

2014/15 STATEMENT OF ACCOUNTS



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EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS 2014/15

WHAT IS THE STATEMENT OF ACCOUNTS?

Plymouth City Council is a Unitary Council serving a population in excess of 250,000, with an organisation of this size and complexity with a gross annual budget in excess of £550m, the formal accounts are both technical and complex. The Accounts are compiled in accordance with relevant legislation and guidance, primarily the International Financial Reporting Standards (IFRS). We have therefore aimed to set out the information within these accounts using simple and clear language and terms wherever possible. However, at times it will be necessary to use technical terms – there is a glossary here to explain the technical terms used.

As part of the accountability for Local Authorities to give confidence that public money has been properly accounted for, we are required by law to produce an annual set of accounts. These accounts cover the financial year April 2014 to March 2015. They show a clear and accurate report of the financial position, informing Stakeholders of Plymouth City Council that we have properly accounted for all of the public money we have received and spent, and that the Council has a secure and sustainable financial standing. Together with the movements in the balance sheet they lay out the 'net worth' of the Authority. So, the purpose of this Foreword is to provide a guide to the most significant matters reported in the Council's accounts.

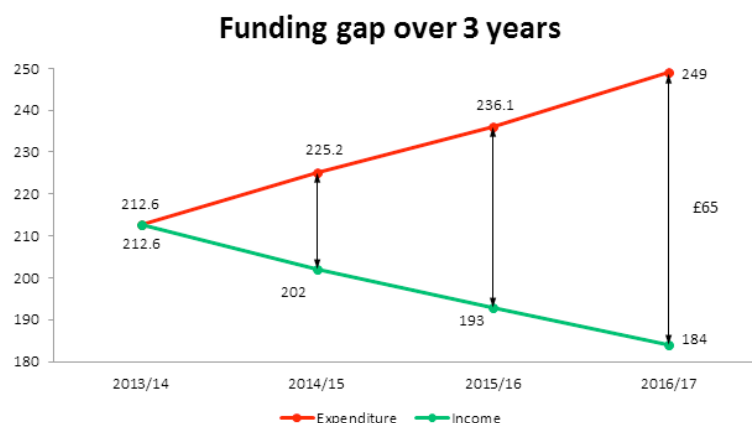
The budget and subsequent monitoring reports within this Explanatory Foreword are based on the Council's management accounts. At the end of the year a number of presentational and accounting entries are made to the management accounts in order to take account of the requirements of The Code and produce the statutory Statement of Accounts in a format consistent across all authorities.

A WORD FROM OUR SECTION 151 OFFICER

I hope you find the information contained within this report both useful, in understanding how Plymouth City Council allocates its scarce resources, and written using language which is easy to understand. Last year we reported that in line with all other Local Authorities across the country, we are facing the biggest challenge in terms of falling central government funding that we have experienced in a very long time. This situation was forecast to continue through 2014/15 and it has with our allocated funding being very close to our financial modelling.

We have faced reducing resources since 2010 during which time the demand for our core services has continued to grow. We have been hugely successful in driving out savings and working more efficiently over the three years from 2010/11, removing more than £30m from our net revenue budget whilst retaining and improving services to our customers along the way. 2014/15 represented the first year of our well-publicised three year £65m funding gap. This was again a very challenging financial year for the Council.

We had to achieve savings in 2014/15 of over £20m to balance our budget. It is a fantastic achievement to have come in so close to budget with only a £0.119m overspend against our net revenue budget of £204.680m. Balancing the budget without the need for a major draw down against our financial reserves provides us with a strong foundation to address the challenges ahead. It is a tremendous achievement and testament to the strong financial management and discipline across all areas of the Council.



However, there are specific areas of departmental service that continued to present us with significant financial impact, mainly in relation to our demand-driven Children's Social Care which reported an overspend of £2.7m against the net budget allocation of £26.5m, and our Co-operative Commissioning and Adult Social Care programme where costs exceeded the £70.5m net budget by £2.5m at year end. With increasing client numbers linked to people living longer, there is even more need to join in partnership with colleagues from health to place our combined limited funding into preventative work, supporting people to live healthy live-styles within the community.

Within the strained financial climate, the Council has set out its future direction in its [Corporate Plan](#) which clearly lays out the objectives, outcomes and values that the Council is committed to whilst driving down spend and maximising income in order to balance the books. The plan contains ambitious objectives around the themes of Pioneering, Growing, Caring and Confident Plymouth.

As a Council, we have every confidence that we will succeed in delivering these savings, and emerge in a strong position to take on the next set of financial challenges.

Annual Report 2015/16

The Council published its [Annual Report](#) which summarises how we have been delivering the Council's priorities for Plymouth over the last year and our plans for 2015/16. The report also outlines how we spend our budget and some of the challenges we face in delivering services with less funding from central Government and rising demand for care services.

OUTTURN POSITION 2014/15 – A SUMMARY

As in 2013/14, where we recorded a small over spend of £0.058m, we again came very close to balancing the books in 2014/15. Against our budget of £204.680m, our total revenue spend for the year was £204.799m, representing an over spend of £0.119m. Given the size of the challenges we faced, this is again a major achievement.

Directorate	Budget	Outturn	Year-end overspend/ (underspend)
	£m	£m	£m
People	122.751	126.190	3.439
Place	30.319	30.344	0.025
Office of Director of Public Health	0.211	0.205	(0.006)
Transformation and Change	30.723	30.657	(0.066)
Chief Executive's Office	3.870	3.869	(0.001)
Corporate Items	16.806	13.534	(3.272)
Total	204.680	204.799	0.119

The table shows that with the exception of the People Directorate and Corporate items, all other directorates came in with only minor variations from their budget allocations. The People Directorate, recorded an overall total overspend across all areas of £3.439m. This includes overspend within the Co-operative Commissioning and Adult Social Care area of £2.508m, and over spend of £2.723m within Children's Social Care, both being offset by major savings from Education, Learning and Family Support and also Homes and Communities.

OUTTURN POSITION 2014/15

The overspend for the Co-operative Commissioning and Adult Social Care service is attributed to Care Packages, increase in the overall number and cost of Supported Living clients, direct payments, re-ablement and an increase in the forecasted cost of the Rapid Response and Deprivation of Liberty Safeguards (DoLS) assessments and associated costs. To put this in context, we must consider that this service area is responsible for just under £70.5m of the Council's net budget, or put another way approx. 35 per cent of the total resource allocation; the adverse position at the end of the year, although a large sum, represents just over a three per cent over spend against the budget.

The Children's Social Care overspend is attributable to the increased cost of young people's placement, including more complex care needs.

The major offsets were recorded under Corporate Items where we did not call on the £1m Revenue Contingency; our Treasury Management strategy again produced major savings against budget of £1.4m; we made savings of £0.313m against the cost of our Transformation Programme. We also had one-off savings of £0.500m from areas such as VAT and despite the difficult economic situation, we continued to be successful in collecting both our council tax and our business rates and we also saw the benefit of the Devon-wide Non Domestic Rates (Business Rates) Pool, which in this its second year again gave us a benefit through working in partnership.

The £0.119m over spend has been met from the General Fund Working Balance. The balance at the start of the year was £10.739m; after taking into account the final

	31 March 2014	Outturn	31 March 2015
	£m	£m	£m
Working balance	10.739	(0.119)	10.620

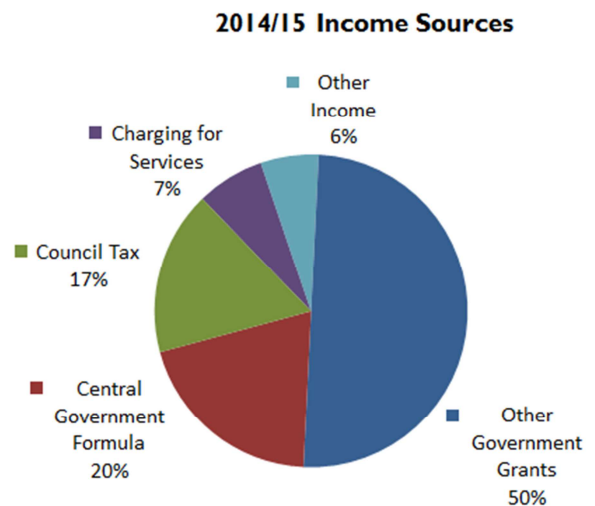
deficit for the year of £0.119m, the working balance to carry forward as of 31 March 2015 stands at £10.620m.

GENERAL FUND REVENUE ACCOUNT

MONEY IN...INCOME SOURCES

Our Revenue Budget is financed from Council Tax, fees and charges, Government grants (which include the Revenue Support Grant RSG plus our allocation of Business Rates), external contributions and other income. The diagram is helpful in understanding how the 2014/15 revenue budget was financed:-

The Council set a band D Council Tax for the year of £1,294.81 for the Authority's element of Council Tax, at its meeting of 24 February 2014.



MONEY OUT... WE SPENT OUR MONEY ON

We monitor the expenditure of the Council across three Directorates, being People, Place and Corporate Services, with a small Chief Executive's Office and council-wide areas covered within our Corporate Items.

People Directorate	£m
Children's Social Care	29.243
Co-operative Commissioning and Adult Social Care	72.998
Education, Learning and Family Support	13,966
Homes and Communities	9.780
Management and Support	0.203
Total	126.190
Transformation and Change Directorate	£m
Finance	15.922
Human Resources and Occupational Development	2.399
Legal	2.822
Customer Services	3.655
Management and Support	0.502
ICT	5.357
Total	30.657
Chief Executive's Office	£m
Total	3.869

Place Directorate	£m
Economic Development	0.899
Strategic Planning	8.614
Street Services	22.648
Management and Support	(1.817)
Total	30.344

Corporate Items	£m
Capital Financing	9.533
Transformation Programme	5.561
Other Corporate Items	(1.560)
Total	13.534

Office of Director of Public Health	£m
Total	0.205
Grand total	£m
Total	204.799

CAPITAL OUTTURN 2014/15

Capital expenditure generally relates to the creation of fixed assets and other items with a useful life or benefit of greater than one year. In many instances capital expenditure on a scheme will extend beyond one year and it is therefore normal for there to be variations in the programme during the year.

Directorate	Outturn
	£m
Transformation and Change	6.252
People	13.865
Public Health	0.186
Place	33.488
Total	53.791

The Council has an ambitious capital investment plan, designed to improve the City's infrastructure, economy and housing. For 2014/15 capital expenditure totalled £53.791m, representing 95 per cent of the latest approved budget of £56.671m.

The 2014/15 programme has enabled investment in some notable schemes, including £11m on improving and maintaining schools; £2m on upgrading disabled facilities in homes; £2.9m contribution to upgrading the Materials Recycling Facility at Chelson Meadow; £11m on highway improvements and £1.3m towards vehicle and plant replacement.

The year-end position includes £7.029m re-profiling of schemes into 2015/16, many of these relate to transactions planned to take place towards the end of the year that have not quite come to fruition in time.

The main sources of capital grant funding are: Lottery Grant, Department for Education and Skills, Department for Transport Section 56, Department for Communities and Local Government (DCLG) (including Disabled Facilities grant) and Section 106 developer's contributions. The 2014/15 programme was fully funded:

Method of financing	£m
Total borrowing	6.792
Ring fenced funding	12.619
Un-ring fenced funding	34.380
Total	53.791

TREASURY MANAGEMENT

The Council's Treasury Management Strategy is approved by Full Council each year. As an overriding principle, the strategy proposed that the Council would continue to minimise risk contained within its current debt and investment portfolios by establishing an integrated debt management and investment policy which balanced certainty and security, with liquidity and yield. The Council would continue to make use of short-term variable rate borrowing, whilst at the same time seeking to balance its investments across a range of investment instruments.

The Council's [Treasury Management Strategy for 2015/16](#) has been approved by Full Council, can be found on our website.

External borrowing

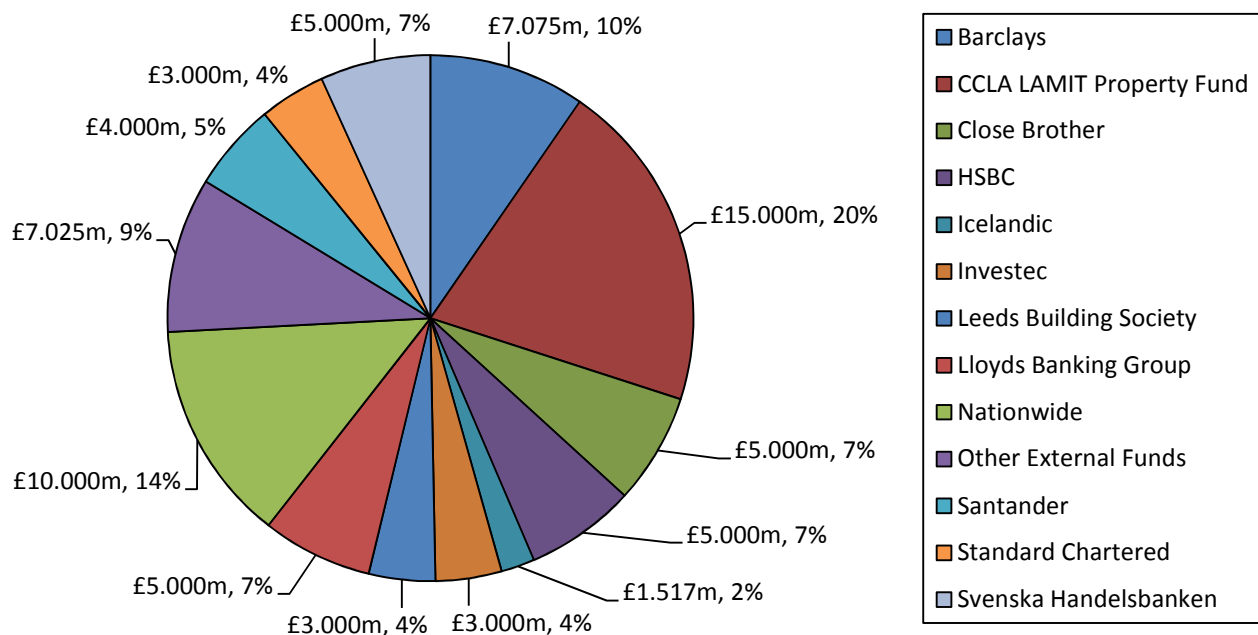
At the year-end, borrowing from external lenders totalled £212.564m, as shown in the table below. This should be viewed in relation to the value of the Council's operational land and buildings, plant and equipment and investment properties, which have a net book value of £431.606m at the 31 March 2015. The table below shows the absolute cash value of the debt which differs from the Balance Sheet value due to accounting treatment requirements.

External borrowing	Principal O/S	Average rate
	£m	per cent
PWLB (Public Works Loan Board)	44.252	5.76
Market Loans	100.000	4.38
Bonds	0.112	0.50
Temporary Loans	68.200	0.38
Total borrowing	212.564	3.83
PFI	28.500	8.73
Other Finance lease liability	1.727	n/a
Other liabilities	8.920	n/a
Total debt 31 March 2015	251.711	3.83

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

Investments by bank/group at 31 March 2015

Total £73.617m



OVERVIEW OF THE ACCOUNTING STATEMENTS

Statutory duty and compliance with regulations

The Accounts and Audit (England) Regulations 2011 require the Council's Section 151 Officer, the Assistant Director for Finance, to certify that the accounts present a 'true and fair' view of the financial position of the Council as at the 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

We are required to prepare the Statements in accordance with the Code of Practice on Local Authority Accounting, based on International Financial Reporting Standards (IFRS). The two key documents:

- Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and Update (The Code)
- Service Reporting Code of Practice for Local Authorities 2012/13 and Update (SeRCOP)

These codes are updated annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). There were no major changes for 2014/15.

The Annual Governance Statement

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2011, 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).

In 2011/12 the decision was taken that the AGS would no longer form part of the published Statement of Accounts document but would stand-alone to reflect the fact that its scope is wider than just the financial transactions of the authority. However, it will be published alongside the Statement of Accounts on the Council's website as is required by the Code. The AGS was reported to and approved by the Audit Committee in June 2015.

Contents

The Statement of Accounts comprises:

- An Explanatory Foreword
- Statement of Responsibilities for Statement of Accounts
- The Main Accounting Statements and related Notes to the Accounts
- Supplementary Statements in relation to the Collection Fund

The Accounting Statements comprises four Core Financial Statements as follows:

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

These main statements are then supplemented by:

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

Key areas covered in the Statement of Accounts include:-

Balance sheet

The balance sheet has a negative balance of £110m which has been caused mainly by movements in the unusable Reserves. The Council holds a number of reserve accounts in the Balance Sheet and these are shown in note [16.1](#).

There have been two large movements in the unusable reserves during the year. The pension reserve has decreased by a net figure of £129m mainly due to an increase in future obligations of £146m following a change in the financial assumptions used by the actuaries. The Tamar Bridge was revalued during the year using the replace cost valuation and this has reduced the value by £40m which is included in the revaluation reserve and the capital adjustment account.

Pension liabilities

Plymouth City Council employees are eligible to join the Local Government Pension Scheme (LGPS) which is managed by Devon County Council on behalf of the Devon Authorities. The accounting requirements of International Accounting Standard (IAS) 19 have resulted in a pension liability of £504.823m being reflected in the Council's Balance Sheet. This represents Plymouth City Council's liability to the LGPS. In addition, the Council discloses a long-term creditor of £16.521m on the Balance Sheet. This represents its share of Devon County Council's on-going liability to pay enhanced pension costs that existed at the time of Local Government Reorganisation in 1998.

These amounts are matched by a pensions reserve and therefore have no impact on the Council's revenue balances. The pension liability as at 31 March 2015 has increased following the actuaries review of the position.

The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The level of contributions required to be made by the Council into the fund are set by independent actuaries. The contribution levels are reviewed every three years following a triennial review of the fund by the actuaries. The current contribution rate is based on 20.1 per cent of pensionable salary costs for those employees in the Devon pension scheme and this will remain until 2017 when the next full actuarial is undertaken.

Partnership arrangements

DELT

In October 2014 Plymouth City Council entered into a formal partnership with Clinical Commissioning Group (CCG) in Plymouth to provide a shared service for ICT.

Highways maintenance

The Council entered into a contract with Amey in December 2008 to manage the Council's Local Transport Plan (LTP) revenue works, including maintenance, pre-planned and ad hoc works on highways, footpaths, gritting, walls etc. Amey also undertake design works and delivery of an element of the Council's capital LTP programme. The contract was for a period of 7 years, extendable by a further 3 years, and during 2014/15 the Council approved the extension of the contract to April 2017.

Devon Audit Partnership

The Council is part of an Internal Audit Partnership with Torbay Council and Devon County Council. This partnership was set up in April 2009 to improve the provision of Internal Audit services whilst realising efficiency gains across the three authorities. This is held up nationally as an example of good practice. The contract has been extended by a further three years commencing 1 April 2014, with the introduction of the Office of the Police and Crime Commissioner of Devon, Cornwall and the Isles of Scilly to the board, as a non-voting member.

South West Devon Waste Partnership

The Council is part of a Waste Partnership with Torbay Council and Devon County Council, which was set up in 2008 to source a household waste disposal solution for South West Devon. A 25 year contract was signed with MVV Umwelt in March 2011, with delivery of the service via a Waste Disposal Facility (WDF) being constructed in Plymouth; the plant became operational at the end of April 2015.

Material events after the balance sheet date

The Council is required to take into account items occurring after 31 March 2015 if they would have a material effect on the financial information presented and must publish the date up to which such events have been considered. The final Statement of Accounts will be published in September and will therefore include all post Balance Sheet events up to and including September 2015.

The Statement of Accounts was authorised by the Council's Section 151 Officer on 25 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015,

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

The relevant material non-adjusting events pertinent to the understanding of the Authority's financial position are as follows:

Adult Social Care and Clinical Commissioning Group

On the 1 April 2015 the Authority entered into an agreement with the North East and West Devon Clinical Commissioning Group under Section 75 of the National Health Services Act 2006.

The effect of this agreement is to pool budgets totalling £462m net (PCC £131 net and CCG £331m net) in 2015/16 between the two organisations to allow integrated commissioning of health, public health and social care services for the Plymouth population.

On 1 April 2015 Plymouth City Council adult social care delivery staff transferred to Plymouth Community Healthcare (PCH), a community interest company (CIC), to transform the way these services are delivered.

School's catering

On 1 April 2015 the school meals service transferred to CATERed Limited which is a company jointly owned by Plymouth City Council and PSSC Plymouth Schools Shareholding Company Limited (representing the Plymouth Schools).

Energy from waste plant

Commissioning of the plant commenced in April 2015 when the plant received waste from Plymouth City Council. In order to complete a commissioning period the plant now receives waste from all the three authorities and this is expected to be completed in 2015/16.

Contingent assets and liabilities

Contingent assets identify potential income that the Council may recover either as a result of legal action or reimbursement of overpayments. The Council has no contingent assets to declare.

Contingent liabilities represent areas that may result in a financial liability to the Council but which cannot be quantified with any certainty both in terms of timing and amounts and therefore have not yet been charged to the accounts. The main contingent liabilities are:

The Civic Centre – a contingent liability for the annual operating and maintenance costs have been disclosed whilst the future of the building remains to be determined.

The Council has received a satisfactory offer for the building and has agreed a sale, subject to contract. If the sale proceeds then the annual operating and maintenance costs will cease

Plymouth Community Homes (PCH) - as part of the housing stock transfer the Council was required to provide a number of warranties to the funders of PCH.

Chelson Meadow – since works to Chelson Meadow were completed in June 2012, the Authority has been in dispute with the contractor and is waiting for the adjudication to settle this claim.

Financial position of the Council

Going into 2015/16

At 31 March 2015 the Council's Working Balance stood at £10.620m or 5.5 per cent of the net revenue budget for 2015/16 of £193m.

In addition to the Working Balance, the Council has a number of earmarked reserves, set up specifically to meet the costs of future spending plans or known budget pressures. At 31 March 2015, the total earmarked reserves were £28.487, including £8.804m held on behalf of education/schools.

The Council also has a number of budget provisions set up to meet known liabilities. The main provisions include the Insurance Fund, and back dated equal pay claims. Provisions held at 31 March 2015 totalled £24.238m. Further details of provisions are in note [15](#) page 49. Regular reviews of the Council's financial health, in particular a review of reserves and provisions are undertaken during the year.

Looking forward to the medium term

Following the General Election in May 2015 the country elected a new Conservative Government. As a new administration the Chancellor has set out his immediate financial plans in his July 2015 Budget. We have our settlement confirmed for 2015/16 however we will continue to face a number of significant financial pressures in the medium term, with continued uncertainty around future grant funding and notification dates moving later into the year. We are preparing for the planned review of Non Domestic Rates (NDR) – more commonly referred to as Business rates- with new valuations in place from April 2017. With effect from April 2015 Plymouth City Council and the North East Western Devon CCG (NEW Devon CCG) have entered into a Section 75 agreement to pool their respective funding covering all aspects of children's and adult's social care plus intervention services.

We have set ourselves stretching targets for increasing our council tax income, through new housing build programmes, as well as growing our business rates base by encouraging new business opportunities. We will also build on our success with the Devon wide Business Rates Pool to generate further additional rates income.

Concluding remarks

The financial statements show that as a result of careful management of the Council's available resources we have achieved a financial outturn for 2014/15 of very close to budget, with a small over spend of £0.119m; maintained an adequate level of reserves and set aside provisions to meet our known future liabilities.

All of these actions leave the Council in a reasonable financial position to cope with the challenges of the future.

The Head of Corporate Strategy signed the Draft Statement of Accounts on 25 June 2015. The formal audit of the Draft Statement of Accounts commenced on 15 June 2015, and in line with our statutory duty we made our accounts available for scrutiny by interested members of the public from 22 June to 20 July 2015.

Following any adjustments, as a result of the audit and/or post balance sheet events, we will present the final Statement of Accounts to the Audit Committee scheduled for September, and following formal sign off we will publish them on our web pages no later than 30 September 2015.

Under the sections 15 and 16 of the Audit Commission Act 1998 and Regulations 9, 10 and 21 of the Accounts and Audit (England) Regulations 2011:

- 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 0117 305 7600.
- c) If any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The Council's Assistant Director for Finance who is the Section 151 Officer, is required to sign the final accounts by a statutory deadline of 30 September 2015.

Further information is available:

- on the Council's website: plymouth.gov.uk/accounts or
- from Chris Flower, Lead Accountant, Ballard House West Hoe Road, Plymouth PL1 3BJ, telephone 01752 304212, email corporateaccountancy@plymouth.gov.uk.

The Council's statutory responsibilities regarding these Accounts are laid out in the section entitled 'Statement of Responsibilities for the Statement of Accounts' page [14](#).

A Hardingham
Assistant Director for Finance
Ballard House, Plymouth PL1 3BJ

Dated: 17 September 2015

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority is required:

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

The Assistant Director for Finance responsibilities:

The Assistant Director for Finance is responsible for the preparation of the Authority's Statement of Accounts which is in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

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

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Local Authority Code
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

In signing these accounts, the Assistant Director for Finance confirms that these statements give a 'true and fair' view of the financial position of the Authority at 31 March 2015 and of its expenditure and income for the year ended 31 March 2015.

A Hardingham
Assistant Director for Finance
Ballard House, Plymouth PL1 3BJ

Dated: 17 September 2015

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2015

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2013/14 gross expenditure	2013/14 gross income	2013/14 net expenditure		Note	2014/15 gross expenditure	2014/15 gross income	2014/15 net expenditure
£000	£000	£000			£000	£000	£000
(100,643)	24,383	(76,260)	Adult Social Care		(102,883)	24,592	(78,291)
(7,376)	271	(7,105)	Corporate and Democratic Core		(10,471)	299	(10,172)
(6,936)	3,239	(3,697)	Central Services		(6,378)	3,882	(2,496)
(19,090)	4,020	(15,070)	Cultural and Related Services		(19,884)	5,439	(14,445)
(238,021)	169,945	(68,076)	Children's and Educational Services		(222,993)	155,667	(67,326)
(34,873)	7,512	(27,361)	Environmental and Regulatory Services		(44,608)	14,520	(30,088)
(121,774)	110,467	(11,307)	Housing Services		(117,693)	113,330	(4,363)
(41,485)	16,339	(25,146)	Highways and Transport Services		(79,683)	17,876	(61,807)
(301)	792	491	Non distributed costs		1,338	1,035	2,373
(11,313)	11,350	37	Public Health		(12,193)	12,932	739
(8,875)	9,465	590	Planning Services		(15,488)	13,570	(1,918)
(590,687)	357,783	(232,904)	Surplus/(deficit) on continuing operations		(630,936)	363,142	(267,794)
(18,855)	1,337	(17,518)	Gain/(loss) on disposal of fixed assets	<u>8.5</u>	(3,826)	269	(3,557)
(349)	5,331	4,982	Other operating expenditure		(358)	4,316	3,958
(51,172)	7,673	(43,499)	Financing and investment income and expenditure	<u>6</u>	(45,518)	20,115	(25,403)
0	233,138	233,138	Taxation and non-specific grant income	<u>7</u>	0	228,068	228,068
		(55,801)	Surplus/(deficit) on provision of services				(64,728)
		7,119	Surplus/(deficit) on revaluation of fixed assets	<u>16.6</u>			(4,878)
		(4,598)	Re-measurement of the net defined benefit liability (asset)				(117,858)
		314	Surplus/(deficit) on revaluation of available for sale financials assets				1,251
		(9,214)	Landfill provision				(213)
		(6,379)	Other comprehensive income and expenditure				(121,698)
		(62,180)	Total comprehensive income and expenditure				(186,426)

BALANCE SHEET AS AT 31 MARCH 2015

The Balance Sheet shows the value of the assets and liabilities recognised by the authority as at the Balance Sheet date. The net assets of the authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, that is those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.

31 March 2014		Note	31 March 2015
£000			£000
596,537	Property plant and equipment	8	547,377
20,144	Heritage assets	9	21,344
66,397	Investment property	10	64,161
2,078	Intangible assets		1,628
14,372	Long term investments	12.1	29,130
1,461	Long term debtors		2,598
700,989	Non-current assets		666,238
50,168	Short term investments	12.1	41,379
853	Inventories		966
32,227	Short term debtors	13.1	37,157
22,704	Cash and cash equivalents	17.4	7,628
6,315	Assets held for sale	8.6	6,363
112,267	Current assets		93,493
(82,497)	Short term borrowing	12.1	(69,925)
(74,129)	Short term creditors	14.1	(94,155)
(1,917)	Short term provisions	15	(1,002)
(158,543)	Current liabilities		(165,082)
(16,274)	Long term creditors	14.2	(16,756)
(14,925)	Long term provisions	15	(12,899)
(145,592)	Long term borrowing	12.1	(145,537)
(375,792)	Long term liabilities pensions	27.3, 27.9	(504,823)
(39,176)	Long term liabilities other	14.3	(38,106)
(591,759)	Long term liabilities		(718,121)
62,954	Net assets		(123,472)
63,927	Usable reserves	16.1	58,238
(973)	Unusable reserves	16.1	(181,710)
62,954	Total reserves		(123,472)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in reserves statement	Note	General fund balance	Earmarked GF reserves	Capital receipts reserve	Capital grants unapplied	Total usable reserves	Unusable reserves	Total authority reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013		10,797	24,417	13,121	12,283	60,618	64,514	125,132
Movement in reserves during 2013/14								
Surplus or (deficit) on provision of services		(55,800)	0	0	0	(55,800)	0	(55,800)
Other comprehensive expenditure and income		0	0	0	0	0	(6,378)	(6,378)
Total comprehensive expenditure and income		(55,800)	0	0	0	(55,800)	(6,378)	(62,179)
Adjustments between accounting basis and funding under regulations	5	58,778	0	(258)	599	59,119	(59,119)	0
Net increase/(decrease) before transfers to earmarked reserves		2,978	0	(258)	599	3,319	(65,497)	(62,178)
Transfers (to)/from earmarked reserves	16	(3,036)	3,026	0	0	(10)	10	0
Increase/(decrease) in year		(58)	3,026	(258)	599	3,309	(65,487)	(62,178)
Balance at 31 March 2014		10,739	27,443	12,863	12,882	63,927	(973)	62,954
Movement in reserves during 2014/15								
Surplus or (deficit) on provision of services		(64,728)	0	0	0	(64,728)	0	(64,728)
Other comprehensive expenditure and income		0	0	0	0	0	(121,698)	(121,698)
Total comprehensive expenditure and income		(64,728)	0	0	0	(64,728)	(121,698)	(186,426)
Adjustments between accounting basis and funding under regulations	5	65,653	0	(2,065)	(4,549)	59,039	(59,039)	0
Net increase/(decrease) before transfers to earmarked reserves		925	0	(2,065)	(4,549)	(5,689)	(180,737)	(186,426)
Transfers (to)/from earmarked reserves	16	(1,044)	1,044	0	0	0	0	0
Increase/(decrease) in year		(119)	1,044	(2,065)	(4,549)	(5,689)	(180,737)	(186,426)
Balance at 31 March 2015		10,620	28,487	10,798	8,333	58,238	(181,710)	(123,472)

CASH FLOW STATEMENT

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

2013/14		Note	2014/15
£000			£000
(54,958)	Net surplus or (deficit) on the provision of services	17.1	(64,728)
77,844	Adjustment to net surplus or (deficit) on the provision of the services for non-cash movement	17.1	97,269
509	Adjustment for items included in the net (surplus) of deficit on the provision of services that are investing and financing activities	17.1	59,033
23,395	Net cash flow from operating activities		91,574
(63,656)	Investing activities	17.2	(92,686)
(2,022)	Financing activities	17.3	(13,964)
(42,283)	Net increase or (decrease) in cash and cash equivalents		(15,076)
64,987	Cash and cash equivalents at the beginning of the reporting period	17.4	22,704
22,704	Cash and cash equivalents at the end of the reporting period		7,628

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I. Accounting Policies

I.1 General principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 (Part 3), which require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

I.2 Accruals of income and expenditure

Income and expenditure is accounted for in the year that it takes place, not simply when cash payments are made or received.

Accruals are made for all material sums unpaid at the year-end for goods or services received or works completed. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. A de-minimus of £500 is generally applied for income and expenditure.

Benefit payments

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

I.3 Prior period adjustments, changes in accounting policies and estimates and errors

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

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

I.4 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 fixed assets during the year:

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

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

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

1.5 Employee Benefits

Benefits payable during employment

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

Termination benefits (for example redundancy payments)

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Post-employment benefits (pensions)

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The Local Government Pensions Scheme, administered by Devon County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council.

Teachers' Pension Scheme

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Educational Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

However, the Council is able to supplement teachers' statutory retirement benefits with locally determined decisions (discretionary payments). The future liability for such decisions is a true cost to the Council and is assessed annually by the Actuary and included within the total pension liability on the Balance Sheet.

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 4.5 per cent (based on the Merrill Lynch AA rated corporate bond).

The assets of the Devon Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price

- unquoted securities – professional estimate
- property – market value

Discretionary benefits

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

1.6 Events after the balance sheet date

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

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

1.7 Financial instruments

Financial liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Loans/borrowings

The Council's loans are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The Council's policy is to spread the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount receivable when it was repaid.

Short term trade debtors

Where income has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Debtors included within the current assets section of the Balance Sheet are therefore measured at original invoice value, less a provision for uncollectability of debt.

Long term debtors

The Council may provide financial assistance to individuals or organisations in the form of a loan. Where the repayment period exceeds one year these are classified as Long Term Debtors on the Balance Sheet.

An element of Social Care debt is recovered by means of a charge on the client's property. This debt may not be recovered in the next financial year and is therefore included within long term debtors. This debt is not subject to an interest charge.

Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Available-for-sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The investment relates to a financial instrument with a quoted market price and is therefore maintained in the Balance Sheet at fair value.

Impairment

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

1.8 Government Grants and Contributions

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

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where Revenue grants that have been credited to the Comprehensive Income and Expenditure Statement are intended to meet specific service expenditure that has not yet been incurred, an equivalent amount is transferred from the General Fund Balance to an Earmarked Reserve in the Statement of Movement in Reserves. A transfer back is made in future years to match expenditure as it is incurred.

Capital grants are posted to the Taxation and Non-Specific Grant Income section of the Comprehensive Income and Expenditure Account, unless they are used to finance Revenue Expenditure Financed from Capital under Statute (REFCUS) spend, in which case they are posted to the relevant service line.

Grants paid to the Council as the accountable body are only recognised to the extent that they are used towards Council expenditure.

1.9 Agency Services

The Authority has a number of arrangements in place where it is acting as an agent for a third party.

The Council does not recognise the transactions relating to its agency activities within the accounts, with the exception of the administration charges received for services provided which are recognised in the Comprehensive Income and Expenditure Statement.

Devon Business Rates Pool

In accordance with paragraph 34 of Schedule 7B to the Local Government Finance Act 1988 the Secretary of State designated the Local Authorities of Devon as a pool of authorities for the purpose of the scheme for local retention of non-domestic rates.

Plymouth City Council is the Lead authority of the Pool and undertakes the following functions:

- Makes and receives, on behalf of the pool members, payments in respect of any top-ups and tariffs, levy and safety net and safety net on account payments from DCLG.
- Makes and receives payments between members of the Pool as determined by the governance agreement.
- Administers the Pool in accordance with the governing arrangements.

1.10 Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events is capitalised when it will bring benefits to the Council for more than one financial year. The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets on the Council's Balance Sheet relate to the purchase of software licences. The useful life assigned to the major software suites used by the authority is 5 years.

Internally developed intangible assets such as the development and implementation of computer systems and development of the Councils website are not capitalised but are written down to the relevant service line(s) and reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account under the provisions for Revenue Expenditure Funded from Capital Under Statute.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance.

1.11 Jointly controlled operations and jointly controlled assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other Partners that involve the use of the assets and resources of the Partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls, if any, and the liabilities that it incurs and debits and credits the Comprehensive Income and

Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

The joint operation does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint operation and income that it earns.

1.12 Interests in Companies and Other Entities

The Authority has interests in other Entities, Subsidiaries, Associates or Joint Ventures. However, currently, these are not considered sufficiently material to require the preparation of Group Accounts.

In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.13 Investment property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

1.14 Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Heritage assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration to a heritage asset, or doubts arise to its authenticity, the value of the asset has to be reviewed.

1.15 Leases

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

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

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

The Authority as lessee (leased in assets)

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor, although in practice many of the Council's property finance leases are held on a long lease at peppercorn rental and there is therefore no matching liability on the Balance Sheet. Initial direct costs to the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Finance lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Operating leases

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

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

The Authority as lessor (council assets leased out)

Finance leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

Operating leases

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

1.16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The full cost of overheads and support services are recharged to services on the basis of time allocations or other appropriate measures of resources used with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the (surplus)/deficit on continuing operations.

1.17 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost (except for the Tamar Toll Bridge which is stated at the replacement cost);
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

Assets that local authorities intend to hold in perpetuity and have no determinable useful life and may have restrictions in their disposal are classified as community assets, and in this instance are generally valued at a nominal £1.

Assets included in the Balance Sheet at fair value are revalued regularly and are reviewed at the year-end to ensure that their carrying amount is not materially different from their fair value.

Impairment

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life such as freehold land and certain Community Assets, and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on a straight line basis over the useful life of the asset as determined by the valuer. Depreciation is charged to the Comprehensive Income and Expenditure Statement based on values as at the start of the year. No depreciation is applied in year of acquisition or construction. The depreciation periods currently used are:

Operational Buildings

Car parks	10 to 50 years
Schools	10 to 40 years
Other buildings	10 to 60 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 20 years
Community Assets	0 to 30 years

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

The Council's componentisation policy is as follows:

- **Materiality level**

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

- **Significance**

Components with a value of 20 per cent or above of the overall asset value are significant components.

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

- **Different asset life**

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

Assets held for sale

When it becomes probable that value of an asset will be recovered principally through a sale rather than through its continuing use, and the asset is being actively marketed, it is reclassified as an Asset Held for Sale. The asset is revalued and held at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

Assets that are no longer used for operational purposes but are not actively being marketed are revalued and reclassified as surplus but still retained within property plant and equipment and transferred to Assets Held for Sale only when a decision is made to actively market the asset.

Disposals

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve. Capital receipts can then only be used for:

- new capital investment;
- set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement).

1.18 Inventories and Long Term Contracts

Inventories (stocks and work in progress) are shown in the accounts at cost (less any foreseeable losses on work In progress).

Since stockholdings are reviewed on a continuous and rotational basis no provision has been made for obsolete stock or slow moving items.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. The Council has a long term contract with Amey to manage the Council's Local Transport Plan (LTP) revenue works, including maintenance, pre-planned and ad hoc works on highways, footpaths, gritting, walls etc. Amey also undertakes design works and delivery of an element of the Council's capital Local Transport Plan programme.

1.19 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

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 Comprehensive

Income and Expenditure Statement. The remaining grant is treated as a specific grant and included within the Children's and Education service line.

Government grants received for PFI schemes, in excess of current levels of net expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

1.21 Reserves

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

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

1.22 Revenue expenditure funded from capital under statute (REFCUS)

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

2. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Implications of Government funding reforms/reductions

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that further assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision, other than those already earmarked for closure as part of budget delivery plans.

Accounting for schools - transfers of status

When a school that is held on the Council's balance sheet transfers to Academy, Trust or Voluntary Aided status the non-current assets are removed from the Authority's balance sheet. Where the

approval for the transfer and the transfer date occur in the same financial year the Council accounts for this as a disposal for nil consideration. However, where the approval date and transfer date straddle two financial years, assets values are impaired down to nil in the year of approval, with the disposal then occurring in the following financial year when the transfer actually takes place.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Variances in assumptions made by the Pension Fund Actuary in respect of (gains)/losses forecasted by the Pension Fund and to the mortality rates of members drawing from the Pension Fund.	The effects on the net present value of the total pension obligation can be measured. For instance, a 1 year increase in mortality rate assumptions would result in a change to the net present value of the total pension obligation by -£0.038m.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

4. Events after the Balance Sheet date

The Statement of Accounts was authorised by the Council's Section 151 Officer on 15 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The relevant material non-adjusting events pertinent to the understanding of the Authority's financial position are as follows:

Adult Social Care and Clinical Commissioning Group

On the 1 April 2015 the Authority entered into an agreement with the North East and West Devon Clinical Commissioning Group under Section 75 of the National Health Services Act 2006.

The effect of this agreement is to pool budgets totalling £462m net (PCC £131 net and CCG £331m net) in 2015/16 between the two organisations to allow integrated commissioning of health, public health and social care services for the Plymouth population.

A new Plymouth Integrated Commissioning Board has been formed and four commissioning strategies which support the use of the section 75 monies are under development. Given the volatile nature of both health and social care budgets, a risk share limiting arrangement has been agreed for 2015/16 which protects the partners from exposure to each other's overspends.

On 1 April 2015 Plymouth City Council adult social care delivery staff transferred to Plymouth Community Healthcare (PCH), a community interest company (CIC), to transform the way these services are delivered.

Health and social care services will work in a more joined-up way as an integrated provider and PCH will focus on transforming services across the city to ensure that we make the best use of our

resources. At a time when demand continues to rise PCH will ensure that people who use these services get the right care, at the right time, in the right place, regardless of who may be providing the care.

School's Catering

On 1 April 2015 the school meals service transferred to CATERed Limited which is a company jointly owned by Plymouth City Council and PSSC Plymouth Schools Shareholding Company Limited (representing the Plymouth Schools).

CATERed provides freshly prepared food to children and young people every day across the city. The service provides Free School Meals, Universal Infant Free School Meals and paid for meals to 12,500 pupils each day of the academic year in 67 schools.

The service currently employs around 280 largely part-time staff and a core management team of 8 full-time staff and is responsible on behalf of the schools for the planned and reactive maintenance of the kitchen estates which is funded from school budgets.

Energy from waste plant

The Council is part of a Waste Partnership with Torbay Council and Devon County Council which was set up formally in 2008 to source a household waste disposal solution for South West Devon. The three councils jointly signed a 25 year contract for waste disposal with German Company MVV Umwelt in March 2011 following a public procurement exercise. MVV have been building an energy from waste facility on leased Ministry of Defence land at Camels Head North Yard in Devonport Dockyard, Plymouth.

Commissioning of the plant commenced in April 2015 when the plant received waste from Plymouth City Council. In order to complete a commissioning period the plant now receives waste from all the three authorities and this is expected to be completed in 2015/16. Payments to MVV are made in accordance with the contract and are set at a reduced rate until the commissioning period is completed when the full gate fees will be chargeable for tonnages delivered.

5. Adjustments between accounting basis and funding basis under regulations

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

Adjustments between accounting basis and funding basis under regulations	2013/14				2014/15			
	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
Adjustments involving the capital adjustment account:								
Reversal of items debited or credited to the comprehensive income and expenditure statement:								
Charges for depreciation and impairment of non-current assets	37,118	0	0	(37,118)	78,926	0	0	(78,926)
Movements in the market value of Investment Properties	6,677	0	0	(6,677)	2,791	0	0	(2,791)
Amortisation of intangible assets	655	0	0	(655)	689	0	0	(689)
Capital grants and contributions	(34,997)	0	34,997	0	(26,301)	0	26,301	0
Movement in the donated assets account	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	19,107	0	0	(19,107)	10,658	0	0	(10,658)
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	17,291	0	0	(17,291)	3,510	0	0	(3,510)
Insertion of items not debited or credited to the comprehensive income and expenditure statement:								
Statutory provision for the financing of capital investment	(9,505)	0	0	9,505	(9,110)	0	0	9,110
Capital expenditure charged against the general fund	0	0	0	0	(2,670)	0	0	2,670
Adjustments involving the capital receipts reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	0	1,673	0	(1,673)	0	3,391	0	(3,391)
Other capital receipts credited to the comprehensive income and expenditure statement	(5,174)	5,174	0	0	(4,316)	4,316	0	0
Total C/FWD	31,172	6,847	34,997	(73,016)	54,177	7,707	26,301	(88,185)

Adjustments between accounting basis and funding basis under regulations	2013/14				2014/15			
	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
Total B/FWD	31,172	6,847	34,997	(73,016)	54,177	7,707	26,301	(88,185)
Long term debtor repayments in year	0	40	0	(40)	0	36	0	(36)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(7,139)	0	7,139	0	(9,805)	0	9,805
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	5	(5)	0	0	3	(3)	0	0
Adjustments involving the capital grants unapplied account:								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	(34,398)	34,398	0	0	(30,850)	30,850
Adjustments involving the financial instruments adjustment account:								
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	15,446	0	0	(15,446)	(160)	0	0	160
Adjustments involving the pensions reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	36,707	0	0	(36,707)	31,476	0	0	(31,476)
Employer's pensions contributions and direct payments to pensioners payable in the year	(20,130)	0	0	20,130	(19,901)	0	0	19,901
Adjustments involving the collection fund adjustment account:								
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	(680)	0	0	680	402	0	0	(402)
Adjustment involving the unequal pay back pay adjustment account								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(4,209)	0	0	4,209	0	0	0	0
Adjustment involving the accumulating compensated absences adjustment account								
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	467	0	0	(467)	(344)	0	0	344
Total Adjustments	58,778	(257)	599	(59,120)	65,653	(2,065)	(4,549)	(59,039)

6. Financing and investment income and expenditure

This contains corporate items of income and expenditure arising from the Authority's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts. This heading also includes the income and expenditure relating to investment properties, further details of which can be found in note [12](#).

Analysis of income/expenditure	2013/14	2014/15
	£000	£000
Interest payable and similar charges	(8,668)	(10,426)
Premium on early repayment of debt	(16,507)	0
Pensions interest cost and expected return on pension assets	(15,441)	(16,233)
Interest receivable and similar income	1,215	1,398
(Surpluses)/deficits on trading undertakings not included in net cost of services	109	(101)
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	(4,207)	(41)
Total	(43,499)	(25,403)

7. Taxation and non-specific grant income

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. Capital grants and contributions are credited here even where they are service-specific, unless they are used to finance Revenue Expenditure Funded by Capital Under Statute (REFCUS) spend in which case they are treated as revenue grants and credited to the relevant service line.

Analysis of Income	2013/14	2014/15
	£000	£000
Council tax income	85,957	87,446
Non domestic rates	51,687	53,716
Non-ringfenced government grants	80,346	68,417
Capital grants and contributions	15,148	18,489
Total	233,138	228,068

8. Property, plant and equipment

8.1 Movement in year

The movement in Property Plant and Equipment (PPE) in 2014/15 is summarised in the following table:

2014/15	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
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2014	402,213	54,932	153,777	110,793	1,565	4,990	9,890	738,160
Additions	5,713	7,163	10,779	0	3	462	15,381	39,501
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	1,464	0	194	(16,264)	0	2,296	0	(12,310)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(5,792)	0	(194)	(38,279)	0	(46)	0	(44,311)
Derecognition - disposals	(746)	(444)	0	0	0	0	0	(1,190)
Derecognition - other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	(1,499)	0	0	0	0	475	0	(1,024)
Other movements in cost or valuation	(7,035)	(329)	2,346	0	13	2,775	(7,512)	(9,742)
At 31 March 2015	394,318	61,322	166,902	56,250	1,581	10,952	17,759	709,084
Accumulated depreciation and impairment								
At 1 April 2014	(47,528)	(27,717)	(54,517)	(9,195)	(1,143)	(1,523)	0	(141,623)
Depreciation charge	(13,285)	(4,291)	(8,058)	(938)	0	(181)	0	(26,753)
Depreciation written out to the revaluation reserve	3,249	0	0	9,195	0	170	0	12,614
Depreciation written out to the surplus/deficit on the provision of services	1,713	0	0	0	0	0	0	1,713
Impairment losses/(reversals) recognised in the revaluation reserve	(200)	0	0	0	0	(300)	0	(500)
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(6,970)	(80)	(14)	0	(16)	(1,085)	0	(8,165)
Derecognition - disposals	380	334	0	0	0	0	0	714
Derecognition - other	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	512	114	0	0	0	(333)	0	293
At 31 March 2015	(62,129)	(31,640)	(62,589)	(938)	(1,159)	(3,252)	0	(161,707)
Net book value								
At 31 March 2015	332,189	29,682	104,313	55,312	422	7,700	17,759	547,377
At 31 March 2014	354,685	27,215	99,260	101,598	422	3,467	9,890	596,537

2013/14	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
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2013	422,385	52,598	146,259	110,785	1,565	6,025	9,331	748,948
Additions	11,654	3,461	6,089	8	0	4	4,311	25,527
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	(4,241)	0	330	0	0	19	0	(3,892)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(4,724)	0	0	0	0	(1,252)	0	(5,976)
Derecognition - disposals	(485)	(719)	(176)	0	0	0	0	(1,380)
Derecognition - other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	(2,612)	0	0	0	0	(650)	0	(3,262)
Other movements in cost or valuation	(19,764)	(408)	1,275	0	0	844	(3,752)	(21,805)
At 31 March 2014	402,213	54,932	153,777	110,793	1,565	4,990	9,890	738,160
Accumulated depreciation and impairment								
At 1 April 2013	(45,210)	(24,097)	(46,771)	(7,348)	(1,143)	(2,472)	0	(127,041)
Depreciation charge	(12,432)	(4,198)	(7,847)	(1,847)	0	(125)	0	(26,449)
Depreciation written out to the revaluation reserve	6,400	0	0	0	0	0	0	6,400
Depreciation written out to the surplus/deficit on the provision of services	1,234	0	0	0	0	283	0	1,517
Impairment losses/(reversals) recognised in the revaluation reserve	4,405	0	0	0	0	0	0	4,405
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(6,877)	(96)	0	0	0	904	0	(6,069)
Derecognition - disposals	33	535	101	0	0	0	0	669
Derecognition - other	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	4,919	139	0	0	0	(113)	0	4,945
At 31 March 2014	(47,528)	(27,717)	(54,517)	(9,195)	(1,143)	(1,523)	0	(141,623)
Net book value								
At 31 March 2014	354,685	27,215	99,260	101,598	422	3,467	9,890	596,537
At 31 March 2013	377,175	28,501	99,488	103,437	422	3,553	9,331	621,907

8.2 Commitments under capital contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2015 amounted to £26.243m (31 March 2014 £19.484m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme, and it is

anticipated that all works relating to these commitments will be completed within the next financial year.

8.3 Trust, foundation, voluntary aided and academy schools

The Council has a number of schools that are operated by various trusts, are classed as voluntary aided schools, or have transferred to Academy status. The Council is responsible for providing funding to the schools from the Dedicated Schools Grant (DSG) and Capital Resources, with the exception of the Academies who receive funding direct from the Government. However, the school buildings and associated land of all these categories of schools effectively passes to the Trustees of the school who have control over the use of the assets. The assets are therefore not shown on the Council's Balance Sheet. During the year, 3 schools transferred to Trust status and 1 school, which had previously held Trust status, transferred to Academy status.

8.4 Revaluations/impairments

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment (PPE) required to be measured at fair value is revalued at least every five years. All valuations are carried out internally under the supervision of Mr P C Palmer BSc (Hons), MRICS, RICS Registered Valuer.

8.5 Gain/loss on disposal of fixed assets

In 2014/15, the Council incurred a net loss on disposal of fixed assets of £3.557m (2013/14 £17.518m).

Assets written off balance sheet	Restated 2013/14	2014/15
	£000	£000
Land and property sales	601	1,135
Academy and trust schools	16,862	2,374
Investment properties	55	48
Total	17,518	3,557

8.6 Assets held for sale

The Council has non-current assets that are held for sale as at 31 March 2015. The value of the assets held for sale are £6.363m (2013/14 £6.315m).

9. Heritage assets

The Council holds heritage assets that are held in the following types of asset:

Historic buildings and monuments

Historic buildings and monuments classified as heritage assets on the balance sheet include Smeaton's Tower, the Elizabethan House and Plympton Guildhall which have been recognised at insurance valuations.

The Council has a number of other Heritage Assets that are used significantly for the provision of services and therefore are required to be recognised within Property, Plant and Equipment.

Gold, silver and jewellery and fine art and world cultures

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

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

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
Cost or valuation				
As at 1 April 2013	1,713	13,635	4,590	19,938
Additions	0	0	0	0
Revaluations	0	205	1	206
As at 31 March 2014	1,713	13,840	4,591	20,144
Cost or valuation				
As at 1 April 2014	1,713	13,840	4,591	20,144
Additions	0	381	0	381
Revaluations	0	819	0	819
As at 31 March 2015	1,713	15,040	4,591	21,344

10. Investment Properties

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

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

Analysis of movement in investment properties	2013/14	2014/15
	£000	£000
Balance at 1 April	73,182	66,397
Additions	0	3,468
Disposals	(108)	(3,074)
Net gains/(losses) from fair value adjustments	(6,677)	(2,791)
Transfers:		
(to)/from inventories	0	0
(to)/from property, plant and equipment	0	161
Other changes	0	0
Balance at 31 March	66,397	64,161

11. Capital Expenditure and Capital Financing

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

Capital financing requirement	2013/14	2014/15
	£000	£000
Opening capital financing requirement 1 April	275,779	264,753
Capital investment		
Property, plant and equipment	25,402	39,501
Investment properties	0	3,468
Intangible assets	517	238
Revenue expenditure funded from capital under statute	19,093	10,658
Other capital expenditure	130	759
Total	45,142	54,624
Sources of finance		
Capital receipts	(7,139)	(9,805)
Less: Long term debtors written out in year	33	33
Grants and contributions applied in year	(35,668)	(34,071)
Revenue and other funds	(3,889)	(3,552)
Minimum revenue provision	(9,505)	(9,110)
Total	(56,168)	(56,505)
Closing capital financing requirement 31 March	264,753	262,872
Explanation of movement in year		
Increase in underlying need to borrow	3,621	7,300
Reduction in underlying need to borrow resulting from other changes in capital financing requirement	(14,647)	(8,876)
Increase/decrease in capital financing requirement	(11,026)	(1,576)

12. Financial instruments

12.1 Financial instrument balances

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

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

Analysis of financial instruments	Long-term		Current		Total	
	31 March 14	31 March 15	31 March 14	31 March 15	31 March 14	31 March 15
	£000	£000	£000	£000	£000	£000
Financial liabilities at amortised cost						
PWLB debt	(44,252)	(44,252)	(287)	(287)	(44,539)	(44,539)
Other borrowings	(101,340)	(101,285)	(82,210)	(69,638)	(183,550)	(170,923)
Deferred liabilities	(30,332)	(29,352)	(1,045)	(879)	(31,377)	(30,231)
Other liabilities	(8,412)	(8,422)	(477)	(498)	(8,889)	(8,920)
Trade creditors	0	0	(20,883)	(27,463)	(20,883)	(27,463)
Total financial liabilities	(184,336)	(183,311)	(104,902)	(98,765)	(289,238)	(282,076)
Loans and receivables:						
Investments	1,558	4,565	50,168	41,379	51,726	45,944
Contractual debtors (net of impairment)	1,461	0	10,411	17,651	11,872	17,651
Cash and cash equivalents	0	0	22,704	7,628	22,704	7,628
Available for sale investments:						
Long term investments at fair value	12,814	24,565	0	0	12,814	24,565
Total financial assets	15,833	29,130	83,283	66,658	99,116	95,788

Note: LOBOs (Local Authority Lender's Option Borrower's Option loans) of £39m have been included in long term borrowing but have a call date in the next 12 months.

12.2 Gains and losses on financial instruments

The income, expense, gains and losses recognised in the comprehensive income and expenditure statement in relation to financial instruments are made up as follows:

Gains/losses on financial instruments	2013/14			2014/15		
	Financial liabilities measured at amortised cost	Financial assets loans and receivables	Total	Financial liabilities measured at amortised cost	Financial assets loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(27,452)	0	(27,452)	(10,428)	0	(10,428)
Impairment losses	0	2,277	2,277	0	0	0
Interest payable and similar charges	(27,452)	2,277	(25,175)	(10,428)	0	(10,428)
Interest income	0	1,215	1,215	0	1,398	1,398
Interest and investment income	0	1,215	1,215	0	1,398	1,398
Net (gain)/loss for the year	(27,452)	3,492	(23,960)	(10,428)	1,398	(9,030)

12.3 Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The proportion of debt and investments due to be settled within 12 months

of the balance sheet date are presented in the Balance Sheet under short term liabilities or short term investments. This also includes accrued interest for long term investments and borrowings.

The Council's investment portfolio at the Balance Sheet date consisted mainly of term deposits and call/notice accounts with Banks and Building Societies. The maturity dates of these investments were all within 12 months of the Balance Sheet date.

In the case of short term instruments and deferred liabilities (PFI, finance leases, etc.) the authority deems the carrying amount to be a reasonable approximation of the fair value. The fair value of trade receivables is taken to be the invoiced or billed amount.

Investments held on the balance sheet as available for sale are shown at fair value. This being the value obtainable by the authority if this investment was sold on the balance sheet date.

Comparison of financial liabilities	31 March 2014		31 Mar 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB - maturity	(44,539)	(60,885)	(44,539)	(74,135)
LOBOs	(102,644)	(129,391)	(102,584)	(159,378)
Short term borrowing	(80,819)	(80,819)	(68,227)	(68,227)
Other borrowing	(88)	(88)	(112)	(112)
Deferred liabilities	(31,378)	(31,377)	(30,231)	(30,231)
Other liabilities	(8,977)	(8,889)	(8,920)	(8,920)
Creditors	(20,883)	(20,883)	(27,463)	(27,463)
Total financial liabilities	(289,328)	(332,332)	(282,076)	(368,466)

The fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Comparison of financial assets	31 March 2014		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Deposits with banks and building societies	50,168	50,168	49,430	49,430
Cash and cash equivalents	22,704	22,704	7,628	7,628
Contractual debtors	11,872	11,872	17,651	17,651
Total financial assets	84,744	84,744	74,709	74,709

The fair value of the Financial Assets is equal to the carrying amount because the Council's portfolio of investments at balance sheet date, in the main, consisted of cash equivalent and short-term deposits.

12.4 Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments.

Full details of the Council's [Treasury Management Policy](#) can be found on the Council website.

The treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government (CLG) Investment Guidance for local authorities. The guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Credit risk

Credit risk is minimised through the annual Investment Strategy which outlines the credit criteria for the investment of the Council's funds. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies. The minimum credit rating criteria set for new investments with these financial institutions was a long term rating of A-/A3/A- (Fitch/Moody's/S&P). Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swaps and equity prices when selecting commercial organisations for investment.

A maximum limit of £20.00m of the total portfolio is placed on the amount that can be invested with a single counterparty. This limit and the maximum maturity of deposits are based on the credit quality of the organisation. The Council used UK Bank reserve accounts, allowing instant access to funds and where longer term investments were made these have been restricted to a maximum 1 year.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments with banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution.

The Council does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The overdue amount can be analysed by age as follows (including balances outstanding up to 28 days).

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments.

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future with Prudential Indicators included in the Treasury Management Strategy setting maximum levels of debt to mature within any financial year.

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

Loans outstanding	31 March 2014	31 March 2015
	£000	£000
Public works loans board	(44,252)	(44,252)
Market debt	(100,000)	(100,000)
Temporary borrowing	(80,800)	(68,200)
Other borrowing	(88)	(112)
Deferred liability (PFI)	(29,440)	(28,504)
Deferred liability (finance leases)	(1,937)	(1,727)
Other liabilities	(8,889)	(8,920)
Trade creditors	(20,883)	(27,463)
Total	(286,289)	(279,178)
Less than 1 year	(103,293)	(97,154)
Between 1 and 2 years	(1,358)	(499)
Between 2 and 5 years	(4,400)	(9,217)
Between 5 and 10 years	(12,259)	(9,061)
Between 10 and 20 years	(48,184)	(50,145)
Between 20 and 30 years	(10,469)	(6,781)
Between 30 and 40 years	(7,259)	(10,532)
Between 40 and 50 years	(17,659)	(14,397)
Over 50 years	(81,408)	(81,392)
Total	(286,289)	(279,178)

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

£68.2m of short term borrowing in place at 31 March 2015 was taken under approved authority to meet the Council's capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow and maturing deposits in 2014/15 if required thus reducing credit risk. These repayments are not subject to liquidity risk and as there is no need to replace this borrowing as there will be no exposure to interest rate risk.

Market risk: interest rate risk

The Council is exposed to risks in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council.

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their value will have no impact on the Comprehensive Income and Expenditure Statement. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the (surplus) or deficit on the Provision of Services.

The Council has a number of strategies for managing interest rate risk. The Council seeks to minimise this risk through expert advice on forecasts of interest rates received from our treasury management consultants. This is used to formulate a strategy for the year for both investments and borrowing. This strategy is periodically reviewed during the year to update for any modifications required in the light of actual movements in interest rates. As part of this strategy, limits are set for variable interest rate exposure to ensure that variable rate borrowing does not exceed variable rate investments. In both cases variable rates are considered to be any loans or investments with maturities of less than 1 year, or longer term loans or investments with the period to maturity falling below 1 year. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

Market risk: price risk

The market price of the Council's units in collective investment schemes are governed by prevailing interest rates and economic conditions and the risk associated with these instruments is managed alongside interest rate risk.

The Council does not invest in any equity shares and is therefore is not subject to equity price risk.

Market risk: foreign exchange risk

The Council currently has approximately £1.5m in Icelandic Krona (ISK) remaining in Escrow in Iceland. The Council is currently working with the LGA, Bevan Brittan and other affected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into Foreign Exchange, that is British Pounds.

13. Debtors

13.1 Short term debtors

Debtors are carried in the Balance Sheet at amortised cost, which generally equates to invoice value. The carrying value of the debt is reduced, however, to take into account the potential non-collectability of debt. The table below represents the net amount the Authority expects to collect from debtors existing at the balance sheet date.

Category of debtor	31 March 2014	31 March 2015
	£000	£000
Amounts falling due in one year		
Central government departments	6,522	15,502
Public corporations and trading funds	21	7
NHS bodies	5,189	388
Other local authorities	1,652	3,417
Other entities and individuals	18,843	17,843
Total short term debtors	32,227	37,157

13.2 Bad debt provision

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

Analysis of provisions held	31 March 2014	Provision made in year	Provision used in year	31 March 2015
	£000	£000	£000	£000
General fund	(1,325)	(287)	143	(1,469)
Housing benefit overpayments provision	(2,514)	(813)	446	(2,881)
Collection fund	(3,231)	(1,879)	885	(4,225)
Total provisions for bad debt	(7,070)	(2,979)	1,474	(8,575)

14. Creditors

14.1 Short term creditors

Creditors payable within the next 12 months are:

Category of creditor	31 March 2014	31 March 2015
	£000	£000
Central government departments	(17,556)	(27,947)
Corporations and trading funds	(872)	0
NHS bodies	(1,113)	(857)
Other local authorities	(3,028)	(2,494)
Other entities and individuals	(51,560)	(62,857)
Total	(74,129)	(94,155)

14.2 Long term creditors

Creditors falling due after more than 12 months are:

Category of creditor	31 March 2014	31 March 2015
	£000	£000
Other local authorities	(16,120)	(16,521)
Other entities and individuals	(154)	(235)
Total	(16,274)	(16,756)

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

14.3 Other long term liabilities

Analysis of other long term liabilities	31 March 2014	31 March 2015
	£000	£000
PFI Finance Leases	(28,611)	(27,775)
Other Finance Leases	(1,721)	(1,673)
Tamar Science Park	(432)	(236)
Cornwall Council - re Tamar Bridge and Torpoint Ferry Joint Committee	(8,412)	(8,422)
Total	(39,176)	(38,106)

15. Provisions

The Council has a number of budget provisions set up to meet known liabilities. Provisions are compulsory and required to comply with accounting standards. The provisions for the year are £13.901m and includes short term provisions £1.002m (2013/14 £1.917m) and long term provisions £12.899m (2013/14 £14,925m). The balance on the provisions at year end together with movement in the year is outlined below:

Analysis of provisions held	31 March 2014	Provision made in year	Payments used in year	Unused amounts reversed in year	31 March 2015
	£000	£000	£000	£000	£000
Insurance provisions	(6,574)	(2,726)	4,685	473	(4,142)
Landfill site provision	(9,214)	0	389	213	(8,612)
Other provisions	(1,054)	(972)	879	0	(1,147)
Total provisions	(16,842)	(3,698)	5,953	686	(13,901)

Details about the main provisions held are as follows:

Insurance provisions

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

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

Landfill site provision

The Council has made a provision of £9.214m in 2014 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 54 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

16. Reserves

16.1 Usable and unusable reserves summary

The Council holds a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accountancy practice and others have been set up voluntarily to earmark resources for future spending plans. The following table outlines the main reserves held with further analysis of individual reserve categories being shown in the remainder of this section.

There have been two large movements in the unusable reserves during the year. The pension reserve has decreased by a net figure of £129m mainly due to an increase in future obligations of £146m following a change in the financial assumptions used by the actuaries. The Tamar Bridge was revalued during the year using the replace cost valuation and this has reduced the value by £40m which is included in the revaluation reserve and the capital adjustment account.

Analysis of reserves	Note	31 March 2014	31 March 2015
		£000	£000
Usable reserves			
General fund balance		10,739	10,620
Earmarked general fund reserves	16.3	27,443	28,487
Capital receipts reserve	16.4	12,863	10,798
Capital grants and contributions unapplied	16.5	12,882	8,333
Total usable reserves		63,927	58,238
Unusable reserves			
Revaluation reserve	16.6	111,329	102,850
Capital adjustment account	16.7	301,448	257,273
Financial instruments adjustment account		(19,484)	(19,324)
Pensions reserve	16.9	(391,911)	(521,344)
Collection fund adjustment account		1,526	1,124
Accumulating compensated absences adjustment account		(4,182)	(3,838)
Deferred capital receipts		12	8
Available for sale financial instruments reserve		289	1,541
Total unusable reserves		(973)	(181,710)
Total reserves		62,954	(123,472)

16.2 General fund balance

The General Fund Balance (also known as the 'Working Balance') represents accumulated surplus of income over expenditure in relation to the Authority's revenue activities. The balance may be utilised to provide for unforeseen circumstances, ensure that payments can be made pending the receipt of income, or to support the annual revenue budget (thus reducing the Council Tax levy). The balance at the start of the year was £10.739m. After taking into account the revenue deficit for the year of £0.118m the balance at 31 March 2015 was £10.621m.

16.3 Earmarked reserves

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

Analysis of earmarked reserves	31 March 2014	Transfer to reserves in year	Transfers from reserves in year	31 March 2015
	£000	£000	£000	£000
Education/schools earmarked reserves	9,619	7,430	(8,245)	8,804
PCC earmarked reserves for policy/future liabilities	10,474	5,786	(4,621)	11,639
Other ringfenced reserves	3,201	663	(120)	3,744
Other reserves	4,149	5,425	(5,274)	4,300
Total earmarked reserves	27,443	19,304	(18,260)	28,487

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 2015 balance relating to the School budget share was £7.365m (31 March 2014: £8.189m).

PFI Reserve – The Council receives PFI credits towards the schools PFI contract at Wood View School in equal instalments over the course of the contract. Credits received in excess of costs are carried forward in a reserve to meet future expenditure, thus smoothing expenditure and income over the term of the contract.

PCC earmarked reserves

These are earmarked reserves for policy and/or future liabilities. They include reserves in relation to Accommodation, Pensions, Redundancies and potential Waste liabilities, along with a revenue reserve which finances some of the £20m Investment Fund set up by the Council as part of the 'Plan for Jobs Strategy'.

16.4 Usable Capital Receipts

Capital receipts are received by the Council for the sale of assets and the repayment of mortgage loans. 75 per cent of receipts relating to former HRA Right to Buy sales, including mortgage repayments, are paid over to central Government whilst the balance remaining may be used for the following:

- To finance capital expenditure
- To be set aside to finance future repayment of debt

The table below shows the movement in the reserve during the year:

Movement in usable capital receipts	2013/14	2014/15
	£000	£000
Balance at 1 April	13,121	12,863
Add: Receipts from sales of assets, etc.	6,892	7,744
Equated interest	0	0
Total	20,013	20,607
Less:		
Housing pooled capital receipts paid to central government	(11)	(4)
Used to finance capital expenditure	(7,139)	(9,805)
Balance at 31 March	12,863	10,798

16.5 Capital Grants and Contributions Unapplied

The Authority receives various grants (mainly from Central Government) and contributions towards the financing of its capital programme each year. The following table details the transactions posted to the account for the period:

Movement in capital grants and contributions	2013/14	2014/15
	£000	£000
Balance at 1 April	12,283	12,882
Capital grants and contributions recognised in the comprehensive income and expenditure statement in the year	34,997	26,301
Less used to finance Capital Expenditure	(34,398)	(30,850)
Balance at 31 March	12,882	8,333

In addition to the above balance, the Authority also held £34.967m of grants and contributions on the balance sheet at 31 March 2015 (£20.617m at 31 March 2014) which had not yet been released to the Comprehensive Income and Expenditure Statement. These will be recognised and transferred into the Capital Grants and Contribution Unapplied Account., once the authority is satisfied that the terms and conditions of the grant have been met.

Further details of capital grants and contributions are provided in note [23.1](#).

16.6 Revaluation reserve

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The following table details the transactions posted to the account for the period:

Movement in revaluation reserve	2013/14	2014/15
	£000	£000
Balance at 1 April	115,422	111,329
Upward revaluation of assets	16,760	8,317
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	(9,641)	(13,195)
Surplus or (deficit) on the revaluation of non-current assets not posted to the (surplus) or deficit on the provision of services	7,119	(4,878)
Transfer to capital adjustment account	0	0
Release of investment property balance	0	0
Difference between fair value depreciation and historical cost depreciation	(4,162)	(3,601)
Accumulated gains on assets sold or scrapped	(7,050)	0
Amount written off to the capital adjustment account	(11,212)	(3,601)
Balance at 31 March	111,329	102,850

16.7 Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

Movement in capital adjustment account	2013/14	2014/15
	£000	£000
Balance at 1 April	326,741	301,448
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:		
Charges for depreciation and impairment of non-current assets	(31,961)	(36,085)
Revaluation losses on property, plant and equipment	(5,157)	(43,398)
Amortisation of intangible assets	(655)	(689)
Revenue expenditure funded from capital under statute	(19,107)	(10,658)
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	(11,912)	(6,900)
Adjusting amounts written out of the revaluation reserve	4,162	4,158
Capital financing applied in the year:		
Use of the capital receipts reserve to finance new capital expenditure	7,139	9,805
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	34,398	30,850
Amounts reserved for future capital financing:		
Statutory provision for the financing of capital investment charged against the general fund (includes TB&TFJC element)	9,505	9,110
Capital expenditure charged against general fund	4,209	2,670
Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	(6,677)	(2,792)
Movement in the donated assets account credited to the comprehensive income and expenditure statement	0	0
Other movement on the CAA in year:		
Landfill site provision	(9,214)	(213)
Write down of long term debtors	(33)	(33)
Adjustment re pre 2004 leases	10	0
Balance at 31 March	301,448	257,273

16.8 Financial instruments adjustment account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement.

16.9 Pensions reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the

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

Movement in pension reserve	2013/14	2014/15
	£000	£000
Balance at 1 April	(370,736)	(391,911)
Actuarial gains or losses on pensions assets and liabilities	(4,598)	(117,858)
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	(36,831)	(31,075)
Employer's pensions contributions and direct payments to pensioners payable in the year	20,130	19,901
(Increase)/decrease in Plymouth's share of net deficit in year of Devon County Council pension fund	124	(401)
Balance at 31 March	(391,911)	(521,344)

16.10 Collection fund adjustment account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

16.11 Accumulating compensated absences adjustment account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

17. Cash flow disclosures

17.1 Cash flow statement - operating activities

The cash flows for operating activities include the following items:

Analysis of operating activities	2013/14	2014/15
	£000	£000
Net surplus or (deficit) on the provision of services	(54,958)	(64,728)
Adjust net surplus or deficit on the provision of services for non-cash movements:		
Depreciation	31,962	27,336
Impairment and downward valuations	5,157	52,147
Amortisation	655	689
Material impairment losses on Investments debited to surplus or deficit on the provision of services in year	(2,277)	0
Soft loans (non-subsidiary) - interest adjustment credited to CIES account during year	0	0
Adjustments for effective interest rates	(1,202)	(55)
Increase/decrease in provision for impairments/doubtful debts re: loans and advances	0	0
Increase/decrease in interest creditors	(3,920)	6
Increase/decrease in creditors	5,282	4,047
Increase/decrease in interest and dividend debtors	140	159
Increase/decrease in debtors	(842)	(4,168)
Increase/decrease in inventories	(81)	(113)
Pension liability	19,062	10,470
Revised IAS 19 implementation	(4,015)	0
Contributions to/(from) provisions	8,867	(2,941)
Provision for equal pay	0	0
Accumulated absence	467	0
Carrying amount of non-current assets sold	11,912	6,900
Carrying amount of short and long term investments sold	0	0
Movement in Investment Property values	6,677	2,792
Total	77,844	97,269
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital grants credited to surplus or deficit on the provision of services	(34,998)	(26,302)
Proceeds from the sale of short and long term investments	42,392	93,075
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,885)	(7,740)
Total	509	59,033
Net cash flows from operating activities	23,395	91,574

Analysis of interest paid and received	2013/14	2014/15
	£000	£000
Ordinary interest received	909	754
Soft loans (non-subsiary) - interest adjustment credited to I+E account during year	0	0
Adjustment for Icelandic impairments	(115)	0
Opening debtor	202	150
Closing debtor	(150)	(289)
Interest received	846	615
Interest charge for year	(24,774)	(10,037)
Adjustments for differences between effective interest rates and actual interest payable	(1,202)	(55)
Adjustment for impairment losses on long and short term investments charged to interest payable	(2,277)	0
Opening creditor	(5,530)	(3,220)
Closing creditor	1,610	3,226
Interest paid	(32,173)	(10,086)
Dividend received	209	511
Opening debtor	0	88
Closing debtor	(88)	(210)
Dividend received	121	389

17.2 Cash flow statement – investing activities

Analysis of investing activities	2013/14	2014/15
	£000	£000
Property, plant and equipment purchased	(26,043)	(42,969)
Other capital payments	(169)	(619)
Opening capital creditors	(5,566)	(4,737)
Closing capital creditors	4,737	6,992
Movement on other capital creditors	0	0
Purchase of property, plant and equipment, investment property and intangible assets	(27,041)	(41,333)
Purchase of short and long term investments	(87,575)	(97,645)
Long term loans granted	(404)	(1,179)
Other payments for investing activities	(404)	(1,179)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,523	7,744
Proceeds from short term investments	0	0
Proceeds from short-term and long-term investments	0	0
Other capital cash receipts	5,455	(1,891)
Capital grants received	44,386	41,618
Other capital cash receipts in advance	0	0
Other receipts from investing activities	49,841	39,727
Total cash flows from investing activities	(63,656)	(92,686)

17.3 Cash flow statement – financing activities

Analysis of financing activities	2013/14	2014/15
	£000	£000
Cash receipts of short and long term borrowing	357,177	472,274
Billing authorities - council tax and NDR adjustments	1,189	140
Repayment of short-term and long-term borrowing	(359,330)	(485,328)
Payments for the reduction of a finance lease liability	(250)	(220)
Payments for the reduction of a PFI liability	(808)	(830)
Total cash flows from financing activities	(2,022)	(13,964)

17.4 Cash flow statement – cash and cash equivalent

Analysis of cash and cash equivalents	2013/14	2014/15
	£000	£000
Cash and bank balances	1,690	1,121
Cash investments - regarded as cash equivalents	19,527	5,136
Tamar Bridge and Torpoint Ferry	1,487	1,371
Total	22,704	7,628

18. Amounts reported for resources allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular no charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement. The cost of retirement benefits is based on cash flows payment of employer's pension contributions rather than current service cost of benefits accrued in the year and expenditure on some support services is budgeted for centrally and not charged to directorates.

The table below shows the final outturn for 2014/15 analysed by service as reported to the Authority's Cabinet:

	Executive Office	Corporate Items	Transformation and Change	People Directorate	Place Directorate	Office of Director of Public Health	Total
2014/15	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	105	(2,722)	13,824	25,532	34,289	3,846	74,874
Government grants and contributions	41	11,272	107,710	266,659	10,427	12,503	408,612
Total	146	8,550	121,534	292,191	44,716	16,349	483,486
Employee expenses	(3,412)	(6,062)	(23,143)	(131,460)	(20,374)	(3,958)	(188,409)
Other operating Expenses	(603)	71,215	(129,002)	(284,866)	(54,303)	(12,418)	(409,977)
Support service recharges	0	(296)	(361)	(3,064)	(383)	(178)	(4,282)
Total	(4,015)	64,857	(152,506)	(419,390)	(75,060)	(16,554)	(602,668)
Net cost of services 2014/15	(3,869)	73,407	(30,972)	(127,199)	(30,344)	(205)	(119,182)

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

Reconciliation to net cost of services in comprehensive income and expenditure statement	£000
Net cost of services in service analysis as shown in the table above	(119,182)
Add adjustments and amounts not reported in management accounts (including Tamar Bridge and Torpoint Ferry Joint Committee)	(99,005)
Add net expenditure of services not included in the main analysis (trading)	8
Remove amounts reported to management not included in comprehensive income and expenditure	(49,615)
Net cost of services in comprehensive income and expenditure statement	(267,794)

Reconciliation to subjective analysis

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

	Service analysis	Adjustments and amounts not in management accounts	Services not in main analysis	Not included in I&E	Net cost of services	Corporate amounts	Total
2014/15	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	73,596	(7,586)	10,254	(10,361)	65,903	18,900	84,803
Government grants and contributions	408,612	(111,090)	0	(10,749)	286,773	228,082	514,855
Interest and Investment income	1,278	0	0	(1,278)	0	5,714	5,714
Total income	483,486	(118,676)	10,254	(22,388)	352,676	252,696	605,372
Depreciation, amortisation and impairment	85,697	(65,452)	0	(85,697)	(65,452)	(936)	(66,388)
Employee expenses	(188,409)	3,452	(1,986)	23,168	(163,775)	(22,099)	(185,874)
Gain or loss on disposal of fixed assets	0	0	0	0	0	(3,826)	(3,826)
Interest payments	(3,347)	0	0	3,347	0	(19,850)	(19,850)
Other service expenses	(492,276)	112,592	(7,344)	30,986	(356,042)	(906)	(356,948)
Payments to housing capital receipts pool	0	0	0	0	0	(3)	(3)
Precepts and levies	(51)	0	0	51	0	(51)	(51)
Support service recharges	(4,282)	(30,921)	(916)	918	(35,201)	(1,959)	(37,160)
Total operating expenses	(602,668)	19,671	(10,246)	(27,227)	(620,470)	(49,630)	(670,100)
Surplus or deficit on the provision of services 2014/15	(119,182)	(99,005)	8	(49,615)	(267,794)	203,066	(64,728)

Amounts reported for resources allocation decisions (2013/14 Comparative)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular no charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement. The cost of retirement benefits is based on cash flows payment of employer's pension contributions rather than current service cost of benefits accrued in the year and expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's General fund directorates recorded in the budget reports for the year is as follows:

2013/14	Executive Office	Corporate Items	Corporate Services	People Directorate	Place Directorate	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	1,096	9,099	44,534	25,460	28,189	108,378
Government grants and contributions	65	2,258	106,013	293,798	5,134	407,268
Total	1,161	11,357	150,547	319,258	33,323	515,646
Employee expenses	(2,167)	(4,510)	(26,592)	(145,380)	(24,158)	(202,807)
Other operating expenses	(332)	(16,545)	(125,506)	(298,148)	(47,679)	(488,210)
Support service recharges	(502)	(988)	(9,000)	(18,625)	(8,130)	(37,245)
Total	(3,001)	(22,043)	(161,098)	(462,153)	(79,967)	(728,262)
Net cost of services 2013/14	(1,840)	(10,686)	(10,551)	(142,895)	(46,644)	(212,616)

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

Reconciliation to net cost of services in comprehensive income and expenditure statement	£000
Net cost of services in service analysis as shown in the table above	(212,616)
Add adjustments and amounts not reported in management accounts (including Tamar Bridge and Torpoint Ferry Joint Committee)	(34,890)
Add net expenditure of services not included in the main analysis (trading)	1,796
Remove amounts reported to management not included in comprehensive income and expenditure	12,806
Net cost of services in comprehensive income and expenditure statement	(232,904)

Reconciliation to subjective analysis

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

2013/14	Service Analysis	Adjustments and amounts not in management accounts	Services not in main analysis	Not included in I&E	Net cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	103,612	(7,783)	10,595	(51,159)	55,265	7,765	63,030
Government grants and contributions	407,267	(125,160)	53	(2,590)	279,570	233,170	512,740
Interest and Investment income	4,767	0	0	(4,767)	0	6,546	6,546
Total Income	515,646	(132,943)	10,648	(58,516)	334,835	247,481	582,316
Depreciation, amortisation and impairment	(1,066)	(8,827)	(2,574)	1,399	(11,068)	(978)	(12,046)
Employee expenses	(202,807)	758	(2,025)	25,452	(178,622)	(20,948)	(199,570)
Gain or loss on disposal of fixed assets	0	0	0	0	0	(18,855)	(18,855)
Interest payments	(5,270)	0	0	5,270	0	(35,056)	(35,056)
Other service expenses	(481,819)	114,991	(3,359)	31,886	(338,301)	7,366	(330,935)
Payments to housing capital receipts pool	0	0	0	0	0	(5)	(5)
Precepts and levies	(54)	0	0	54	0	(54)	(54)
Support service recharges	(37,246)	(8,869)	(894)	7,261	(39,748)	(1,848)	(41,596)
Total operating expenses	(728,262)	98,053	(8,852)	71,322	(567,739)	(70,378)	(638,117)
Net cost of services 2013/14	(212,616)	(34,890)	1,796	12,806	(232,904)	177,103	(55,801)

19. Agency Services

The Council has a number of arrangements in place where it is acting as an agent for a third party. The accounts exclude all but the administration fee that the Authority receives for providing these services. During 2014/15, the significant agency services that the Authority undertook were as follows:-

Northern, Eastern and Western Devon Clinical Commissioning Group (New Devon CCG)

The Council carries out certain work on an agency basis on behalf of the New Devon CCG, the main service relating to the procurement of health care. The Council pays the Care Providers for nursing care and then collects it from the New Devon CCG.

Collection of Local Taxation

The Council, as billing authority for Council Tax, acts as an agent on behalf of the Devon and Cornwall Police and Crime Commissioner and Devon and Somerset Fire and Rescue Authority. The Council includes a debtor or creditor in its Balance Sheet for deficits/surpluses on the Collection Fund attributable to the two precepting authorities at the year end.

The expenditure incurred and income received in relation to these services is shown within the Collection Fund Statement and associated notes on pages [83 to 87](#).

Business Improvement District (BID)

The Council acts as an agent for the city's two BID companies, Plymouth City Centre Company and Plymouth Waterfront Partnership Ltd, billing and collecting the BID Levy (the contribution from businesses within the respective Business Improvement District areas for improvement initiatives) on behalf of the two companies.

Other Agency Arrangements

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

20. Members' Allowances

The Council made payments totalling £0.937m (2013/14: £0.917m) to its Members in the year made up as follows:

Analysis of Members allowance	2013/14	2014/15
	£000	£000
Basic allowance	576	581
Special responsibility allowance	336	354
Travel, subsistence and other expenses	5	2
Total	917	937

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

The Council is required to publish details of [payments made to its Members](#) and these can be found on the Council's website or you can obtain a copy by in writing to the Democratic Support Officer, Directorate for Corporate Services, Civic Centre, Plymouth PL1 2AA.

21. Officers' Remuneration

21.1 Senior Employees

Senior employees earning £50,000 or more per annum who have responsibility for the management of the Council or power to directly control the major activities of the Council are required to be listed by way of job title within the accounts. Where an employee's remuneration exceeds £150,000 there is an additional requirement that they be identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Team (Directors) and Departmental Management Teams (Assistant Directors). In line with majority of the public sector, a pay freeze was implemented for the Council's senior management in 2014/15.

Senior management post	Financial year	Salaries	Fees and allowances	Redundancy payments	Pension contributions	Total remuneration	Notes
Salary over £150,000		£	£	£	£	£	
Chief Executive	2014/15	150,000	11,232	0	20,550	181,782	Tracey Lee started 29/10/2012. 2013/14 and 2014/15 figures include payments for election duties (payment is higher due to the Full Council and European elections in 2014/15).
	2013/14	150,000	2,040	0	21,511	173,551	
Salary over £50,000 but less than £150,000							
Assistant Chief Executive	2014/15	70,929	3,755	0	10,225	84,909	The position holder was appointed as the Assistant Chief Executive on 01/06/2014.
	2013/14	0	0	0	0	0	
Strategic Director for People	2014/15	129,699	604	0	17,769	148,072	Job title changed from Director for People to Strategic Director for People on 01/01/2014.
	2013/14	129,699	1,239	0	18,547	149,485	
Strategic Director for Place	2014/15	114,637	410	0	15,705	130,752	Job title changed from Director for Place to Strategic Director for Place on 01/01/2014.
	2013/14	114,637	601	0	16,393	131,631	
Director for Transformation	2014/15	20,955	0	0	2,871	23,826	The position holder was appointed as the Director for Transformation on 26/01/2015. An Interim Director was appointed for the period 28/10/2013 - 24/10/2014. Their remuneration is not included in these figures but disclosed below separately.
Director for Corporate Services	2013/14	39,932	8	0	5,993	45,933	The position holder left the council on the 28/08/2013. This post has now been replaced by the Director for Transformation.

Senior management post	Financial year	Salaries	Fees and allowances	Redundancy payments	Pension contributions	Total remuneration	Notes
Director for Public Health	2014/15	103,499	18,118	0	10,636	132,253	The function of Public Health transferred to PCC on 1 April 2013. This position was filled 01/06/2013 - 05/11/2013. An acting director was seconded to PCC from 01/04/2013 - 01/06/2013 and an interim director was appointed for the period of 28/10/2013 - 31/03/2014. Their remuneration is not included in these figures but disclosed below separately. The position holder was appointed on 01/04/2014. Market Forces Supplement of £3,386.04 paid in 2014/15.
	2013/14	36,275	3,947	0	5,529	45,751	
Assistant Director for Democracy and Governance	2014/15	38,902	0	5,241	6,074	50,217	The position holder was also the monitoring officer and left the Council on 09/10/2014. The monitoring officer position was taken over by the Head of Legal Services from 10/10/2014.
	2014/15	35,196	4,835	0	4,822	44,853	
	2013/14	84,606	201	0	12,099	96,906	
Assistant Director for Adult Social Care	2014/15	85,030	434	0	11,649	97,113	Position holder left on 05/05/2013, new AD started 07/05/2013. Job title changed from Assistant Director for Co-operative Commissioning and Adult Social Care to Assistant Director for Adult Social Care on 14/12/2014.
	2013/14	84,606	266	0	12,099	96,971	
	2013/14	8,188	0	0	1,171	9,359	
Assistant Director for Environmental Services	2014/15	0	0	0	0	0	Position holder left on 18/01/2014. The post has been deleted. Pension contribution includes strain payment made to the Pension Fund.
	2013/14	67,548	0	12,150	199,536	279,234	
Assistant Director for Finance	2014/15	85,030	553	0	11,649	97,232	Job title changed from Assistant Director for Finance, Assets Technology and Assets to Assistant Director for Finance on 01/01/2014. The position holder left the Council on 31/03/2015.
	2013/14	84,606	452	0	12,099	97,157	
Assistant Director for HR and Organisational Development	2014/15	0	0	0	0	0	The position holder left the Council on 31/12/2013. The post is filled by an interim Director employed by NEW Devon CCG and seconded to PCC. Their remuneration is not included in these figures but disclosed below separately.
	2013/14	63,455	248	0	9,074	72,777	
Assistant Director for Economic Development	2014/15	85,030	288	0	11,649	96,967	Reduction in salary in 2013/14 is due to opting to use salary sacrifice scheme.
	2013/14	83,634	241	0	12,099	95,974	

Senior management post	Financial year	Salaries	Fees and allowances	Redundancy payments	Pension contributions	Total remuneration	Notes
Assistant Director for Learning and Communities	2014/15	98,424	1,138	0	13,484	113,046	Job title changed from Assistant Director for Education, Learning and Families to Assistant Director for Learning and Communities on 14/12/2014.
	2013/14	98,000	2,233	0	14,014	114,247	
Assistant Director for Children, Young People and Families	2014/15	90,427	862	0	12,388	103,677	Job title changed from Assistant Director for Children's Social Care to Assistant Director for Children, Young People and Families on 14/12/2014.
	2013/14	90,003	4,610	0	12,870	107,483	
Assistant Director for Strategic Planning and Infrastructure	2014/15	85,030	194	0	11,649	96,873	Position holder appointed to current role on 01/01/2014, annual salary £84,606. Previously AD for Planning, annual salary £69,696.
	2013/14	73,424	237	0	10,500	84,161	
Assistant Director for Transport and Infrastructure	2014/15	0	0	0	0	0	Assistant Director for Transport and Infrastructure left the Council on 03/03/2014. Salary for 2013/14 includes pay in lieu of leave. The post has been deleted.
	2013/14	88,748	443	93,502	13,472	196,165	
Assistant Director for Homes and Communities	2014/15	89,284	355	34,443	12,155	136,237	Assistant Director for Home and Communities left the Council on 31/01/2015. Salary for 2014/15 includes pay in lieu of leave. The post has been deleted.
	2013/14	69,696	0	0	9,967	79,663	
Assistant Director for Customer Services	2014/15	51,496	8,000	0	0	59,496	Original post holder left on 31/10/2013. Negative fees and allowances figures are due to repayment of relocation expenses. An Acting AD was appointed for the period of 01/11/2013 - 06/07/2014. The current position holder was appointed as the Assistant Director for Customer Services on 07/07/2014.
	2014/15	18,548	74	0	2,541	21,163	
	2013/14	29,040	354	0	4,153	33,547	
	2013/14	40,656	(2,662)	0	5,814	43,808	

* Fees and allowances include expenses such as travel, subsistence and fees for election duties and in the case of the Assistant Director for Education, Learning and Family Support and the Assistant Director for Children's Social Care it includes relocation expenses.

In addition to the remuneration paid to senior employees the Council also incurred the expenditure shown below in relation to interim appointments to key positions:

Senior management post	Financial year	Salaries	Fees and allowances	Pension contributions	Total remuneration	Notes
Director for Transformation (Interim)	2014/15				111,244	David Trussler started 12/08/2013 and left 24/10/2014.
	2013/14				116,552	
Director of Public Health (Interim)	2014/15				9,104	Stephen Horsley started 28/10/2013 and left 04/04/2014.
	2013/14				84,435	
Acting Director of Public Health	2013/14				16,344	Debbie Stark was seconded to PCC 1 day a week for 3 months.
Assistant Director for Street Scheme Services (Interim)	2014/15				168,556	Simon Dale started 23/12/2013.
	2013/14				45,058	
Assistant Director for HR and Org Development (Interim)	2014/15				50,917	Chris Squires started 07/01/2014.
	2013/14				14,750	
Head of Portfolio Office (Transformation)	2014/15				101,108	Sue Thomas started 14/10/2013 and left 24/10/2014.
	2013/14				71,967	
Head of Business Technology Architecture (Transformation)	2014/15				109,154	Hugh Van Wijk started 20/01/2014 and left 24/10/2014.
	2013/14				47,086	

21.2 Remuneration above £50,000

The Council is required by statute to disclose the number of employees whose remuneration for the year (excluding employer pension contributions) was £50,000 or more.

The numbers below include the senior management analysed between schools and non-schools staff as disclosed in note [21.1](#).

Remuneration Bandings	2013/14		2014/15	
	Schools	Non schools	Schools	Non schools
£50,000 - £54,999	21	20	18	29
£55,000 - £59,999	27	17	18	14
£60,000 - £64,999	22	11	26	8
£65,000 - £69,999	13	3	10	3
£70,000 - £74,999	4	5	4	3
£75,000 - £79,999	1	1	2	3
£80,000 - £84,999	3	3	1	0
£85,000 - £89,999	1	1	1	1
£90,000 - £94,999	0	1	0	0
£95,000 - £99,999	1	1	1	1
£100,000 - £109,999	0	1	0	0
£110,000 - £119,999	0	1	0	0
£120,000 - £129,999	0	0	0	0
£130,000 - £139,999	0	1	0	0
£140,000 - £185,999	0	2	0	0
Total	93	68	81	62

21.3 Employee exit packages

The authority incurred costs during 2014/15 relating to employee exit packages linked to compulsory and voluntary redundancies, a summary of which is shown below:

Banding	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£							£000	£000
00,000 - 20,000	60	54	37	36	97	90	594	654
20,001 - 40,000	11	8	0	0	11	8	275	205
40,001 - 60,000	5	3	0	0	5	3	225	135
60,001 - 80,000	0	1	0	0	0	1	0	60
80,001-100,000	2	1	0	0	2	1	178	95
100,001-150,000	0	0	0	0	0	0	0	0
150,001-200,000	0	0	0	0	0	0	0	0
200,001 - 250,000	1	0	0	0	1	0	202	0
Total	79	67	37	36	116	103	1,474	1,149

The Authority terminated the contracts of a number of employees in 2014/15 including school based staff, incurring liabilities of £1.149m (2013/14 £1.474m). This includes a sum of £0.297m to the pension fund in respect of pension strain payments. The Council's expenditure on Schools is primarily funded by the Dedicated Schools Grant provided by the Department for Education.

Reasons for termination included early retirement, voluntary and compulsory redundancies. In the case of compulsory redundancies the council's Redundancy Avoidance Policy provides the possibility of redeployment to other jobs suited to the experience and ability of staff concerned in case of compulsory redundancies.

22. External audit costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

Analysis of external audit costs	2013/14	2014/15
Audit area:	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor including Tamar Bridge and Torpoint Ferry Joint Committee	181	181
Fees payable to Grant Thornton for the certification of grant claims and returns	24	23
Fees payable in respect of other services provided by the appointed auditor.	17	5
Total	222	209

23. Government grants

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

The Authority credited the following revenue grants to Service areas in 2014/15:

Government grants credited to services	Restated 2013/14	2014/15
	£000	£000
DSG and other education grants	131,226	128,858
Housing Benefit and Council Tax Benefit subsidy	100,579	101,920
Public Health Grant	11,160	12,276
Learning and Skills Council	6,307	4,227
City Deal Grants	0	3,668
New Homes Bonus	2,838	3,327
Early Intervention Grant	0	2,319
Benefits Admin Grant	2,270	2,138
Plymouth Connect	0	1,155
Local Welfare Provision	1,064	1,049
Other Revenue Grants	4,200	4,601
Total revenue grants received	259,644	265,538

The above revenue grants are in addition to the non-ring-fenced Government grants reported in note [7](#).

The Dedicated Schools Grant has been deployed in accordance with regulations made under section 45A, 45AA, 47, 48(1) (2) and 138(7) of, and paragraph 1(7)(b) of section 14 to, the Standards Framework Act 1998 (England).

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

Capital grants and contributions by grant	Restated 2013/14	2014/15
	£000	£000
Big Lottery	616	537
Department for Transport	6,312	12,718
Department of Communities and Local Government	916	937
Department for Education and Skills	24,636	7,935
Environment Agency	495	1,178
Other Grants and Contributions	2,022	2,996
Total grants and contributions received	34,997	26,301

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

Capital grants and contributions recognised in the CIES	Restated 2013/14	2014/15
	£000	£000
Children's and Education Services	16,675	5,138
Housing Services	1,939	1,089
Other Grants and Contributions	1,165	1,494
Total recognised in the surplus/deficit on continuing operations	19,779	7,721
Financing and investment income and expenditure	70	91
Total recognised in the surplus/deficit on continuing operations	19,849	7,812
Taxation and non-specific grant income	15,148	18,489
Total recognised in the (surplus) or deficit on provision of services	34,997	26,301

23.2 Grants held on the Balance Sheet

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The grants are carried on the Balance Sheet as a creditor in a Grants Receipts in Advance Account and are split between Revenue and Capital Grant Receipts in Advance as follows:

The Revenue Grant Receipts in Advance for the year ended 31 March 2015 are £5.196m (2014 £5.194m). The Capital Grants received in Advance for the year ended 31 March 2015 are £34.967m (2014 £20.617m).

24. Related Party Transactions and Partnerships

24.1 Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

The table below outlines transactions between the Council and its subsidiaries, associates, jointly controlled and other assisted organisations where the influence is considered to be material, either to the Council or to the organisation.

Related party transactions	Restated 2013/14		2014/15	
	Receipts	Payments	Receipts	Payments
Subsidiary, associated and jointly controlled organisations	£000	£000	£000	£000
Plymouth Investment Partnerships Ltd (PIP)	567	0	67	0
Tamar Science Park Ltd	0	(5)	0	(2)
The PLUSS Organisation Ltd	26	(615)	0	(609)
DELT Shared Services Ltd	0	0	618	(2,208)
Assisted organisations				
Careers South West	0	(1,217)	0	(926)
Destination Plymouth	1	(204)	2	(128)
Devon and Cornwall Housing Association (including Independent Futures for ASC)	17	(51)	36	(1,479)
Devon Audit Partnership	25	(418)	19	(338)
Millfields CEDT	98	(92)	9	0
Mount Batten Sailing and Water Sports Centre	2	(122)	2	(117)
Plymouth Access to Housing	39	(146)	3	(222)
Plymouth Citizens Advice Bureaux	0	(619)	0	(629)
Plymouth City Centre Company	224	0	238	(654)
Plymouth Waterfront Partnership	90	(300)	111	(255)
Routeways Board	12	(380)	12	(251)
Shekinah Mission	1	(261)	2	(150)
Wolseley CEDT	325	(415)	12	(138)
Totals	1,427	(4,845)	1,131	(8,106)

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example Housing Benefits). Details of transactions with Government Departments are set out in note [23](#).

Members and Officers

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

Members and Officers of the Council have returned 71 declarations of Related Party Transactions for 2014/15, a response rate of 94 per cent.

25. Leases

25.1 Authority as a lessee – finance leases

The buildings acquired under a finance lease are carried in the Balance Sheet as Investment Property and the other assets are carried as Property, Plant and Equipment at the following net amounts:

During 2014/15 depreciation of £0.221m (2013/14: £0.237m) was charged in relation to assets held under finance leases.

The Authority is committed to making minimum payments under these leases comprising both settlement of the long-term liability for the interest in the assets acquired by the Authority together with the finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance lease liabilities (net present value of minimum lease payments):	31 March 14	31 March 15
	£000	£000
Current	217	45
Non-current	1,721	1,682
Finance costs payable in future years	3,550	3,403
Minimum lease payments	5,488	5,130

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

Analysis of leasing obligations	Minimum lease payments		Finance lease liabilities	
	31 March 14	31 March 15	31 March 14	31 March 15
	£000	£000	£000	£000
Not later than one year	364	181	217	45
Later than one year and not later than five years	684	677	162	169
Later than five years	4,440	4,272	1,559	1,514
Total	5,488	5,130	1,938	1,728

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.

25.2 Authority as a lessee – operating leases

The Council leases vehicles, equipment and some buildings under operating lease for its operational purposes. The future minimum lease payments due in future years under non-cancellable leases are:

Operating leases - Authority as a lessee	31 March 14	31 March 15
	£000	£000
Not later than one year	564	877
Later than one year and not later than five years	2,630	2,950
Later than five years	6,011	5,542
Total	9,205	9,369

The minimum lease payment charged in the Comprehensive Income and Expenditure Statement during the year in relation to these assets was £0.694m (£1.356m in 2013/14).

25.3 Authority as a lessor – operating leases

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

Operating Leases - Authority as a Lessor	31 March 14	31 March 15
	£000	£000
Not later than one year	5,212	5,233
Later than one year and not later than five years	17,491	18,233
Later than five years	358,710	367,360
Total	381,413	390,826

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.

26. Private Finance Initiatives (PFI) and Similar Contracts

26.1 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 £5.333m was made in 2014/15 (£5.278m 2013/14). Payments remaining to be made under the PFI contract at 31 March 2013, 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 2014/15	1,933	826	2,574	5,333
Payable in 2015/16	2,055	834	2,501	5,390
Payable within two to five years	9,111	3,831	9,225	22,167
Payable within six to ten years	13,445	6,281	9,461	29,187
Payable within eleven to fifteen years	15,937	8,748	6,345	31,030
Payable within sixteen to twenty years	11,817	8,810	1,772	22,399
Total	54,298	29,330	31,878	115,506

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	2013/14	2014/15
	£000	£000
Balance outstanding 1 April	30,247	29,440
Payments during the year	(807)	(826)
Balance outstanding 31 March	29,440	28,614

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

contribution from the Council of approximately £0.650m and schools of £0.920m will be used to meet the running costs of the contract, including the loan repayments.

The PFI credits will be paid to the Council at a rate of £3.982m per annum. Spend to be incurred during the contract will vary from year to year as lifecycle works are undertaken. The Council transfers any surplus resources for the PFI scheme to a PFI reserve to match commitments that will be incurred in later years.

27. 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.

27.1 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

In 2014/15, Plymouth City Council paid £5.456m to Teachers' Pensions in respect of teachers' retirement benefits, representing 11.11 per cent of pensionable pay. The figures for 2013/14 were £6.371m and 11.06 per cent. There were no contributions remaining payable at the year-end. In 2014/15 the minimum contribution was 6.4 per cent of salary, the maximum was 12.4 per cent.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 27.2 below.

27.2 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Local Government Pension Scheme (LGPS)

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme based on final pensionable salary.

The Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 per cent interest.

Pension Information for Plymouth City Council Scheme (PCC)

Transactions relating to post-employment benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive income and expenditure statement	2013/14	2014/15
	£000	£000
Cost of services		
Service cost	20,775	14,202
Financing and investment income and expenditure		
Net interest expense	15,358	16,117
Other operating expenditure		
Administration expenses	290	303
Total post-employment benefit charged to the surplus or deficit on the provision of services	36,423	30,622
Other post-employment benefits charged to the comprehensive income and expenditure statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(841)	(30,009)
Actuarial gains and losses arising on changes in demographic assumptions	1,603	0
Actuarial gains and losses arising on changes in financial assumptions	18,800	146,505
Experience gain/(loss) on defined benefit obligation	(15,070)	313
Other (if applicable)	(599)	0
Total post-employment benefits charged to the comprehensive income and expenditure statement	40,316	147,431
Movement in reserves statement		
Reversal of net charges made to the surplus of deficit on the provision of services for post-employment benefit in accordance with the code	(36,423)	(30,622)
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contribution payable to scheme	16,465	19,618
Retirement benefits payable to pensioners	3,407	3,408
Adjustment re: net increase/(decrease) pre LGR pension Liability	124	(401)

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

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

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2013/14	2014/15
	£000	£000
Opening balance at 1 April	(868,939)	(913,012)
Current service cost	(23,564)	(20,658)
Interest cost	(38,465)	(40,101)
Change in financial assumptions	(18,800)	(146,505)
Change in demographic assumptions	(1,603)	0
Experience loss/(gain) on defined benefit obligation	15,070	(313)
Liabilities assumed/(extinguished) on settlements	2,580	13,159
Estimated benefits paid net of transfers in	24,999	28,088
Past service costs, including curtailments	(828)	(337)
Contributions by scheme participants	(5,525)	(5,484)
Unfunded pension payments	2,063	2,094
Closing present value of liabilities	(913,012)	(1,083,069)

Reconciliation of the movements in the fair value of scheme (plan) assets	2013/14	2014/15
	£000	£000
Opening fair value of scheme assets	516,252	539,882
Interest income	23,107	23,983
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	841	30,009
Other actuarial gains/(losses)	599	0
Administration expenses	(290)	(303)
Contributions from employer	19,872	19,618
Contributions from employees into the scheme	5,525	5,484
Benefits paid	(27,061)	(30,182)
Settlement prices received/(paid)	1,037	(6,366)
Closing present value of assets	539,882	582,125
Closing balance at 31 March	(373,130)	(500,944)

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.

27.4 Scheme history (PCC)

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £500.944m is shown as a negative balance and therefore has an impact on the net worth of the authority as recorded in the Balance Sheet. However

the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2016 is £16.249m.

27.5 Basis for Estimating Assets and Liabilities (PCC)

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

Basis for estimating assets and liabilities	2013/14	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.7	22.8
Women	26.0	26.1
Longevity at 65 for future pensioners:		
Men	24.9	25.1
Women	28.3	28.4
Rate of inflation (CPI)	2.8%	2.4%
Rate of increase in salaries	4.6%	4.2%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.5%	3.3%

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)	(1,121,246)	1,083,069	1,045,232
Rate of increase in salaries (increase or decrease by 1%)	(1,080,572)	1,083,069	1,085,582
Rate of increase in pensions (increase or decrease by 1%)	(1,065,264)	1,083,069	1,101,224
Rate for discounting scheme liabilities (increase or decrease by 1%)	(1,103,576)	1,083,069	1,062,962

27.6 Total assets (PCC)

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

Categories by proportion of the total assets held	31 March 2014	31 March 2015
	per cent	per cent
Equities	75	74
Gilts	7	6
Property	11	13
Cash	2	2
Other investments	5	5
Total	100	100

27.7 Pension assets and liabilities recognised in the balance sheet

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

Pensions assets and liabilities recognised in the balance sheet	2013/14	2014/15
	£000	£000
Present value of the defined benefit	875,611	1,041,968
Fair value of plan assets	(539,882)	(582,125)
Net liability	335,729	459,843
Other movements in the liability	37,401	41,101
Net liability arising from defined benefit obligation	373,130	500,944

Pension information for Tamar Bridge and Torpoint Ferry Joint Committee (TB&TFJC)**27.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement (TB and TFJC)**

Comprehensive income and expenditure statement	2013/14	2014/15
	£'000	£'000
Cost of services:		
Service cost	325	337
Financing and investment income and expenditure:		
Net interest expense	84	116
Total post-employment benefits charged to the surplus or deficit on the provision of services	409	453
Other post-employment benefits charged to the comprehensive income and expenditure statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(2)	(401)
Actuarial gains and losses arising on changes in demographic assumptions	221	0
Actuarial gains and losses arising on changes in financial assumptions	220	1,482
Experience gain/(loss) on defined benefit obligation	266	(32)
Total post-employment benefits charged to the comprehensive income and expenditure statement	1,114	1,502
Movement in reserves statement		
Reversal of net charges made to the surplus of deficit on the provision of services for post-employment benefit in accordance with the code	(409)	(453)
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contribution payable to scheme	258	283

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

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2013/14	2014/15
	£000	£000
Opening balance at 1 April	(8,044)	(9,280)
Current service cost	(325)	(337)
Interest cost	(366)	(402)
Contributions from scheme participants	(78)	(89)
Re-measurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	(221)	(1,482)
Actuarial gains/losses arising from changes in financial assumptions	(220)	0
Experience loss/(gain) on defined benefit obligation	(266)	32
Benefits paid	240	241
Closing present value of liabilities	(9,280)	(11,317)

Reconciliation of the movements in the fair value of scheme (plan) assets	2013/14	2014/15
	£000	£000
Opening fair value of scheme assets	6,238	6,618
Interest income	282	287
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	2	401
Contributions from employer	258	283
Contributions from employees into the scheme	78	88
Benefits paid	(240)	(239)
Closing fair value of scheme assets	6,618	7,438
Closing balance at 31 March	(2,662)	(3,879)

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £3.879m has an impact on the net worth of the authority as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme via the Joint Committee in the year to 31 March 2016 is £0.297m.

27.10 Scheme History (TB&TFJC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2014.

28. Contingent Assets and Liabilities

28.1 Contingent Assets

The Council has the following contingent assets to report:

1. Overpaid Landfill Tax

A claim was submitted in March 2011 to HMRC for the reclaim of overpaid Landfill Tax covering the period between January 2007 and March 2008 at Chelson Meadow where it has been established that Landfill had been used for engineering purposes and is therefore exempt from landfill tax. HMRC issued a brief on the 18th May 2012 which has clarified their position and potentially resolves any disputes outstanding as they are closing the loophole from 2009 onwards, leaving no objections to claims for 2006 to 2009. To date agents for the Council have been unsuccessful in obtaining any final resolution from HMRC, repayments and the request for a formal departmental review have been refused and the agents are looking to lodge an appeal.

2. 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 per cent/25 per cent. However the timing and amount of any such receipts is uncertain and is subject to a review of strategic planning policies applicable to the site.

28.2 Contingent liabilities

The Council has the following contingent liabilities to report.

1. PLUSS Organisation Ltd

PLUSS was set up as a company on 1 August 2005. The three originating Councils, Plymouth, Torbay and Devon are technically 'members' of the company and agreed to provide a range of support to the company. Plymouth along with Devon, Torbay and Somerset provide PLUSS with a guarantee on their bank overdraft of £0.250m with Barclays plc.

The Council has also guaranteed any necessary payments to the pension fund for transferred employees, which would become due in the event of PLUSS becoming insolvent. The Pension Scheme was closed to new members from 30 September 2011 and fully closed from 31 March 2014 so the risk, which is shared between the 4 participating authorities and minimized by the provision of a bond or cash deposit by the company, will significantly reduce over time.

We currently have a contract with PLUSS for the provision of the supported employment and employment opportunities service. The Council is considering a range of options including whether to continue to provide the service. Should the Council decide to continue, it would need to procure the service in the market and there is no guarantee that the Company would be awarded the contract. If PLUSS lost this contract and/or any contract with any member authority it could affect their viability and therefore the loan and overdraft monies.

The member authorities are presently reviewing options for the future direction of the Company and their future involvement and any firm proposals will be progressed through the Council's democratic process.

2. Civic Centre

On 21 June 2007 the City Council was informed that the Civic Centre had been Grade II listed by English Heritage and since that time council officers have been working on solutions to determine the future for the building and site.

The listing continues to have a potentially significant financial impact on the Council. As a listed building, demolition is not feasible and therefore a renovation and conversion project is required. The Council intends to vacate the building fully by September 2015 and will occupy alternative office accommodation so that a twin-track approach can be actioned:

Option one: The building will be sold to a private developer for conversion to a non-council use.

Option two: Failing option one the Council itself will work up a conversion scheme for offices that can be partly occupied by the Council, with the remaining office space being leased out as part of the Council's commercial estate.

The operating cost of the Civic Centre of c. £1.6m per annum impacts on all Council Departments. In addition, if the Council itself needs to fund the repair and renovation of the building, there will be a capital funding requirement of c. £30m, although the operating costs of a renovated building would be expected to be less than as existing.

The Council has now received a satisfactory offer for the building and has agreed a sale, subject to contract. If the sale proceeds then the annual operating and maintenance costs will cease.

3. Plymouth Community Homes

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

- an environmental warranty whereby the Council has agreed to warrant that no dangerous substance is present in the property that has transferred or that no part of the property has been or could lawfully be designated as contaminated land; the Council is currently exploring options around mitigating this liability through an insurance policy.
- an asbestos warranty where the Council has agreed to reimburse Plymouth Community Homes the costs of asbestos containment or removal should the cost of such works exceed £10m in the first 12.5 years.

In addition the Council has provided a Pension guarantee whereby the Council has agreed to protect the Pensions Administering Authority against the insolvency, winding up or liquidation of Plymouth Community Homes Ltd.

4. Chelson Meadow

Environmental engineering capital works at Chelson Meadow were let under a 'target price' contract with a pain gain share arrangement and undertaken between Sept 2009 and June 2012. However towards the end of 2011 the contractor significantly increased their estimate of the contract out-turn cost above the agreed certified 'target price' without substantiation. In line with the contract the contractor was able to claim costs in advance of completion for work done albeit these costs were in excess of the certified and agreed 'target price' - this has resulted in an overpayment above the certified Target.

Since works completion in June 2012, the contractor has refused to repay the Council the overpayment and have retrospectively stated that they believe they are entitled to a further significant payment. The Council have contested this position, and several Adjudications have been under taken to help to determine a final account and monies due to both parties. Final costs have yet to be determined and will depend upon the final application of the adjudications decisions, any litigation, and the settlement of the final account.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2015

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.

2013/14				Note	2014/15		
Business rates	Council tax	Total			Business rates	Council tax	Total
£000	£000	£000	Income		£000	£000	£000
0	(102,400)	(102,400)	Council tax receivable	<u>1</u>	0	(105,314)	(105,314)
(87,452)	0	(87,452)	Business rates receivable	<u>2</u>	(90,594)	0	(90,594)
(87,452)	(102,400)	(189,852)			(90,594)	(105,314)	(195,908)
			Expenditure				
			Apportionment of previous year's surplus				
0	0	0	Central Government		146	0	146
0	0	0	Plymouth City Council		143	1,518	1,661
0	23	23	Devon and Cornwall Police and Crime Commissioner		0	195	195
0	11	11	Devon and Somerset Fire and Rescue Service		3	90	93
0	34	34			292	1,803	2,095
			Precepts, demands and shares	<u>3.1, 3.2</u>			
42,994	0	42,994	Central Government		43,953	0	43,953
42,134	85,007	127,141	Plymouth City Council		43,074	86,838	129,912
0	10,909	10,909	Devon and Cornwall Police and Crime Commissioner		0	11,144	11,144
860	5,048	5,908	Devon and Somerset Fire and Rescue Service		879	5,157	6,036
85,988	100,964	186,952			87,906	103,139	191,045
			Charges to the collection fund				
183	738	921	Write offs of uncollectable amounts		414	562	976
141	(431)	(290)	Increase/(decrease) in bad debt provision	<u>4.1, 4.2</u>	253	891	1,144
1,380	0	1,380	Increase/(decrease) in provision for appeals	<u>5</u>	(40)	0	(40)
310	0	310	Cost of collection allowance		309	0	309
2,014	307	2,321			936	1,453	2,389
550	(1,095)	(545)	(Surplus)/deficit for the year		(1,460)	1,081	(379)
			Collection fund balance				
0	(992)	(992)	Balance as at 1 April		550	(2,087)	(1,537)
550	(1,095)	(545)	(Surplus)/deficit for the year (as above)		(1,460)	1,081	(379)
550	(2,087)	(1,537)	Balance as at 31 march		(910)	(1,006)	(1,916)
			Allocated to:	<u>6</u>			
275	0	275	Central Government		(455)	0	(455)
270	(1,796)	(1,526)	Plymouth City Council		(446)	(885)	(1,331)
0	(199)	(199)	Devon and Cornwall Police and Crime Commissioner		0	(83)	(83)
5	(92)	(87)	Devon and Somerset Fire and Rescue Service		(9)	(38)	(47)
550	(2,087)	(1,537)	Total allocated		(910)	(1,006)	(1,916)

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: 67,066 in 2014/15 (66,958 in 2013/14).

The basic amount of Council Tax for a Band D property (£1,537.86 for 2014/15) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of properties before discounts	No of properties after discounts	Band D equivalents	Estimated collection rates	Adjusted band D equivalents
A	43,857	26,883	17,874	97.5%	17,427
B	29,457	23,090	17,950	97.5%	17,501
C	20,822	18,206	16,176	97.5%	15,772
D	8,478	7,767	7,764	97.5%	7,570
E	4,451	4,197	5,129	97.5%	5,001
F	1,620	1,514	2,186	97.5%	2,131
G	514	481	800	97.5%	780
H	28	20	40	97.5%	39
	109,227	82,158	67,919		66,221
Adjustment for MOD properties					845
Tax base totals			67,919		67,066

The Council Tax Base was calculated at the time the 2014/15 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 £103.138m (67,066 x £1,537.86). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £105.314m (2013/14 £102.400m) made up of £105.467m from Council Tax payers with a reduction of £0.153m due to previous years' adjustments relating to the Council Tax Benefit scheme.

2. Income from Business Ratepayers

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, which was 48.2p in 2014/15 (47.1p in 2013/14).

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 2014/15 were estimated before the start of the financial year as £44.099m to Central Government, £0.882m to DSFRA and £43.734m to Plymouth City Council.

These sums have been paid during 2014/15 and charged to the Collection Fund in year and include the previous year's surplus.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2014/15 Plymouth had a baseline amount of £51.953m and received a top-up of £8.990m which was credited to the General Fund and included in Note 7.

In addition to the top-up and tariffs, a safety net figure is calculated by Central Government. This mechanism is designed to protect local authorities from large fluctuation in their business rates income. The safety net threshold for Plymouth is £48.057m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2014/15.

Under the rate retention scheme local authorities became liable for their share of the liability arising from the in-year and backdated impact of successful business rate appeals. Based on the analyses of previous year trends and the list of outstanding appeals provided by the VOA as at 31 March 2015 the Council included a provision of £1.340m.

For 2014/15, the total non-domestic rateable value at the end of the year was £225.198m (£224.317m in 2013/14).

The total income from ratepayers in 2014/15 was £90.594m (£87.452m in 2013/14).

This sum included £0.568m of transitional protection payments from ratepayers, which under regulations should have a neutral impact on the Business Rates Retention Scheme and will be repaid to Central Government.

3. Precepts and Demands

3.1. Council Tax

The budgets of the City Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority are partly financed from the Council Tax. The sums required from Council Tax by the Council, Fire Authority and Police Commissioner are determined by each body as part of the budget process and are called demands (Council) and precepts (Fire and Police). The income from Council Tax payers is paid into the Collection Fund and payments are made by the Collection Fund for the demands and precepts due to the Council, Fire Authority and Police Commissioner.

3.2. Non-Domestic Rates

As described in Section 2 above, the administration of NDR is governed by the Retained Business Rate Scheme.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

4. Provisions for Non Payment

4.1. Council tax

Contributions are made from the Collection Fund Income and Expenditure Account to an Allowance for Non-Collectability of Debt (Bad Debt Provision) Account. During 2014/15, £1.453m (£0.307m in 2013/14) was contributed to the Account and £0.562m (£0.738m in 2013/14) of irrecoverable debt was written off. The bad debts provision for this year is £2.579m (2013/14 £1.668m) and the movement in the provision is shown below:

Movement in council tax allowance for non-collectability of debt account	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	2,119	1,688
Write offs	(738)	(562)
Contributions in year	307	1,453
Net change in provision	(431)	891
Balance at 31 March	1,688	2,579

The Bad Debt Provision is required to be apportioned between the 3 authorities in proportion to their precept/demand on the Collection Fund. The Police Commissioner's and Fire Authority's proportion of the allowance for non-collectability for debt is £0.407m leaving a balance of £2.172m to cover Plymouth City Council's proportion of Council Tax arrears. The Police and Fire elements are shown in the Council's Balance Sheet as a debtor.

4.2. Non-Domestic Rates

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

Movement in NDR allowance for non-collectability of debt account	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	576	717
Write offs	(183)	(414)
Contributions in year	324	667
Net change in provision	141	253
Balance at 31 March	717	970

The Council's proportionate share of these write offs and increase in provision are shown below, the proportionate share of the preceptors are shown on the Balance Sheet as Debtors.

Movement in NDR allowance for non-collectability of debt account (Plymouth share)	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	282	351
Write offs	(90)	(203)
Contributions to provision	159	327
Net change in provision	69	124
Closing balance at 31 March	351	475

5. Provision for appeals

The Collection Fund account also provides for provision for appeals against the rateable value set by the VOA not settled as at 31 March 2015.

Movement in NDR allowance for appeals	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	0	1,380
Provision used in year	0	(742)
Contributions to provision	1,380	702
Net change in provision	1,380	(40)
Closing balance at 31 March	1,380	1,340

The Council's proportionate share of the provision for appeals for this year is £0.657m (2013/14 £0.676m), the proportionate share of the preceptors are shown on the Balance Sheet as Debtors.

Movement in NDR allowance for appeals (Plymouth share)	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	0	676
Provision used in year	0	(364)
Contributions to provision in relation to prior years	676	344
Net change in provision	676	(20)
Closing balance at 31 March	676	656

6. Distribution of Collection Fund Surpluses and Deficits

The net accumulated surplus on the Collection Fund at 31 March 2015 amounts to £1.916m (2013/14 £1.537m) with £1.006m surplus relating to Council Tax collection, £0.001m surplus relating to Community Charge and £0.910m surplus relating to NDR.

The net surplus relating to Council Tax and Community Charge will be repaid to the City Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority in 2015/16 and 2016/17 in proportion to each authority's demand/precept on the Collection Fund. The Council's share of the surplus will be reviewed as part of the budget setting process for 2016/17.

The £1.006m surplus is apportioned as follows: Plymouth City Council £0.885m, Devon and Cornwall Police and Crime Commissioner £0.083m and Devon and Somerset Fire and Rescue Authority £0.038m.

The surplus relating to the NDR will be apportioned between Plymouth City Council, Devon and Somerset Fire and Rescue Authority and the Government based on their proportionate shares in 2016/17.