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Democratic and Member Support
Chief Executive's Department
Plymouth City Council
Ballard House
Plymouth PL1 3BJ

Please ask for Nicola Kirby
T 01752 304867
E nicola.kirby@plymouth.gov.uk
www.plymouth.gov.uk/democracy
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CITY COUNCIL SUPPLEMENT

Monday 23 February 2015
2.00 pm
Council House (Next to the Civic Centre), Plymouth

Members:
The Lord Mayor, Councillor Fox, Chair

The Deputy Lord Mayor, Councillor Murphy, Vice Chair

Councillors Mrs Aspinall, Ball, Mrs Beer, Bowie, Bowyer, Mrs Bowyer, Mrs Bridgeman, Casey, Churchill, Coker, Damarell, Darcy, Philippa Davey, Sam Davey, Downie, Drean, Evans, K Foster, Mrs Foster, Fry, Hendy, James, Jarvis, Jordan, Martin Leaves, Michael Leaves, Sam Leaves, Lowry, Dr. Mahony, McDonald, Morris, Mrs Nelder, Nicholson, Mrs Nicholson, Parker-Delaz-Ajete, Penberthy, Mrs Pengelly, Rennie, Ricketts, Riley, Dr. Salter, Singh, John Smith, Peter Smith, Sparling, Stark, Stevens, Storer, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler and Wigens.

I refer to the agenda for the above meeting and attach the updated report on delivering the co-operative vision within a four year budget and proposed Council Tax 2015/16.

Tracey Lee
Chief Executive

CITY COUNCIL

AGENDA

PART I – PUBLIC MEETING

5. UPDATED REPORT ON DELIVERING THE CO-OPERATIVE VISION WITHIN A FOUR YEAR BUDGET AND PROPOSED COUNCIL TAX 2015/16 **(Pages 1 - 124)**

The City Council will be asked to –

- consider the updated report of the Chief Executive on delivering the co-operative vision within a four year sustainable budget and the proposed Council Tax levels for 2015/16;
- approve the proposed net revenue budget requirement for 2015/16;
- approve the capital budget 2014/18;
- approve the Treasury Management Strategy and Annual Investment Strategy 2015/16;
- note the mid-year review of the 2014/15 Treasury Management Strategy;
- approve the appointment of an interim Section 151 officer;
- note the capital and revenue monitoring report 2014/15;
- approve the Council Tax for 2015/16.

The following Cabinet minutes of the meeting held on 10 February 2015 will also be submitted for consideration –

Appendix 1	Minute 125	Delivering the co-operative vision within a three year sustainable balanced budget.
Appendix 2	For information: Cabinet's response to the scrutiny recommendations and the scrutiny report.	
Appendix 3	Minute 126	Treasury Management Strategy and Annual Investment Strategy 2015/16 and mid-year review of the 2014/15 Treasury Management Strategy;.
Appendix 4	Minute 127	Capital and revenue monitoring report 2014/15

PLYMOUTH CITY COUNCIL

Subject:	Updated report on Delivering the Co-operative Vision within a Four Year Budget and Proposed Council Tax Levels.
Committee:	City Council
Date:	23 February 2015
Cabinet Member:	Councillor Lowry
CMT Member:	Tracey Lee (Chief Executive)
Author:	David Northey, Head of Corporate Strategy
Contact details	Tel: 01752 305428 email: david.northey@plymouth.gov.uk
Ref:	
Key Decision:	No
Part:	I

Purpose of the report:

This report is a technical requirement to set out the decisions of Cabinet of 10 February 2015 to recommend a balanced Revenue Budget for 2015/16 within the four year 2015/16 – 2018/19 budget plan, and Capital Budget for 2015/16 – 2017/18. In addition, Council is recommended to approve the Treasury Management Strategy Statement and Annual Investment Strategy 2015/16, including changes to the prudential indicators; note the mid-year review of the 2014/15 Treasury Management Strategy which has been referred to the City Council by the Audit Committee; approve the recommendation from the Chief Officers' Appointments Committee to cover the interim arrangements for the Council's Section 151 Officer. In addition, Council is asked to note the Capital and Revenue Monitoring Report 2014/15.

Council is also recommended to set the Council Tax amounts for 2015/16 as set out in this report.

The following appendices are included with this report:

Appendix 1 Delivering the Co-operative Vision within a 4 year budget

Appendix 2 Scrutiny report on Delivering the Co-operative Vision within a Four Year Budget

Appendix 3 Treasury Management Strategy Statement and Annual Investment Strategy 2014/15 including the mid-year review of the 2014/15 Treasury Management Strategy

Appendix 4 Capital and Revenue Monitoring Report 2014/15

The Brilliant Co-operative Council Corporate Plan 2013/14 – 2016/17:

In July 2013, the Council adopted a new Corporate Plan, to be a Brilliant Co-operative Council. The plan contains ambitious objectives around the themes of Pioneering, Growing, Caring and Confident Plymouth. It focuses on Co-operative values which will inform the way that the Council goes about its business.

Setting a robust, reliable four year budget is crucial for the council to deliver against its co-operative vision. With falling resources and increasing demand and costs on our services, it is imperative that a more strategic, and prioritised, approach is taken to medium term budget setting.

Implications for Medium Term Financial Plan and Resource Implications:

In broad terms, the revenue resource forecasts detailed in the December 2014 budget papers have not changed significantly for 2015/16 although the mix of the individual component elements have changed. However, as announced at Cabinet 10 February 2015, following consultation on the Settlement, Plymouth City Council was awarded an additional one-off £0.439m towards the provision of social care during 2015/16. This allocation has now been incorporated into the 2015/16 budget.

Once approved this budget will become the base for the Medium Term Financial Strategy. As the Local Government funding environment remains highly volatile any significant updates to Medium Term Financial Forecasts will be incorporated within quarterly monitoring throughout 2015/16 in order to factor in changes to estimates and spend commitments.

The 2015/16 revenue resources, as stated in the published budget papers, were £190.870m. Although shown within the overall savings package for next year, some of these transactions have to be treated as income along with other changes to resources as follows:

- £0.650m additional business rates from growth (transformation);
- £0.650m additional council tax from building more houses (transformation);
- £0.400m re-calculation of business rates incorporating pooling arrangements
- £0.439m one-off additional funding from the final Settlement allocation, following consultation, allocated for social care provision

Therefore, the final target revenue budget for 2015/16 is £193.009m. To achieve like for like comparison, target budgets have been stated prior to changes to management responsibilities in late 2014. Relevant adjustments will be made early in the new financial year.

This budget requires, as detailed in the published papers, a council tax increase of 1.99 per cent in 2015/16.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

All actions being taken have been considered for their impact on: council priorities, legal obligations, customers and other services and partners. Each separate action has been risk assessed in terms of potential barriers to implementation with corresponding mitigation put in place.

Equality and Diversity

An EIA was published as a background paper with the December 2014 Budget Report to Cabinet. We have given due regard to our Public Sector Equality Duty for all relevant management actions and budget solutions that underpin this budget, our summary of this consideration was appended to Cabinet in February as a background paper. Wherever potential adverse impact is identified we will conduct a full Equality Impact Assessment.

Recommendations and Reasons for recommended action:

The City Council is recommended:

1. To agree that the additional one-off resources as determined through the December 2014 Settlement are deployed to the 2015/16 revenue budget and allocated to the provision of social care within the People Directorate:

2. To approve an increase of one point nine nine per cent (1.99%) in Council Tax for 2015/16:

3. To approve the proposed net revenue budget requirement for 2015/16 of £193.009m;

4. To approve the total capital budget of £237.405m for 2014 to 2018. Any changes to the overall capital funding available to be sanctioned by the Council's Section 151 Officer;

5. to agree that all newly approved capital schemes are incorporated within regular public finance reporting;

6. to agree that using the Council tax base for 2015/16 as 68,460.0 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; calculate that the **Council tax requirement** for the Council's own purposes for 2015/16 is £90,406,907;

7. to agree that the following amounts are calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Act:

   a) £541,135,291being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act **(Gross Expenditure and Transfers to Reserves);**
   b) £450,728,384 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act **(Gross Income and Transfers from Reserves);**
   c) £90,406,907 being the amount by which the aggregate at 7(a) above exceeds the aggregate at 7(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council tax requirement** for the year. (Item R in the formula in section 31B of the Act);
   d) £1,320.58 being the amount at 7(c) above (Item R), all divided by Item T (6 above), calculated by the Council, in accordance with Section 31B of the Act, as the **basic amount of its Council tax** for the year;

8. To note that the Office of the Devon and Cornwall & Isles of Scilly Police Commissioner has issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area. These are included in the tables below, reflecting a 1.99% increase:

9. To note that the Devon and Somerset Fire and Rescue Authority precepts are shown assuming a proposed 1.99% increase. The precept will be proposed and expected to be approved at their budget meeting to be held on the morning of 20 February 2015; if there are any changes as a result of that meeting this table will be amended and the revised figures will be presented in advance of Full Council:

10. in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, to set the indicative aggregate amounts shown in the tables below as the amounts of Council Tax for 2015/16 for each part of its area and for each of the categories of dwellings -

Plymouth City Council after one point nine nine per cent (1.99%) increase

A	B	C	D	E	F	G	H
£880.38	£1,027.12	£1,173.85	£1,320.58	£1,614.04	£1,907.50	£2,200.96	£2,641.15

Devon and Cornwall Police and Crime Commissioner after one point nine nine per cent (1.99%) increase

A	B	C	D	E	F	G	H
£112.98	£131.81	£150.64	£169.47	£207.13	£244.79	£282.44	£338.93

Devon and Somerset Fire and Rescue Authority after one point nine nine per cent (1.99%) increase

A	B	C	D	E	F	G	H
£52.28	£60.99	£69.71	£78.42	£95.85	£113.27	£130.70	£156.84

Aggregate of Council Tax Requirements 2015/16							
A	B	C	D	E	F	G	H
£1,045.64	£1,219.92	£1,394.19	£1,568.46	£1,917.01	£2,265.56	£2,614.11	£3,136.93

11. that in accordance with the principles approved under 52ZB of the Local Government Finance Act 1992, the Council's relevant basic amount of council tax for 2015/16 is not more than two per cent (2%) higher than the relevant basic amount of council tax for 2014/15 and that it is therefore determined that the Council's relevant basic amount of Council Tax for 2015/16 is not excessive and for this reason a referendum will not be required:

12. To agree the annual Treasury Management Strategy and Annual Investment Strategy 2015/16 (incorporating the authorised limits, operational boundaries and prudential indicators) as submitted:

13. To note the mid-year review of the 2014/15 Treasury Management Strategy:

14. To note the Capital and Revenue Monitoring Report 2014/15:

15. To approve the recommendation from the Chief Officers' Appointments Committee to cover the interim arrangements for the Council's Section 151 Officer.

Alternative options considered and rejected:

A one year financial planning horizon will not support the long term decision making required to deliver the objectives of the Corporate Plan. The Council's financial stability will be put at risk unless a transformative appproach is taken to revising its delivery arrangements in the coming years.

We could present the budget and Council Tax level to a Full Council meeting in March, ahead of the statutory deadline of 31 March. However, this would give the tax payers in Plymouth very little advanced notice of the tax levels, and also make it difficult for our Revenues and Benefits department to ensure the required processes are in place to start collecting revenues as they become due.

Published work / information:

Delivering the Co-operative Vision within a 4 year Budget – December 2014

Delivering the Co-operative vision Council report Sept 2013

The Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting)

(England) Regulations 2003

Capital Financing Regulations (2012)

The Prudential Code for Capital Finance in Local Authorities (2011 edition)

Background papers:

None

Sign off:

Fin	DJN 14/15.44	Leg	DVS 22331	Mon Off	DVS 22331	HR		Assets		IT		Strat Proc	
Originating SMT Member: Malcolm Coe													
Have the Cabinet Members agreed the contents of the report? Yes													

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APPENDIX 1

DELIVERING THE CO-OPERATIVE VISION WITHIN A FOUR YEAR BUDGET

PLYMOUTH CITY COUNCIL

CABINET MINUTE 125

Further to the indicative report "Delivering the Co-operative Vision within a four year sustainable balanced budget" which was agreed by Cabinet on 9 December 2014 for consultation, Tracey Lee (Chief Executive) submitted a report on proposals for the 2015/16 budget.

The update report detailed -

(a) the impact of the December settlement for Plymouth compared with the Council's resource assumptions;

(b) how the £1.2m revenue gap for 2015/16 had been closed;

(c) a breakdown of costs and benefits attributable to the Council's Transformation Programme in 2015/16;

(d) a risk register detailing the high level risks associated with the revenue and capital budgets 2015/16 to 2018/19;

(e) that at the time of writing the report, the precepts had not been agreed for the Devon and Cornwall Police and Crime Commissioner and the Devon and Somerset Fire and Rescue Authority.

Councillor Lowry (Cabinet Member for Finance) introduced the proposals and indicated that –

(f) the budget would enable the Council to modernise delivery, protect front line services whilst working in a co-operative way;

(g) the majority of savings would come from the transformation programme;

(h) a graphic on the budget would be published on the website shortly;

(i) the proposed Council Tax was just under 2% given the choice between raising the tax or cutting vital services;

(j) the precept to the Devon and Somerset Fire and Rescue Authority would be determined on 20 February 2015;

(k) following representations to the government, an additional one off amount of £439,000 had been allocated for adult social care.

David Northey (Head of Corporate Strategy) and Malcolm Coe (Assistant Director for Finance) attended the meeting for this item.

Following an invitation from Councillor Evans (Council Leader), Cabinet Members reported on the improvements that had been delivered in their areas in the last 12 months, and also those that would be delivered in 2015/16, including –

(l) an additional 40 beds in extra care schemes;

(m) an increase in Domiciliary Care visits from 15 minutes to 30 minutes;

(n) a reduction in costs of £23m over the next two years from the transformation programme;

(o) a £200,000 investment in public toilets;

(p) 200 affordable homes for local people in housing need;

(q) investment in five schools: the expansion of three, rebuilding one and opening a new one;

(r) the continued investment in roads and infrastructure together with a significant investment in footways;

(s) strategic transport projects which included the A386, Marjon Link Road, Derriford Transport scheme and Outland Road;

(t) over 20 major events scheduled for 2015, in partnership with the City Centre Company and the Plymouth Waterfront Partnership, including MTV Crashed Plymouth and the British Fireworks Championship;

(u) the designation of Plymouth as one of four 'Ping' cities in the country to host the national initiative which was designed to get more people playing table tennis.

Cabinet Members expressed their thanks to Councillor Lowry, David Northey and the finance team for their work and support.

Councillor Evans also reported that this was the last Cabinet meeting for Malcolm Coe who would be leaving the authority shortly and on behalf of Cabinet, thanked him for his service and wished him well in the future.

Malcolm Coe responded and acknowledged the progress that had been made by the authority in the last seven years, particularly with regard to decision making and budget reporting.

Before putting the recommendations to the vote, Councillor Evans highlighted two amendments that were necessary to the proposed recommendations in the written report as follows –

(v) to amend recommendation 5 (capital programme) to read 2014 – 2018;

(w) to delete recommendation 6 as the capital delegation arrangements had already been approved and implemented.

Alternative options considered and reasons for the decision –

As set out in the report.

Agreed that a final version of the Revenue and Capital Budget for 2015/16 is presented for sign off to Full Council on 23 February 2015 and that the City Council is Recommended -

(1) to agree the amendments to the December Indicative Budget to close the

£1.2m 'gap' as set out in the written report;

(2) to approve an increase of 1.99% in Council Tax for 2015/16;

(3) to approve the proposed net revenue budget requirement for 2014/15 of £192.570m;

(4) to approve the total capital budget of £237.405m for 2014 to 2018. Any changes to the overall capital funding available to be sanctioned by the Council's Section 151 Officer;

(5) that all newly approved capital schemes are incorporated within regular public finance reporting;

(6) using the Council Tax base for 2015/16 as 68,460 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; calculate that the **Council Tax requirement** for the Council's own purposes for 2015/16 is £x;

(7) using the Council Tax base for 2015/16 as 66,958 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; to calculate that the **Council Tax requirement** for the Council's own purposes for 2015/16 is £x;

(8) that the following amounts are calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Act:

(a) £x being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act **(Gross Expenditure and Transfers to Reserves);**

(b) £x being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act **(Gross Income and Transfers from Reserves);**

(c) £x being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council Tax requirement** for the year. (Item R in the formula in section 31B of the Act);

(d) £x being the amount at 8(c) above (Item R), all divided by Item T (8 above), calculated by the Council, in accordance with Section 31B of the Act, as the **basic amount of its Council Tax** for the year;

(9) to note that the Devon and Cornwall Police and Crime Commissioner and the Devon and Somerset Fire and Rescue Authority have not at present issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area. Once confirmed these will be included in the tables below;

(10) the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, will set the indicative aggregate amounts shown in the tables below as the amounts of Council Tax for 2015/16 for each part of its area and for each of the categories of dwellings -

Plymouth City Council

A	B	C	D
£x	£x	£x	£x
E	F	G	H
£x	£x	£x	£x

Devon and Cornwall Police and Crime Commissioner

A	B	C	D
£x	£x	£x	£x
E	F	G	H
£x	£x	£x	£x

Devon and Somerset Fire and Rescue Authority

A	B	C	D
£x	£x	£x	£x
E	F	G	H
£x	£x	£x	£x

Aggregate of Council Tax Requirements

A	B	C	D
£x	£x	£x	£x
E	F	G	H
£x	£x	£x	£x

PLYMOUTH CITY COUNCIL

Subject:	Delivering the Co-operative Vision within a 4 year budget
Committee:	Cabinet
Date:	10 February 2015
Cabinet Member:	Councillor Lowry
CMT Member:	Tracey Lee (Chief Executive)
Author:	David Northey, Head of Corporate Strategy
Contact details	Tel: 01752 305428
	email: david.northey@plymouth.gov.uk
Ref:	
Key Decision:	No
Part:	I

Purpose of the report:

This report builds on the indicative report "Delivering the Co-operative Vision within a 4 year budget" which was signed off by Cabinet on 7 December 2014. There is a legal requirement for Full Council to approve a balanced and robust budget for 2015/16 before the end of March 2015.

Since 2010, revenue funding for local government has been continually reducing and is predicted to continue for the foreseeable future, changing the make-up of the core funding as we go forward. With government placing greater emphasis on councils generating additional revenue locally through attracting more businesses to the city and building more homes, we are predicting that for 2018/19 the total funding of £178.40m will come 89% from our own funding through business rates and council tax, leaving only 11% from central government.

Table 1: Revenue resource assumptions

	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	**£m**	**£m**	**£m**	**£m**
Formula grant	62.55	44.12	33.29	23.29	19.54
Business Rates	55.23	58.04	58.68	60.79	63.14
Council Tax	86.90	90.41	91.86	93.84	95.72
Total Revenue:	**204.68**	**192.57**	**183.73**	**177.92**	**178.40**

Note: Council Tax level for '15/16 will be finalised at Full Council in February 2015.

The reduction in formula grant of £18.43m from £62.55m to £44.12m from 2014/15 to 2015/16 represents an unprecedented reduction of just under 30% in one year.

Despite the fall in funding, we remain committed to protecting and investing in essential front line services across the city. We will be investing in early intervention, tackling the city's health inequalities and integrating social care with health with a clear focus on preventative and enabling services wrapped around the combined needs of the client.

In these very difficult financial circumstances we continue to retain and improve our core services. For example during 2014/15:

- Collecting over 120k tonnes of rubbish from 10.6m kerbside collections
- Laying 18km of new tarmac on Plymouth roads
- Attracting 921,450 visitors to Libraries
- Serving up 1,446,000 nutritious school meals
- Attracting 2.3m visits to the Life Centre
- Obtaining 14% more visitors to the city
- Providing 6,000 packages of adult social care
- Safeguarding over 400 vulnerable children across the city who require much needed care and support
- Building 206 new, affordable homes across the city

We remain committed to a significant capital investment programme despite the current economic climate. The Council, engaging with partners in major regeneration of the city, will not only contribute towards delivering improvement priorities, but will also help to sustain much needed work opportunities in the local area (for example, the construction industry).

We have extended the capital programme to provide a council investment of £237.4m over the next 4 years and continue to seek opportunities to lever in significant external investment in the city. Successful bids such as City Deal, the History Centre, alongside maximising contributions from developers, will leave a lasting positive legacy for the city.

In 2013/14 we created a unique investment fund of £20m to specifically focus on supporting and growing the local economy, creating local jobs for local people. Schemes approved or currently under consideration from this fund include:

- Langage Business Park
- History Centre
- City Deal
- Ocean Studios

We will continue to regularly top-slice non ring-fenced grants in order to keep a steady income flow into the investment fund.

Significant progress has been made over the last 12 months in much needed road re-surfacing and we will continue to build on this programme throughout this four year capital budget.

In addition, at the Full Council meeting on 24 November 2014, we announced the launch of our £50m affordable Housing Loan scheme for social and co-operative housing associations to encourage growth and improve the choice of affordable housing in the city (subject to due diligence). This £50m is not currently included in the total Capital Programme.

Within our revenue budget, despite identifying a circa £21m transformation programme for next year, at the time of publication of the December Indicative Budget, there remained a revenue funding gap of £1.2m for 2015/16.

This update report details:

- the impact of the December settlement for Plymouth compared with our resource assumptions;
- how we have closed the £1.2m revenue gap for 2015/16;
- a breakdown of the costs and benefits attributable to the Council's Transformation Programme in 2015/16;
- a risk register detailing the high level risks associated with the Revenue and Capital budgets 2015/16 to 2018/19.

The Brilliant Co-operative Council Corporate Plan 2013/14 – 2016/17:

In July 2013, the Council adopted a new Corporate Plan, to be a Brilliant Co-operative Council. The plan contains ambitious objectives around the themes of Pioneering, Growing, Caring and Confident Plymouth. It focuses on Co-operative values which will inform the way that the Council goes about its business.

Setting a robust, reliable four year balanced budget is crucial for the council to deliver against its co-operative vision. With falling resources and increasing demand and costs on our services, it is imperative that a more strategic, and prioritised, approach is taken to medium term budget setting.

Implications for Medium Term Financial Plan and Resource Implications:

Local Government Finance Settlement

In broad terms, the revenue resource forecasts detailed in the December 2014 budget papers have not changed significantly for 2015/16 compared to forecast although the mix of the individual component elements of the overall resources have changed.

The government will introduce its new 'pooled' funding arrangements with health known as the Local Authority Better Care Fund. This fund has a combined indicative allocation of £17.75m, (which includes health funding), for Plymouth in 2015/16. Exact details of the fund, which also includes an element of capital, are still being worked through to understand what new responsibilities are attributable to the money and how this will impact on our existing revenue spend commitments.

Overall, Government has stated a **reduction** in 'spending power' of 3.3% for Plymouth in 2015/16. However, central government funding from the Revenue Support Grant has actually decreased by £18.4m compared to 2014/15 – a drop of 30%. Using the Government's "spending power" measure Devon County Council has a corresponding **increased** allocation of +0.5%.

Council tax freeze Grant / Compensation

- The Government are offering a Council Tax Freeze Grant for 2015/16 equivalent to a 1% increase on the 2014/15 base.
- Council Tax threshold principles have been confirmed: referendum will be required for council tax increases 2% or more for 2015/16.

Revenue Spending Power

- The Government uses the Spending Power comparator which reduces the headline funding reductions. For PCC their headline was a reduction of 3.3% vs our model on core funding resources of 8.3%. Spending Power includes:
  - Council Tax requirement (not part of the Settlement but locally controlled)
  - New Homes Bonus
  - A random selection of other specific grant funding e.g. Housing Benefit Administration Grant
  - Plus indicative Public Health funding

National Non Domestic rates (NNDR)

- Retained NNDR growth capped again at 2% instead of RPI; the shortfall to be fully compensated through S31 grants, as well as the Autumn Statement 2013 and 2014 measures.

Transformation

The Council has to fundamentally transform the way in which it operates and delivers services in order to address the financial challenges that we face. Our transformation programme will ultimately drive out in excess of £23m net benefit over the next 2 years, with further savings in future years. We are now one year into our three year plans, presented to Cabinet and Full Council in February 2014, which detailed the financial challenges that the council faces and provides direction as to how the council will address these challenges in a structured and consistent way.

Further work has been undertaken to articulate the exact work strands and investments required to drive out the transformation benefits that under-pin the revenue budget. A summary of the costs and benefits associated with each of the respective transformation programmes in 2015/16 is detailed in **Appendix C**.

A significant element of financial benefits from transformation relates to our ability to generate increased income from council tax and business rates through growing the city. For accountancy purposes, this income generation has to be shown in the revenue budgets as 'resources' as opposed to financial savings.

Balancing the 2015/16 Revenue Budget

The December 2014 draft budget report detailed an unfunded revenue gap of £1.2m for 2015/16.

Using the detailed guidance on business rates for 2015/16 issued by Government we have reviewed the overall achievement and growth forecasts on business rates and factored in the benefit delivered through the Devon-wide pooling arrangements. Overall, in our December Indicative Budget we were estimating a surplus of £750k next year; further analysis shows there is an additional £150k available to allocate to the base revenue budget. When setting the 2014/15 budget we set aside £250k to a specific business rates reserve to manage fluctuation and risks around business rates pooling and appeals moving forward. Our modelling suggests this will not be required in 2015/16 and can also be allocated to our resources.

Last year we set ourselves a target to save £1m from our Treasury Management (TM) budget, mainly as a result of negotiating exit strategies from our long-term LOBO (lender Option, Borrower Option) debt. Our strategy TM policies have achieved this and are currently forecasting more savings through our 2014/15 monitoring of loan interest payments and investment income. We are therefore setting a target saving of £500k for 2015/16.

We are confident we will have moved all of our staff out of the Civic during the first half of 2015/16. Exiting the building should give a net annual saving in running costs in excess of £600k; for this budget year we are proposing a six month minimum savings target of £300k.

During 2014/15 we have undertaken a full Strategic Asset Review, assessing the requirement and best use of the council's land and buildings, including income streams and future potential. Following this review, we have set a target income/saving for 2015/16 of £300k.

Setting the 2014/15 we assumed year-on-year savings of £500k from our review of Terms and Conditions for all of our employees. Although mainly achieved in the current year, analysis suggests the savings are not sustainable at this level each year. We are therefore proposing to reduce this savings target to £200k from 2015/16.

A general contingency of £1m was included in the base budget for 2014/15. We will need to retain this contingency of £1m for 2015/16 to again address any unforeseen budget issues throughout the year alongside a challenging agenda of delivering circa £22m of revenue savings, plus the risks associated with the new PCC and Clinical Commissioning Group (CCG) pooled resources.

With these proposed adjustments, we are able to present a balanced budget for financial year 2015/16, as set out below:

		£m
December Indicative Budget Gap:		1.200
Add Terms & Conditions adjustment		0.300

Revised gap		1.500
Less additional savings:		
Treasury Management	0.500	
Business rates / Pool	0.400	
Civic Centre	0.300	
Strategic Asset Review	0.300	
Total additional savings		(1.500)

Revised Balanced position		0.000

The 2015/16 revenue resources, as stated in the published budget papers, were £190.870m. Some of these transactions detailed above plus savings previously included as savings within the net revenue costs have to be treated as income; together this results in the following changes to resources:

- £0.650m additional business rates from growth (transformation);
- £0.650m additional council tax from building more houses (transformation);
- £0.400m re-calculation of business rates incorporating pooling arrangements

Therefore, the final target revenue budget for 2015/16 is £192.570m with the allocation of the £192.570m spend shown in **Appendix A** split down by directorate. This budget requires, as detailed in the published papers, a council tax increase of one point nine nine (1.99) per cent in 2014/15 to be agreed by Full Council in February.

A link to the December Indicative Budget is included in this report.

Medium Term Financial Strategy

It is our statutory duty to set a balanced budget for the financial year 2015/16 before the commencement of the period. However, a one year financial plan does not suffice to ensure we have financial plans in place to support the longer term decision making required to support the delivery of our transformation programme and long term ambitions for the City.

The 2015/16 budget report is therefore supported by our Medium Term Financial Strategy (MTFS) which covers the financial years 2015/16 to 2018/19. The MTFS models the forecasted resources for the three years following the budget year and compares with the forecasted costs of providing the frontline services and associated support costs. The report sets out the sources of income (our resources) from the central government Revenue Support Grant (RSG), business rates (non-domestic rates NDR) and the Council Tax. The allocation of these resources includes all known and forecast changes to costs and income, plus savings from our transformation programme and other management initiatives required to align resources and costs.

Capital Programme 2014 to 2018

We have amended our approach to capital forecasting and prioritisation to better align to our brilliant co-operative council principles and objectives. Although grant funding opportunities are uncertain, we have taken a pragmatic approach in forecasting all future capital income streams, including capital receipts and developer contributions, to ascertain an overall funding envelope over the rolling current plus four year period. This is the first time we have introduced the current year plus four to give a true four year programme; previously our four year programme has been the current year plus a further three. This change, being introduced in a period of financial uncertainty from central government, is further evidence of our confidence in our ability to forecast our future resources and plan for the longer term.

Using this approach, we are recommending a capital programme of £237.405m spend with existing spend commitments, as approved through Full Council, of £128.999m. There are a number of major projects that are currently being worked up and being considered that will add to the spend commitment.

Details of the capital programme that we are approving through this budget are shown in **Appendix B.**

In addition to this, as approved at the Full Council meeting in February 2014, we have launched a Housing Loan Scheme of up to £50m for Plymouth Housing Providers, in partnership with the council, to escalate much needed house building across the City. Individual draw down against this scheme will be subject to due diligence and outcomes delivered in terms of number and types of dwellings to be built.

Moving forward, we need to be much more commercial and proactive in seeking opportunities for further investment in the City, building on the success of City Deal and our successful bids to the Local Enterprise Plan (LEP). We are therefore recommending that we amend the programme duration to current plus four financial years, whilst ensuring our capital investment is measured against the overall affordability headroom.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

All actions being taken have been considered for their impact on: council priorities, legal obligations, customers and other services and partners. Each separate action has been risk assessed in terms of potential barriers to implementation with corresponding mitigation put in place.

Due to the nature of financial savings required, it is inevitable that there are some over-arching risks associated with delivering a three year balanced budget. These high level risks are detailed in **Appendix D.**

The Local Government funding environment remains highly volatile. As such, updates to Medium Term Financial Forecasts will be incorporated within quarterly monitoring throughout 2014/15 in order to factor in changes to estimates and spend commitments

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Equality and Diversity

We have given due regard to our Public Sector Equality Duty for all relevant management actions and budget solutions that underpin this budget, our summary of this consideration is appended as a background paper. Wherever potential adverse impact is identified we will conduct a full Equality Impact Assessment.

Recommendations and Reasons for recommended action:

It is recommended:

1. that a final version of the Revenue and Capital Budget for 2015/16 is presented for sign off to Full Council on 23 February 2015.

Recommend to Full Council:

2. the amendments to the December Indicative Budget to close the £1.2m “gap” as set out in Figure 1 of this report;

3. to approve an increase of one point nine nine per cent (1.99%) in Council Tax for 2015/16;

4. to approve the proposed net revenue budget requirement for 2014/15 of £192.570m;

5. to approve the total capital budget of £237.405m for 2013 to 2018. Any changes to the overall capital funding available to be sanctioned by the Council’s Section 151 Officer;

6. that delegated authority is given to the Leader, in consultation with the Cabinet Member for Finance and relevant portfolio holder, to commit to capital schemes within the overall affordability envelope, based on sound business cases;

7. that all newly approved capital schemes are incorporated within regular public finance reporting;

8. using the Council tax base for 2015/16 as 68,460 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; calculate that the **Council tax requirement** for the Council's own purposes for 2015/16 is £x;

9. that the following amounts are calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Act:

   a) £x being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act **(Gross Expenditure and Transfers to Reserves);**
   b) £x being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act **(Gross Income and Transfers from Reserves);**
   c) £x being the amount by which the aggregate at 9(a) above exceeds the aggregate at 9(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council tax requirement** for the year. (Item R in the formula in section 31B of the Act);
   d) £x being the amount at 9(c) above (Item R), all divided by Item T (7 above), calculated by the Council, in accordance with Section 31B of the Act, as the **basic amount of its Council tax** for the year;

10. to note that the Police Authority and the Fire and Rescue Authority have not at present issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area. Once confirmed these will be included in the tables below;

11. the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, will set the indicative aggregate amounts shown in the tables below as the amounts of Council Tax for 2015/16 for each part of its area and for each of the categories of dwellings -

Plymouth City Council

A	B	C	D	E	F	G	H
£x	£x	£x	£x	£x	£x	£x	£x

Devon and Cornwall Police and Crime Commissioner

A	B	C	D	E	F	G	H
£x	£x	£x	£x	£x	£x	£x	£x

Devon and Somerset Fire Authority

A	B	C	D	E	F	G	H
£x	£x	£x	£x	£x	£x	£x	£x

Aggregate of Council Tax Requirements

A	B	C	D	E	F	G	H
£x	£x	£x	£x	£x	£x	£x	£x

Alternative options considered and rejected:

A one year financial planning horizon will not support the long term decision making required to deliver the objectives of the Corporate Plan. The Council's financial stability will be put at risk unless a transformative appproach is taken to revising its delivery arrangements in the coming years.

Published work / information:

Delivering the Co-operative Vision within a 4 year sustainable balanced budget – December 2014

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Equality Impact Assessment	X								

Sign off:

Fin	mc14 15.39	Leg	lt22 217	Mon Off	mo 22 21 7	HR		Assets		IT		Strat Proc	
Originating SMT Member: Malcolm Coe													
Have the Cabinet Members agreed the contents of the report? Yes													

Net Revenue Budgets 2015/16 – 2018/19 **Appendix A**

2015/16 Revenue Budget	Corporate Items	Executive Office	People Directorate	Place Directorate	Public Health	Transformation & Change	Total General Fund
	£000	£000	£000	£000	£000	£000	£000
2014/15 Base Budget	15,291	3,840	121,845	33,472	194	30,038	204,680
Cost & Volume	1,000	0	8,439	0	0	0	9,439
Savings	(2,281)	0	(9,323)	(6,589)	0	(3,356)	(21,549)
Indicative 2015/16	14,010	3,840	120,961	26,883	194	26,682	192,570

2016/17 Indicative Budget	Corporate Items	Executive Office	People Directorate	Place Directorate	Public Health	Transformation & Change	Total General Fund
	£000	£000	£000	£000	£000	£000	£000
2015/16 Base Budget	14,010	3,840	120,961	26,883	194	26,682	192,570
Cost & Volume	1,844	0	3,258	500	0	0	5,602
Savings	0	0	(6,876)	(3,530)	0	(2,953)	(13,359)
Indicative 2016/17	15,854	3,840	117,343	23,853	194	23,729	184,813

2017/18 Indicative Budget	Corporate Items	Executive Office	People Directorate	Place Directorate	Public Health	Transformation & Change	Total General Fund
	£000	£000	£000	£000	£000	£000	£000
2016/17 Base Budget	15,854	3,840	117,343	23,853	194	23,729	184,813
Cost & Volume	1,500	0	750	500	0	0	2,750
Savings	0	0	(2,625)	(2,550)	0	(1,300)	(6,475)
Indicative 2017/18	17,354	3,840	115,468	21,803	194	22,429	181,088

2018/19 Indicative Budget	Corporate Items	Executive Office	People Directorate	Place Directorate	Public Health	Transformation & Change	Total General Fund
	£000	£000	£000	£000	£000	£000	£000
2017/18 Base Budget	17,354	3,840	115,468	21,803	194	22,429	181,088
Cost & Volume	1,800	0	1,000	0	0	0	2,800
Savings	0	0	(2,625)	(2,550)	0	(1,300)	(6,475)
Indicative 2018/19	19,154	3,840	113,843	19,253	194	21,129	177,413

Appendix B

Capital Programme 2014 – 2018

Scheme	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast	TOTAL PROGRAMME 2014-18
	£m	£m	£m	£m	£m
CARING					
Children's Social Care	0.038	0.000	0.000	0.000	**0.038**
Joint Commissioning & Adult Social Care	1.058	1.075	0.000	0.000	**2.133**
Drug and Alcohol Rehabilitation - Public Health England Grants	0.186	0.000	0.000	0.000	**0.186**
Homes & Communities	0.971	0.000	0.000	0.000	**0.971**
Basic Need - Nursery Places	0.651	0.381	0.000	0.000	**1.032**
SEN Placement Commitments in Schools	0.076	0.005	0.000	0.000	**0.081**
TOTAL	**2.980**	**1.461**	**0.000**	**0.000**	**4.441**
CONFIDENT					
Lesiure & Parks Provison	0.077	0.000	0.000	0.000	**0.077**
Homes & Communities	0.074	0.000	0.000	0.000	**0.074**
Environmental Services	0.312	0.000	0.000	0.000	**0.312**
Capitalised Maintenance Schemes	6.480	1.700	1.700	2.000	**11.880**
Other Transport Schemes (Outside of Capitalised Maintenance)	6.306	4.866	0.369	0.000	**11.541**
Flood Defence Works	0.492	0.000	0.000	0.000	**0.492**
Flood Defence Storm Damage Works	1.225	0.000	0.000	0.000	**1.225**
Landing Stages	0.200	0.080	0.000	0.000	**0.280**
Saltram Countryside Park Capital Programme	0.387	0.042	0.000	0.000	**0.429**
Visual Mitigation Works & Biodiversity Improvements	0.060	0.270	0.000	0.000	**0.330**
Other Planning Projects	0.395	0.401	0.356	0.000	**1.152**
TOTAL	**16.008**	**7.359**	**2.425**	**2.000**	**27.792**
GROWING					
Gyspsy & Traveller Sites	1.281	0.790	0.000	0.000	**2.071**
Basic Need - Schools	4.930	9.289	0.000	0.000	**14.219**
Academies	0.817	0.000	0.000	0.000	**0.817**
Development Works - Schools	0.051	0.000	0.000	0.000	**0.051**
Condition Works - various schools and childrens centres	2.903	3.603	0.000	0.000	**6.506**
Formula Devolved Capital - Various Schools	0.770	1.051	0.514	0.518	**2.853**
Universal Infant Free School Meals	0.608	0.000	0.000	0.000	**0.608**
Transport - S106	0.139	1.426	0.000	0.000	**1.565**
Housing & Planning Services	0.280	0.000	0.000	0.000	**0.280**
South Yard Marine Industries Production Campus (Remediation/separation works) - non Investment Fund	0.080	1.582	8.380	3.958	**14.000**
Oreston Primary Academy - S106 Funding	0.002	0.000	0.000	0.000	**0.002**
TOTAL	**11.861**	**17.741**	**8.894**	**4.476**	**42.972**
INVESTMENT FUND	**7.476**	**5.607**	**1.736**	**4.082**	**18.901**
PIONEERING					
North Prospect Library	0.031	0.000	0.000	0.000	**0.031**
ICT Investment	0.803	4.258	0.000	0.000	**5.061**
Corporate Property	1.399	0.000	0.000	0.000	**1.399**
Accommodation Strategy	0.542	0.000	0.000	0.000	**0.542**
Accommodation Transformation	5.300	0.314	0.000	0.000	**5.614**
Sustainable Energy	0.438	0.290	0.000	0.000	**0.728**
Mercury abatement equipment in Crematoria	0.000	1.093	0.000	0.000	**1.093**
Electric Car Charge Points	0.159	0.000	0.000	0.000	**0.159**
Green Deal & Home Energy	0.664	2.525	0.000	0.000	**3.189**
Street lighting bulb replacement	3.921	4.069	0.000	0.000	**7.990**
Environmental Services	1.315	1.018	0.000	0.000	**2.333**
Retained Waste	2.972	1.600	0.000	0.000	**4.572**
Economic Development Capital Block	0.280	1.382	0.000	0.000	**1.662**
Coastal Communities	0.340	0.000	0.000	0.000	**0.340**
Mount Edgcumbe	0.180	0.000	0.000	0.000	**0.180**
TOTAL	**18.344**	**16.549**	**0.000**	**0.000**	**34.893**
TOTAL CAPITAL PROGRAMME	**56.669**	**48.717**	**13.055**	**10.558**	**128.999**
Forecast future income streams Ringfenced	14.910	18.972	32.387	12.906	79.175
Forecast future income streams Unringfenced	8.948	-0.601	13.049	7.835	29.231
GRAND TOTAL	**80.527**	**67.088**	**58.491**	**31.299**	**237.405**

APPENDIX C (1)

Headline Transformation Costs & Benefits 2015/16

Transformation Costs & Benefits 2015/16	£m
Income	
Growth, Assets and Municipal Enterprise	2.745
Savings	
Integrated Health and Well Being	5.346
Customer and Service Transformation	1.246
Co-operative Centre of Operations	1.500
Growth, Assets and Municipal Enterprise	2.774
Subtotal Transformation benefits	**13.611**
Investment Cost	
Human Investment Costs	(3.087)
Other (including £800k P&OD training costs)	(1.513)
Subtotal Transformation Investment Costs	**(4.600)**
Total Net benefit	**9.011**
Transformation Costs by Programme 2015/16	**£m**
Human Investment Costs	
P&OD	0.343
Customer and Service Transformation	0.101
Growth, Assets and Municipal Enterprise	0.605
Integrated Health and Well Being	0.426
Co-operative Centre of Operations	0.521
Central Investment costs	1.091
Sub-Total Human investment Costs	**3.087**
Other Costs	1.513
Total Transformation Costs	**4.600**

APPENDIX C (2)

Key work strands delivering 2014/15 Transformation benefits

Growth, Assets and Municipal Growth (GAME) programme

Income	2015/16
	£m
Growth Dividend – New Homes Bonus	0.650
Growth Dividend – Council Tax	0.650
Growth Dividend – NNDR (Business Rates)	0.650
Enhanced commercialisation	0.795
Total Income	**2.745**
Savings	**2015/16**
	£m
Creating a Brilliant Cooperative Street Services	1.169
Fleet Services Consolidation	0.835
Integrated Transport	0.770
Total Savings	**2.774**
Total GAME Programme	**5.519**

Customer Service Transformation (CST) and Co-operative centre of Operations (CCO) programmes

Savings	2015/16
	£m
Modernise Customer Services	0.876
Customer Services Management review	0.270
Public Protection service review	0.100
CCO corporate services review	1.500
Total	**2.746**

Integrated Health and Wellbeing (IHWB) programme

Project	2015/16
	£m
Integrated Commissioning and Service Delivery redesigns in Adult Social Care	2.996
Co-operative Children & Young People's Services	1.500
Education Learning and Family Support (ELAFS)	0.600
People Directorate Review	0.250
Total	**5.346**

Budget Risk Register

APPENDIX D

ROW No.	CATEGORY & VALUE	POTENTIAL RISKS IDENTIFIED	RISK RATING @ Oct '14 P	I		COMMENTS / MITIGATION	REVISED RISK RATING @ January '15 P	I	
		2015/16 High Level Budget Risks							
1	Health Integration - Adults (£2.9m)	Cost & volume work yet to be completed on CCG funding transferring into the £400m+ pooled budget. Need clarity on achievable benefits. £2.9m benefits planned within PCC transformation for 15/16	5	5	25	CCG commissioners to work through the impact of planned intervention work on future client base. Risk remains until this hass been completed. PCC to support this process.	4	4	16
2	Health Integration - Children (£1.5m)	Cost & volume work required to understand the impact of early intervention on the number of children that the council will need to 'look after' in future years. £1.5m benefit planned for 15/16	5	5	25	Cost & Volume modelling now completed but risk remains around implementation plans for early implementation	4	4	16
3	Council Tax Resources - (£1.6m)	Council Tax increase for 2015/16 @ 1.99% - risk of possible referendum capping increase to 1.5%.	4	5	20	As part of Settlement announcement, DCLG has confirmed that the referendum trigger for increases in Council tax will remain at >2%. PCC are modelling a 1.99% increase but increase subject to agreement at Full Council in February	3	3	9
4	Resources - (£xm)	Change in Government Funding Framework relating to 2015/16 funding allocation. December 13 settlement gave indicative 2015/16 funding allocations, final settlement expected 23rd December	4	5	20	The December 2014 Settlement has now been analysed and the figures are in line with our modelling and budget assumptions.	1	1	1
5	Adult Social Care - Care Act (£xm)	Care Act implementation starts in April 2015. There is still uncertaintly of the overall costs that the council will incur (as guidance is still developing). Assumption of net nil impact on 15/16 budget.	5	4	20	Figures confirmed in 2015/16 Better Care Fund of circa £0.9M, at this stage unclear as to whether this is sufficient, potential bigger issue in future years.	3	4	12
6	Growth Resources (£m)	Risk of not delivering our Growth targets due to unforeseen issues such as rate re-valuation, change in government legislation and failing businesses.	4	5	20	Effective review and challenge of projected growth figures - factoring in planned housing and business development.	3	5	15
7	2014/15 base budget	Failure to deliver a balanced budget in 14/15 and impact of any legacy shortfalls in 2015/16	4	4	16	Monthly review and challenge through CMT and Cabinet Planning. Underlying pressures in Children & Adult Social Care to be addressed through ZBB approach in 2015/16.	3	4	12
8	Co-operative Centre of Operations (£1.5m)	Plans to deliver £1.5m CCO savings in 2015/16 (including income generation potential) require further work to develop clear milestones and actions.	4	5	20	Rescoping of CCO programme commenced October 2014. Clear plans will be in place by 31 Jan '15. PCH expressed interest in sharing a number of back office functions.	3	4	12

Medium Term Financial Forecast Risks 2015/16 to 2018/19

APPENDIX C

ROW No.	CATEGORY & VALUE	POTENTIAL RISKS IDENTIFIED	RISK RATING @ Oct '14 P	I		COMMENTS / MITIGATION	REVISED RISK RATING @ January '15 P	I	
		Medium Term Financial Forecast Risks 2015/16 to 2018/19							
9	Growth Resources (£m)	New Homes Bonus - Continuing ability of the Council to deliver growth and the longevity of the New Homes Bonus scheme (e.g. risk that NHB is dis-continued over medium term by Government)	4	5	20	Current projections of growth is sustainable, however rolling 6 year NHB funding will start to drop off in 2017/18 and risk that this will not be replaced. Maintain robust forecasting to ensure growth covers falling funding as well as increases.	4	5	20
10	NNDR Re-Valuation (Resources)	National NNDR revalutions due 2017, potentially reducing NNDR income, in addition to causing volatile environment with potential for increase in valuation appeals, bad debt provision requirement	4	5	20	Continue to work and build relationship with Valuation Office to ensure early insight into potential changes and impact.	4	5	20
11	Government Funding - Resources	Change in Government Funding Framework. Potential change in Government in 2015/16 - faced with high levels of national debt and potentially looking to reduce funding to the public sector further.	5	5	25	Continue to work with LG Futures to model future year allocations and using insight and intelligence to forecast potential changes early.	5	5	25
12	Health Integration - sustainability	Ability for the integrated health pooling arrangements to deliver the medium to long term benefits required to address the pressures within CCG and social care budgets.	5	5	25	Constant revision of cost & volume modelling. Effective monitoring and reporting on the impact of interventions as and when they are delivered.	4	5	20
13	Adult Social Care - Care Act	Using nationally recognised 'Surrey' and 'Lincolnshire' models indicates a significant net funding shortfall on Care Act implementation from 2016/17 onwards (potential £5m per annum)	5	5	25	Care Act implementation and Funding still out for consultation (as at Nov '14). LGA have raised the shortfall of funding with Govt. Initial allocation awarded in 15/16 BCF	4	5	20
14	Corporate Impact of alternative service delivery models	Biggest financial impact is Pensions. Re-valuation due in 2017/18, potential for increase in employers pension contributions. Need to include impact on pension fund of reducing employee base contributing into pension fund.	4	5	20	Need to model employee base for future years, and ensure effective projections on pension liability. Capture 'lessons learnt' from DELT implementation and apply to further option appraisals.	3	5	15

P = Probability Rating I = Impact Rating (1 = Low, 5 = HMaximum Score 5 x 5 = 25

APPENDIX 2

CABINET'S RESPONSE TO THE SCRUTINY RECOMMENDATIONS TOGETHER WITH THE BUDGET SCRUTINY REPORT 2015/16

PLYMOUTH CITY COUNCIL

CABINET MINUTE 124

Councillor James (Chair of the Co-operative Scrutiny Board) attended the meeting and presented the recommendations in the scrutiny report, Budget Scrutiny 2015 -16, following the scrutiny of the delivery of the co-operative vision within a four year sustainable budget.

Councillor James –

(a) reported that the Board had focussed on the transformation programme;

(b) highlighted the areas of concern which formed the basis of the recommendations in the report;

(c) thanked everyone who had attended the Board during the scrutiny sessions which were held over two days;

(d) advised that both he and Councillor Mrs Aspinall (Vice Chair of the Co-operative Scrutiny Board) had felt that more could have been achieved from the scrutiny process and sought further support for members in terms of training and development prior to budget scrutiny next year.

Ross Jago (Performance and Research Officer) attended the meeting for this item.

Councillor Evans (Council Leader) proposed the response to the recommendations as detailed in the report of Tracey Lee (Chief Executive) and indicated that training should be included in the induction programme for new members to provide an improved grounding in scrutiny.

<u>Alternative options considered and reasons for the decision</u> –

As set out in the report.

<u>Agreed</u> -

(1) the responses, as submitted, to the recommendations of the Co-operative Scrutiny Board;

(2) that the thanks of Cabinet are extended to Councillors James and Mrs Aspinall, the Co-operative Scrutiny Board and all participants for their work on the review.

PLYMOUTH CITY COUNCIL

Subject:	Response to the Co-operative Scrutiny Board recommendations on delivering the co-operative vision within a four year sustainable budget
Committee:	Cabinet
Date:	10 February 2015
Cabinet Member:	Councillor Evans
CMT Member:	Tracey Lee (Chief Executive)
Author:	Ross Jago, Performance and Research Officer
Contact details:	Tel: 01752 304469 Email: ross.jago@plymouth.gov.uk
Ref:	
Key Decision:	No
Part:	I

Purpose of the report:
This report sets out the response to recommendations made by the Co-operative Scrutiny Board following its consideration of the indicative report 'Delivering the Co-operative Vision within a four year sustainable budget'.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

The Council's Corporate Plan contains ambitious objectives around the themes of Pioneering, Growing, Caring and Confident Plymouth. Each objective identifies outcomes by which the delivery of the objectives will be measured with commitments made to promoting economic growth, improving Council services, health and social care outcomes and the reputation of the city.

The plan is based on Co-operative values that will inform the way that the Council goes about its business. In particular, the Council has adopted fairness as one of its core co-operative values and aims to take a fair approach to developing and implementing its budget priorities.

The Co-operative Scrutiny Board considered the Transformation Programme to ensure that the proposals for a four year sustainable budget delivered against its co-operative vision.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land:

Financial and resource implications relating to the response to individual recommendations will be explored in detail as related proposals are brought forward.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

Implications with respect to the above areas relating to the response to individual recommendations will be explored in detail as related proposals are brought forward.

Equality and Diversity:

Due regard will be given to our Public Sector Equality Duty for all relevant management actions and budget solutions which result from Budget Scrutiny recommendations. Wherever potential adverse impact is identified a full Equality Impact Assessment would be conducted.

Recommendations and Reasons for recommended action:
That the responses to the recommendations made by the Co-operative Scrutiny Board itemised in this report are agreed.

Alternative options considered and rejected:

Cabinet is obliged by the Constitution to take account of recommendations made by the Cooperative Scrutiny Board.

Published work / information:

Delivering the Co-operative Vision within a four year sustainable balanced budget December 2014

Background papers:

None

Sign off:

Fin	**mc1 415. 35**	Leg	DVS 2219 5	Mon Off	DVS 2219 5	HR		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the content of the report? Yes													

	Recommendations	To	Cabinet Response
R1	Further information on the reduction in Local Government Settlement and assumed impact on the City Council revenue budget is reported to the Cooperative Scrutiny Board on the 18th February 2015.	Cabinet	Agreed. The Settlement notified to PCC late December was in line with the modelling we had been using for the production of the Indicative Budget presented to Scrutiny in January. Finance is happy to provide further detail to the Board at their meeting 18th February 2015.
R2	Cabinet seeks reassurance from the Department for Work and Pensions that the authority will be able to claw back housing benefit overpayments, without undue delays, when the benefit transfers to universal credit.	Cabinet	Agreed. Plymouth City Council already has a very good working relationship with colleagues within DWP and is working closely around the impact of the introduction of the Universal Credit. We will actively seek reassurance on housing benefit overpayments.
R3	All cabinet members hold staff surgeries, as undertaken by Councillor Jon Taylor, to discuss the transformation programme and future challenges the council faces.	Cabinet	Communication and consultation with staff continues to be the responsibility of the Head of Paid Service. Cabinet will continue to listen to the views of staff, a voice which is particularly important when we require staff support to enable the transformation of the Council. Over the previous twelve months we have met with staff across the organisation to listen to their ideas and concerns for the future. However, a 'one size fits all' approach does not lead to appropriate engagement with staff and members of the cabinet will continue to work with officers to engage with staff in the most effective way possible.

R4	The voluntary and community sector are involved in the planning stage for the development of alternative service delivery vehicles.	Cabinet	We already have undertaken extensive engagement and co-design with communities in line with co-operative commissioning principles outlined in the City Council's Co-operative Commissioning policy. We believe that people who use services are in the strongest position to identify how well they are performing, what changes need to be made, and what future provision needs to look like. However the council must continue to adhere to procurement and commissioning regulations. If community groups who helped plan alternative service delivery vehicles become the provider it could leave the council open to legal challenge which jeopardises the efficient use of tax payers' money. We will continue to work with communities to co-design commissioning intentions where possible.
R5	A revised approach to be considered for the staff survey to address poor return rate. This should include a review of the staff appraisal system to ensure it can be used as a key tool in the two way communication with staff.	Cabinet	The Staff Survey return rates were disappointing for 2014 and officers are currently reviewing how the process can be improved. Reform of the staff appraisal system is a work stream within the People and Organisational Development Programme and details will be provided to the relevant Board / Panel when available.
R6	Protocols to assist those with additional needs are included within all debt enforcement and collection policies.	Cabinet	Agreed. We already work very hard to protect the more vulnerable members of the city as evidenced by our Council Tax Support Scheme. We continue to work with those less able to meet their obligations to help with payment plans.

R7	In support of recommendations from Your Plymouth, the results of the library review are reported to that panel alongside the timescales for changes to the service and alignment to the community engagement framework;	Cabinet	Agreed.
R8	Economic Development officers will undertake further advocacy with the Local Enterprise Partnership to gain further funding from the European Social Fund.	Cabinet	Agreed. Economic Development Officers continue to work closely with the Cabinet and the Heart of the South West Local Enterprise Partnership how Plymouth and the region can benefit from European funding streams amongst others.
R9	Economic Development officers will undertake further advocacy with the Local Enterprise Partnership to gain further funding for those with disabilities and mental health issues to assist them in finding appropriate employment.	Cabinet	Agreed. Economic Development Officers and the City Council's lead officer for skills will continue to work closely with the Cabinet, Employment and Skills Board and the Heart of the South West Local Enterprise Partnership how Plymouth residents with additional needs can benefit from available funding streams. This will be undertaken within our co-operative principles with the community, voluntary and community sector and the wider city partnerships.
R10	Detailed terms of reference of the Plymouth and Western Locality Integrated Commissioning Board, including membership and protocols in relation to the management of the Section 75 agreement, should be provided to Caring Scrutiny ahead of a decision to pool budgets being taken at Cabinet in March.	Cabinet	Agreed. Information will be provided to the panel in March.

R11	The details of the Section 75 agreement are reported to the Board before the Cabinet agrees the pooled budget in March 2015 to ensure that the NEW Devon Clinical Commissioning Groups contribution over a 5 year period will demonstrate how the pace of change arrangements will deliver an accurate and fair level of capitation for Plymouth which is appropriately weighted to deliver for the city's unique demographic.	Cabinet	Agreed. Information will be provided to the panel in March.
R12	The City Council supports and lobbies the Government for multi-year funding settlements for Clinical Commissioning Groups.	Cabinet	Agreed.
R13	The Caring Plymouth scrutiny panel, using statutory duties under the National Health Act 2006, requests NHS England and the Trust Development Agency to provide the PWC report into the Devon Challenged Health Economy for consideration at the panel.	Caring Scrutiny Panel	Noted
R14	Social care thresholds should be widely communicated amongst partners and brought to greater prominence on the council's website in an easy to use format so that partners and members of the public can review thresholds before making a referral.	Cabinet	The City Council provides training for professionals and communities on social care thresholds. Details of the thresholds are available on the city council website which will be reviewed to investigate whether they could be brought to greater prominence.
R15	The issue of Child Poverty is given greater prominence within the Plymouth Plan and the Health and Wellbeing Board should consider Child Poverty as a priority issue within its work programme.	Cabinet	Noted. A consultation process is currently underway for the Plymouth Plan and the Cabinet will work with key partners across the City to ensure that key shared priorities are reflected strongly within the plan.
R16	Young Carers should be considered a priority issue within the Children and Young People's Partnership work programme. The partnership should review the findings of the 2010 scrutiny review of the issue to ensure they have been implemented.	Children and Young People's Partnership	Noted.

R17	Where significant changes to benefit profile of transformation programme work streams occur these must be reported to the relevant panel Chair for consideration in the scrutiny work programme.	Cabinet	Agreed.
R18	That the Director for Transformation and Change, when formally in post, considers the creation of a comprehensive risk mitigation plan for the Transformation Programme for consideration at the Cooperative Scrutiny Board as part of ongoing monitoring of the Transformation Programme.	Cabinet	A comprehensive risk management and mitigation process has been in place since the inception of the transformation programme. Details of risk mitigation plan will be provided to the Co-operative Scrutiny Board as part of the Corporate Monitoring Report.
R19	Figures on the proportion of sickness absence relating to stress are reported to the Board as part of the corporate monitoring report.	Cabinet	Agreed.
R20	The Cooperative Scrutiny Board requests the support of Cabinet to undertake a full review of the partnerships currently at work in the City with a view to ensure that the all partners are appropriately resourcing them.	Cabinet	The Cabinet Member for Co-operatives, Housing and Community Safety highlighted during budget scrutiny that the Police and Crime Commissioner (PCC) could provide more funding for the Community Safety Partnership. The PCC has indicated that Devon and Cornwall Police may need to shrink to fewer than 3,000 officers. Given that senior Police Officers believe 3,000 is the minimum number required to effectively police the region the Your Plymouth Panel should consider how the Community Safety Partnership will in future be funded by the Police and Crime Commissioner to prevent crime, provide assurance in Plymouth communities and reduce pressure on hard working front line Police Officers.

			Cabinet does not agree with the Co-operative Scrutiny Board that wider review of partnerships should be undertaken. Given the pressures felt within the local authority, due to a reducing budget settlement from central government, the Overview and Scrutiny function should focus its attention on the work being undertaken within Plymouth City Council and assist Cabinet in the development and review of policies which benefit the citizens of Plymouth.
R21	That the Corporate Management Team build on the success of shared service with the Health Service and continue to identify opportunities for shared services with neighbouring local authorities.	Cabinet	Plymouth City Council has a good track record in working with other local authorities on the peninsula to get the best deal for tax-payers; one example of this would be the Devon Business Rates Pool which has seen significant benefits for the City. Cabinet Members and Chief Officers will continue to explore with neighbouring authorities areas on which we can work together for mutual benefit.
R22	The draft Plymouth Plan will be delegated to panels for scrutiny within their terms or reference.	Scrutiny Panels	Noted.

BUDGET SCRUTINY 2015-2016

PLYMOUTH
CITY COUNCIL

A report of the Co-operative Scrutiny Board following the scrutiny of the Delivery of the Co-operative Vision within a Four Year Sustainable Budget.

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THE CO-OPERATIVE SCRUTINY BOARD

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Councillor Sam Leaves

Councillor Parker-Delaz Ajete

Councillor Murphy

Councillor Katey Taylor

Jacky Clift

Zebra Collective

1. Foreword

1.1 The Co-operative Scrutiny Board (the Board) has responsibility for holding the Cabinet to account for its decisions. The Board is charged with the scrutiny of the Council's decisions with respect to finance and performance, as well as the Council's key strategies.

1.2 The challenging economic climate, with reduced resources and rising demands for the Council's services, will inevitably have an impact on the residents of Plymouth. The Co-operative Scrutiny Board has a responsibility to challenge the Council's budget and Corporate Plan to ensure their deliverability and best meet the needs of the City. In order to carry out the Board's role effectively the work programme is aimed to -

- determine whether priorities for transforming the Council were being effectively supported and resourced;
- ensure there was a clear understanding of the impact of the proposals for resource reduction and allocation on the City's neighbourhoods;
- ensure clarity around how changes in resources allocation in one service or partner area may impact on another service or partner area;
- determine whether the balance between overhead costs and service delivery costs was the right one;
- ensure there was a clear view of both risks and their mitigation and the future opportunities that would derive from other shared services and pooled resources;
- assess the impact of legislation on the Council's ability to deliver services and whether it was fit for purpose for addressing this challenge;

1.3 The sessions were delivered in a different format from previous years, with the timetable focussing on the five elements of the overarching Transformation Programme, which included People and Organisational Development, Customer Services, Co-operative Centre of Operations, Growth and Municipal Enterprise and Integrated Health and Wellbeing. Building on the success of previous years, both meetings were webcast in order to promote the Council's vision to make decision making more open and transparent.

1.4 I would like to thank the Members of the Board for their commitment in conducting this co-operative scrutiny review. My thanks also go to Jacky Clift from the Zebra Collective who sat on the Board, as a representative of the Voluntary and Community Sector for the second year, as a co-opted representative and made an invaluable contribution. I would also like to thank the Leader, Chief Executive, Cabinet Members, Strategic and Assistant Directors and senior officers who took part in the review. My personal thanks to the Lead Officer, Ross Jago, Helen Wright (Democratic Support Officer) and the Business Support Team for webcasting the meetings.

Councillor James
Chair of the Co-operative Scrutiny Board

2. THE FORMAT OF THE CO-OPERATIVE SCRUTINY REVIEW

2.1 The scrutiny review took place over two days. The review was held in public and to continue the Council's commitment to open government and greater access to and involvement in the decision making process, both days were webcast.

An innovative approach was taken this year towards the structure of the meetings. The key focus of the review was around the five elements of the overarching Transformation Programme with partner engagement, where appropriate. The format of the two days reflected the programmes –

- People and Organisational Development
- Customer Services
- Corporate Centre of Operations
- Growth and Municipal Enterprise
- Integrated Health and Wellbeing

2.2 As part of the Board's consideration, it received a number of documents which supported the scrutiny process, which included –

- delivery of the co-operative vision within a four year sustainable balanced budget (including Equality Impact Assessments)
- consultation feedback from partners
- Fairness Commission final report
- corporate performance report quarter 2 2014/15
- Plymouth Plan
- New Devon CCG NHS Future
- workforce information
- staff survey results

2.3 During the two days, each session was supported by the relevant Cabinet Members, including the Leader of the Council and Deputy Leader of the Council, the Chief Executive, Assistant Chief Executive, Strategic Directors, Assistant Directors, senior council officers and representatives from the NEW Devon Clinical Commissioning Group and Plymouth Community Healthcare. This approach assisted the Board to fully scrutinise the delivery of the four year budget.

2.4 The sessions were split over the two day review, as follows -

- Sessions held on 12 January 2015, included -

    - People and Organisational Development Programme
    - Customer Services Programme
    - Co-operative Centre of Operations Programme
    - Growth and Municipal Enterprise Programme

- Sessions held on 14 January 2015, included -

    - Integration Commissioning

- Integrated Delivery
- New Devon CCG – NHS Futures Programme
- Children's Social Care and Child Poverty
- Education, Learning and Families
- Overview and Challenge of the Leader and Chief Executive

3. SESSION 1: FORECAST OUTTURN 2014/15 AND PLANNED BUDGET 2015/16 TO 2017/18

3.1 The Cabinet Member for Finance (Councillor Lowry) presented the draft budget for 2015/16 to 2017/18, accompanied by the Assistant Director for Finance, Malcolm Coe.

The Cabinet Member for Finance advised that since 2010, revenue funding for local government had reduced and it was predicted that this situation would continue for future years. This would result in a change in the make-up of the core funding for the Council. The Council would need to be more focused on generating revenue locally, for example, through attracting more business to the City and building more homes. It was predicted that 89 per cent of the total funding of the Council of £178.40m in 2018/19 would need to be generated through Council Tax and business rates.

3.2 The budget year 2015/16 was the second year of the three year budget which had been approved by Full Council in February 2014. The budget set out the requirement to reduce costs by a further £27m by March 2017 (this was in addition to the £30m of net revenue spend which had already been removed from the budget).

3.3 The Council's existing gross budget for 2014/15 was £549m, with a net revenue budget of £204.68m. Modelling of the budget anticipated that the net budget would reduce to £178.40m by 2018/19, which equated a drop in other funding of £35.1m which represented a 29.8 per cent reduction.

3.4 Following the change in the Government's core funding policy which had resulted in funding and risks being transferred to local authorities, the Council was predicting a reduction in the Government Formula Grant over 2014/15 to 2018/19 of £43m which represented a reduction of 68.8 per cent.

3.5 Budget monitoring for November 2014, was forecasting an end of year overspend of £2.55m (against a revenue budget of £204.68m) in 2014/15. This figure had improved by £0.5m since last reported in October 2014. The key adverse variances in the budget were attributed to the overspend in adult social care and children's services.

3.6 Measures were being put in place across the authority to bring down the current overspend. Within Adult Social Care a budget containment plan had been implemented, in order to understand the cost and volume data, relating to high cost supported living, direct payments and other care packages. The plan enabled a better understanding of the implications of decisions being taken.

3.7 Although the Council remained committed to deliver a balanced budget for 2014/15 it would be difficult to achieve. Part of the Council's £1m contingency fund (£500,000) had been incorporated in the latest forecast figures. The Council currently had a working balance of £10.4m which at around five per cent of revenue budget was in line with other local authorities.

3.8 The net revenue budget for 2015/16 was for £192.071m which was currently £1.2m more than the estimated resources available. Work would continue to develop financial solutions over the coming months to address the deficit. (The resource base between 2014/15 and 2015/16 had reduced by £13.8m which equated to a reduction of 11 per cent in one year).

3.9 The proposed increase in the Council Tax rate for 2015/16 of 1.99 per cent equated to an increase of 36 pence per week for the majority of residents in Plymouth. Without this rise, the funding gap would increase by a further £15.5m; unfortunately, Council Tax increases were necessary to protect vital frontline services.

3.10 The Council continued to challenge the affordability of its four year capital forecast for the period 2014/15 to 2017/18. However there remained some volatility around future capital grant funding and income generation through capital receipts.

3.11 The current capital funding assumptions totalled £210m but this would increase as more investment to the City was secured. From the forecasted funding, £19m had been allocated to the Investment Fund (which was created in 2013/14) and a further £91m to the overall Capital Programme.

3.12 The schemes approved or currently under consideration from the Investment Fund, included -

- Langage Business Park
- History Centre
- City Deal
- Ocean Studios

4. CHALLENGE OF THE FORECAST OUTTURN 2014/15 AND PLANNED BUDGET 2015/16 TO 2017/18

4.1 Following the presentations, the Board Members questioned the Cabinet Member and the senior officer on the information that had been provided. The key issues arising from the questioning session included –

- the implications arising from the Council's final assessment of the Local Government Finance Settlement;

- the implications of Housing Benefit transferring to the Department of Work and Pensions as part of Universal Credit and the ability of the Council to receive overpayments in a timely manner;

4.2 The Local Government Finance Settlement for 2015/16 had been published on 18 December 2014 and following an initial assessment was broadly in line with the assumptions made by the Council. As the settlement had just been received, the implications were still being assessed.

4.3 Due to the Welfare Reform Act, local authorities who currently delivered Housing Benefit would no longer have a core role in the delivery of Universal Credit. This role would be undertaken by the Department of Work and Pensions. Although discussions were continuing with regard to the transfer of this benefit, as the Government had recognised the role of local authorities in helping people to access the services within Universal Credit.

Recommendations	To	Ref
Further information on the reduction in the Local Government Settlement and assumed impact on the Council's revenue budget is reported to the Co-operative Scrutiny Board on 18 February 2015.	Cabinet	**1**
Cabinet seeks reassurance from the Department for Works and Pensions that the authority will be able to claw back housing benefit overpayments, without undue delays, when the benefit transfers to universal credit.	Cabinet	**2**

5. SESSION 2: OVERVIEW OF THE TRANSFORMATION PROGRAMME - ENABLIING PROGRAMMES

People and Organisational Development Programme

5.1 The Cabinet Member for Transformation and Change (Councillor Jon Taylor) provided an overview of the Transformation Programme, which included the following key issues -

- the Corporate Plan had been published in July 2013 which set out the Council's vision, objectives, outcomes and values. The ambition was to become a brilliant co-operative council and deliver its priorities for the City despite a projected £64.5m funding gap caused by Government cuts, rising costs and increasing demand for services;

- in order to close the funding gap a proactive approach had been taken by reducing spending and growing income; the implementation of the Transformation Programme aimed to radically change how services were delivered. The five programmes had been designed to achieve this by -

  - growing the economy and raising income and taking a more commercial approach;
  - joining up how health, well-being and social care was commissioned and delivered with partners by using an integrated model;
  - providing services in a new way such as shared services and co-operatives;
  - changing how customers interacted with the Council and refocussing support services;

5.2 The Deputy Leader of the Council (Councillor Peter Smith) informed the Board of the key issues relating to the People and Organisational Development (POD) Transformation Programme, which included -

- the modernisation of customer services provided by the Council;

- the relocation of the First Stop Shop from the Civic Centre to the City Centre provided the first point of contact for customers (the Shop provided such facilities as self-serve machines) these improvements aimed to provide better interaction with the Council's customers and a better customer experience;

- working with the Public Protection Service to provide support to enable the service to decant from the Civic Centre to Derriford Business Park;

- as part of the Integrated Health and Wellbeing programme, assessment work was being undertaken with Plymouth Community Healthcare to ensure that accommodation fit for purpose was provided;

- working with the Co-operative Children and Young People services in supporting 'business as usual' during the Integrated Health and Wellbeing Programme and the decant from the Civic Centre;

- the Family Intervention Project and Families with a Future Project were moving from the Civic Centre to The Beacon in March 2015;

- providing the new head office location for Delt at Derriford Business Park to enable the new shared service company to operate an efficient and effective service for the Council and NEW Devon Clinical Commissioning Group; the new office would also help to enable new partnerships for Delt by providing them with a modern and professional image base from which to secure new business; Delt was due to decant from the Civic Centre to their new office space in April 2015;

- the modernisation of human resources, finance, corporate support and business support to ensure the Council had a return on its salary investment (£71m per annum) and creating extra income through additional income streams.

6. CHALLENGE OF THE PEOPLE AND ORGANISATIONAL DEVELOPMENT PROGRAMME

6.1 Following the presentations, the Board Members questioned the Cabinet Members and senior officers on the information that had been provided. The key issues arising from the questioning session included –

- concerns relating to the low morale of members of staff who had over the years been subjected to restructures and more recently uncertainties relating to the Transformation Programme, which had been evidenced through the poor response to the recent Staff Survey;

- concerns relating to the inconsistent way the Council worked with the voluntary and community sector in the planning and co-designing of services;

- disappointment at the lack of staff engagement in the Staff Survey, with only 40 per cent of staff taking part;

6.2 It was recognised that one way to realise the Council's vision to become a brilliant co-operative council was to work closely with the voluntary and community sector within the City. This would enable the sector to assist in the planning of services and be in a better position to bid for contracts.

6.3 Members of staff were the Council's best investment for the future and the success of the Transformation Programme relied on the full engagement of staff. The Cabinet Member for Transformation and Change intended to adopt a workshop/surgery approach in order to engage with staff. Employees would be able to have open and direct dialogue with him which ensured that he had a better understanding of their views/issues.

6.4 Although the Staff Survey results had been disappointing they needed to be taken in context the whole scale changes that the authority was currently undergoing due to the ambitious Transformation Programme. The Board was assured that all opportunities to work with staff during this period of uncertainty were being undertaken.

Recommendations	To	Ref
The voluntary and community sector are involved in the planning stage for the development of alternative service delivery vehicles.	Cabinet	**R3**
All Cabinet Members hold staff surgeries, as undertaken by Councillor Jon Taylor, to discuss the transformation programme and future challenges the Council faces.	Cabinet	**R4**
A revised approach is considered for the staff survey to address the poor return rate; this should include a review of the staff appraisal system to ensure it can be used as a key tool in the two way communication with staff.	Cabinet	**R10**

7. SESSSION 3: OVERVIEW OF THE TRANSFORMATION PROGRAMME

Customer Service Programme

7.1 The Deputy Leader of the Council (Councillor Peter Smith) informed the Board of the key issues relating to the Customer Services (CS) Transformation Programme, which included -

- following the adoption of the Customer Service Strategy last year, a large amount of work had been undertaken to improve service availability thus ensuring that it was in a better position to exploit potential income streams for the future;

  the Council's vision for customer services was to create a joined up operation with customers being able to interact with the Council through the First Stop Shop, libraries and digital options; service reviews would commence in the bereavement service and the Coroner's Office;

- a review of the library service had already commenced and scrutiny would form an integral part of this process. The review would be looking to expand the services offered in libraries, in order to provide relevant Council and community services within their locality;

- over the next two years, all customer facing services across the Council would be reviewed, in order to align them with the Customer Service Strategy;

- additional resources had been allocated to the collection of Council Tax and Housing Benefit debts; this had enabled identification of those customers who could pay and those that were unable to pay;

as a direct result of this work, an additional £100k had been collected; further work would be carried out to contact customers to recover monies owed to the Council;

- an initial restructure of staff across revenue and benefits, housing options and customer services had allowed these services to be brought into a single operation; some savings had been realised through supervision and management savings and economies of scale; the scope of the restructure had been expanded across customer services to include libraries, the Registry Office and the contact centre;

- an important contribution to the changes made within the service, had been the training and development of staff through various training methods, including bringing in specific resources to provide guidance on best practice; for example staff employed within the First Stop Shop had received training on how to handle vulnerable people, as well as changes in working processes and new technology;

- the process had commenced to amend the terms and conditions of Customer Services staff which would better meet customer demands and improve the availability of the service; unfortunately, it had not been possible to secure a collective agreement with the trade unions, despite extensive negotiations; consultation had commenced with staff regarding dismissal and re-engagement; although this was in line with the private sector and other local authorities, it should be noted that some staff were expressing concerns however, some staff had already signed the agreement;

- an automated telephone system had been introduced which worked alongside the contact centre staff; the service handled housing option calls which previously had experienced difficulty in being answered; since the implementation of the system half of the calls were being answered; this allowed the skilled contact centre staff to handle sensitive calls and calls from vulnerable customers;

- a review of the Council's website was being undertaken to provide a new platform to access its services on small screen devices, as well as PCs.

8. CHALLENGE OF THE CUSTOMER SERVICES PROGRAMME

8.1 Following the presentations, the Board Members questioned the Cabinet Members and senior officers on the information that had been provided. The key issues arising from the questioning session included –

- concerns relating to whether the Council's processes ensured that the right people were being targeted when collecting debt;

- concerns relating to the involvement of scrutiny in the library service review;

8.2 The vulnerable person's criteria and the criteria around the level of debt ensured that the right people were being targeted when collecting debt. Profiling work had been undertaken which enabled the Council to pursue people who would not pay rather than those who could not pay.

The authority was actively engaging with those people who could not pay to help put in place suitable arrangements and signpost them to other organisations to help with their overall debt problems.

8.3 Monitoring processes were in place to help identify those people with literacy difficulties. However, it was acknowledged that the Debt Enforcement Strategy needed to be more explicit for those individuals who had difficulty with reading and writing.

8.4 An assurance was given that scrutiny would continue to form part of the library service review.

Recommendations	To	Ref
Protocols to assist those with additional needs are included within all debt enforcement and collection policies.	Cabinet	**R5**
In support of the recommendations from Your Plymouth Panel the results of the library review are reported to that Panel alongside the timescales for changes to the service and alignment to the community engagement framework.	Cabinet	**R6**

9. SESSION 4: OVERVIEW OF THE TRANSFORMATION PROGRAMME

Co-operative Centre of Operations

9.1 The Cabinet Member for Transformation and Change informed the Board of the key issues relating to the Co-operative Centre of Operations Programme (CCO) which included –

- the programme focused on developing the strategic layer which included three main project areas, establishing the strategic centre, integration and management and transforming Corporate Services;

- the strategic layer would develop a change management framework; the benefits would include informed decision making, flexible and cost efficient processes for managing legislative change, measures and monitoring of change and generally ensuring that change was robust and implemented with minimal disruption;

- commissioning and procurement of services would seek opportunities to create service models, as such co-operatives, shared services and working with the voluntary and community sector;

- developing the intelligent client function would move away from directly delivering services, therefore staff would need have different expertise in order to manage the different service models;

- the transformation of Corporate Services including Human Resources, Finance and Business Support would deliver financial savings and would be better placed to deliver more changes in the future;

- the headline benefits of the overall Transformation Programme were over three years –

    - £1.5m (2015/2016)
    - £1.6m (2016/2017)
    - £1.3m (2017/2018)

- further interrogation of the figures -
  - Commissioning and procurement: £200k (2015/16), £400k (2016/17) and £700k (2017/18);
  - Delt: £600k (2015/16), £300lk (2016/17) and £500k (20017/18);
  - Corporate Support: £800k (2015/16), £600k (2016/17) and £100k (2017/18).

10. SESSION 5: OVERVIEW OF THE TRANSFORMATION PROGRAMME

Growth and Municipal Enterprise

10.1 The Leader (Councillor Evans), Cabinet Member for Environment (Councillor Vincent) and the Cabinet Member for Transformation and Change (Councillor Jon Taylor) informed the Board of the key issues relating to the Growth and Municipal Enterprise programme (GAME) which included –

- discussions had been held with the Local Government Minister relating to the cut of 3.3 per cent (7.6 per cent in real terms) in the revenue support grant for the City (Devon County Council had received an increase of 0.5 per cent);
- the Plan for Jobs scheme had delivered 2000 jobs which in the main were being delivered by the private sector; this target had been achieved three months ahead of schedule;
- nearly 300 major planning applications had been received which were attracting investment into the City;
- the creation of 1162 jobs that were directly attributed to the work of the Council, during the past 12 months (with a further 3966 jobs in the pipeline);
- over the past 20 years the City had not been successful in growing Gross Value Added (GVA), however during the past two years this had increased above the national average;
- 97 per cent occupancy levels of the Council’s estate (new facilities were being built which had already been let);
- the Council had attracted £10m of affordable housing schemes in the City;
- the Council had received 236 inward investment enquiries with a further £327m in the pipeline;
- housing start-ups had increased by 33 per cent, housing completions by 10 per cent and housing developments under construction by 27 per cent;
- the Council had approved £405m of development through its Planning Committee;

- 11,000 people were currently on the housing waiting list; it was therefore important to increase the Council's ability to attract additional funding through Council Tax and the New Homes Bonus scheme, as this would enable Council Tax rates to be kept low; the proposed release of land together with the Plan for Homes scheme, if successful, would reduce the housing waiting list by 2900 people, (a reduction of 21 per cent);

- £90m had been delivered from the ambitious Capital Programme of £234m.

11. CHALLENGE OF THE GROWTH AND MUNICIPLE ENTERPRISE PROGRAMME

11.1 Following the presentations, the Board Members questioned the Cabinet Members and senior officers on the information that had been provided. The key issues arising from the questioning session included –

- concerns relating to whether the Local Enterprise Partnership had maximised its application for funding from the European Social Fund Community Grant; if not, was there an opportunity to increase its application prior to the March 2015 deadline and whether there were other funding opportunities for social inclusion;

- concerns relating to the lack of sustainable employment opportunities for disabled people, people with learning disabilities and those with mental health issues;

11.2 There had been a long consultation process for the Local Enterprise Partnership's bid for the European Social Fund Community Grant; however there were concerns relating to the ability of organisations to match fund this grant. Extensive work was being undertaken with the voluntary and community sector, in order to achieve sustainable developments such as the Four Greens Trust which the Council had transferred assets to in order to deliver services within the community.

11.3 The European Union and Government had created a new committee which would shape the future programmes of the European Social Fund. The approach adopted would be to match fund with monies from the Financial Conduct Authority and the Big Lottery which would maximise and increase the funding pots. There would be an opportunity to influence the focus of the programmes as these were currently being shaped.

11.4 The Council continued to work with Working Links to assist people with diverse needs and expectations to gain employment. However, the failure of the Government's Work Programme (which formed the centre of its welfare to work), the cuts in Government funding for Remploy together with the decline of funding for mental health services within the City, all had an adverse effect on the ability to provide employment opportunities.

Recommendations	To	Ref
Economic Development officers will undertake further advocacy with the Local Enterprise Partnership to gain further funding from the European Social Fund.	Cabinet	**R7**
Economic Development officers will undertake further advocacy with the Local Enterprise Partnership to gain further funding for those with disabilities and mental health issues to assist them in finding appropriate employment.	Cabinet	**R8**

12. SESSION 6: OVERVIEW OF THE TRANSFORMATION PROGRAMME

Integrated Health and Wellbeing Programme – Integrated Commissioning

12.1 The Cabinet Member for Health and Adult Social Care (Councillor Tuffin) and the Cabinet Member for Children, Young People and Public Health (Councillor McDonald) provided an overview of the Integrated Health and Wellbeing Programme (Integrated Commissioning), which included the following key issues -

- the continued cuts in Government funding together with the rise in demand, the complexity of needs, people living longer and requiring more care and support in the community, all had a significant impact on the delivery of Adult Social Care services (the service accounted for almost half of the Council's expenditure);

- the outturn forecast for 2014/15 was £73.36m against a budget of £70.384m which had resulted in an adverse variance of £2.9m;

- the service had already made significant savings of £4.9m which had been achieved through the dedicated work of Council officers;

- a step change was required to meet the significant challenges faced by the Council with the rise in demand, financial pressures, entrenched inequalities within Wards, fragmented care and the driver to deliver better care services with less public resources, these factors had resulted in the Integrated Health and Wellbeing Transformation Programme (Integrated Commissioning);

- the Integrated Commissioning Programme would enable the Council and the NEW Devon Clinical Commissioning Group (CCG) to transform the planning of public services in the City, in order to achieve better outcomes and services for Plymouth;

- key elements of the programme included the pooling of budgets of around £420m, NHS and Council commissioning staff working as one team, the establishment of a multi-agency Strategic Commissioning Board and the development of four joint commissioning strategies which included -

  - children and young people
  - wellbeing
  - community
  - bed based care

- the strategies would enable commissioners to achieve a shared view of the outcomes required for the providers of the service;

- the main focus for 2015/16 would be to deliver the following -

  - commissioning integrated health and social care provider
  - new extra care schemes
  - cost effective supported living
  - a contract to support multiple and complex needs

- an element of the Health Care Act, 2012 had been to establish a Health and Wellbeing Board which was chaired by the Cabinet Member for Children, Young People and Public Health;

12.2 The key duty of the Board was to set the strategy which included the integration of services; the role of the Chair was to hold the commissioners (NEW Devon Commissioning Group) to account to ensure that the key requirements of integration were being undertaken.

12.3 A multi-agency system had been set up which included the voluntary and community sector, other public sector organisations and the local authority; this allowed organisational boundaries to become semi permeable and lead to the pooling of budgets.

12.4 The key requirements within the Council as the safeguarding authority for children and young people were to ensure that the voice of the child, the context of family and the patient's voice were heard.

13. CHALLENGE OF THE INTEGRATED HEALTH AND WELLBEING PROGRAMME (INTEGRATED COMMISSIONING)

13.1 Following the presentations, the Board Members questioned the Cabinet Members and senior officers on the information that had been provided. The key issues arising from the questioning session included –

- concerns relating to the terms of reference for the new Plymouth and Western Locality Integrated Commissioning Board and the management of Section 75 agreement;

- concerns relating to whether Plymouth would receive a fair level of benefits arising from the Section 75 partnership agreement with the NEW Devon Clinical Commissioning Group;

13.2 Work was being undertaken on the ratification of the Commissioning Board; it was vital that both senior commissioners and leaders shared the same view of the system.

13.3 Integrated Commissioning was a radical programme and as such the Council needed to be realistic in what the programme would be able to deliver without destabilising services for adults; the estimates had been built on sound modelling and thorough processes to ensure that the savings were deliverable and robust.

Recommendations	To	Ref
Detailed terms of reference of the Plymouth and Western Locality Integrated Commissioning Board, including membership and protocols in relation to the management of the Section 75 agreement, should be provided to the Caring Plymouth Panel ahead of a decision to pool budgets being taken at Cabinet in March.	Cabinet	**R12**

The details of the Section 75 agreement are reported to the Board before the Cabinet agrees the pooled budget in March 2015 to ensure that the NEW Devon Clinical Commissioning Group's contribution over a five year period will demonstrate how the pace of change arrangements will deliver an accurate and fair level of capitation for Plymouth which is appropriately weighted to deliver the City's unique demographic.	Cabinet	**R13**

14. SESSION 7: OVERVIEW OF THE TRANSFORMATION PROGRAMME

Integrated Health and Wellbeing Programme – Integrated Delivery

14.1 The Cabinet Member for Health and Adult Social Care (Councillor Tuffin) and the Cabinet Member for Transformation and Change (Councillor Jon Taylor) provided an overview of the Integrated Health and Wellbeing Programme (Integrated Delivery), which included the following key issues -

- the Integrated Delivery programme sets out to deliver an integrated health care provider that provided the right care, at the right time, in the right place;

- as a result of the collaboration between the Council and Plymouth Community Healthcare, the programme had been built around the extensive engagement of the public and staff to assist in the transformation of community services;

- the key features included -

  - an offer which placed the person at the centre and arranged support where appropriate , 24 hours a day seven days a week
  - a single contact point for all incoming work
  - integrated IT systems and a shared set of documentation
  - reconfiguration and modelling of community services to deliver wrap around care
  - joint management structures
  - multi discipline teams with an emphasis on self-management and prevention
  - reduction in bed based support
  - a shift in community assistance

14.2 The integration of social care workers, occupational therapists, community care workers and community nurses, would involve 170 Social Care Staff transferring from the Council to Plymouth Community Healthcare; a consultation process was underway with staff and the trade unions (who both supported the transfer).

14.3 The new integrated provider would offer a rapid response service, to address the needs of people at times of crisis, this would be available seven days a week, by joining teams across the City; four integrated locality hubs would be created with health and social care staff providing wrap around support for people in their local communities.

15. SESSION 8: OVERVIEW OF THE TRANSFORMATION PROGRAMME

NEW Devon Clinical Commissioning Group – NHS Future

15.1 The Head of Locality Commissioning for Planned Primary Care (Karen Kay) and the Finance Officer (Ben Chilchott) provided an overview of the NHS Future, which included the following key issues –

- towards the end of 2013/14 the NEW Devon Clinical Commissioning Group (CCG) had been identified as one of the 12 financially challenged health communities in the country and as such had received additional support from Pricewaterhousecooper (PWC) to better understand the financial challenges for the next five years;

- the NEW Devon Clinical Commissioning Group was a large organisation which covered three big acute providers, two local authorities and two mental health and community providers covering a significant geographical area;

- the commissioned work identified a number of financial challenges, if a do nothing approach was adopted, over the next five years; there would be a financial challenge of £430m over this strategic period including an aggregate gap of providers of £260m and £70m for specialist commissioning;

- assumptions of the level of allocations for this strategic period had been made, as allocations had only been received for the next two years; the figures assumed a base uplift for the following years which would see significantly lower levels of growth, due to the CCG being over target by £26m (when compared to the level of resources that it should have the weighted capitation with other organisations);

- NHS Future was a programme of work that reflected the financial challenges across the whole economic community and not just single organisations, in dealing with the health and care needs of the individuals; the work supported by PWC had brought key stakeholders together to look at further improving the collaborative approach (senior executives, clinicians and councillors had been involved in this programme of work);

- there were a number of programmes of work being undertaken across organisations, all of which, were contributing towards a sustainable health economy; the NHS Future programme ensured sustainable resources in the future;

  whilst reflecting on the fact that there would be limited resources and challenged the organisation to deliver services and ensure that they were as efficient as possible for the patient and resident;

- there were a range of different work programmes being carried out which included the delivery of traditional measures and cost improvement measures (£80m) and managing activity, efficiencies and benchmarking (£47m); a more significant programme of work was the integration of urgent care (emergency services, minor units, GPs and Social Care out of hours (£112m); this programme would realise significantly more benefits but would take longer to deliver);

- a bigger area of work was the move towards outcome based models of commissioning, rather than payment by results (where standard tariffs were paid for specific work); this work would involve managing the risks for the providers and commissioners to enable an innovative way of contracting for services that did not incentivise carrying out the work but focussed more on the patient's needs;

- the NHS Future programme gave a commitment to working collaboratively in order to solve problems which belonged to all the partner organisations.

16. CHALLENGE OF THE INTEGRATED HEALTH AND WELLBEING PROGRAMME (NEW DEVON CLINICAL COMMISSIONING GROUP – NHS FUTURE)

16.1 Following the presentation, the Board Members questioned senior officers on the information that had been provided. The key issues arising from the questioning session included –

- support for multi-year funding settlements for NEW Devon Clinical Commissioning (CCG);

- concerns relating to the availability of the PWC report into the Devon Challenged Health Economy;

16.2 The CCG welcomed any support that the Council could provide in lobbying the Government to award multi-funding settlements, in order to better forecast budget allocations.

Recommendations	To	Ref
The City Council supports and lobbies the Government for multi-year funding settlements for NEW Devon Clinical Commissioning.	Cabinet	**R14**
The Caring Plymouth Panel, using statutory duties under the National Health Act 2006, requests NHS England and the Trust Development Agency to provide the Pricewaterhousecooper's report into the Devon Challenged Health Economy for consideration at the Panel.	Caring Plymouth Panel	**R15**

17. SESSION 9: OVERVIEW OF THE TRANSFORMATION PROGRAMME

Children Social Care, Child Poverty and Education, Learning and Families

17.1 The Cabinet Member for Children, Young People and Public Health (Councillor McDonald) and the Cabinet Member for Co-operatives, Housing and Community Safety (Councillor Penberthy) provided an overview of children's social care, child poverty and education, learning and families, which included the following key issues –

- in order to tackle child poverty in Plymouth the Council needed to ensure that resources were placed in areas that would deliver outcomes that reduced poverty levels;

- there was no dedicated budget allocated to address child poverty but it had been aligned with the Council's existing budgets;

- the quality of employment was considered to be a key driver in tackling child poverty; individuals suffered recurrent poverty as they became caught in a low pay/no pay cycle by insecure employment;

- the City Deal would attract skilled jobs into the City through the development of South Yard; there was a need to influence the Skills Plan agenda, in order that people in Plymouth were able to fill these jobs; a new Head of Skills and Employability had recently been appointed and would be working with businesses and education establishments to ensure that the right training was in place;

- since the launch of the 1000 Club, 1274 companies across the City had signed up to creating opportunities for young people; 812 jobs had been created, 885 apprenticeships, 813 work experience opportunities and 334 graduate internships which ensured that young people were fit for work and took a significant number of people off unemployment benefits; in total 2819 opportunities for young people had been created over the past year;

- the average wage in Plymouth was £471.50 per week which was lower than the national average of £518;

- the Council had committed to pay the living wage in its own pay structure which ensured that all staff were paid at least the level of the national living wage;

- a benefit maximisation project had been launched to encourage families to maximise their income; additional income of £34.50 a week had been identified for 5000 families; work had been undertaken to encourage families to take up £1.6m unclaimed benefits in Plymouth;

- the Council would continue to support the City of Plymouth Credit Union which had increased its membership to over 2,400 (a 25 per cent increase) and had supported 294 wise finance loans between April and September 2014;

- there were 51,000 children in the City (0 to 18 years) which accounted for 20 per cent of the population; two departments led the delivery of children's services; one formerly called Children's Social Care was now Children, Young People and Families and one, formerly called Education Learning and Families, was now Learning and Communities; between them they covered over 150 functions many of which were statutory;

- these services were funded in part by the Council in the sum of £45m and the Dedicated Schools Grant of £170m; whilst the revenue grant from the Council and external grants (particularly around education) had fallen, the budget relating to children's social care had been maintained due to the necessity to manage risk in this area and rising demand;

- the Transformation Programme was designed to manage the reduction in resources and address the rising demand, as well as improved outcomes -

  - Plymouth's population was set to grow increasing the strain on education, health and social services;
  - the relationship between the Council and schools was changing in line with the national picture;

- the Munro Principles were set to govern the way the Council delivered services;
- the Children and Families Act 2014 placed a greater emphasis on protection for vulnerable children;
- continuing alignment with the brilliant co-operative Council plan;
- priorities of the draft Children's and Young People's Partnership plan;

- Integrated Health and Wellbeing included the Children's Programme and included -

  - early help including SEND
  - traded services and alternative delivery vehicles
  - adult and community learning
  - education catering
  - CSC re-configuration
  - Ofsted improvement plan
  - IT and MIS

17.2 Sitting above the specific plans and strategies was the emerging Children and Young People's Plan; unlike previous plans it did not include every organisation's individual responsibilities but under four clear objectives, it harnessed the resources available across agencies and the partnership;

it had been completed and agreed in headline form and would be shaped further by an outcome framework and integrated commissioning plan; the four objectives covered a wide range of functions and outcomes to be delivered -

- raise aspirations;
- deliver prevention and early help;
- deliver an integration education, health and care offer;
- keep our children and young people safe.

18. CHALLENGE OF THE INTEGRATED HEALTH AND WELLBEING PROGRAMME (CHILDREN SOCIAL CARE, CHILD POVERTY AND EDUCATON, LEARNING AND FAMILIES)

18.1 Following the presentation, the Board Members questioned the Cabinet Members and senior officers on the information that had been provided. The key issues arising from the questioning session included –

- concerns relating to whether the children's social care thresholds were widely communicated to partners and were easily available on the Council's website so they could be reviewed prior to referrals being made;

- concerns relating to the prominence placed on Child Poverty within the Plymouth Plan and the Health and Wellbeing Board;

- concerns relating to young carers being made a priority within the Children and Young People's Partnership's work programme;

- concerns relating to the non-reporting of significant changes to the benefit profile of the transformation programme streams;

18.2 The Ofsted inspection had reviewed the Council's thresholds for Children's Social Care and had been satisfied that the thresholds were being applied appropriately.

18.3 Child poverty was included within the draft Plymouth Plan but it was recognised that it was not sufficiently highlighted; there would be an opportunity, following the conclusion of the consultation exercise, to amend the plan.

18.4 The identification of young carers had been highlighted by the Fairness Commission as a significant concern for all agencies; work had been undertaken with the Health Schools Quality Mark to look at whether there were any signs or indicators that would identify young carers (young carers were not easily identifiable); work had also been commissioned with Barnardos to look at ways of reaching a wider group of children and as a result of this work, an action plan had been drafted and was currently being finalised.

18.5 Since the presentation of the Co-operative Children and Young Person's Service project to the Caring Plymouth Panel, in November 2014, the business case had been re-scoped to include the Ofsted recommendations. An assurance was given that any such changes would be fed back to the Panel in the future.

Recommendations	To	Ref
Social Care thresholds should be widely communicated amongst partners and brought to greater prominence on the Council's website in an easy to use format so that partners and members of the public can review thresholds before making a referral;	Cabinet	**R16**
The issue of Child Poverty is given greater prominence within the Plymouth Plan and the Health and Wellbeing Board should consider Child Poverty as a priority issue within its work programme.	Cabinet	**R17**
Young carers should be considered a priority issue within the Children and Young People's Partnership work programme. The partnership should review the findings of the 2010 scrutiny review of the issues to ensure they have been implemented.	Children and Young People's Partnership	**R18**
Where significant changes to benefit profile of Transformation Programme work streams occur these must be reported to the relevant Scrutiny Panel Chair for consideration in the scrutiny work programme.	Cabinet	**R20**

19. OVERVIEW AND CHALLENGE OF THE LEADER AND THE CHIEF EXECUTIVE

19.1 At the end of the sessions, the Board challenged the Leader and Chief Executive over the following issues –

- the Council's structure in three years' time;
- assurance that the work with partners would add real value to the lives of residents;
- the integration of the voluntary and community sector;
- future proposals for the restructure of middle management;
- the adoption of living wage across partners and public sector organisations;

- the future of the Civic Centre;
- staff absence (work related stress)
- sustainability of the Council's ability to win grant funding;
- additional income streams.

20. SESSION 10: OVERVIEW AND CHALLENGE OF THE LEADER AND THE CHIEF EXECUTIVE

20.1 The Leader and Chief Executive responded to the emerging key issues as follows –

- Plymouth City Council's structure plan should be considered as one for public services (a family of public services); integrated commissioning and the delivery of services together with shared services and co-operatives would lead to a radically different looking organisation; services would be more receptive and responsive and ensure that the right services were provided for residents' needs;

- there was commitment across all partner organisations across the City to work together to provide quality services for the residents of Plymouth through integrated commissioning and delivery of services; there was also a recognition that any change of funding policy, in one area, could not be allowed to destabilise the system as a whole;

- the Fairness Commission had highlighted the need for public sector agencies to review the way they currently engaged with the voluntary community sector to agree an approach which would ensure benefits were shared across communities; the voluntary and community sector was an important partner in providing services for the City and it was essential to be able to grow this;

  however, there were issues relating to the funding of some elements of the voluntary and community sector which received funding through statutory or public sector organisations; the challenge would be to grow the capability in this sector by enabling the right funding to be available whilst base funding was shrinking; the Cities of Service initiative would help grow the ethos of volunteering across the City;

- there were no proposals to review the Council's management structure plan; the service delivery reviews would identify the staffing requirements needed for the delivery of future services (savings had been achieved through the transfer of staff to Delt and Plymouth Community Healthcare);

- the Fairness Commission's recommendation to implement the living wage had been adopted by the Council for its employees; work had been commissioned to assess whether this recommendation had been adopted by partner organisations and other public sector agencies across the City;

- there were a number of interested parties in the future development of the Civic Centre; however, the Council needed to ensure that the right solution and deal was achieved for the benefit of the City as a whole; at the conclusion of negotiations an announcement on its future would be made;

- staff absence was constantly monitored; the annual health, safety and wellbeing report provided comprehensive information on the types of absence that occurred within the authority which would include stress related absences;

- as part of the Government's change in its core funding policy, increasingly the Council had to bid for grant funding; officers had gained valuable experience and knowledge through this process (the Council had been successful in a number of its submissions such as the City Deal); this sound knowledge base would continue to be built on to ensure the future award of grant funding;

- the commercialisation agenda formed an integral part of the Growth and Municipal Enterprise programme; there was potential to generate additional income (for example through the Garage and Fleet services); however, in order to become a more commercially focussed organisation, the Council would need to have a sound understanding of pricing structures and marketing services.

Recommendations	To	Ref
The Director for Transformation and Change, when formally in post, considers the creation of a comprehensive risk mitigation plan for the Transformation Programme for consideration by the Co-operative Scrutiny Board as part of the ongoing monitoring of the Transformation Programme.	Cabinet	**R9**
Figures on the proportion of sickness absence relating to stress are reported to the Co-operative Scrutiny Board as part of the Corporate Monitoring report.	Cabinet	**R11**
The Co-operative Scrutiny Board requests the support of Cabinet to undertake a full review of the partnerships currently at work in the City, with a view to ensure that all the partners are appropriately resourcing them.	Cabinet	**R19**
The Corporate Management Team builds on the success of shared service with the Health Service and continues to identify opportunities for shared services with neighbouring local authorities.	Cabinet	**R21**
The draft Plymouth Plan will be delegated to Panels for scrutiny within their terms of reference.	Co-operative Scrutiny Board	**R22**

15. RECOMMENDATIONS

	Recommendations	To
R1	Further information on the reduction in Local Government Settlement and assumed impact on the City Council revenue budget is reported to the Co-operative Scrutiny Board on 18 February 2015	Cabinet
R2	Cabinet seeks reassurance from the Department for Works and Pensions that the authority will be able to claw back housing benefit overpayments, without undue delays, when the benefit transfers to universal credit.	Cabinet
R3	The voluntary and community sector are involved in the planning stage for the development of alternative service delivery vehicles.	Cabinet
R4	All Cabinet Members hold staff surgeries, as undertaken by Councillor Jon Taylor, to discuss the transformation programme and future challenges the Council faces.	Cabinet
R5	Protocols to assist those with additional needs are included within the debt enforcement and collection policies.	Cabinet
R6	In support of recommendations from Your Plymouth Panel, the results of the library service review are reported to that Panel alongside the timescales for changes to the service and alignment to the community engagement framework.	Cabinet
R7	Economic Development officers will undertake further advocacy with the Local Enterprise Partnership to gain further funding from the European Social Fund.	Cabinet
R8	Economic Development officers will undertake further advocacy with the Local Enterprise Partnership to gain further funding for those with disabilities and mental health issues to assist them in finding appropriate employment.	Cabinet
R9	The Director for Transformation and Change, when formally in post, consider the creation of a comprehensive risk mitigation plan for the Transformation Programme for considered at the Co-operative Scrutiny Board, as part of ongoing monitoring of the Transformation Programme.	Cabinet
R10	A revised approach to be considered for the staff survey to address poor return rate. This should include a review of the staff appraisal system to ensure it can be used as a key tool in the two way communication with staff.	Cabinet
R11	Figures on the proportion of sickness absence relating to stress are reported to the Board as part of the corporate monitoring report.	Cabinet

R12	Detailed terms of reference of the Plymouth and Western Locality Integrated Commissioning Board, including membership and protocols in relation to the management of Section 75 agreement, should be provided to the Caring Plymouth Panel ahead of a decision to pool budgets being taken at Cabinet in March.	Cabinet
R13	The details of the Section 75 agreement are reported to the Board before the Cabinet agrees the pooled budget in March 2015, to ensure that the new NEW Devon Clinical Commissioning Group's contribution over a five year period will demonstrate how the pace of change arrangements will deliver an accurate and fair level of capitation for Plymouth which is appropriately weighted to deliver for the City's unique demographic.	Cabinet
R14	The City Council supports and lobbies Government for multi-year funding settlements for Clinical Commissioning Groups.	Cabinet
R15	The Caring Plymouth Panel using statutory duties under the National Health Act 2006, requests NHS England and the Trust Development Agency to provide the Pricewaterhousecooper report into the Devon Challenged Health Economy for consideration at the Panel.	Caring Plymouth Panel
R16	Social Care thresholds should be widely communicated amongst partners and brought to greater prominence on the Council's website in an easy to use format so that partners and members of the public can review thresholds before making a referral.	Cabinet
R17	The issue of Child Poverty is given greater prominence within the Plymouth Plan and the Health and Wellbeing Board should consider Child Poverty as a priority issue within its work programme.	Cabinet
R18	Young Carers should be considered a priority issues within the Children and Young People's work programme. The partnership should review the findings of the 2010 scrutiny review of the issue to ensure they have been implemented.	Children and Young People's Partnership
R19	The Co-operative Scrutiny Board requests the support of Cabinet to undertaken a full review of the partnerships currently at work in the City with a view to ensure that the all partners are appropriately resourcing them.	Cabinet
R20	Where significant changes to benefit profile of transformation programme work streams occur these must be reported to the relevant Panel Chair for consideration in the scrutiny work programme.	Cabinet
R21	The Corporate Management Team builds on the success of shared service with the Health Service and continue to identify opportunities for shared services with neighbouring local authorities.	Cabinet
R22	The draft Plymouth Plan will be delegated to Panels for scrutiny within their terms of reference.	Co-operative Scrutiny Board

Appendix I – Thank You

Partners

- NEW Devon Clinical Commissioning Group
- Plymouth Community Healthcare

Plymouth City Council

- The Council Leader
- Chief Executive
- Deputy Leader
- Cabinet Member for Finance
- Cabinet Member for Children, Young People and Public Health
- Cabinet Member for Environment
- Cabinet Member for Transport
- Cabinet Member Health and Adult Social Care
- Cabinet Member for Co-operatives, Housing and Community Development

- Strategic Director for People
- Strategic Director for Place
- Assistant Chief Executive
- Assistant Director for Finance
- Assistant Director for Economic Development
- Assistant Director for Strategic Planning and Infrastructure
- Interim Assistant Director for Street Services
- Assistant Director for Learning and Communities
- Assistant Director for Children, Young People and Families
- Assistant Director for Customer Services
- Head of Co-operative Commissioning
- Head of Health, Safety and Wellbeing
- Transformation Programme Managers
- Lead Accountants

Support for the Co-operative Scrutiny Board

- Ross Jago, Performance and Research Officer
- Helen Wright, Democratic Support Officer

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APPENDIX 3

TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2015/16

PLYMOUTH CITY COUNCIL

CABINET MINUTE 126

Malcolm Coe (Assistant Director for Finance) submitted a report setting out the Treasury Management Strategy and Prudential Indicators, including the Annual Investment Strategy as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services which had been considered and recommended by the Audit Committee.

The midyear review of the 2014/15 Treasury Management Strategy was also submitted.

Councillor Lowry (Cabinet Member for Finance) introduced the proposals.

David Northey (Head of Corporate Strategy) and Malcolm Coe (Assistant Director for Finance) attended the meeting for this item.

The City Council is Recommended to –

(1) agree the Treasury Management Strategy and Annual Investment Strategy 2015/16 (incorporating the authorised limits, operational boundaries and prudential indicators) as submitted;

(2) note the mid-year review of the 2014/15 Treasury Management Strategy, as recommended by the Audit Committee.

PLYMOUTH CITY COUNCIL

Subject:	Treasury Management Strategy and Annual Investment Strategy 2015/16
Committee:	Cabinet
Date:	10 February 2015
Cabinet Member:	Councillor Lowry
CMT Member:	Malcolm Coe (Assistant Director for Finance)
Author:	Zoe Wilkinson, Lead Accountant
Contact details	Tel: 01752 304707 email: zoe.wilkinson@plymouth.gov.uk
Ref:	Fin/ZW
Key Decision:	No
Part:	I

Purpose of the report:

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires local authorities to set a Treasury Management Strategy Statement and Prudential Indicators on an annual basis to include the Annual Investment Strategy.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Treasury Management affects the Council's budget in terms of borrowing costs and investment returns. The Treasury Management Strategy sets the authorised limits and operational boundaries within which investment and borrowing decisions are taken and risks managed. Effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

A robust Treasury Management Strategy is key to ensuring a successful delivery of our Medium Term Financial Plan and ensuring the Council can achieve its objectives to be a Pioneering, Growing Caring and Confident City.

Equality and Diversity

Has an Equality Impact Assessment been undertaken?

Yes, attached as background paper. No impacts identified.

Recommendations and Reasons for recommended action:

1. Cabinet recommends the Treasury Management Strategy and Annual Investment Strategy (incorporating the authorised limits, operational boundaries and prudential indicators) to the Council for approval

   This is to comply with the CIPFA Code of Practice and discharge our statutory requirement.

2. Cabinet recommends the mid-year review of the 2014/15 Treasury Management Strategy to the Council for noting, as recommended by the Audit Committee.

Alternative options considered and rejected:

It is statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual treasury strategy for borrowing and prepare an annual investment strategy. The Council has adopted the CIPFA Code of Practice for Treasury Management.

Published work / information:

Not Applicable

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Equality Impact Assessment	x								

Sign off:

Fin	mc1415 .36	Leg	lt22201/ 300115	Mon Off	MO/22 201	HR		Assets		IT		Strat Proc	
Originating SMT Member Malcolm Coe, Assistant Director													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Treasury Management Strategy Statement 2015/16 and Annual Investment Strategy 2015/16

1. Introduction

1.1 In accordance with the Council's Constitution and CIPFA code, it is a requirement that the Treasury Management Strategy and Annual Investment Strategy is presented to the Audit Committee. On 18 December 2014 the Audit Committee agreed to delegate authority to approve the Treasury Management Strategy and Annual Investment Strategy 2015/16 to the Head of Corporate Strategy in consultation with the Chair and Vice Chair of the Audit Committee. A meeting was held on 28 January 2015 and the Head of Corporate Strategy and the Chair and Vice Chair agreed to recommend the Treasury Management and Annual Investment Strategy 2015/16 to Cabinet for approval.

1.2 In April 2002 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

1.3 The council has incorporated the changes from the revision to the CIPFA Code of Practice in 2009 and 2011 into its treasury policies, procedures and practices.

1.4 In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

1.5 This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

1.6 The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

2. External Context

2.1 <u>Economic background</u>

There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for an 0.25% increase in rates at each of the meetings between August and December 2014, the minutes of the January 2015 meeting showed unanimity in maintaining the Bank Rate at 0.5% as there was sufficient risk that low inflation could become entrenched and the MPC became more concerned about the economic outlook.

2.2 Credit outlook

The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, **the credit risk associated with making unsecured bank deposits will increase** relative to the risk of other investment options available to the Authority.

2.3 Interest rate forecast

The Authority's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 2.7%.

A more detailed economic and interest rate forecast provided by the Arlingclose is attached at ***Appendix B***.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 1%, and that new long-term loans will be borrowed at an average rate of 0.8%.

3. Local Context – The Authority's forecast treasury position

3.1 The Authority currently has £290m of borrowing and £100m of investments. This is set out in further detail at ***Appendix B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.14 Actual £m	31.3.15 Estimate £m	31.3.16 Estimate £m	31.3.17 Estimate £m	31.3.18 Estimate £m
General Fund CFR	264.75	256.55	247.68	248.24	241.88
Less: Other debt liabilities *	-40.27	-40.27	-39.62	-38.02	-36.42
Borrowing CFR	**224.49**	**216.28**	**208.06**	**210.22**	**205.46**
Less: External borrowing **	-229.70	-249.45	-245.45	-245.41	-245.41
Internal (over) borrowing	**-5.22**	**-33.17**	**-37.39**	**-35.18**	**-39.94**
Less: Working capital/Usable Reserves	45.00	43.00	41.00	39.00	38.00
Investments (or New borrowing)	**39.78**	**9.83**	**3.61**	**3.82**	**1.94**

* *finance leases and PFI liabilities that form part of the Authority's debt*
** *shows only loans to which the Authority is committed and excludes optional refinancing*

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to holding a minimum investment balance.

3.3 The movement in actual external debt and balances combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years. The forecast CFR, borrowing, balances and the resulting net borrowing requirement is set out in table 1 above.

4. Borrowing Strategy

4.1 The Authority currently holds £144 million of loans, a decrease of £30 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £4m in 2015/16. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

4.2 Objectives

The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

4.3 Strategy

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

4.4 Sources

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) or its equivalent in 2015/16
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds other than the Devon Local Government Pension Fund.
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised some of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

4.5 LGA Bond Agency

Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

4.6 LOBOs

The Authority holds £100m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £44m of these LOBOS have options during 2015/16, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £100m.

4.7 Short-term and Variable Rate loans

These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

4.8 Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5. Investment Strategy

5.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £83.3 and £107.2 million, and similar levels are expected to be maintained in the forthcoming year.

5.2 Objectives

Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

5.3 Strategy

Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2015/16. This is especially the case for the estimated £40m that is available for longer-term investment. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits. This diversification will therefore represent a substantial change in strategy over the coming year.

5.4 Approved Counterparties

The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£6m 5 years	£12m 20 years	£20m 50 years	£6m 20 years	£6m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 25 years	£6m 10 years	£6m 10 years
AA	£6m 4 years	£12m 5 years	£12m 15 years	£6m 5 years	£6m 10 years
AA-	£5m 3 years	£12m 4 years	£12m 10 years	£6m 4 years	£6m 10 years
A+	£5m 2 years	£12m 3 years	£6m 5 years	£6m 3 years	£6m 5 years
A	£4m 13 months	£5m 2 years	£6m 5 years	£6m 2 years	£6m 5 years
A-	4m 6 months	£5m 13 months	£6m 5 years	£6m 13 months	£6m 5 years
BBB+	£3m 100 days	£5m 6 months	£2m 2 years	£2m 6 months	£2m 2 years
BBB or BBB-	£0m next day only	£5m 100 days	n/a	n/a	n/a
None			£12m 5 years		£3m 5 years
Pooled funds	£25m per fund				

This table must be read in conjunction with the notes below

5.5 Credit Rating

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

5.6 Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB or BBB- are restricted to overnight deposits at the Authority's current account bank Barclays Bank plc.

5.7 Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

5.8 Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

5.9 Corporates

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

5.10 Registered Providers

Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

5.11 Pooled Funds

Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

5.12 Risk Assessment and Credit Ratings

Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.13 Other Information on the Security of Investments

The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

5.14 Specified Investments

5.15 The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher.

5.16 Non-specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£45m
Total investments without credit ratings or rated below A-	£25m
Total investments with institutions domiciled in foreign countries rated below AA+	£0m
Total non-specified investments	£70m

5.17 Investment Limits

The Authority's revenue reserves available to cover investment losses are forecast to be £60 million on 31st March 2015. In order that no more than 30% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£12m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£20m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£40m per broker
Foreign countries	£12m per country
Registered Providers	£12m in total
Unsecured investments with Building Societies	£10m in total
Loans to unrated corporates	£5m in total
Money Market Funds	£20m in total

5.18 Liquidity Management

The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

6. Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

6.1 Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target
Portfolio average credit A+	A

6.2 Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£15m

6.3 Interest Rate Exposures

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2015/16	**2016/17**	**2017/18**
Upper limit on fixed interest rate exposure	210%	210%	210%
Upper limit on variable interest rate exposure	60%	60%	60%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

6.4 Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.5 Principal Sums Invested for Periods Longer than 364 days

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£45m	£40m	£40m

7. Other Items

7.1 There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

7.2 Policy on Use of Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

7.3 Investment Training

The needs of the Authority's treasury management staff for training in investment management are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

7.4 Investment Advisers

The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by quarterly review meetings and periodically tendering for the provision of Treasury Management consultancy services.

7.5 Investment of Money Borrowed in Advance of Need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £295 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

8. Financial Implications

The budget for investment income in 2015/16 is £0.7 million, based on an average investment portfolio of £100 million at an interest rate of 0.73%. The budget for debt interest paid in 2015/16 is £7.2 million, based on an average debt portfolio of £249 million at an average interest rate of 3.41%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

9. Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses will be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

Appendix A – Treasury Management Policy Statement

INTRODUCTION AND BACKGROUND

- The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

- Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

    - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

- The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and the Audit Committee and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

- The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

- The Council defines its treasury management activities as "The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

- This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

- The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

- The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

Appendix B – Arlingclose Economic & Interest Rate Forecast October 2014

Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP throughout this year.

- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of significant contribution from external demand.

- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.

- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.

- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.

- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.

- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.

- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.

- While the ECB is likely to introduce outright QE, fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.

- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

Forecast:

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.

- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.

- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.55	0.60	0.65	0.85	1.00	1.15	1.30	1.45	1.60	1.75	1.85	2.05	2.15
Downside risk	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.95	1.00	1.05	1.20	1.35	1.50	1.65	1.80	1.95	2.10	2.20	2.40	2.50
Downside risk	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	1.70	1.75	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.90	2.95
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.40	2.45	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.05	3.10
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.90	2.95	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	3.00	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.60
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

Appendix C – Existing Investment & Debt Portfolio Position

	31/12/2014 Actual Portfolio £m	31/12/2014 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	44.252	5.7625
PWLB – Variable Rate	0.000	0.000
Local Authorities	105.200	0.4113
LOBO Loans	100.000	4.3813
Total External Borrowing	**249.452**	**3.4146**
Other Long Term Liabilities:		
PFI	29.440	8.73
Finance Leases	1.937	n/a
Cornwall County Council (TBTF)	8.889	n/a
Total Gross External Debt	**289.718**	
Investments:		
Managed in-house		
Short-term investments	67.372	0.7300
Long-term investments	18.025	Variable
Managed externally		
Fund Managers		
Pooled Funds	15.000	Variable
Total Investments	**(100.397)**	
Net Debt	**189.321**	

Appendix D - Prudential Indicators 2015/16

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure:

The Authority's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	**2014/15 Revised £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**
General Fund	56.67	48.71	13.05	10.56
Total Expenditure	**56.67**	**48.71**	**13.05**	**10.56**
Capital Receipts	14.32	4.44	2.07	0.61
Government Grants	28.66	30.19	10.04	6.56
Reserves	0.42	0.03	-	-
Revenue	1.19	0.53	-	-
Borrowing	10.08	13.52	0.94	3.39
Leasing and PFI	-	-	-	-
Total Financing	**56.67**	**48.71**	**13.05**	**10.56**

Estimates of Capital Financing Requirement:

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	**31.03.15 Revised £m**	**31.03.16 Estimate £m**	**31.03.17 Estimate £m**	**31.03.18 Estimate £m**
Total CFR	**256.55**	**247.68**	**248.24**	**241.88**

The CFR is forecast to fall by £15m over the next three years as capital expenditure financed by debt is outweighed by resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement:

In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.15 Revised £m	31.03.16 Estimate £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Borrowing	249.45	245.51	245.51	245.51
Finance leases	1.94	1.72	1.48	1.24
PFI liabilities	38.33	37.90	36.54	35.17
Total Debt	**289.72**	**285.13**	**283.52**	**281.92**

Total debt is expected to remain below the CFR during the forecast period until March 2018.

Operational Boundary for External Debt:

The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Borrowing	249.55	274.51	274.51	274.51
Other long-term liabilities	40.27	39.62	38.02	36.42
Total Debt	**289.82**	**314.13**	**312.53**	**310.93**

Authorised Limit for External Debt:

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Borrowing	268.97	295.87	325.45	358.00
Other long-term liabilities	40.27	39.62	38.02	36.42
Total Debt	**309.24**	**335.49**	**363.47**	**394.42**

Ratio of Financing Costs to Net Revenue Stream:

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income. We have set a maximum limit of 10% and forecast to stay within this limit through the period under review.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
General Fund	8.2	8.7	9.1	9.3

Incremental Impact of Capital Investment Decisions:

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
General Fund - increase in annual band D Council Tax	**3.6**	11.0	17.0

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in April 2002.

Appendix E – Annual Minimum Revenue Provision Statement 2015/16

The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

Option 1: Regulatory Method – this method replicates the position that would have existed under the previous regulatory environment. MRP is charged at 4% of the Authority's underlying need to borrow for capital purposes; the Capital Financing Requirement (CFR). The formula includes an item known as "Adjustment A" which was intended to achieve neutrality between the CFR and the former Credit Ceiling which was used to calculate the MRP prior to the introduction of the Prudential System on 1st April 2004.

Option 2: CFR Method – This method simplifies the calculation of MRP by basing the charge solely on the Authority's CFR but excludes the technical adjustments in Option 1, resulting in a higher charge using this method. The annual MRP is set at 4% of the non-housing CFR at the end of the preceding financial year.

Option 3: Asset Life Method – Under this method MRP is determined by the life of the asset for which the borrowing is undertaken. This can be calculated as follows:

1. MRP commences in the financial year following that in which the expenditure is incurred or in the year following that in which the relevant asset becomes operational. This enables an MRP "holiday" to be taken in relation to assets which take more than one year to be completed before they become operational.
2. The estimated life of the asset will be determined in the year that MRP commences and will not be subsequently revised. However additional repayments can be made in any year which will reduce the level of payments in subsequent years.
3. If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life on the land will be treated as equal to the structure, where this would exceed 50 years.

Option 4: Depreciation Method – The depreciation method is similar to that under option 3 but MRP is equal to the depreciation provision required in accordance with proper accounting practice to be charged to the Income and Expenditure account.

12.3 MRP in 2015/16: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self-financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

12.4 Under the regulations, the authority is required before the start of each financial year to prepare a statement of its policy on making MRP in respect of that financial year and submit it to the Full Council. The proposed policy for 2015/16 is as follows:

Unsupported Borrowing
For new borrowing under the prudential system for which no Government support is being given and is therefore self-financed, MRP will be made in equal annual instalments over the life of the asset (Option 3).

Capitalisation Directions
For capitalisation directions on expenditure incurred since 1 April 2008 MRP will be made in equal annual instalments over the asset life.

PFI/Leases
MRP in respect of PFI and leases brought on the Balance Sheet under the 2009 SORP and IFRS will match the annual principal repayment for the associated deferred liability.

Any loan or investment to an organisation defined as capital expenditure will not attract MRP. The original capital expenditure will be met from the capital receipt on the maturity of the loan/investment.

MRP will commence in the financial year following the one in which the expenditure is incurred, except for expenditure funded by unsupported borrowing where the project is not complete at 31st March 2016 (classified as under construction). MRP will be deferred until the construction is complete and operational with the charge to be made in the year following completion.

No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2015/16 will not be subject to a MRP charge until 2016/17.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2015, the budget for MRP has been set as £9.074m.

APPENDIX F

PLYMOUTH CITY COUNCIL

Subject:	Treasury Management Strategy 2014/15 – Mid Year Review
Committee:	Audit Committee
Date:	18 December 2014
Cabinet Member:	Councillor Mark Lowry
CMT Member:	Malcolm Coe (Assistant Director for Finance)
Author:	Zoe Wilkinson, Lead Accountant
Contact details	Tel: 01752 304707 email: zoe.wilkinson@plymouth.gov.uk
Ref:	ACCT/DJN
Key Decision:	No
Part:	I

Purpose of the report:

The Local Government Act 2003 requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy. The Council's strategy for 2014/15 was approved by full Council at its budget meeting on 23 January 2014. This report provides an update on the progress and outcomes against the Treasury Management Strategy for the six month period ended 30 September 2014. It is a requirement of the CIPFA Code of Practice on Treasury Management that a full mid-year report, as a minimum, should be presented to Full Council.

The Brilliant Co-operative Council Corporate Plan 2013/14 - 2016/17:

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Treasury Management affects the Council's budget in terms of borrowing costs and investment returns and its implications have been fully incorporated into the council's budgets.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:
N/A

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

1. The report be noted by the Audit Committee and presented to Full Council.
   As required by Cipfa Code of Practice, Treasury Management
2. The Audit Committee agree that approval of the Treasury Management Strategy and Annual Investment Strategy 2015/16 is delegated to the Head of Corporate Strategy in consultation with the Chair and Vice Chair of the Audit Committee to agree a final version before being submitted to Full Council for authorisation in February 2015.

Alternative options considered and rejected:

It is statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual treasury strategy for borrowing and prepare an annual investment strategy. The Council has adopted the Cipfa Code of Practice for Treasury Management which requires a mid-year report to be submitted to the Audit Committee and Full Council covering the performance against this approved strategy.

Published work / information:

Treasury Management Strategy report to Council 23 January 2014
Treasury Management Practices update for 2014-15 report to Audit Committee 26 June 2014

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Not applicable									

Sign off:

Fin	djn14 15.24	Leg	alt/219 04	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member - Malcolm Coe													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Treasury Management Strategy Mid-Year Review

1. Introduction

1.1 The definition of Treasury Management is:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

1.2 The responsibility for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions is delegated by the Council to its Section 151 Officer and is overseen by a Treasury Management Board consisting of Councillors and senior officers of the Council.

1.3 The day to day operation of the Treasury Management activity is carried out in accordance with detailed Treasury Management Practices (TMP's). Updates to these practices for 2014-15 were approved by the Audit Committee on 26th June 2014.

1.4 The Council works closely with its Treasury Management advisers, Arlingclose, who assist the Council in formulating views on interest rates, regular updates on economic conditions and interest rate expectations, and advise on specific borrowing and investment decisions.

1.5 Under the Council's approved Strategy we continue to manage risk and diversify our investment portfolio.

2. Review of the Council's Performance April – September 2014

2.1 Table 1 shows the Council's overall treasury portfolio at 30th September 2014 compared to the position at the start of the year.

Table 1

01/04/2014 £m	Average Interest rate %		30/9/2014 £m	Average Interest rate %
		External Borrowing Long-term:		
44.252	5.79	PWLB	44.252	5.76
100.000	4.38	Market	100.000	4.38
0.087	0.65	Bonds	0.036	0.60
80.800	0.29	Temporary Borrowing	85.500	0.29
225.139	**3.19**	**Total PCC Borrowing**	**229.788**	**3.12**
		Long-term liabilities		
29.440	8.73	PFI Schemes	29.440	8.73
1.937	n/a	Finance Leases	1.937	n/a
8.889	n/a	Cornwall County Council (TBTF)	8.889	n/a
265.405		**Total External Debt**	**270.054**	
(70.812)	0.89	Bank Deposits	82.222	0.83
(7.500)	Variable	Property Fund (Pooled investment)	10.000	Variable
(5.025)	Variable	Other External Funds	15.025	Variable
(83.337)		**Total Investments**	**(107.247)**	
182.068		**Net Borrowing/(Net Investment) Position**	**162.807**	

3. Borrowing

3.1 Under Section 3 of the Local Government Act 2003 and supporting regulations the Council must determine and keep under review how much it can afford to borrow. The Council is required to set two limits:

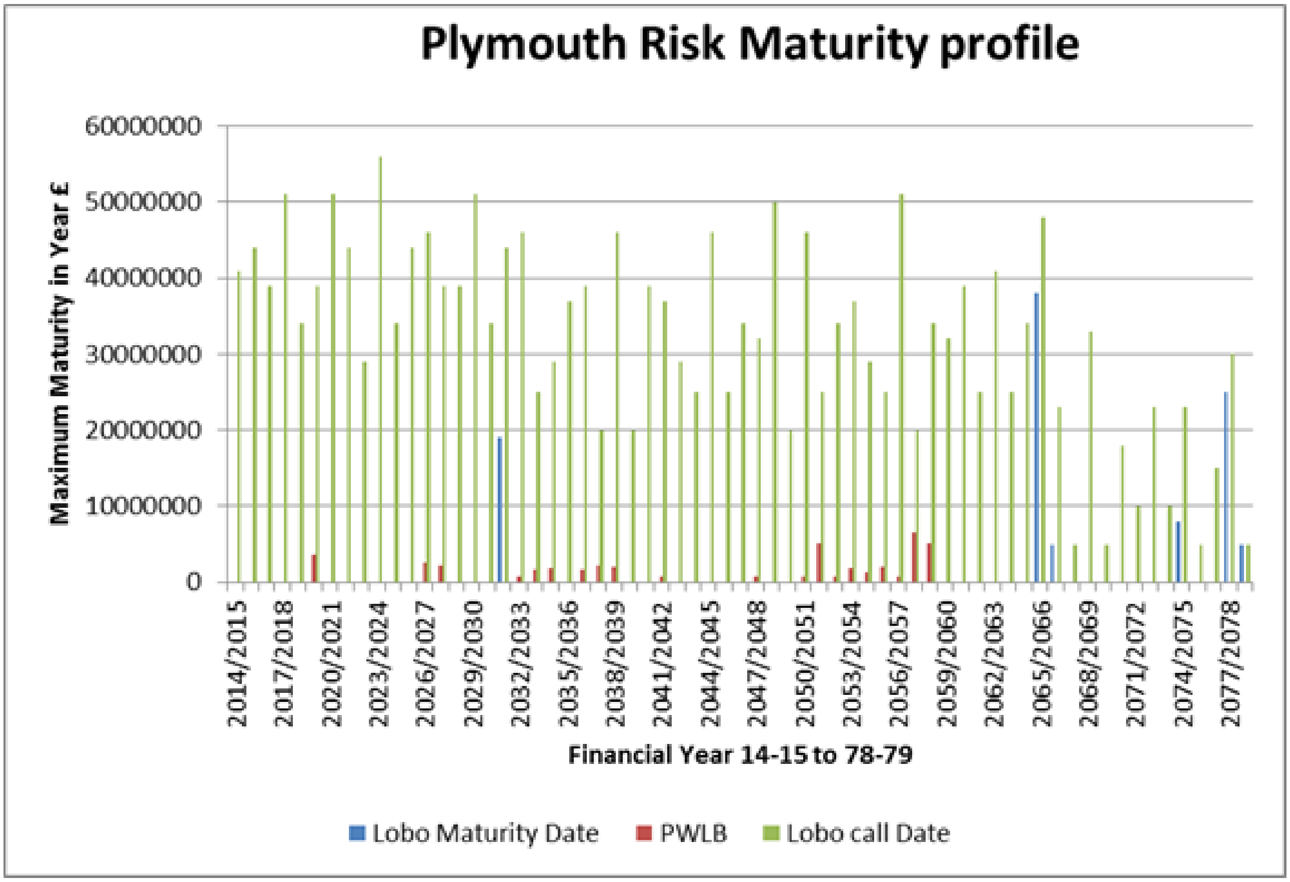
3.2 The external debt limits for 2014/15, as approved by Council in January 2014, are as follows:

- Authorised limits £335m
- Operational Boundary £312m

3.3 These limits have not been breached in the period 1st April to 30th September 2014.

3.4 The following graph in ***Figure 1*** shows the maturity profile of the Council's £144.242m borrowing at 30th September 2014:

Figure 1



3.5 The debt portfolio currently includes £100m of LOBO loans. These loans have various option call dates where the banks have the ability to amend the loan terms and at which point the Council could choose to repay the loan if the terms are changed. This is reflected within the maturity profile shown above (in green) to enable officers to risk manage the Council's cash flows

3.6 Table 2 shows the movement in the borrowing portfolio during the year.

Table 2

	Balance 01/04/2014 £000s	Debt Maturing £000s	Debt Repaid £000s	New Borrowing £000s	Balance 30/09/14 £000s	Increase / (Decrease) in Borrowing
Short Term Borrowing	80,800	0	0	4,700	85,500	4,700
Long Term Borrowing	144,339	(51)	0	0	144,288	(51)
TOTAL BORROWING	**225,139**	**(51)**	**0**	**4,700**	**229,788**	**4,649**

3.7 New borrowing in year

The use of short-term borrowing has continued to be the most cost effective means of financing capital expenditure and cashflow requirements. During the first half of the year the level of borrowing was constrained within a maximum investment level to generate additional revenue savings whilst maintaining the risk of excessive level of investments. By matching any short-term borrowing with the available liquid deposits held in bank call accounts, this has lowered overall treasury risk by allowing flexibility of reducing debt and investment levels at short notice should credit conditions deteriorated.

The Council started the year with £80.8m of short–term loans. New loans were taken out in the period 1st April to 30th September 2014 with an average period of 70 days at an average rate of 0.29%.

3.8 Debt Rescheduling

There has been no debt rescheduling in the period. Officers along with our advisers Arlingclose continue to monitor PWLB interest rates looking for opportunities to repay any debt, maximising the savings achieved whilst maintaining a balanced maturity profile.

3.9 Overall debt performance for the first part of the year

All new debt taken in 2014-15 has been in short-term borrowing to meet cash flow/capital financing requirements. Over the period total loan debt has increased by £4.649m as a result of an increase in short-term borrowing.

Due to affordability and credit risk the current borrowing strategy is to take short-term borrowing at very low rates. However the Section 151 officer will continue to monitor interest rates and credit conditions and consider long-term borrowing in line with the approved 2014/15 Treasury Management Strategy.

4. Investments

4.1 Managing Investment Risk

In accordance with investment guidance issued by the CLG and best practice this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity (accessibility) of the Authority's investments is important but is a secondary consideration.

4.2 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG.

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under statute. Non-specified investments are, effectively, everything else.

4.3 The types of investments that will be used by the Authority and whether they are specified or non-specified are as follows:

Table 3 Specified and Non-Specified Investments

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Investments with Registered Providers	✓	✓
Certificates of deposit with banks and building societies (CD's)	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	×
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	×
Commercial Paper	✓	×
Corporate Bonds	✓	✓
AAA rated Money Market Funds	✓	×
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	×
Loans to other organisations	✓	✓

4.4 The credit rating limits proposed for specified investments with institutions for 14-15 is a lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's of A-. Limits will be set for levels depending on the rating of each institution.

4.5 Investment Activity

Investments are made short term to cover cash flow and liquidity requirements and longer term to maximise and guarantee future income.

With bank deposit rates falling and current returns not being as attractive, the Authority continues to look at alternative investment products to diversify its portfolio. After discussions with Arlingclose, the Council's Treasury Management Advisers, a number of fund managers were interviewed and the following funds chosen:

- Federated Prime Rate Cash Plus Fund
- Ignis Sterling Short Duration Cash Fund
- Investec Short Bond Fund
- Investec Target Return Fund
- Payden & Rygel Sterling Reserve Fund

£1-2m has been deposited in each of these funds investing in a range of investments and asset classes including Certificates of Deposits (CD) and Government and Corporate Bonds. The target return on these funds will produce around 1%. The performance of these funds will be included in the Treasury Management out-turn report.

4.6 Table 4 and Figure 2 below show the split of investments over country/sector as at 30th September 2014.

Figure 2:

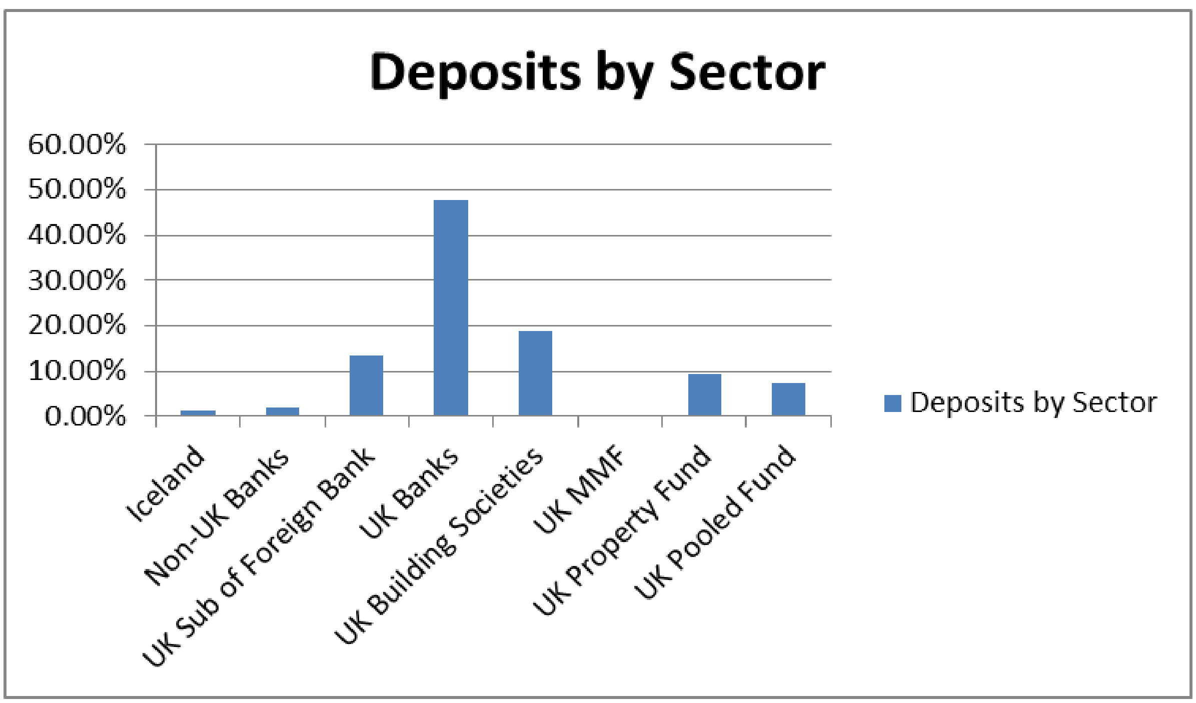
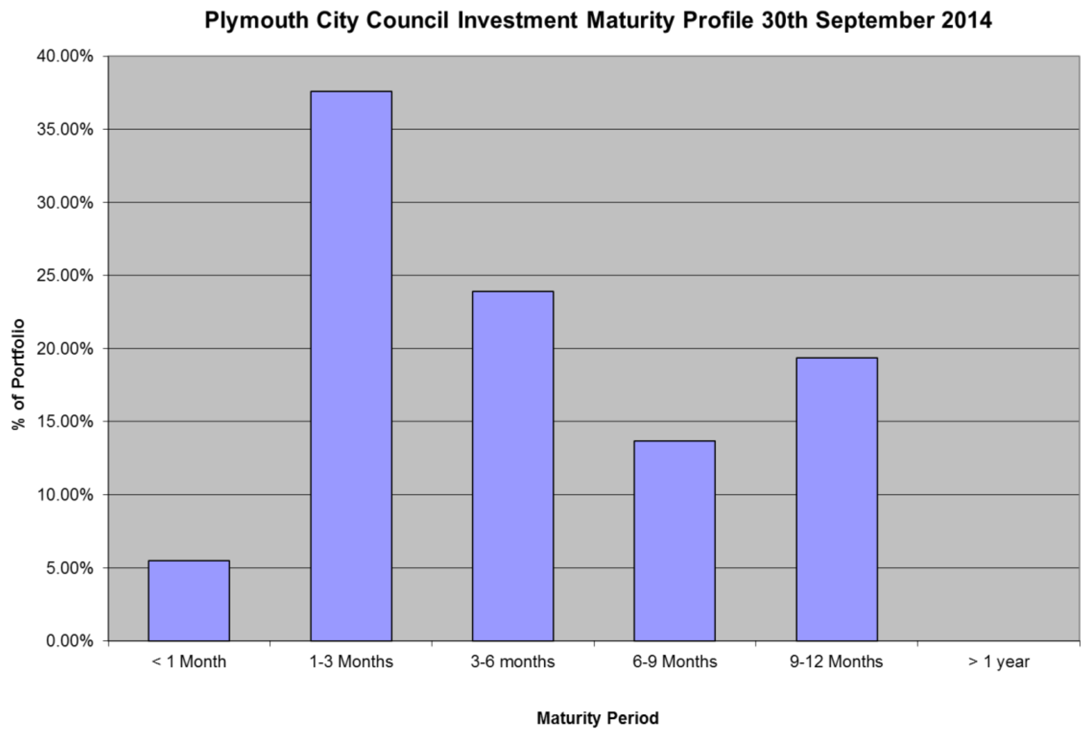


Table 4

Counterparty	Total £m	Sector Type	%	Sector %
Santander UK (was Abbey National)	14.500	UK Subsidiary of Foreign Bank	13.52	13.52
Lloyds Banking Group	15.000	UK Banks	13.99	
Barclays	13.285	UK Banks	12.39	
HSBC	15.000	UK Banks	13.99	
Close Brothers	5.000	UK Banks	4.66	
Standard Chartered	3.000	UK Banks	2.80	47.83
Nationwide Building Society	16.000	UK Building Societies	14.92	
National Counties Building Society	1.000	UK Building Societies	0.93	
Market Harborough Building Society	1.000	UK Building Societies	0.93	
Furness Building Society	1.000	UK Building Societies	0.93	
Cumberland Building Society	1.000	UK Building Societies	0.93	18.64
Nordea Bank Finland	1.000	Non UK Banks	0.93	
Rabobank	1.000	Non UK Banks	0.93	1.86
CCLA Lamit Property Fund	10.000	UK Property Fund	9.32	9.32
Iceland	1.437	Iceland	1.34	1.34
UK MMF	0.025	UK MMF	0.02	0.02
Federated Prime Rate Cash Plus Fund	2.000	UK Pooled Fund	1.87	
Ignis Sterling Short Duration Cash Fund	2.000	UK Pooled Fund	1.87	
Investec Short Bond Fund	2.000	UK Pooled Fund	1.87	
Investec Target Return Fund	1.000	UK Pooled Fund	0.93	
Payden & Rygel Sterling Reserve Fund	1.000	UK Pooled Fund	0.93	7.47
Total	**107.247**		**100.00**	**100.00**

4.7 The maturity profile of the Council's deposits is represented in figure 3. This shows a large proportion of deposits maturing during the 1 – 3 month period, reflecting the deposits in call accounts. These types of deposits ensure that the Council has the ability to react quickly to adverse changes in market conditions.

Figure 3



4.8 Credit Risk

The Treasury Management Strategy report to Audit Committee in February 2010 outlined a recommendation that officers work to develop a set of benchmarking criteria against which the Council's investment risk could be measured. This continues to be used in 2014-15:

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

4.9 Table 3 shows the rating currently attached to the Council's portfolio and its movement during the year.

Table 3

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2014	5.32	A+	5.73	A
30/06/2014	5.38	A+	5.68	A
30/09/2014	5.67	A	4.84	A

Throughout the first half of the year the Council's credit score was maintained well within the target level of 7 as set in the approved 2014/15 strategy.

4.10 Arlingclose have used the scoring matrix to compare Plymouth's investment risk against other unitary authorities who use Arlingclose as their advisers. The results are shown in section 5.

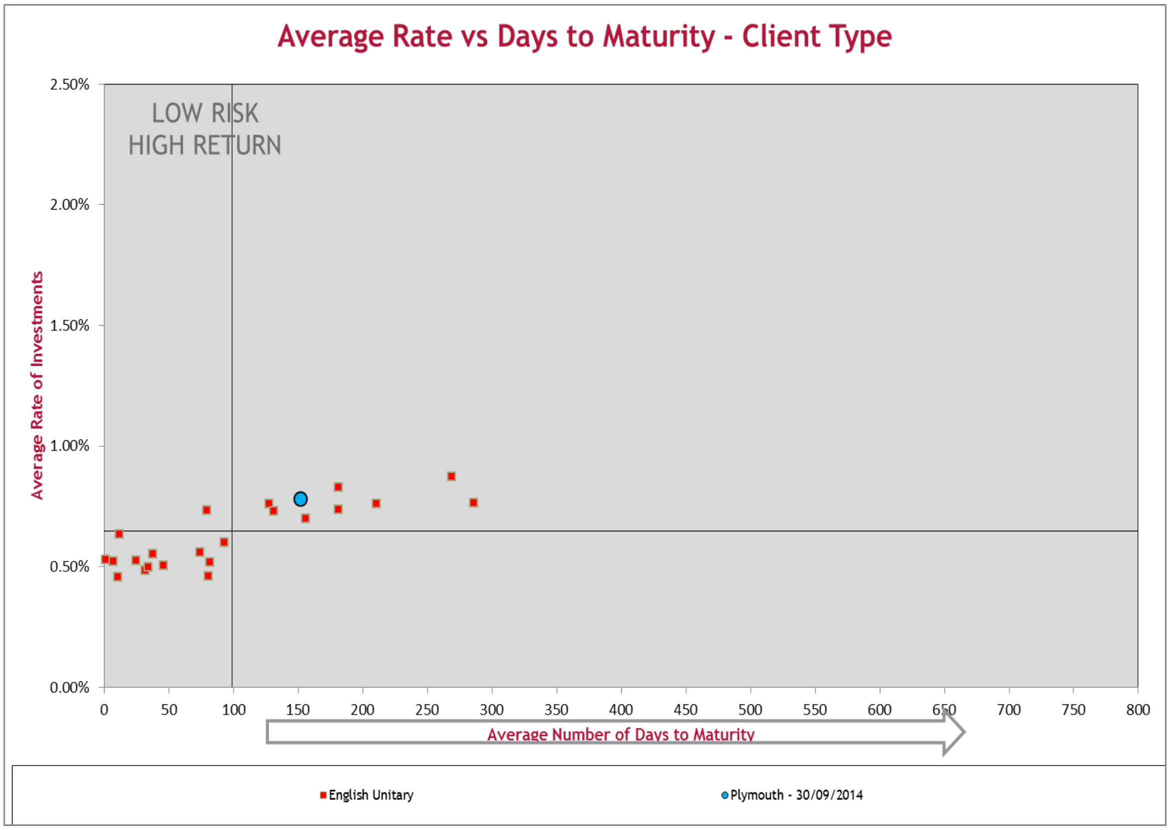
5. Benchmarking

5.1 The Council's performance on investments is measured against a benchmark of the 7 day libid rate. For the period to 30th September 2014 the return on investments made in 2014/15 was 0.83% against the average 7 day Libid for the period of 0.347%.

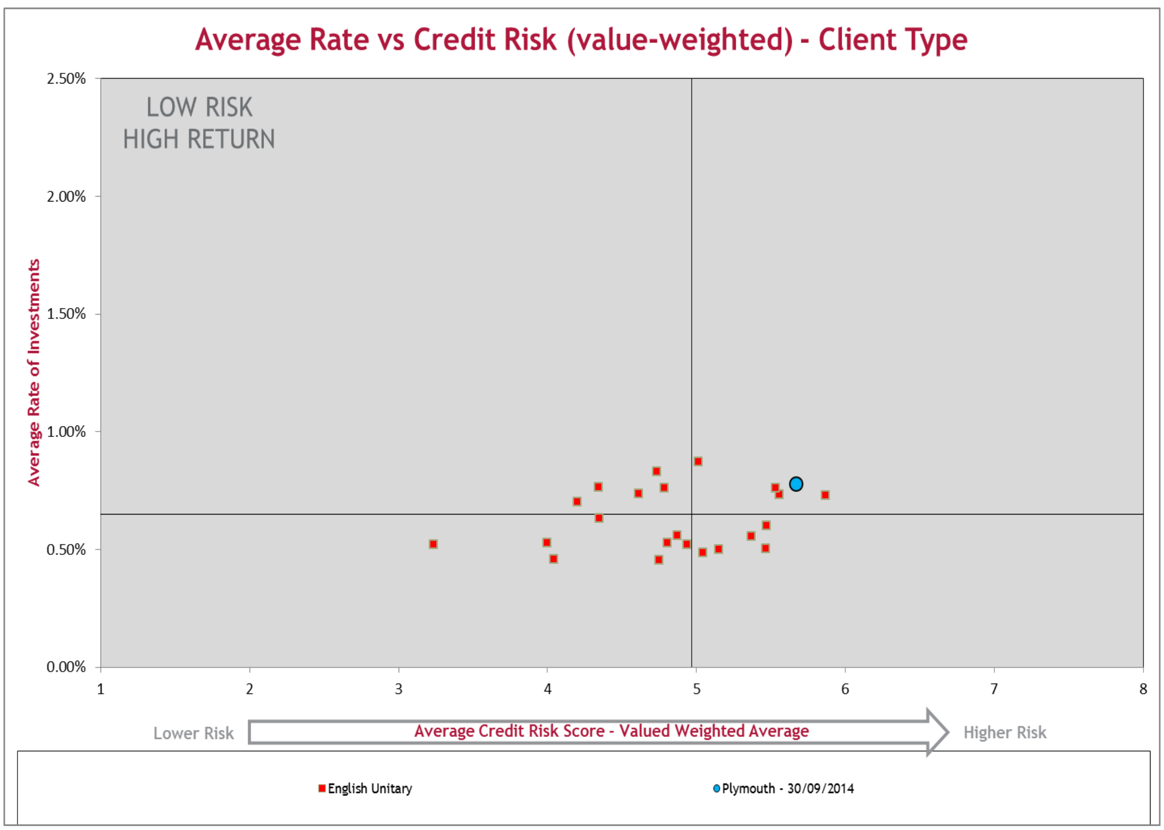
5.2 As outlined above, Arlingclose have developed a set of benchmarking criteria to enable comparisons on performance to be made on data provided by all their clients. To compare like with like the following graphs compare our performance with other unitary authorities. We feel that the best graphs used to demonstrate our performance to 30th September 2014 are as follows;

1. Average rate of investment against average maturity period
2. Average rate of investment against value weighted average credit risk score
3. Average rate of investment against time weighted average credit risk score

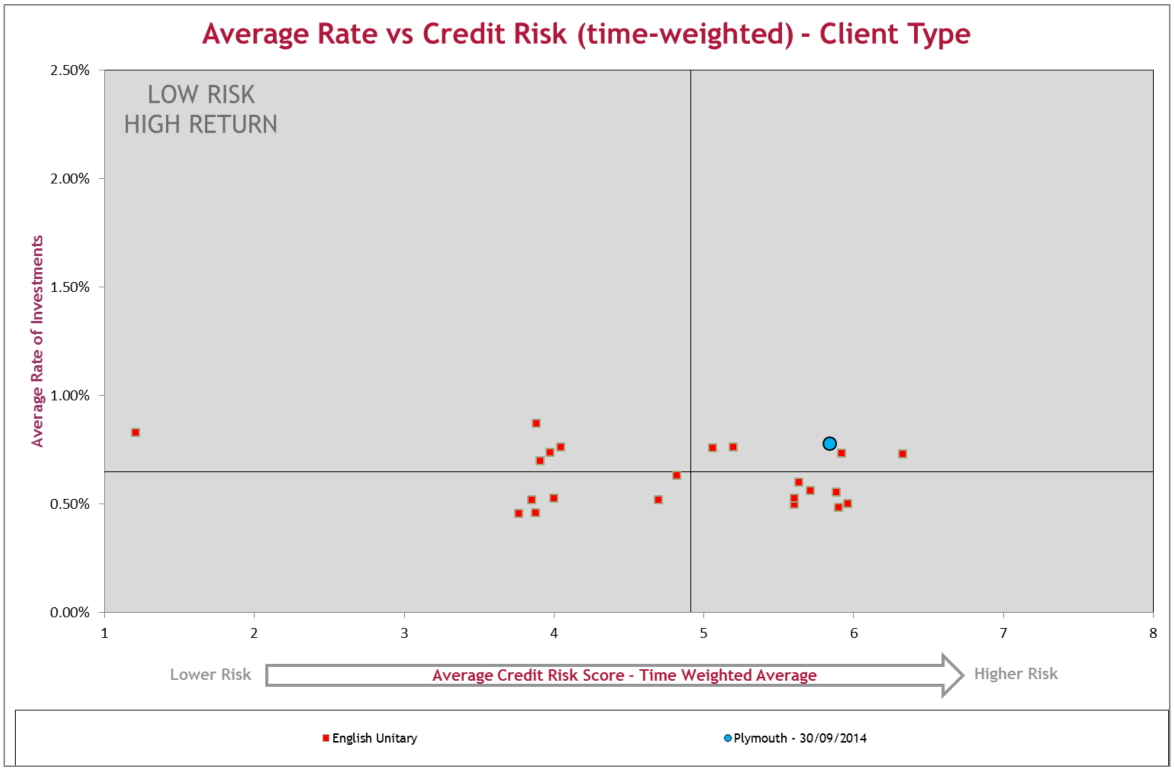
Graph 1 Average Number of days to Maturity V Return



Graph 2 Value Weighted Average Return



Graph 3 Time weighted Average V Return



6. Revenue Implications of Treasury Management

6.1 The expenditure and income arising from the Council's borrowing and investments accrues to the revenue accounts. The table below shows the monitoring positions against budget arising from these transactions in 2014/15 to 30th September 2014.

Table 4 Summary of Capital Financing Costs 2014/15

	2014/15 Budget £000	Forecast 2014/15 Outturn £000	Variance £000
External Interest payments	8,347	8,147	(200)
External Interest received	(936)	(1,136)	(200)
Interest transferred to other accounts	15	15	0
Premiums / Discounts written out to Revenue	(146)	(146)	0
Debt Management Expenses	126	126	0
Treasury Management Cost	**7,406**	**7,006**	**(400)**
Minimum Revenue Provision	8,394	8,194	(200)
Recharges for unsupported borrowing	(4,617)	(4,617)	0
Recovered from trading Accounts	(2,725)	(2,725)	0
Net Cost to General Fund	**8,458**	**7,858**	**(600)**

7. Compliance with Prudential Indicators

7.1 Under the arrangements set out in the Prudential Code for Capital Finance in Local Authorities, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the Code, and for establishing a range of prudential indicators covering borrowing limits and other Treasury Management measures. The Prudential Indicators for 2014/15 were approved by Council on 23rd January 2014.

Performance to 30th September 2014 against these limits is set out below:

7.2 <u>Gross Debt and the Capital Financing Requirement</u>

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for capital purposes, the Local Authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year for the current and next two financial years.

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31 March 2014 was estimated at £264.753m. At the start of the year total debt was £225.139m. By the 30th September this had increased to £229.788m, but still below the CFR. Short term cash flow requirements will sometimes mean the debt will be above the CFR but the Section 151 officer can report that the Authority had no difficulty meeting the requirement in the current year to date.

7.3 <u>Authorised Limit and Operational Boundary for External Debt</u>

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.

The Council's Affordable (Authorised) Borrowing Limit was set at £335m for 2014/15.

The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary may be breached at certain times during the year due to short-term cash flow requirements.

The Operational Boundary for 2014/15 was set at £312m.

There were no breaches to the Authorised Limit or Operational Boundary to 30th September 2014.

7.4 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

Table 5

	Limits for 2014/15 %
Upper Limit for Fixed Rate Exposure	210
Upper Limit for Variable Rate Exposure	60

The Council's exposure to both fixed and variable rates was managed well within the limits set during the first half of the year.

7.5 Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates, and is designed to protect against excessive exposure to interest rate changes.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The following table shows the limits during the year.

Table 6

Maturity Structure of Fixed Rate Borrowing	Upper Limit %
under 12 months	40
12 months and within 24 months	60
24 months and within 5 years	60
5 years and within 10 years	50
10 years and within 20 years	50
20 years and with 30 years	30
30 years and within 40 years	20
40 years and within 50 years	20
50 years and above	20

7.6 Total principal sums invested for periods longer than 364 days

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2013/14 was set at £30m and the estimate for 2014/15 is £40m.
- On the advice of the Council's advisers no deposits were made beyond 364 days during the first half of the year. Having not taken any deposits over 364 days in the first half of the year the Council still has space for longer-term deposits should this be viewed as appropriate in light of credit conditions, available counterparties and the risk/reward of these investments.

7.7 Credit Risk

- This indicator has been incorporated to review the Council's approach to credit risk.
- The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.
- The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2014/15 Treasury Management Strategy.

8. Outlook for Q3-Q4

There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. At the time of writing this report, our advisors brought our attention to the risk of Barclays Bank and Deutsche Bank being downgraded below the A- threshold in the coming months. Where strategies permit, they have advised that new and unsecured investments with Barclays Bank and Deutsche Bank are restricted to a maximum period of 6 months. Arlingclose continues to forecast the first rise in official interest rates in Q3 and general market sentiment is now close to this forecast. There is a momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.

Appendix 1 contains projected rates for Dec 2014 to March 2018.

9 Summary

9.1 In compliance with the requirements of the CIPFA Code of Practice, this report provides members with a summary of the Treasury Management activity during the first half of 2014/15. As indicated in this report none of the financial boundaries have been breached and a prudent approach has been taken in relation to investment activity and borrowing.

9.2 As part of the 2014/15 budget setting process we reduced the allocation to Treasury Management by £1m. This was to reflect the reduced interest costs resulting from the realignment of our LOBO debt at the end of last year. This report sets out the additional saving in-year currently forecast at £0.600m from our continuing policy of securing the best available rates from our investments.

9.3 In the two months since the period covered by this report, we have further diversified our investment portfolio. Following advice from our advisors, we have invested a further £5m in the Property Investment fund, taking our total investment from £10m to £15m. We are also talking to our brokers about two investments of £2.5m each in secure bonds, with a fixed coupon in excess of 1.45% for a maximum of eighteen months.

9.4 The LGA (Local Government Association) are in the process of setting up a Municipal Bonds Agency, with a view to improving the lending capabilities and reducing council financing costs. It will raise money on the capital markets through issuing bonds, arrange lending or borrowing directly from local authorities and source funding from other third party sources, such as banks, pension funds and insurance companies.

9.5 At this early stage, Plymouth City Council is still negotiating with the LGA to understand the short term and long term benefits of becoming an investor at this early pre-launch stage. More details will be included in future reports.

9.6 As part of the budget setting process, each year the Council is required to produce its annual Treasury Management Strategy and Annual Investment Strategy. This document forms a fundamental strategy within the overall budget and the report for 2015/16 will be included in the budget debate at Full Council in February 2015.

9.7 It is recommended that approval of the Treasury Management Strategy and Annual Investment Strategy 2015/16 is delegated to the Head of Corporate Strategy in consultation with the Chair and Vice Chair of the Audit Committee to agree a final version before being submitted to Full Council for authorisation in February 2015.

Appendix 1 - Projected Rates - Dec 14 – Mar 18

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.55	0.60	0.65	0.85	1.00	1.15	1.30	1.45	1.60	1.75	1.85	2.05	2.15
Downside risk	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.95	1.00	1.05	1.20	1.35	1.50	1.65	1.80	1.95	2.10	2.20	2.40	2.50
Downside risk	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	1.70	1.75	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.90	2.95
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.40	2.45	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.05	3.10
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.90	2.95	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	3.00	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.60
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

APPENDIX 4

CAPITAL AND REVENUE MONITORING REPORT 2014/15

CABINET MINUTE 127

The Corporate Management Team submitted a report outlining the finance monitoring position of the Council as at the end of December 2014 and provided details on how the Council was delivering against its financial measures using its capital and revenue resources. Cabinet was asked to approve relevant budget variations, virements and to note the new schemes added to the Capital Programme in the quarter. The report also provided an update on the interim staff spend and numbers as at the end of December 2014.

Councillor Lowry (Cabinet Member for Finance) introduced the proposals and reported that the estimated revenue overspend at the end of the financial year was £1.746m as at December 2014 and that he and the officers were working hard to close the gap.

David Northey (Head of Corporate Strategy) and Malcolm Coe (Assistant Director for Finance) attended the meeting for this item.

Councillor Evans (Council Leader) thanked the officers for their work.

Alternative options considered and reasons for the decision –

As set out in the report.

Agreed –

(1) that the current revenue monitoring position and action plans in place to reduce / mitigate the position are noted;

(2) the non-delegated revenue budget virements as set out in Table 4 in the report;

(3) that the movements in the approved Capital Programme are noted.

The City Council is Recommended to approve the revised Capital budget for 2014-18 of £237.406m.

PLYMOUTH CITY COUNCIL

Subject:	Capital and Revenue Monitoring Report 2014/15
Committee:	Cabinet
Date:	10 February 2015
Cabinet Member:	Councillor Lowry
CMT Member:	CMT
Author:	David Northey, Head of Corporate Strategy
Contact Details	Tel: 01752 305428 Email: david.northey@plymouth.gov.uk
Ref:	
Key Decision:	No
Part:	I

Purpose of the report:

This report outlines the finance monitoring position of the Council as at the end of December 2014.

The primary purpose of this report is to detail how the Council is delivering against its financial measures using its capital and revenue resources, to approve relevant budget variations and virements, and note the new schemes added to the Capital Programme in the quarter. It also updates Cabinet on the Interim staff spend and numbers as at the end of December 2014.

The estimated revenue overspend at the end of the financial year is £1.746m as at December 2014. The overall net spend equates to £206.426m against a budget of £204.680m, which is a variance of 0.85%. This needs to be read within the context of setting £16m of management and net transformation savings in 2014/15 on the back of balancing the 2013/14 revenue budget where £17.8m of net revenue reductions were successfully delivered.

As reported in previous reports, the key pressure points are still in Adult Social Care where, although client numbers are broadly in line with the set budget, the average cost per care package per client is significantly higher (which reflects the more complex needs of clients that we are supporting).

Within Children Social Care, the number of children placed with independent fostering agencies has increased by 11 to 83, which is above the budgeted target of 60. Residential placements have increased by 4 to 28 against a target of 18 budgeted placements with a significant number of these placements being high cost due to the complex nature of these children's needs.

There are a number of processes and strategies in place to address the rising numbers of children in care and escalated action to deliver further savings from the council's transformation programme are being worked up in order to address the in-year forecasted overspend.

Table 1: End of revenue forecast

	Budget £m	Forecast Outturn £m	Variance £m
Total General Fund Budget	204.680	206.426	1.746

This is an improvement of £1.957m on the previous quarter.

The latest Capital Budget, covering 2014-18 stands at £210.154m which was approved at Full Council on 24th November 2014. The revised 2014-18 Capital Budget for approval is now £237,406m, based on forecasts at 30st December.

Within this overall funding "envelope" the approved Capital Programme of projects for delivery totals £128.999m. This report notes the new schemes and other movements for the quarter three period.

It should be noted that much of the Budget (or affordability envelope) is ring-fenced to the approval of specific projects in the pipeline, and that if these capital funding bids are unsuccessful, or a decision is taken not to progress these specific projects further, that the opportunity for the Council to make use of these ring-fenced budgeted capital resources will be lost, and the budget reduced.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

This quarterly report is fundamentally linked to delivering the priorities within the Council's Corporate Plan. Allocating limited resources to key priorities will maximise the benefits to the residents of Plymouth.

Implications for Medium Term Financial Plan and Resource Implication: Including Finance, Human, IT and Land

Robust and accurate financial monitoring underpins the Council's Medium Term Financial Plan. The Council's Medium Term Financial Forecast is updated regularly based on on-going monitoring information, both on a local and national context.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The reducing revenue and capital resources across the public sector has been identified as a key risk within our Strategic Risk register. The ability to deliver spending plans is paramount to ensuring the Council can achieve its objectives to be a Pioneering, Growing, Caring and Confident City.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Yes attached as a background paper although no impacts identified. However, this report monitors our performance against our approved budget 2014/15 and as part of the budget setting process, EIA were undertaken for all areas.

Recommendations and Reasons for recommended action:

That Cabinet:-

1. Note the current revenue monitoring position and action plans in place to reduce/mitigate;
   For Cabinet to be aware of the current financial position and management actions in place

2. Approve the non-delegated revenue budget virements as set out in Table 4;
   Our Financial Regulations require Cabinet approval of virements over £100k

3. The City Council is recommended to approve the revised Capital budget for 2014-18 of £237.406m;
   Our Financial regulations require Full Council to approve revisions to the Capital Programme

4. Note the movements to the approved Capital Programme;
   For Cabinet to be aware of the current Capital Programme

Alternative options considered and rejected:

None – our Financial Regulations require us to produce regular monitoring of our finance resources.

Published work / information:

2014/15 Capital & Revenue Monitoring Report Quarter 1 2014/15 Report
2014/15 Budget Reports Co-operative Council Finance Plan 2014-2017
2014/15 Budget Reports Delivering the Co-operative Vision within three years sustainable balanced budget

Background Papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Equality Impact Assessment	X								

Sign off:

Fin	Mc1415.38	Leg	Lt22178	Mon Off	Lt22178	HR	n/a	Assets	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Malcolm Coe, AD for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Table 2: Revenue Monitoring Position

Directorate	2014/15 Council Approved Budget	2014/15 Budget Virements	2014/15 Latest Budget	2014/15 Forecast Outturn	Forecast Year End Overspend / (Underspend)	Movement in Quarter
	£m	£m	£m	£m	£m	£m
Executive Office	3.697	0.116	3.813	3.813	0.000	(0.136)
Corporate Items	11.008	4.340	15.348	12.242	(3.106)	(2.211)
Transformation and Change Directorate	31.335	(0.791)	30.544	30.544	0.000	0.000
People Directorate	122.746	(1.030)	121.716	126.568	4.852	0.390
Public Health	0.184	0.008	0.192	0.192	0.000	0.000
Place Directorate	35.710	(2.643)	33.067	33.067	0.000	0.000
TOTAL	**204.680**	**0.000**	**204.680**	**206.426**	**1.746**	**(1.957)**

Table 3: Key Issues and Corrective Actions

Issue	Variation £M	Direction of Travel	Management Corrective Action
PLACE - Economic Development – Rents - The economic climate is resulting in lower rental income and current market position exposes the Council to a reduction in income on geared head leases, which are outside the Council's control. Increased pressure arising from the events programme Additional income from Enterprise and Employment helping to mitigate in part	0.041	Improving	Continuing to review expenditure tightly. Mt. Edgcumbe Joint Committee have tasked joint officers to deliver a balanced budget.
PLACE – Street Services Highways, Parking and Marine There are pressures within the highways, parking and marine department which are being mitigated by management through a range of actions such as expenditure controls and parking back office contract procurement. There has also been an improvement of £40k pay and display car parking income within the month. **Fleet and Garage** Realignment of budgets has identified capital costs within fleet and garage which will not now be required in 2014/15 saving £109k. Additional fuel savings of £20k above the GAME fleet	0.418	Improving	Expenditure reduction and options to increase income will continue in order to meet budget by year end, recent examples include further reduction in agency spend across the whole of Street Services, fuel efficiency, additional income.

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target have been identified in the revenue budgets Across the wider Street Services a range of mitigation has taken place, including reducing the use of agency staff, additional income and salary recharges for staff involved on other projects.			
PLACE - Strategic Planning and Infrastructure The overall position is favourable due to the estimated part year effect of the restructure, vacancy savings, together with increased public transport income of £108k. There are increases in Planning Application fees and other income streams (grant and s38/278 income) There are also provisional estimated savings on concessionary fares of £100k.	(0.337)	Improving	There is more planning fee income than originally forecast, restructures have generated additional savings, and management actions on spending have been implemented.
PLACE - Management & Support **GAME** Commercialisation Whilst the Trade Waste Service will generate a surplus based on normal operational assumptions the stretch target within GAME commercialisation is proving to be unrealistic given the current market conditions. However this is being offset by other savings within the programme and budget, including fleet savings. **OTHER INCOME and COST REDUCTIONS** The Directorate has significant income streams as a whole, and are always looking to ensure that these are maximised for the benefit of the Community and the Council.	(0.122)	Declining	The GAME Programme Team are continuously exploring new commercial income streams The management team have also put in place additional controls to prioritise and limit expenditure and will be undertaking a review of Directorate bad debt provisions. These are materialising within the individual Departments.

TRANSFORMATION & CHANGE – Legal Trend increase in Child placement court fees £70k partly offset by new income streams	0.021	Improving	Managers are reviewing further income generation opportunities to offset this pressure, one of which is recharges related to licensing
TRANSFORMATION & CHANGE – Departmental Management Potential pressure due to shortfall on planned efficiency savings.	0.200 (0.221)	Same Declining	Some planned efficiency savings have not been realised fully Departmental management continue to hold vacancies and reduce expenditure where possible to offset this. Going forward further areas for savings that have been identified include which will be considered as part of the 15/16 CCO programme: • Integrated Assurance and Compliance Unit • Transfer of functions into transaction centre • Review of business requirements for elements of support services
PEOPLE – Children's Social Care Pressure with Children & Young People's placement numbers and costs. There has been a significant increase in placements during the year. The number of young people placed in Independent foster care has increased by 11 to 83 against an original estimate of 60. Residential placements have increased by 4 to 28 against an original estimate of 18 with a significant number of these placements being high cost due to the	2.517	Same	The annual round of 'Star Chambers' together with all external placements being reviewed and challenged. People DMT saving target of £100k is looking to be achieved through maximisation of health and education funding against secure welfare placements There are a number of initiatives either implemented or in the process of being

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complex nature of these children's needs. The number of young people placed in 'welfare' secure placements has remained static at 3 in situ. The In-House Foster Care placements have reduced by 3 to 193 during the month against an original estimate of 227 placements, however provision has been included within Month 9 monitoring for numbers to increase by 3 from December to end of year, with 4 placements in 'Other Local Authority' Foster Care. There are currently 2 In House Parent & Child Assessment Placements and 2 court ordered Independent foster care placement. The number of young people 16+ placed in supported living has reduced by 1 to 22 placements. The current increase in placement costs has been offset by maximising grant funding in 14/15.			implemented as part of a containment plan to address the increasing numbers of children in care including: • Completed reconfiguration of the Childrens Social Care family support service to create an intensive family support team focusing on children on the cusp, at risk of coming into care, as well as working to return children home from care where possible • Regular review of internal and external placements, including requesting external providers to review costs. Block contracts for suitable providers being considered where appropriate • New emergency placements for 16 year olds have been commissioned • The fostering recruitment campaign earlier this year has shown very promising signs that we will be successful in reaching our target to increase the number of in house carers to 200 An 'Invest to Save' Business Case has been completed in order to implement a new multi-agency way of meeting the needs of our most complex adolescents in care (ie those in the high cost placements) and those on the cusp of care. This is now expected to commence in April 15.

PEOPLE – Co-operative Commissioning & Adult Social Care There has been a significant pressure created by cost and volume changes, and a reduction in income, especially from the delay on the implementation of the Fairer Charging Policy A Supreme Court judgement in relation to Deprivation of Liberty Safeguarding (DoLS) assessments has impacted the service significantly, with resources having to be diverted to meet this statutory requirement.	2.974	Same	The Department is managing a Budget Containment Plan focused around reviews of High Cost Supported Living and Direct Payments, along with other packages of care. All spend is being reviewed to ensure that any savings possible are being captured and, at the same time, the department is looking for other ideas to help to bring down the current forecast overspend.
PEOPLE – Homes & Communities Identification of additional external funding. The change this month is due to the cost of support to Care Leavers arising increased placements in the second half of the year as a result of the 'Staying Put' legislation.	(0.330)	Declining	People DMT agreed increase from maximisation of external funding (Families with a Future) and reviewing the commitments against specific reserves and further vacancy savings. There is a risk of c£150k around emergency temporary accommodation but this is currently being contained within existing resources
PEOPLE – ELAFs Release of contingency for legal costs. The additional saving is being achieved through maximising grant funding to cover the overall cost of the SEND service	(0.308)	Improving	Release of contingency relating to expected legal costs not materialising. Additional savings have been forecast through overachievement of vacancy savings, General resource savings across the department.
PUBLIC HEALTH	0.000	Same	Plans are in place within the Directorate to cover any shortfalls in cemetery income levels and to come in on budget.

CORPORATE ITEMS – Transformation Currently forecasting an under spend in transformation.	(0.385)	Same	Forecast continually under review.
CORPORATE ITEMS - Capital Financing Reduction in interest payable on loans and improved return on investments Saving on Capital Financing Requirement (CFR) due to reduced borrowing for Capital Programme	(0.846) (0.125)	Improving	Re-profiling the borrowing portfolio and seeking greater returns on investments has delivered a surplus against the required £1m revenue savings on Treasury Management in 2014/15. Management will continue to review the borrowing portfolio for further savings opportunities
CORPORATE ITEMS – Business Rates The Council is part of a business rates pool with other Local Authorities in the Devon which is in its second year of operation.	(0.150)	Same	The current forecasts indicate additional income due to the Council from the pooled arrangement
CORPORATE ITEMS – Prior Year Council Tax Collection The current forecast is an improved collection rate for historic council tax debt	(0.250)	Same	The is the current estimate of the impact of a review of improved debt collection processes
CORPORATE ITEMS – Reserves + Provisions Release insurance provision Release pension top-up provision	(0.750)	Improving	Insurance £0.700m plus pension top-up £0.150m
CORPORATE ITEMS – Contingency Release of part of the central contingency budget	(0.500)	Same	The £1m contingency budget was set for 15/16, half of it has been released at this point
EXECUTIVE OFFICE Pressure due to shortfall on planned efficiency savings.	0.000	Improving	Continued restrictions on expenditure and vacancies have reduced the overspend to a balanced position
TOTAL	**1.746**		

Virements

Table 4 Virements description (1)

Description	Detail
Transformation Secondments	Movement of salary budgets for staff on secondment to transformation programme.
Realignment of Departmental Management Actions	Movement of Management Actions within Directorate following realignment of services within the Directorate.
Customer Service Realignment	Movement of Customer Service function within Homes & Communities department into Customer Services department to allow alignment with Customer transformation programme and consistency of service to users

Table 4 Virements detail (2) £m

Directorate	Transformation Secondments	Realignment of Dept Actions	Customer Services Realignment	Total Virements
Executive Office	0.028	0.000	0.000	0.028
Corporate Items	0.250	0.000	0.000	0.250
Transformation & Change	(0.222)	0.000*	0.207	(0.015)
People	0.000	0.000	(0.207)	(0.207)
Public Health	0.000	0.000	0.000	0.000
Place	0.000	0.000	0.000	0.000
Total	0.000	0.000	0.000	0.000

* £0.214m Movement between Legal and Departmental Management within Transformation & Change Directorate, net nil effect at Directorate level

Details of Virements shown in table 4 relate to virements over £0.100m that have taken place in quarter 3 and require approval. Details of virements in quarters 1 and 2 have been reported in previous quarterly reports.

Spend on Interim Support

Our revised Pay Policy Statement presented to Full Council on 31 March 2014, requires us to report on all interim spend where we have used such support for a period of more than 3 months, with a day rate of more than £500. The table below details the position at December 2014, the end of the third quarter of 2014/15.

The majority of interims are adding capacity to our Transformation Programme which aims to deliver over £30m of net revenue benefit over three years. Spend on all interim posts, as detailed below, is within the approved revenue budget allocations for 2014/15. As at the end of December 2014, the council was utilising seven interim posts.

Table 5 Summary of Interim Appointments @ December 2014

Role	Daily Rate	Start	Finish
Interims covering established PCC posts (currently out to advert)			
Assistant Director Street Services	£652.80	Dec 2013	May 2015
Human Resource Director	£590.00	Jan 2014	Mar 2015
Interim Senior Manager	£730.00	Jan 2015	Apr 2015
Interims providing capacity to Transformation Programme			
Programme Manager	£669.50	Jul 2014	Jan 2015
Business Architect	£729.30	May 2014	Feb 2015
Interim Project Manager	£580.00	Jun 2014	Apr 2015
Senior Business Architect	£624.00	Dec 2014	Apr 2015

At the date of publication, the seven interims shown in the table above has further reduced to six.

Since the end of quarter one (June 2014) when we first reported, the number of interims stood at seventeen (reducing to eleven at the end of September, quarter two) the number of interim appointments has reduced to six. This represents a reduction of eleven, being 65% since the Pay Policy Statement was presented and in line with our stated strategy.

Capital Programme 2014/15 – 2017/18

Our Capital Programme is critical to the growth of this city and how we operate as a Brilliant Co-operative Council. We have transformed the way we make decisions on capital investments by increasing Member involvement whilst also enabling us to react quickly to new opportunities.

The Council approves a **Capital Budget**, representing the overall "affordability envelope" within which a **Capital Programme** of projects for delivery is agreed.

Changes to Capital Budget

The latest approved capital budget of £210.154m was approved at Full Council on 24th November 2014. The forecast has now been amended to reflect known changes for the Quarter 3 period. The latest forcast in now £237,406m and a summary of the movements is detailed in Table 6 below.

Changes to Capital Programme (Approved projects within the Capital Budget)

Within the above Capital Budget or "affordability envelope", authority has been delegated to the Leader (or responsible finance officer for items below £0.2m), to add new or approve changes to existing capital schemes.

New projects added to the Capital Programme, under delegated authority, together with other changes for the Quarter 3 period, are detailed in Table 6 below.

Table 6 Capital Programme Movements £m

TABLE 6 - Capital Programme Movements	£m
Total Approved Programme - September 2014 (Q2)	**110.387**
Mayflower Coach Station	**4.169**
Development of the Marine Industries Production Campus (South Yard)	**13.298**
Ernesettle Extra Care Housing	**0.200**
Enabling project separation of Council House & Civic	**0.507**
Car Park lighting	**0.136**
The Ride	**0.200**
Other Programme Movements	**0.102**
Total Approved Capital Programme - December 2014	**128.999**

TABLE 7 - INCOME ASSUMPTIONS

Description	Responsible AD	Original Budget Total £'000s	LATEST APPROVED (Q2) 2014/15 £'000s	2015/16 £'000s	2016/17 £'000s	2017/18 £'000s	Total £'000s	CURRENT (Q3) 2014/15 £'000s	2015/16 £'000s	2016/17 £'000s	2017/18 £'000s	Total £'000s	Total Movement Q2 - Q3 £'000s
UNRINGFENCED:													
Capital Receipts	David Draffan	28,791	17,632	3,783	7,236	1,577	30,227	13,053	6,751	6,910	2,507	29,221	-1,006
Un-ring-fenced Grants	Paul Barnard	50,574	24,202	6,257	6,256	5,905	42,619	24,211	6,620	6,427	6,011	43,269	650
Unsupported Borrowing	Malcolm Coe	0	905	1,422	0	2,396	4,723	3,603	2,801	947	1,396	8,748	4,025
Developer Contributions - CIL (123 List)	Paul Barnard	0	425	1,536	1,582	1,072	4,615	314	1,536	1,582	1,072	4,504	-111
Developer Contributions - CIL (Neighbourhood Use)	Paul Barnard	0	75	271	279	189	814	55	271	279	189	795	-20
Sub-total unringfenced resources		79,366	43,238	13,268	15,352	11,139	82,998	41,237	17,980	16,144	11,176	86,537	3,539
RINGFENCED:													
Capital Receipts	David Draffan	0	2,014	455	5	0	2,474	2,014	455	5	0	2,474	0
Loans repaid (investment fund)	Paul Barnard	1,405	21	1,040	636	109	1,806	24	1,046	700	140	1,910	104
Ring-fenced Grants	Paul Barnard	66,538	16,899	28,481	11,690	7,170	64,240	15,630	23,947	32,360	11,178	83,115	18,875
Unsupported / Internal Borrowing (cash flow)	Malcolm Coe	35,205	9,336	7,980	5,000	2,000	24,315	6,580	10,727	5,000	5,000	27,307	2,992
Section 106 - Negotiated Obligations and Tariff	Paul Barnard	7,081	12,303	6,525	3,628	2,169	24,624	11,600	7,117	3,253	2,169	24,138	-486
External Contributions	Paul Barnard	3,434	837	500	500	500	2,337	527	1,997	500	500	3,524	1,187
Internal Funds / Revenue	Malcolm Coe	7,197	1,878	4,425	528	528	7,359	2,915	3,819	528	1,137	8,399	1,040
Sub-total ringfenced resources		120,859	43,288	49,406	21,987	12,476	127,156	39,290	49,109	42,346	20,123	150,869	23,713
Total PCC Programme		200,225	86,526	62,675	37,339	23,615	210,154	80,527	67,088	58,491	31,299	237,406	27,252
Tamar Bridge - Cornwall County Council Unsupported borrowing		7,445	0	0	0	0	0	0	0	0	0	0	0
Total Programme		207,670	86,526	62,675	37,339	23,615	210,154	80,527	67,088	58,491	31,299	237,406	27,252

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