2016/17 STATEMENT OF ACCOUNTS

PLYMOUTH
CITY COUNCIL

This page is intentionally left blank

CONTENTS

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

Introduction

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

This narrative brings together information from various key documents which have been published throughout the year. The Statement of Accounts, taken as a whole, provides a comprehensive and informative stakeholder guide to establishing the Council's financial position and its net worth.

In this document the Council demonstrates that it has a secure and sustainable financial standing. It has fulfilled its stewardship function for all of the public money entrusted to it in a cost effective and appropriate manner.

Corporate Plan

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

OUR PLAN
ONE CITY COUNCIL

PLYMOUTH
CITY COUNCIL

CITY VISION
Britain's Ocean City

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

OUR VALUES

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

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

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

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

OUR VISION One team serving our city

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

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

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

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

OUR THEMES

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

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

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

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

Plymouth
Britain's Ocean City

www.plymouth.gov.uk/ourplan

An Introduction to Plymouth

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

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

Future vision

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

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

Challenges

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

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

Transforming service delivery

The scale of the reduction in government funding over the years and the magnitude of the financial challenges facing the Council has meant that we have had to radically rethink the way we work and deliver services. We believe that we can do this by:

- Taking a more commercial approach to the way we commission and run services.
- Making the best use of council assets.
- Investing in and accelerating Plymouth's economic growth.

Progress during 2016/17

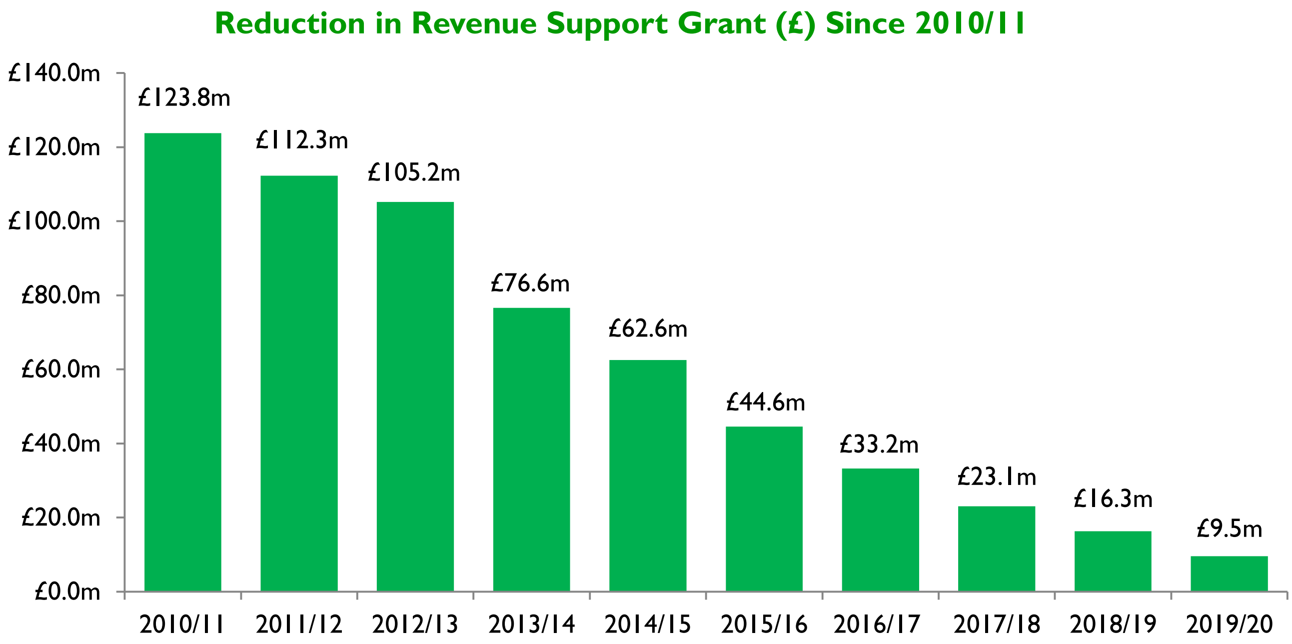
In very difficult financial circumstances, we continue to retain and improve our core services. For example during 2016/17 we:

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

Financial Performance

Since 2010, the Government introduced its austerity programme and for local government this has meant a continual reduction in grants, which will continue to reduce for the foreseeable future, changing the make-up of the core funding as we go forward. Funding will change with government:

- Placing greater emphasis on councils generating additional revenue locally by attracting more businesses to the city and building more homes.
- Moving to 100% rates retention.
- The Adult Social Care council tax precept.



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

Despite the reduction and the impact this has upon the availability of resources, the Council remains committed to protecting and investing in essential front line services aimed at early intervention, tackling the city's health inequalities and integrating social care with health. We continue to work with our partners to take a joined up preventative approach to improving the health of our residents and hence reduce demand for high cost services.

Plymouth's approach to integrated health and social care services, with a clear focus on preventative and enabling services, wrapped around the combined needs of the client, is believed to be the first of its kind in the country and has received national recognition from the Public Finance Innovation Awards in 2017. Together with the Northern, Eastern and Western Devon Clinical Commissioning Group we were the winners in the Achievement in Health and Social Care Innovation award.

OUTTURN POSITION 2016/17

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

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

The Council's budget outturn position and can be accessed from the following web address: http://web.plymouth.gov.uk/modgov?modgovlink=http%3A%2F%2Fdemocracy.plymouth.gov.uk%2FieListDocuments.aspx%3FCId%3D254%26amp%3BMId%3D7480%26amp%3BVer%3D4.

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

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

Budget Outturn Variance Analysis

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

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

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

The detail of this final outturn position for People includes:

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

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

- Management action to contain spend included measures around sign off of spend by Senior Management before approving care packages, reviewing contracts and a further review of high cost packages.
- The service also delivered £5.400m of savings as part of the transformation project.

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

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

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

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

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

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

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

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

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

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

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

Working Balance

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

Other Financial Performance

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

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

Some Key Indicators are:

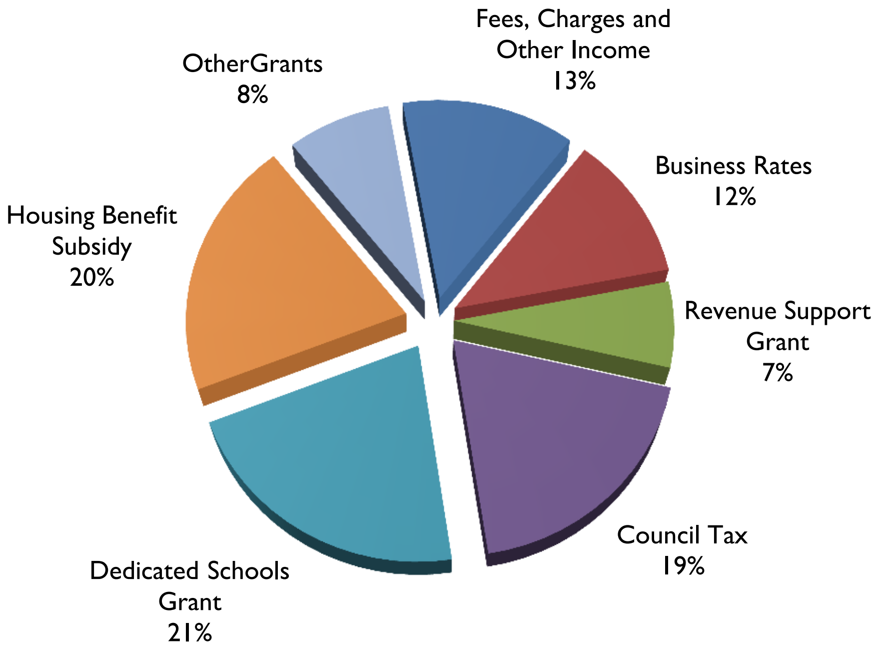
- The Miscellaneous Debt Management Team raised invoices to the total value of £103.000m in 2016/17 compared with £111.000m in 2015/16, collecting 96.9% of this debt within 30 days (96.4% in 2015/16) against a target of 97.5%.
- 96.9% of Council Tax collected against a target of 98.5% (15/16 = 96.8%).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

GENERAL FUND REVENUE ACCOUNT

MONEY IN… INCOME SOURCES

Our Revenue Budget is financed from Council Tax, fees and charges, Government grants (which include the Revenue Support Grant (RSG) plus our allocation of Business Rates), external contributions and other income. The diagram is helpful in understanding how the 2016/17 revenue budget was financed:-

2016/17 Revenue Income Sources



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

MONEY OUT… WE SPENT OUR MONEY ON

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

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

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

CAPITAL OUTTURN 2016/17

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

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

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

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

- **£30.800m** Asset Investment acquisitions:

  £4.400m Bell Park Industrial Estate.

  £1.700m 34-36 New George Street.

  £24.700m Friary Retail Park.

- **£7.300m** Strategic Property Acquisitions for regeneration and housing developments:

  £1.000m Prince Maurice Road.

  £3.800m Colin Campbell Court.

  £2.500m Bath Street.

- **£5.800m** of capitalised carriageway resurfacing.
- **£5.500m** to continue with the major infrastructure projects to support growth along the Northern Corridor:

  £1.400m Derriford Hospital Interchange.

  £2.200m Derriford Transport Scheme (Derriford Roundabout and Tavistock Road / William Prance Road junction.

  £1.900m Outland Road junction improvements.

- **£1.700m** for the redevelopment of the City Museum and Library into the new History Centre complex.
- **£3.200m** of works to enable the redevelopment of Oceansgate as a Marine Industries Production Campus.
- **£2.000m** for the major refurbishment of the City Market.
- **£3.500m** for City College, a loan and grant provided to assist with the Science, Technology, Engineering and Maths development of the college.
- **£1.600m** in Basic Need improvements to local schools:

£0.900m Pennycross Primary.

£0.400m Stoke Damerel Primary.

£0.300m Pomphlett Primary.

- **£1.900m** in condition works to local schools

  £0.800m Mount Tamar Special School.

  £0.700m Cann Bridge Special School.

  £0.400m Salisbury Road Primary.

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

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

- **(£2.400m) Derriford Transport Scheme**

  Works commenced in 2015/16 and have continued throughout 2016/17 on the £12.700m Derriford Transport scheme, which are planned for 2015-19. At the time of the latest capital programme approval (Dec 2016) it was anticipated that 2016/2017 spend would be £4.700m. However, due to the discovery of phosphorous grenades on Tavistock Road along with associated road closures and changes to construction methods, delays in land acquisition and some re-design works, there will be slippage of £2.400m into 2017/18.

- **(£1.300m) Oceansgate**

  Construction work to progress separation, enclaving and provision of new infrastructure at South Yard Oceansgate has been slower than anticipated due to ongoing delays associated with transferring the Area 1 West land, interfacing with the MoD and additional survey/investigation works. This has resulted in slippage of £1.300m of anticipated expenditure which will now occur in 2017/18.

- **(£3.000m) Acquisition of a Plymouth Freehold Property Investment**

  At the time of approval (February 2017), it was anticipated that £3.000m would be spent during 2016/2017 on the land purchase. Due to on-going negotiations over the structure and terms of the acquisition, the land purchase will now not take place until 2017/18.

- **(£1.000m) Bath Street and Colin Campbell Court**

  At the time of the latest capital programme approval (Dec 2016) it was anticipated that 2016/17 spend would be £7.400m (Bath Street £3.300m and Colin Campbell Court £4.100m). However due to an error in processing the acquisition payments, completion of the purchase of the Bath Street property did not take place until April 2017. The demolition works in Colin Campbell Court have also been delayed resulting in slippage of £1.000m into 2017/18 across the two projects.

- **(£1.800m) History Centre**

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

Capital Financing 2016/17

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

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

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

TREASURY MANAGEMENT

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

National Context

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

Local Context

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

Borrowing

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

LOBOs

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

Minimum Revenue Provision (MRP)

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

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

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

Investment Activity

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

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

Update on Investments with Icelandic Banks

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

OVERVIEW OF THE ACCOUNTING STATEMENTS

Statutory duty and compliance with regulations

The Accounts and Audit (England) Regulations 2015 require the Council's Section 151 Officer, the Interim Joint Strategic Director of Transformation and Change, to certify that the accounts present a 'true and fair' view of the financial position of the Council as at the 31st March 2017 and its income and expenditure for the year ended 31 March 2017.

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

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

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

The Annual Governance Statement

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2015, for every local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to include a statement reporting on the review with the Statement of Accounts. This review takes the form of the Annual Governance Statement (AGS).

The AGS was reported to and approved by the Audit Committee in June 2017.

CONTENTS

The Statement of Accounts comprises:

- A Narrative Report
- Statement of Responsibilities for Statement of Accounts
- The Main Accounting Statements and related Notes to the Accounts
- Supplementary Statements in relation to the Collection Fund

The Accounting Statements comprises four Core Financial Statements as follows:

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

These main statements are then supplemented by:

- The Notes to the Core Financial Statements
- The Notes to the Collection Fund
- A Glossary of technical terms

Key areas covered in the Statement of Accounts include:-

Balance sheet

The Balance Sheet again has a negative balance, which is an increase on the negative balance reported in March 2016. This has again been caused mainly by movements in the unusable Reserves. The Council holds a number of reserve accounts in the Balance Sheet and these are shown in note 22.

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

Pension liabilities

Plymouth City Council employees are eligible to join the Local Government Pension Scheme (LGPS) which is managed by Devon County Council on behalf of the Devon Authorities. The accounting requirements of International Accounting Standard (IAS) 19 have resulted in a pension liability of £582.910m being reflected in the Council's Balance Sheet. This represents Plymouth City Council's liability to the LGPS. In addition, the Council discloses a long-term creditor of £15.882m on the Balance Sheet. This represents its share of Devon County Council's on-going liability to pay enhanced pension costs that existed at the time of Local Government Reorganisation in 1998.

These amounts are matched by a pensions reserve and therefore have no impact on the Council's revenue balances. The pension liability as at 31 March 2017 has increased following the actuaries review of the position.

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

The level of contributions required to be made by the Council into the fund are set by independent actuaries. The contribution levels are reviewed every three years following a triennial review of the fund by the actuaries. The current contribution rate is based on 20.1 per cent of pensionable salary costs for those employees in the Devon pension scheme and this has increased to 21.1% from April 2017, following a full actuarial review.

Material events after the balance sheet date

The Council is required to take into account items occurring after 31 March 2017 if they would have a material effect on the financial information presented and must publish the date up to which such events have been considered. Events taking place after the 2 June 2017 are not reflected in the draft financial statements. The final Statement of Accounts will be published in September and will therefore include all post Balance Sheet events up to and including September 2017.

Events taking place after that date will not be reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

There are no relevant material non-adjusting events pertinent to the understanding of the Council's financial position to report at this stage, but this might change for the publication of the final audited accounts.

FINANCIAL POSITION OF THE COUNCIL

Going into 2017/18

At 31 March 2017 the Council's Working Balance stood at £9.352m and following an adjustment of £150k the revised balance for 2017/18 will be £9.200m which equates to approximately 5.0% of the net revenue budget for 2017/18 of £183.833m. Our approved Medium Term Financial Strategy (MTFS) requires us to maintain a Working Balance of at least 5%. This position has been reviewed and has been adjusted as part of the budget setting process for 2017/18.

In addition to the Working Balance, the Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans. The Council's earmarked reserves will stand at £21,056m at 31 March 2017 (down from £29.412m at 31 March 2016). This includes schools balances and reserves of £4.383m (down from £7.301m).

The Council also has a number of budget provisions set up to meet known liabilities. The main provisions include the Insurance Fund, and back dated equal pay claims. Provisions held at 31 March 2017 totalled £12.306m. Further details of provisions are in note 21. Regular reviews of the Council's financial health, in particular a review of reserves and provisions are undertaken during the year.

Looking forward to the medium term

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

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

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

Plymouth will continue to see a number of significant financial pressures in the medium term. On top of the already increasing demand for areas such as social care, due to demographic changes and price inflation, we also have additional costs as a direct result of Government policy changes.

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

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

We will continue to refine the financial and non-financial benefits achievable through our transformation programme in order to address the funding challenges ahead.

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

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

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

- Grants.
- Additional capital receipts.

Concluding Remarks

The financial statements show that as a result of careful management of the Council's available resources we have achieved a balanced position. This has been achieved from the use of reserves and the application of capital receipts and we have maintained an adequate level of reserves and set aside provisions to meet our known future liabilities.

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

The formal audit of the Draft Statement of Accounts commenced on 12 June 2017, and in line with our statutory duty, we made our accounts available for scrutiny by interested members of the public from 30 June 2017 to 11 August 2017.

Following any adjustments, as a result of the audit and/or post balance sheet events, we will present the final Statement of Accounts to the Audit Committee scheduled for September and, following formal sign off, we will publish them on our web pages no later than 30 September 2017.

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

a) Any person interested may inspect and make copies of the accounts to be audited.

b) A local government elector for the area may question the auditor about the accounts and object to any items of unlawful expenditure, loss due to willful default, failure to bring a sum of income into account, or any other matter of public interest. Persons wishing to question the auditor should do so by prior arrangements by contacting 0238 088 1892.

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

The Section 151 Officer is required to sign the final accounts by a statutory deadline of 30 September 2017.

Further information is available:

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council is required:

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

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

The Interim Joint Strategic Director Transformation and Change is responsible for the preparation of the Council's Statement of Accounts, which is in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this statement of accounts, the Interim Joint Strategic Director Transformation and Change has:

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

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

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

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

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

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

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDING 31 MARCH 2017

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Total Comprehensive Expenditure and Income line shows the true economic cost of providing the council's services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance for council tax setting purposes. The net increase/(decrease) before transfers to earmarked reserves line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015		**10,620**	**28,487**	**39,107**	**10,798**	**8,333**	**58,238**	**(181,710)**	**(123,472)**
Movement in Reserves during 2015/16									
Total Comprehensive Expenditure and Income		(40,650)	0	(40,650)	0	0	(40,650)	94,657	54,007
Adjustments between accounting basis & funding under regulations	10	41,607	0	41,607	(1,809)	(5,964)	33,834	(33,834)	0
Net Increase / (Decrease) before transfer to earmarked reserves		**957**	**0**	**957**	**(1,809)**	**(5,964)**	**(6,816)**	**60,823**	**54,007**
Transfer (to)/ from earmarked reserve	12	(925)	925	0	0	0	0	0	0
Net Increase / (Decrease) in 2015/16		**32**	**925**	**957**	**(1,809)**	**(5,964)**	**(6,816)**	**60,823**	**54,007**
Balance at 31 March 2016		**10,652**	**29,412**	**40,064**	**8,989**	**2,369**	**51,422**	**(120,887)**	**(69,465)**
Movement in Reserves during 2016/17									
Total Comprehensive Expenditure and Income		(36,822)	0	(36,822)	0	0	(36,822)	(70,177)	(106,999)
Adjustments between accounting basis & funding under regulations	10	27,166	0	27,166	9,610	4,073	40,849	(40,849)	0
Net Increase / (Decrease) before transfer to earmarked reserves		**(9,656)**	**0**	**(9,656)**	**9,610**	**4,073**	**4,027**	**(111,026)**	**(106,999)**
Transfer (to)/ from earmarked reserve	12	8,356	(8,356)	0	0	0	0	0	0
Net Increase / (Decrease) in 2016/17		**(1,300)**	**(8,356)**	**(9,656)**	**9,610**	**4,073**	**4,027**	**(111,026)**	**(106,999)**
Balance at 31 March 2017		**9,352**	**21,056**	**30,408**	**18,599**	**6,442**	**55,449**	**(231,913)**	**(176,464)**

BALANCE SHEET AS AT 31 MARCH 2017

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

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

CASH FLOW STATEMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council’s transactions for the 2016/17 financial year and its position at the year ended 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code), supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

1.4 Benefit Payments

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

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

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

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

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

1.6 Charges to Revenue for Non-current Assets

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

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

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

1.7 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits (for example redundancy payments)

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

Post-employment Benefits (pensions)

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

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

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

Teachers' Pension Scheme

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

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

The Local Government Pension Scheme

All Council employees (with the exception of teachers) are eligible to join the Local Government Pension Scheme (LGPS). The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Devon Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.7 per cent (based on the Merrill Lynch AA rated corporate bond).

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- property – market value

Discretionary Benefits

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

1.8 Events After the Balance Sheet Date

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

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

1.9 Financial Instruments

Financial liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

Loans and receivables are initially measured at fair value and are carried at their amortised cost. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the comprehensive income and expenditure statement receivable for the year in the loan agreement.

The Council has made a small number of loans to other parties at less than market rates (soft loans). When soft loans are made a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from these bodies, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable in the financial year. The reconciliation of amounts debited or credited to the Comprehensive Income and Expenditure Statement to interest credited to the general fund balance is accounted for by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

Available for Sale assets

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

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

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

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

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

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

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

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the conditions attached to the grant or contribution have been satisfied. Conditions specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as stated, or that future economic benefits or service potential must be returned to the transferor (Grant provider).

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

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

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

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

1.11 Agency Services

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

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

1.12 Intangible Assets

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

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

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

1.13 Joint Operations

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

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

1.14 Interests in Companies and Other Entities

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

1.15 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at 1 January. A review is completed at 31 March to ensure that there are no material movements in the period 1 January to 31 March. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

1.16 Heritage Assets

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

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

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

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

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

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

- **Historic Buildings and monuments**

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

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

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

- **Fine art and world cultures collection**

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

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

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

- **Gold, silver and jewellery collection**

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

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

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

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

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

1.17 Leases

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

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

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

The Council as Lessee (leased in assets)

Finance Leases

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

Finance lease payments are apportioned between:

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

Operating Leases

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

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

The Council as Lessor (Council assets leased out)

Finance Leases

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

Operating Leases

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

1.18 Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- the Tamar Toll Bridge - depreciated replacement cost
- surplus assets – fair value
- all other assets – current value in their existing use

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

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

Impairment

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

Depreciation

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

Operational Buildings:	
Car parks	5 to 50 years
Schools	5 to 40 years
Other buildings	5 to 60 years
Tamar Bridge	120 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 25 years

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

Componentisation

The Council's componentisation policy is as follows:

- **Materiality level**

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

- **Significance**

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

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

- **Different asset life**

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

Assets held for sale

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

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

Disposals

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

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

1.19 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

Schools PFI credits

The Council receives a grant towards the cost of the PFI scheme. The grant is allocated to meet the finance costs in the first instance. The amount required to meet the finance lease liability, interest and contingent rent charge is allocated to the Taxation and Non Specific grant income in the Comprehensive Income and Expenditure Statement. The remaining grant is treated as a specific grant and included within the Children's and Education service line.

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

South West Devon Energy from Waste (EfW) PFI

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

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 36.2.

Contingent Assets

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

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

1.21 Reserves

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

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

1.22 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

1.23 Accounting for Schools

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

- Community
- Voluntary Controlled

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

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

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

1.24 Value Added Tax (VAT)

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

2. Critical Judgements in Applying Accounting Policies

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

Implications of Government funding reforms/reductions

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

Tamar Bridge valuation

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

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

3. Accounting Standards that have been issued but have not yet been adopted

The Council is required to disclose information regarding the impact of any accounting change on the financial statements as a result of any new standards that have been issued, but are not yet required to be adopted by the Council. The Standards that require disclosure within the 2016/17 accounts relate to changes adopted into CIPFA's Accounting Code of Practice in 2017/18 and are as follows:

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

It is not anticipated that the above amendments will have a material impact on the information provided in the Council's financial statements, i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

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

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

In preparing the Statement of Accounts, there are areas where estimates have been made. Estimates are made taking into account historical experience, current trends and other relevant factors. These include the amount of arrears that will not be collected (based on past experience of collection for the different types of debt); useful lives and valuations of properties which are estimated by qualified valuers (for further details see 1.18); and the liability for future pension payments, which carries the most significant risk of material adjustment.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

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

5. Events after the Balance Sheet date

Events taking place after the 2 June 2017 are not reflected in the financial statements. The Statement of Accounts was authorised by the Council's Section 151 Officer on 29 June 2017. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no relevant material non-adjusting events pertinent to the understanding of the Council's financial position.

Following the result of the referendum on 23 June 2016 for the United Kingdom to leave the European Union, there has been volatility in the financial markets. The consequential effect on items reported in these financial statements includes the calculation of the Council's share of assets and liabilities within the Local Government Pension Scheme administered by Devon County Council and the valuation of investment properties. The Council will review the position and action will be taken to respond to any significant impact.

The Council has setup a cross-departmental working group to monitor all areas including Treasury Management and Grant Funding.

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

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

6. Prior period restatement of service Expenditure and Income

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

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

7. Expenditure and Funding Analysis

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

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

8. Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis

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

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

Adjustment for Capital Purposes

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

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

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

Net change for the pension adjustments

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

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

Other differences

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

9. Expenditure and Income Analysed by Nature

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

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

10. Adjustments between accounting basis and funding basis under regulations

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

Adjustments between Accounting Basis and Funding Basis under Regulations	2015/16				2016/17			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
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	51,935	0	0	(51,935)	36,094	0	0	(36,094)
Movements in the market value of Investment Properties	(8)	0	0	8	(2,633)	0	0	2,633
Amortisation of intangible assets	551	0	0	(551)	648	0	0	(648)
Capital grants and contributions	(29,206)	0	29,206	0	(28,255)	0	28,255	0
Revenue expenditure funded from capital under statute	8,900	0	0	(8,900)	8,987	0	0	(8,987)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,559	0	0	(7,559)	19,381	0	0	(19,381)
Deferred credit Energy from Waste	(2,267)	0	0	2,267	(2,324)	0	0	2,324
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	(3,404)	0	0	3,404	(3,528)	0	0	3,528
Capital expenditure charged against the General Fund	(1,960)	0	0	1,960	(1,214)	0	0	1,214
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	4,853	0	(4,853)	0	6,964	0	(6,964)
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	(3,750)	3,750	0	0	(4,109)	4,109	0	0
Total C/FWD	**28,350**	**8,603**	**29,206**	**(66,159)**	**23,047**	**11,073**	**28,255**	**(62,375)**

Adjustments between Accounting Basis and Funding Basis under Regulations	2015/16 General Fund Balance	2015/16 Capital Receipts Reserve	2015/16 Capital Grants Unapplied	2015/16 Movement in Unusable Reserves	2016/17 General Fund Balance	2016/17 Capital Receipts Reserve	2016/17 Capital Grants Unapplied	2016/17 Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Total B/FWD	**28,350**	**8,603**	**29,206**	**(66,159)**	**23,047**	**11,073**	**28,255**	**(62,375)**
Long term debtor repayments in year	0	126	0	(126)	0	21	0	(21)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(10,536)	0	10,536	0	(1,482)	0	1,482
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	2	(2)	0	0	2	(2)	0	0
Adjustments involving the Capital Grants Unapplied Account:								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	(35,170)	35,170	0	0	(24,182)	24,182
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	(162)	0	0	162	(176)	0	0	176
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	30,349	0	0	(30,349)	20,764	0	0	(20,764)
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,165)	0	0	18,165	(17,645)	0	0	17,645
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	2,651	0	0	(2,651)	808	0	0	(808)
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	(1,418)	0	0	1,418	366	0	0	(366)
Total Adjustments	**41,607**	**(1,809)**	**(5,964)**	**(33,834)**	**27,166**	**9,610**	**4,073**	**(40,849)**

11. Other Operating Expenditure

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

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

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

12. Movement in Earmarked Reserves

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

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

The main earmarked reserves and their purpose are as follows:

Education/schools reserves

Education carry forwards – A number of reserves are held on behalf of several educational establishments which operate under devolved budgets, whereby any surpluses or deficits are carried forward to the following financial year.

School budget share – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2017 balance relating to the School budget share was £3.197m (31 March 2016: £6.076m).

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

13. Financing and investment income and expenditure

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

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

14. Taxation and non-specific grant income

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

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

15. Property, plant and equipment

15.1 Movement in year

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

2016/17	Other Land and Buildings	Vehicles, Plant, Furniture and Fittings	Infrastructure Assets	Toll Bridge	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation									
At 1 April 2016	507,552	64,375	187,173	56,700	1,588	3,341	9,724	830,453	122,246
Additions	13,983	1,983	13,081	0	4	0	14,439	43,490	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	42,031	0	0	0	0	(399)	0	41,632	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	402	0	0	0	0	(245)	0	157	0
Derecognition - disposals	(1,197)	(1,838)	0	0	0	(26)	0	(3,061)	0
Other movements in cost or valuation	(44,338)	(1,765)	1,166		132	(888)	(4,147)	(49,840)	0
At 31 March 2017	**518,433**	**62,755**	**201,420**	**56,700**	**1,724**	**1,783**	**20,016**	**862,831**	**122,246**
Accumulated Depreciation and Impairment									
At 1 April 2016	(68,013)	(33,676)	(70,710)	(1,875)	(1,166)	(1,090)	0	(176,530)	(5,595)
Depreciation charge	(16,874)	(4,917)	(9,203)	(945)	0	(28)	0	(31,967)	(4,513)
Depreciation written out to the Revaluation Reserve	14,140	0	0	0	0	18	0	14,158	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	532	0	0	0	0	1,089	0	1,621	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(290)	0	0	0	0	0	0	(290)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,468)	(419)	0	0	(136)	0	0	(3,023)	0
Derecognition - disposals	95	1,765	0	0	0	0	0	1,860	0
Other movements in depreciation and impairment	24,720	1,547	0	0	0	(17)	0	26,250	0
At 31 March 2017	**(48,158)**	**(35,700)**	**(79,913)**	**(2,820)**	**(1,302)**	**(28)**	**0**	**(167,921)**	**(10,108)**
Net Book Value									
At 31 March 2017	**470,275**	**27,055**	**121,507**	**53,880**	**422**	**1,755**	**20,016**	**694,910**	**112,138**
At 31 March 2016	**439,539**	**30,699**	**116,463**	**54,825**	**422**	**2,251**	**9,724**	**653,923**	**116,651**

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

2015/16	Other Land and Buildings	Vehicles, Plant, Furniture and Fittings	Infrastructure Assets	Toll Bridge	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2015	394,318	61,322	166,902	56,250	1,581	10,952	17,759	709,084	23,799
Additions	115,590	6,149	13,503	450	0	52	7,387	143,131	92,676
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,134	0	0	0	0	(2,587)	0	1,547	(2,333)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,935)	0	0	0	(27)	(258)	0	(3,220)	8,104
Derecognition - disposals	0	(3,047)	0	0	0	(1,078)	0	(4,125)	0
Other movements in cost or valuation	(3,555)	(49)	6,768	0	34	(3,740)	(15,422)	(15,964)	0
At 31 March 2016	**507,552**	**64,375**	**187,173**	**56,700**	**1,588**	**3,341**	**9,724**	**830,453**	**122,246**
Accumulated Depreciation and Impairment									
At 1 April 2015	(62,129)	(31,640)	(62,589)	(938)	(1,159)	(3,252)	0	(161,707)	(2,713)
Depreciation charge	(11,543)	(4,280)	(8,121)	(937)	0	0	0	(24,881)	(840)
Depreciation written out to the Revaluation Reserve	23,035	0	0	0	0	994	0	24,029	2,388
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,567	0	0	0	0	0	0	1,567	92
Impairment losses/(reversals) recognised in the Revaluation Reserve	(6,291)	0	0	0	0	1,077	0	(5,214)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(18,039)	(477)	0	0	(7)	(182)	0	(18,705)	(4,522)
Derecognition - disposals	0	2,481	0	0	0	129	0	2,610	0
Other movements in depreciation and impairment	5,387	240	0	0	0	144	0	5,771	0
At 31 March 2016	**(68,013)**	**(33,676)**	**(70,710)**	**(1,875)**	**(1,166)**	**(1,090)**	**0**	**(176,530)**	**(5,595)**
Net Book Value									
At 31 March 2016	**439,539**	**30,699**	**116,463**	**54,825**	**422**	**2,251**	**9,724**	**653,923**	**116,651**
At 31 March 2015	**332,189**	**29,682**	**104,313**	**55,312**	**422**	**7,700**	**17,759**	**547,377**	**21,086**

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

15.2 Commitments under capital contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2017 amounted to £25.438m (31 March 2016 £39.788m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme, and it is anticipated that all works relating to these commitments will be completed within the next financial year.

15.3 Trust, foundation, voluntary aided and academy schools

It is a CIPFA code requirement to review the status of every school in terms of its control and influence and this may differ from the school's legal status. The Council is satisfied that all the schools are correctly accounted for.

The Council has a number of schools that are operated by various trusts, are classed as voluntary aided schools, or have transferred to Academy status. The Council is responsible for providing funding to the schools from the Dedicated Schools Grant (DSG) and Capital Resources, with the exception of the Academies who receive funding directly from Central Government. However, the school buildings and associated land of all these categories of schools effectively passes to the Trustees of the school who have control over the use of the assets. The assets are therefore not shown on the Council's Balance Sheet. During the year, 12 schools transferred to Academy status, and also 10 schools, which previously held voluntary/controlled status, transferred to Academy status.

15.4 Revaluations/impairments

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment (PPE) required to be measured at fair value is revalued at least every five years. All valuations are carried out internally under the supervision of Mr T Palmer, Ms L Rymel and Ms S Partridge, RICS Registered Valuers.

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

15.5 Gain/loss on disposal of non-current assets

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

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

16. Heritage assets

The Council holds the following types of heritage assets:

Historic buildings and monuments

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

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

Gold, silver, jewellery, fine art and world cultures

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

The Council's policy for the acquisition, preservation and management of museum assets can be found on the History Centre collections page of the Council website.

All Heritage assets are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

The following table summarises the movement in the balances relating to Heritage Assets during the year:

Heritage Assets	Buildings	Fine Art	Gold, Silver and Jewellery	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
As at 1 April 2015	1,713	15,040	4,591	21,344
Additions	13	0	41	54
Revaluations	4,320	1,673	(303)	5,690
Reclassification	(29)	0	0	(29)
As at 31 March 2016	**6,017**	**16,713**	**4,329**	**27,059**
Cost or Valuation				
As at 1 April 2016	6,017	16,713	4,329	27,059
Additions	53	0	0	53
Revaluations	0	(250)	0	(250)
Reclassification	48	0	0	48
As at 31 March 2017	**6,118**	**16,463**	**4,329**	**26,910**

17. Investment Properties

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

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

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

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

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

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

17.2 Fair Value Hierarchy for Investment Properties

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

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

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

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

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

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

Significant Observable Inputs – Level 2

The office and commercial units located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

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

The fair value for the residential properties (at market rents) has been based on the market approach using current market conditions, recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

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

Highest and Best use of Investment Properties

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

17.4 Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

Investment properties categorised within Level 3	31 March 2016	31 March 2017
	£000	£000
Opening Balance	0	3,427
Reclassifications in to Investment Properties at Level 3	0	205
Reclassifications out of Investment Properties at Level 3	0	(231)
Transfers into Level 3	2,969	0
Total gains/(losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	458	175
Closing Balance	**3,427**	**3,576**

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

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

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

18. Financial instruments

18.1 Financial instrument balances

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

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

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

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

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

18.2 Gains and losses on financial instruments

The income, expense, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Gains / Losses on Financial Instruments	2015/16			2016/17		
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	13,933	0	13,933	14,302	0	14,302
Interest payable and similar charges	**13,933**	**0**	**13,933**	**14,302**	**0**	**14,302**
Interest income	0	(1,486)	(1,486)	0	(1,678)	(1,678)
Interest and investment income	**0**	**(1,486)**	**(1,486)**	**0**	**(1,678)**	**(1,678)**
Net (gain)/loss for the year	**13,933**	**(1,486)**	**12,447**	**14,302**	**(1,678)**	**12,624**

18.3 Financial Instruments – Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2017.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2017.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Comparison of financial liabilities	Fair Value Level	Restated 31 March 2016		31 March 2017	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	(44,539)	(64,627)	(44,539)	(72,041)
Long-term LOBO loans	2	(198,856)	(254,933)	(245,212)	(323,475)
Lease payables and PFI liabilities	3	(63,844)	(63,844)	(62,759)	(62,759)
Total		**(307,239)**	**(383,404)**	**(352,510)**	**(458,275)**
Liabilities for which fair value is not disclosed *		(34,207)		(35,453)	
Total Financial Liabilities		**(341,446)**		**(387,963)**	
Recorded on balance sheet as:					
Short-term creditors		(26,641)		(27,838)	
Short-term borrowing		(97,812)		(144,094)	
Long-term borrowing		(145,584)		(145,657)	
Other long-term liabilities		(71,409)		(70,374)	
Total Financial Liabilities		**(341,446)**		**(387,963)**	

* *The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.*

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Comparison of financial assets	Fair Value Level	31 March 2016		31 March 2017	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial Assets held at fair value:					
Bond, equity and property funds	1	30,376	30,376	30,050	30,050
Corporate, covered and government bonds	2	3,007	3,007	3,006	3,006
Total		**33,383**	**33,383**	**33,056**	**33,056**
Assets for which fair value is not disclosed*		59,165		55,317	
Total financial assets		**92,548**		**88,373**	
Recorded on balance sheet as:					
Long-term investments		34,991		33,091	
Short-term debtors		17,421		19,852	
Short-term investments		13,178		17,229	
Cash and cash equivalents		26,958		18,201	
Total financial assets		**92,548**		**88,373**	

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

18.4 Nature and Extent of Risks Arising from Financial Instruments

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

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

Full details of the Council's Treasury Management Strategy can be found on the Council website.

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

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

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

Credit risk

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

A maximum limit of £12.000m of the total portfolio is placed on the amount that can be invested with a single counterparty. This limit and the maximum maturity of deposits are based on the credit quality of the organisation. The Council used UK Bank reserve accounts, allowing instant access to funds and where longer term investments were made, these have been restricted to a maximum 1 year.

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

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

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

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

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 meets its commitments.

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

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

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

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

£96.000m of short term borrowing in place at 31 March 2017 was taken under approved authority to meet the Council's capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow and maturing deposits in 2016/17 if required, thus reducing credit risk. These repayments are not subject to liquidity risk and there is no need to replace this borrowing as there will be no exposure to interest rate risk.

Market risk: interest rate risk

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

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

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

Market risk: price risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £20.000m. A 5% fall in commercial property prices would result in a £1.000m charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investment was sold.

The Council's investment in a pooled equity fund is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £20.000m. A 5% fall in share prices would result in a £1.000m charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investments were sold.

Market risk: foreign exchange risk

The Council currently has approximately £1.500m in Icelandic Krona (ISK) remaining in Escrow in Iceland. The Council is currently working with the LGA, Bevan Brittan and other affected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into Foreign Exchange, which is British Pounds.

19. Debtors

19.1 Short term debtors

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

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

19.2 Long term debtor

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

19.3 Bad debt provision

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

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

20. Creditors

20.1 Short term creditors

Creditors payable within the next 12 months are:

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

20.2 Long term creditors

Creditors falling due after more than 12 months are:

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

Category of Creditor	31 March 2016	31 March 2017
	£000	£000
Other Local Authorities	(15,065)	(15,882)
Other entities and individuals	(221)	(231)
Total	**(15,286)**	**(16,113)**

20.3 Other long term liabilities

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

21. Provisions

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

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

Analysis of Provisions held	31 March 2016	Provision made in year	Payments used in year	Unused amounts reversed in year	31 March 2017
	£000	£000	£000	£000	£000
Insurance Provisions	(3,738)	(2,346)	3,300	111	(2,673)
Landfill Site Provision	(7,848)	(923)	335	0	(8,436)
Other Provisions	(1,175)	(2,162)	2,140	0	(1,197)
Total Provisions	**(12,761)**	**(5,431)**	**5,775**	**111**	**(12,306)**

Details about the main provisions held are as follows:

Insurance provisions

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

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

Landfill site provision

The Council has a provision of £8.436m as at 31 March 2017 to reflect the Council's on-going liability for the closed landfill site at Chelson Meadow. The provision has been calculated on the future maintenance costs over the next 50 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

Other provisions

Included in Other Provisions is a provision of £1.059m for business rate appeals as shown within the Collection Fund Statement note 5.

22. Reserves

22.1 Usable and unusable reserves summary

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

There has been one large movement in the pension reserve during the year which is part of the unusable reserves balance.

Analysis of Reserves	Note	31 March 2016	31 March 2017
		£000	£000
Usable Reserves			
General Fund Balance	22.2	10,652	9,352
Earmarked General Fund Reserves	12	29,412	21,056
Capital Receipts Reserve	22.3	8,989	18,600
Capital Grants and Contributions Unapplied	22.4	2,369	6,440
Total Usable Reserves		**51,422**	**55,449**
Unusable Reserves			
Revaluation Reserve	22.5	119,216	157,167
Capital Adjustment Account	22.6	251,320	229,871
Financial Instruments Adjustment Account		(19,161)	(18,985)
Pensions Reserve	22.8	(470,664)	(598,792)
Collection Fund Adjustment Account		(1,529)	(2,336)
Accumulating Compensated Absences Adjustment Account		(2,426)	(2,791)
Deferred Capital Receipts		6	1,928
Available for Sale Financial Instruments Reserve		2,351	2,025
Total Unusable Reserves		**(120,887)**	**(231,913)**
Total Reserves		**(69,465)**	**(176,464)**

22.2 General fund balance

The General Fund Balance (also known as the 'Working Balance') represents accumulated surplus of income over expenditure in relation to the Council's revenue activities. The balance may be utilised to provide for unforeseen circumstances, ensure that payments can be made pending the receipt of income, or to support the annual revenue budget (thus reducing the Council Tax levy). The balance at 31 March 2017 was £9.352m (31 March 2016 was £10.652m).

22.3 Usable Capital Receipts

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

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

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

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

22.4 Capital Grants and Contributions Unapplied

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

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

In addition to the above balance, the Council also held £46.533m of grants and contributions on the balance sheet at 31 March 2017 (£33.665m at 31 March 2016) which had not yet been released to the Comprehensive Income and Expenditure Statement. These will be recognised and transferred into the Capital Grants and Contribution Unapplied Account once the Council is satisfied that the terms and conditions of the grant have been met.

Further details of capital grants and contributions are provided in note 30.

22.5 Revaluation reserve

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

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

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

22.6 Capital Adjustment Account

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

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

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

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

22.7 Financial Instruments Adjustment Account

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

22.8 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service. The liabilities are updated to recognise and to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require any benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible (i.e. enhanced pensions). The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Movement in Pension Reserve	**2015/16**	**2016/17**
	£000	**£000**
Balance at 1 April	**(521,345)**	**(470,664)**
Actuarial gains or losses on pensions assets and liabilities	62,865	(125,008)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(31,804)	(19,947)
Employer's pensions contributions and direct payments to pensioners payable in the year	18,165	17,644
(Increase) / decrease in Plymouth's share of net deficit in year of Devon County Council Pension Fund	1,455	(817)
Balance at 31 March	**(470,664)**	**(598,792)**

22.9 Collection Fund Adjustment Account

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

23. Notes to the Cash flow

23.1 Cash flow statement - operating activities

The cash flows for operating activities include the following items:

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

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

23.2 Cash flow statement – investing activities

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

23.3 Cash flow statement – financing activities

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

23.4 Cash flow statement – cash and cash equivalent

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

24. Agency Services

The Council has a number of arrangements in place where it is acting as an agent for a third party. The accounts exclude all but the administration fee that the Council receives for providing these services. During 2016/17, the significant agency services that the Council undertook were as follows:

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

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

Collection of Local Taxation

The Council, as a billing authority for Council Tax, acts as an agent on behalf of the Devon and Cornwall Police and Crime Commissioner and the Devon and Somerset Fire and Rescue Services. As a billing authority for Non Domestic Rates the Council acts as an agent on behalf of Central Government and the Devon and Somerset Fire and Rescue Service.

The Council includes a debtor or creditor in its Balance Sheet for deficits/surpluses on the Collection Fund attributable to these bodies at the year end.

The expenditure incurred and income received in relation to these services is shown within the Collection Fund Statement and associated notes on page 104.

Business Improvement District (BID)

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

Devon Business Rates Pool

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

Plymouth City Council is the lead Authority of the pool and undertakes the following functions:

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

Other Agency Arrangements

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

25. Pooled Budgets – Integrated Fund

The Council has a pooled budget arrangement with Northern, Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG), under Section 75 of the NHS Act 2006, to enable an integrated approach to commissioning a range of health, public health and social care services to meet the needs of people living in the Plymouth area. The Integrated Fund is hosted by NEW Devon CCG on behalf of the two partners to the agreement.

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

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

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

26. Members' Allowances

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

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

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

The Council is required to publish details of payments made to its Members and these can be found on the Council's website, or you can obtain a copy, in writing, from the Democratic Support Officer, Directorate for Corporate Services, Ballard House, Plymouth PL1 3BJ.

27. Officers' Remuneration

27.1 Senior Employees

Senior employees earning £50,000 or more per annum who have responsibility for the management of the Council or power to directly control the major activities of the Council are required to be listed by way of job title within the accounts. Where an employee's remuneration exceeds £150,000 there is an additional requirement that they be identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Team (Directors) and Departmental Management Teams (Assistant Directors). In line with majority of the public sector, a pay freeze was implemented for the Council's senior management in 2016/17.

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

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

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

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

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

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

27.2 Remuneration above £50,000

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

The numbers below do not include the senior management or interim posts as disclosed in note 27.1.

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

27.3 Employee exit packages

The Council incurred costs during 2016/17 relating to employee exit packages linked to compulsory and voluntary redundancies, a summary of which is shown below:

Banding	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£000	£000
£00,000 - £20,000	6	7	164	27	170	34	1,825	317
£20,001 - £40,000	3	2	22	5	25	7	590	190
£40,001 - £60,000	1	4	0	0	1	4	49	206
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	1	2	0	0	1	2	85	173
£100,001 - £120,000	0	2	0	0	0	2	0	227
Total	**11**	**17**	**186**	**32**	**197**	**49**	**2,549**	**1,113**

The Council terminated the contracts of a number of employees in 2016/17, including school based staff, incurring liabilities of £1.113m (2015/16 £2.549m). This includes a sum of £0.556m to the pension fund in respect of pension strain payments (for example, of the payments in the £100,001 - £120,000 band, 88% relates to the strain payment). The Council's expenditure on Schools is primarily funded by the Dedicated Schools Grant provided by the Department for Education.

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

28. External audit costs

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

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

29. Dedicated Schools Grant (DSG)

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

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

Analysis of Dedicated Schools Grant		2015/16			2016/17		
		Central Expenditure	Individual Schools Budget	Total	Central Expenditure	Individual Schools Budget	Total
Note		£000	£000	£000	£000	£000	£000
A	Final DSG before Academy recoupment			183,090			184,560
B	Academy figure recouped			(71,541)			(92,742)
C	**Total DSG after Academy recoupment**			**111,549**			**91,818**
D	Brought forward from previous year			4,804			4,083
E	Carry-forward agreed in advance			0			0
F	Agreed initial budgeted distribution	16,151	100,202	116,353	7,634	88,267	95,901
G	In year adjustments	0	194	194	(128)	240	112
H	**Final budgeted distribution**	**16,151**	**100,396**	**116,547**	**7,506**	**88,507**	**96,013**
I	Less actual central expenditure	(9,738)		(9,738)	(9,479)		(9,479)
J	Less actual ISB deployed to schools		(102,866)	(102,866)		(86,178)	(86,178)
K	Plus Local Authority contribution	0	200	200	0	0	0
L	**Carry-forward**	**6,413**	**(2,270)**	**4,143**	**(1,973)**	**2,329**	**356**

A. Final DSG figure as announced by the DfE in July 2016 (2015/16 in June 2015).

B. Figure recouped from the Council in 2016/17 by the DfE for the conversion of maintained schools into Academies.

C. Total figure after DfE Academy recoupment for 2016/17.

D. Figure brought forward from 2015/16 as agreed with the DfE.

E. Amount which the Council decided, after consultation with Schools Forum, to carry forward to 2017/18 rather than distribute in 2016/17. This may be the difference between estimated and final DSG for 2016/17, or a figure (positive or negative) brought forward from 2015/16 which the Council is carrying forward again.

F. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum.

G. Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.

H. Budgeted distribution of DSG as at the end of the financial year.

I. Actual amount of central expenditure items in 2016/17.

J. Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Authority once it is deployed to schools budget shares).

K. Any contribution from the Local Authority in 2016/17 which has the effect of substituting for DSG in funding the Schools Budget.

L. Carry forward to 2016/17: For central expenditure – difference between final budgeted distribution of DSG and the actual expenditure. For ISB – difference between final budgeted distribution and the actual deployed to schools, plus any local authority contribution. Total – carry forward on central expenditure plus carry forward on ISB plus/minus carry forward to 2017/18 already agreed.

30. Grant income

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

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

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

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

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

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

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

Capital Grant Receipts in Advance - Long term liabilities	2015/16	2016/17
	£000	£000
Natural England	79	367
Heritage Lottery Fund	795	1,623
Arts Council	0	80
S106	16,209	16,837
Historic England	72	0
Growth Deal	6,240	11,807
Total Long Term Capital Grant Receipts in Advance	**23,395**	**30,714**

31. Related Party Transactions and Partnerships

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

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

Related Party Transactions	Details of Arrangement	2015/16			2016/17		
		Receipts	Payments	Outstanding Balances / Commitments	Receipts	Payments	Outstanding Balances / Commitments
Subsidiaries, Associates and Joint Arrangements		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Subsidiaries							
Plymouth Investment Partnerships Ltd (PIP)	PIP invests in the promotion, assistance and establishment of business to improve the employment and economy of Plymouth and its surrounding area. Plymouth City Council has full ownership of PIP.	(7)	0	(60)	(7)	0	(60)
Associates							
The PLUSS Organisation Ltd	Pluss is an award-winning Social Enterprise that supports thousands of people with disabilities and other disadvantages move towards and into employment each year. Plymouth City Council has a quarter share but local authority controlled.	0	595	5	0	550	(26)
Joint Arrangements							
CATER^{ed} Ltd (formerly Education Catering)	CATER^{ed} is a co-operative trading company which is jointly owned by 67 local schools and Plymouth City Council. Plymouth City Council is the majority shareholder with 51% of the shares.	(1,185)	4,396	109	(224)	3,519	32
DELT Shared Services Ltd	DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and NEW Devon CCG.	(540)	7,703	5	(272)	9,966	(528)
Plymouth Science Park Ltd (formerly Tamar Science Park Ltd)	Plymouth Science Park is a science and technology park for businesses and provide provision of support, advisory and facilities management services. Plymouth Science Park is jointly and equally owned by Plymouth City Council and Plymouth University.	(50)	47	0	(85)	15	0
Totals		**(1,782)**	**12,741**	**59**	**(588)**	**14,050**	**(582)**

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example Housing Benefits). Details of transactions with Government Departments are set out in note 30.

Members and Officers

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

Members and Officers of the Council have returned 76 declarations of Related Party Transactions for 2016/17, a response rate of 96 per cent.

Other Interests in Companies

There are a number of companies which are also linked to the Council which fall under the definition of an assisted organisation. This includes the provision of financial assistance to voluntary organisations. However they are not considered material in financial terms.

Examples include Access Plymouth, Plymouth Citizens Advice Bureau and the Shekinah Mission. Independent Futures, On Course South West (formally PACLS) and the Plymouth City Centre Company are examples of larger organisations supported by the Council.

- **DELT Shared Services Ltd**

  DELT was launched 1 October 2014 and is a publicly owned private limited company (09098450). It was set up to deliver ICT services and systems to its partners; Plymouth City Council and Northern, Eastern, Western (NEW) Devon Clinical Commissioning Group. 2016/17 was the third year in which DELT was operational.

  DELT is jointly and equally controlled by its partners with both partners carrying equal full voting rights. The collaborative arrangement is classed as a joint venture.

  For more information about DELT and its financial performance, please visit its website: DELT Shared Services Ltd

- **CATER^{ed}**

  CATER^{ed} is a co-operative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATER^{ed} is 49 per cent owned by schools and 51 per cent by the council and serves almost 2.5 million meals to Plymouth school children every year. 2016/17 was the second year in which CATER^{ed} was operational.

  Plymouth City Council is the majority shareholder of CATER^{ed} with 51% of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

  For more information about CATER^{ed} and its financial performance, please visit its website: CATER^{ed}

Joint Committees

The Council is a member of a couple of joint committees where local authorities have joined together to provide a service. These are listed as follows:

- **Devon Audit Partnership**

  From April 2009 Plymouth City Council set up a Joint Committee with Devon County Council and Torbay Council for the provision of a shared internal audit service. The service is also able to provide audit services to other organisations. This is a shared service arrangement and is constituted under section 20 of the Local Government Act 2000.

Devon County is the host Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Plymouth's share equates to 27% and its contribution to the partnership for 2016/17 was £0.313m (2015/16 £0.335m).

- **South West Devon Waste Disposal Partnership**

  Plymouth City Council, Torbay Council and Devon County Council are now working together and have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

  Plymouth is the Lead Authority with the expenditure associated with this project is incurred and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Plymouth's share of the expenditure is reflected within the cost of services on the comprehensive income and expenditure statement.

For more information about external bodies which Plymouth City Council have an interest in please visit our website PCC Outside Bodies.

32. Capital Expenditure and Capital Financing

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

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

33. Leases

33.1 Council as a lessee – finance leases

The buildings acquired under a finance lease are carried in the Balance Sheet as Investment Property and the other assets are carried as Property, Plant and Equipment.

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

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

Finance lease liabilities (net present value of minimum lease payments):	31 March 16	31 March 17
	£000	£000
Current	39	39
Non-Current	1,643	1,601
Finance costs payable in future years	3,268	3,136
Minimum lease payments	**4,950**	**4,776**

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

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

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

33.2 Council as a lessee – operating leases

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

Operating leases - Authority as a lessee	31 March 16	31 March 17
	£000	£000
Not later than one year	863	853
Later than one year and not later than five years	2,666	2,687
Later than five years	5,139	5,271
Total	**8,668**	**8,811**

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

33.3 Council as a lessor – operating leases/licenses

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

Operating Leases - Authority as a Lessor	31 March 16	31 March 17
	£000	£000
Not later than one year	5,103	7,324
Later than one year and not later than five years	17,629	24,107
Later than five years	288,717	326,698
Total	**311,449**	**358,129**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Council has also granted DELT Shared Services Ltd the right to operate and maintain the Council's ICT network using specific computer equipment under licence for processing the partnership's data and also to purchase any additional equipment as authorised by the Council to ensure business continuity in the delivery of the partnership's ICT services.

34. Private Finance Initiatives (PFI) and Similar Contracts

34.1 Schools PFI

The Council makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £5.388m was made in 2016/17 (2015/16: £5.356m). Payments remaining to be made under the PFI contract at 31 March 2017, excluding any estimation of inflation and availability/performance deductions, are as follows:

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total Payments to Operator in 2016/17	2,060	902	2,426	5,388
Payable in 2017/18	2,155	969	2,347	5,471
Payable within two to five years	9,831	4,150	8,529	22,510
Payable within six to ten years	14,209	7,156	8,299	29,664
Payable within eleven to fifteen years	16,272	10,596	4,703	31,571
Payable within sixteen to twenty years	4,941	4,002	2,696	11,639
Total	**47,408**	**26,873**	**26,574**	**100,855**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable, whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Movement in PFI Liability	2015/16	2016/17
	£000	£000
Balance outstanding 1 April	28,614	27,775
Payments during the year	(839)	(902)
Balance Outstanding 31 March	**27,775**	**26,873**

The Council has secured PFI credits to the value of £53m, to which interest is added resulting in total Government support of £105.871m over the contract period, and this together with an annual contribution from the Council of approximately £0.650m and schools of £0.920m will be used to meet the running costs of the contract, including the loan repayments.

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

34.2 South West Devon (SWD) Energy from Waste (EfW) Partnership

2015/16 was the first year of operation of the EfW public/private service concession arrangement whereby the SWD local authority partnership granted the right to MVV Umwelt (MVVU), the operator, to treat and render inert waste that otherwise would have been disposed of in landfill sites. The SWD partnership comprising Plymouth City Council, Devon County Council and Torbay Council appointed MVVU under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 50 year term.

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total Payments to Operator in 2016/17	3,411	141	3,701	7,253
Payable in 2017/18	3,541	177	3,686	7,404
Payable within two to five years	15,691	607	14,563	30,861
Payable within six to ten years	21,684	3,280	17,355	42,319
Payable within eleven to fifteen years	26,553	5,905	15,257	47,715
Payable within sixteen to twenty years	30,196	12,968	10,250	53,414
Payable within twenty one to twenty five years	17,411	11,308	1,952	30,671
Total	**115,076**	**34,245**	**63,063**	**212,384**

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

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

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

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

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

35. Pensions

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

35.1 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

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

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

35.2 Defined Benefit Pension Schemes

Local Government Pension Scheme (LGPS)

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

Pension Information for Plymouth City Council Scheme (PCC)

Transactions relating to post-employment benefits

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

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

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

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

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

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

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

35.4 Scheme history (PCC)

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

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

35.5 Basis for Estimating Assets and Liabilities (PCC)

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

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

Impact on the Defined Benefit Obligation in the Scheme	Decrease in assumption	No Change	Increase in assumption
	£000	£000	£000
Longevity (increase or decrease in 1 year)	(1,180,376)	1,225,641	1,272,699
Rate of increase in salaries (increase or decrease by 1%)	(1,223,239)	1,225,641	1,228,063
Rate of increase in pensions (increase or decrease by 1%)	(1,205,282)	1,225,641	1,246,386
Rate for discounting scheme liabilities (increase or decrease by 1%)	(1,248,831)	1,225,641	1,202,902

35.6 Total assets (PCC)

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

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

35.7 Pension assets and liabilities recognised in the balance sheet

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

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

Pension information for Tamar Bridge and Torpoint Ferry Joint Committee (TB&TFJC)

35.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement (TB and TFJC)

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

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

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

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2015/16	2016/17
	£000	**£000**
Opening fair value of scheme assets	**7,438**	**7,835**
Interest income	240	260
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	52	(43)
Contributions from employer	306	349
Contributions from employees into the scheme	92	93
Benefits paid	(293)	(289)
Closing fair value of scheme assets	**7,835**	**8,205**
Closing balance at 31 March	**(2,954)**	**(3,786)**

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £3.786m has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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

35.10 Scheme History (TB and TFJC)

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

36. Contingent Assets and Liabilities

36.1 Contingent Assets

The Council has the following contingent assets to report:

Overpaid Landfill Tax

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

Plymouth Airport

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

36.2 Contingent liabilities

The Council has the following contingent liabilities to report.

Chelson Meadow

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

Since works completion in June 2012, the contractor has refused to repay the Council the overpayment and have retrospectively stated that they believe they are entitled to a further significant payment. The Council have contested this position, and several adjudications have been 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.

Plymouth Community Homes

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

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

In addition the Council has provided a Pension guarantee whereby the Council has agreed to protect the Pensions Administering Authority against the insolvency, winding up or liquidation of Plymouth Community Homes Ltd. The level of indemnity at last valuation was £5.6m.

Livewell Southwest (formally Plymouth Community Healthcare) CIC

On 1 April 2015 the Council transferred its adult social care service to Livewell Southwest CIC (formally Plymouth Community Healthcare CIC (PCH). This involved the TUPE transfer of 171 employees. As part of the transfer, the Council agreed to act as guarantor under the Admission Agreement and enter into a risk share arrangement in relation to the pension liabilities.

In terms of pension risk share arrangements, the Council will be liable to Livewell Southwest in respect of service deficit attributable to service up to the transfer date. Any exit debt (i.e. that which needs to be paid on termination of the Admission Agreement) that is attributable to service accrued after the transfer date would be the responsibility of Livewell Southwest.

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

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

RIF Loan Agreement

In June 2010 Plymouth City Council (PCC) entered into a Funding Agreement with the South-West of England Regional Development Agency (SWRDA) for £7 million from the Regional Infrastructure Fund (RIF) towards the East End Transport Scheme (EETS). RIF is a recyclable fund that provides gap financing for key local infrastructure projects, to be refunded by Developer contributions at a later stage.

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

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

There is no end date for paying off the full amount of the loan, but the agreement includes the right to review the repayment contributions if less than £2.4 million has been repaid by March 2016.

The Council has not made sufficient repayments, and HCA are now considering exercising their rights to increase the rate of Capital Contribution payments by the council. The Council are seeking to negotiate with HCA in respect of the repayments.

Cooperage Building, Royal William Yard – Ocean Studios CIC

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

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

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

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2017

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to Local Authorities and the Government of Council Tax and Non-Domestic Rates.

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

NOTES TO THE COLLECTION FUND

1. Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 69,846 in 2016/17 (68,460 in 2015/16).

The basic amount of Council Tax for a Band D property (£1,599.81 for 2016/17) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rates	Adjusted Band D Equivalents
A	44,083	27,820	18,538	98.5%	18,260
B	30,112	24,085	18,733	98.5%	18,452
C	21,084	18,602	16,535	98.5%	16,287
D	8,651	7,935	7,935	98.5%	7,816
E	4,529	4,275	5,225	98.5%	5,147
F	1,644	1,534	2,216	98.5%	2,183
G	533	503	838	98.5%	825
H	27	17	35	98.5%	34
	110,663	**84,771**	**70,055**		**69,004**
Adjustment for MOD Properties					842
Tax Base Totals			**70,055**		**69,846**

The Council Tax Base was calculated at the time the 2016/17 budget was set, based on the estimated number of properties and value of discounts applicable to each band at that time. The estimated income, allowing for non-collection, was £111.740m (69,846 x £1,599.81). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £113.519m (2015/16: £109.418m) made up of £113.576m from Council Tax payers with a reduction of £0.057m due to previous years' adjustments relating to the Council Tax Benefit scheme.

2. Income from Business Ratepayers

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, which was 49.7p in 2016/17 (49.3p in 2015/16).

The administration of NDR is governed by the Business Rates Retention Scheme which was introduced in 2013/14. This aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility of the NDR tax base and non-collection of rates due. In the case of Plymouth, the retained proportion of NDR income is 49 per cent. The remainder is distributed to preceptors: 1 per cent to the Devon and Somerset Fire and Rescue Authority (DSFRA) and 50 per cent to Central Government.

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £47.092m to Central Government, £0.942m to DSFRA and £46.732m to Plymouth City Council. These sums have been paid during 2016/17 and charged to the Collection Fund in year and include the previous year's surplus.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2016/17 Plymouth had a baseline amount of £53.387m and received a top-up of £9.240 which was credited to the General Fund and included in note 14.

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

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

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

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

This sum included £0.779m of transitional protection payments from ratepayers, which under regulations should have a neutral impact on the Business Rates Retention Scheme and will be repaid to Central Government.

3. Precepts and Demands

3.1 Council Tax

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

3.2 Non-Domestic Rates

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

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

4. Provisions for Non Payment

4.1 Council tax

Contributions are made from the Collection Fund Income and Expenditure Account to an Allowance for Non-Collectability of Debt (Bad Debt Provision) Account. During 2016/17, £1.363m (2015/16: £1.505m) was contributed to the Account and £0.721m (2015/16: £0.966m) of irrecoverable debt was written off. The bad debts provision for this year is £3.760m (2015/16: £3.118m) and the movement in the provision is shown below:

Movement in Council Tax Allowance for Non-Collectability of Debt Account	2015/16	2016/17
	£000	£000
Balance brought forward 1 April	**2,579**	**3,118**
Write Offs	(966)	(721)
Contributions in year	1,505	1,363
Net change in provision	539	642
Balance at 31 March	**3,118**	**3,760**

The Bad Debt Provision is required to be apportioned between the 3 authorities in proportion to their precept/demand on the Collection Fund. The Police Commissioner's and Fire Authority's proportion of the Allowance for Non-collectability for Debt is £0.582m leaving a balance of £3.178m to cover Plymouth City Council's proportion of Council Tax arrears. The Police and Fire elements are shown in the Council's Balance Sheet as a debtor.

4.2 Non-Domestic Rates

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

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

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

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

5. Provision for appeals

The Collection Fund account also provides for provision for appeals against the rateable value set by the VOA not settled as at 31 March 2017.

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

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

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

6. Distribution of Collection Fund Surpluses and Deficits

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

The net surplus relating to Council Tax and Community Charge will be repaid to the City Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority in 2017/18 and 2018/19 in proportion to each authority's demand/precept on the Collection Fund. The Council's share of the surplus will be reviewed as part of the budget setting process for 2018/19.

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

The deficit relating to the NDR will be apportioned between Plymouth City Council, Devon and Somerset Fire and Rescue Authority and the Government based on their proportionate shares in 2018/19.

This page is intentionally left blank