

# STATEMENT OF ACCOUNTS

## 2017/18



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## **Narrative Report from the Interim Strategic Director Transformation & Change and Section 151 Officer.**

### **INTRODUCTION**

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



### **AIMS, OBJECTIVES AND ACHIEVEMENTS**

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan and Annual Report 2017/18 which is focused on our vision to be 'one team serving our city'. That means everyone working together towards our shared ambition to be a pioneering, growing, caring and confident city. Our Corporate Plan 2016 to 2019 has a greater emphasis on ensuring Council decisions are driven by citizen need. We want to explore new ways of working and making the best use of our assets as we balance the books.

# Plymouth

Britain's Ocean City

# THE PLYMOUTH PLAN 2011- 2031

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

## WHAT WE WANT TO ACHIEVE...

### LEADING CITY

A city fulfilling its strategic role as a major economic driver and provider of services in the region

### HEALTHY CITY

People live in happy, healthy, safe and aspiring communities

### GROWING CITY

A city which has used its strengths to deliver a prosperous city with a strong economy and quality places

### INTERNATIONAL CITY

Plymouth is internationally renowned as Britain's Ocean City and is the UK's premier marine city, famous for its waterfront

## HOW WILL WE KNOW WE'RE SUCCESSFUL?

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

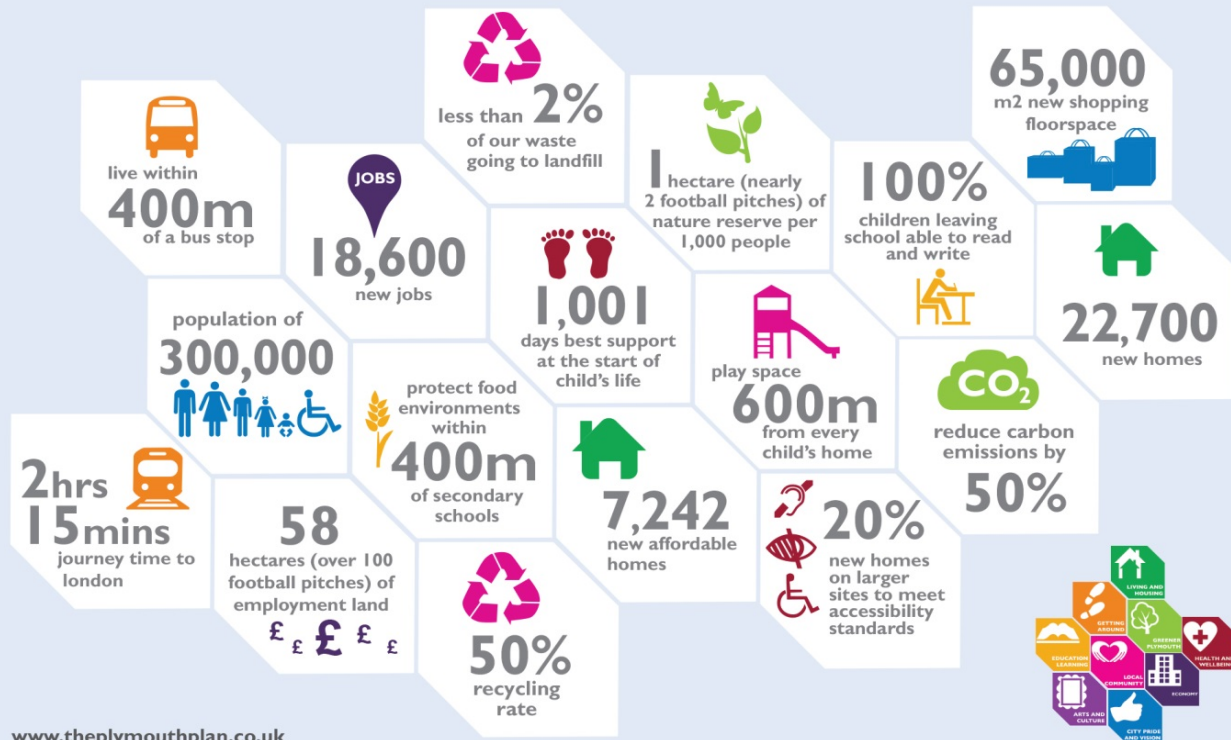
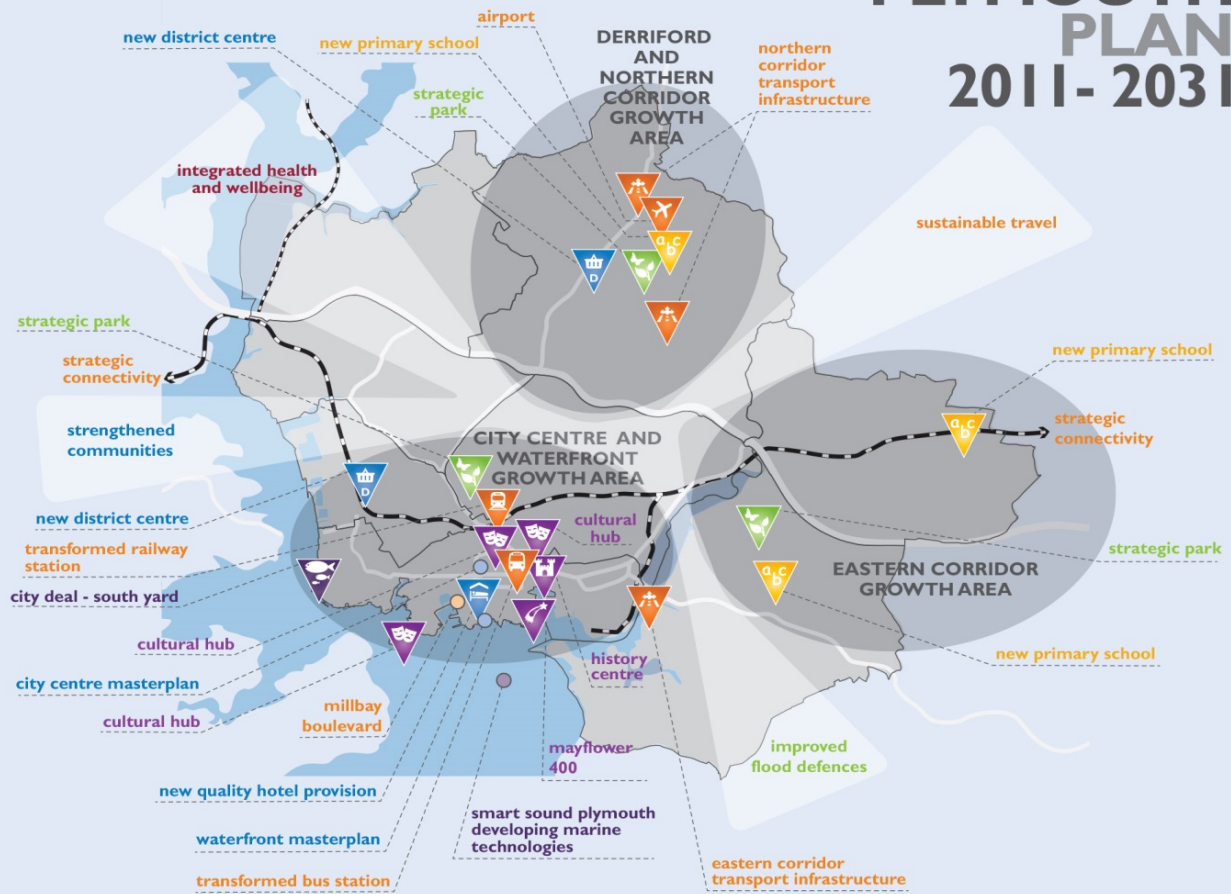
## WHAT PRINCIPLES WILL GUIDE US?



# Plymouth

Britain's Ocean City

# THE PLYMOUTH PLAN 2011-2031



[www.theplymouthplan.co.uk](http://www.theplymouthplan.co.uk)



# OUR PLAN ONE 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

Plymouth City Council is a unitary local authority responsible for over 300 local services including transport, social care and education. With a resident population of 264,200 (2016) and a further 100,000 residents in the travel to work area, Plymouth is the largest city on the South coast and the 15th biggest city in the country. Plymouth is also the most significant urban area on the south west peninsular with an economic output of £5.2 Billion, supporting 107,800 jobs and is the key urban hub of the Heart of the South West Enterprise Partnership making it a key location for growth. The city has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue-tech marine companies are based here.

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

### 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 2031, promoting a shared direction of travel for the long term future of the city bringing together, for the first time in Plymouth (and perhaps in the UK), a number of strategic planning processes into one place. Since its introduction, the Plymouth Plan has been at the heart of policy and plan-making in the city. It sets the direction for the city's economy; it plans for the city's transport and housing needs; it looks at how the city can improve the lives of children & young people and address the issues which lead to child poverty. 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 2031, build an additional 22,700 homes and create 18,600 jobs, and is working closely with local strategic partners West Devon and South Hams 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 Science, Technology, Engineering and Mathematics (STEM) subjects, to grow, keep and attract a skilled workforce now and in the future is also a critical challenge.

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

### Transforming service delivery

We continue our transformation journey to address the ongoing challenge of reduced funding and rising costs.

This has delivered a total of £80m of efficiencies in the last four years.

The programme has driven innovation and improvement across the Council and has seen a significant increase in the city’s economic growth and a ground-breaking integration between the Council and health partners.

Services have been modernised and we have created a number of profitable arms-length companies to support the Council and partners in the city such as DELT and CATER<sup>ed</sup>.



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

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

Our priorities include:

- continuing to improve our performance
- meeting the changing expectations from residents
- joining up our services with partners to improve efficiency and make things easier for customers
- entering into a new contract to manage children's services and strategic planning in Torbay
- supporting the transformation of NHS services through its Strategic Transformation Plan (STP)
- working with schools to change our education services
- working with our partners across the South West to pursue our shared interests.

Change is ongoing and we are now mainstreaming transformation within our services. Staff working in our centralised transformation team are transferring to departments, with a small team remaining in the corporate centre to maintain oversight of our ongoing change programme.

### The Council's Performance

We have continued to transform how we deliver services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with our partners and maximising the opportunities from digital technology.

In very difficult financial circumstances we continue to retain and improve our core services. For example during 2017/18 we have:

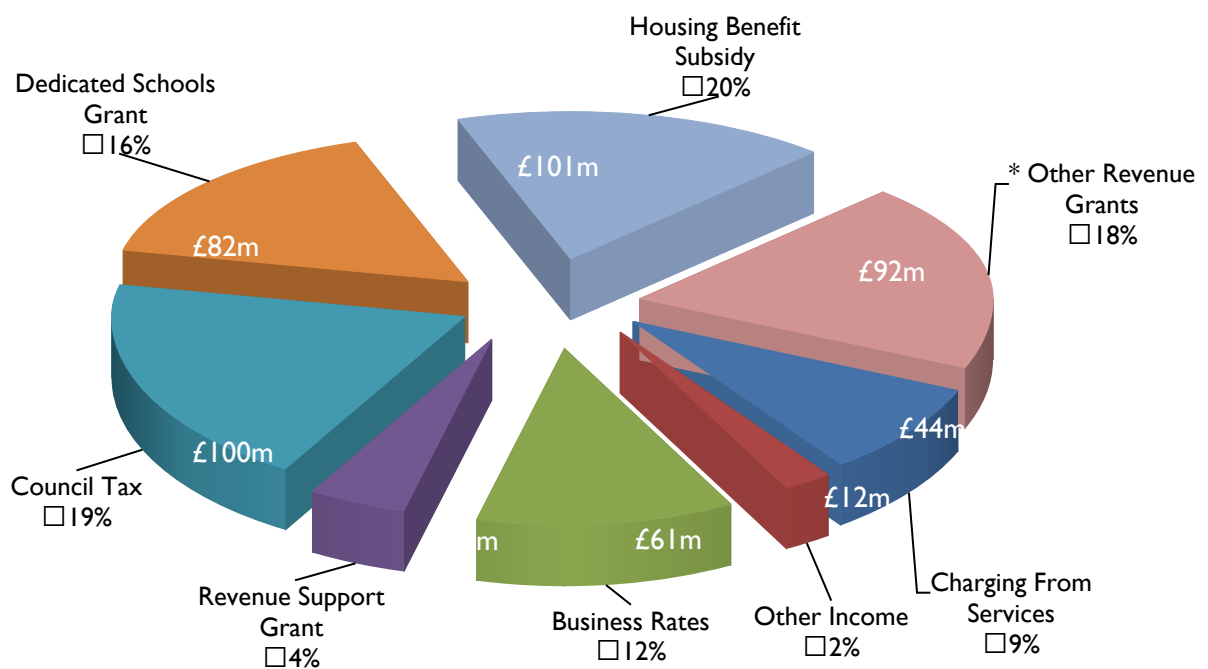
- ✓ Helped 1,625 people from becoming homeless.
- ✓ Supported 322 families into affordable homes.
- ✓ Supported 17,000 people to remain in their own homes with 48,000 pieces of equipment issued, 84% of which were recycled.
- ✓ Supported 1,900 victims of Domestic Abuse.
- ✓ We have the first cyber security skills pilot in the country working across a partnership including schools, colleges, universities and businesses.
- ✓ Reported that 96% of young people are in education or employment finishing GCSEs.
- ✓ Prioritising emotional health and wellbeing in schools after the Schools Forum agreed to fund £1.2 million to provide support in schools until August 2019.
- ✓ Supported 3,000 people over the last 12 months through the 'Building Plymouth' Council-led partnership to address the skills shortage in the construction industry. There has been an increase of almost 60% in apprentice starts.
- ✓ Let a new contract for 'Real Time' passenger information which has improved information for bus users and led to the installation of new bus shelter displays.
- ✓ Completed work on a £3.5 million refurbishment of the City Market.
- ✓ Working with the NSPCC on the Neglect Campaign which raises awareness of the signs and signals of neglect. We have also agreed a new partnership with them to design and create services with local agencies and communities using a public health approach.
- ✓ Provided health checks for around 5,000 people and weighed and measured 5,214 school pupils.

- ✓ Implemented the new national living wage in April 2017.
- ✓ Launched a pilot training programme to improve taxi drivers' customer care and help them promote what Plymouth has to offer.
- ✓ Provided a strong programme of events attended by 380,000 residents & visitors and 1.8 million visits were made to the Visit Plymouth website.
- ✓ Received national recognition from the Public Finance Innovation Awards in 2017, winning the 'Achievement in Health and Social Care Innovation' award with the Northern, Eastern and Western Devon Clinical Commissioning Group.

## FINANCIAL PERFORMANCE

The Council's gross revenue budget for 2017/18 was £515m which after adjusting for income equates to a net budget of £184m. The main sources of income are shown below:

### 2017/18 Revenue Income Sources



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

The net revenue budget of £184m was allocated to council services as follows:

| Directorate                                 | 2017/18<br>Gross<br>Expenditure | 2017/18<br>Gross<br>Income | 2017/18<br>Council<br>Approved<br>Net Budget | 2017/18<br>Budget<br>Virements | 2017/18<br>Latest<br>Budget | 2017/18<br>Outturn | Year End<br>Over /<br>(Under)<br>Spend |
|---------------------------------------------|---------------------------------|----------------------------|----------------------------------------------|--------------------------------|-----------------------------|--------------------|----------------------------------------|
|                                             | £000                            | £000                       | £000                                         | £000                           | £000                        | £000               | £000                                   |
| Executive Office                            | 3,852                           | (224)                      | 3,628                                        | (25)                           | 3,603                       | 3,603              | 0                                      |
| Corporate Items                             | 8,153                           | (7,081)                    | 1,072                                        | (3,352)                        | (2,280)                     | 371                | 2,651                                  |
| Transformation &<br>Change Directorate      | 154,263                         | (121,576)                  | 32,687                                       | 3,683                          | 36,370                      | 36,215             | (155)                                  |
| People Directorate                          | 253,558                         | (131,010)                  | 122,548                                      | (49)                           | 122,499                     | 122,449            | (50)                                   |
| Office for the Director<br>of Public Health | 19,731                          | (19,531)                   | 200                                          | (15)                           | 185                         | 176                | (9)                                    |
| Place Directorate                           | 74,588                          | (50,839)                   | 23,749                                       | (242)                          | 23,507                      | 23,481             | (26)                                   |
| <b>Total</b>                                | <b>514,145</b>                  | <b>(330,261)</b>           | <b>183,884</b>                               | <b>0</b>                       | <b>183,884</b>              | <b>186,295</b>     | <b>2,411</b>                           |

The finance outturn position, before any adjustments, shows an overspend of £2.411m which is a 1.31% variance. The outturn position needs to be considered in the context of a challenging financial climate and the continuation of the Government's austerity programme with respect to public finances. In 2017/18 the Council has managed a £18.290m savings programme in addition to increasing service demands and customer expectations.

### Working Balance

The Council has reviewed its overall financial position, looking not only at the Working Balance, but also reviewing the adequacy of reserves and provisions. As an integral part of the financial review the following corporate adjustments were recommended by the Finance and Corporate Management Team (CMT):

- The use of capital receipts of £1.085m to fund the Minimum Revenue Provision (MRP) in line with the MRP Strategy
- £2.826m of Section 106 agreements have been applied to offset the outturn overspend due to the adoption of a new innovative approach to the use of resources

The General Fund Balance as at 31 March 2018 is £9.168m. This represents 5% of the net revenue budget which remains at the 5% recommended minimum approved within the MTFS.

### Other Financial Performance

In addition to the financial outturn reports within this report there were a range of other significant performance achievements which have contributed to the year-end position. In-year collection targets are set for our Council Tax, Business Rates, Commercial Rent, and Sundry Debt Income including our Trade Waste Income. The 2017/18 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 £110m in 2017/18 compared with £103m in 2016/17, collecting 96.9% of this debt within 30 days (96.9% in 2016/17) against a target of 95.0%.
- 96.9% of Council Tax collected against a target of 98.5% (16/17 = 96.9%).

- 98.6% of NNDR collected against a target of 98.0% (16/17 = 99.1%).
- average borrowing rate of 2.4% was achieved against target of 3.5% (16/17 = 2.6%).
- average investment return of 1.3% was achieved against target of 1.3% (16/17 = 1.7%).
- 98.4% of all supplier invoices were paid within 30 days against a target of 99.0% (16/17 = 98.8%).
- VAT partial exemption at 3.4% against a target of 5.0% (16/17 = 4.6%).
- 53.4% of the Council's spend was incurred with businesses within the "PL" post code against target of 55.0% (16/17 = 56.0%).

## Capital

During the year 2017/18 the Council spent nearly £100.000m on capital projects within the city. The capital programme outturn position for 2017/18 is £98.963m. This is shown by Directorate in the table below. This is within the approved Capital Budget (as at 31 December 17) for 2017-22 of £674.640m reported to Full Council in February 2018 (see the table under Capital Funding 2017-22).

| Directorate                              | Latest Forecast December 2017 | Re-Profiling    | Approvals Post December | Variations And Virements | 2017/18 Outturn | Variance        | Spend Variance |
|------------------------------------------|-------------------------------|-----------------|-------------------------|--------------------------|-----------------|-----------------|----------------|
|                                          | £000                          | £000            | £000                    | £000                     | £000            | £000            | %              |
| Place                                    | 92,560                        | (11,272)        | 2,796                   | (224)                    | 83,860          | (8,700)         | 90.6           |
| People                                   | 9,601                         | (1,153)         | 1,013                   | (744)                    | 8,717           | (884)           | 90.8           |
| Transformation & Change                  | 4,095                         | (846)           | 335                     | 71                       | 3,655           | (440)           | 89.3           |
| Office for the Director of Public Health | 0                             | 0               | 0                       | 0                        | 0               | 0               | 0.0            |
| <b>Capital Programme</b>                 | <b>106,256</b>                | <b>(13,271)</b> | <b>4,144</b>            | <b>(897)</b>             | <b>96,232</b>   | <b>(10,024)</b> | <b>90.6</b>    |
| Efficiency Strategy                      | 0                             | 0               | 2,731                   | 0                        | 2,731           | 2,731           |                |
| <b>Total Capital Programme</b>           | <b>106,256</b>                | <b>(13,271)</b> | <b>6,875</b>            | <b>(897)</b>             | <b>98,963</b>   | <b>(7,293)</b>  |                |

The year-end position highlights £13.271m of re-profiling of schemes into 2018/19. Explanations for the most significant project re-profiling are given below:

- **(£0.761m) Oceansgate**

Work has been continuing to deliver the South Yard Oceansgate site. A delay in awarding the Balfour Beatty contract for infrastructure works and delays in completing legal agreements with local landowners has resulted in the 2017/18 anticipated works being delivered in 2018/19.

- **(£1.524m) Asset Investment Fund**

On-going negotiations over the structure and terms of the acquisitions, and also additional unforeseen circumstances such as adverse weather conditions resulting in construction delays for the Langage and Next sites has meant that these projects have required slight reprofiling.

- **(£0.616m) The Box**

At the time of the latest capital programme approval (December 2017) it was anticipated that 2017/18 spend would be £8.605m. However, there was a contractual delay that caused a delay to the refurbishment of the museum. This was caused by the Mechanical and Electrical layout being revised by Events Communication to cater for Exhibition. This has resulted in the need to re-profile £0.641m worth of spend from 2017/18 into 2018/19.

## Capital Funding 2017-22

The following table shows how the current approved capital budget is proposed to be funded:

| Funding Source          | 2017/18        | 2018/19        | 2019/20        | 2020/21        | 2021/22       | Total          |
|-------------------------|----------------|----------------|----------------|----------------|---------------|----------------|
|                         | £000           | £000           | £000           | £000           | £000          | £000           |
| Un-ringfenced Grants    | 6,830          | 4,737          | 5,749          | 4,686          | 4,686         | 26,688         |
| Ringfenced Grants       | 25,637         | 43,905         | 28,473         | 20,334         | 20,225        | 138,574        |
| Developer Contributions | 25,365         | 13,122         | 7,511          | 11,265         | 11,355        | 68,618         |
| External Contributions  | 500            | 500            | 500            | 500            | 500           | 2,500          |
| Capital Receipts        | 5,596          | 6,517          | 5,900          | 300            | 0             | 18,313         |
| Loans repaid            | 205            | 346            | 955            | 448            | 449           | 2,403          |
| Borrowing - other       | 81,363         | 125,669        | 103,830        | 71,374         | 32,413        | 414,649        |
| Revenue / Funds         | 827            | 1,768          | 100            | 100            | 100           | 2,895          |
| <b>Total</b>            | <b>146,323</b> | <b>196,564</b> | <b>153,018</b> | <b>109,007</b> | <b>69,728</b> | <b>674,640</b> |

### Cash Flow Management

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

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

Cash and short term investment holdings at 31 March 2018 were £47.273m and are held to meet the Council's capital financing and cash flow requirements while obtaining a return on these investments. The Council also uses short term borrowing from other local authorities to meet some of the funding of the Council's ambitious capital programme. As at 31 March 2018 the Council held £201.042 short term borrowing and £165.627m long term borrowing which is within the Council's approved limits.

### Balance Sheet Position

The Council's Balance Sheet position is as follows:

| Position                                                                                                       | Balance as at 31 March 2017 | Balance as at 31 March 2018 |
|----------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                                                                | £000                        | £000                        |
| Non-current assets – principally land, buildings and equipment used to deliver Council services                | 865,831                     | 942,697                     |
| Net current assets – short term investments, debtors, stock and cash less short term creditors and liabilities | (175,240)                   | (227,896)                   |
| Long term liabilities and provisions (including pensions) see 1 and 2 below                                    | (890,983)                   | (878,204)                   |
| <b>Net assets</b>                                                                                              | <b>(200,392)</b>            | <b>(163,403)</b>            |
| <b>Represented by:</b>                                                                                         |                             |                             |
| Usable reserves (see 3 below)                                                                                  | 54,209                      | 59,736                      |
| Unusable reserves                                                                                              | (254,601)                   | (223,139)                   |
| <b>Total reserves</b>                                                                                          | <b>(200,392)</b>            | <b>(163,403)</b>            |

1. The Council's largest balance sheet liability is represented by £562m for pension liabilities. This includes a provision for the pension guarantee for Livewell Southwest and DELT for the service deficit attributable to service up to the transfer date.
2. The Council has a number of liabilities at the year-end for which it has made provision. The most significant of which are: the provision for Chelson Meadow which is a closed landfill site,

The provision of £9.583m has been calculated on the future maintenance costs over the next 50 years and is reviewed each year. In addition, the Council has set aside a provision for business rate appeals of £3.982m (£1.059m at 31 March 2017). This has increased due to the number of successful appeals over the last couple of years.

3. Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £2.826m held on behalf of schools and £9.168m general fund working balances to cover short term cash flow movements, budget overspends and other unforeseen contingencies. The working balance represents 5% of the net cost of services in line with Council policy.
4. The Council holds a number of unusable reserves, the majority of which are required to be held for statutory reasons and some which are needed to comply with proper accounting practice. A further breakdown of unusable reserves is found in the Statement of Accounts.

## FINANCIAL MANAGEMENT AND IDENTIFYING RISKS

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

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

These documents are continually updated and reviewed on a quarterly basis.

The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have published revised guidance and an updated Prudential Code to cover local authorities who invest in properties to obtain an income. The Council's Asset Investment Fund has been set up to invest in commercial properties to increase its revenue income. During 2018/19 the Council will be producing a revised Treasury Management Strategy (including the new Borrowing and Investment Strategy) and a Capital Strategy to meet the new requirements. The revised strategies will be presented to full council in February 2019.

### Risk Management

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

| Risk                                                                                                              | Impact                                                                                 | Mitigation                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Financial</b>                                                                                                  |                                                                                        |                                                                                                                                                  |
| Inability to meet the longer term budgets given the size of the resource reductions and increasing cost pressures | Negative impact on budgets, loss of reputation, negative impact on front line services | MTFS reviewed quarterly, Officer Working Group producing monthly monitoring reports. Internal Audit reviews, Integrated Health & Wellbeing Board |
| Risk of increased poverty/hardship as a result of the impact of Welfare Reform                                    | Additional pressures on customers, including the most vulnerable                       | Review & recommitment services<br>Review of local Council Tax Support Scheme<br>Support for implementation of Universal Credit                   |

## LOOKING FORWARD

The Medium Term Financial Strategy is updated quarterly and the budget report presented to Cabinet on 13 February 2018 set out the national context for large reductions in local government funding and the Local Government Finance Settlement.

On behalf of the Devon Business Rates Pool, Plymouth submitted a successful pilot application and will be one of 10 pilots nationally who will pilot 100% business rates retention in 2018/19. The pilot is initially for one year. This will mean in 2018/19 the main funding sources for The Council are council tax and business rates.

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

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

## STATEMENT OF ACCOUNTS 2017/18

The Statement of Accounts which follow, set out the Council's income and expenditure for the year and its financial position as at 31 March 2018. The format and content of the statements is prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. This is based on International Financial Reporting Standards adapted for use in a public sector context. The Statement of Accounts comprises:

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

## ANNUAL GOVERNANCE STATEMENT

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

The AGS was reported to and approved by the Audit Committee on the 31 May 2018. This can be found on the Council's website.

## CONCLUSION

The formal audit of the Draft Statement of Accounts commenced on 29 May 2018, and in line with our statutory duty we made our accounts available for scrutiny by interested members of the public from 1 June to 12 July 2018.

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 July, and following formal sign off, we will publish them on our web pages no later than 31 July 2018.

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 0117 930 1500.
- c) if any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The Council's Interim Strategic Director Transformation & Change (Section 151 Officer) is required to sign the final accounts by a statutory deadline of 31 July 2018.

Further information is available:

- on the Council's website or
- from Carolyn Haynes, Financial Controller, Ballard House West Hoe Road, Plymouth PL1 3BJ, telephone 01752 398927, email [corporateaccountancy@plymouth.gov.uk](mailto:corporateaccountancy@plymouth.gov.uk).

Andrew Hardingham  
Interim Strategic Director Transformation & 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 Strategic Director Transformation & 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 Strategic Director Transformation & Change (Section 151 Officer) responsibilities:

The Interim Strategic Director Transformation & 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 Strategic Director Transformation & 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

The Interim Strategic Director Transformation & Change has also:

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

In signing these accounts, the Interim Strategic Director Transformation & Change confirms that these statements give a 'true and fair' view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year ended 31 March 2018.

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

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

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.

| Restated<br>2016/17<br>Gross<br>Expenditure | Restated<br>2016/17<br>Gross<br>Income | Restated<br>2016/17<br>Net<br>Expenditure |                                                                          | Note | 2017/18<br>Gross<br>Expenditure | 2017/18<br>Gross<br>Income | 2017/18<br>Net<br>Expenditure |
|---------------------------------------------|----------------------------------------|-------------------------------------------|--------------------------------------------------------------------------|------|---------------------------------|----------------------------|-------------------------------|
| £000                                        | £000                                   | £000                                      |                                                                          |      | £000                            | £000                       | £000                          |
| 5,606                                       | (142)                                  | 5,464                                     | Executive Office                                                         |      | 3,990                           | (172)                      | 3,818                         |
| 14,085                                      | (19,221)                               | (5,136)                                   | Corporate Items                                                          |      | 15,533                          | (9,010)                    | 6,523                         |
| 159,319                                     | (116,244)                              | 43,075                                    | Transformation and Change Directorate                                    |      | 151,633                         | (113,335)                  | 38,298                        |
| 287,238                                     | (157,247)                              | 129,991                                   | People Directorate                                                       |      | 266,347                         | (136,630)                  | 129,717                       |
| 20,137                                      | (20,444)                               | (307)                                     | Public Health                                                            |      | 19,811                          | (19,566)                   | 245                           |
| 94,374                                      | (56,421)                               | 37,953                                    | Place Directorate                                                        |      | 93,103                          | (46,611)                   | 46,492                        |
| <b>580,759</b>                              | <b>(369,719)</b>                       | <b>211,040</b>                            | <b>(Surplus)/Deficit on Continuing Operations</b>                        |      | <b>550,417</b>                  | <b>(325,324)</b>           | <b>225,093</b>                |
| 28,115                                      | (12,455)                               | 15,660                                    | Other Operating Expenditure                                              | 11   | 3,082                           | (4,939)                    | (1,857)                       |
| 33,638                                      | (9,256)                                | 24,382                                    | Financing and Investment Income and Expenditure                          | 13   | 42,431                          | (27,810)                   | 14,621                        |
| 0                                           | (205,396)                              | (205,396)                                 | Taxation and Non-Specific Grant Income                                   | 14   | 0                               | (196,879)                  | (196,879)                     |
| <b>642,512</b>                              | <b>(596,826)</b>                       | <b>45,686</b>                             | <b>(Surplus)/Deficit on Provision of Services</b>                        |      | <b>595,930</b>                  | <b>(554,952)</b>           | <b>40,978</b>                 |
|                                             |                                        | (55,673)                                  | (Surplus)/Deficit on revaluation of non-current assets                   | 22.1 |                                 |                            | (8,971)                       |
|                                             |                                        | 140,072                                   | Re-measurement of the net defined benefit liability (asset)              | 22.3 |                                 |                            | (69,865)                      |
|                                             |                                        | 326                                       | (Surplus)/Deficit on revaluation of Available for sale financials assets |      |                                 |                            | (631)                         |
|                                             |                                        | 516                                       | Other recognised (gains)/losses                                          |      |                                 |                            | 1,500                         |
|                                             |                                        | <b>85,241</b>                             | <b>Other Comprehensive Income and Expenditure</b>                        |      |                                 |                            | <b>(77,967)</b>               |
|                                             |                                        | <b>130,927</b>                            | <b>Total Comprehensive Income and Expenditure</b>                        |      |                                 |                            | <b>(36,989)</b>               |

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance and Balance movements in the year following those adjustments.

| Movement in Reserves Statement                                         | Note | General Fund Balance | Earmarked General Fund | Total General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|------------------------------------------------------------------------|------|----------------------|------------------------|----------------------------|--------------------------|--------------------------|-----------------------|-------------------|--------------------------|
|                                                                        |      | £000                 | £000                   | £000                       | £000                     | £000                     | £000                  | £000              | £000                     |
| Balance at 31 March 2016                                               |      | 10,652               | 29,412                 | 40,064                     | 8,989                    | 2,369                    | 51,422                | (120,887)         | (69,465)                 |
| <b>Movement in Reserves during 2016/17 - RESTATED</b>                  |      |                      |                        |                            |                          |                          |                       |                   |                          |
| Total Comprehensive Expenditure and Income                             |      | (45,686)             | 0                      | (45,686)                   | 0                        | 0                        | (45,686)              | (85,241)          | (130,927)                |
| Adjustments between accounting basis & funding under regulations       | 10   | 36,030               | 0                      | 36,030                     | 9,610                    | 2,833                    | 48,473                | (48,473)          | (0)                      |
| <b>Net Increase / (Decrease) before transfer to earmarked reserves</b> |      | <b>(9,656)</b>       | <b>0</b>               | <b>(9,656)</b>             | <b>9,610</b>             | <b>2,833</b>             | <b>2,787</b>          | <b>(133,714)</b>  | <b>(130,927)</b>         |
| Transfer (to)/ from earmarked reserve                                  | 12   | 8,356                | (8,356)                | 0                          | 0                        | 0                        | 0                     | 0                 | 0                        |
| <b>Net Increase / (Decrease) in 2016/17</b>                            |      | <b>(1,300)</b>       | <b>(8,356)</b>         | <b>(9,656)</b>             | <b>9,610</b>             | <b>2,833</b>             | <b>2,787</b>          | <b>(133,714)</b>  | <b>(130,927)</b>         |
| <b>Restated Balance at 31 March 2017 - RESTATED</b>                    |      | <b>9,352</b>         | <b>21,056</b>          | <b>30,408</b>              | <b>18,599</b>            | <b>5,202</b>             | <b>54,209</b>         | <b>(254,601)</b>  | <b>(200,392)</b>         |
| <b>Movement in Reserves during 2017/18</b>                             |      |                      |                        |                            |                          |                          |                       |                   |                          |
| Total Comprehensive Expenditure and Income                             |      | (40,978)             |                        | (40,978)                   |                          |                          | (40,978)              | 77,967            | 36,989                   |
| Adjustments between accounting basis & funding under regulations       | 10   | 45,480               |                        | 45,480                     | (346)                    | 1,372                    | 46,506                | (46,506)          | 0                        |
| <b>Net Increase / (Decrease) before transfer to earmarked reserves</b> |      | <b>4,502</b>         | <b>0</b>               | <b>4,502</b>               | <b>(346)</b>             | <b>1,372</b>             | <b>5,528</b>          | <b>31,461</b>     | <b>36,989</b>            |
| Transfer (to)/ from earmarked reserve                                  | 12   | (4,686)              | 4,686                  | 0                          |                          |                          | 0                     |                   | 0                        |
| <b>Net Increase / (Decrease) in 2017/18</b>                            |      | <b>(184)</b>         | <b>4,686</b>           | <b>4,502</b>               | <b>(346)</b>             | <b>1,372</b>             | <b>5,528</b>          | <b>31,461</b>     | <b>36,989</b>            |
| <b>Balance at 31 March 2018</b>                                        |      | <b>9,168</b>         | <b>25,742</b>          | <b>34,910</b>              | <b>18,253</b>            | <b>6,574</b>             | <b>59,736</b>         | <b>(223,139)</b>  | <b>(163,403)</b>         |

**BALANCE SHEET AS AT 31 MARCH 2018**

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

| 1 April 2016     | Restated<br>31 March 2017 |                                       | Note                            | 31 March 2018    |
|------------------|---------------------------|---------------------------------------|---------------------------------|------------------|
| £000             | £000                      |                                       |                                 | £000             |
| 653,923          | 694,910                   | Property Plant and Equipment          | <a href="#">15</a>              | 727,924          |
| 27,059           | 26,910                    | Heritage Assets                       | <a href="#">16</a>              | 27,271           |
| 63,018           | 98,102                    | Investment Property                   | <a href="#">17</a>              | 137,628          |
| 1,555            | 35                        | Intangible Assets                     |                                 | 30               |
| 34,991           | 33,090                    | Long Term Investments                 | <a href="#">18.1</a>            | 38,862           |
| 4,859            | 12,784                    | Long Term Debtors                     | <a href="#">19.2</a>            | 10,982           |
| <b>785,405</b>   | <b>865,831</b>            | <b>Non-current Assets</b>             |                                 | <b>942,697</b>   |
| 13,178           | 17,230                    | Short Term Investments                | <a href="#">18.1</a>            | 16,993           |
| 739              | 859                       | Inventories                           |                                 | 704              |
| 39,439           | 40,695                    | Short Term Debtors                    | <a href="#">19.1</a>            | 59,175           |
| 26,958           | 18,201                    | Cash and Cash Equivalents             | <a href="#">23.4</a>            | 30,280           |
| 4,915            | 360                       | Assets Held for Sale                  |                                 | 335              |
| <b>85,229</b>    | <b>77,345</b>             | <b>Current Assets</b>                 |                                 | <b>107,487</b>   |
| (97,812)         | (144,094)                 | Short Term Borrowing                  | <a href="#">18.3</a>            | (201,042)        |
| (88,203)         | (66,360)                  | Short Term Creditors                  | <a href="#">20.1</a>            | (77,537)         |
| (2,276)          | (2,562)                   | Short Term Provisions                 | <a href="#">21</a>              | (2,186)          |
| <b>(188,291)</b> | <b>(213,016)</b>          | <b>Current Liabilities</b>            |                                 | <b>(280,585)</b> |
| (15,286)         | (55,682)                  | Long Term Creditors                   | <a href="#">20.2</a>            | (69,945)         |
| (10,485)         | (9,744)                   | Long Term Provisions                  | <a href="#">21</a>              | (14,550)         |
| (145,584)        | (145,657)                 | Long Term Borrowing                   | <a href="#">18.3</a>            | (165,627)        |
| <b>(455,599)</b> | <b>(597,974)</b>          | <b>Long Term Liabilities Pensions</b> | <a href="#">34.3 &amp; 34.9</a> | <b>(561,521)</b> |
| (124,854)        | (121,495)                 | Long Term Liabilities Other           | <a href="#">20.3</a>            | (121,359)        |
| <b>(751,808)</b> | <b>(930,552)</b>          | <b>Long Term Liabilities</b>          |                                 | <b>(933,002)</b> |
| <b>(69,465)</b>  | <b>(200,392)</b>          | <b>Net Assets</b>                     |                                 | <b>(163,403)</b> |
| 51,422           | 54,209                    | Usable Reserves                       |                                 | 59,736           |
| (120,887)        | (254,601)                 | Unusable Reserves                     | <a href="#">22</a>              | (223,139)        |
| <b>(69,465)</b>  | <b>(200,392)</b>          | <b>Total Reserves</b>                 |                                 | <b>(163,403)</b> |

## CASH FLOW STATEMENT

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

| 2016/17<br>Restated |                                                                                                                                        | Note                 | 2017/18       |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|
| £000                |                                                                                                                                        |                      | £000          |
| (45,686)            | Net Surplus or (Deficit) on the Provision of Services                                                                                  |                      | (40,978)      |
| 52,699              | Adjustment to Net Surplus or (Deficit) on the Provision of the Services for Non Cash Movement                                          | <a href="#">23.1</a> | 54,518        |
| (26,920)            | Adjustment for Items included in the net Surplus or (Deficit) on the provision of services that are investing and Financing Activities | <a href="#">23.1</a> | (13,256)      |
| <b>(19,907)</b>     | <b>Net Cash Flow from Operating Activities</b>                                                                                         |                      | <b>284</b>    |
| (31,904)            | Investing Activities                                                                                                                   | <a href="#">23.2</a> | (65,117)      |
| 43,053              | Financing Activities                                                                                                                   | <a href="#">23.3</a> | 76,912        |
| <b>(8,758)</b>      | <b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>                                                                         |                      | <b>12,079</b> |
| 26,959              | Cash and Cash Equivalents at the beginning of the Reporting Period                                                                     | <a href="#">23.4</a> | 18,201        |
| <b>18,201</b>       | <b>Cash and Cash Equivalents at the end of the Reporting Period</b>                                                                    |                      | <b>30,280</b> |

**NOTES TO THE FINANCIAL STATEMENTS**

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## 1. Prior Period Adjustments

The Council has restated its previously issued Statement of Accounts for 2016/17. There are two material restatements relating to the Pension Reserve and Capital Grants. It is necessary to make this adjustment to correct the resulting misstatement in the Council's accounts, but it is important to stress that no financial loss has occurred and there is no impact on council services. In order to correct this, the Council has restated the prior year comparatives in the relevant sections of the main statements as well as the notes that are affected by the changes.

Following a review of the working papers for the Capital Grants and Contributions, it became apparent that some capital grants received in advance, were incorrectly stated as having no outstanding terms and conditions and were therefore recognised as income in the CIES. This is the incorrect accounting treatment as capital grants received in advance cannot be recognised in the CIES until all terms and conditions are satisfied. They have now been restated in the Balance Sheet as a long term creditor. The impact has been to reduce income by £7.1 million and increase liabilities by £7.1 million. This is purely an accounting adjustment, the status of the grants are unchanged in real terms.

It has also been identified that grants received in advance were all recorded as short term creditors in 2016/17 when some of the liabilities should have been classified as long term. The impact on last year's balance sheet was to move £39.6 million of grants from short term liabilities to long term liabilities.

The Pension Reserve has been restated due to the inclusion of additional pension guarantees for DELT and Livewell. The Council has provided a guarantee to Livewell South West and DELT in respect of any deficit that may emerge in the future in respect of the benefits accrued prior to the transfer of staff to them. Livewell South West is therefore responsible for benefits accrued after 1 April 2015 and DELT is responsible for benefits accrued after the 1 April 2016. These liabilities have been included in the valuation this year and the actuary has provided a new valuation as at the 31 March 2017. As a result, the prior year pension liability has increased by £15 million.

## 2. Accounting Policies

### 2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year ended 31 March 2018. 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 2017/18 (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.

### 2.2 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.

### 2.3 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.

### 2.4 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.

### 2.5 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.

### 2.6 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.

## 2.7 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 2.55 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

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

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

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

### **Discretionary Benefits**

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

## **2.8 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.

## 2.9 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 the 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.

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

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

- Level 1 inputs – quoted prices 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.

## 2.10 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.

## 2.11 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.

## 2.12 Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over an entity. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Council does have a number of interests in

companies and other entities, none of which would be material on consolidation due to the elimination of group transactions. Thus the production of group accounts is not required for these interests.

### 2.13 Investment Property

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

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.

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

The Council's collections are accounted for as follows:

- **Historic Buildings and monuments**

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

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

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

- **Fine art and world cultures collection**

The Council has a large and important fine art collection comprising paintings, watercolours, drawings, prints, miniatures and sculptures. Highlights include the outstanding Cottonian Collection and works by local artists such as Sir Joshua Reynolds, and this represents the largest

fine arts collection in the south west. The world cultures collection consists of objects collected from foreign countries spanning the globe.

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

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

- **Gold, silver and jewellery collection**

The collection of gold, silver and jewellery includes local pieces dating from the 18<sup>th</sup> to 20<sup>th</sup> 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 following website [www.plymhearts.org/thebox](http://www.plymhearts.org/thebox).

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 2.16 in this summary of significant accounting policies. If there is any occasion where a Heritage Asset is disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions for the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the Notes to the Financial Statements (see note 15.4) and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts – see note 2.16 in this summary of significant accounting policies.

## 2.15 Leases

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

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

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

### The Council as Lessee (leased in assets)

#### 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)**

### **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.

## **2.16 Property, Plant and Equipment**

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

### **Recognition**

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

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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



## Impairment

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

## Depreciation

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

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

### Disposals

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

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

## 2.17 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.

## 2.18 Provisions, Contingent Liabilities and Contingent Assets

### Provisions

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

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

### Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note [35.2](#).

### Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts, note [35.1](#), where it is probable that there will be an inflow of economic benefits or service potential.

## 2.19 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.

## 2.20 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

## 2.21 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 Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

## 2.22 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.

## 3. Critical Judgements in Applying Accounting Policies

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

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

The Tamar Bridge is a toll bridge that is jointly owned by Cornwall Council and Plymouth City Council. The Code of Practice on Local Authority Accounting requires infrastructure assets to be accounted for using depreciated historic cost, however both Councils use depreciated replacement cost to value the asset. This is because the Tamar Bridge is an income generating asset and the income generated is used to maintain its upkeep. It is therefore treated as a separate class of asset and the reader of the Council's accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of maintaining and ultimately replacing the bridge. It would therefore be misleading to use historic cost as basis for valuation and would not present a true and fair view.

In these circumstances, both Cornwall Council and Plymouth City Council have made the judgement that depreciated replacement cost is the most appropriate basis for valuing this asset. The bridge was originally opened in 1961 with significant refurbishment in 2001 and as such the historic cost would be much lower than the depreciated replacement cost being applied. The original building costs of the bridge are not available but are likely to be small compared to current building costs and the majority of those costs would have been depreciated by now. In 2001 a £35m project was undertaken to enhance the bridge and on the basis that the Council has a 50% share, the depreciation charge on an historic cost basis using these costs would have been approximately £0.146m per annum (2015/16 also approximately £0.146m). This compares to approximately £0.473m actually charged in the 2017/18 accounts (£0.473m

in 2016/17) based on the depreciated replacement cost valuation. On the same basis, the net book value of the Tamar Bridge at 31 March 2018 and 31 March 2017 would have been approximately £15m. This compares to the net book value of £56.9m included in Council's balance sheet at 31 March 2018 (£53.9m at 31 March 2017) calculated on a depreciated replacement cost basis.

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

#### **4. Accounting Standards that have been issued but have not yet been adopted**

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 2017/18 accounts relate to changes adopted into CIPFA's Accounting Code of Practice in 2018/19 and are as follows:

##### **IFRS9 Financial Instruments**

IFRS9 has been adopted by the 2018/19 Accounting code, with an application date of 1 April 2018. IFRS9 was devised to correct weaknesses in accounting practices that contributed to the global financial crisis. In particular:

- changes the default accounting treatment for investments from one where gains and losses in value are not recognised as income or expenditure until an investment matures or is disposed of to one where income or expenditure is recognised as fair value gains and losses arise
- changes the model for impairment loss allowances for financial assets from one based on incurred losses to one based on expected losses

The first of these changes will mean that the Council's Available for Sale investments will be reclassified at 1 April 2018 as Fair Value through Profit or Loss. The accumulated revaluation (gains or losses) on the Available for Sale Reserve will be released to the General Fund Balance on 1 April 2018 and any fair value gains/losses arising after that date will be credited/debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (CIES) as they arise.

As the majority of the Available for Sale investments are share-based assets covered by the statutory definition of capital expenditure, any debits and credits made against the General Fund Balance can be reversed out and dealt with through the capital financing system. However, some money market funds and the CCLA Local Authority Property Fund have been exempted from this definition of capital expenditure. It is possible that regulations may be amended to bring these investments within the scope of statutory reversals for 2018/19. If not, the Council has made an election under the Accounting Code to designate these investments into a Fair Value through Other Comprehensive Income treatment (which will mirror the Available for Sale approach).

The second change relating to impairment losses will require the Council to review the allowances it currently makes for credit risk on debtors and investments to include losses expected to arise in the future rather than just those incurred at the balance sheet date. The increased allowances will be debited to the General Fund Balance at 1 April 2018. However, most of the debtors with substantially increased allowances are covered by the statutory definition of capital expenditure, so that the General Fund Balance debit can be reversed out and covered through the Council's capital financing arrangements.

The Council is still working on these accounting changes and will take account of any other guidance.

##### **IFRS15 Revenue from contracts with customers**

IFRS15 has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS15 introduces a new model for the recognition of contractual income, based on allocating the overall transaction price for the goods and/or services to be provided against the satisfaction of the

various performance obligations in the contract. The new model has the potential to change the date at which revenue is recognised compared to the current accounting requirements.

It is not expected that there will be any material impact on the revenue recognised in relation to the significant contracts entered into by the Council. The assessment of this area is on-going.

## **5. Assumptions made about the future and other major sources of estimation uncertainty**

In preparing the Statement of Accounts, there are areas where estimates have been made. Estimates are made taking into account historical experience, current trends and other relevant factors. These include the amount of arrears that will not be collected (based on past experience of collection for the different types of debt); useful lives and valuations of properties which are estimated by qualified valuers (for further details see [2.16](#)); and the liability for future pension payments, which carries the most significant risk of material adjustment.

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

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance which would have an impact upon the assessment of useful lives assigned to assets.

Any changes to useful life of assets would not have an impact on the Council's General Fund position as the Council is not required to fund these non-cash charges from council tax receipts.

Assets are periodically re-valued using a 5-year rolling programme to ensure that the Council does not materially misstate its property, plant and equipment. The valuations are based on market prices and if they change significantly over time there will be an increase or decrease in the value of Council land and buildings.

Any change in valuation would result in an increase/decrease to the revaluation reserve and/or an adjustment to the Comprehensive Income and expenditure statement.

### **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 [34.5](#).

## **6. Events after the Balance Sheet date**

Events taking place after the 31 July 2018 are not reflected in the financial statements. The Statement of Accounts was authorised by the Council's Section 151 Officer on 31 July 2018. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Since the year end 31 March 2018 the Council has purchased two material capital assets in Plymouth these are Derry's Cross Leisure Complex and Ballard House.

## 7. Expenditure and Funding Analysis

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

| Restated<br>2016/17<br>Net Expenditure<br>Chargeable to the<br>General Fund<br>Balances | Restated<br>2016/17<br>Adjustments<br>between the<br>Funding and<br>Accounting Basis | Restated<br>2016/17<br>Net<br>Expenditure<br>in the CIES |                                                             | 2017/18<br>Net Expenditure<br>Chargeable to the<br>General Fund<br>Balances | 2017/18<br>Adjustments<br>between the<br>Funding and<br>Accounting Basis | 2017/18<br>Net<br>Expenditure<br>in the CIES |
|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------|
| £000                                                                                    | £000                                                                                 | £000                                                     |                                                             | £000                                                                        | £000                                                                     | £000                                         |
| 3,914                                                                                   | 1,550                                                                                | 5,464                                                    | Executive Office                                            | 3,604                                                                       | 214                                                                      | 3,818                                        |
| 9,093                                                                                   | (14,229)                                                                             | (5,136)                                                  | Corporate Items                                             | 2,580                                                                       | 3,943                                                                    | 6,523                                        |
| 35,408                                                                                  | 7,667                                                                                | 43,075                                                   | Transformation and Change Directorate                       | 31,198                                                                      | 7,100                                                                    | 38,298                                       |
| 122,910                                                                                 | 7,081                                                                                | 129,991                                                  | People Directorate                                          | 122,449                                                                     | 7,268                                                                    | 129,717                                      |
| 451                                                                                     | (758)                                                                                | (307)                                                    | Public Health                                               | 261                                                                         | (16)                                                                     | 245                                          |
| 20,683                                                                                  | 17,270                                                                               | 37,953                                                   | Place Directorate                                           | 24,181                                                                      | 22,311                                                                   | 46,492                                       |
| <b>192,459</b>                                                                          | <b>18,581</b>                                                                        | <b>211,040</b>                                           | <b>Net Cost of Service</b>                                  | <b>184,273</b>                                                              | <b>40,820</b>                                                            | <b>225,093</b>                               |
| (182,803)                                                                               | 17,449                                                                               | (165,354)                                                | Other Income and Expenditure                                | (188,775)                                                                   | 4,660                                                                    | (184,115)                                    |
| <b>9,656</b>                                                                            | <b>36,030</b>                                                                        | <b>45,686</b>                                            | <b>(Surplus)/Deficit on provision of services</b>           | <b>(4,502)</b>                                                              | <b>45,480</b>                                                            | <b>40,978</b>                                |
| (40,064)                                                                                |                                                                                      |                                                          | Opening General Fund                                        | (30,408)                                                                    |                                                                          |                                              |
| 9,656                                                                                   |                                                                                      |                                                          | Less/Plus (Surplus)/Deficit on General Fund Balance in Year | (4,502)                                                                     |                                                                          |                                              |
| <b>(30,408)</b>                                                                         |                                                                                      |                                                          | <b>Closing General Fund Balance at 31 March</b>             | <b>(34,910)</b>                                                             |                                                                          |                                              |

## 8. Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis

| Adjustments from General Fund to arrive at the CIES amounts                                                        | Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other Differences | Total Adjustments |
|--------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------|-------------------|-------------------|
|                                                                                                                    | £000                             | £000                                    | £000              | £000              |
| <b>2017/18</b>                                                                                                     |                                  |                                         |                   |                   |
| Executive Office                                                                                                   | 15                               | 199                                     | 0                 | 214               |
| Corporate Items                                                                                                    | 0                                | 4,649                                   | (706)             | 3,943             |
| Transformation and Change Directorate                                                                              | 6,243                            | 2,008                                   | (1,151)           | 7,100             |
| People Directorate                                                                                                 | 10,124                           | 2,873                                   | (5,729)           | 7,268             |
| Public Health                                                                                                      | 67                               | 364                                     | (447)             | (16)              |
| Place Directorate                                                                                                  | 22,758                           | 2,587                                   | (3,034)           | 22,311            |
| <b>Net Cost of Service</b>                                                                                         | <b>39,207</b>                    | <b>12,680</b>                           | <b>(11,067)</b>   | <b>40,820</b>     |
| Other income and expenditure from the Expenditure and Funding Analysis                                             | (19,442)                         | 16,399                                  | 7,703             | 4,660             |
| <b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b> | <b>19,765</b>                    | <b>29,079</b>                           | <b>(3,364)</b>    | <b>45,480</b>     |

| Adjustments from General Fund to arrive at the CIES amounts                                                        | Restated Adjustments for Capital Purposes | Restated Net change for the Pensions Adjustments | Restated Other Differences | Restated Total Adjustments |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------|----------------------------|----------------------------|
|                                                                                                                    | £000                                      | £000                                             | £000                       | £000                       |
| <b>2016/17</b>                                                                                                     |                                           |                                                  |                            |                            |
| 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                     |
| <b>Net Cost of Service</b>                                                                                         | <b>36,872</b>                             | <b>(17,057)</b>                                  | <b>(1,234)</b>             | <b>18,581</b>              |
| Other income and expenditure from the Expenditure and Funding Analysis                                             | 21,321                                    | 16,458                                           | (20,330)                   | 17,449                     |
| <b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b> | <b>58,193</b>                             | <b>(599)</b>                                     | <b>(21,564)</b>            | <b>36,030</b>              |

### Adjustment for Capital Purposes

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

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



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

### Net change for the pension adjustments

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

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

### Other statutory

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statements and amounts payable/receivable to be recognised under statute:

- **Financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- 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                                                | Restated<br>2016/17 | 2017/18          |
|-------------------------------------------------------------------|---------------------|------------------|
|                                                                   | £000                | £000             |
| <b>Expenditure:</b>                                               |                     |                  |
| Employee benefits expenses                                        | 173,536             | 156,822          |
| Other services expenses                                           | 416,498             | 382,630          |
| Depreciation, amortisation, impairment                            | 38,420              | 42,374           |
| Interest payments                                                 | 14,058              | 14,104           |
| <b>Total expenditure</b>                                          | <b>642,512</b>      | <b>595,930</b>   |
| <b>Income:</b>                                                    |                     |                  |
| Fees, charges and other service income                            | (295,700)           | (282,217)        |
| Interest and investment income                                    | (4,428)             | (16,416)         |
| Income from council tax, non-domestic rates, district rate income | (102,523)           | (96,400)         |
| Government grants and contributions                               | (194,175)           | (159,919)        |
| <b>Total income</b>                                               | <b>(596,826)</b>    | <b>(554,952)</b> |
| <b>Surplus or Deficit on the Provision of Services</b>            | <b>45,686</b>       | <b>40,978</b>    |

## 10. Adjustments between accounting basis and funding basis under regulations

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

| Adjustments between Accounting Basis and Funding Basis under Regulations                                                                                 | Restated<br>2016/17  |                          |                          |                               | 2017/18              |                          |                          |                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------|--------------------------|-------------------------------|----------------------|--------------------------|--------------------------|-------------------------------|
|                                                                                                                                                          | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|                                                                                                                                                          | £000                 | £000                     | £000                     | £000                          | £000                 | £000                     | £000                     | £000                          |
| <b>Adjustments involving the Capital Adjustment Account:</b>                                                                                             |                      |                          |                          |                               |                      |                          |                          |                               |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>                                                      |                      |                          |                          |                               |                      |                          |                          |                               |
| Charges for depreciation and impairment of non-current assets                                                                                            | (36,094)             | 0                        | 0                        | 36,094                        | (35,914)             | 0                        | 0                        | 35,914                        |
| Movements in the market value of Investment Properties                                                                                                   | 2,633                | 0                        | 0                        | (2,633)                       | 9,743                | 0                        | 0                        | (9,743)                       |
| Amortisation of intangible assets                                                                                                                        | (648)                | 0                        | 0                        | 648                           | (7)                  | 0                        | 0                        | 7                             |
| Capital grants and contributions                                                                                                                         | 19,391               | 0                        | (19,391)                 | 0                             | 13,990               | 0                        | (13,990)                 | 0                             |
| Movement in the Donated Assets Account                                                                                                                   | 0                    | 0                        | 0                        | 0                             | 439                  | 0                        | 0                        | (439)                         |
| Revenue expenditure funded from capital under statute                                                                                                    | (8,987)              | 0                        | 0                        | 8,987                         | (9,380)              | 0                        | 0                        | 9,380                         |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (19,381)             | 0                        | 0                        | 19,381                        | (1,577)              | 0                        | 0                        | 1,577                         |
| Deferred credit Energy from Waste                                                                                                                        | 2,324                | 0                        | 0                        | (2,324)                       | 2,324                | 0                        | 0                        | (2,324)                       |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>                                                 |                      |                          |                          |                               |                      |                          |                          |                               |
| Statutory provision for the financing of capital investment                                                                                              | 3,528                | 0                        | 0                        | (3,528)                       | 5,287                | 0                        | 0                        | (5,287)                       |
| Capital expenditure charged against the General Fund                                                                                                     | 1,214                | 0                        | 0                        | (1,214)                       | 484                  | 0                        | 0                        | (484)                         |
| <b>Adjustments involving the Capital Receipts Reserve:</b>                                                                                               |                      |                          |                          |                               |                      |                          |                          |                               |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                            | 0                    | (6,964)                  | 0                        | 6,964                         | 0                    | (3,421)                  | 0                        | 3,421                         |
| Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement                                                                    | 4,109                | (4,109)                  | 0                        | 0                             | 3,919                | (3,919)                  | 0                        | 0                             |
| <b>Total C/FWD</b>                                                                                                                                       | <b>(31,911)</b>      | <b>(11,073)</b>          | <b>(19,391)</b>          | <b>62,375</b>                 | <b>(10,692)</b>      | <b>(7,340)</b>           | <b>(13,990)</b>          | <b>32,022</b>                 |

| Adjustments between Accounting Basis and Funding Basis under Regulations                                                                                                                                                | Restated<br>2016/17        |                                |                                |                                        | 2017/18                    |                                |                                |                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------|--------------------------------|----------------------------------------|----------------------------|--------------------------------|--------------------------------|----------------------------------------|
|                                                                                                                                                                                                                         | General<br>Fund<br>Balance | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Movement<br>in<br>Unusable<br>Reserves | General<br>Fund<br>Balance | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Movement<br>in<br>Unusable<br>Reserves |
|                                                                                                                                                                                                                         | £000                       | £000                           | £000                           | £000                                   | £000                       | £000                           | £000                           | £000                                   |
| <b>Total B/FWD</b>                                                                                                                                                                                                      | <b>(31,911)</b>            | <b>(11,073)</b>                | <b>(19,391)</b>                | <b>62,375</b>                          | <b>(10,692)</b>            | <b>(7,340)</b>                 | <b>(13,990)</b>                | <b>32,022</b>                          |
| Long term debtor repayments in year                                                                                                                                                                                     | 0                          | (21)                           | 0                              | 21                                     | 0                          | (81)                           | 0                              | 81                                     |
| Use of the Capital Receipts Reserve to finance new capital expenditure                                                                                                                                                  | 0                          | 1,482                          | 0                              | (1,482)                                | 0                          | 7,765                          | 0                              | (7,765)                                |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.                                                                                                         | (2)                        | 2                              | 0                              | 0                                      | (2)                        | 2                              | 0                              | 0                                      |
| <b>Adjustments involving the Capital Grants Unapplied Account:</b>                                                                                                                                                      |                            |                                |                                |                                        |                            |                                |                                |                                        |
| Use of the Capital Grants unapplied Account to finance new capital expenditure                                                                                                                                          | 0                          | 0                              | 16,558                         | (16,558)                               | 0                          | 0                              | 12,618                         | (12,618)                               |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>                                                                                                                                              |                            |                                |                                |                                        |                            |                                |                                |                                        |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements                           | 176                        | 0                              | 0                              | (176)                                  | 539                        | 0                              | 0                              | (539)                                  |
| <b>Adjustments involving the Pensions Reserve:</b>                                                                                                                                                                      |                            |                                |                                |                                        |                            |                                |                                |                                        |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement                                                                                             | (20,764)                   | 0                              | 0                              | 20,764                                 | (49,328)                   | 0                              | 0                              | 49,328                                 |
| Employer's pensions contributions and direct payments to pensioners payable in the year                                                                                                                                 | 17,645                     | 0                              | 0                              | (17,645)                               | 16,933                     | 0                              | 0                              | (16,933)                               |
| <b>Adjustments involving the Collection Fund Adjustment Account:</b>                                                                                                                                                    |                            |                                |                                |                                        |                            |                                |                                |                                        |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements                | (808)                      | 0                              | 0                              | 808                                    | (3,420)                    | 0                              | 0                              | 3,420                                  |
| <b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>                                                                                                                                    |                            |                                |                                |                                        |                            |                                |                                |                                        |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (366)                      | 0                              | 0                              | 366                                    | 490                        | 0                              | 0                              | (490)                                  |
| <b>Total Adjustments</b>                                                                                                                                                                                                | <b>(36,030)</b>            | <b>(9,610)</b>                 | <b>(2,833)</b>                 | <b>48,473</b>                          | <b>(45,480)</b>            | <b>346</b>                     | <b>(1,372)</b>                 | <b>46,506</b>                          |

## General fund balance

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

## Capital receipts reserve

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

## Capital grants unapplied

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

## 11. Other Operating Expenditure

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

| Other Operating Expenditure                              | 2016/17       | 2017/18        |
|----------------------------------------------------------|---------------|----------------|
|                                                          | £000          | £000           |
| Levies                                                   | 68            | 67             |
| Payments to the Government Housing Capital Receipts Pool | 2             | 2              |
| Gains/losses on the disposal of non-current assets       | 17,823        | 1,639          |
| Pension Administration costs                             | 356           | 354            |
| Other Income*                                            | (2,589)       | (3,919)        |
| <b>Total</b>                                             | <b>15,660</b> | <b>(1,857)</b> |

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

## 12. Movement in Earmarked Reserves

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

| 2017/18                             | Balance as at<br>31 March 2017 | Transfers to<br>Reserves<br>17/18 | Transfers<br>from<br>Reserves<br>17/18 | Balance as at<br>31 March 2018 |
|-------------------------------------|--------------------------------|-----------------------------------|----------------------------------------|--------------------------------|
|                                     | £000                           | £000                              | £000                                   | £000                           |
| <b>Education Reserves</b>           | (4,382)                        | (2,830)                           | 3,466                                  | (3,746)                        |
| <b>Other Ring Fenced</b>            | (3,570)                        | (514)                             | 401                                    | (3,683)                        |
| <b>Other Reserves</b>               | (4,887)                        | (3,295)                           | 1,597                                  | (6,585)                        |
| <b>PCC Earmarked Reserves:</b>      |                                |                                   |                                        |                                |
| Carry Forwards and Corporate Health | (400)                          | (803)                             | 400                                    | (803)                          |
| Redundancies Reserve                | (350)                          | (200)                             | 236                                    | (314)                          |
| Modernisation Enabler               | (977)                          | (165)                             | 566                                    | (576)                          |
| Life Centre Dowry                   | (900)                          | (150)                             | 0                                      | (1,050)                        |
| Investment Fund                     | (187)                          | (109)                             | 204                                    | (92)                           |
| Integrated Finance Reserve          | (625)                          | (6,300)                           | 4,131                                  | (2,794)                        |
| Other PCC Earmarked Reserves        | (4,778)                        | (5,898)                           | 4,577                                  | (6,099)                        |
| <b>Total Reserves</b>               | <b>(21,056)</b>                | <b>(20,264)</b>                   | <b>15,578</b>                          | <b>(25,742)</b>                |

| 2016/17                               | Balance as at<br>31 March 2016 | Transfers to<br>Reserves<br>16/17 | Transfers<br>from<br>Reserves<br>16/17 | Balance as at<br>31 March 2017 |
|---------------------------------------|--------------------------------|-----------------------------------|----------------------------------------|--------------------------------|
|                                       | £000                           | £000                              | £000                                   | £000                           |
| <b>Education Reserves</b>             | (7,253)                        | (9)                               | 2,880                                  | (4,382)                        |
| <b>Other Ring Fenced</b>              | (3,021)                        | (861)                             | 312                                    | (3,570)                        |
| <b>Other Reserves</b>                 | (4,491)                        | (1,323)                           | 927                                    | (4,887)                        |
| <b>PCC Earmarked Reserves:</b>        |                                |                                   |                                        |                                |
| 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)                        |
| <b>Total Reserves</b>                 | <b>(29,412)</b>                | <b>(7,855)</b>                    | <b>16,211</b>                          | <b>(21,056)</b>                |

The main earmarked reserves and their purpose are as follows:

### Education/schools reserves

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

School budget share – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2018 balance relating to the School budget share was £2.826m (31 March 2017: £3.197m).

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 [17](#).

| Analysis of Income / Expenditure                                                                                                 | 2016/17       | 2017/18       |
|----------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                  | £000          | £000          |
| Interest payable and similar charges                                                                                             | 14,302        | 13,900        |
| Pensions interest cost and expected return on pension assets                                                                     | 15,775        | 15,995        |
| Interest receivable and similar income                                                                                           | (1,678)       | (1,303)       |
| (Surpluses) / deficits on trading undertakings not included in Net Cost of Services                                              | 55            | 55            |
| Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal | (4,072)       | (14,026)      |
| <b>Total</b>                                                                                                                     | <b>24,382</b> | <b>14,621</b> |

### 14. Taxation and non-specific grant income and expenditure

| Analysis of Income               | Restated 2016/17 | 2017/18          |
|----------------------------------|------------------|------------------|
|                                  | £000             | £000             |
| Council Tax Income               | (94,434)         | (100,804)        |
| Non Domestic Rates               | (55,854)         | (52,613)         |
| Non-ringfenced Government Grants | (42,579)         | (33,997)         |
| Capital Grants and Contributions | (12,529)         | (9,465)          |
| <b>Total</b>                     | <b>(205,396)</b> | <b>(196,879)</b> |

## 15. Property, plant and equipment

### 15.1 Movement in year

The movement in Property Plant and Equipment (PPE) in 2017/18 is summarised in the following table:

| 2017/18                                                                                          | Other Land and Buildings | Vehicles, Plant, Furniture and Fittings | Infrastructure Assets | Toll Bridge    | Community Assets | Surplus Assets | Assets under Construction | Total Property, Plant and Equipment | PFI Assets included in Property, Plant and Equipment |
|--------------------------------------------------------------------------------------------------|--------------------------|-----------------------------------------|-----------------------|----------------|------------------|----------------|---------------------------|-------------------------------------|------------------------------------------------------|
|                                                                                                  | £000                     | £000                                    | £000                  | £000           | £000             | £000           | £000                      | £000                                | £000                                                 |
| <b>Cost or Valuation</b>                                                                         |                          |                                         |                       |                |                  |                |                           |                                     |                                                      |
| At 1 April 2017                                                                                  | 518,433                  | 62,755                                  | 201,420               | 56,700         | 1,724            | 1,783          | 20,016                    | 862,831                             | 122,246                                              |
| Additions                                                                                        | 12,205                   | 2,893                                   | 19,976                | 2,127          | 0                | 0              | 25,381                    | 62,582                              | 0                                                    |
| Donations                                                                                        | 0                        | 5                                       | 0                     | 0              | 0                | 0              | 0                         | 5                                   | 0                                                    |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 4,395                    | 0                                       | 0                     | 0              | 0                | 90             | 0                         | 4,485                               | 0                                                    |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (9,550)                  | 0                                       | 0                     | 0              | 0                | (287)          | 0                         | (9,837)                             | 0                                                    |
| Derecognition - disposals                                                                        | 0                        | (26)                                    | 0                     | 0              | 0                | 0              | 0                         | (26)                                | 0                                                    |
| Assets reclassified (to)/from Held for Sale                                                      | (123)                    | 0                                       | 0                     | 0              | 0                | 0              | 0                         | (123)                               | 0                                                    |
| Other movements in cost or valuation                                                             | (360)                    | 149                                     | 6,845                 | 0              | 0                | 1,284          | (12,685)                  | (4,767)                             | 0                                                    |
| <b>At 31 March 2018</b>                                                                          | <b>525,000</b>           | <b>65,776</b>                           | <b>228,241</b>        | <b>58,827</b>  | <b>1,724</b>     | <b>2,870</b>   | <b>32,712</b>             | <b>915,150</b>                      | <b>122,246</b>                                       |
| <b>Accumulated Depreciation and Impairment</b>                                                   |                          |                                         |                       |                |                  |                |                           |                                     |                                                      |
| At 1 April 2017                                                                                  | (48,158)                 | (35,700)                                | (79,913)              | (2,820)        | (1,302)          | (28)           | 0                         | (167,921)                           | (10,108)                                             |
| Depreciation charge                                                                              | (16,448)                 | (4,165)                                 | (9,895)               | 938            | 0                | (78)           | 0                         | (29,648)                            | (4,514)                                              |
| Depreciation written out to the Revaluation Reserve                                              | 3,904                    | 0                                       | 0                     | 0              | 0                | 151            | 0                         | 4,055                               | 0                                                    |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                     | 3,609                    | 0                                       | 0                     | 0              | 0                | 0              | 0                         | 3,609                               | 0                                                    |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     | (43)                     | 0                                       | 0                     | 0              | 0                | 0              | 0                         | (43)                                | 0                                                    |
| Derecognition - disposals                                                                        | 0                        | 22                                      | 0                     | 0              | 0                | 0              | 0                         | 22                                  | 0                                                    |
| Other movements in depreciation and impairment                                                   | 2,695                    | 128                                     | 0                     | 0              | 0                | (123)          | 0                         | 2,700                               | 0                                                    |
| <b>At 31 March 2018</b>                                                                          | <b>(54,441)</b>          | <b>(39,715)</b>                         | <b>(89,808)</b>       | <b>(1,882)</b> | <b>(1,302)</b>   | <b>(78)</b>    | <b>0</b>                  | <b>(187,226)</b>                    | <b>(14,622)</b>                                      |
| <b>Net Book Value</b>                                                                            |                          |                                         |                       |                |                  |                |                           |                                     |                                                      |
| <b>At 31 March 2018</b>                                                                          | <b>470,559</b>           | <b>26,061</b>                           | <b>138,433</b>        | <b>56,945</b>  | <b>422</b>       | <b>2,792</b>   | <b>32,712</b>             | <b>727,924</b>                      | <b>107,624</b>                                       |
| <b>At 31 March 2017</b>                                                                          | <b>470,275</b>           | <b>27,055</b>                           | <b>121,507</b>        | <b>53,880</b>  | <b>422</b>       | <b>1,755</b>   | <b>20,016</b>             | <b>694,910</b>                      | <b>112,138</b>                                       |

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

| 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                                                 |
| <b>Cost or Valuation</b>                                                                         |                          |                                         |                       |                |                  |                |                           |                                     |                                                      |
| 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                 | 0              | 132              | (888)          | (4,147)                   | (49,840)                            | 0                                                    |
| <b>At 31 March 2017</b>                                                                          | <b>518,433</b>           | <b>62,755</b>                           | <b>201,420</b>        | <b>56,700</b>  | <b>1,724</b>     | <b>1,783</b>   | <b>20,016</b>             | <b>862,831</b>                      | <b>122,246</b>                                       |
| <b>Accumulated Depreciation and Impairment</b>                                                   |                          |                                         |                       |                |                  |                |                           |                                     |                                                      |
| 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                                                    |
| <b>At 31 March 2017</b>                                                                          | <b>(48,158)</b>          | <b>(35,700)</b>                         | <b>(79,913)</b>       | <b>(2,820)</b> | <b>(1,302)</b>   | <b>(28)</b>    | <b>0</b>                  | <b>(167,921)</b>                    | <b>(10,108)</b>                                      |
| <b>Net Book Value</b>                                                                            |                          |                                         |                       |                |                  |                |                           |                                     |                                                      |
| <b>At 31 March 2017</b>                                                                          | <b>470,275</b>           | <b>27,055</b>                           | <b>121,507</b>        | <b>53,880</b>  | <b>422</b>       | <b>1,755</b>   | <b>20,016</b>             | <b>694,910</b>                      | <b>112,138</b>                                       |
| <b>At 31 March 2016</b>                                                                          | <b>439,539</b>           | <b>30,699</b>                           | <b>116,463</b>        | <b>54,825</b>  | <b>422</b>       | <b>2,251</b>   | <b>9,724</b>              | <b>653,923</b>                      | <b>116,651</b>                                       |

\*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 2018 amounted to £44.087m (31 March 2017: £25.438m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2018 were as follows:

| Contract                                         | Contractor           | 2017/18       |
|--------------------------------------------------|----------------------|---------------|
|                                                  |                      | <b>£000</b>   |
| The Box                                          | Willmott Dixon       | 18,360        |
| Next                                             | Duke Investor Jersey | 7,722         |
| Transformation/Modernisation Technology Projects | DELTA                | 2,300         |
| Oceansgate - Phase 2 Infrastructure              | Balfour Beatty       | 1,740         |
| Long Leasehold investment property               | Wolverstans          | 1,572         |
| Manadon Play Pitches                             | Classic Builders     | 1,256         |
| Derriford Transport scheme                       | Amey                 | 1,204         |
| Langage Development Phase 2                      | Ryearch Ltd          | 1,116         |
| Other Contractual Commitments under £1m          |                      | 8,817         |
| <b>Total</b>                                     |                      | <b>44,087</b> |

## 15.3 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 S Sobey and Ms S Partridge, RICS Registered Valuers.

| Revaluations                          | Other Land and Buildings | Vehicles, Plant, Furniture and Equipment | Surplus Assets | Total          |
|---------------------------------------|--------------------------|------------------------------------------|----------------|----------------|
|                                       | <b>£000</b>              | <b>£000</b>                              | <b>£000</b>    | <b>£000</b>    |
| Carried at historical cost            | 42                       | 26,061                                   | 0              | 26,103         |
| <b>Valued at current value as at:</b> |                          |                                          |                |                |
| 31 March 2018                         | 47,470                   |                                          | 1,882          | 49,352         |
| 31 March 2017                         | 143,195                  | 0                                        | 910            | 144,105        |
| 31 March 2016                         | 189,311                  | 0                                        | 0              | 189,311        |
| 31 March 2015                         | 18,292                   | 0                                        | 0              | 18,292         |
| 31 March 2014                         | 72,249                   | 0                                        | 0              | 72,249         |
| <b>Total Cost of Valuation</b>        | <b>470,559</b>           | <b>26,061</b>                            | <b>2,792</b>   | <b>499,412</b> |

### 15.4 Gain/loss on disposal of non-current assets

In 2017/18, the Council incurred a net loss on disposal of non-current assets of £1.577m (2016/17: £17.861m).

| Assets Written Off Balance Sheet | 2016/17       | 2017/18      |
|----------------------------------|---------------|--------------|
|                                  | £000          | £000         |
| Land and Property Sales          | (2,313)       | (757)        |
| Academy and Trust Schools        | 20,137        | 2,396        |
| Investment Properties            | 37            | (62)         |
| <b>Total</b>                     | <b>17,861</b> | <b>1,577</b> |

### 16. Heritage assets

The Council holds the following types of heritage assets:

#### Historic buildings and monuments

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

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

#### 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 [www.plymhearts.org/thebox](http://www.plymhearts.org/thebox) website.

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

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

| Heritage Assets            | Buildings    | Fine Art      | Gold, Silver and Jewellery | Total Assets  |
|----------------------------|--------------|---------------|----------------------------|---------------|
|                            | £000         | £000          | £000                       | £000          |
| <b>Cost or Valuation</b>   |              |               |                            |               |
| As at 1 April 2016         | 6,017        | 16,713        | 4,329                      | 27,059        |
| Additions                  | 53           | 0             | 0                          | 53            |
| Revaluations               | 0            | (250)         | 0                          | (250)         |
| Reclassification           | 48           | 0             | 0                          | 48            |
| <b>As at 31 March 2017</b> | <b>6,118</b> | <b>16,463</b> | <b>4,329</b>               | <b>26,910</b> |
| <b>Cost or Valuation</b>   |              |               |                            |               |
| As at 1 April 2017         | 6,118        | 16,463        | 4,329                      | 26,910        |
| Additions                  | 325          | 100           | 334                        | 759           |
| Revaluations               | 0            | 320           | 0                          | 320           |
| Reclassification           | (718)        | 0             | 0                          | (718)         |
| <b>As at 31 March 2018</b> | <b>5,725</b> | <b>16,883</b> | <b>4,663</b>               | <b>27,271</b> |

## 17. Investment Properties

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

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

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

| Amounts recognised in the CIES                             | 2016/17      | 2017/18      |
|------------------------------------------------------------|--------------|--------------|
|                                                            | £000         | £000         |
| Rental income from investment property                     | 4,743        | 7,496        |
| Direct operating expenses arising from investment property | (1,446)      | (3,275)      |
| <b>Net gain/(loss)</b>                                     | <b>3,297</b> | <b>4,221</b> |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

| Analysis of movement in Investment Properties    | 2016/17       | 2017/18        |
|--------------------------------------------------|---------------|----------------|
|                                                  | £000          | £000           |
| Balance at 1 April                               | 63,018        | 98,102         |
| Additions                                        | 30,898        | 30,201         |
| Disposals                                        | (173)         | (638)          |
| Net gains / (losses) from fair value adjustments | 2,348         | 9,744          |
| <b>Transfers:</b>                                |               |                |
| (to) / from Property, Plant & Equipment          | 2,011         | 219            |
| <b>Balance at 31 March</b>                       | <b>98,102</b> | <b>137,628</b> |

## 17.2 Fair Value Hierarchy for Investment Properties

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 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 2018 |
|-----------------------------------------|----------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|--------------------------------|
| <b>2017/18</b>                          | £000                                                           | £000                                          | £000                                      | £000                           |
| Industrial sites                        | 0                                                              | 45,186                                        | 0                                         | 45,186                         |
| Miscellaneous Ground Rents              | 0                                                              | 5,374                                         | 3,903                                     | 9,277                          |
| Retail Ground Rents                     | 0                                                              | 42,169                                        | 0                                         | 42,169                         |
| Out of Town Retail                      | 0                                                              | 29,813                                        | 0                                         | 29,813                         |
| Other                                   | 0                                                              | 11,099                                        | 84                                        | 11,183                         |
| <b>Total</b>                            | <b>0</b>                                                       | <b>133,641</b>                                | <b>3,987</b>                              | <b>137,628</b>                 |

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

| Recurring fair value measurements using | Quoted Prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Fair value as at 31 March 2017 |
|-----------------------------------------|----------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|--------------------------------|
| <b>2016/17</b>                          | £000                                                           | £000                                          | £000                                      | £000                           |
| Industrial sites                        | 0                                                              | 20,725                                        | 0                                         | 20,725                         |
| Miscellaneous Ground Rents              | 0                                                              | 1,969                                         | 3,488                                     | 5,457                          |
| Retail Ground Rents                     | 0                                                              | 34,420                                        | 0                                         | 34,420                         |
| Out of Town Retail                      | 0                                                              | 24,818                                        | 0                                         | 24,818                         |
| Other                                   | 0                                                              | 12,594                                        | 88                                        | 12,682                         |
| <b>Total</b>                            | <b>0</b>                                                       | <b>94,526</b>                                 | <b>3,576</b>                              | <b>98,102</b>                  |

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

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

### Significant Observable Inputs – Level 2

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

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

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

### Significant Unobservable Inputs – Level 3

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

### Highest and Best use of Investment Properties

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

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

| Investment properties categorised within Level 3                                                                                         | 31 March 2017 | 31 March 2018 |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                          | £000          | £000          |
| Opening Balance                                                                                                                          | 3,427         | 3,576         |
| Reclassifications in to Investment Properties at Level 3                                                                                 | 205           | 0             |
| Reclassifications out of Investment Properties at Level 3                                                                                | (231)         | 0             |
| Total gains/(losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value | 175           | 411           |
| <b>Closing Balance</b>                                                                                                                   | <b>3,576</b>  | <b>3,987</b>  |

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

## 18. Financial instruments

### 18.1 Financial 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            |                  |
|------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                                | 31 March 17      | 31 March 18      | 31 March 17      | 31 March 18      | 31 March 17      | 31 March 18      |
|                                                | £000             | £000             | £000             | £000             | £000             | £000             |
| <b>Financial liabilities at amortised cost</b> |                  |                  |                  |                  |                  |                  |
| PWLB Debt                                      | (44,539)         | (44,252)         | (287)            | (287)            | (44,826)         | (44,539)         |
| Other Borrowings                               | (101,118)        | (121,375)        | (143,807)        | (200,755)        | (244,925)        | (322,130)        |
| Deferred Liabilities                           | (61,573)         | (60,302)         | (1,185)          | (1,271)          | (62,758)         | (61,573)         |
| Other Liabilities                              | (8,761)          | (12,240)         | (555)            | (723)            | (9,316)          | (12,963)         |
| Trade Creditors                                | 0                | 0                | (25,556)         | (24,114)         | (25,556)         | (24,114)         |
| <b>Total Financial Liabilities</b>             | <b>(215,991)</b> | <b>(238,169)</b> | <b>(171,390)</b> | <b>(227,150)</b> | <b>(387,381)</b> | <b>(465,319)</b> |
| <b>Loans and receivables:</b>                  |                  |                  |                  |                  |                  |                  |
| Investments                                    | 3,040            | 3,180            | 17,230           | 16,993           | 20,270           | 20,173           |
| Contractual debtors (net of impairment)        | 0                | 0                | 19,852           | 16,347           | 19,852           | 16,347           |
| Cash and cash equivalents                      | 0                | 0                | 18,201           | 30,280           | 18,201           | 30,280           |
| <b>Available for sale investments:</b>         |                  |                  |                  |                  |                  |                  |
| Long term investments at fair value            | 30,050           | 35,682           | 0                | 0                | 30,050           | 35,682           |
| <b>Total Financial Assets</b>                  | <b>33,090</b>    | <b>38,862</b>    | <b>55,283</b>    | <b>63,620</b>    | <b>88,373</b>    | <b>102,482</b>   |

Note: LOBOs (Local Authority Lender's Option Borrower's Option loans) of £26m 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.

### 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 | 2016/17                                          |                                        |         | 2017/18                                          |                                                                        |         |
|-----------------------------------------|--------------------------------------------------|----------------------------------------|---------|--------------------------------------------------|------------------------------------------------------------------------|---------|
|                                         | Financial Liabilities measured at amortised cost | Financial Assets Loans and receivables | Total   | Financial Liabilities measured at amortised cost | Financial Assets Loans, receivables and Available for Sale Investments | Total   |
|                                         | £000                                             | £000                                   | £000    | £000                                             | £000                                                                   | £000    |
| Interest expense                        | 14,302                                           | 0                                      | 14,302  | 13,900                                           | 0                                                                      | 13,900  |
| Interest payable and similar charges    | 14,302                                           | 0                                      | 14,302  | 13,900                                           | 0                                                                      | 13,900  |
| Interest income                         | 0                                                | (1,678)                                | (1,678) | 0                                                | (1,303)                                                                | (1,303) |
| Interest and investment income          | 0                                                | (1,678)                                | (1,678) | 0                                                | (1,303)                                                                | (1,303) |
| Net (gain)/loss for the year            | 14,302                                           | (1,678)                                | 12,624  | 13,900                                           | (1,303)                                                                | 12,597  |

### 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 2018.

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 2018.

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 | 31 March 2017    |                  | 31 March 2018    |                  |
|------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                                      |                  | Balance Sheet    | Fair value       | Balance Sheet    | Fair value       |
|                                                      |                  | £000             | £000             | £000             | £000             |
| <b>Financial liabilities held at amortised cost:</b> |                  |                  |                  |                  |                  |
| Long-term loans from PWLB                            | 2                | (44,539)         | (72,041)         | (44,252)         | (68,986)         |
| Other loans                                          | 2                | (245,212)        | (323,475)        | (322,130)        | (386,831)        |
| Lease payables and PFI liabilities                   | 3                | (62,759)         | (62,759)         | (61,573)         | (61,573)         |
| <b>Total</b>                                         |                  | <b>(352,510)</b> | <b>(458,275)</b> | <b>(427,955)</b> | <b>(517,391)</b> |
| Liabilities for which fair value is not disclosed *  |                  | (35,453)         |                  | (37,364)         |                  |
| <b>Total Financial Liabilities</b>                   |                  | <b>(387,963)</b> |                  | <b>(465,319)</b> |                  |
| <b>Recorded on balance sheet as:</b>                 |                  |                  |                  |                  |                  |
| Short-term creditors                                 |                  | (27,838)         |                  | (24,114)         |                  |
| Short-term borrowing                                 |                  | (144,094)        |                  | (202,043)        |                  |
| Long-term borrowing                                  |                  | (145,657)        |                  | (177,867)        |                  |
| Other long-term liabilities                          |                  | (70,374)         |                  | (61,295)         |                  |
| <b>Total Financial Liabilities</b>                   |                  | <b>(387,963)</b> |                  | <b>(465,319)</b> |                  |

\* 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 2017 |               | 31 March 2018  |               |
|-----------------------------------------------|------------------|---------------|---------------|----------------|---------------|
|                                               |                  | Balance Sheet | Fair value    | Balance Sheet  | Fair value    |
|                                               |                  | £000          | £000          | £000           | £000          |
| <b>Financial Assets held at fair value:</b>   |                  |               |               |                |               |
| Bond, equity and property funds               | 1                | 30,050        | 30,050        | 35,681         | 35,681        |
| Corporate, covered and government bonds       | 2                | 3,006         | 3,006         | 3,000          | 3,000         |
| <b>Total</b>                                  |                  | <b>33,056</b> | <b>33,056</b> | <b>38,681</b>  | <b>38,681</b> |
| Assets for which fair value is not disclosed* |                  | 55,317        |               | 63,801         |               |
| <b>Total financial assets</b>                 |                  | <b>88,373</b> |               | <b>102,482</b> |               |
| <b>Recorded on balance sheet as:</b>          |                  |               |               |                |               |
| Long-term investments                         |                  | 33,091        |               | 38,862         |               |
| Short-term debtors                            |                  | 19,852        |               | 16,347         |               |
| Short-term investments                        |                  | 17,229        |               | 16,993         |               |
| Cash and cash equivalents                     |                  | 18,201        |               | 30,280         |               |
| <b>Total financial assets</b>                 |                  | <b>88,373</b> |               | <b>102,482</b> |               |

\* 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 (revised in 2017).

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

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

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

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

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

### Credit risk

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 is a minimum A rating (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 £20m 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 2017 | 31 March 2018 |
|------------------------|---------------|---------------|
|                        | £000          | £000          |
| Less than three months | 7,478         | 10,560        |
| Three to six months    | 666           | 1,378         |
| Six months to one year | 1,165         | 2,870         |
| More than one year     | 2,417         | 625           |
| <b>Total</b>           | <b>11,726</b> | <b>15,433</b> |

### Liquidity risk

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

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

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

| Loans outstanding                   | 31 March 2017    | 31 March 2018    |
|-------------------------------------|------------------|------------------|
|                                     | £000             | £000             |
| Public Works Loans Board            | (44,252)         | (44,252)         |
| Market debt                         | (100,000)        | (100,000)        |
| Temporary borrowing                 | (142,057)        | (214,000)        |
| Other borrowing                     | (176)            | (176)            |
| Deferred Liability (PFI)            | (61,119)         | (59,972)         |
| Deferred Liability (Finance Leases) | (1,640)          | (1,601)          |
| Other Liabilities                   | (9,316)          | (21,204)         |
| Trade Creditors                     | (25,556)         | (24,114)         |
| <b>Total</b>                        | <b>(384,116)</b> | <b>(465,319)</b> |
| Less than 1 year                    | (172,024)        | (233,524)        |
| Between 1 and 2 years               | (1,394)          | (20,575)         |
| Between 2 and 5 years               | (11,045)         | (6,572)          |
| Between 5 and 10 years              | (13,053)         | (14,460)         |
| Between 10 and 20 years             | (65,269)         | (72,833)         |
| Between 20 and 30 years             | (15,017)         | (11,731)         |
| Between 30 and 40 years             | (10,540)         | (16,574)         |
| Between 40 and 50 years             | (57,416)         | (50,711)         |
| Over 50 years                       | (38,358)         | (38,339)         |
| <b>Total</b>                        | <b>(384,116)</b> | <b>(465,319)</b> |

There is £26m in the over 50 year category of LOBO's which have a call date in the next 12 months.

£199m of short term borrowing in place at 31 March 2018 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 2017/18 if required, thus reducing credit risk. These repayments are not subject to liquidity risk and there is no need to replace this borrowing as there will be no exposure to interest rate risk.

### **Market risk: interest rate risk**

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

The Council has £201m short term (3-6 months) loans so there is an interest rate risk if the rates go up. If there is a 0.5% increase in the bank rate it will cost an additional £1.005m per year.

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. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

### **Market risk: price risk**

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investment fund of £20m. A 5% fall in commercial property prices would result in a £1m charge to Other Comprehensive Income & 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 £20m. A 5% fall in share prices would result in a £1m charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investments were sold.

## 19. Debtors

### 19.1 Short term debtors

Debtors due within the next 12 months are:

| Category of Debtor                      | 31 March 2017 | 31 March 2018 |
|-----------------------------------------|---------------|---------------|
|                                         | £000          | £000          |
| <b>Amounts falling due in one year:</b> |               |               |
| Central Government Departments          | 7,205         | 10,304        |
| NHS bodies                              | 589           | 1,094         |
| Other local authorities                 | 5,263         | 6,221         |
| Other entities and individuals          | 27,638        | 41,556        |
| <b>Total Short Term Debtors</b>         | <b>40,695</b> | <b>59,175</b> |

### 19.2 Long term debtors

Debtors due after 12 months are:

| Category of Debtor             | 31 March 2017 | 31 March 2018 |
|--------------------------------|---------------|---------------|
|                                | £000          | £000          |
| Secured Debt                   | 852           | 634           |
| Council House Mortgages        | 1             | 0             |
| Other Loans/Mortgages          | 10,007        | 10,348        |
| Other Long Term Debts          | 1,924         | 0             |
| <b>Total Long Term Debtors</b> | <b>12,784</b> | <b>10,982</b> |

### 19.3 Bad debt provision

| Analysis of provisions held            | 31 March 2017   | Provision made in year | Provision used in year | 31 March 2018   |
|----------------------------------------|-----------------|------------------------|------------------------|-----------------|
|                                        | £000            | £000                   | £000                   | £000            |
| General Fund                           | (1,622)         | (550)                  | 208                    | (1,964)         |
| Housing Benefit Overpayments Provision | (4,292)         | (1,078)                | 596                    | (4,774)         |
| Collection Fund                        | (5,023)         | (946)                  | 785                    | (5,184)         |
| <b>Total Provisions For Bad Debt</b>   | <b>(10,937)</b> | <b>(2,574)</b>         | <b>1,589</b>           | <b>(11,922)</b> |

## 20. Creditors

### 20.1 Short term creditors

Creditors payable within the next 12 months are:

| Category of Creditor           | Restated<br>31 March 2017 | 31 March 2018   |
|--------------------------------|---------------------------|-----------------|
|                                | £000                      | £000            |
| Central Government Departments | (2,213)                   | (2,100)         |
| NHS Bodies                     | (2,438)                   | (3,636)         |
| Other Local Authorities        | (3,781)                   | (5,276)         |
| Other entities and individuals | (57,928)                  | (66,345)        |
| <b>Total</b>                   | <b>(66,360)</b>           | <b>(77,357)</b> |

### 20.2 Long term creditors

Creditors payable after 12 months are:

| Category of Creditor           | Restated<br>31 March 2017 | 31 March 2018   |
|--------------------------------|---------------------------|-----------------|
|                                | £000                      | £000            |
| Other Local Authorities        | (15,882)                  | (14,864)        |
| Other entities and individuals | (39,800)                  | (55,081)        |
| <b>Total</b>                   | <b>(55,682)</b>           | <b>(69,945)</b> |

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

### 20.3 Other long term liabilities

Other liabilities due after 12 months are:

| Analysis of Other Long Term Liabilities                               | 31 March 2017    | 31 March 2018    |
|-----------------------------------------------------------------------|------------------|------------------|
|                                                                       | £000             | £000             |
| PFI Finance Leases                                                    | (111,094)        | (107,541)        |
| Other Finance Leases                                                  | (1,601)          | (1,559)          |
| Plymouth Science Park (formally Tamar Science Park)                   | (39)             | (19)             |
| Cornwall Council - re Tamar Bridge and Torpoint Ferry Joint Committee | (8,761)          | (12,240)         |
| <b>Total</b>                                                          | <b>(121,495)</b> | <b>(121,359)</b> |

## 21. Provisions

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

| Analysis of Provisions held | 31 March 2017   | Provision made in year | Payments used in year | Unused amounts reversed in year | 31 March 2018   |
|-----------------------------|-----------------|------------------------|-----------------------|---------------------------------|-----------------|
|                             | £000            | £000                   | £000                  | £000                            | £000            |
| Insurance Provisions        | (2,673)         | (2,076)                | 1,715                 | 0                               | (3,034)         |
| Landfill Site Provision     | (8,436)         | (1,500)                | 353                   | 0                               | (9,583)         |
| Other Provisions            | (1,197)         | (7,390)                | 4,468                 | 0                               | (4,119)         |
| <b>Total Provisions</b>     | <b>(12,306)</b> | <b>(10,966)</b>        | <b>6,536</b>          | <b>0</b>                        | <b>(16,736)</b> |

The provisions include short term provisions of £2.186m (2016/17: £2.562m) and long term provisions of £14.550m (2016/17 £9.744m).

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 £9.583m as at 31 March 2018 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 £3.982m as at 31 March 2018 (2016/17 £1.059m) for business rate appeals, as shown within the Collection Fund Statement note [5](#).

## 22. Unusable Reserves

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

| Analysis of Reserves                                 | Note                 | Restated<br>31 March 2017 | 31 March 2018    |
|------------------------------------------------------|----------------------|---------------------------|------------------|
|                                                      |                      | £000                      | £000             |
| <b>Unusable Reserves</b>                             |                      |                           |                  |
| Revaluation Reserve                                  | <a href="#">22.1</a> | 157,167                   | 158,115          |
| Capital Adjustment Account                           | <a href="#">22.2</a> | 222,247                   | 218,752          |
| Financial Instruments Adjustment Account             |                      | (18,985)                  | (18,446)         |
| Pensions Reserve                                     | <a href="#">22.3</a> | (613,855)                 | (576,385)        |
| Collection Fund Adjustment Account                   |                      | (2,336)                   | (5,756)          |
| Accumulating Compensated Absences Adjustment Account |                      | (2,792)                   | (2,302)          |
| Deferred Capital Receipts                            |                      | 1,928                     | 227              |
| Available for Sale Financial Instruments Reserve     |                      | 2,025                     | 2,656            |
| <b>Total Unusable Reserves</b>                       |                      | <b>(254,601)</b>          | <b>(223,139)</b> |

### 22.1 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                                                                                                          | 2016/17         | 2017/18        |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|
|                                                                                                                                          | £000            | £000           |
| <b>Balance at 1 April</b>                                                                                                                | <b>119,216</b>  | <b>157,167</b> |
| Upward revaluation of assets                                                                                                             | 58,193          | 12,377         |
| Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services                   | (2,520)         | (3,406)        |
| <b>Surplus or (deficit) on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services</b> | <b>55,673</b>   | <b>8,971</b>   |
| Difference between fair value depreciation and historical cost depreciation                                                              | (6,448)         | (6,108)        |
| Accumulated gains on assets sold or scrapped                                                                                             | (11,274)        | (1,915)        |
| <b>Amount written off to the Capital Adjustment Account</b>                                                                              | <b>(17,722)</b> | <b>(8,023)</b> |
| <b>Balance at 31 March</b>                                                                                                               | <b>157,167</b>  | <b>158,115</b> |

### 22.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations. These are then charged to the 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                                                                                                                   | Restated<br>2016/17 | 2017/18        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------|
|                                                                                                                                                          | £000                | £000           |
| <b>Balance at 1 April</b>                                                                                                                                | <b>251,320</b>      | <b>222,247</b> |
| Opening balance adjustments                                                                                                                              | 1,082               | 0              |
| <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>                      |                     |                |
| Charges for depreciation and impairment of non-current assets                                                                                            | (37,402)            | (29,688)       |
| Revaluation losses on Property, Plant and Equipment                                                                                                      | 516                 | (6,226)        |
| Amortisation of intangible assets                                                                                                                        | (648)               | (7)            |
| Revenue expenditure funded from capital under statute                                                                                                    | (8,987)             | (9,380)        |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (16,589)            | (1,383)        |
| Adjusting amounts written out of the Revaluation Reserve                                                                                                 | 6,158               | 6,108          |
| <b>Capital financing applied in the year:</b>                                                                                                            |                     |                |
| Use of the Capital Receipts Reserve to finance new capital expenditure                                                                                   | 1,482               | 7,765          |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | 16,558              | 12,618         |
| <b>Amounts reserved for future capital financing:</b>                                                                                                    |                     |                |
| Statutory provision for the financing of capital investment charged against the General Fund (includes TB&TFJC element)                                  | 3,528               | 5,286          |
| Capital expenditure charged against General Fund                                                                                                         | 1,214               | 484            |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                         | 2,633               | 9,743          |
| Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement                                                    | 0                   | 439            |
| <b>Other Movement on the CAA in year:</b>                                                                                                                |                     |                |
| Landfill Site Provision                                                                                                                                  | (923)               | (1,500)        |
| Write Down of Long Term Debtors                                                                                                                          | (19)                | (79)           |
| Deferred Credit - Energy from Waste                                                                                                                      | 2,324               | 2,324          |
| <b>Balance at 31 March</b>                                                                                                                               | <b>222,247</b>      | <b>218,751</b> |



## 22.3 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                                                                                                                                                        | Restated<br>2016/17 | 2017/18          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------------------|
|                                                                                                                                                                                    | £000                | £000             |
| <b>Balance at 1 April</b>                                                                                                                                                          | <b>(470,663)</b>    | <b>(613,855)</b> |
| Actuarial gains or losses on pensions assets and liabilities                                                                                                                       | (140,072)           | 69,865           |
| 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 | (19,947)            | (50,346)         |
| Employer's pensions contributions and direct payments to pensioners payable in the year                                                                                            | 17,644              | 16,933           |
| (Increase) / decrease in Plymouth's share of net deficit in year of Devon County Council Pension Fund                                                                              | (817)               | 1,018            |
| <b>Balance at 31 March</b>                                                                                                                                                         | <b>(613,855)</b>    | <b>(576,385)</b> |

## 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                                                                                                       | 2016/17         | 2017/18         |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                                                        | £000            | £000            |
| <b>Net Surplus or (Deficit) on the Provision of Services</b>                                                                           | <b>(45,686)</b> | <b>(40,978)</b> |
| Adjust net surplus or deficit on the provision of services for non-cash movements:                                                     |                 |                 |
| Depreciation                                                                                                                           | 31,966          | 29,689          |
| Impairment and downward valuations                                                                                                     | 3,837           | 6,226           |
| Amortisation                                                                                                                           | 648             | 7               |
| Impairment losses on Investments debited to surplus or deficit on the provision of services in year                                    | 1,573           | (145)           |
| Adjustments for effective interest rates                                                                                               | 301             | 214             |
| Increase/Decrease in Interest Creditors                                                                                                | 48              | (1,931)         |
| (Increase)/Decrease in Creditors                                                                                                       | (6,903)         | 2,624           |
| (Increase)/Decrease in Interest and Dividend Debtors                                                                                   | (22)            | 194             |
| (Increase)/Decrease in Debtors                                                                                                         | (6,390)         | (11,024)        |
| (Increase)/Decrease in Inventories                                                                                                     | (120)           | 156             |
| Pension Liability                                                                                                                      | 14,625          | 32,878          |
| Contributions to/(from) Provisions                                                                                                     | (454)           | 4,429           |
| Accumulated Absence                                                                                                                    | (366)           | 0               |
| Carrying amount of non-current assets sold                                                                                             | 16,589          | 944             |
| Movement in Investment Property values                                                                                                 | (2,633)         | (9,743)         |
| <b>Total</b>                                                                                                                           | <b>52,699</b>   | <b>54,518</b>   |
| <b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b> |                 |                 |
| Capital Grants credited to surplus or deficit on the provision of services                                                             | (21,922)        | (12,618)        |
| Proceeds from the sale of short and long term investments                                                                              | 8,000           | 5,000           |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets                                      | (12,998)        | (5,638)         |
| <b>Total</b>                                                                                                                           | <b>(26,920)</b> | <b>(13,256)</b> |
| <b>Net Cash Flows from Operating Activities</b>                                                                                        | <b>(19,907)</b> | <b>284</b>      |

| Analysis of interest paid and Received | 2016/17  | 2017/18  |
|----------------------------------------|----------|----------|
|                                        | £000     | £000     |
| Interest Received                      | 1,615    | 1,611    |
| Interest Paid                          | (12,374) | (15,607) |
| Dividend Received                      | 1,074    | 1,045    |

**23.2 Cash flow statement – investing activities**

| <b>Analysis of Investing Activities</b>                                                           | <b>2016/17</b>  | <b>2017/18</b>  |
|---------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                   | <b>£000</b>     | <b>£000</b>     |
| Purchase of Property, Plant and Equipment, investment property and intangible assets              | (76,815)        | (93,464)        |
| Purchase of short and long term investments                                                       | (12,000)        | (5,000)         |
| Other payments for Investing Activities                                                           | (6,395)         | (557)           |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | 13,000          | 7,339           |
| Other Receipts from Investing Activities                                                          | 50,306          | 26,565          |
| <b>Total Cash Flows from Investing Activities</b>                                                 | <b>(31,904)</b> | <b>(65,117)</b> |

**23.3 Cash flow statement – financing activities**

| <b>Analysis of Financing Activities</b>                 | <b>2016/17</b> | <b>2017/18</b> |
|---------------------------------------------------------|----------------|----------------|
|                                                         | <b>£000</b>    | <b>£000</b>    |
| Cash receipts of short and long term borrowing          | 360,000        | 467,604        |
| Billing Authorities - Council Tax and NDR adjustments   | 151            | 316            |
| Repayment of Short-Term and Long-Term Borrowing         | (313,692)      | (390,000)      |
| Payments for the reduction of a finance lease liability | (39)           | (39)           |
| Payments for the reduction of a PFI liability           | (3,367)        | (969)          |
| <b>Total Cash Flows from Financing Activities</b>       | <b>43,053</b>  | <b>76,912</b>  |

**23.4 Cash flow statement – cash and cash equivalent**

| <b>Analysis of Cash and Cash Equivalents</b>    | <b>2016/17</b> | <b>2017/18</b> |
|-------------------------------------------------|----------------|----------------|
|                                                 | <b>£000</b>    | <b>£000</b>    |
| Cash and Bank Balances                          | 909            | 920            |
| Cash Investments - regarded as cash equivalents | 14,466         | 27,105         |
| Tamar Bridge and Torpoint Ferry                 | 2,826          | 2,255          |
| <b>Total</b>                                    | <b>18,201</b>  | <b>30,280</b>  |

**24. Pooled Budgets – Integrated Fund**

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

| Pooled Budget - Integrated Fund                                     | 2016/17        | 2017/18        |
|---------------------------------------------------------------------|----------------|----------------|
|                                                                     | £000           | £000           |
| <b>Contribution to the pooled budget:</b>                           |                |                |
| Plymouth City Council                                               | 138,089        | 253,755        |
| NEW Devon CCG                                                       | 358,345        | 376,437        |
| <b>Total Combined Integrated Fund</b>                               | <b>496,434</b> | <b>630,192</b> |
| <b>Expenditure met from the pooled budget</b>                       |                |                |
| Plymouth City Council                                               | 138,159        | 253,705        |
| NEW Devon CCG                                                       | 358,413        | 374,390        |
| <b>Total Expenditure on Integrated Fund</b>                         | <b>496,572</b> | <b>628,095</b> |
| <b>Net (surplus)/deficit on the Integrated Fund during the year</b> | <b>138</b>     | <b>(2,097)</b> |

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

| Plymouth Better Care Fund               | 2016/17       | 2017/18       |
|-----------------------------------------|---------------|---------------|
|                                         | £000          | £000          |
| NEW Devon CCG Lead Commissioner         | 8,804         | 8,748         |
| Plymouth City Council Lead Commissioner | 10,547        | 11,079        |
| <b>Total Plymouth Better Care Fund</b>  | <b>19,351</b> | <b>19,827</b> |

## 25. Members' Allowances

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

| Analysis of Members Allowance          | 2016/17    | 2017/18    |
|----------------------------------------|------------|------------|
|                                        | £000       | £000       |
| Basic Allowance                        | 597        | 603        |
| Special Responsibility Allowance       | 334        | 322        |
| Travel, subsistence and other expenses | 3          | 2          |
| <b>Total</b>                           | <b>934</b> | <b>927</b> |

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

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

## 26. Officers' Remuneration

### 26.1 Senior Employees

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

| Senior Management Post                              | Financial Year | Salaries, Fees & Allowances * | Expenses Allowances | Pension Contributions | Total Remuneration | Notes                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------|----------------|-------------------------------|---------------------|-----------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Salary over £150,000</b>                         |                | <b>£</b>                      | <b>£</b>            | <b>£</b>              | <b>£</b>           |                                                                                                                                                                                                                                                                                                                                                                                                 |
| Tracey Lee - Chief Executive (Head of Paid Service) | 2017/18        | 153,015                       | 26                  | 22,493                | 175,534            | 2016/17 includes a fee for the Returning Officer in the relevant elections.                                                                                                                                                                                                                                                                                                                     |
|                                                     | 2016/17        | 169,680                       | 10                  | 20,756                | 190,446            |                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Salary over £50,000 but less than £150,000</b>   |                |                               |                     |                       |                    |                                                                                                                                                                                                                                                                                                                                                                                                 |
| Strategic Director for People                       | 2017/18        | 132,478                       | 26                  | 19,449                | 151,953            |                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                     | 2016/17        | 131,576                       | 10                  | 17,946                | 149,532            |                                                                                                                                                                                                                                                                                                                                                                                                 |
| Strategic Director for Place                        | 2017/18        | 125,641                       | 0                   | 18,469                | 144,110            |                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                     | 2016/17        | 118,683                       | 10                  | 16,260                | 134,953            |                                                                                                                                                                                                                                                                                                                                                                                                 |
| Strategic Director for Transformation and Change    | 2017/18        | 0                             | 0                   | 0                     | 0                  | Director for Transformation and Change left the authority on 3 February 2017. The post was then covered by the Assistant Director for Finance and the Assistant Director for HR and Organisational Development. The Assistant Director for HR and Organisational Development left the authority on 28 February 2018. This post is now being fully covered by the Assistant Director of Finance. |
|                                                     | 2016/17        | 97,650                        | 10                  | 13,360                | 111,020            |                                                                                                                                                                                                                                                                                                                                                                                                 |
| Director of Public Health                           | 2017/18        | 103,650                       | 26                  | 14,905                | 118,581            | 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.                                                                                                                                                    |
|                                                     | 2016/17        | 87,046                        | 0                   | 12,448                | 99,494             |                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                     | 2016/17        | 75,749                        | 10                  | 10,832                | 86,591             | Director of Public Health left the authority on 31 October 2016.                                                                                                                                                                                                                                                                                                                                |

| Senior Management Post                                             | Financial Year | Salaries, Fees & Allowances * | Expenses Allowances | Pension Contributions | Total Remuneration | Notes                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------|----------------|-------------------------------|---------------------|-----------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director of Children's Services                                    | 2017/18        | 8,488                         | 0                   | 1,248                 | 9,736              | New post created on 5 March 2018.                                                                                                                                                                                                     |
|                                                                    | 2016/17        | 0                             | 0                   | 0                     | 0                  |                                                                                                                                                                                                                                       |
| Assistant Chief Executive                                          | 2017/18        | 88,035                        | 26                  | 12,941                | 101,002            |                                                                                                                                                                                                                                       |
|                                                                    | 2016/17        | 87,163                        | 10                  | 11,941                | 99,114             |                                                                                                                                                                                                                                       |
| Assistant Director and Head of Legal Services (Monitoring Officer) | 2017/18        | 72,517                        | 0                   | 10,660                | 83,177             |                                                                                                                                                                                                                                       |
|                                                                    | 2016/17        | 80,389                        | 10                  | 9,836                 | 90,235             |                                                                                                                                                                                                                                       |
| Assistant Director for Integrated Commissioning                    | 2017/18        | 99,437                        | 26                  | 14,617                | 114,080            | 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.                         |
|                                                                    | 2016/17        | 94,323                        | 10                  | 12,922                | 107,255            |                                                                                                                                                                                                                                       |
| Assistant Director for Economic Development                        | 2017/18        | 96,735                        | 26                  | 14,220                | 110,981            |                                                                                                                                                                                                                                       |
|                                                                    | 2016/17        | 90,063                        | 10                  | 12,339                | 102,412            |                                                                                                                                                                                                                                       |
| Assistant Director for Education, Participation and Skills         | 2017/18        | 101,429                       | 0                   | 14,910                | 116,339            | Post name changed from Assistant Director for Learning and Communities on 31 October 2016.                                                                                                                                            |
|                                                                    | 2016/17        | 100,557                       | 0                   | 13,776                | 114,333            |                                                                                                                                                                                                                                       |
| Assistant Director for Children, Young People and Families         | 2017/18        | 94,067                        | 26                  | 13,828                | 107,921            | The Assistant Director for Children, Young People and Families left the post on 4 March 2018 to fill the Director of Children's Services post.                                                                                        |
|                                                                    | 2016/17        | 92,560                        | 10                  | 12,681                | 105,251            |                                                                                                                                                                                                                                       |
| Assistant Director for Strategic Planning and Infrastructure       | 2017/18        | 96,735                        | 26                  | 14,220                | 110,981            |                                                                                                                                                                                                                                       |
|                                                                    | 2016/17        | 90,063                        | 10                  | 12,339                | 102,412            |                                                                                                                                                                                                                                       |
| Assistant Director for Finance (Section 151 Officer)               | 2017/18        | 104,465                       | 0                   | 0                     | 104,465            | The current post holder was appointed to Interim Joint Strategic Director for Transformation and Change (Finance) on 25 January 2017. They were appointed to Acting Strategic Director for Transformation and Change on 1 March 2018. |
|                                                                    | 2016/17        | 96,117                        | 0                   | 0                     | 96,117             |                                                                                                                                                                                                                                       |
| Assistant Director for HR and Organisational Development           | 2017/18        | 93,417                        | 26                  | 13,791                | 107,234            | Appointed to Interim Joint Strategic Director Transformation and Change (Transformation) on 25 January 2017. The post holder left the authority on 28 February 2018.                                                                  |
|                                                                    | 2016/17        | 89,817                        | 10                  | 12,305                | 102,132            |                                                                                                                                                                                                                                       |

| Senior Management Post                   | Financial Year | Salaries, Fees & Allowances * | Expenses Allowances | Pension Contributions | Total Remuneration | Notes                                                                                                      |
|------------------------------------------|----------------|-------------------------------|---------------------|-----------------------|--------------------|------------------------------------------------------------------------------------------------------------|
| Assistant Director for Customer Services | 2017/18        | 79,983                        | 0                   | 0                     | 79,983             |                                                                                                            |
|                                          | 2016/17        | 72,044                        | 10                  | 0                     | 72,054             |                                                                                                            |
| Head of Community Connections            | 2017/18        | 54,805                        | 26                  | 8,034                 | 62,865             | Post name changed from Head of Housing Services on 31 October 2016.                                        |
|                                          | 2016/17        | 53,455                        | 10                  | 7,288                 | 60,753             |                                                                                                            |
| Head of Transformation Programme         | 2017/18        | 0                             | 0                   | 0                     | 0                  | Head of Transformation Programme left the authority on 6 September 2016. Post removed on 24 February 2017. |
|                                          | 2016/17        | 31,113                        | 10                  | 0                     | 31,123             |                                                                                                            |
| Assistant Director for Street Services   | 2017/18        | 96,735                        | 26                  | 14,220                | 110,981            | Post holder commenced on 1 August 2016.                                                                    |
|                                          | 2016/17        | 61,009                        | 10                  | 8,358                 | 69,377             |                                                                                                            |

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

## 26.2 Remuneration above £50,000

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

The numbers below do not include the senior management or interim posts as disclosed in note [26.1](#).

| Remuneration Bandings | 2016/17   |             | 2017/18   |             |
|-----------------------|-----------|-------------|-----------|-------------|
|                       | Schools   | Non schools | Schools   | Non schools |
| £50,000 - £54,999     | 17        | 26          | 19        | 23          |
| £55,000 - £59,999     | 7         | 18          | 8         | 19          |
| £60,000 - £64,999     | 12        | 7           | 6         | 8           |
| £65,000 - £69,999     | 9         | 5           | 7         | 7           |
| £70,000 - £74,999     | 5         | 2           | 5         | 4           |
| £75,000 - £79,999     | 1         | 2           | 3         | 0           |
| £80,000 - £84,999     | 3         | 0           | 3         | 2           |
| £85,000 - £89,999     | 0         | 0           | 0         | 0           |
| £90,000 - £94,999     | 0         | 0           | 0         | 0           |
| £95,000 - £99,999     | 1         | 1           | 1         | 1           |
| <b>Total</b>          | <b>55</b> | <b>61</b>   | <b>52</b> | <b>64</b>   |

## 26.3 Employee exit packages

The Council incurred costs during 2017/18 relating to employee exit packages linked to compulsory and voluntary redundancies, a summary of which is shown as follows:

| 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 |             |
|---------------------|-----------------------------------|----------|-----------------------------------|-----------|--------------------------------------------|-----------|------------------------------------------|-------------|
|                     | 2016/17                           | 2017/18  | 2016/17                           | 2017/18   | 2016/17                                    | 2017/18   | 2016/17                                  | 2017/18     |
|                     |                                   |          |                                   |           |                                            |           | <b>£000</b>                              | <b>£000</b> |
| £00,000 - £20,000   | 7                                 | 6        | 27                                | 22        | 34                                         | 28        | 317                                      | 263         |
| £20,001 - £40,000   | 2                                 | 1        | 5                                 | 2         | 7                                          | 3         | 190                                      | 74          |
| £40,001 - £60,000   | 4                                 | 0        | 0                                 | 0         | 4                                          | 0         | 206                                      | 0           |
| £60,001 - £80,000   | 0                                 | 0        | 0                                 | 0         | 0                                          | 0         | 0                                        | 0           |
| £80,001 - £100,000  | 2                                 | 0        | 0                                 | 0         | 2                                          | 0         | 173                                      | 0           |
| £100,001 - £120,000 | 2                                 | 0        | 0                                 | 0         | 2                                          | 0         | 227                                      | 0           |
| <b>Total</b>        | <b>17</b>                         | <b>7</b> | <b>32</b>                         | <b>24</b> | <b>49</b>                                  | <b>31</b> | <b>1,113</b>                             | <b>337</b>  |

The Council terminated the contracts of a number of employees in 2017/18, including school based staff, incurring liabilities of £0.337m (2016/17: £1.113m). 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.



## 27. External audit costs

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

| Analysis of External Audit costs                                                                | 2016/17    | 2017/18    |
|-------------------------------------------------------------------------------------------------|------------|------------|
| Audit Area:                                                                                     | £000       | £000       |
| Fees payable to BDO with regard to external audit services carried out by the appointed auditor | 136        | 130        |
| Fees payable in respect of other services provided by the appointed auditor.                    | 41         | 18         |
| <b>Total</b>                                                                                    | <b>177</b> | <b>148</b> |

## 28. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. 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 |                                           | 2016/17             |                           |               | 2017/18             |                           |               |
|-------------------------------------|-------------------------------------------|---------------------|---------------------------|---------------|---------------------|---------------------------|---------------|
|                                     |                                           | 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       |                     |                           | 184,560       |                     |                           | 183,983       |
| B                                   | Academy figure recouped                   |                     |                           | (92,742)      |                     |                           | (108,042)     |
| <b>C</b>                            | <b>Total DSG after Academy recoupment</b> |                     |                           | <b>91,818</b> |                     |                           | <b>75,941</b> |
| D                                   | Brought forward from previous year        |                     |                           | 4,083         |                     |                           | 356           |
| F                                   | Agreed initial budgeted distribution      | 7,634               | 88,267                    | 95,901        | 5,598               | 70,699                    | 76,297        |
| G                                   | In year adjustments                       | (128)               | 240                       | 112           | 12                  | (29)                      | (17)          |
| <b>H</b>                            | <b>Final budgeted distribution</b>        | <b>7,506</b>        | <b>88,507</b>             | <b>96,013</b> | <b>5,610</b>        | <b>70,670</b>             | <b>76,280</b> |
| I                                   | Less actual central expenditure           | (9,479)             |                           | (9,479)       | (5,898)             |                           | (5,898)       |
| J                                   | Less actual ISB deployed to schools       |                     | (86,178)                  | (86,178)      |                     | (70,144)                  | (70,144)      |
| <b>L</b>                            | <b>Carry-forward</b>                      | <b>(1,973)</b>      | <b>2,329</b>              | <b>356</b>    | <b>(288)</b>        | <b>526</b>                | <b>238</b>    |

- A. Final DSG figure before any amount has been recouped from the Council excluding the January 2018 early years block adjustment.
- B. Figure recouped from the Council in 2017/18 by the Department for Education (DfE) for the conversion of maintained schools into academies.
- C. Total figure after academy recoupmnt for 2017/18.
- D. Figure brought forward from 2016/17 as agreed with the DfE.
- E. Amount which the Council decided, after consultation with Schools Forum, to carry forward to 2018/19 rather than distribute in 2017/18. This may be the difference between estimated and final DSG for 2017/18, or a figure (positive or negative) brought forward from 2016/17 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. Budgeted distribution of DSG as at the end of the financial year.
- H. Budgeted distribution of DSG as at the end of the financial year.
- I. Actual amount of central expenditure items in 2017/18.
- J. Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools budget shares).
- K. Any contribution from the Council in 2017/18 which has the effect of substituting for DSG in funding the Schools Budget.
- L. Carry forward to 2018/19: 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 Council contribution. Total – carry forward on central expenditure plus carry forward on ISB plus/minus carry forward to 2018/19 already agreed.

## 29. Grant income

### 29.1 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 2017/18:

| Credited to Taxation and Non-specific Grant Income and Expenditure  | Restated<br>2016/17 | 2017/18         |
|---------------------------------------------------------------------|---------------------|-----------------|
|                                                                     | £000                | £000            |
| Section 31 Grants                                                   | (2,168)             | (3,769)         |
| Capital Grants and Contributions                                    | (12,529)            | (9,465)         |
| PFI Credits                                                         | (7,199)             | (7,170)         |
| Revenue Support Grant                                               | (33,212)            | (23,058)        |
| <b>Total Taxation and Non-specific Grant Income and Expenditure</b> | <b>(55,108)</b>     | <b>(43,462)</b> |

| <b>Grants Credited to Services</b>                 | <b>2016/17</b>   | <b>2017/18</b>   |
|----------------------------------------------------|------------------|------------------|
|                                                    | <b>£000</b>      | <b>£000</b>      |
| Benefits Admin Grant                               | (1,268)          | (1,126)          |
| City Deal Grants                                   | (1)              | 0                |
| Dedicated Schools Grant and Other Education Grants | (107,544)        | (77,811)         |
| Housing Benefit Subsidy                            | (100,551)        | (94,582)         |
| Learning and Skills Council                        | (3,533)          | (3,498)          |
| Transforming Social Care Grant                     | 0                | (7,854)          |
| New Homes Bonus                                    | (5,531)          | (5,146)          |
| Plymouth Connect                                   | (31)             | 0                |
| Public Health Grant                                | (16,133)         | (15,735)         |
| Troubled Families Grant                            | (847)            | (870)            |
| Torbay Childrens Services - Government Funding     | 0                | (1,418)          |
| Other Revenue Grants                               | (7,348)          | (4,492)          |
| <b>Total Revenue Grants Received</b>               | <b>(242,787)</b> | <b>(212,532)</b> |

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the grantor. The grants are 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:

| <b>Revenue Grant Receipts in Advance - Current liabilities</b>                         | <b>2016/17</b> | <b>2017/18</b> |
|----------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                        | <b>£000</b>    | <b>£000</b>    |
| Active Neighbourhoods - Reaching Communities                                           | 27             | 41             |
| SEND Reform Grant                                                                      | 0              | 134            |
| SEND Preparation for Employment                                                        | 0              | 50             |
| Higher Level Stewardship                                                               | 0              | 7              |
| Enterprise Zone                                                                        | 0              | 4              |
| Access Fund for Sustainable Transport                                                  | 0              | 7              |
| Access Fund for Sustainable Transport                                                  | 0              | 11             |
| Heat Networks Delivery Unit Grant - Feasibility                                        | 0              | 25             |
| Heat Networks Delivery Unit Grant - Detailed Project Development and commercialisation | 0              | 272            |
| Urban Fringe Partnership Housing Capacity Grant                                        | 0              | 560            |
| <b>Total Current Revenue Grant Receipts in Advance</b>                                 | <b>27</b>      | <b>1,111</b>   |

| Capital Grant Receipts in Advance - Current liabilities | Restated<br>2016/17 | 2017/18       |
|---------------------------------------------------------|---------------------|---------------|
|                                                         | £000                | £000          |
| Department for Transport                                | 6,920               | 9,086         |
| Environment Agency                                      | 285                 | 285           |
| Sport England                                           | 1,990               | 1,990         |
| Big Lottery                                             | 134                 | 134           |
| Football Foundation                                     | 0                   | 129           |
| England & Wales Cricket Board                           | 0                   | 146           |
| Carbon Trust                                            | 0                   | 3             |
| Local Government Association                            | 0                   | 49            |
| Historic England                                        | 325                 | 457           |
| Growth Deal                                             | 2,785               | 1,400         |
| Growth & Housing Fund                                   | 0                   | 1,209         |
| Homes England                                           | 0                   | 255           |
| Department for Environment Food & Rural Affairs         | 0                   | 224           |
| Ministry for Housing, Communities & Local Government    | 3,184               | 5,289         |
| Devon County Council                                    | 7                   | 7             |
| European Regional Development Funding                   | 0                   | 53            |
| S278 Agreements                                         | 199                 | 199           |
| <b>Total Current Capital Grant Receipts in Advance</b>  | <b>15,829</b>       | <b>20,915</b> |

| Capital Grant Receipts in Advance - Long term liabilities | Restated<br>2016/17 | 2017/18       |
|-----------------------------------------------------------|---------------------|---------------|
|                                                           | £000                | £000          |
| Natural England                                           | 367                 | 0             |
| Heritage Lottery Fund                                     | 1,623               | 4,921         |
| Arts Council                                              | 80                  | 903           |
| SI06                                                      | 16,838              | 17,949        |
| Growth Deal                                               | 11,807              | 18,149        |
| Homes England                                             | 8,854               | 12,876        |
| <b>Total Long Term Capital Grant Receipts in Advance</b>  | <b>39,569</b>       | <b>54,798</b> |

### 30. Related Party Transactions and Partnerships

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

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

| Related Party Transactions                                  | Details of Arrangement                                                                                                                                                                                                                                    | 2016/17     |             |                                    | 2017/18     |             |                                    |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|------------------------------------|-------------|-------------|------------------------------------|
|                                                             |                                                                                                                                                                                                                                                           | Receipts    | Payments    | Outstanding Balances / Commitments | Receipts    | Payments    | Outstanding Balances / Commitments |
| <b>Subsidiaries, Associates and Joint Arrangements</b>      |                                                                                                                                                                                                                                                           | <b>£000</b> | <b>£000</b> | <b>£000</b>                        | <b>£000</b> | <b>£000</b> | <b>£000</b>                        |
| <b>Subsidiaries</b>                                         |                                                                                                                                                                                                                                                           |             |             |                                    |             |             |                                    |
| 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)                               | (11)        | 0           | (60)                               |
| CATER <sup>ed</sup> Ltd (formerly Education Catering)       | CATER <sup>ed</sup> is a co-operative trading company which is jointly owned by 67 local schools and Plymouth City Council. Plymouth City Council is the majority shareholder with 51% of the shares.                                                     | (224)       | 3,519       | 32                                 | (212)       | 1,882       | 12                                 |
| <b>Joint Arrangements</b>                                   |                                                                                                                                                                                                                                                           |             |             |                                    |             |             |                                    |
| DELT Shared Services Ltd                                    | DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and NEW Devon CCG.                                                                                                                    | (272)       | 9,966       | (528)                              | (131)       | 9,449       | 95                                 |
| 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. | (85)        | 15          | 1,956                              | (50)        | 10          | 1,956                              |

## Central Government

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

## Members and Officers

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

The total of members allowances paid in 2017/18 is disclosed in note [25](#).

Members and Officers of the Council have returned 72 declarations of Related Party Transactions for 2017/18, a response rate of 92 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 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. 2017/18 was the fourth 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: [www.deltservices.co.uk](http://www.deltservices.co.uk).

- **CATER<sup>ed</sup>**

CATER<sup>ed</sup> is a co-operative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATER<sup>ed</sup> is 49 per cent owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

Plymouth City Council is the majority shareholder of CATER<sup>ed</sup> with 51 per cent of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

For more information about CATER<sup>ed</sup> and its financial performance, please visit its website: [www.plymouth.gov.uk/catered](http://www.plymouth.gov.uk/catered).

## Joint Committees

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

- **Devon Audit Partnership**

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

Devon County Council is the host Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Plymouth's share equates to 27 per cent and its contribution to the partnership for 2017/18 was £0.319m (2016/17: £0.313m).

- **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 [www.plymouth.gov.uk/aboutcouncil/ourpartnersandpartnerships](http://www.plymouth.gov.uk/aboutcouncil/ourpartnersandpartnerships).



### 31. Capital Expenditure and Capital Financing

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

| Capital Financing Requirement                                                                        | 2016/17         | 2017/18         |
|------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                      | £000            | £000            |
| <b>Opening Capital Financing Requirement 1 April</b>                                                 | <b>306,016</b>  | <b>353,914</b>  |
| <b>Capital Investment</b>                                                                            |                 |                 |
| Property, Plant and Equipment                                                                        | 43,522          | 62,587          |
| Investment Properties                                                                                | 30,898          | 30,201          |
| Intangible Assets                                                                                    | 1,342           | 0               |
| Heritage Assets                                                                                      | 53              | 589             |
| Revenue Expenditure Funded from Capital under Statute                                                | 8,714           | 9,380           |
| Other Capital Expenditure                                                                            | 6,483           | 855             |
| <b>Total</b>                                                                                         | <b>91,012</b>   | <b>103,612</b>  |
| <b>Sources of Finance</b>                                                                            |                 |                 |
| Capital Receipts                                                                                     | (1,216)         | (7,765)         |
| less: Long Term Debtors written out in year                                                          | 21              | 81              |
| Grants and Contributions applied in year                                                             | (37,591)        | (29,468)        |
| Revenue and Other Funds                                                                              | (1,177)         | (484)           |
| Minimum Revenue Provision                                                                            | (3,151)         | (5,287)         |
| <b>Total</b>                                                                                         | <b>(43,114)</b> | <b>(42,923)</b> |
| <b>Closing Capital Financing Requirement 31 March</b>                                                | <b>353,914</b>  | <b>414,603</b>  |
| <b>Explanation of Movement in Year</b>                                                               |                 |                 |
| Increase in underlying need to borrow                                                                | 51,269          | 68,483          |
| Reduction in underlying need to borrow resulting from other changes in Capital financing Requirement | (3,371)         | (7,794)         |
| <b>Increase/Decrease in Capital Financing Requirement</b>                                            | <b>47,898</b>   | <b>60,689</b>   |

### 32. Leases

#### 32.1 Council as a lessee – operating leases

The Council leases vehicles, equipment and some buildings under operating leases 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 17  | 31 March 18  |
|---------------------------------------------------|--------------|--------------|
|                                                   | £000         | £000         |
| Not later than one year                           | 853          | 924          |
| Later than one year and not later than five years | 2,687        | 2,564        |
| Later than five years                             | 5,271        | 4,757        |
| <b>Total</b>                                      | <b>8,811</b> | <b>8,245</b> |

The minimum lease payment charged in the Comprehensive Income and Expenditure Statement during the year in relation to these assets was £0.977m (2016/17: £0.902m).

### 32.2 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 17    | 31 March 18    |
|---------------------------------------------------|----------------|----------------|
|                                                   | £000           | £000           |
| Not later than one year                           | 7,324          | 8,074          |
| Later than one year and not later than five years | 24,107         | 27,117         |
| Later than five years                             | 326,698        | 329,249        |
| <b>Total</b>                                      | <b>358,129</b> | <b>364,440</b> |

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

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.

## 33. Private Finance Initiatives (PFI) and Similar Contracts

### 33.1 Schools PFI

The Council makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £5.471m was made in 2017/18 (2016/17: £5.388m). Payments remaining to be made under the PFI contract at 31 March 2018, 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 2017/18  | 2,155                | 969                                  | 2,347         | 5,471         |
| Payable in 2018/19                     | 2,318                | 979                                  | 2,262         | 5,559         |
| Payable within two to five years       | 10,245               | 4,476                                | 8,166         | 22,887        |
| Payable within six to ten years        | 14,959               | 7,560                                | 7,674         | 30,193        |
| Payable within eleven to fifteen years | 16,712               | 11,681                               | 3,777         | 32,170        |
| Payable within sixteen to twenty years | 1,537                | 1,208                                | 44            | 2,789         |
| <b>Total</b>                           | <b>45,771</b>        | <b>25,904</b>                        | <b>21,923</b> | <b>93,598</b> |

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

| Movement in PFI Liability           | 2016/17       | 2017/18       |
|-------------------------------------|---------------|---------------|
|                                     | £000          | £000          |
| Balance outstanding 1 April         | 27,775        | 26,873        |
| Payments during the year            | (902)         | (969)         |
| <b>Balance Outstanding 31 March</b> | <b>26,873</b> | <b>25,904</b> |

The Council has secured PFI credits to the value of £53m, to which interest is added resulting in total Government support of £105.871m over the contract period, and this together with an annual 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 £3.982 per annum. Spend to be incurred during the contract will vary from year to year as lifecycle works are undertaken. The Council transfers any surplus resources for the PFI scheme to a PFI reserve to match commitments that will be incurred in future years.

### 33.2 South West Devon (SWD) Energy from Waste (EfW) Partnership

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

| PFI Outstanding Liabilities                    | Payment for Services | Reimbursement of Capital Expenditure | Interest      | Total          |
|------------------------------------------------|----------------------|--------------------------------------|---------------|----------------|
|                                                | £000                 | £000                                 | £000          | £000           |
| Total Payments to Operator in 2017/18          | 3,541                | 177                                  | 3,686         | 7,404          |
| Payable in 2018/19                             | 3,630                | 250                                  | 3,665         | 7,545          |
| Payable within two to five years               | 16,043               | 856                                  | 14,490        | 31,389         |
| Payable within six to ten years                | 23,663               | 2,927                                | 17,036        | 43,626         |
| Payable within eleven to fifteen years         | 25,844               | 7,986                                | 14,540        | 48,370         |
| Payable within sixteen to twenty years         | 30,984               | 14,791                               | 8,806         | 54,581         |
| Payable within twenty one to twenty five years | 11,371               | 7,258                                | 839           | 19,468         |
| <b>Total</b>                                   | <b>111,535</b>       | <b>34,068</b>                        | <b>59,376</b> | <b>204,979</b> |

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

| Movement in PFI Liability           | 2016/17 Plymouth Share | 2016/17 Deferred Income | 2017/18 Plymouth Share | 2017/18 Deferred Income |
|-------------------------------------|------------------------|-------------------------|------------------------|-------------------------|
|                                     | £000                   | £000                    | £000                   | £000                    |
| Balance outstanding 1 April         | 34,387                 | 55,769                  | 34,246                 | 53,445                  |
| Payments during the year            | (141)                  | (2,324)                 | (177)                  | (2,324)                 |
| <b>Balance Outstanding 31 March</b> | <b>34,246</b>          | <b>53,445</b>           | <b>34,069</b>          | <b>51,121</b>           |

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

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

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

## 34. Pensions

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

### 34.1 Pension 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 2017/18, Plymouth City Council paid £3.454m to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.95 per cent of pensionable pay. The figures for 2016/17 were £5.022m and 15.92 per cent. There were no contributions remaining payable at the year-end. In 2017/18 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](#).

### 34.2 Defined Benefit Pension Schemes

#### Local Government Pension Scheme (LGPS)

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme 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                                                                                              | Restated<br>2016/17 | 2017/18         |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------|
|                                                                                                                                             | £000                | £000            |
| <b>Cost of Services</b>                                                                                                                     |                     |                 |
| Service cost comprising:                                                                                                                    |                     |                 |
| Current Service Cost                                                                                                                        | 19,474              | 28,257          |
| Past Service Cost                                                                                                                           | 893                 | 94              |
| (Gain)/loss from settlements                                                                                                                | (17,651)            | 5,049           |
| <b>Financing and Investment Income and Expenditure</b>                                                                                      |                     |                 |
| Net interest expense                                                                                                                        | 16,103              | 15,897          |
| <b>Other Operating Expenditure</b>                                                                                                          |                     |                 |
| Administration expenses                                                                                                                     | 356                 | 354             |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>                                         | <b>19,175</b>       | <b>49,651</b>   |
| <b>Other Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>                                       |                     |                 |
| Re-measurement of the net defined benefit liability comprising:                                                                             |                     |                 |
| Return on plan assets (excluding the amount included in the net interest expense)                                                           | (84,448)            | (9,326)         |
| Actuarial gains and losses arising on changes in demographic assumptions                                                                    | 9,318               | 0               |
| Actuarial gains and losses arising on changes in financial assumptions                                                                      | 247,278             | (60,193)        |
| Experience gain/(loss) on defined benefit obligation                                                                                        | (41,335)            | 0               |
| Other (if applicable)                                                                                                                       | (6,581)             | 0               |
| <b>Total Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>                                       | <b>143,407</b>      | <b>(19,868)</b> |
| <b>Movement in Reserves Statement</b>                                                                                                       |                     |                 |
| Reversal of net charges made to the Surplus of Deficit on the Provision of Services for post-employment benefit in accordance with the Code | (19,175)            | (49,651)        |
| <b>Actual amount charged against the General Fund Balance for pensions in the year:</b>                                                     |                     |                 |
| Employers' contribution payable to scheme                                                                                                   | 17,295              | 16,577          |
| Retirement benefits payable to pensioners                                                                                                   | 3,307               | 3,247           |
| Adjustment re: net increase/(decrease) pre LGR pension Liability                                                                            | (817)               | 1,018           |

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

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

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

| Reconciliation of present value of the scheme liabilities (defined benefit obligation) | Restated 2016/17   | 2017/18            |
|----------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                        | £000               | £000               |
| <b>Opening balance at 1 April</b>                                                      | <b>(1,017,719)</b> | <b>(1,254,225)</b> |
| Current service cost                                                                   | (19,763)           | (28,257)           |
| Interest cost                                                                          | (37,537)           | (33,790)           |
| Change in financial assumptions                                                        | (253,572)          | 60,193             |
| Change in demographic assumptions                                                      | 6,571              | 0                  |
| Experience loss/(gain) on defined benefit obligation                                   | 41,326             | 0                  |
| Liabilities assumed / (extinguished) on settlements                                    | 511                | (16,103)           |
| Estimated benefits paid net of transfers in                                            | 29,965             | 30,122             |
| Past service costs, including curtailments                                             | (893)              | (94)               |
| Contributions by scheme participants                                                   | (5,181)            | (5,338)            |
| Unfunded pension payments                                                              | 2,067              | 2,047              |
| <b>Closing present value of liabilities</b>                                            | <b>(1,254,225)</b> | <b>(1,245,445)</b> |

| Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets            | 2016/17          | 2017/18          |
|--------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                      | £000             | £000             |
| <b>Opening fair value of scheme assets</b>                                           | <b>565,077</b>   | <b>660,037</b>   |
| Interest income                                                                      | 21,125           | 17,893           |
| Re-measurement gain/(loss):                                                          |                  |                  |
| The return on plan assets, excluding the amount included in the net interest expense | 84,448           | 9,326            |
| Other actuarial gains/(losses)                                                       | (9,298)          | 0                |
| Administration Expenses                                                              | (356)            | (354)            |
| Contributions from employer                                                          | 17,295           | 16,577           |
| Contributions from employees into the scheme                                         | 5,181            | 5,338            |
| Benefits paid                                                                        | (32,032)         | (32,169)         |
| Settlement prices received / (paid)                                                  | 8,597            | 11,054           |
| <b>Closing present value of Assets</b>                                               | <b>660,037</b>   | <b>687,702</b>   |
| <b>Closing balance at 31 March</b>                                                   | <b>(594,188)</b> | <b>(557,743)</b> |

### 34.4 Scheme history (PCC)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £557.7m 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 2019 is £17.519m.

### 34.5 Basis for Estimating Assets and Liabilities (PCC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2018.

| Basis for Estimating Assets and Liabilities | 2016/17 | 2017/18 |
|---------------------------------------------|---------|---------|
| Mortality assumptions:                      |         |         |
| Longevity at 65 for current pensioners:     |         |         |
| Men                                         | 23.4    | 23.5    |
| Women                                       | 25.5    | 25.6    |
| Longevity at 65 for future pensioners:      |         |         |
| Men                                         | 25.6    | 25.7    |
| Women                                       | 27.8    | 27.9    |
| Rate of inflation (CPI)                     | 2.7%    | 2.3%    |
| Rate of increase in salaries                | 4.2%    | 3.8%    |
| Rate of increase in pensions                | 2.7%    | 2.3%    |
| Rate for discounting scheme liabilities     | 2.7%    | 2.6%    |

| Impact on the Defined Benefit Obligation in the Scheme               | Decrease in assumption | No change | Increase in assumption |
|----------------------------------------------------------------------|------------------------|-----------|------------------------|
|                                                                      | £000                   | £000      | £000                   |
| Longevity (increase or decrease in 1 year)                           | (1,199,505)            | 1,245,445 | 1,293,203              |
| Rate of increase in salaries (increase or decrease by 1%)            | (1,243,605)            | 1,245,445 | 1,247,296              |
| Rate of increase in pensions (increase or decrease by 1%)            | (1,224,067)            | 1,245,445 | 1,267,228              |
| Rate for discounting scheme liabilities (increase or decrease by 1%) | (1,269,045)            | 1,245,445 | 1,222,306              |

### 34.6 Total assets (PCC)

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

| Categories by proportion of the total assets held | 31 Mar 2017 | 31 Mar 2018 |
|---------------------------------------------------|-------------|-------------|
|                                                   | %           | %           |
| Equities                                          | 74          | 74          |
| Gilts                                             | 3           | 3           |
| Property                                          | 13          | 13          |
| Cash                                              | 3           | 2           |
| Other investments                                 | 7           | 8           |
| <b>Total</b>                                      | <b>100</b>  | <b>100</b>  |



### 34.7 Pension assets and liabilities recognised in the balance sheet

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

| Pensions Assets and Liabilities Recognised in the Balance Sheet | Restated<br>2016/17 | 2017/18        |
|-----------------------------------------------------------------|---------------------|----------------|
|                                                                 | £000                | £000           |
| Present value of the defined benefit                            | 1,211,990           | 1,205,340      |
| Fair value of plan assets                                       | (660,037)           | (687,702)      |
| <b>Net liability</b>                                            | <b>551,953</b>      | <b>517,638</b> |
| Other movements in the liability                                | 42,235              | 40,105         |
| <b>Net liability arising from defined benefit obligation</b>    | <b>594,188</b>      | <b>557,743</b> |

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

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

| Comprehensive Income & Expenditure Statement                                                                                                | 2016/17      | 2017/18    |
|---------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|
|                                                                                                                                             | £'000        | £'000      |
| <b>Cost of Services:</b>                                                                                                                    |              |            |
| Service cost                                                                                                                                | 470          | 598        |
| <b>Financing and Investment Income &amp; Expenditure:</b>                                                                                   |              |            |
| Net interest expense                                                                                                                        | 122          | 98         |
| <b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>                                        | <b>592</b>   | <b>696</b> |
| <b>Other Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>                                       |              |            |
| Re-measurement of the net defined benefit liability comprising:                                                                             |              |            |
| Return on plan assets (excluding the amount included in the net interest expense)                                                           | 43           | (121)      |
| Actuarial gains and losses arising on changes in demographic assumptions                                                                    | (44)         | 0          |
| Actuarial gains and losses arising on changes in financial assumptions                                                                      | 1,619        | (226)      |
| Experience gain/(loss) on defined benefit obligation                                                                                        | (1,031)      | 0          |
| <b>Total Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>                                       | <b>1,179</b> | <b>349</b> |
| <b>Movement in Reserves Statement</b>                                                                                                       |              |            |
| Reversal of net charges made to the Surplus of Deficit on the Provision of Services for post-employment benefit in accordance with the Code | (592)        | (695)      |
| <b>Actual amount charged against the General Fund Balance for pensions in the year:</b>                                                     |              |            |
| Employers' contribution payable to scheme                                                                                                   | 349          | 357        |

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

| Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation) | 2016/17         | 2017/18         |
|----------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                        | £000            | £000            |
| <b>Opening balance at 1 April</b>                                                      | <b>(10,789)</b> | <b>(11,991)</b> |
| Current service cost                                                                   | (384)           | (598)           |
| Past Service Cost                                                                      | (86)            | 0               |
| Interest cost                                                                          | (382)           | (305)           |
| Contributions from scheme participants                                                 | (94)            | (101)           |
| Re-measurement (gains) and losses:                                                     |                 |                 |
| Actuarial gains/losses arising from changes in demographic assumptions                 | 44              | 0               |
| Actuarial gains/losses arising from changes in financial assumptions                   | (1,619)         | 226             |
| Experience loss/(gain) on defined benefit obligation                                   | 1,031           | 0               |
| Benefits paid                                                                          | 288             | 293             |
| <b>Closing present value of liabilities</b>                                            | <b>(11,991)</b> | <b>(12,476)</b> |

| Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets            | 2016/17        | 2017/18        |
|--------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                      | £000           | £000           |
| <b>Opening fair value of scheme assets</b>                                           | <b>7,835</b>   | <b>8,205</b>   |
| Interest income                                                                      | 260            | 207            |
| Re-measurement gain/(loss):                                                          |                |                |
| The return on plan assets, excluding the amount included in the net interest expense | (43)           | 121            |
| Contributions from employer                                                          | 349            | 357            |
| Contributions from employees into the scheme                                         | 93             | 101            |
| Benefits paid                                                                        | (289)          | (293)          |
| <b>Closing fair value of scheme assets</b>                                           | <b>8,205</b>   | <b>8,698</b>   |
| <b>Closing balance at 31 March</b>                                                   | <b>(3,786)</b> | <b>(3,778)</b> |

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £3.778m 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 2019 is £3.620m.

### 34.10 Scheme History (TB&TFJC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, 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 2018.

### 34.11 Basis for Estimating Assets and Liabilities (TB&TFJC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. 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 2018.

| Basis for Estimating Assets and Liabilities | 2016/17 | 2017/18 |
|---------------------------------------------|---------|---------|
| Mortality assumptions:                      |         |         |
| Longevity at 65 for current pensioners:     |         |         |
| Men                                         | 22.1    | 22.1    |
| Women                                       | 24.5    | 24.5    |
| Longevity at 65 for future pensioners:      |         |         |
| Men                                         | 24.0    | 24.0    |
| Women                                       | 26.4    | 26.4    |
| Rate of increase in salaries                | 2.5%    | 2.5%    |
| Rate of increase in pensions                | 2.4%    | 2.4%    |
| Rate for discounting scheme liabilities     | 2.6%    | 2.5%    |

## 35. Contingent Assets and Liabilities

### 35.1 Contingent Assets

The Council has the following contingent assets to report:

#### Plymouth Airport

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

### 35.2 Contingent liabilities

The Council has the following contingent liabilities to report.

#### Plymouth Community Homes

As part of the stock transfer negotiations the Council was required to provide a number of warranties to the funders of Plymouth Community Homes. These 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 (PCH) the costs of asbestos containment or removal should the cost of such works exceed £10m in the first 12.5 years. Plymouth Community Homes have advised the Council that they will reach the £10m expenditure cap in early 2018/19.

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 exposure to the Council was between £1.5m-£2m.

### **RIF Loan Agreement**

In June 2010 the Council 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.

The Council 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.

## COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2018

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.

| 2016/17         |                  |                  |                                                           | Note      | 2017/18         |                  |                  |
|-----------------|------------------|------------------|-----------------------------------------------------------|-----------|-----------------|------------------|------------------|
| Business Rates  | Council Tax      | Total            |                                                           |           | Business Rates  | Council Tax      | Total            |
| £000            | £000             | £000             | Income                                                    |           | £000            | £000             | £000             |
| 0               | (113,519)        | (113,519)        | Council tax receivable                                    | 1         | 0               | (120,073)        | (120,073)        |
| (90,835)        | 0                | (90,835)         | Business rates receivable                                 | 2         | (85,069)        | 0                | (85,069)         |
| <b>(90,835)</b> | <b>(113,519)</b> | <b>(204,354)</b> |                                                           |           | <b>(85,069)</b> | <b>(120,073)</b> | <b>(205,142)</b> |
|                 |                  |                  | <b>Expenditure</b>                                        |           |                 |                  |                  |
|                 |                  |                  | <b>Apportionment of previous year's surplus/(deficit)</b> |           |                 |                  |                  |
| 84              | 0                | 84               | Central Government                                        |           | (373)           | 0                | (373)            |
| 83              | 109              | 192              | Plymouth City Council                                     |           | (366)           | 407              | 41               |
| 0               | 14               | 14               | Devon and Cornwall Police and Crime Commissioner          |           | 0               | 52               | 52               |
| 2               | 6                | 8                | Devon and Somerset Fire and Rescue Service                |           | (7)             | 24               | 17               |
| <b>169</b>      | <b>129</b>       | <b>298</b>       |                                                           |           | <b>(746)</b>    | <b>483</b>       | <b>(263)</b>     |
|                 |                  |                  | <b>Precepts, demands and shares</b>                       | 3.1 & 3.2 |                 |                  |                  |
| 47,007          | 0                | 47,007           | Central Government                                        |           | 43,824          | 0                | 43,824           |
| 46,067          | 94,082           | 140,149          | Plymouth City Council                                     |           | 42,948          | 99,614           | 142,562          |
| 0               | 12,072           | 12,072           | Devon and Cornwall Police and Crime Commissioner          |           | 0               | 12,476           | 12,476           |
| 940             | 5,586            | 6,526            | Devon and Somerset Fire and Rescue Service                |           | 877             | 5,773            | 6,650            |
| <b>94,014</b>   | <b>111,740</b>   | <b>205,754</b>   |                                                           |           | <b>87,649</b>   | <b>117,863</b>   | <b>205,512</b>   |
|                 |                  |                  | <b>Charges to the Collection Fund</b>                     |           |                 |                  |                  |
| 236             | 0                | 236              | Renewable Energy Disregard                                |           | 193             | 0                | 193              |
| 655             | 721              | 1,376            | Write offs of uncollectable amounts                       |           | 505             | 496              | 1,001            |
| (109)           | 642              | 533              | Increase/(Decrease) in Bad Debt Provision                 | 4.1 & 4.2 | (269)           | 304              | 35               |
| 45              | 0                | 45               | Increase/(Decrease) in Provision for Appeals              | 5         | 5,964           | 0                | 5,964            |
| 315             | 0                | 315              | Cost of collection allowance                              |           | 311             | 0                | 311              |
| 1               | 0                | 1                | Interest on refunds                                       |           | 0               | 0                | 0                |
| <b>1,143</b>    | <b>1,363</b>     | <b>2,506</b>     |                                                           |           | <b>6,704</b>    | <b>800</b>       | <b>7,504</b>     |
| <b>4,491</b>    | <b>(287)</b>     | <b>4,204</b>     | <b>(Surplus)/Deficit for the year</b>                     |           | <b>8,538</b>    | <b>(927)</b>     | <b>7,611</b>     |
|                 |                  |                  | <b>Collection Fund Balance</b>                            |           |                 |                  |                  |
| 2,084           | (802)            | 1,282            | Balance as at 1st April                                   |           | 6,573           | (1,089)          | 5,484            |
| 4,491           | (287)            | 4,204            | (Surplus)/Deficit for the year (as above)                 |           | 8,538           | (927)            | 7,611            |
| <b>6,575</b>    | <b>(1,089)</b>   | <b>5,486</b>     | <b>Balance as at 31st March</b>                           |           | <b>15,111</b>   | <b>(2,016)</b>   | <b>13,095</b>    |
|                 |                  |                  | Allocated to:                                             | 6         |                 |                  |                  |
| 3,288           | 0                | 3,288            | Central Government                                        |           | 7,556           | 0                | 7,556            |
| 3,221           | (919)            | 2,302            | Plymouth City Council                                     |           | 7,404           | (1,702)          | 5,702            |
| 0               | (116)            | (116)            | Devon and Cornwall Police and Crime Commissioner          |           | 0               | (216)            | (216)            |
| 66              | (54)             | 12               | Devon and Somerset Fire and Rescue Service                |           | 151             | (98)             | 53               |
| <b>6,575</b>    | <b>(1,089)</b>   | <b>5,486</b>     | <b>Total allocated</b>                                    |           | <b>15,111</b>   | <b>(2,016)</b>   | <b>13,095</b>    |

## NOTES TO THE COLLECTION FUND

### 1. Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 70,775 in 2017/18 (2016/17: 69,846).

The basic amount of Council Tax for a Band D property (2017/18: £1,665.32) 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                             | 44,404                            | 28,157                           | 18,763             | 98.5%                      | 18,482                      |
| B                             | 30,414                            | 24,328                           | 18,922             | 98.5%                      | 18,638                      |
| C                             | 21,385                            | 18,855                           | 16,760             | 98.5%                      | 16,508                      |
| D                             | 8,829                             | 8,059                            | 8,059              | 98.5%                      | 7,938                       |
| E                             | 4,601                             | 4,326                            | 5,287              | 98.5%                      | 5,208                       |
| F                             | 1,687                             | 1,590                            | 2,297              | 98.5%                      | 2,263                       |
| G                             | 538                               | 507                              | 845                | 98.5%                      | 832                         |
| H                             | 28                                | 20                               | 41                 | 98.5%                      | 40                          |
|                               | <b>111,886</b>                    | <b>85,842</b>                    | <b>70,974</b>      |                            | <b>69,909</b>               |
| Adjustment for MOD Properties |                                   |                                  |                    |                            | 866                         |
| <b>Tax Base Totals</b>        |                                   |                                  | <b>70,974</b>      |                            | <b>70,775</b>               |

The Council Tax Base was calculated at the time the 2017/18 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 £117.863m (£1,665.32 x 70,775). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £120.073m (2016/17: £113.519m).

### 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 47.9p in 2017/18 (2016/17: 49.7p).

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 2017/18 were estimated before the start of the financial year as £43.5m to Central Government, £0.9m to DSFRA and £43.1m to Plymouth City Council. These sums have been paid during 2017/18 and charged to the Collection Fund in year and include the previous year's deficit.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2017/18 Plymouth had a baseline amount of £54.5m and received a top-up of £13.8m 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 £50.4m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2017/18.

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 2018 the Council included a provision of £8.126m.

For 2017/18, the total non-domestic rateable value at the end of the year was £230.738m (2016/17: £229.882m).

The total income from ratepayers in 2017/18 was £85.069m (2016/17: £90.835m).

This sum included £4.756m 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 2017/18, £0.8m (2016/17: £1.363m) was contributed to the Account and £0.496m (2016/17: £0.721m) of irrecoverable debt was

written off. The bad debts provision for this year is £4.064m (2016/17: £3.76m) and the movement in the provision is shown as follows:

| Movement in Council Tax Allowance for Non-Collectability of Debt Account | 2016/17      | 2017/18      |
|--------------------------------------------------------------------------|--------------|--------------|
|                                                                          | £000         | £000         |
| <b>Balance brought forward 1 April</b>                                   | <b>3,118</b> | <b>3,760</b> |
| Write Offs                                                               | (721)        | (496)        |
| Contributions in year                                                    | 1,363        | 800          |
| Net change in provision                                                  | 642          | 304          |
| <b>Balance at 31 March</b>                                               | <b>3,760</b> | <b>4,064</b> |

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 £0.635m leaving a balance of £3.429m 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 | 2016/17    | 2017/18    |
|------------------------------------------------------------------|------------|------------|
|                                                                  | £000       | £000       |
| <b>Balance brought forward 1 April</b>                           | <b>741</b> | <b>632</b> |
| Write Offs                                                       | (655)      | (505)      |
| Contributions in year                                            | 546        | 236        |
| Net change in provision                                          | (109)      | (269)      |
| <b>Balance at 31 March</b>                                       | <b>632</b> | <b>363</b> |

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) | 2016/17    | 2017/18    |
|-----------------------------------------------------------------------------------|------------|------------|
|                                                                                   | £000       | £000       |
| <b>Balance brought forward 1 April</b>                                            | <b>363</b> | <b>309</b> |
| Write Offs                                                                        | (322)      | (247)      |
| Contributions to provision                                                        | 268        | 116        |
| Net change in provision                                                           | (54)       | (131)      |
| <b>Closing balance at 31 March</b>                                                | <b>309</b> | <b>178</b> |



## 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 2018.

| Movement in NDR Allowance for Appeals  | 2016/17      | 2017/18      |
|----------------------------------------|--------------|--------------|
|                                        | £000         | £000         |
| <b>Balance brought forward 1 April</b> | <b>2,117</b> | <b>2,162</b> |
| Provision used in year                 | (2,117)      | (1,426)      |
| Contributions to provision             | 2,162        | 7,390        |
| Net change in provision                | 45           | 5,964        |
| <b>Closing balance at 31 March</b>     | <b>2,162</b> | <b>8,126</b> |

The Council's proportionate share of the provision for appeals for this year is £3.982m (2016/17: £1.059m), the proportionate share of the preceptors are shown on the Balance Sheet as Debtors.

| Movement in NDR Allowance for Appeals (Plymouth share) | 2016/17      | 2017/18      |
|--------------------------------------------------------|--------------|--------------|
|                                                        | £000         | £000         |
| <b>Balance brought forward 1 April</b>                 | <b>1,037</b> | <b>1,059</b> |
| Provision used in year                                 | (1,037)      | (698)        |
| Contributions to provision in relation to prior years  | 1,059        | 3,621        |
| Net change in provision                                | 22           | 2,923        |
| <b>Closing balance at 31 March</b>                     | <b>1,059</b> | <b>3,982</b> |

## 6. Distribution of Collection Fund Surpluses and Deficits

The net accumulated deficit on the Collection Fund at 31 March 2018 amounts to £13.095m (2016/17: £5.486m deficit) with £2.016m surplus relating to Council Tax collection, £0.001m surplus relating to Community Charge and £15.111m 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 2018/19 and 2019/20 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 2019/20.

The £2.016m surplus is apportioned as follows: Plymouth City Council £1.702m, Devon and Cornwall Police and Crime Commissioner £0.216m and Devon and Somerset Fire and Rescue Authority £0.098m.

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 2019/20.