2022. The scheme was implemented and £5.031m was applied to business rate accounts prior to the 31 March 2022.

### Council Tax Energy Rebate

In February 2022, the Government announced that Councils would be responsible for administering the Council Tax Energy Rebate scheme. Although this was a 2022/23 scheme the Council received £16.633m on 30 March 2022 for non-discretionary payments where it will be acting as an agent on behalf of the government. This was held on the Balance Sheet at the end of March 2022 as a liability.

### Working Balance

The Working Balance as at 31 March 2022 is £8.744m. 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 2021/22 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 overpayments.

Some key indicators are:

- 96.75% of Council Tax collected in year for 2021/22 towards the total collection target of 96.5% (96.41% in 2020/21). This equates to £141.062m. This is above the in-year target and heralds a return to more normal levels of council tax collection.
- 98.74% of NDR collected in year for 2021/22 towards the total collection target of 99.00% (98.53% in 2020/21). The collection rate for both years was affected by impacts of the COVID-19 pandemic on businesses and the changing levels of support available to them as restrictions across the country eased. The amount collected equates to £72.923m.
- Average borrowing rate of 1.70% was achieved above target of 1.60% in 2021/22 (1.90% in 2020/21). This equates to additional borrowing costs of £0.538m.
- Average investment return of 1.30% was achieved against target of 1.0% in 2021/22 (1.30% in 2020/21). This equates to additional interest of £0.565m.
- VAT partial exemption at 4.38% against a limit of 4.99% in 2021/22 (4.43% in 2020/21).

## Capital

During the year 2021/22 the Council spent £75.275m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved five year (2021-26) Capital Budget of £402.356m reported to Full Council on 22 February 2021.

Directorate	Latest Forecast December 2021	Approvals Post December	Total Capital 2021-22	Re-Profiling	Variations	2021/22 Capital Spend	Movement in Quarter %
	£m	£m	£m	£m	£m	£m	%
Place Directorate	110.087	1.398	111.485	(51.761)	(0.179)	59.545	53.0
People Directorate	8.930	0.815	9.745	(1.041)	0.029	8.733	90.0
Customer and Corporate Services	8.768	2.524	11.292	(6.613)	(0.229)	4.450	39.0
Office for the Director of Public Health	12.370	0.000	12.370	(9.823)	0.000	2.547	21.0
<b>Total Capital Programme</b>	<b>140.155</b>	<b>4.737</b>	<b>144.892</b>	<b>(69.238)</b>	<b>(0.379)</b>	<b>75.275</b>	<b>52.0</b>

The 2021/22 programme outturn of £75.275m has enabled investment in the city and includes some notable capital schemes and areas of investment, including:

- £18.045m Forder Valley Link Road and interchange;
- £5.307m Highway maintenance and essential engineering;
- £5.207m Decarbonisation projects and home energy efficiency;
- £4.739m Strategic transport schemes;
- £4.288m Property and regeneration;
- £3.185m Environmental service vehicles/containers;
- £3.108m Disabled Facilities;

- £2.719m Corporate property improvements;
- £2.547m Development of a new crematorium;
- £2.439m Life Centre improvements;
- £1.835m Education and community neighbourhoods;
- £1.768m Oceansgate phase 2/3;
- £1.512m Information Systems;
- £1.458m Plymouth Railway Station;
- £1.305m City Centre Public Realm;
- £0.453m National Marine Park.

### Capital Funding 2021-26

The latest capital programme is summarised as follows, this does not reflect the impact of the re-profiling of the budget for 2021/22 which is shown above:

Directorate	2021/22 Actual	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	Total
	£m	£m	£m	£m	£m	£m
Place Directorate	110.087	174.125	57.156	11.035	0.836	353.239
People Directorate	8.930	11.876	3.716	0.132	0.132	24.786
Customer and Corporate Services	8.768	3.193	0.000	0.000	0.000	11.961
Office for the Director of Public Health	12.370	0.000	0.000	0.000	0.000	12.370
<b>Total</b>	<b>140.155</b>	<b>189.194</b>	<b>60.872</b>	<b>11.167</b>	<b>0.968</b>	<b>402.356</b>

### Capital Financing 2021/22

The following table shows the final financing of the 2021/22 capital programme:

Method of Financing	Total	Funding
	£m	%
Capital receipts	2	2
Grants (Government, HLF, LEP, Environment Agency)	34	45
Contributions, S106 & CIL (neighbourhood elements)	1	2
Borrowing:		
Corporately funded	27	36
Service borrowing (revenue budget funded)	11	15
<b>Capital Programme Financings 2021/22</b>	<b>75</b>	<b>100</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 2022 were £40.227m 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 2022 the Council held £227.861m short-term borrowing and £325.629m long term borrowing which is within the Council's approved limits.

### Balance Sheet Position

The Council's Balance Sheet position is as follows:

Position	Balance as at 31 March 2021	Balance as at 31 March 2022
	£000	£000
Non-current assets - principally land, buildings and equipment used to deliver council services	1,278,951	1,346,616
Net current assets - current assets less current liabilities	(515,757)	(379,975)
Long term liabilities and provisions (including pensions) see points 1 and 2	(943,556)	(1,006,190)
<b>Net liabilities</b>	<b>(180,362)</b>	<b>(39,549)</b>
<b>Represented by:</b>		
Usable reserves (see point 3)	114,613	124,120
Unusable reserves	(294,975)	(163,669)
<b>Total reserves</b>	<b>(180,362)</b>	<b>(39,549)</b>

- The Council's largest balance sheet liability is represented by £514.100m 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 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 £10.061m 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 £7.113m due to the COVID-19 pandemic and the uncertainty over business rates (£8.945m at 31 March 2021).
- Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £3.121m held on behalf of schools and £8.393m general fund working balances to cover short term cash flow movements, budget overspends and other unforeseen contingencies. The working balance represents 5% 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:

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

These documents are continually updated and reviewed on a quarterly basis. The MTFP is wide ranging and includes estimates of future income and expenditure. It allows the Finance team to balance the financial implications of the Council's Corporate Plan, service objectives and policies with the constraints in resources. This year's budget (2021/22) and the modelling for future years budgets were prepared prior to the Ukrainian war taking place and they will be revisited in 2022/23 to determine what action needs to be taken to balance the budget.

The Department for Levelling Up, Homes and Communities (DLUHC) 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 2022/23-25/26 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	Rigorous reporting framework from directorate DMT's through to monthly report to Scrutiny Committee, council is developing a multi-year savings programme to deal with future challenges
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. Additional social work capacity and review of high cost placements
<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) Established Task Group. Strengthen School Causing Concern procedure. Development of Plymouth Standards Partnership Recovery and Improvement Plan



Risk	Link to Corporate Plan	Impact	Mitigation
<b>Compliance, Regulation &amp; Safeguarding</b>			
Ongoing COVID-19 rates	A Caring Council	High risk of further waves of infection, timing uncertain	Local Outbreak Management Plan co-designed and published
Failure to reduce health inequalities	A Caring Council	Poorest residents continue to live shorter lives and more years with ill-health	The Thrive Plymouth framework links to Plymouth Plan and Integrated Commissioning Strategies
<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 22 February 2021 set 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 2021/22

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2022. 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 2021/22. 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 will be reported to and approved by the Audit Committee on the 29 September 2022. This can then be found on the Council's website.

## CONCLUSION

The formal audit of the Draft Statement of Accounts commenced on 1 August 2022, and in line with our statutory duty the accounts will be made available for scrutiny by interested members of the public from 1 August to 12 September 2022.

Following any adjustments, as a result of the audit and/or post balance sheet events, we will present the final Statement of Accounts to the Audit Committee scheduled for September and following formal sign off, we will endeavour to publish them on our web pages no later than 30 November 2022.

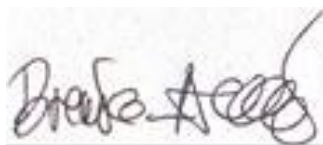
Local Audit and Accountability Act 2014 and Accounts and Audit (England) Regulations 2015:

- 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 31 July 2022.

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 July 2022

## 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).

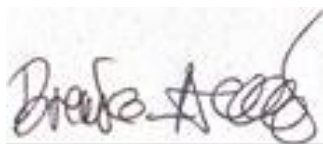
In preparing this Statement of Accounts, the Service Director for Finance has:

- 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 2022 and of its expenditure and income for the year ended 31 March 2022.



Brendan Arnold

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

Dated: 31 July 2022

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

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. Councils raise taxation to cover expenditure in accordance with statutory 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.

2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure		Note	2021/22 Gross Expenditure	2021/22 Gross Income	2021/22 Net Expenditure
£000	£000	£000			£000	£000	£000
6,254	(757)	5,497	Executive Office		7,859	(1,295)	6,564
18,030	(62,629)	(44,599)	Corporate Items		14,116	(42,167)	(28,051)
114,059	(75,033)	39,026	Customer and Corporate Services *		108,233	(68,916)	39,317
277,775	(146,186)	131,589	People Directorate		303,698	(160,577)	143,121
23,563	(23,272)	291	Public Health		28,175	(27,632)	543
93,588	(37,438)	56,150	Place Directorate		107,580	(45,639)	61,941
<b>533,269</b>	<b>(345,315)</b>	<b>187,954</b>	<b>(Surplus)/Deficit on Continuing Operations</b>		<b>569,661</b>	<b>(346,226)</b>	<b>223,435</b>
10,360	(1,502)	8,858	Other Operating Expenditure	<a href="#">11</a>	17,941	(2,382)	15,559
51,437	(28,310)	23,127	Financing and Investment Income and Expenditure	<a href="#">13</a>	48,322	(33,385)	14,937
0	(210,316)	(210,316)	Taxation and Non-specific Grant Income	<a href="#">14</a>	0	(233,876)	(233,876)
<b>595,066</b>	<b>(585,443)</b>	<b>9,623</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>635,924</b>	<b>(615,869)</b>	<b>20,055</b>
		(16,740)	(Surplus)/deficit on Revaluation of Non-current Assets	<a href="#">22.1</a>			(43,335)
		110,712	Re-measurement of the Net Defined Benefit Liability (Assets)	<a href="#">22.4</a>			(113,549)
		0	(Surplus)/deficit from investments in equity instruments designated at fair value through comprehensive income.				0
		(5,706)	Hedge recognised (gains)/losses				(5,775)
		934	Other recognised (gains)/losses				1,791
		<b>89,200</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(160,868)</b>
		<b>98,823</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(140,813)</b>

\* In 2021/22 the Finance Department merged with the Customer and Corporate Service Directorate for reporting purposes

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

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 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 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		(9,623)	0	(9,623)	0	0	(9,623)	(89,199)	(98,822)
Adjustments between accounting basis and funding under regulations	<a href="#">10</a>	61,330	0	61,330	(70)	3,306	64,566	(64,566)	0
<b>Net Increase/(Decrease) Before Transfer to Earmarked Reserves</b>		<b>51,707</b>	<b>0</b>	<b>51,707</b>	<b>(70)</b>	<b>3,306</b>	<b>54,943</b>	<b>(153,765)</b>	<b>(98,822)</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>350</b>	<b>51,357</b>	<b>51,707</b>	<b>(70)</b>	<b>3,306</b>	<b>54,943</b>	<b>(153,765)</b>	<b>(98,822)</b>
Balance at 31 March 2021		8,394	75,414	83,808	16,178	14,628	114,613	(294,975)	(180,362)
<b>Movement in Reserves 2021/22</b>									
Total Comprehensive Income and Expenditure		(20,055)	0	(20,055)	0	0	(20,055)	160,868	140,813
Adjustments between accounting basis and funding under regulations	<a href="#">10</a>	24,740	0	24,740	780	4,041	29,562	(29,562)	0
<b>Net Increase/(Decrease) Before Transfer to Earmarked Reserves</b>		<b>4,685</b>	<b>0</b>	<b>4,685</b>	<b>780</b>	<b>4,041</b>	<b>9,507</b>	<b>131,306</b>	<b>140,813</b>
Transfer (to)/from reserves	<a href="#">12</a>	(4,336)	4,336	0	0	0	0	0	0
<b>Net Increase/(Decrease) in 2021/22</b>		<b>349</b>	<b>4,336</b>	<b>4,685</b>	<b>780</b>	<b>4,041</b>	<b>9,507</b>	<b>131,306</b>	<b>140,813</b>
Balance at 31 March 2022		8,743	79,750	88,493	16,958	18,669	124,120	(163,669)	(39,549)

## BALANCE SHEET

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 2021		Note	31 March 2022
£000			£000
899,250	Property Plant and Equipment	<a href="#">15</a>	964,671
30,063	Heritage Assets	<a href="#">16</a>	25,658
275,442	Investment Property	<a href="#">17</a>	271,065
1	Intangible Assets		2
60,655	Long-term Investments	<a href="#">18.1</a>	72,521
13,540	Long-term Debtors	<a href="#">19.2</a>	12,699
<b>1,278,951</b>	<b>Non-current Assets</b>		<b>1,346,616</b>
526	Inventories		443
96,218	Short-term Debtors	<a href="#">19.1</a>	75,702
41,859	Cash and Cash Equivalents	<a href="#">23.4</a>	40,227
538	Assets Held for Sale		598
<b>139,141</b>	<b>Current Assets</b>		<b>116,970</b>
(464,242)	Short-term Borrowing	<a href="#">18.1</a>	(227,861)
(113,304)	Short-term Creditors	<a href="#">20.1</a>	(126,494)
(3,065)	Short-term Provisions	<a href="#">21</a>	(8,292)
(8,950)	Grants Received in Advance - Revenue	<a href="#">29</a>	(6,638)
(65,337)	Grants Received in Advance - Capital	<a href="#">29</a>	(127,660)
<b>(654,898)</b>	<b>Current Liabilities</b>		<b>(496,945)</b>
(8,895)	Long-term Creditors	<a href="#">20.2</a>	(10,311)
(18,057)	Long-term Provisions	<a href="#">21</a>	(12,931)
(135,527)	Long-term Borrowing	<a href="#">18.1</a>	(325,629)
(588,890)	Long-term Liabilities Pensions	<a href="#">34.3 &amp; 34.9</a>	(514,100)
(116,867)	Other Long-term Liabilities	<a href="#">20.3</a>	(113,570)
(75,320)	Grants Received in Advance - Capital	<a href="#">29</a>	(29,649)
<b>(943,556)</b>	<b>Long Term Liabilities</b>		<b>(1,006,190)</b>
<b>(180,362)</b>	<b>Net Assets</b>		<b>(39,549)</b>
114,613	Usable Reserves		124,120
(294,975)	Unusable Reserves	<a href="#">22</a>	(163,669)
<b>(180,362)</b>	<b>Total Reserves</b>		<b>(39,549)</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.

2020/21		Note	2021/22
£000			£000
(9,623)	Net Surplus/(Deficit) on the Provision of Services	<a href="#">23.1</a>	(20,055)
66,897	Adjustment to Net Surplus/(Deficit) on the Provision of Services for non-cash movement	<a href="#">23.1</a>	76,369
(14,643)	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>	(34,588)
<b>42,631</b>	<b>Net Cash Flows from Operating Activities</b>		<b>21,726</b>
(37,221)	Investing activities	<a href="#">23.2</a>	(20,036)
(2,341)	Financing activities	<a href="#">23.3</a>	(3,322)
<b>3,069</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(1,632)</b>
38,790	Cash and cash equivalents at the beginning of the reporting period	<a href="#">23.4</a>	41,859
<b>41,859</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>		<b>40,227</b>



## NOTES TO THE FINANCIAL STATEMENTS

1	Accounting Policies .....	34
2	Material Items of Income and Expenditure.....	49
3	Critical Judgements in Applying Accounting Policies.....	49
4	Accounting Standards that have been Issued but have Not Yet Been Adopted.....	50
5	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.....	50
6	Events After the Balance Sheet Reporting Period .....	52
7	Expenditure and Funding Analysis .....	53
8	Note to the Expenditure and Funding Analysis.....	54
9	Expenditure and Income Analysed by Nature .....	55
10	Adjustments Between Accounting Basis and Funding Basis Under Regulations .....	56
11	Other Operating Expenditure .....	58
12	Movement in Earmarked Reserves.....	58
13	Financing and Investment Income and Expenditure.....	60
14	Taxation and Non-Specific Grant Income and Expenditure.....	60
15	Property, Plant and Equipment.....	61
16	Heritage Assets.....	64
17	Investment Properties .....	65
18	Financial Instruments .....	68
19	Debtors.....	76
20	Creditors.....	77
21	Provisions .....	78
22	Unusable Reserves .....	79
23	Notes to Cash Flow.....	84
24	Pooled Budgets – Integrated Fund.....	85
25	Members’ Allowances.....	86
26	Officers’ Remuneration.....	87
27	External Audit Costs .....	91
28	Dedicated Schools Grant.....	91
29	Grant Income .....	92
30	Related Parties .....	96
31	Capital Expenditure and Capital Financing .....	98
32	Leases.....	99
33	Private Finance Initiatives (PFI) and Similar Contracts.....	100
34	Pensions.....	101
35	Contingent Assets and Liabilities .....	108

## **I Accounting Policies**

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

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year ended 31 March 2022. 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 2021/22 (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.

#### **1.4 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 2.6% (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; and
- 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 contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the 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.

The fair value measurements of the financial assets are based on the following techniques:

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

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in the section below on 'Fair Value Measurement of Financial Assets'.

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 CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit or loss unless there is an irrevocable election to recognise changes in fair value

through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit and loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

### **Fair Value Measurement 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.

### **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-ringfenced 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 Properties

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 year-end. 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 Edgumbe 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 the Lessee (Leased in Assets)**

## Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Schools may make their own arrangements for operating leases using income from their schools budget share. These are included within total lease payments.

## The Council as the 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 or deficit on the provision of services.

## **2 Material Items of Income and Expenditure**

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. For the purposes of this Note the Council considers material items to be those greater than £6.91m.

## **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 £62.585m, if the bridge was valued at its depreciated historic cost in line with other infrastructure assets the value would be £25.599m, so would therefore be misleading to use historic cost as a basis for valuation.

The Council has 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 2021/22 Code and that came into effect on or before 1 January 2022.

For 2021/22 the following potentially relevant standards include:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year);
- Annual improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard;
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material;
  - IAS 41 (Agriculture) – one of a small number of IFRSs which will only apply to local authorities in limited circumstances.

There are no changes in accounting requirements for 2022/23 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 note [1.19](#)); and the liability for future pension payments, which carries the most significant risk of material adjustment.

Item	Uncertainties	Consequences (if actual results differ from assumptions)
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <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 and external valuers provided valuations as at 31 March 2022 for approximately 87% 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 £964.671m.</p> <p>Valuations are 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.</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>
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 £514.100m.</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>

## Material Uncertainties

There are material uncertainties around valuations in the following areas:

### Property, Plant and Equipment – Valuations Undertaken at 31 March 2022

Non-current asset valuations are based on professional valuations which themselves can use indicators such as market conditions. These are reviewed annually to ensure that they are materially correct when reported within the annual statement of accounts. However, as the value of Property, Plant and Equipment in the Council's balance sheet is in excess of £964m a small adjustment in these valuations could have a material impact on the value held in the Council's accounts.

### Pensions Liability

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 Ukrainian war. 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 £27.906m. Similarly, a reduction of 1 year in the mortality assumption would result in a reduction of £63.325m in the (gross) pension liability. Further detail is held in note [34](#) to the accounts. 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. These 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.

## 6 Events After the Balance Sheet Reporting Period

The Council's Section 151 Officer authorised the Statement of Accounts on 31 July 2022. 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 2022, 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 2022 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.

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 to the CIES		2021/22 Directorate Total Reported for Outturn	2021/22 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2021/22 Net Expenditure Chargeable to the General Fund Balances	2021/22 Adjustments Between the Funding and Accounting Basis	2021/22 Net Expenditure to the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,589	1	5,590	(93)	5,497	Executive Office	5,538	234	5,772	792	6,564
(36,133)	(3,627)	(39,760)	(4,839)	(44,599)	Corporate Items	(22,118)	(15,273)	(37,391)	9,340	(28,051)
42,629	(6,898)	35,731	3,295	39,026	Customer and Corporate Services *	43,925	(6,787)	37,138	2,179	39,317
146,021	470	146,491	(14,902)	131,589	People Directorate	143,413	9,444	152,857	(9,736)	143,121
1,349	0	1,349	(1,058)	291	Public Health	(890)	54	(836)	1,379	543
33,872	507	34,379	21,771	56,150	Place Directorate	25,700	2,803	28,503	33,438	61,941
193,327	(9,547)	183,780	4,174	187,954	<b>Net Cost of Service</b>	195,568	(9,525)	186,043	37,392	223,435
		(235,487)	57,156	(178,331)	Other Income and Expenditure			(190,728)	(12,652)	(203,380)
		(51,707)	61,330	9,623	(Surplus)/Deficit on Provision of Service			(4,685)	24,740	20,055
		(32,101)			Opening General Fund and Earmarked Balance at 31 March			(83,808)		
		(51,707)			(Surplus)/Deficit on General Fund and Earmarked Balance in Year			(4,685)		
		(83,808)			<b>Closing General Fund Balance at 31 March</b>			(88,493)		

\* In 2021/22 the Finance Department merged with the Customer and Corporate Service Directorate for reporting purposes

## 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
	£000	£000	£000	£000
2021/22				
Executive Office	11	825	(44)	792
Corporate Items	(10)	2,859	6,491	9,340
Customer and Corporate Services *	3,453	4,272	(5,546)	2,179
People Directorate	(2,701)	11,725	(18,760)	(9,736)
Public Health	979	963	(563)	1,379
Place Directorate	33,543	7,217	(7,322)	33,438
<b>Net Cost of Service</b>	<b>35,275</b>	<b>27,861</b>	<b>(25,744)</b>	<b>37,392</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	26,890	12,342	(51,884)	(12,652)
<b>Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service</b>	<b>62,165</b>	<b>40,203</b>	<b>(77,628)</b>	<b>24,740</b>

\* In 2021/22 the Finance Department merged with the Customer and Corporate Service Directorate for reporting purposes

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
2020/21				
Executive Office	33	363	(489)	(93)
Corporate Items	(30)	2,238	(7,047)	(4,839)
Customer and Corporate Services *	4,365	1,788	(2,858)	3,295
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 Income and Expenditure from the Expenditure and Funding Analysis	28,399	11,130	17,627	57,156
<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>(17,055)</b>	<b>61,330</b>

\* In 2021/22 the Finance Department merged with the Customer and Corporate Service Directorate for reporting purposes

### 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 Charge for the Pension Adjustments

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

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

### Other Differences

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	2020/21	2021/22
	£000	£000
<b>Expenditure:</b>		
Employee benefits expenses	143,756	168,390
Other service expenses	398,905	400,094
Depreciation, amortisation, impairment	37,815	52,926
Interest payments	14,590	14,514
<b>Total Expenditure</b>	<b>595,066</b>	<b>635,924</b>
<b>Income:</b>		
Fees, charges and other service income	(117,713)	(139,496)
Interest and investment income	(10,579)	(13,704)
Income from council tax, non-domestic rates, district rate income	(143,615)	(173,341)
Government grants and contributions	(313,536)	(289,328)
<b>Total Income</b>	<b>(585,443)</b>	<b>(615,869)</b>
<b>Surplus or Deficit on the Provision of Service</b>	<b>9,623</b>	<b>20,055</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	2020/21				2021/22			
	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	(22,920)	0	0	22,920	(42,564)	0	0	42,564
Movements in the market value of Investment Properties	(8,300)	0	0	8,300	(2,587)	0	0	2,587
Amortisation of intangible assets	(7)	0	0	7	0	0	0	0
Capital grants and contributions	24,980	0	(24,980)	0	32,193	0	(32,331)	138
Movement in the Donated Assets Account	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(20,483)	0	0	20,483	(13,078)	0	0	13,078
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	(9,399)	0	0	9,399	(17,449)	276	0	17,173
Deferred credit Energy from Waste	2,324	0	0	(2,324)	2,324	0	0	(2,324)
Revaluation losses on investment in shares	(60)	0	0	60	0	0	0	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	18,348	1,373	0	(19,721)	20,009	1,063	0	(21,072)
Capital expenditure charged against the General Fund	533	0	0	(533)	11,629	0	0	(11,629)
<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	(478)	0	478	0	0	0	0
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	1,191	(1,191)	0	0	2,532	(2,256)	0	(276)
<b>Total C/FWD</b>	<b>(13,793)</b>	<b>(296)</b>	<b>(24,980)</b>	<b>39,069</b>	<b>(6,991)</b>	<b>(917)</b>	<b>(32,331)</b>	<b>40,239</b>



Adjustments between Accounting Basis and Funding Basis Under Regulations	2020/21				2021/22			
	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>(13,793)</b>	<b>(296)</b>	<b>(24,980)</b>	<b>39,069</b>	<b>(6,991)</b>	<b>(917)</b>	<b>(32,331)</b>	<b>40,239</b>
Long term debtor repayments in year	0	(1,477)	0	1,477	0	(1,503)	0	1,503
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,843	0	(1,843)	0	1,640	0	(1,640)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	21,674	(21,674)	0	0	28,290	(28,290)
<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	553	0	0	(553)	614	0	0	(614)
<b>Adjustments involving the Financial Instruments Revaluation Reserve</b>								
Amount by which Financial Instruments held under Fair Value through Other Comprehensive Income	4,051	0	0	(4,051)	5,930	0	0	(5,930)
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(33,779)	0	0	33,779	(55,269)	0	0	55,269
Employer's pensions contributions and direct payments to pensioners payable in the year	14,781	0	0	(14,781)	15,066	0	0	(15,066)
<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	(32,687)	0	0	32,687	15,636	0	0	(15,636)
<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	(456)	0	0	456	274	0	0	(274)
<b>Total Adjustments</b>	<b>(61,330)</b>	<b>70</b>	<b>(3,306)</b>	<b>64,566</b>	<b>(24,740)</b>	<b>(780)</b>	<b>(4,041)</b>	<b>29,561</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	2020/21	2021/22
	£000	£000
Levies	101	105
Gains/losses on the disposal of non-current assets	9,408	17,060
Pension administration costs	544	528
Other income*	(1,195)	(2,134)
<b>Total</b>	<b>8,858</b>	<b>15,559</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 received 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.

2021/22	Balance as at 31 March 2021	Transfers to Reserves 2021/22	Transfers from Reserves 2021/22	Balance as at 31 March 2022
	£000	£000	£000	£000
Education Reserves	(3,434)	(3,342)	3,655	(3,121)
Other Ringfenced	(3,944)	(2,802)	2,629	(4,117)
Other Reserves	(6,214)	(1,691)	1,370	(6,535)
<b>PCC Earmarked Reserves:</b>				
Integrated Finance Reserve	(7,928)	(15,234)	963	(22,199)
Collection Fund Reserve	(30,565)	(14,286)	23,293	(21,558)
Other PCC Earmarked Reserves	(23,329)	(20,548)	21,657	(22,220)
<b>Total Reserves</b>	<b>(75,414)</b>	<b>(57,903)</b>	<b>53,567</b>	<b>(79,750)</b>

2020/21	Balance as at 31 March 2020	Transfers to Reserves 2020/21	Transfers from Reserves 2020/21	Balance as at 31 March 2021
	£000	£000	£000	£000
Education Reserves	(1,965)	(3,378)	1,909	(3,434)
Other Ringfenced	(2,263)	(2,011)	330	(3,944)
Other Reserves	(4,700)	(2,878)	1,364	(6,214)
<b>PCC Earmarked Reserves:</b>				
Integrated Finance Reserve	(593)	(7,335)	0	(7,928)
Collection Fund Reserve	0	(30,565)	0	(30,565)
Other PCC Earmarked Reserves	(14,536)	(18,875)	10,082	(23,329)
<b>Total Reserves</b>	<b>(24,057)</b>	<b>(65,042)</b>	<b>13,685</b>	<b>(75,414)</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 2022 balance relating to the School budget share was £2.926m (31 March 2021: £3.278m).

**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	2020/21	2021/22
	£000	£000
Interest payable and similar charges	14,968	14,495
Fair value for capital share purchase	60	0
Fair value for Financial Instruments	(4,051)	(5,930)
Pensions interest cost and expected return on pension assets	10,523	11,622
Interest receivable and similar income	(3,334)	(2,343)
(Surplus)/deficit on trading undertakings not included in Net Cost of Service	10	135
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	4,951	(3,042)
<b>Total</b>	<b>23,127</b>	<b>14,937</b>

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

Analysis of Income	2020/21	2021/22
	£000	£000
Council tax income	(115,319)	(123,020)
Non domestic rates	(28,293)	(50,321)
Non-ringfenced government grants	(52,476)	(36,458)
Capital grants and contributions	(14,228)	(24,077)
<b>Total</b>	<b>(210,316)</b>	<b>(233,876)</b>

## 15 Property, Plant and Equipment

### 15.1 Movement in Year

The movement in Property, Plant and Equipment (PPE) in 2021/22 is summarised in the following table:

2021/22	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 2021	616,256	77,117	288,119	59,567	3,605	3,045	62,182	1,109,891	125,163
Additions	14,024	4,769	14,963	2,677	0	0	39,139	75,572	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	15,442	0	0	0	0	2	0	15,444	453
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(24,388)	0	0	197	0	0	0	(24,191)	0
Derecognition - disposals	(380)	(100)	0	0	0	0	0	(480)	0
Other movements in cost or valuation	(218)	24	6,679	144	0	773	(18,408)	(11,006)	0
<b>At 31 March 2022</b>	<b>620,736</b>	<b>81,810</b>	<b>309,761</b>	<b>62,585</b>	<b>3,605</b>	<b>3,820</b>	<b>82,913</b>	<b>1,165,230</b>	<b>125,616</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2021	(33,970)	(50,470)	(124,891)	0	(1,302)	(8)	0	(210,641)	(466)
Prior year adjustment	131	0	0	0	0	4	0	135	33
Depreciation charge	(2,896)	(4,596)	(12,307)	0	0	(40)	0	(19,839)	(33)
Depreciation written out to the Revaluation Reserve	27,717	0	0	0	0	112	0	27,829	0
Depreciation written out to the surplus/deficit on the Provision of Services	1,465	0	0	0	0	0	0	1,465	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	3	0	0	0	0	0	0	3	0
Derecognition - disposals	0	97	0	0	0	0	0	97	0
Other movements in depreciation and impairment	108	392	0	0	0	(108)	0	392	0
<b>At 31 March 2022</b>	<b>(7,442)</b>	<b>(54,577)</b>	<b>(137,198)</b>	<b>0</b>	<b>(1,302)</b>	<b>(40)</b>	<b>0</b>	<b>(200,559)</b>	<b>(466)</b>
<b>Net Book Value</b>									
<b>At 31 March 2022</b>	<b>613,294</b>	<b>27,233</b>	<b>172,563</b>	<b>62,585</b>	<b>2,303</b>	<b>3,780</b>	<b>82,913</b>	<b>964,671</b>	<b>125,150</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>

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
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>

## 15.2 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2022 amounted to £42.663m (31 March 2021: £39.565m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2022 were as follows:

Project	Contractor	Amount
		<b>£000</b>
Forder Valley Link Road	Balfour Beatty	6,246
Forder Valley Link Road	Utilities	782
Forder Valley Interchange	Balfour Beatty	3,930
Bereavement Infrastructure	Kier Construction Ltd	5,078
Heat Sourcing in Corporate Buildings	Vital Energi Utilities	1,300
Re-development of Od Town Street/New George Street	Morgan Sindall	7,500
Crownhill Sustainable Transport Corridor	Balfour Beatty	6,220
Royal Parade Bus Infrastructure	South West Highways	2,000
New Data Centre Migration	DELTA	729
Mobility Hubs	Smidsy (trading as Beryl)	644
Workplace Travel Package	Various	550
Douglass House Site Development	Coyde	561
Other Contractual Commitments under £500K		7,123
<b>Total</b>		<b>42,663</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. In 2021/22 an external valuer, the Torbay Development Agency (TDA) Group of Torbay, was appointed to carry out valuations undertaken on a Depreciated Replacement Cost basis. The TDA Group have a number of RICS Registered Valuers who oversee the work undertaken. The remaining valuations undertaken on an Existing Use Value basis were 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 are revalued by an external valuer appointed by Cornwall Council.

Revaluations	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	1,006	27,233	0	28,239
<b>Valued at Current Value as at :</b>				
31 March 2022	551,107	0	3,780	554,887
31 March 2021	5,071	0	0	5,071
31 March 2020	22,506	0	0	22,506
31 March 2019	26,484	0	0	26,484
31 March 2018	7,120	0	0	7,120
<b>Total Cost of Valuation</b>	<b>613,294</b>	<b>27,233</b>	<b>3,780</b>	<b>644,307</b>

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

Assets Written Off Balance Sheet	2020/21	2021/22
	£000	£000
Land and property sales	1,810	269
Academy and trust schools	7,598	16,926
Investment properties	27	0
<b>Total</b>	<b>9,435</b>	<b>17,195</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 various statues and monuments, 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 Edgcumbe House and The Box. In 2021/22 renovations works were completed at the Elizabethan House and Devonport Market Hall. Both properties are being used for the provision of services and, therefore, these have now been reclassified and recognised within Property, Plant and Equipment.

#### 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 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>
<b>Cost or Valuation</b>				
As at 1 April 2021	8,224	17,109	4,730	30,063
Revaluations	0	0	2	2
Reclassification	(4,407)	0	0	(4,407)
<b>As at 31 March 2022</b>	<b>3,817</b>	<b>17,109</b>	<b>4,732</b>	<b>25,658</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	2020/21	2021/22
	£000	£000
Rental income from Investment Property	13,816	16,084
Direct operating expenses arising from Investment Property	(8,566)	(9,985)
<b>Net Gain/(Loss)</b>	<b>5,250</b>	<b>6,099</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	2020/21	2021/22
	£000	£000
<b>Balance at 1 April</b>	<b>254,440</b>	<b>275,442</b>
Additions	26,558	113
Disposals	(160)	0
Net gains/(losses) from fair value adjustments	(8,300)	(2,587)
<b>Transfers:</b>		
(To)/from Property, Plant and Equipment	2,904	(1,903)
<b>Balance at 31 March</b>	<b>275,442</b>	<b>271,065</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 2022 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 2022
2021/22	£000	£000	£000	£000
Industrial sites	0	67,951	0	67,951
Miscellaneous ground rents	0	6,581	3,905	10,486
Miscellaneous lets	0	22,548	37	22,585
Retail ground rents	0	28,378	0	28,378
Offices	0	15,683	0	15,683
Out of town retail	0	77,838	0	77,838
Out of town businesses	0	39,238	0	39,238
Development and Surplus Land	0	8,805	50	8,855
Lodges	0	51	0	51
<b>Total</b>	<b>0</b>	<b>267,073</b>	<b>3,992</b>	<b>271,065</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 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.

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

#### Significant Observable Inputs – Level 2

The office and commercial units located in the 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 Councils 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 2021	31 March 2022
	£000	£000
<b>Opening Balance</b>	<b>3,749</b>	<b>3,782</b>
Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	33	210
<b>Closing Balance</b>	<b>3,782</b>	<b>3,992</b>

## 18 Financial Instruments

### 18.1 Financial Instruments Balances

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

#### 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 21	31 March 22	31 March 21	31 March 22	31 March 21	31 March 22
		£000	£000	£000	£000	£000	£000
<b>At fair value through profit or loss:</b>							
Money Market Fund (MMF)	3	0	0	29,950	23,150	29,950	23,150
Pooled funds	2	54,965	60,995	0	0	54,965	60,995
<b>Amortised Cost</b>							
Long-term investments	3	73	73	0	0	73	73
Interest rates swaps *	2	5,617	11,453	0	0	5,617	11,453
Short-term investments	3	0	0	0	0	0	0
Cash and cash equivalents (less MMF)	3	0	0	11,909	17,077	11,909	17,077
<b>Total Investments</b>		<b>60,655</b>	<b>72,521</b>	<b>41,859</b>	<b>40,227</b>	<b>102,514</b>	<b>112,748</b>
Trade debtors held at amortised cost	3	0	0	17,841	37,838	17,841	37,838
Long-term debtors	3	13,540	12,699	0	0	13,540	12,699
<b>Total Financial Assets *</b>		<b>74,195</b>	<b>85,220</b>	<b>59,700</b>	<b>78,065</b>	<b>133,895</b>	<b>163,285</b>

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

Financial Liabilities	Fair Value Level	Long-Term		Short-Term		Total	
		31 March 21	31 March 22	31 March 21	31 March 22	31 March 21	31 March 22
		£000	£000	£000	£000	£000	£000
<b>Loans at amortised cost:</b>							
PWLB	2	(40,709)	(230,532)	0	0	(40,709)	(230,532)
Market Loans	2	(83,980)	(82,567)	0	0	(83,980)	(82,567)
Other borrowing	2	(10,838)	(12,530)	(464,242)	(227,861)	(475,080)	(240,391)
<b>Total Borrowing</b>		<b>(135,527)</b>	<b>(325,629)</b>	<b>(464,242)</b>	<b>(227,861)</b>	<b>(599,769)</b>	<b>(553,490)</b>
<b>Liabilities at amortised cost:</b>							
Other liabilities	2	(116,867)	(113,570)	(4,658)	(5,644)	(121,525)	(119,214)
Trade creditors	3	0	0	(19,304)	(21,496)	(19,304)	(21,496)
Long-term creditors	3	(8,895)	(10,311)	0	0	(8,895)	(10,311)
<b>Total Financial Liabilities</b>		<b>(261,289)</b>	<b>(449,510)</b>	<b>(488,204)</b>	<b>(255,001)</b>	<b>(749,493)</b>	<b>(704,511)</b>

LOBOs (Local Authority Lender's Option Borrower's Option loans) of £10m have been included in Market Loans but have a call date in the next 12 months. A call date means that the lender has the option to change the interest rate for the remaining period of the loan. The Council then has the option to accept the new rate or redeem.

### Financial Assets Comparison to Fair Values

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

### Financial Liabilities Comparison to Fair Values

Financial Liabilities	Balance Sheet 31 March 21	Fair Value 31 March 21	Balance Sheet 31 March 22	Fair Value 31 March 22
	£000	£000	£000	£000
<b>Loans at amortised cost:</b>				
PWLB	40,709	65,211	230,532	194,496
LOBO loans	65,778	101,235	64,567	87,237
Other market loans	18,202	31,057	18,000	26,273
Other long-term loans	10,838	10,838	12,530	12,530
Short-term borrowing	464,242	464,242	227,861	227,861
<b>Total Borrowing</b>	<b>599,769</b>	<b>672,583</b>	<b>553,490</b>	<b>548,397</b>

## 18.2 Equity Instruments Designated to Fair Value through Profit or Loss

The Council has investments made through the CCLA and other pooled funds. Under IFRS 9 the Code now requires that pooled funds are measured at Fair Value through Profit or Loss. However, to mitigate the impact of the change there is a statutory override for a period of five years meaning that there is no impact on the Council's General Fund.

## 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:

Gains and Losses on Financial Instruments	2020/21		2021/22	
	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	0	0	0
Financial assets measured at fair value through profit or loss	4,051	0	5,930	0
Interest Rate Swaps at Fair Value through Profit & Loss *	372	(5,706)	315	(5,775)
<b>Interest and Similar Income</b>	<b>4,423</b>	<b>(5,706)</b>	<b>6,245</b>	<b>(5,775)</b>
At Fair Value through profit or loss	(2,832)	0	(1,992)	0
At Fair Value through other comprehensive income	0	0	0	0
Amortised Cost	(502)	0	(351)	0
<b>Total Interest Revenue</b>	<b>(3,334)</b>	<b>0</b>	<b>(2,343)</b>	<b>0</b>
<b>Total Income</b>	<b>1,089</b>	<b>(5,706)</b>	<b>3,902</b>	<b>(5,775)</b>
Interest expense at amortised costs	14,968	0	14,495	0
<b>Total Interest Expense</b>	<b>14,968</b>	<b>0</b>	<b>14,495</b>	<b>0</b>
<b>Net (Gain)/Loss for the Year</b>	<b>16,057</b>	<b>(5,706)</b>	<b>18,397</b>	<b>(5,775)</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 shares in money market funds and other pooled funds, the fair value is taken from the market price.

The fair values of other instruments have been 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 interest rate environment and the bad debt provisions already included in the statement of accounts.

Fair values are shown in note [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 complies with the CIPFA's Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with 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. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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.

The table below summarises the credit risk exposures of the Council's treasury management portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2021		31 March 2022	
	Long-Term	Short-Term	Long-Term	Short-Term
	£000	£000	£000	£000
AAA	0	0	0	0
AA	0	29,950	0	23,150
A+	73	11,025	73	11,475
A	0	0	0	0
A-	0	0	0	0
Unrated	0	0	0	0
<b>Total</b>	<b>73</b>	<b>40,975</b>	<b>73</b>	<b>34,625</b>
Credit risk not applicable*	60,582	884	72,448	5,602
<b>Total Investments</b>	<b>60,655</b>	<b>41,859</b>	<b>72,521</b>	<b>40,227</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. £3.520m cash collateral was held at 31 March 2022 (31 March 2021: 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 2021	31 March 2022
	£000	£000
Public Works Loan Board	(40,709)	(230,532)
Market debt	(83,980)	(82,567)
Temporary borrowing	(464,242)	(227,861)
Other borrowing	(10,838)	(12,530)
Deferred liability (PFI)	(100,565)	(97,043)
Deferred liability (finance leases)	(1,465)	(1,412)
Other liabilities	(19,495)	(20,759)
Trade creditors	(19,304)	(21,496)
Long-term creditors	(8,895)	(10,311)
<b>Total</b>	<b>(749,493)</b>	<b>(704,511)</b>
Less than 1 year	(498,016)	(261,217)
Between 1 and 2 years	(11,903)	(5,192)
Between 2 and 5 years	(22,424)	(30,258)
Between 5 and 10 years	(42,490)	(47,538)
Between 10 and 20 years	(83,756)	(80,012)
Between 20 and 40 years	(27,458)	(26,859)
Over 40 years	(63,446)	(253,435)
<b>Total</b>	<b>(749,493)</b>	<b>(704,511)</b>

The Council has £64m (2020/21: £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.

£228m of short-term borrowing in place at 31 March 2022 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 2021/22 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 £228m 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 (2020/21: £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 charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

### **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	11,453	Derivative financial assets	11,453	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	(11,506)	(11,480)	0	(75,000)

IFRS7 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 £11.453m (2020/21: £5.617m) while the fair value of the hypothetical derivative used to measure hedge ineffectiveness was £11.506m (2020/21: £5.785m). The lower figure of £11.453m (2020/21: £5.617) was therefore transferred to the Cash Flow Hedge Reserve (see note [22.5](#)) and reported in Other Comprehensive Income and nil (2020/21: 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:

Short-Term Debtors by Category	31 March 2021	31 March 2022
	£000	£000
Central government departments	48,174	25,579
NHS bodies	833	2,427
Other local authorities	3,311	3,059
Other entities and individuals	43,900	44,637
<b>Total Short-Term Debtors</b>	<b>96,218</b>	<b>75,702</b>

### 19.2 Long-Term Debtors

Debtors due after 12 months are:

Long-Term Debtors by Category	31 March 2021	31 March 2022
	£000	£000
Secured debt	1,142	1,085
Other loans/mortgages	12,398	11,614
<b>Total Long-Term Debtors</b>	<b>13,540</b>	<b>12,699</b>

### 19.3 Bad Debt Provision

Analysis of Bad Debt Provision Held	31 March 2021	Provision Made in Year	Provision Used in Year	31 March 2022
	£000	£000	£000	£000
General fund	(4,964)	(795)	586	(5,173)
Housing benefit overpayments provision	(4,799)	(661)	181	(5,279)
Collection fund	(6,930)	(1,003)	890	(7,043)
<b>Total Provisions for Bad Debt</b>	<b>(16,693)</b>	<b>(2,459)</b>	<b>1,657</b>	<b>(17,495)</b>

## 20 Creditors

### 20.1 Short-Term Creditors

Creditors payable within the next 12 months are:

Short-Term Creditors by Category	31 March 2021	31 March 2022
	£000	£000
Central government departments	(35,792)	(24,747)
Corporations and trading funds	(7)	0
NHS bodies	(1,552)	(5,616)
Other local authorities	(2,534)	(3,845)
Other entities and individuals	(73,419)	(92,286)
<b>Total Short-Term Creditors</b>	<b>(113,304)</b>	<b>(126,494)</b>

### 20.2 Long-Term Creditors

Creditors payable after 12 months are:

Long-Term Creditors by Category	31 March 2021	31 March 2022
	£000	£000
Other local authorities	(8,770)	(10,214)
Other entities and individuals	(125)	(97)
<b>Total Long-Term Creditors</b>	<b>(8,895)</b>	<b>(10,311)</b>

The amount included within Other Local Authorities relates to a liability to Devon County Council for unfunded pension liabilities in reference 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 2021	31 March 2022
	£000	£000
PFI finance leases	(97,043)	(92,915)
Other finance leases	(1,412)	(1,355)
Cornwall Council - Tamar Bridge and Torpoint Ferry Joint Committee	(18,412)	(19,300)
<b>Total Other Long-Term Liabilities</b>	<b>(116,867)</b>	<b>(113,570)</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 2021	Provisions Made in Year	Payments Used in Year	Unused Amounts Reversed in Year	31 March 2022
	£000	£000	£000	£000	£000
Insurance provision	(3,470)	(2,049)	1,511	0	(4,008)
Landfill site provision	(8,667)	(1,791)	397	0	(10,061)
Other provisions	(8,985)	(1,213)	3,044	0	(7,154)
<b>Total Provisions</b>	<b>(21,122)</b>	<b>(5,053)</b>	<b>4,952</b>	<b>0</b>	<b>(21,223)</b>

The provisions include short-term provisions of £8.292m (2020/21: £3.065m) and long-term provisions of £12.931m (2020/21: £18.057m).

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 £10.061m as at 31 March 2022 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 46 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 £7.113m as at 31 March 2022 (2020/21: £8.945m) 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 2021	31 March 2022
		£000	£000
<b>Unusable Reserves:</b>			
Revaluation Reserve	<a href="#">22.1</a>	238,171	276,576
Capital Adjustment Account	<a href="#">22.2</a>	121,269	112,319
Financial Instruments Adjustments Account	<a href="#">22.3</a>	(26,044)	(25,431)
Pensions Reserve	<a href="#">22.4</a>	(597,660)	(524,314)
Cash Flow Hedge Reserve	<a href="#">22.5</a>	5,706	11,480
Collection Fund Adjustment Account	<a href="#">22.6</a>	(34,309)	(18,673)
Accumulating Compensated Absences Adjustment Account		(2,059)	(1,784)
Deferred Capital Receipts		11	288
Financial Instruments Revaluation Reserve		0	0
Pooled Investment Fund Adjustment Account		(60)	5,870
<b>Total Unusable Reserves</b>		<b>(294,975)</b>	<b>(163,669)</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:

<b>Movement in Revaluation Reserve</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>228,398</b>	<b>238,171</b>
Upward revaluation of assets	32,482	87,938
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services	(15,742)	(44,603)
<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>16,740</b>	<b>43,335</b>
Release of Investment Property Balance	0	(1,209)
Difference between fair value depreciation and historical cost depreciation	(3,285)	(1,442)
Accumulated gains on assets sold or scrapped	(3,682)	(2,279)
<b>Amount Written Off to the Capital Adjustment Account</b>	<b>(6,967)</b>	<b>(4,930)</b>
<b>Balance at 31 March</b>	<b>238,171</b>	<b>276,576</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	2020/21	2021/22
	£000	£000
<b>Balance at 1 April</b>	<b>132,260</b>	<b>121,269</b>
Release of Investment Property balance in the Revaluation Reserve	0	1,345
<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	(22,380)	(18,395)
Revaluation losses on Property, Plant and Equipment	(540)	(22,727)
Amortisation of intangible assets	(7)	(1)
Revenue expenditure funded from capital under statue	(20,483)	(13,078)
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	(9,871)	(15,168)
Adjusting amounts written out of the Revaluation Reserve	6,967	0
Revaluation losses on Share Purchase	(60)	0
<b>Capital Financing Applied in the Year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,843	1,640
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	21,674	28,290
<b>Amounts Reserved for Future Capital Funding:</b>		
Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)	19,721	21,072
Capital expenditure charged against General Fund	533	11,629
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,300)	(2,587)
<b>Other Movement on the CAA in Year:</b>		
Landfill Site Provision	(934)	(1,791)
Write down of long-term debtors	(1,478)	(1,503)
Deferred credit - Energy from Waste	2,324	2,324
<b>Balance at 31 March</b>	<b>121,269</b>	<b>112,319</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	2020/21 Restated	2021/22
	£000	£000
<b>Balance at 1 April</b>	<b>(26,598)</b>	<b>(26,044)</b>
Financial Instruments written off	(57)	0
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	67	69
<b>Balance at 31 March</b>	<b>(26,044)</b>	<b>(25,431)</b>

## 22.4 Pension 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, updating the liabilities to recognise and to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the 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	2020/21	2021/22
	£000	£000
<b>Balance at 1 April</b>	<b>(467,951)</b>	<b>(597,660)</b>
Opening balance adjustment	9	0
Actuarial gains or losses on pensions assets and liabilities	(110,721)	113,549
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	(37,568)	(53,826)
Employer's pensions contributions and direct payments to pensioners payable in the year	14,781	15,067
(Increase)/decrease in Plymouth's share of next deficit in year of Devon County Council Pension Fund	3,790	(1,444)
<b>Balance at 31 March</b>	<b>(597,660)</b>	<b>(524,314)</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. Also see note [18.6](#). The following table shows the transactions posted to the account during the year:

Movement in Cash Flow Hedge Reserve	2020/21 Restated	2021/22
	£000	£000
<b>Balance at 1 April</b>	<b>0</b>	<b>5,705</b>
Hedge gains/(losses) recognised in Other Comprehensive Income *	5,333	5,459
Amounts reclassified to Financing and Investment Income and Expenditure as interest expense †	372	316
<b>Balance at 31 March</b>	<b>5,705</b>	<b>11,480</b>

\* Includes fair value charge plus cash flows plus accrual

† Includes 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	2020/21	2021/22
	£000	£000
<b>Balance at 1 April</b>	<b>1,621</b>	<b>34,309</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	32,688	(15,636)
<b>Balance at 31 March</b>	<b>34,309</b>	<b>18,673</b>

## 23 Notes to 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	2020/21	2021/22
	£000	£000
<b>Net Surplus/(Deficit) on the Provision of Services</b>	<b>(9,623)</b>	<b>(20,055)</b>
<b>Adjust Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements:</b>		
Depreciation	22,380	41,122
Impairment losses on investments debited to surplus/(deficit) on the Provision of Services in year	59	0
Adjustment for movements in fair value of investments classified as FV through profit and loss	0	(5,930)
Adjustments for effective interest rates	1,255	(5,936)
(Increase)/decrease in interest creditors	5,038	0
(Increase)/decrease in creditors	5,307	(20,846)
(Increase)/decrease in interest and dividend debtors	(62)	0
(Increase)/decrease in debtors	(8,990)	(4,974)
(Increase)/decrease in inventories	156	81
Pension liability	18,999	55,270
Contributions to/(from) Provisions	8,266	101
Carrying amount of non-current assets sold	6,189	14,894
Movement in Investment Property values	8,300	2,587
<b>Total</b>	<b>66,897</b>	<b>76,369</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/(deficit) on the Provision of Services	(24,980)	(32,331)
Proceeds from the sale of short-term and long-term investments	12,000	0
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,663)	(2,257)
<b>Total</b>	<b>(14,643)</b>	<b>(34,588)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>42,631</b>	<b>21,726</b>

The cash flows for operating activities include the following items:

Analysis of Interest Paid and Received	2020/21	2021/22
	£000	£000
Interest received	4,527	(3,507)
Interest paid	(9,871)	(561)

### 23.2 Cash Flow Statement – Investing Activities

Analysis of Investing Activities	2020/21	2021/22
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(75,727)	(94,975)
Purchase of short-term and long-term investments	(9,862)	0
Other payments for Investing Activities	4,434	15,958
Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	1,668	1,980
Other Receipts from Investing Activities	42,266	57,001
<b>Net Cash Flows from Investing Activities</b>	<b>(37,221)</b>	<b>(20,036)</b>

### 23.3 Cash Flow Statement – Financing Activities

Analysis of Financing Activities	2020/21	2021/22
	£000	£000
Cash receipts of short-term and long-term borrowing	92,858	(46,279)
Billing Authorities - Council Tax and NDR adjustments	2,962	42,395
Repayment of short-term and long-term borrowing	(112,917)	0
Payments for the reduction of a finance lease liability	(1,511)	(46)
Payments for the reduction of a PFI liability	16,267	608
<b>Net Cash Flows from Financing Activities</b>	<b>(2,341)</b>	<b>(3,322)</b>

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

Analysis of Cash and Cash Equivalents	2020/21	2021/22
	£000	£000
Cash Investments - regarded as cash equivalents	41,414	36,482
Tamar Bridge and Torpoint Ferry	445	3,745
<b>Net Cash Flows from Cash and Cash Equivalents</b>	<b>41,859</b>	<b>40,227</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 and this was again agreed for 2021/22. This decision will be reviewed for 2022/23.

<b>Pooled Budget - Integrated Fund</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Contribution to the Pooled Budget:</b>		
Plymouth City Council's contribution:		
Pooled	191,784	188,065
Aligned	76,868	75,690
<b>Total Plymouth City Council</b>	<b>268,652</b>	<b>263,755</b>
Devon CCG's contribution:		
Pooled	165,884	175,049
Aligned	221,118	292,095
<b>Total Devon CCG</b>	<b>387,002</b>	<b>467,144</b>
<b>Total Combined Integrated Fund</b>	<b>655,654</b>	<b>730,899</b>
<b>Expenditure Met from the Pooled Budget:</b>		
Plymouth City Council	274,755	273,459
Devon CCG	390,350	466,621
<b>Total Expenditure on Integrated Fund</b>	<b>665,105</b>	<b>740,080</b>
<b>Net (Surplus)/Deficit on the Integrated Fund During the Year</b>	<b>9,451</b>	<b>9,181</b>

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

<b>Plymouth Better Care Fund</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Devon CCG Lead Commissioner	10,904	12,356
Plymouth City Council Lead Commissioner	11,415	8,600
<b>Total Plymouth Better Care Fund</b>	<b>22,319</b>	<b>20,956</b>

## 25 Members' Allowances

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

<b>Analysis of Members' Allowances</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Salaries	644	656
Allowances	373	337
<b>Total Members' Allowances</b>	<b>1,017</b>	<b>993</b>

## 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>		£	£	£	£	
Tracey Lee - Chief Executive (Head of Paid Service)	2021/22	188,059	0	27,560	215,619	Includes election duty payments as the Returning Officer.
	2020/21	163,573	0	27,153	190,726	
<b>Salary over £50,000 but less than £150,000</b>						
Assistant Chief Executive	2021/22	127,435	0	19,005	146,440	Includes additional duty payments and election duty payments as Deputy Returning Officer.
	2020/21	121,001	0	20,086	141,087	Includes additional duty payments.
Director of Children's Services	2021/22	130,365	0	21,641	152,006	
	2020/21	128,438	0	21,321	149,759	
Director of Public Health	2021/22	111,715	0	16,065	127,780	
	2020/21	108,553	0	15,610	124,163	
Strategic Director of Customer and Corporate Services	2021/22	131,933	0	21,641	153,574	Includes election duty payments.
	2020/21	128,438	0	21,321	149,759	
Strategic Director for People	2021/22	131,933	0	21,641	153,574	Includes election duty payments.
	2020/21	128,438	0	21,321	149,759	
Strategic Director for Place	2021/22	133,471	0	22,156	155,627	
	2020/21	131,499	0	21,829	153,328	

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	2021/22	99,077	0	16,447	115,524	
	2020/21	97,613	0	16,204	113,817	
Service Director for Customer Services and Service Centre	2021/22	0	0	0	0	Post vacant.
	2020/21	38,537	35,977	0	74,514	The post holder left the authority on 18 December 2020.
Service Director for Community Connections	2021/22	79,556	0	13,062	92,618	Includes election duty payments.
	2020/21	77,521	0	12,868	90,389	
Service Director for Economic Development	2021/22	102,593	0	17,052	119,645	
	2020/21	100,485	0	16,800	117,285	
Service Director for Education, Participation and Skills	2021/22	93,862	0	15,581	109,443	
	2020/21	34,678	0	5,757	40,435	A new post holder commenced 16 November 2020.
Service Director for Finance (Section 151 Officer)	2021/22	106,575	0	17,691	124,266	
	2020/21	37,333	0	6,197	43,530	A new post holder commenced 23 November 2020.
Service Director for HR and Organisational Development	2021/22	99,669	0	16,447	116,116	Includes election duty payments.
	2020/21	97,613	0	16,204	113,817	
Service Director for Integrated Commissioning	2021/22	96,755	0	15,857	112,612	Includes election duty payments.
	2020/21	94,111	0	15,622	109,733	
Service Director for Strategic Planning and Infrastructure	2021/22	102,723	0	17,052	119,775	
	2020/21	101,205	0	16,800	118,005	
Service Director for Street Services	2021/22	84,425	0	13,850	98,275	Includes election duty payments.
	2020/21	86,312	0	13,938	100,250	



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)	2021/22	3,831	0	636	4,467	A new post holder commenced 17 March 2022.
	2021/22	36,002	0	5,820	41,822	Role covered by a Senior Lawyer from 16 August 2021 to 17 March 2022.
	2021/22	44,066	0	6,885	50,951	Role covered by the Assistant Head of Legal Services who left the authority 31 October 2022.
	2020/21	71,102	0	11,803	82,905	Role covered by the Assistant Head of Legal Services.

*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	2020/21		2021/22	
	Schools	Non-schools	Schools	Non-schools
£50,000 - £54,999	18	45	17	57
£55,000 - £59,999	14	27	7	30
£60,000 - £64,999	6	2	7	17
£65,000 - £69,999	1	9	2	7
£70,000 - £74,999	2	4	4	7
£75,000 - £79,999	2	3	2	2
£80,000 - £84,999	3	1	2	0
£85,000 - £89,999	2	3	2	0
£90,000 - £94,999	2	0	1	2
£95,000 - £99,999	1	0	1	0
£100,000 - £104,999	0	1	0	1
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	1	0
<b>Total</b>	<b>51</b>	<b>95</b>	<b>46</b>	<b>123</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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							<b>£000</b>	<b>£000</b>
£00,001 - £20,000	6	12	74	28	80	40	851	212
£20,001 - £40,000	1	3	27	2	28	5	749	144
£40,001 - £60,000	2	2	0	0	2	2	92	96
£60,001 - £80,000	0	1	0	0	0	1	0	79
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	110
<b>Total</b>	<b>9</b>	<b>19</b>	<b>101</b>	<b>30</b>	<b>110</b>	<b>49</b>	<b>1,692</b>	<b>641</b>

The Council terminated the contracts of a number of employees in 2021/22, including school based staff, incurring liabilities of £0.641m (2020/21: £1.692m). This includes a sum of £0.298m to the pension fund in respect of pension strain payments (for example, of the payments in the £100,001 - £150,000 band, 82% relates to the strain payment). The Council's expenditure on Schools is primarily funded from 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	2020/21	2021/22
	£000	£000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	183	210
Fees payable in respect of other services provided by Grant Thornton LLP during the year	29	33
<b>Total External Auditor Costs</b>	<b>212</b>	<b>243</b>

## 28 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The DSG is ringfenced 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 2021. 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 as follows:

Analysis of Dedicated Schools Grant		2021/22		
		Central Expenditure	Individual Schools Budget	Total
Note		£000	£000	£000
A	Final DSG before academy and high needs recoupment			235,212
B	Academy and high needs figure recouped			(161,238)
<b>C</b>	<b>Total DSG after academy and high needs recoupment</b>			<b>73,974</b>
D	Brought forward from 2020/21 - surplus			885
E	Carry-forward to 2022/23 agreed in advance			0
F	Agreed initial budgeted distribution in 2021/22	28,908	45,951	74,859
G	In year adjustments	0	(367)	(367)
<b>H</b>	<b>Final budgeted distribution</b>	<b>28,908</b>	<b>45,584</b>	<b>74,492</b>
I	Less: actual central expenditure	28,050		28,050
J	Less: actual ISB deployed to schools		44,149	44,149
K	Plus: Local Authority contribution	0	0	0
<b>L</b>	<b>In-year carry-forward to 2022/23</b>	<b>858</b>	<b>1,435</b>	<b>2,293</b>
M	Plus: carry-forward to 2022/23 agreed in advance			0
<b>N</b>	<b>Carry-forward to 2022/23 - surplus</b>			<b>2,293</b>
<b>R</b>	<b>Net DSG position at the end of 2021/22</b>			<b>2,293</b>

- A. Final DSG figure before any amount has been recouped from the authority as published March 2022, excluding the January 2021 early years block adjustment.

- B. Figure recoupled from the authority in 2021/22 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 2021/22, as published March 2022.
- D. Figure brought forward from 2020/21.
- E. Any amount with the authority decided after consultation with the school forum to carry forward to 2022/23 rather than distribute in 2021/22.
- F. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum.
- G. Changes to the initial distribution, for example the final 2020/21 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 2021/22.
- 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. In-year position at end of 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.
- M. Plus/(minus) any carry forward to 2022/23 already agreed.
- N. Total is carry-forward on central expenditure, plus carry-forward on ISB, plus/(minus) any carry-forward to 2022/23 already agreed.
- O-R. Local Authorities with deficit DSG balance are required to create an unusable DSG reserve - this is not relevant to Plymouth as there is a surplus balance.

## 29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

Credited to Taxation and Non-specific Grant Income and Expenditure	2020/21	2021/22
	£000	£000
Section 31 grants	(36,060)	(20,217)
Capital grants and contributions	(14,228)	(24,077)
PFI credits	(6,728)	(6,499)
Revenue Support Grant	(9,688)	(9,742)
<b>Total</b>	<b>(66,704)</b>	<b>(60,535)</b>

<b>Grants Credited to Services</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Benefits Admin Grant	(913)	(914)
Dedicated Schools Grant and Other Education Grants	(75,863)	(72,243)
Housing Benefit Subsidy	(64,848)	(57,758)
Learning and Skills Council	(3,050)	(2,648)
Improved Better Care Fund	(11,738)	(10,453)
Transforming Social Care Grant	(7,853)	(9,929)
New Homes Bonus	(3,423)	(1,621)
Public Health Grant	(15,864)	(15,504)
Troubled Families Grant	(957)	(971)
Arts Council	(1,337)	(2,099)
Department of Health Grant	(7,276)	(7,411)
COVID-19 Emergency Fund	(31,694)	(11,105)
Other Revenue Grants	(22,016)	(36,137)
<b>Total</b>	<b>(246,832)</b>	<b>(228,793)</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	2020/21	2021/22
	£000	£000
Adult Skills Budget, Participation Funding & Support Funds (including OCSW)	206	13
Business role on behalf of SWLEP	352	319
Changing Futures	15	457
City Deal - A deal for young people	292	148
Community Renewal Fund	0	328
Controlling Migration Fund (Plymouth Integrate II)	121	0
Council Tax Rebate Discretionary Fund	0	557
COVID-19 Additional Dedicated Home to School & College Transport/Travel demand	177	0
COVID-19 Contain Outbreak Management Fund	3,148	0
COVID-19 National Leisure Recovery Fund	331	58
COVID-19 Test & Trace Service	1,143	0
Domestic Abuse Bill preparation	0	555
Export Health Certificate Support Fund Grant	150	0
Green Minds	945	211
Heating & Cooling Network Grant (ESCo/HNDU)	135	181
iMayflower	290	444
Local Authority EU Exit Preparation (BREXIT)	124	0
National Portfolio Organisation	0	150
One Public Estate Phase 4	304	344
Opportunity Areas Twinning	0	593
Plymouth National Grid	0	159
Port Health Transition Fund	0	175
RegEnergy	111	162
Section 256 Revenue Grant (SARC)	0	183
Sub-National Transport Body	0	331
Syrian Resettlement Programme (SRP)	665	758
Other	441	512
<b>Total</b>	<b>8,950</b>	<b>6,638</b>

<b>Capital Grant Receipts in Advance - Current Liabilities</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Department for Transport	25,111	40,109
Department for Environment Food & Rural Affairs	177	252
Highways England	189	189
Department for Digital Culture Media and Sport	294	2,914
Football Foundation	1,189	1,221
Heritage Lottery Fund	0	1,381
Arts Council	725	4,940
Growth Deal	14,379	36,937
Growth & Housing Fund	4,470	4,470
Get Building Fund	0	6,920
Department for Levelling Up, Homes & Communities	600	7,653
Ministry for Housing Communities & Local Government	5,545	5,628
European Regional Development Funding	1,258	3,906
Department for Business, Energy & Industrial Strategy	9,841	8,835
Warm Homes Fund	567	683
Heatnet	400	0
NHS England	14	200
Office of Police & Crime Commissioner	326	350
Innovate UK	0	603
S278 Agreements	199	199
Other	53	270
<b>Total</b>	<b>65,337</b>	<b>127,660</b>

<b>Capital Grant Receipts in Advance - Long-term Liabilities</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Heritage Lottery Fund	12,617	0
Arts Council	3,966	0
European Regional Development Agency	2,247	0
Department for Transport	2,103	2,280
Section 106	13,754	12,814
Growth Deal	30,212	9,755
Homes England	10,421	4,800
<b>Total</b>	<b>75,320</b>	<b>29,649</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	2020/21			2021/22		
		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.	(147)	995	138	(195)	1,154	87
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.	(78)	0	78	(79)	0	0
<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.	(242)	11,875	5	(174)	11,568	(598)
Plymouth Science Park Ltd	Plymouth Science Park is a science and technology park for businesses and provide provision of support, advisory and facilities management services. Plymouth Science Park is jointly and equally owned by Plymouth City Council and Plymouth University.	(50)	3	50	(94)	0	0



## Central Government

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

## Members and Officers

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

The total of members allowances paid in 2021/22 is disclosed in note [25](#).

Members and Officers of the Council have returned 98 declarations of Related Party Transactions for 2021/22, a response rate of 85 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. 2021/22 was the seventh 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 cooperative 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.

- **@PlymouthCare Ltd**

@PlymouthCare Ltd was incorporated on the 10 June 2021 and the company was created by the Council to help people remain as independent in their own home, by providing support and care services for people.

### 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 2021/22 was £0.315m (2020/21: £0.331m).

- **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	2020/21	2021/22
	£000	£000
<b>Opening Capital Financing Requirement 1 April</b>	<b>740,983</b>	<b>806,556</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	57,204	75,572
Investment Properties	26,558	113
Heritage Assets	1,304	0
Intangible Assets	0	2
Revenue Expenditure Funded from Capital Under Statute	20,483	13,073
Initial recognition of share purchase	60	100
Other capital expenditure	3,543	248
<b>Total</b>	<b>109,152</b>	<b>89,108</b>
<b>Sources of Finance</b>		
Capital Receipts	(1,843)	(1,502)
Other movements in Long-Term Debtors	(117)	(841)
Grants and Contributions applied in year	(21,674)	(28,366)
Revenue and Other Funds	(533)	(11,602)
Minimum Revenue Provision	(19,721)	(21,072)
Use of landfill provision	309	309
Repayment of conditional grant	0	138
<b>Total</b>	<b>(43,579)</b>	<b>(62,936)</b>
<b>Closing Capital Financing Requirement 31 March</b>	<b>806,556</b>	<b>832,728</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow	61,286	41,015
Increase in underlying need to borrow resulting from other changes in capital financing requirement	4,287	(14,843)
<b>Increase/Decrease in Capital Financing Requirement</b>	<b>65,573</b>	<b>26,172</b>

### 32 Leases

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

Operating Leases - Authority as a Lessor	31 March 21	31 March 22
	£000	£000
Not later than one year	15,208	16,038
Later than one year and not later than five years	51,874	53,385
Later than five years	225,476	230,800
<b>Total Operating Leases</b>	<b>292,558</b>	<b>300,223</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 £5.729m was made in 2021/22 (2020/21: £5.687m). Payments remaining to be made under the PFI contract at 31 March 2022, 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 2021/22	2,594	1,136	1,999	5,729
Payable in 2022/23	2,748	1,305	1,900	5,953
Payable within two to five years	12,314	5,851	6,399	24,564
Payable within six to ten years	17,237	10,596	4,703	32,536
Payable within eleven to fifteen years	5,238	4,002	393	9,633
<b>Total</b>	<b>37,537</b>	<b>21,754</b>	<b>13,395</b>	<b>72,686</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	2020/21	2021/22
	£000	£000
Balance outstanding 1 April	23,932	22,890
Payments during the year	(1,042)	(1,136)
<b>Balance Outstanding 31 March</b>	<b>22,890</b>	<b>21,754</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 2021/22	4,282	65	3,620	7,967
Payable in 2022/23	3,981	499	3,593	8,073
Payable within two to five years	17,702	2,782	13,762	34,246
Payable within six to ten years	26,553	5,905	15,257	47,715
Payable within eleven to fifteen years	30,196	12,968	10,250	53,414
Payable within sixteen to twenty years	17,411	11,308	1,952	30,671
<b>Total</b>	<b>95,843</b>	<b>33,462</b>	<b>44,814</b>	<b>174,119</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	2020/21 Plymouth Share	2020/21 Deferred Income	2021/22 Plymouth Share	2021/22 Deferred Income
	£000	£000	£000	£000
Balance outstanding 1 April	33,725	46,473	33,528	44,149
Payments during the year	(197)	(2,324)	(65)	(2,324)
<b>Balance Outstanding 31 March</b>	<b>33,528</b>	<b>44,149</b>	<b>33,463</b>	<b>41,825</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 2021/22, Plymouth City Council paid £3.538m to Teachers' Pensions in respect of teachers' retirement benefits (2020/21: £3.915m). There were no contributions remaining payable at the year-end. In 2021/22 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 2022.

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

### 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	2020/21	2021/22
	£000	£000
<b>Cost of Services</b>		
Service cost comprising:		
current service cost	26,745	41,023
past service cost	98	569
(gain)/loss from settlements	(905)	(789)
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	10,444	11,506
<b>Other Operating Expenditure</b>		
Administration expenses	544	528
<b>Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>36,926</b>	<b>52,837</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)	(162,702)	(50,053)
actuarial gains and losses arising on changes in demographic assumptions	(12,664)	0
actuarial gains and losses arising on changes in financial assumptions	304,288	(65,531)
experience gain/(loss) on defined benefit obligation	(20,265)	3,635
<b>Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement</b>	<b>108,657</b>	<b>(111,949)</b>
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>145,583</b>	<b>(59,112)</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	(36,926)	(52,837)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>		
employers' contribution payable to the scheme	14,360	14,635
retirement benefits payable to pensioners	3,178	3,099
adjustment re: net increase/(decrease) per LGR pension liability	3,790	(1,444)

### 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)	2020/21	2021/22
	£000	£000
<b>Opening Balance at 1 April</b>	<b>(1,163,520)</b>	<b>(1,456,291)</b>
Current service cost	(26,745)	(41,023)
Interest cost	(26,974)	(28,795)
Contributions by scheme participants	(5,843)	(5,897)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	12,664	0
actuarial gains/losses arising from changes in financial assumptions	(304,288)	65,531
experience loss/(gain) on defined benefit obligation	20,265	(3,635)
Past service costs, including curtailments	(98)	(569)
Liabilities assumed/(extinguished) on settlements	2,249	1,231
Benefits paid	33,941	34,545
Unfunded pension payments	2,058	1,953
<b>Closing Present Value of Liabilities</b>	<b>(1,456,291)</b>	<b>(1,432,950)</b>

Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets	2020/21	2021/22
	£000	£000
<b>Opening Fair Value of Scheme Assets</b>	<b>711,467</b>	<b>873,015</b>
Interest income	16,530	17,289
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	162,702	50,053
Administration expenses	(544)	(528)
Contributions from employer	14,360	14,635
Contributions from employees into the scheme	5,843	5,897
Benefits paid	(35,999)	(36,498)
Settlement prices received/(paid)	(1,344)	(442)
<b>Closing Present Value of Assets</b>	<b>873,015</b>	<b>923,421</b>
<b>Closing Balance at 31 March</b>	<b>(583,276)</b>	<b>(509,529)</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 £509.529m 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 2023 is £12.641m.



### 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 2022.

Basis for Estimating Assets and Liabilities	2020/21	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	22.6	22.7
women	23.9	24.0
Longevity at 65 for future pensioners:		
men	24.0	24.0
women	25.4	25.4
Rate of inflation (CPI)	2.8%	3.2%
Rate of increase in salaries	3.8%	4.2%
Rate of increase in pensions	2.8%	3.2%
Rate for discounting scheme liabilities	2.0%	2.6%

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)	1,372,381	1,432,950	1,496,275
Rate of increase in salaries (increase or decrease by 0.1%)	1,430,784	1,432,950	1,435,134
Rate of increase in pensions (increase or decrease by 0.1%)	1,407,344	1,432,950	1,459,060
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,461,438	1,432,950	1,405,044

### 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	2020/21	2021/22
	%	%
Equities	72	68
Gilts	3	13
Property	12	15
Cash	1	1
Other investments	12	3
<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	2020/21	2021/22
	£000	£000
Present value of the defined benefit obligation	1,424,510	1,403,175
Fair value of plan assets	(873,015)	(923,421)
<b>Net Liability</b>	<b>551,495</b>	<b>479,754</b>
Other movements in the liability	31,781	29,775
<b>Net Liability Arising from Defined Benefit Obligation</b>	<b>583,276</b>	<b>509,529</b>

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

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

Comprehensive Income and Expenditure Statement	2020/21	2021/22
	£000	£000
<b>Cost of Services</b>		
Service cost	564	872
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	79	117
<b>Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>643</b>	<b>989</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)	(1,212)	(440)
actuarial gains and losses arising on changes in demographic assumptions	175	(90)
actuarial gains and losses arising on changes in financial assumptions	3,234	(1,096)
experience gain/(loss) on defined benefit obligation	(133)	26
<b>Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement</b>	<b>2,064</b>	<b>(1,600)</b>
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,707</b>	<b>(611)</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	(643)	(989)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>		
Employers' contribution payable to the scheme	420	432

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

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2020/21	2021/22
	£000	£000
<b>Opening Balance at 1 April</b>	<b>(12,528)</b>	<b>(16,404)</b>
Adjustment to opening balance	10	0
Current service cost	(564)	(872)
Interest cost	(292)	(334)
Contributions from scheme participants	(111)	(111)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	(175)	90
actuarial gains/losses arising from changes in financial assumptions	(3,234)	1,096
experience loss/(gain) on defined benefit obligation	133	(26)
Benefits paid	357	400
<b>Closing Present Value of Liabilities</b>	<b>(16,404)</b>	<b>(16,161)</b>

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2020/21	2021/22
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>9,191</b>	<b>10,790</b>
Interest income	213	217
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	1,212	440
Contributions from employer	420	432
Contributions from employees into the scheme	111	111
Benefits paid	(357)	(400)
<b>Closing Fair Value of Scheme Assets</b>	<b>10,790</b>	<b>11,590</b>
<b>Closing Balance at 31 March</b>	<b>(5,614)</b>	<b>(4,571)</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 £4.571m 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 2023 is £0.860m.

### 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 2022.

### 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 2022.

Basis for Estimating Assets and Liabilities	2020/21	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	21.5	21.3
women	24.0	23.9
Longevity at 65 for future pensioners:		
men	22.8	22.5
women	25.8	25.6
Rate of increase in salaries	2.9%	2.9%
Rate of increase in pensions	2.9%	2.9%
Rate for discounting scheme liabilities	2.0%	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 2022

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.

2020/21			Note	2021/22		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000	<b>Income</b>	£000	£000	£000
0	(140,888)	(140,888)	Council tax receivable	0	(148,683)	(148,683)
(39,364)	0	(39,364)	Business rates receivable	(65,123)	0	(65,123)
<b>(39,364)</b>	<b>(140,888)</b>	<b>(180,252)</b>		<b>(65,123)</b>	<b>(148,683)</b>	<b>(213,806)</b>
			<b>Expenditure</b>			
			<b>Apportionment of Previous Year's Surplus/ (Deficit)</b>			
(1,437)	0	(1,437)	Central Government	(24,290)	0	(24,290)
(349)	1,115	766	Plymouth City Council	(23,805)	583	(23,222)
0	156	156	Devon and Cornwall Police and Crime Commissioner	0	82	82
(18)	64	46	Devon and Somerset Fire and Rescue Service	(486)	33	(453)
<b>(1,804)</b>	<b>1,335</b>	<b>(469)</b>		<b>(48,581)</b>	<b>698</b>	<b>(47,883)</b>
			<b>Precepts, Demands and Shares</b>			
45,376	0	45,376	Central Government	44,198	0	44,198
44,469	117,482	161,951	Plymouth City Council	43,314	120,884	164,198
0	16,535	16,535	Devon and Cornwall Police and Crime Commissioner	0	17,296	17,296
907	6,583	7,490	Devon and Somerset Fire and Rescue Service	884	6,580	7,464
<b>90,752</b>	<b>140,600</b>	<b>231,352</b>		<b>88,396</b>	<b>144,760</b>	<b>233,156</b>
			<b>Charges to the Collection Fund</b>			
211	0	211	Renewable Energy Disregard	220	0	220
253	1,659	1,912	Write offs of uncollectable amounts	270	900	1,170
949	1,218	2,167	Increase/(Decrease) in Bad Debt Provision	(495)	455	(40)
14,400	0	14,400	Increase/(Decrease) in Provision for Appeals	(3,739)	0	(3,739)
311	0	311	Cost of collection allowance	309	0	309
<b>16,124</b>	<b>2,877</b>	<b>19,001</b>		<b>(3,435)</b>	<b>1,355</b>	<b>(2,080)</b>
<b>65,708</b>	<b>3,924</b>	<b>69,632</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(28,743)</b>	<b>(1,870)</b>	<b>(30,613)</b>
			<b>Collection Fund Balance</b>			
2,298	(2,744)	(446)	Balance as at 1 April	68,006	1,180	69,186
65,708	3,924	69,632	(Surplus)/Deficit for the year (as above)	(28,741)	(1,870)	(30,611)
<b>68,006</b>	<b>1,180</b>	<b>69,186</b>	<b>Balance as at 31 March</b>	<b>39,265</b>	<b>(690)</b>	<b>38,575</b>
			Allocated to:			
34,003	0	34,003	Central Government	19,632	0	19,632
33,323	985	34,308	Plymouth City Council	19,240	(567)	18,673
0	140	140	Devon and Cornwall Police and Crime Commissioner	0	(93)	(93)
680	55	735	Devon and Somerset Fire and Rescue Service	393	(30)	363
<b>68,006</b>	<b>1,180</b>	<b>69,186</b>	<b>Total Allocated</b>	<b>39,265</b>	<b>(690)</b>	<b>38,575</b>

## NOTES TO THE COLLECTION FUND

### 1 Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 73,115 in 2021/22 (2020/21: 74,603).

The basic amount of Council Tax for a Band D property (2021/22: £1,979.91) 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	44,632	29,042	19,352	97.5%	18,868
B	31,587	25,447	19,792	97.5%	19,297
C	22,304	19,735	17,542	97.5%	17,103
D	9,342	8,522	8,522	97.5%	8,309
E	4,910	4,620	5,647	97.5%	5,506
F	1,772	1,676	2,421	97.5%	2,360
G	557	523	872	97.5%	850
H	26	19	38	97.5%	37
	<b>115,130</b>	<b>89,584</b>	<b>74,186</b>		<b>72,330</b>
Adjustment for MOD Properties					785
<b>Tax Base Totals</b>			<b>74,186</b>		<b>73,115</b>

The Council Tax Base was calculated at the time the 2021/22 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 £144.761m (£1,979.91 x 73,115). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £148.683m (2020/21: £140.888m).

### 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, this was frozen at 51.2p for 2021/22 at the same level as the rate for 2020/21, the rate for properties in receipt of Small Business Rate Relief was kept at 49.9p.

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 2021/22 were estimated before the start of the financial year as £44.198m to Central Government, £0.884m to DSFRA and £43.314m to Plymouth City Council.

These sums have been paid during 2021/22 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 2021/22 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 2021/22.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2021/22 was £3.176m based on the original estimates made in January 2022. Further reliefs of £20.540m were awarded during the year in response to the extended relief schemes introduced in 2021/22.

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 2022 the Council included a provision of £8.292m.

For 2021/22, the total non-domestic rateable value at the end of the year was £228.871m (2020/21: £229.904m).

The total income from ratepayers in 2021/22 was £72.923m (2020/21: £38.871m), an increase from 2020/21 due to the impact of the reduction in the Government's extended relief schemes.

This sum included £2.430m 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.

The impact of COVID-19 on the collection fund has been significant over the last two years, largely contributing to the Council's £19.240m deficit position at the end of 2021/22. This deficit will be offset in future years by government support through Section 31 grant. This has been received by the Council and is currently within the Collection Fund reserve (see note [12](#) to the accounts).

### **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.