#plymcouncil

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

Please ask for Judith Shore
T 01752 304494
E judith.shore@plymouth.gov.uk
www.plymouth.gov.uk/democracy
Published 24 February 2016

CITY COUNCIL – SUPPLEMENTARY PACK

Monday 29 February 2016
2pm
Council House, Plymouth

Members:

Councillor Dr. Mahony, Chair

Councillor Ball, Vice Chair

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

Please find attached supplementary reports in relation to agenda item 5 *'Continuing to deliver the Co-operative vision and proposed council tax levels for 2016/17'*.

Tracey Lee
Chief Executive

CITY COUNCIL

AGENDA

PART I – PUBLIC MEETING

5. CONTINUING TO DELIVER THE CO-OPERATIVE VISION AND PROPOSED COUNCIL TAX LEVELS FOR 2016/2017 (Pages 1 - 106)

The City Council will be asked to –

- consider the updated report of the Assistant Director for Finance on delivering the co-operative vision and the proposed Council Tax levels for 2016/17;
- approve the proposed net revenue budget requirement for 2016/17;
- approve the capital budget 2016 to 2020;
- approve the Treasury Management Strategy and Annual Investment Strategy 2016/17 (incorporating the authorised limits, operational boundaries and prudential indicators);
- approve the change of policy in the calculation of the Minimum Revenue Provision using the annuity method with effect from 2015/16;
- approve the Council Tax levels for 2016/17.

The following reports considered by Cabinet on 16 February 2016 (and associated minutes of the meeting) will be submitted for consideration –

App 1 – Draft Revenue and Capital Budget report (pages 5 – 30) (and minute 75 (page 31)
App 2 – Treasury Management Strategy and Annual Investment Strategy 2016/2017 report (pages 33 – 66) (and minute 76 (page 67))
Capital Programme (pages 69 – 78)
App 3 – Revenue Monitoring Report 2015/2016 Quarter 3 (pages 79 – 90) (and minute 77 (page 91))
App 4 – Cabinet's response to the scrutiny recommendations (pages 93 – 96), the scrutiny report (pages 97 - 104) (and minute 74 (page 105)).

PLYMOUTH CITY COUNCIL

Subject: Continuing to deliver the Co-operative Vision and Proposed Council Tax Levels for 2016/17.

Committee: City Council

Date: 29 February 2016

Cabinet Member: Councillor Lowry

CMT Member Lesa Annear (Strategic Director for Transformation and Change)

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 16 February 2016 to recommend a balanced Revenue Budget for 2016/17, and Capital Budget for the five years to 2019/20. In addition, Council is recommended to approve the Treasury Management Strategy Statement and Annual Investment Strategy 2016/17, including changes to the prudential indicators; and approve the change of policy in the calculation of the Minimum Revenue Provision using the annuity method with effect from 2015/16 In addition, Council is asked to note the Capital and Revenue Monitoring Report 2015/16.

Council is also required to set the Council Tax amounts for 2016/17. We have the precept notification from the office of the Police and Crime Commissioner for Devon, Cornwall and the Isles of Scilly, and have also been advised of the precept for the Devon and Somerset Fire and Rescue Service.

The proposal to apply the new Adult Social Care precept is presented in this report alongside options on whether to freeze or increase the core Council Tax charge for 2016/17.

The following appendices are included with this report:

Appendix 1 Revenue and Capital Budget 2016/17 report and Cabinet Minute 75

Appendix 2 Treasury Management Strategy Statement and Annual Investment Strategy 2016/17 and Cabinet Minute 76

Appendix 3 Capital and Revenue Monitoring Report 2015/16 Quarter 3 and Cabinet Minute 77

Appendix 4 Cabinet's response to the scrutiny recommendations and Cabinet Minute 74 and the scrutiny report

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 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 budget setting.

Implications for Medium Term Financial Plan and Resource Implications:

Due to timing, the indicative budget report presented at the December 2015 Cabinet was unable to fully reflect the Local Settlement 2016/17 for Plymouth. The resources were based on our assumptions around our three key resource streams: Revenue Support Grant; Business Rates and Council Tax.

At the February Cabinet meeting, we were able to update our resources to reflect the final settlement although at the time of writing that report we were still awaiting the notification of our Public Health grant for 2016/17.

The Settlement confirmed our anticipated reduction to our core Revenue Support Grant (RSG).

Our allocation has reduced from the current year's £44.550m to £33.211m

	2015/16	2016/17	Reduction	Reduction
	Actual	Settlement		
	£m	£m	£m	%
Revenue Support Grant (RSG)	44.550	33.211	(11.339)	(25.45)

The Final Settlement also resulted in reductions to specific grant funding we receive In particular our Education Services Grant (ESG) reduced from £2.476m to £2.258m, a reduction of £0.218m; Housing benefit Administration Grant reduced from £1.756m to £1.255m, a reduction of £0.501m. The Chancellor also withdrew the Council Tax Freeze Grant, offered in previous years, which meant a further loss of £0.911m for 2016/17.

The Department of Health has considered feedback on the consultation of Public Health Grant undertaken in October 2015. Plymouth City Council's Public Health Grant for 2016/17 has reduced by £0.374m meaning since 2015/16 Plymouth's allocation has been cut by £1.169m.

Once approved, this budget will become the base for the Medium Term Financial Strategy 2016-2020. As the Local Government funding environment remains highly volatile any significant updates to MTFS will be incorporated within quarterly monitoring throughout 2016/17 in order to factor in changes to estimates and spend commitments.

The attached Revenue and Capital Budget 2016/17 presented to Cabinet 16 February 2016 showed a funding gap of £1.575m. This was based upon applying a two per cent (2%) Adult Social Care precept of £1.845m.

The funding options are:

- To apply the ASC precept up to a maximum of two per cent (2%):
- Freeze the basic council tax charge:
- Raise the basic council tax charge up to a maximum of one point nine nine percent (1.99%);
- And/or a one-off draw down from reserves.

The target revenue budget for 2016/17 is £186.702m. To achieve like for like comparison, target budgets have been stated prior to any changes to management responsibilities in late 2015/16. Relevant adjustments will be made early in the new financial year.

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

Due to the nature of the financial savings required, it is inevitable that there are some over-arching risks associated with delivering a balanced budget.

The Local Government funding environment remains highly volatile. As such, updates to Medium Term Financial Forecasts will be incorporated within quarterly monitoring throughout 2016/17 in order to factor in changes to estimates and spend commitments.

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 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 consider an Adult Social Care council tax precept and council tax levels for 2016/17:

2. To approve the proposed net revenue budget requirement for 2016/17 of £186.702m;

3. To approve the total capital budget of £419.116m to 2020;

4. 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, reflecting a one point nine nine per cent (1.99%) increase for 2016/17:

5. To note that the Devon and Somerset Fire and Rescue Authority precepts have been confirmed reflecting a one point nine nine per cent (1.99%) increase for 2016/17:

6. To agree the annual Treasury Management Strategy and Annual Investment Strategy 2016/17 (incorporating the authorised limits, operational boundaries and prudential indicators) as submitted:

7. To approve the change of policy in the calculation of the Minimum Revenue Provision using the annuity method with effect from 2015/16

8. To note the Capital and Revenue Monitoring Report Quarter Three 2015/16:

Alternative options considered and rejected:

We have a statutory obligation to present a balanced budget for the financial year 2016/17.

We do have the option to 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:

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:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Medium term Financial Strategy 2016-2020	X								

Sign off:

Fin	akh1516.74	Leg	lt/25143	Mon Off	DVS/25143/230216	HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham													
Have the Cabinet Members agreed the contents of the report? Yes													

PLYMOUTH CITY COUNCIL

Subject:	Revenue and Capital Budget 2016/17
Committee:	Cabinet
Date:	16 February 2016
Cabinet Member:	Councillor Lowry
CMT Member:	Lesa Annear (Strategic Director for Transformation and Change)
Author:	Andrew Hardingham, Assistant Director for Finance 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 2016/17 Revenue Budget plus 2 Year Indicative Financial Forecast and 2016/17 to 2019/20 Capital Programme" which was approved by Cabinet on 8 December 2015.

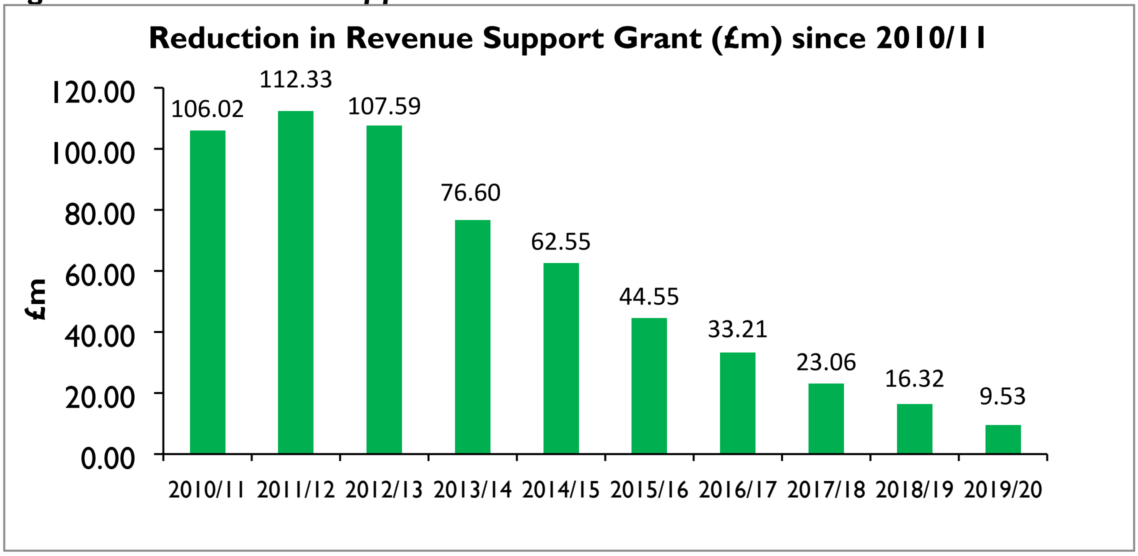
There is a legal requirement for Full Council to approve a balanced and robust budget for 2016/17 and to set the Council Tax for the period April 2016 to March 2017 before the end of March 2016. At this stage we have a remaining budget gap of £1.575m which can be closed by either a draw down from our reserves or an increase to our Council Tax charge, or a combination of both.

As stated in our December report, the Government is imposing the biggest cuts to funding for local services in Plymouth in a generation, with public spending being cut to its lowest level since the 1970s. The continuing severity of cuts to Plymouth City Council's core funding does nothing to ease concern about the impact on our ability to provide essential front line services.

These reductions represent money which has not been available to us to spend in our city and has had a huge impact on the local economy. These missing millions are before we factor in rising costs and the transfer of additional responsibilities from central government departments.

Figure 1 sets out the reduction in revenue support grant since 2010/11.

Figure 1: Lost Revenue Support Grant



In line with all other Local Authorities, we continue to face diminishing resources and increasing demand and costs. In the period April 2011 to March 2015 we reduced net revenue expenditure by just over £43m; for the next four years to March 2020 we are facing further indicative funding cuts to our core Revenue Support Grant (RSG) of £35m from the current £44.5m to just £9.5m. This is a reduction of 79% and a cumulative loss of income over the four years of £96m. This continuing reduction in our core funding has forced us to fundamentally transform the way in which we undertake our business and how we set a sustainable budget.

The whole landscape of funding for Local Authorities is under review. We are aware of new initiatives to move from the current retention of 49% of our local Business Rates to 100% by the end of the life of the current Government but these plans are currently out for consultation and the financial implications will be modelled in future Medium Term Financial Strategies.

The Government has defined our "Core Spending Power" as our Revenue Support Grant, retained business rates, income from the New Homes Bonus, and the local government element of the Improved Better Care Fund, as well as income from Council Tax.

It is inherent in the Chancellor's Core Spending Power assumptions that our Council Tax income will grow in 2016/17 and over the life of this parliament. As part of the December 2015 Settlement, the Chancellor withdrew the compensatory Council Tax Freeze Grant from 2016/17 and made the assumption in his spending calculation that we will raise our Council Tax both by inflation and also by two per cent to support our social care responsibilities. The Government is assuming an RPI increase of 1.75% for 2016/17 and is therefore expecting us to increase our local charge by a total of at least 3.75% for next year.

In Table 1 below we set out our resource assumptions to 2019/20, although this paper focuses on 2016/17. The impact of our reducing resources for the following three years to 2019/20 is set out in the Medium Term Financial Strategy 2016-2020, which will be included as a background paper to the final budget report for Full Council.

For these resources we have assumed no increase in the Council Tax for 2016/17 with the increase from £90.410m to £92.237m reflecting the growth in our Council Tax Base as a result of our growth programme.

The RSG figures are those included in our Local Settlement published December 2015.

The Council Tax level for 2016/17 assumes no change to the current charge; at this stage this is still indicative only as this will be finalised at Full Council in February 2016.

Table 1: Revenue resource assumptions

	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Settlement			
	£m	£m	£m	£m	£m
Revenue Support Grant (RSG)	44.550	33.211	23.058	16.323	9.533
Council Tax	90.410	92.237	96.889	101.751	106.847
Business Rates	58.049	59.409	60.771	62.572	64.410
Sub Total Revenue (prior to ASC Precept):	**193.009**	**184.857**	**180.718**	**180.646**	**180.790**
Increase / (decrease) over previous year		**(8.152)**	**(4.139)**	**(0.072)**	**0.144**
Adult Social Care Council Tax Precept 2%	n/a	1.845	1.938	2.035	2.137
Total Revenue (including ASC Precept):	**193.009**	**186.702**	**182.656**	**182.681**	**182.927**

Note: Council Tax level for 2016/17 will be finalised at Full Council in February 2016.

The reduction in Revenue Support Grant of £11.339m from £44.550m to £33.211m from 2015/16 to 2016/17 represents a 25.45% reduction in one year.

Table 2: Revenue Support Grant reductions

	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Settlement Forecast			
	£m	£m	£m	£m	£m
Revenue Support Grant (RSG)	44.550	33.211	23.058	16.323	9.533
Reduction £m		(11.339)	(10.153)	(6.735)	(6.790)
Reduction %		(25.45)	(30.57)	(29.20)	(41.60)

The Settlement resulted in reductions to specific grant funding we receive, in particular our Education Services Grant (ESG) reduced from £2.476m to £2.258m, a reduction of £0.218m; Housing benefit Administration Grant reduced from £1.756m to £1.255m, a reduction of £0.501m. The Chancellor also withdrew the Council Tax Freeze Grant, offered in previous years, which meant a further loss of £0.911m for 2016/17.

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 the Spending Review November 2015 the Chancellor announced that for the rest of the current Parliament Local Authorities with responsibility for Adult Social Care (ASC) will be given an additional 2% flexibility on the current Council Tax referendum threshold to be used entirely for ASC. We are proposing applying this precept and using the additional £1.845m income to support our ASC provision.

In addition to the scale of the funding cuts, we also have to contend with the **additional costs** facing the Council in the coming years. On top of the already increasing demand for areas such as social care, due to demographic changes and price inflation, we also have additional costs as a direct result of Government policy changes.

The Government has:

- Announced changes to the rate of national insurance on both employees and their employers for those eligible to a defined benefit pension. Plymouth City Council runs such a scheme and will therefore incur this additional cost burden, calculated to increase our annual salary costs by £1.5m per year starting April 2016.
- Introduced a National Living Wage for all working people aged 25 and above.
- In the 2015 Budget, it was announced that the new compulsory National Living Wage of £7.20 per hour will be introduced in April 2016; we have calculated the impact on Plymouth City Council's commissioning contracts to be £2.217m in 2016/17 rising by the same amount in the following two years, representing additional costs of £6.651m in 2018/19.

Additional costs accepted within the budget are exceptional in nature with the inherent assumption that spending departments will absorb the increased cost of service demand and inflation through proactive management action and efficiencies through business as usual operations. However, the following essential costs totalling £16.845m have been incorporated within our budget plan.

Table 3: Cost allocations built into 2016/17 budget (from 2015/16 base budget)

Item	2016/17
	£m
Salary & Pension / Inflation	0.900
ASC,CSC and People Directorate	3.562
Major Investments	0.850
National Insurance changes April 2016	1.500
Transport links / Income	0.528
National Living Wage	2.217
Delt	1.400
2015/16 savings met from one-offs	5.888
Total Additional Cost Allocations	**16.845**

Salary & Pension / Inflation: Pay awards have been significantly reduced over recent years, including a prolonged period of staff 'pay freeze'. An increase of 1% in our payroll roughly equates to £0.9m added revenue spend within our base budget. With the move towards alternative service delivery vehicles such as DELT (www.deltservices.co.uk) and CaterEd (www.plymouth.gov.uk/catered), future 'one off' costs will need to be quantified in terms of ensuring that there is no pension deficit at the point of transfer.

Adult Social Care (ASC), Children's Social Care (CSC) and People Directorate: For the 2016/17 budget, building on our 2015/16 budget setting process, we have again allocated additional revenue funding to match core spending requirements with the largest single amounts within the People Directorate relating to Children, Young People & Families and Adult Social Care. Between them, these two services account for circa £100m of expenditure (in gross terms).

Major Investments: We are creating the South Yard Marine Industries Production Campus site. This is a long term investment project which will create employment opportunities and generate commercial income in future years. The budget assumes an allocation of resources in 2016/17 to cover start-up and running costs. These running costs will not be required long term as the overall investment generates more income than the running costs.

Plymouth City Council is working towards the 400th celebration of the sailing of the Mayflower from Plymouth and has set out ambitious plans to ensure the occasion is marked nationally as well as locally. We have made an allocation to cover the revenue associated costs of planning and hosting events up to and including 2020.

National Insurance changes April 2016: This will increase Plymouth City Council's annual salary costs by £1.5m from April 2016.

Transport links / income: As well as funding for supporting studies into improving our high speed rail link to London, this also includes covering the car park income lost as a result of the closure of some of the city's current strategic sites. These sites when developed will increase future revenue streams in terms of business rates and council tax.

National Living Wage: The Government has introduced a National Living Wage for all working people aged 25 and above. In the Budget it was announced that the new compulsory National Living Wage of £7.20 per hour will be introduced in April 2016; we have calculated the impact on Plymouth City Council's commissioning contracts to be £2.217m in 2016/17.

Delt: The Council and NEW Devon CCG jointly owned company, Delt, set up in October 2014, currently provides a vast range of IT services to Plymouth City Council (PCC) and NHS as its founding partners. Delt Shared Services Ltd. is continuing to grow and develop the services it provides to its partners and customers. The company was formed to provide a shared IT service currently providing IT Service Management; IT Professional Services; IT Infrastructure Solutions and Business Applications. As the company is still in its infancy, we are undertaking a full review of all of the running costs and are providing £1.4m from 2016/17 to enable the company to be correctly funded going forward.

2015/16 savings met from one-offs: During the setting of the 2015/16 budget, each directorate and transformation programme identified savings (cumulative value of £21m) to be delivered within year and embedded into budgets going forward. Although in the majority of cases these savings plans are still on course to deliver the full savings, in some cases the launch and therefore the delivery of the savings was delayed during 2015/16. These shortfalls have been made good by one-off in-year savings equating to £5.9m. Each Director has been tasked to ensure these savings are delivered in full and sustainable during 2016/17 and form part of the savings target.

In these very difficult financial circumstances we continue to retain and improve our core services.

The Local Government funding environment remains highly volatile. As such, updates to Medium Term Financial Forecasts will be incorporated within quarterly monitoring throughout 2016/17 in order to factor in changes to estimates.

Within our revenue budget, despite identifying £19.799m savings for 2016/17 at the time of publication of the December Indicative Budget, there remained a revenue funding gap of £3.442m for 2016/17.

This update report details:

- the impact of the December 2015 settlement for Plymouth compared with our resource assumptions;
- options to close the £3.442m revenue gap for 2016/17;
- a Budget Robustness Statement from the Assistant Director for Finance (S151 Officer)

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

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

The Government announced the provisional settlement for 2016/17 on 17 December 2015, along with indicative figures for the following three years. This was our first sight of our 2016/17 funding.

Key points to note are:

- This is a multi-year settlement offer with indicative funding allocations for 2016/17 to 2019/20.
- The Chancellor is assuming we raise our Council Tax charge in line with RPI each year for the next four years.
- The Chancellor is assuming we raise our Council Tax charge by 2% each year to support our ASC budgets.
- 2016/17 cut in our RSG of £11.339m represents a 24.5% reduction in one year, compared to the SIGOMA (Special Interest Group of Municipal Authorities) average cut of 24.2%
- 2016/17 Council Tax referendum cap set at 4%, being the existing 2% plus a further 2% to reflect our responsibility for Adult Social Care.
- No new Council Tax freeze grant for 2016/17.
- Extension of Small Business Rate Relief for 2016/17 and compensatory grant but other one-off business rate reliefs cease.
- Our Public Health grant allocation for 2016/17 is not yet known.
- Consultation issued on reducing New Homes Bonus from the current six years to a proposed four years; the NHB remains unchanged for 2016/17.
- New rules around the use of capital receipts to support revenue transformation costs.

Due to timing, the indicative budget report presented at the December 2015 Cabinet was unable to fully reflect the Local Settlement 2016/17 for Plymouth. We were not able to reflect the new ASC precept as the implications were not available at the publication date. The resources were based on our assumptions around our three key resource streams: Revenue Support Grant; Business Rates and Council Tax.

This report updates these resources to reflect the revised funding figures. However, these figures are still subject to change as the Council Tax level for 2016/17 will not be finalised until the Full Council in February 2016.

The current resources and comparison to our December indicative resources, currently modelling a Council Tax freeze for 2016/17 are set out below, and detailed in **Appendix D**.

Table 4: Revenue resource 2016/17

	Indicative Forecast	Settlement Forecast	Movement
	£m	£m	£m
Revenue Support Grant (RSG)	33.285	33.211	(0.074)
Council Tax	91.765	92.237	0.472
Business Rates	59.702	59.409	(0.293)
Adult Social Care Council Tax Precept 2%	0.000	1.845	1.845
Total Revenue	**184.752**	**186.702**	**1.950**

The individual movements are explained below.

Revenue Support Grant (RSG)

	Indicative Forecast	Settlement Forecast	Movement
	£m	£m	£m
Revenue Support Grant (RSG)	33.285	33.211	(0.074)

For the first time, the 2015/16 Settlement figures did not include any indication of the funding for the following year 2016/17. The indicative forecast of £33.285 was therefore calculated in collaboration with our independent advisors LG Futures and intelligence received from the Local Government Association (LGA) and working with SIGOMA and other Unitary Authorities.

Although the settlement is only £0.074m different from our forecast this still represents a further cut to our core funding.

Council Tax

	Indicative Forecast	Settlement Forecast	Movement
	£m	£m	£m
Council Tax	91.765	92.237	0.472

Our indicative forecast for our Council Tax income was based on a freeze in the charge for 2016/17. The revised forecast is also currently based on no increase. This could change as a result of debate at the Full Council meeting 29 February 2016.

Our Council Tax income forecast of £91.765m represented our assumed "Growth Dividend" from our 2015/16 base income. Following the publication of our December budget report, we have completed the formal return to DCLG with further growth in our tax base providing an extra income of £0.472m.

The Council Tax Base report approved by Cabinet in January 2016 detailing the income calculation is available as a background paper.

The forecast of £92.237m reflects total growth of £1.827m from our 2015/16 base of £90.410m. This is a clear indication of the success of our strategy of growing the city's housing stock to generate additional income.

Business Rates

	Indicative Forecast	Settlement Forecast	Movement
	£m	£m	£m
Business Rates	59.702	59.409	(0.293)

Our Business Rates or Non Domestic Rates (NDR) is made up of our rates income plus several smaller items as shown below. The overall outcome of the settlement is a reduction of £0.293m as detailed in Table 5.

Table 5: Business Rates 2016/17

	Indicative Forecast	Settlement Forecast	Movement
	£m	£m	£m
Business Rates Income	46.216	46.083	(0.133)
Plus Top up / (Tariff)	9.353	9.240	(0.113)
Plus Forecast Actual S31 Payments	1.763	2.122	0.359
Cost of Collection	0.312	0.315	0.003
Plus Pooling Gains / Losses	0.750	1.000	0.250
Plus Renewable Energy income	1.308	0.649	(0.659)
NNDR	**59.702**	**59.409**	**(0.293)**

Business Rates Income is our retained share, currently 49%, of our rates billing to local businesses.

Although the income £46.083m is less than our forecast, it still represents an overall growth of £2.035m from our 2015/16 income of £44.058m.

The shortfall of £0.133m against our forecast has two elements, inflation (RPI) and our local growth forecast which is itself impacted by appeals:

- RPI £(0.534)m

  Modelling for business rates income for 2016/17 had assumed a higher level of RPI uplift 2.1% to the business rates multiplier; the actual multiplier used by government when announcing the settlement was 0.8%.

- Growth £0.401m

  The growth in gross rates payable between 2015/16 and 2016/17 is additional income of £1.4m (PCC share), however this growth is counteracted by the increase in mandatory reliefs, empty property reliefs and appeal provisions (total £1m) which have to be deducted from the ov9erall gross rates payable.

Top-up / (Tariff) £0.113m The level of top-up is determined by the Local Government Settlement and is effectively uplifted by the RPI level of 0.8%. The £113k variance is received back by the council as a Section 31 Grant and still represents an increase of £0.078m on last year's tariff.

S31 payments £0.359m is a mechanism used by government to offset their 100% rates relief to small businesses which reduces our business rates income.

Cost of Collection is an allowance to subsidise the cost of collecting business rates.

Pooling Gains / Losses is our forecast based on current information from the Devon Pool members which models a pooling gain of £1m in 2016/17 for Plymouth City Council. We had previously modelled a gain of £0.750m.

Renewable Energy Income is our additional business rates attributable to the Energy from Waste plant which became active in late 2015; our original estimates assumed that 100% of the site would be attributable to the production of renewable energy (for which we would be able to retain 100% of the business rates). However, the valuation certification attributes a smaller area of the site to renewable energy production, reducing the amount of business rates we can retain from the site.

Specific Grants

This budget report sets out the impact of the December settlement on our net revenue budget for 2016/17. However, there have been significant changes to our assumed income assumptions from specific grants which have had to be factored into our revised budget.

Table 6: Specific Grants 2016/17

	Indicative Forecast	Settlement Forecast	Movement
	£m	£m	£m
Council Tax Freeze Grant 2016/17	0.911	0.000	(0.911)
Education Services Grant ESG	2.476	2.258	(0.218)
Housing Benefit Administration Grant	1.756	1.255	(0.501)

Council Tax Freeze Grant 2016/17: Our Indicative Budget assumed compensation from government of a Council Tax freeze grant equivalent to 1% of our council tax income, in recognition of freezing our charge for 2016/17. The December settlement withdrew this grant with effect from 2016/17.

Education Services Grant ESG: The Education Services Grant (ESG) was introduced in 2013 to cover the cost of the services that local authorities provide centrally to maintained schools. This is a specific grant to local authorities to fund the provision of statutory functions. This has been reduced by 8% for Plymouth. Government is trying to reflect the increasing number of schools transferring to academy status and therefore requiring less support from local authorities. However, we have already factored these reduced resource requirements into our budget assumptions and therefore have to fund this reduction.

Housing Benefit Administration Grant: This is a specific grant to cover the cost of administering housing benefits. This has been cut by 28%. Government is trying to reflect the increasing number of claimants transferring to Universal Credit and the Department for Works and Pension (DWP) with the assumption of claimants requiring less support from local authorities. However, we have already factored these reduced resource requirements into our budget assumptions and therefore have to fund this reduction even though our modelling suggests that the Council's case load is unlikely to fall by the amount the grant reduction would suggest.

Other Costs and Savings identified

In the Cabinet report December 2015, we set out that the publicly owned private sector company Delt Shared Services Ltd (Delt) was set up in October 2014 and currently provides a vast range of IT services to Plymouth City Council (PCC) and NHS as its founding partners. Delt is continuing to grow and develop the services it provides to its partners and customers. Delt was formed to provide a shared IT service currently providing IT Service Management; IT Professional Services; IT Infrastructure Solutions and Business Applications.

We also set out in the Cabinet report our planned savings for 2016/17 of £0.704m with the caveat that any savings were currently under review. As co-owners of the company we remain committed to its future growth and will continue to be driven to maximize efficiencies and deliver savings. However, recognizing that Delt is still in its infancy, and having undertaken a full review of all of the lead in time to achieve savings opportunities, it is too soon to expect savings to be delivered in 2016/17. We have therefore amended our overall savings target of £19.799m down by £0.704m.

We have also adjusted our savings target attributable to commercialisation and income reviews, reducing it by £0.100m to reflect our revised modelling.

Change of Policy – Minimum Revenue Provision (MRP)

During 2015/16 the Council has undertaken a review of its MRP calculation method and accounting assumptions. The Council therefore engaged its TM advisors, Arlingclose to review and advise best practice. The review concluded that the way we were calculating our annual MRP charge has resulted in an over-provision for many years. The resulting change from the over provision of MRP in prior years will be to reduce the MRP charge in 2016/17 by £3.651m.

Balancing the 2016/17 Revenue Budget

The December 2015 draft budget report detailed an unfunded revenue gap of £3.442m for 2016/17. At that stage, we had identified a one-off draw down from our Working Balance of £0.950m as set out later in this report.

A general contingency of £1m was included in the base budget for 2015/16. We will need to retain this contingency of £1m for 2016/17 to again address any unforeseen budget issues throughout the year alongside a challenging agenda of delivering circa £23m of revenue savings, as set out in **Appendix B.**

With the proposed adjustments detailed in this report, we are now presenting a budget for financial year 2016/17 with a remaining gap of £1.575m, as set out below:

	£m
December Indicative Budget Gap:	**3.442**
Add funding and savings reductions:	
• decrease in RSG	0.074
• decrease in Business Rates	0.293
• Council Tax Freeze Grant	0.911
• Education Services Grant	0.218
• Housing Benefit Admin Grant	0.501
• Adjustment to income targets	0.100
• Delt savings adjustment	0.704

Revised gap	6.243
Less additional funding and savings:	
• Treasury Management (MRP)	2.351
• Increase in Council Tax base	0.472
• ASC 2% Council Tax Precept	1.845

Revised Budget Gap:	**1.575**

To be funded from a drawdown from reserves and/or Council Tax increase.

The 2016/17 revenue resources, as stated in the published budget papers, were £184.752m. Some of the adjustments detailed above results in the following changes to resources:

- £0.074m decrease in RSG;
- £0.293m decrease in Business Rates;
- £0.472m increase in Council Tax Base:
- £1.845m Adult Social Care Council Tax Precept 2%:

Therefore, the final target revenue budget for 2016/17 is £186.702m with the allocation of expenditure shown in **Appendix A** which is split down by directorate. This budget requires a council tax freeze plus the addition of a two percent (2%) ASC Precept in 2016/17 to be agreed by Full Council in February. A link to the December Indicative Budget is included in this report.

Human Resources and Workforce

Table 7: Full Time Equivalent posts (excluding Schools) as at 31 March

2012	2013	2014	2015	Oct 2015	2016	2017
ACTUAL					FORECAST	
FTE					FTE	
3,249	3,110	2,904	2,423	2,306	2,232	2,120

The Council directly employs approximately 2,781 staff (2,306 FTE) and approximately 2,000 FTE staff within maintained schools. The impacts of the Council's budget proposals affect only those employed directly as schools have delegated budgets for staffing.

Our workforce has reduced significantly in the last 3 years; a reduction of 29% (Full Time Equivalent) since April 2012. In overview terms, as of October 2015, we have reduced our FTE posts by 943 since March 2012 with further posts being considered through alternative service delivery mechanisms (e.g. shared services, social enterprises) as a direct result of the actions and solutions that will be delivered within the 2016/17 budget.

Table 8: FTE Year on Year comparison

	Mar 12	Mar 13	Mar 14	Mar 15	Oct 15	Net Movement Mar 12 - Oct 15
	FTE					
Executive Office	38	34	31	68	67	29
Transformation & Change	856	802	798	685	622	(234)
People	1,493	1,482	1,329	949	928	(565)
Place	862	792	746	626	595	(267)
Public Health	-	-	-	95	94	94
Total	**3,249**	**3,110**	**2,904**	**2,423**	**2,306**	**(943)**

Numbers in () indicate a reduction

2016/17 will see further FTE reductions. For example, as part of the Transformation Programme, the Transformation and Change Directorate (Corporate Support Services) are implementing service reviews in 2015/16 to fix, prepare and transform the way that the corporate centre supports the Council and our external customers.

In HR&OD and Finance, this will include the introduction of an Ulrich Business Partner model that will improve and modernise the way that staff and managers access these services and transform the way that corporate services support their customers. A positive gear change from transactional to strategic support will require ICT investment to enable efficient and effective self-service and contact centre capability and functionality. An internal 'AGILE HR' and 'Finance Fit' staff development programme is being developed to improve our in-house skills and capability in business partnering, specialist and transactional shared business services.

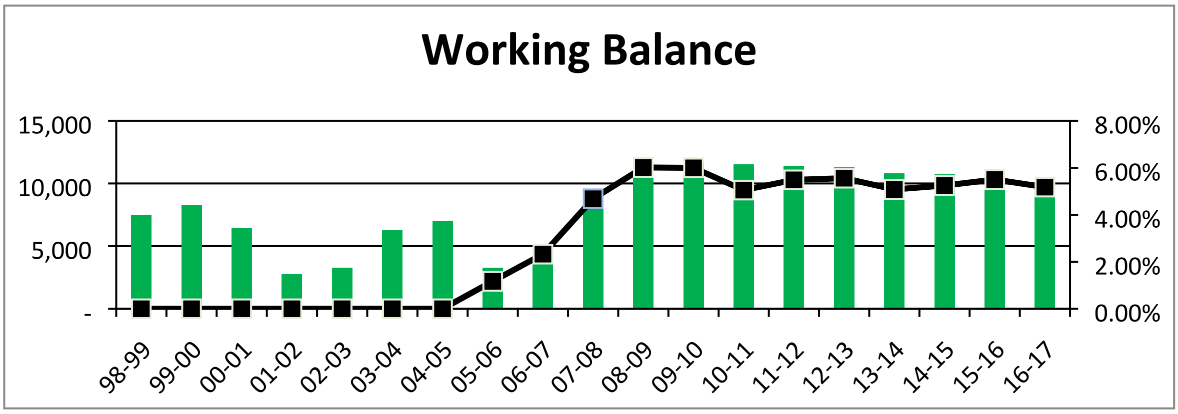
Our success in attracting and building our base of apprenticeships across the council has been impressive. We currently host 81 apprentice learners. Such placements help Plymouth City Council to invigorate the workforce, attracting new ideas and harvesting a healthy culture of nurturing and developing local talent.

In monetary terms, the overall salary bill continues to be a significant cost to the Council, costing circa £80m including on-costs. Local Collective Agreements in 2000, 2004 and 2011 have reduced pay and terms and conditions considerably in recent years and a new 'Productivity Deal for Staff' using a Total Reward approach will be developed to increase productivity, improve employee engagement and reduce cost. Agency worker costs and management costs will be reviewed to ensure optimal organisational structures are in place, along with an aligned workforce development strategy to ensure we are growing our own talent and developing our staff and our volunteers to flourish within an agile whole system public services workforce.

Working Balance

The Council's 'Working Balance' is the revenue reserve that is put aside to cover any significant business risks that might arise outside of the set budget. This reserve has been steadily built up over the years and stands at £10.620 million as at March 2015. This equates to approximately 5.5% of the Council's net revenue budget which is about the average for unitary councils. In order to balance the budget for 2016/17 we have used £0.950m of this reserve, reducing the balance to a level closer to the 5% value of the Council's net revenue budget. We continue with our policy of maintaining adequate reserves giving consideration to the significant constraints that will be placed on public sector spending for the foreseeable future.

Figure 2: Working Balance



Medium Term Financial Strategy

It is our statutory duty to set a balanced budget for the financial year 2016/17 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 2016/17 budget report is therefore supported by our Medium Term Financial Strategy (MTFS) which covers the financial years 2016/17 to 2019/20. 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. Our MTFS will be available as a background paper to the final budget report for Full Council on 29 February 2016.

Capital Programme to 2020

Over recent years the Council has reviewed its management of the capital programme. This entailed moving from a departmental build programme linked to specific funding streams, to produce a more strategic capital budget. This capital budget now represents an overall "affordability envelope" within which a capital programme of projects for delivery sits.

The level of capital resource available has also been diminishing and will continue to do so for some time. Less is now available through direct capital allocation with increased need to bid for specific pots of funding linked to specific outcomes, for example, major road infrastructure projects and large cultural projects such as the History Centre etc. The Council's ability to maximise investment into the city through vehicles such as the Growth Fund and the Heart of the South West Local Enterprise Partnership has become an increasing priority.

We continually challenge and update all capital income streams in order to estimate the total resources at our disposal. Maximising developer contributions, under Section 106 (S106) of the Town and Country Planning Act 1990, and forecasting for the future generation of capital receipts through planned and structured asset disposals, remain vital income streams. There are a number of risks inherent within the calculation of forecast resources, the majority of which are reflected by the use of an appropriate RAG rating.

The Chancellor's Autumn Statement included a relaxation of the rules governing the use of capital receipts. It was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts (capital receipts) on the revenue costs of reform projects. We are considering the flexibility and will prepare a strategy once we have fully considered and ask Cabinet to agree that a strategy be considered at a future meeting for agreement by Council.

This budget proposes an increase in our Capital Resources to £419.1m, and our Capital Programme includes:

Investment in Road infrastructure

- We will continue with our £20m capital investment in our road infrastructure with planned carriageway resurfacing to repair pot holes and improve road junctions and traffic flows.

Plan for Homes

- £80m investment 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.

Derriford Transport Scheme

- £12.7m investment will provide new and enhanced transport infrastructure in the form of two major junction upgrades in the Derriford area on the Northern Corridor at Derriford Roundabout and the Tavistock Road / William Prance Road junction.
- The scheme seeks to optimise the existing transport network and provide additional capacity to improve journey times and reliability whilst freeing up capacity in order to allow large scale development to come forward in the Derriford area and along the Northern Corridor. Public transport is at the heart of the proposals in order to encourage more

sustainable journeys to be made and opportunities to improve pedestrian and cycle links and crossings will also be maximised within the scheme.

Mayflower Coach Park

- £4.6m investment to build a modern and welcoming coach station built on the existing site of the City's Mayflower West Car Park. A surface level car park will also be provided.
- The scheme seeks to enhance the existing coach travel network and local connections, in and out of the city. The scheme has been designed against a challenging backdrop of quite significant level differences across the site, primarily north to south. This will also provide commercial development opportunity on the old bus station site.

Forder Valley Link Road

- £31m will be invested to provide a direct link to Derriford and to support future housing developments at Seaton neighbourhood.

Asset Investment Fund

- £25m has been allocated for investment into strategic investments that will help grow the local businesses.

Strategic Cycle Network

- Northern and Eastern Corridors Strategic Cycle Network investment programme and seeks to deliver a network of routes, designed for both experienced and inexperienced cyclists, linking each of the neighbourhoods in Plymouth, allowing cyclists to travel conveniently and more safely across the city. The works on the ground will also seek to make improvements for pedestrians and people with mobility and other impairments.

New Central Library

- £1.5m has been invested into the new central library which will offer a new modern library service. Taylor Maxwell House has been refurbished and links directly into the new bus station.

Plymouth History Centre

- £30m is being invested to transform the current museum to a cutting–edge cultural centre, three times its existing size, providing 86 per cent more exhibition space and 100 per cent more flexible learning space.

South Yard Investment

- £20m is being invested in 32,400 square metres of new and converted workspace.

City Market

- £3.5m is being invested to revitalise this integral part of the West End of the city centre and an important link to the regeneration of this area, linking with the new Mayflower Coach park.

Investment in schools

- We will continue to invest in providing improved schools and additional capacity for the increasing the number of school age children in the City, ensuring there is a school place for every child and education opportunities which will improve their quality of life.

Response to the Budget Scrutiny Report on the Indicative 2016/17 Revenue Budget

One of the recommendations from the public scrutiny of the 2016/17 Indicative Revenue Budget was to quantify, in an appendix to the budget report, the levels of external funding both capital and revenue, currently being utilised by the City Council with an accompanying statement outlining how further resources are being sought.

Appendix E sets out a schedule of both revenue and capital external grant funding for 2015/16 and the corresponding amounts, where currently known, for 2016/17.

Plymouth City Council is currently working to improve its ability to identify, bid for, and gain additional external funding

The actions that the Council have adopted to improve the processes around improved external funding are:

- Directorates are nominating officers for the External Funding Working Group to develop the external funding framework and approval processes. The Working Group will also act as subject matter experts and critical friend.
- DMT's will adopt the approval process and usage of external funding framework.
- The Finance Service will ensure key officers have access to, and training on, GRANTfinder to increase utilisation and maximise funding opportunities.
- Finance have set up a grants page on the document library and on a monthly basis publish grant opportunities update and grants register.
- Finance plan to report to DMT's on a monthly basis on the new grants available to their services, the applications in progress and success rates.

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.

The Local Government funding environment remains highly volatile. As such, updates to Medium Term Financial Forecasts will be incorporated within quarterly monitoring throughout 2016/17 in order to factor in changes to estimates and spend commitments.

Equality and Diversity

All actions being taken are covered by Equalities Impact Assessments undertaken as part of the 2015/16 budget setting process, signed off by the relevant Director or Assistant Director. These have been considered at relevant stages of transformation business case development, for example health and social care integration. As such, there are no specific budget setting Equality Impact Assessments (EIA) as these are already inherent within our planned activities.

Recommendations and Reasons for recommended action:

It is recommended:

1. That a final version of the Revenue and Capital Budget for 2016/17 is presented for approval to Full Council on 29 February 2016 to allow the setting of the 2016/17 Council Tax charge.

Recommend to Full Council:

2. to approve the proposed Adult Social Care Council Tax Precept at two percent (2%) for 2016/17.

3. to approve the total capital budget of £419.1m to 2020. Any changes to the overall capital funding available to be sanctioned by the Council's Section 151 Officer;

4. to note the external grant funding as set out in Appendix E, as requested by The Co-operative Scrutiny Board.

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:

Indicative 2016/17 Revenue Budget plus 2 Year Indicative Financial Forecast and 2016/17 to 2019/20 Capital Programme - December 2015

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	djn15 16.71	Leg	dvs2 5041	Mon Off	dvs2 5041	HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham													
Have the Cabinet Members agreed the contents of the report? Yes													

Net Revenue Budgets 2016/17 **Appendix A**

Area	Chief Executive	Corp Items	Trans. & Change	People	ODPH Public Health	Place	Total
	£m	£m	£m	£m	£m	£m	£m
2015/16 Base Budget	3.867	7.915	33.291	123.119	1.016	23.801	193.009
Budget movements April – December 2015	(0.218)	2.550	(0.752)	(0.623)	(0.952)	(0.006)	0.000
Cost Allocations per Table 3	0.000	3.714	3.501	8.216	0.000	2.133	17.564
2016/17 Budget Savings Appendix B	(0.050)	(2.489)	(3.797)	(9.215)	(0.200)	(3.344)	(19.095)
Sub Total	3.600	11.690	32.243	121.497	(0.136)	22.584	191.478
Additional Savings Appendix B	0.000	(4.776)	0.000	0.000	0.000	0.000	(4.776)
2016/17 Budget	**3.600**	**6.914**	**32.243**	**121.497**	**(0.136)**	**22.584**	**186.702**

Major budget movements (virements) from April – December 2015:

Directorate	Movement of Intelligent Client Function	Removal of Grant Carry Forwards in Base	Removal of Transfers to/from Reserves included in Base	CST Project	Reallocation of Savings
	£m	£m	£m	£m	£m
Executive Office	(0.135)	(0.062)			
Corporate Items		1.953	0.546	0.200	(0.178)
Transformation and Change	0.135	(0.267)	(0.546)	(0.200)	0.378
People Directorate		(0.874)			
Public Health		(0.751)			(0.200)
Place					
Total	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

BUDGET SAVINGS 2016/17 £m **APPENDIX B**

Area	Project	2016/17
Place	Growth Dividend – New Homes Bonus	1.319
Place	Growth Dividend – Council Tax	Moved to resources £0.680m / £0.730m
Place	Growth Dividend – Business Rates	
Place	Investment Portfolio	0.100
Place	Commercialisation and Income Reviews	0.656
Place	Place Directorate Review	0.503
Place	Place 2015/16 one-off savings b/fwd.	0.335
Place	Reduced Insurance premiums	0.200
Place	Street Service Operations	0.250
Place	City Deal Re-profiling	0.200
Public Health	ODPH Directorate savings	0.200
People	Integrated Delivery	0.830
People	Integrated Commissioning	2.331
People	Children, Young People, Youth and Families	2.400
People	People Directorate Review	1.435
People	Maximising Grants/Income/efficiencies	2.219
Transformation & Change	Customer Service Transformation	1.349
Transformation & Change	Finance Transformation	1.500
Transformation & Change	HR Transformation	0.300
Transformation & Change	Procurement Savings	0.400
Transformation & Change	Corporate Fraud Debt Recovery	0.100
Transformation & Change	Strategic Asset review	0.070
Transformation & Change	Transformation Portfolio Savings	0.500
Transformation & Change	Library review	0.048
Chief Executive's Office	Chief Executive Office	0.050
Corp Items	Treasury Management	1.245
Corp Items	Sale of Annual Leave	0.200
Corp Items	Corp Items Review	0.255
	Initial Savings	**18.995**
Corp Items	Reduction in Working Balance	0.950
Corp Items	MRP	2.351
Corp Items	Reserves and/or Council Tax increase tbc	1.575
	Additional Savings	**4.876**

	Total Savings	**23.871**

APPENDIX C

Assistant Director for Finance (S151 Officer) Budget Robustness Statement

Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Assistant Director for Finance) to formally report to Council as part of the tax setting report his view on the minimum level of reserves available to the general fund and on the robustness of estimates used on the budget setting process. The Council is required to take these views into account when setting the Council Tax at its meeting on 29 February 2016.

In considering the robustness of any estimates, the following criteria need to be considered:-

- the reasonableness of the underlying budget assumptions such as the:
    - the reasonableness of provisions for inflationary pressures;
    - the extent to which known trends and pressures have been provided for;
    - the achievability of changes built into the budget;
    - the realism of income targets;
    - the alignment of resources with the Council service and organisational priorities.
- a review of the major risks associated with the budget.
- the availability of un-earmarked reserves to meet unforeseen cost pressures.
- the strength of the financial management and reporting arrangements.

In coming to a view as to the robustness of the 2016/17 budget, the Assistant Director for Finance has taken account of the following issues:-

- Estimate preparation has been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council.

- Significant financial pressures experienced in 2015/16 have, where appropriate, been recognised in preparing the 2016/17 budget, or are subject to further actions to enable them to be delivered.

- Since the Initial Budget Proposals were approved in December 2015, work has been undertaken to reduce some of the risks in the budget and to place less reliance on the use of general reserves. The proposals set out in the paragraph relating to MRP policy will enable the Council to reduce its call on reserves in 2016/17.

- I have taken a risk-based assessment of the areas which could have a major impact on the Council's finances. This approach has taken into account the type of risk, the potential magnitude of the financial risk and a judgement as to how likely the issue is to arise.

- In addition to specific directorate risks, the collection of Council Tax and generation of Business rates yields are two key risks which need to be closely monitored.

The Council's financial controls are set out in the Council's Financial Regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate, corporate and cabinet levels. Given the scale of the budget challenges and the number of actions that need to be implemented to ensure the budget is on track, Cabinet will continue to monitor budget performance

In the context of the above, the Assistant Director for Finance considers the proposed budget which has been developed following input and reviews with Directors and other officers and Members, including Cabinet, for 2016/17 as robust and that the level of reserves are adequate given a clear understanding of the following:-

- Both the revenue budget and capital programme have been formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans have been formulated having regard to Council priorities and assessed against an agreed set of impact criteria and equality assessments

- budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action and reporting.

- the budget contains a number of challenging targets and other actions which will be subject to specific monitoring by the Council's Corporate Leadership Team, and as such, are at this time considered reasonable and achievable.

- monthly budget reporting to Cabinet members will continue.

- there is a clear understanding of the duties of the Council's statutory Financial Officer and that the service implications of them being exercised are fully understood by members and senior management alike.

Funding Forecast 2016/17 **APPENDIX D**

Core Funding Forecast	**2016/17 £m**
Council Tax (Including 2% ASC Precept)	94.082
RSG	33.211
NNDR (including Devon Rates Pool)	59.409
Total Resources	**186.702**
Council Tax	**2016/17 Forecast** £m
Tax base after estimated local council tax support reductions	70,055
Multiplied by: Council Tax Base Change %	0.00%
Increase in base due to assumed growth	0
Subtotal Council Tax Base	70,055
Multiplied by: Collection Rate	98.5%
Plus: Tax base adjustment (contributions in lieu Ministry of Defence)	842
Equals: Tax base after estimated collection rate adjustment	69,846
Initial Band D Rates - Prior Year Base	1,320.58
Initial Council Tax Yield	92,237,462
Council Tax increase (up to 1.99%) – subject to change	0.00%
Addition Council Tax Yield - due to referendum increase	-
Subtotal Council Tax Base inc Referendum Increase	92,237,462
Council Tax increase (ASC precept 2%)	2.00%
Addition Council Tax Yield - due to ASC precept	1,844,749
Total Council Tax Yield	94,082,211
Indicative Band D Rate £	1,346.99
Council Tax income	**94.082**

RSG	2016/17 Indicative Settlement £m
Revenue Support Grant	33.211
RSG	**33.211**

NNDR	NNDR1 Forecast £m
Business Rates Income	46.083
Multiplied by: Base growth Change %	0.00%
Increase in base due to assumed growth £	0
Increase in RPI % (OBR Forecasts)	0.00%
Increase in base due to RPI £	0
Subtotal NNDR Base	46.083
Plus Top up / (Tariff)	9.240
Increase in top up due to RPI £	0
Subtotal NNDR Top up	9.240
Plus Forecast Actual S31 Payments (as per NNDR1)	2.122
Cost of Collection	0.315
Plus Pooling Gains / Losses	1.000
Plus Renewable Energy income	0.649
NNDR	**59.409**

External Grant Funding **APPENDIX E**

Revenue Grants	Funder	2015/16 £ m	2016/17 Expected £m
Dedicated Schools Grant (including Academy recoupment)	DfE	183.000	183.000
Housing Benefit Subsidy Grant (funding is subject to actual claims in year, 16/17 assumed at same rate)	DWP	101.142	101.142
Revenue Support Grant	DCLG	44.393	33.211
Public Health Grant (incl 0-5yr funding, assumed % cuts as set out by PHE after spending review)	DH	13.932	tbc but indication 13.625
Pupil Premium Grant (16/17 rates maintained, subject to change based on spring 2016 pupil no's)	DfE	13.479	13.479
New Homes Bonus	DCLG	4.197	5.516
Sixth Form Funding from Education Funding Agency (EFA)	DfE	2.484	tbc
Education Services Grant	DfE	2.476	2.258
Housing Benefit Subsidy Admin Grant	DWP	1.756	1.255
Troubled Families Grant	DCLG	0.612	tbc
Homeless Prevention Grant	DCLG	0.545	0.545
Youth Offending Team Grant	YJB	0.416	tbc
Discretionary Housing Payments	DWP	0.409	0.517
Council Tax Support Admin Grant	DCLG	0.351	tbc
Primary Sports Funding	DfE	0.226	tbc
CSC Innovation Programme Grant	DfE	0.226	tbc
NLR & Community Voices Grant	DCLG	0.173	tbc
SEND Implementation Grant	DfE	0.135	0.152
Unaccompanied Asylum Seeking Children	HO	0.130	tbc
Individual Electoral Registration Grant	HO	0.102	tbc
Local Services Support Grant	DCLG	0.041	tbc
		370.225	

Capital Grants	Funder	2015/16 £ m	2016/17 Expected £m
HOSW LEP - Derriford Transport Scheme	DfT	10.160	8.620
Targeted Basic Need Programme 2013-15	DfE	8.991	-
Transport Challenge Funding	DfT	8.385	2.901
Plymouth City Deal - South Yard Development	DCLG	8.000	5.500
Local Transport Settlement	DfT	4.269	4.076
Academies Funding - MAP2 Free School	DfE	4.103	-
Weekly Collection Support Scheme (WCSS)	DCLG	4.000	-
Green Deal Communities Fund - Energy Efficiency	DECC	3.068	-
Local Growth Deal - Northern Corridor Cycle Route	DfT	2.460	-
Local Growth Deal - Plymouth Eastern Corridor Signals	DfT	2.100	1.710
DfE Capital Maintenance Grant (Condition)	DfE	2.006	2.006
Better Care Fund (from 15/16 onwards)	DH	1.860	1.860
HOSW LEP - Derriford Hospital Interchange	DfT	1.400	0.400
Regional Housing Pot Grant 2009	DCLG	1.332	-
2011-15 Traveller Pitch Funding – The Ride	HCA	1.170	-
EA Flood Defence	EA	1.085	-
2011-15 Traveller Pitch Funding – Broadly Park, Roborough	HCA	0.790	0.500
Local Growth Deal - Northern Corridor Junction	DfT	0.700	0.650
Coastal Communities Fund	Big Lottery	0.670	-
Universal infant free school meals capital (UIFSM)	DfE	0.571	-
Clean Vehicle Technology Funding	DfT	0.484	-
Devolved Capital Grant	DfE	0.475	0.475
Higher Level Stewardship Award	Heritage Lottery	0.429	0.182
Flood and Coastal Erosion	EA	0.337	-
Historic England	English Heritage	0.320	-
Football Foundation Facilities grant	Football Foundation	0.249	-
Devon County Council's Cycle Ambition Grant programme	DCCI	0.242	-
Sport England	Sport England	0.229	-
Flood Defence Grant in Aid	EA	0.194	-
Public Sector Estate Charge points	DfT	0.137	-
DfT Flood Damage - Small Ports Recovery Fund	DfT	0.101	-
Coastal Revival Fund	DCLG	0.100	-
English Woodland Grant scheme	Forestry Commission	0.069	-
Protecting Playing fields programme	Sport England	0.050	-
Big Lottery	Big Lottery	0.020	-

DRAFT REVENUE AND CAPITAL BUDGET 2016/17

City Council – 29 February 2016

PLYMOUTH CITY COUNCIL

CABINET MINUTE 75 (16 February 2016)

Councillor Lowry (Cabinet Member for Finance) presented the draft Revenue and Capital Budget 2016/17.

Agreed -

(1) that a final version of (a) the Revenue and Capital Budget for 2016 / 17 and (b) the proposed Adult Social Care Council Tax Precept, are presented for approval to Full Council on 29 February 2016 to allow the setting of the 2016 / 17 Council Tax Charge;

to recommend to Council –

(2) to approve the total capital budget of £419.1m to 2020. Any changes to the overall capital funding available to be sanctioned by the Council's Section 151 Officer;

(3) to note the external grant funding as set out in Appendix E, as requested by The Co-operative Scrutiny Board.

This page is intentionally left blank

PLYMOUTH CITY COUNCIL

Subject:	Treasury Management Strategy and Annual Investment Strategy 2016/17 including Minimum Revenue Provision (MRP) Strategy 2016/17
Committee:	Cabinet
Date:	16 February 2016
Cabinet Member:	Councillor Lowry
CMT Member:	Andrew Hardingham (Assistant Director for Finance)
Author:	Chris Flower, Lead Accountant
Contact details	Tel: 01752 304212 email: chris.flower@plymouth.gov.uk
Ref:	Fin/CF
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? No

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 Council to approve the change of policy in the calculation of the Minimum Revenue Provision using the annuity method with effect from 2015/16.

Alternative options considered and rejected:

It is a 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:

Not Applicable

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	djn15 16.69	Leg	lt/24 948	Mon Off	DVS 24947	HR		Assets		IT		Strat Proc	
Originating SMT Member Andrew Hardingham, Assistant Director													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Treasury Management Strategy Statement 2016/17 and Annual Investment Strategy 2016/17

1. Introduction

1.1 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.

1.2 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.

1.3 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.

1.4 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 Economic background

Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in October. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 81st consecutive month at its meeting in November 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.

A major political issue in 2016 will be the UK's future relationship with the EU. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators however suggest recent global turbulence has not knocked the American recovery off course. The Federal Reserve did not raise policy rates at its meetings in October and November, but the statements accompanying the policy decisions point have made a rate hike in December 2015 a real possibility. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation.

2.2 Credit outlook

The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain low.

2.3 Interest rate forecast

The Authority's treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.

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

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 1.14%, and that new long-term loans will be borrowed at an average rate of 3.51%.

3. Local Context

3.1 The Authority currently has £230m of borrowing and £68m of investments. The Economic & Interest Rate Forecast 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

	31.3.15 Actual £m	31.3.16 Estimate £m	31.3.17 Forecast £m	31.3.18 Forecast £m	31.3.19 Forecast £m
General Fund CFR	290.94	313.50	329.23	337.67	342.67
Less: Other debt liabilities *	-38.94	-38.94	-38.00	-38.00	-38.00
Borrowing CFR	**252.00**	**274.56**	**291.23**	**299.67**	**304.67**
Less: External borrowing **	-215.46	-238.02	-253.75	-262.19	-267.19
Internal (over) borrowing	**36.54**	**36.54**	**37.48**	**37.48**	**37.48**
Less: Working Capital /Usable	114.10	111.00	89.00	87.00	85.00
Investments (or New borrowing)	**77.56**	**74.46**	**51.52**	**49.52**	**47.52**

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total 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 of £52m.

3.3 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2016/17.

4 Borrowing Strategy

4.1 The Authority currently holds £230 million of loans, an increase of £15 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 £254m in 2016/17. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £338 million.

4.2 <u>Objectives</u>**:**

The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs 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 and short-term 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 2016/17 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 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) and any successor body
- 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 (except Devon Local Government Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- any other counterparty that are approved by the authority's TM advisors.

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 and through LOBOs 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:

UK Municipal Bonds Agency plc 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 two 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; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Treasury Management Board.

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. £20m of these LOBOS have options during 2016/17, 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. <u>Investment Strategy</u>

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 £60 and £70 million, and is expected to remain about the same 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 increased risk and continued low returns from short-term unsecured bank investments, the Authority continues to hold its investments in more secure, lower yielding asset classes. The authority holds £20m as a longer-term investment in the CCLA Property Fund and this gives a higher return than the short term investments. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit, Local Authorities and money market funds. This diversification will represent a continuation of the new strategy adopted in 2015/16.

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.

<u>Table 2: Approved Investment Counterparties and Limits</u>

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	£12m 2 years	£6m 5 years	£6m 2 years	£6m 5 years
A-	£4m 6 months	£12m 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	£0m next day only	£5m 100 days	n/a	n/a	n/a
None	n/a	n/a	£12m 25 years	n/a	£3m 5 years
Pooled funds	£20m 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 are restricted to overnight deposits at the Authority's current account bank.

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 higher 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. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility 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:

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.

5.15 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	£40m
Total investments without credit ratings or rated below A-	£10m
Total investments with institutions domiciled in foreign countries rated below AA+	£0m
Total non-specified investments	£50m

5.16 Investment Limits:

The Authority's revenue reserves available to cover investment losses are forecast to be £45 million on 31st March 2016. In order that no more than 40% 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. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

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	£40m in total

5.17 Liquidity Management:

The Authority uses cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis 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 rating	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:

	2016/17	2017/18	2018/19
Upper limit on fixed interest rate exposure	210%	210%	210%
Upper limit on variable interest rate exposure	80%	80%	80%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments 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	100%	0%
12 months and within 24 months	100%	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 long-term principal sum invested to final maturities beyond the period end will be:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£40m	£35m	£35m

7.1 <u>Other Items</u>

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 and forward starting transactions, 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 twelve 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.

7.6 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 £338 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 2016/17 is £0.77 million, based on an average investment portfolio of £68 million at an interest rate of 1.14%. The budget for debt interest payable in 2016/17 is £7.90 million, based on an average debt portfolio of £230 million at an average interest rate of 3.4%. 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 may 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 may 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 may 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 may 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 may be less certain

10.0 Change of Minimum revenue Provision (MRP) Policy

10.1 MRP Review

Under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/3146, as amended, local authorities are required to charge to their revenue account for each financial year MRP to account for the cost of their unfinanced capital expenditure.

Prior to its amendment by the 2008 Regulations, regulation 28 (as amended by regulation 3(1), and read with regulation 3(2) and (3), of the 2007 Regulations) sets out the method authorities were required to follow in calculating MRP.

There has also been a recent change of advice from CIPFA on MRP calculations and the use of the annuity method. Prior years involved detailed calculations which were very prescriptive but these have been replaced with a requirement that local authorities calculate an amount of MRP which they consider to be prudent.

10.2 Change of Policy

During 2015/16 the Council has undertaking a review of its MRP calculation method and accounting assumptions. The Council's calculations were driven by a very complex spreadsheet that needed a full overhaul. The Council therefore engaged its TM advisors, Arlingclose to review and advise best practice. The main conclusions were that, due to the way we were calculating our annual MRP charge has resulted in an over-provision for many years and it also recommended a change in the calculation method.

The Council wants to match the economic benefits from its assets with the life of those assets. Therefore the Council wants to use the annuity method which not only spreads the cost of the borrowing over the life of the assets but it also takes into account the time value of money.

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

The resulting change from the over provision of MRP in prior years will be to reduce the MRP charge in 2015/16 and 2016/17 by £3.65m in each year. The change of calculation method to the annuity method will reduce the MRP charge for the following years as follows; 2016/17 £1.05m; 2017/18 £0.89m; 2018/19 £0.73m; 2019/20 £0.57m (these figures would be subject to additional MRP charges for assets added during these periods).

The details of the MRP policy are shown in Appendix E.

10.3 Recommendations

Cabinet recommends Council to approve the change of policy in the calculation of the Minimum Revenue Provision (MRP) using the annuity method with effect from 2015/16.

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 November 2015

Underlying assumptions:

- UK economic growth softened in Q3 2015 but remained reasonably robust; the first estimate for the quarter was 0.5% and year-on-year growth fell slightly to 2.3%. Negative construction output growth offset fairly strong services output, however survey estimates suggest upwards revisions to construction may be in the pipeline.

- Household spending has been the main driver of GDP growth through 2014 and 2015 and remains key to growth. Consumption will continue to be supported by real wage and disposable income growth.

- Annual average earnings growth was 3.0% (including bonuses) in the three months to August. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term. The development of wage growth is one of the factors being closely monitored by the MPC.

- Business investment indicators continue to signal strong growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Inflation is currently very low and, with a further fall in commodity prices, will likely remain so over the next 12 months. The CPI rate is likely to rise towards the end of 2016.

- China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation.

- Strong US labour market data and other economic indicators suggest recent global turbulence has not knocked the American recovery off course. Although the timing of the first rise in official interest rates remains uncertain, a rate rise by the Federal Reserve seems significantly more likely in December given recent data and rhetoric by committee members.

- Longer term rates will be tempered by international uncertainties and weaker global inflation pressure.

Forecast:

- Arlingclose forecasts the first rise in UK Bank Rate in Q3 2016. Further weakness in inflation, and the MPC's expectations for its path, suggest policy tightening will be pushed back into the second half of the year. Risks remain weighted to the downside. Arlingclose projects a slow rise in Bank Rate, the appropriate level of which will be lower than the previous norm and will be between 2 and 3%.
- The projection is for a shallow upward path for medium term gilt yields, with continuing concerns about the Eurozone, emerging markets and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued.
- The uncertainties surrounding the timing of UK and US monetary policy tightening, and global growth weakness, are likely to prompt short term volatility in gilt yields.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	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	-1.25	-1.25
3-month LIBID rate													
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.55	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.55	1.65	1.80	1.85
Downside risk		-0.20	-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20
1-yr LIBID rate													
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45
Arlingclose Central Case	1.10	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15
Downside risk	-0.15	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25
5-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	1.50	1.55	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.25	2.30	2.35	2.35
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
10-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.00	2.05	2.10	2.20	2.30	2.40	2.50	2.60	2.65	2.70	2.75	2.80	2.80
Downside risk	-0.35	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25
20-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	2.95
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20
50-yr gilt yield													
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.45	2.50	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.00	3.00
Downside risk	-0.25	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15

Appendix C – Existing Investment & Debt Portfolio Position

	31/12/2015 **Actual Portfolio £m**	31/12/2015 **Average Rate %**
External Borrowing:		
PWLB – Fixed Rate	44.25	5.76
PWLB – Variable Rate	0.00	0.00
Local Authorities	80.30	0.39
LOBO Loans	100.00	4.38
Total External Borrowing	**224.55**	**3.23**
Other Long Term Liabilities:		
PFI	28.61	
Finance Leases	1.73	n/a
Cornwall Council (TBTF)	8.42	n/a
Total Gross External Debt	**263.31**	
Investments:		
Managed in-house		
Short-term investments	37.14	0.76
Long-term investments	11.00	variable
Managed externally		
Fund Managers		
Pooled Funds	20.00	variable
Total Investments	**68.14**	
Net Debt	**195.17**	

Appendix D - Prudential Indicators 2016/17

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	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	93.19	74.91	55.23	48.19
Total Expenditure	**93.19**	**74.91**	**55.23**	**48.19**
Capital Receipts	8.51	8.51	8.51	8.51
Grants & Contributions	60.22	48.08	37.35	34.15
Reserves	-	-	-	-
Revenue	1.90	2.59	0.93	0.53
Borrowing	22.56	15.73	8.44	5.00
Leasing and PFI	-	-	-	-
Total Financing	**93.19**	**74.91**	**55.23**	**48.19**

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	31.03.16 Revised £m	31.03.17 Estimate £m	31.03.18 Estimate £m	31.03.19 Estimate £m
General Fund	313.50	329.23	337.67	342.67
Total CFR	**313.50**	**329.23**	**337.67**	**342.67**

The CFR is forecast to rise by £107m over the next three years as capital expenditure financed by debt outweighs 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	**31.03.16 Revised £m**	**31.03.17 Estimate £m**	**31.03.18 Estimate £m**	**31.03.19 Estimate £m**
Borrowing	238.02	253.75	262.19	267.19
Finance leases	1.73	1.50	1.50	1.50
PFI liabilities	37.21	36.50	36.50	36.50
Total Debt	**276.96**	**291.75**	**300.19**	**305.19**

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

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	**2015/16 Revised £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**
Borrowing	238.02	253.75	262.19	267.19
Other long-term liabilities	38.94	38.00	38.00	38.00
Total Debt	**276.96**	**291.75**	**300.19**	**305.19**

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	**2015/16 Revised £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**
Borrowing	280.00	300.00	320.00	340.00

Other long-term liabilities	39.00	38.00	38.00	38.00
Total Debt	**319.00**	**338.00**	**358.00**	**378.00**

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.

Ratio of Financing Costs to Net Revenue Stream	**2015/16 Revised** %	**2016/17 Estimate** %	**2017/18 Estimate** %	**2018/19 Estimate** %
General Fund	5.13%	4.95%	4.88%	4.71%

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	**2016/17 Estimate £**	**2017/18 Estimate £**	**2018/19 Estimate £**
General Fund - increase in annual band D Council Tax	5.8	10.2	16.4

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* in April 2002.

Appendix E Minimum Revenue Provision Statement

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2011.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

Option 1

For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A".

Option 2

For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be determined as 4% of the Capital Financing Requirement in respect of that expenditure.

Option 3

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments *or*

the alternative method as the principal repayment on an annuity method, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

Option 4

For capital expenditure incurred after 31st March 2008, MRP will be determined as being equal to the accounting charge for depreciation.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.

New MRP Policy

From 2015/16 the council will change its MRP policy to use the alternative option in Option 3 and use the annuity method, starting in the year after the asset becomes operational.

Guidance on the calculation method is given by CIPFA in Chapter 6 of its publication Practitioners' Guide to Capital Finance in Local Government (CIPFA 2008) (ISBN 978 1 84508 175 1).

This document states "The informal commentary on the statutory guidance suggests that the annuity method may be particularly attractive in projects where revenues will increase over time. However, it is arguably the case that the annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now. The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into the real value of the amounts when they fall due. The annuity method would then be a prudent basis for providing for assets that provided steady flow of benefits over their useful life."

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 using the annuity method over the life of the asset (Option 3).

Capitalisation Directions
For capitalisation directions on expenditure incurred since 1 April 2008 MRP will be made using the annuity method over 50 years.

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 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.

Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until the year after the asset becomes operational.

This page is intentionally left blank

TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2016/17

City Council - 9 February 2016

PLYMOUTH
CITY COUNCIL

CABINET MINUTE 76 (16 February 2016)

Councillor Lowry (Cabinet Member for Finance) presented the Treasury Management Strategy and Annual Investment Strategy 2016/17.

Agreed to recommend to Council -

(1) the Treasury Management Strategy and Annual Investment Strategy (incorporating the authorised limits, operational boundaries and prudential indicators);

(2) the change of policy in the calculation of the Minimum Revenue Provision using the annuity method with effect from 2015/16.

This page is intentionally left blank

A summary of all capital income assumptions to 2020 is detailed below.

Funding Source	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	£m	**£m**
Un-ring fenced Grants	14.628	10.749	6.585	5.315	5.315	**42.592**
Ring fenced Grants	20.721	28.986	23.675	21.724	14.914	**110.020**
Developer Contributions	18.380	9.014	7.872	6.486	6.192	**47.944**
External Contributions	0.500	2.279	0.500	0.500	0.525	**4.304**
Capital Receipts	11.815	6.151	1.943	0.502	2.540	**22.951**
Loans repaid	1.621	0.696	0.251	0.300	0.300	**3.168**
Plan for Homes	15.000	47.500	17.500	0.000	0.000	**80.000**
Asset Investment Fund	0.000	20.122	0.000	0.000	0.000	**20.122**
Borrowing	28.761	27.824	10.739	7.000	7.000	**81.324**
Revenue/ funds	2.113	2.594	0.928	0.528	0.528	**6.691**
Total	**113.539**	**155.915**	**69.993**	**42.355**	**37.314**	**419.116**

The following schedule sets out those schemes included in the programme:

Approved Capital Programme	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£000	£000	£000	£000	£000	£000
Investment Fund	5,340	2,924	4,361	0	0	**12,625**
Total	**5,340**	**2,924**	**4,361**	**0**	**0**	**12,625**
Pioneering						
Electric Car Charge Points	18	0	0	0	0	**18**
Green Deal	1,434	1,266	0	0	0	**2,700**
Domestic Energy Measures	10	415	0	0	0	**425**
Home Energy	45	76	0	0	0	**121**
Street lighting bulb replacement	3,125	150	0	0	0	**3,275**
Phase 4 dilapidated fleet replacements	309	158	0	0	0	**467**
15-16 Fleet Replacement Programme	1,865	736	0	0	0	**2,601**
16-17 Fleet Replacement	0	1,619	0	0	0	**1,619**

Programme						
West Hoe Pier	0	106	0	0	0	**106**
Chelson Meadow Capping phase 2	-38	0	0	0	0	**-38**
Leachate treatment & storage upgrade	-461	0	0	0	0	**-461**
MRF Upgrade	1,800	0	0	0	0	**1,800**
Acquisition of Quality Inn Hotel	5,439	50	100	0	0	**5,589**
Whitleigh HQ Four Greens Community Trust	576	668	0	0	0	**1,244**
The History Centre	155	200	2,622	610	0	**3,587**
Plymouth City Market Stalls & Entrance Doors	20	224	0	0	0	**244**
Plymouth City Market Major Refurbishment	207	2,869	79	0	0	**3,155**
City Centre Shop Fronts Grant Scheme	25	256	119	0	0	**400**
Commercial Wharf - Units 11/12, Safety Railings, Power & data	5	0	0	0	0	**5**
Improved waterfront cycle routes	17	0	0	0	0	**17**
Mount Edgcumbe Cremyll Lodge holiday let & shop	27	0	0	0	0	**27**
Mount Edgcumbe Sea Wall Repairs	300	0	0	0	0	**300**
Mount Edgcumbe Higher Level Stewardship	199	182	0	0	0	**381**
North Prospect Library	4	0	0	0	0	**4**
New Central Library	1,458	0	0	0	0	**1,458**
ICT- Compliance (Protective Monitoring)	37	0	0	0	0	**37**
Investment in Customer Transformation and ICT core infrastructure	83	100	0	0	0	**183**
ICT Transformation-Avaya and TMH Telephony	11	0	0	0	0	**11**
Corporate Wi-Fi	60	0	0	0	0	**60**
ICT Transformation - Revs and Bens	99	0	0	0	0	**99**
ICT Transformation - Digital Services (Firmstep)	660	64	0	0	0	**724**
ICT Transformation - Lync Reporting	8	0	0	0	0	**8**
Corporate Asset lifecycle Maintenance	30	0	0	0	0	**30**

West Hoe Park Cliff stabilisation	155	0	0	0	0	**155**
23 How Street demolition	30	0	0	0	0	**30**
Repair to Elizabeth & Merchant houses	80	0	0	0	0	**80**
Lift Repairs at Tinside Pool	90	0	0	0	0	**90**
Retaining Walls at Crabtree close	45	0	0	0	0	**45**
Mount Wise pool replacement screed	70	0	0	0	0	**70**
Mount Batten Tower	24	98	0	0	0	**122**
Fort Austin	34	51	0	0	0	**85**
Knowle Battery	29	44	0	0	0	**73**
Woodland Fort	49	73	0	0	0	**122**
Plympton Castle	4	6	0	0	0	**10**
Mount Batten Tower Feasibility Study	50	0	0	0	0	**50**
Redevelopment of Tinside East	50	0	0	0	0	**50**
Mayflower West Car Park Demolition	36	0	0	0	0	**36**
Stonehouse Town Wall	2	0	0	0	0	**2**
Purchase of buildings 1&2 at Derriford Business Park	50	0	0	0	0	**50**
IT Capital cost-NHS Co-location	32	0	0	0	0	**32**
Transformation Accommodation	32	0	0	0	0	**32**
Ballard	63	0	0	0	0	**63**
Separation of the Council House & Guildhall Boiler Replacement	1,545	0	0	0	0	**1,545**
Real Time Passenger Info	10	0	0	0	0	**10**
Provision of new CCTV systems	519	0	0	0	0	**519**
Traffic Control Unit	338	0	0	0	0	**338**
Networking	142	0	0	0	0	**142**
Technology Decant	177	0	0	0	0	**177**
BMS Move	9	0	0	0	0	**9**
Mobile Working Equipment	4	0	0	0	0	**4**
Refurbishment of Building 1 - Coroners Service	317	0	0	0	0	**317**
Refurbishment of Building 2 - Delt	285	0	0	0	0	**285**
Taylor Maxwell House - Refurbishment of Upper Floors	384	0	0	0	0	**384**
Derriford, Building 4A	139	0	0	0	0	**139**
Ballard House Floor 4	63	0	0	0	0	**63**
Boiler Replacement Programme for Council Properties	126	70	80	0	0	**276**

Total Pioneering	**22,510**	**9,481**	**3,000**	**610**	**0**	**35,601**
Growing						
Albert Road/Park Avenue - traffic signal upgrades	0	26	0	0	0	**26**
Leypark Dr. -infrastructure & ped imps	0	31	0	0	0	**31**
Tavistock Rd/ Bladder La. Imps	0	34	0	0	0	**34**
Plymouth Rd/ Larkham La. Traffic/ped imps	0	13	0	0	0	**13**
Horn Cross/Dean Cross traffic/ped imps	4	31	0	0	0	**35**
Plymouth Rd traffic imps	0	12	0	0	0	**12**
Millbay RTPI	0	11	0	0	0	**11**
Mt Wise / Mutton Cove bus stop improvements	0	23	0	0	0	**23**
Plymbridge Lane CCTV installation	0	20	0	0	0	**20**
MOVA – Reservoir Rd @ Springfield Rd	22	0	0	0	0	**22**
Transit Way signal enforcement camera upgrade	0	25	0	0	0	**25**
Princess St crossing upgrade	0	14	0	0	0	**14**
Crownhill Rd Baptist Church traffic order	0	14	0	0	0	**14**
Traffic & safety works Sutton Rd area	19	0	0	0	0	**19**
Outland Rd signal controller & islands	0	0	0	0	0	**0**
Southway Drive Pedestrian facilities	1	162	0	0	0	**163**
Millbay School Creative Arts highway work	791	0	0	0	0	**791**
RTPI- Chapel Street	0	16	0	0	0	**16**
RTPI - Cumberland Road	0	15	0	0	0	**15**
RTPI - Pocklington Rise & talking timetable	0	19	0	0	0	**19**
RTPI - Staddiscombe	0	60	0	0	0	**60**
RTPI - St Budeaux community centre	0	10	0	0	0	**10**
RTPI - Oreston Road	0	20	0	0	0	**20**
Woolwell Roundabout Bus Boarder	0	13	0	0	0	**13**
Self Build Housing Sites - Maidstone Place	42	78	0	0	0	**120**
Self Build Housing Sites - Lancaster Gardens	47	74	0	0	0	**121**

Former Whitleigh Community Centre	55	353	0	0	0	**408**
Empty Homes / Enabling	0	63	0	0	0	**63**
CPO 7 Widey Lane	6	144	0	0	0	**150**
South Yard Remediation/separation works	589	6,583	3,660	0	0	**10,832**
South Yard Area 1 East Direct Development	0	1,500	2,932	134	0	**4,566**
Gypsy and Traveller Site - The Ride	428	0	0	0	0	**428**
Gypsy and Traveller Site - Broadley Park	50	740	0	0	0	**790**
Maple Walk Affordable Housing	30	0	0	0	0	**30**
Salisbury Road - Basic Need	36	0	0	0	0	**36**
St Josephs - Basic Need	-19	0	0	0	0	**-19**
Stoke Damerel Primary - Basic Need	930	0	0	0	0	**930**
Pilgrim - Basic Need	779	0	0	0	0	**779**
Austin Farm - Basic Need	246	0	0	0	0	**246**
Pennycross Basic Need	200	1,939	0	0	0	**2,139**
Pomphlett Basic Need	200	1,000	0	0	0	**1,200**
Holy Cross Primary School - TBN	1,643	0	0	0	0	**1,643**
Woodford Primary School - TBN	1,846	0	0	0	0	**1,846**
Woodford Primary School - TBN Local Works	180	0	0	0	0	**180**
Derriford New school (St Matthew's) - TBN	4,648	0	0	0	0	**4,648**
STEM Provision at City College	0	4,000	0	0	0	**4,000**
High View - Main Entrance	35	0	0	0	0	**35**
Mount Wise - Roof Works	34	34	0	0	0	**68**
Compton - Roof Replacement	106	0	0	0	0	**106**
Mount Tamar - Health & Safety Works	50	961	0	0	0	**1,011**
Austin Farm - Boiler Replacement	55	0	0	0	0	**55**
Salisbury Road Primary - Roof works	623	0	0	0	0	**623**
Lipson Vale - Relocation of foundation unit	147	0	0	0	0	**147**
Laira Green - H&S works Playground, walls & drains	2	0	0	0	0	**2**
Children Centres	32	0	0	0	0	**32**
(13/14 Allocation) Drake Primary School - Fencing	6	0	0	0	0	**6**
Knowle Primary - Rebuild	3,325	0	0	0	0	**3,325**

Woodfield Ph1 - Kitchen and Boiler Room Extension	3	0	0	0	0	**3**
Holy Cross RC (VA)- MUGA in Beaumont Park	5	0	0	0	0	**5**
Oreston Primary Academy - S106 Funding	23	0	0	0	0	**23**
Universal Infant Free School Meals	48	0	0	0	0	**48**
Devolved Capital	1,684	1,381	475	475	475	**4,490**
Total Growing	**18,951**	**19,419**	**7,067**	**609**	**475**	**46,521**
Caring						
Autism Innovation Grant	19	0	0	0	0	**19**
Homes for Veterans (Nelson Project)	125	125	0	0	0	**250**
Improvements to Woodfield and Reach	1	0	0	0	0	**1**
Extra Care Housing Support (Gap Funding)	450	0	0	0	0	**450**
Improving Care Home Environments	52	0	0	0	0	**52**
CareFirst	60	30	0	0	0	**90**
Disabled Facilities (incl Care & Repair works)	1,157	0	0	0	0	**1,157**
Barne Barton - 2 yr olds nursery places	16	0	0	0	0	**16**
Wise Owls Two - 2 yr olds nursery places	125	0	0	0	0	**125**
Marlborough Primary - 2 yr olds nursery places	102	0	0	0	0	**102**
Fourwoods Children Centre - 2 yr olds nursery places	7	19	0	0	0	**26**
Noahs Ark - 2 yr olds nursery places	14	0	0	0	0	**14**
Barne Barton Phase 2 / Efford / Devonport - 2 yr olds nursery places	0	300	0	0	0	**300**
SEN Modifications	81	0	0	0	0	**81**
Total Caring	**2,209**	**474**	**0**	**0**	**0**	**2,683**
Confident						
Plymouth Connect - Laira Rail Bridge	769	0	0	0	0	**769**
Plym Connect -Exeter St -Uni Cycle Path	20	0	0	0	0	**20**
Forder Valley Link Road- Development Costs	379	934	0	0	0	**1,313**

Derriford Transport scheme - Derriford Roundabout / William Prance Road	1,540	8,620	0	0	0	**10,160**
Derriford Hospital interchange scheme	1,000	1,230	0	0	0	**2,230**
N Corridor Junction Imps - P1 Outland Rd	400	1,492	500	500	500	**3,392**
Mayflower Coach Station	1,382	3,261	0	0	0	**4,643**
Creation of Non-Scheduled Coach Drop Off Points	20	170	0	0	0	**190**
LSTF2 Access to stations	99	97	0	0	0	**196**
SCN - Central Park to Crownhill Road	28	0	0	0	0	**28**
Northern Corridor Strategic Cycle Network	83	931	670	1,613	0	**3,297**
Eastern Corridor Strategic Cycle Network	55	1,710	1,735	650	380	**4,530**
Plymouth Station	14	0	0	0	0	**14**
Marjons Link Road	935	0	0	0	0	**935**
Clean Vehicle Technology Improvements	485	0	0	0	0	**485**
Bus Punctuality improvement plan (BPIP)	81	0	0	0	0	**81**
Intelligent transport system (ITS)	(5)	0	0	0	0	**-5**
East End Community Transport Improvement Scheme	-638	0	0	0	0	**-638**
A386 - Project Management Fees	1	0	0	0	0	**1**
Marsh Mills - BMX track	40	0	0	0	0	**40**
The Ride access improvements	434	0	0	0	0	**434**
Marsh Mills Cycle Crossings	242	0	0	0	0	**242**
King's Tamerton Biodiversity improvement	24	5	0	0	0	**29**
Lakeside Drive (Ernesettle Creek) Biodiversity improvements	2	0	0	0	0	**2**
St Budeaux visual mitigation works	0	78	0	0	0	**78**
Ham visual mitigation works	0	10	0	0	0	**10**
Devonport visual mitigation works	0	33	0	0	0	**33**
Cornwall visual mitigation works	0	28	0	0	0	**28**
Barne Barton general amenity improvement	23	0	0	0	0	**23**
Active Neighbourhoods - Budshead Wood	0	5	26	0	0	**31**
Active Neighbourhoods - Ernesettle Creek	0	43	0	0	0	**43**

Active Neighbourhoods - Kings Tamerton Wood	0	28	0	0	0	**28**
Active Neighbourhoods - Efford Marsh	0	25	0	0	0	**25**
The Big Greenspace Challenge	42	7	0	0	0	**49**
Kinterbury Creek Improvements	24	31	0	0	0	**55**
Land Share - Grow Crops	78	0	0	0	0	**78**
City Centre Wild Flower Meadows	9	6	0	0	0	**15**
Derriford Community Park - Phase 1	86	199	0	0	0	**285**
Derriford Community Park - Poole Farm Safety & Refurbishment Works	26	0	0	0	0	**26**
Bond Street Playing fields (Southway Community Football Hub)	80	229	226	24	0	**559**
Staddiscombe Sports Improvements	395	172	0	0	0	**567**
Blockhouse Park Playground Refurbishment	0	26	0	0	0	**26**
Devonport Market High Tech 'Play Market'	837	1,976	0	0	0	**2,813**
Sutton Harbour Public Realm Improvements	32	0	0	0	0	**32**
Retaining wall repairs	44	0	0	0	0	**44**
Hoe Promenade Colonade Concrete Repairs	70	0	0	0	0	**70**
Marshall Road Strengthening & Culvert Replacement	130	0	0	0	0	**130**
Crownhill Flyover Waterproofing & Renewal of Expansion Joints	200	0	0	0	0	**200**
Deteriorated Street Lighting Columns Replacement	482	0	0	0	0	**482**
Traffic signal replacement	99	0	0	0	0	**99**
Infrastructure works	8,731	4,001	4,307	2,000	2,000	**11,039**
North Cross Roundabout	146	0	0	0	0	**146**
Contribution to SWW Colebrook Scheme	-6	0	0	0	0	**-6**
Capitalised drainage schemes	131	0	0	0	0	**131**
Living Streets - 20mph zones various :	472	0	0	0	0	**472**
West Park 20mph	6	0	0	0	0	**6**
Local Safety Schemes	184	0	0	0	0	**184**
Living Streets Devolved member schemes	371	0	0	0	0	**371**
Strategic Road Network Public	5	0	0	0	0	**5**

Transport initiatives						
Visitor signage	162	113	0	0	0	**275**
Flood Defence works at Tory Brook	12	0	0	0	0	**12**
Flood defence works at Arnold Point	11	0	0	0	0	**11**
Flood defence works at Stoggy Lane	60	0	0	0	0	**60**
Flood defence works at St Peter's Culvert	24	0	0	0	0	**24**
Barbican public toilets	2	0	0	0	0	**2**
Plymouth Life Centre - Build – Constructions	47	0	0	0	0	**47**
Michael Foot Memorial (Private Sector Funded)	4	0	0	0	0	**4**
Southway Skate Park - Pending Crescent	52	0	0	0	0	**52**
Manadon Play Pitches	12	196	478	0	0	**686**
North Corner Pontoon - replacement of cantilever bridge	397	0	0	0	0	**397**
Flood Defence Storm Damage - West Hoe Pier, West Hoe	41	0	0	0	0	**41**
Lighting of Smeaton's Tower	27	0	0	0	0	**27**
Lighting of Charles Cross Church	122	0	0	0	0	**122**
Lighting of Mayflower Steps	8	0	0	0	0	**8**
Lighting of Mount Batten Fort	46	0	0	0	0	**46**
Provision of Wi-Fi for the Hoe	0	60	0	0	0	**60**
Commercial Wharf - Storm Damage Repairs	23	0	0	0	0	**23**
Southway Public Toilets	61	0	0	0	0	**61**
Whitleigh Public Toilets	60	0	0	0	0	**60**
Crownhill Public Toilets	66	0	0	0	0	**66**
Demolition of Outland Road Toilets	18	0	0	0	0	**18**
Demolition of Hooe Toilets	17	0	0	0	0	**17**
Devils Point Public Toilets	129	17	0	0	0	**146**
Richmond Walk Public Toilets	61	7	0	0	0	**68**
Total Confident	**21,549**	**25,740**	**7,942**	**4,787**	**2,880**	**62,898**
Forecast future income streams	**42,980**	**97,877**	**47,624**	**36,349**	**33,959**	**258,789**
GRAND TOTAL	**113,539**	**155,915**	**69,994**	**42,355**	**37,314**	**419,117**

This page is intentionally left blank

PLYMOUTH CITY COUNCIL

Subject:	Revenue Monitoring Report 2015/16 – Quarter3
Committee:	Cabinet
Date:	16 February 2016
Cabinet Member:	Councillor Lowry
CMT Member:	Lesa Annear
Author:	Hannah West – Lead Accountant
Contact details	Tel: 01752 305171 email: hannah.west@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 2015.

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.

The estimated revenue overspend is £1.348m. The overall forecast net spend equates to £194.357m against a budget of £193.009m, which is a variance of 0.7%. This needs to be read within the context of needing to deliver £21m of savings in 2015/16 on the back of balancing the 2014/15 revenue budget where £16m of net revenue reductions were successfully delivered.

Additional management solutions and escalated action to deliver further savings from the council's transformation programme will be brought to the table over the coming months in order to address the in year forecasted overspend.

Table 1: End of year revenue forecast

	Budget £m	Forecast Outturn £m	Variance £m
Total General Fund Budget	**193.009**	**194.357**	**1.348**

The latest approved capital budget covering 2015/16 to 2019/20 stood at £282m which was agreed at Cabinet on 8th December 2015..

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 Implications: Including finance, human, IT and land

Robust and accurate financial monitoring underpins the Council's Medium Term Financial Plan. The Council's Mediurm Term Financial Forecast is updated regulary 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? No

Recommendations and Reasons for recommended action:

That Cabinet:-

1. Note the current revenue monitoring position and action plans in place to reduce/mitigate shortfalls;

Alternative options considered and rejected:

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

Published work / information:

2015/16 Budget Reports Delivering the Co-operative Vision within a 4 year budget

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	akh1516.66	Leg	DVS24893	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, AD for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Table 2: Revenue Monitoring Position

Directorate	2015/16 Council Approved Budget	2015/16 Budget Virements	2015/16 Latest Budget	Forecast Outturn	Forecast Year End Variation	Movement from previous month
	£m	£m	£m	£m	£m	£m
Executive Office	3.840	0.055	3.895	3.966	0.071	(0.014)
Corporate Items	14.010	(6.139)	7.871	6.158	(1.713)	(0.000)
Transformation and Change	26.682	6.536	33.218	35.149	1.931	(0.036)
People Directorate	121.400	1.780	123.180	123.676	0.496	(0.019)
Public Health	0.194	0.813	1.007	0.917	(0.090)	(0.090)
Place Directorate	26.883	(3.045)	23.838	24.491	0.653	(0.089)
SUB-TOTAL	**193.009**	**0.000**	**193.009**	**194.357**	**1.348**	**(0.248)**

Plymouth Integrated Fund	Section 75 indicative position	2015/16 Latest Budget	Forecast Outturn	Forecast Year End Overspend / (Underspend)
	£m	£m	£m	£m
New Devon CCG – Plymouth locality	331.000	348.228	349.258	1.030
Plymouth City Council	*131.000	136.118	136.524	0.406
TOTAL	**462.000**	**484.346**	**485.782**	**1.436**

The financial position above for the Plymouth Integrated Fund is at November 2015, Plymouth City Council position as at December 2015.

*This represents the net People Directorate budget plus the gross Public Health Commissioning budget (which is financed by a ring fenced Department of Health Grant)

Under the s75 risk share agreement with NEW Devon CCG, the forecast outturn indicates a potential transfer of £0.046m from PCC to NEW Devon CCG.

Table 3: Key Issues and Corrective Actions

Issue	Variation £M	Management Corrective Action
EXECUTIVE OFFICE Democracy and Governance support cost pressures. £0.225m relates to a stretch target for efficiencies in this area.	0.071	An EVRS scheme in this area ended mid-November and the forecasted financial impact is reflected. Other opportunities are still being sought to reduce the shortfall in year.
CORPORATE ITEMS – Cross cutting savings The cross cutting savings target linked to a strategic asset review of £0.285m has only identified savings of £0.015m linked to a review of income received from recharging utility costs. The Terms & Conditions savings target of £0.200m is forecast to achieve £0.183m from the purchase of additional leave scheme, resulting in a shortfall of £0.017m.	(1.713)	Project managers within the transformation programme are reviewing other potential areas for savings alongside producing a strategic asset strategy framework, although it is unlikely that further savings will be identified this year. The 2nd offering of the purchase of annual leave scheme was completed in October, therefore it is unlikely that the £0.017m variance will be closed via this means, however officers will continue to review budgets within Corporate Items to achieve savings. Officers have reviewed insurance provisions and reserves and, at this stage, anticipate the potential for an in year reduction of up to £1.000m which will be available if required to offset any budget pressures across the Council. There is also a general contingency budget of £1.000m which is also available to meet any one off issues / pressure.
TRANSFORMATION and CHANGE – Finance There is a forecast underspend on staffing budgets.	(0.190)	An EVRS scheme in this area ended late-November and the forecasted financial impact is reflected. Other opportunities are still being sought to continue to improve the position.

TRANSFORMATION and CHANGE – Legal The forecast income remains lower than previous years and employee turnover assumptions have not been as high as budgeted.	0.017	Some additional income has been generated. Other opportunities are still being sought to reduce the shortfall in year.
TRANSFORMATION and CHANGE – Customer Services The £1.200m Transformation savings target has been achieved in-year through a Service Review, vacancy management, and the improved collection process resulting in £0.338m being collected in relation to previous years outstanding debt on Council Tax.	0.000	The completed service review will deliver the full year savings target of £1.200m in future years on an ongoing basis.
TRANSFORMATION and CHANGE – Human Resources & OD There is a forecast underspend on staffing costs which is partly offset by reduced income from HR advisory services.	(0.241)	The improvement is due to continued staff vacancies and completion of the EVRS scheme.
TRANSFORMATION and CHANGE – POD programme and Departmental The POD programme has a target of £1.5m to achieve in 15/16. Despite delays, HR and Finance have continued to put in efforts to meet this target and are now estimated to achieve £0.233m of the £0.800m target in this financial year. There continues to be a shortfall on the savings target set relating to Delt expanding IT services to new customers of £0.300m. The overall in year shortfall against the POD programme is currently £1.067m. There are more than £0.200m of previous savings targets which were achieved in 14/15 through one off activities or underspends. There is a forecast underspend on Transformation costs of £0.055m.	1.325	Management are continuing to review staffing expenditure to ensure that all opportunities are maximised. EVRS has now been run in HR&OD and coming to an end in Finance.

TRANSFORMATION and CHANGE – ICT Commissioned Service Financial reconciliations of DELT have highlighted a funding shortfall of c£1.000m related to: • £0.400m insufficient costs budgeted for on-going provision of ICT service. • £0.100m resulting from the decant of the civic centre, Delt now needs to fund accommodation costs. • £0.300m increased use of staff on business as usual IT activity rather than project work compared to budget forecast. • £0.200m estimated additional costs above the business case relating to back office costs of DELT.	1.020	Officers are continuing to review options with DELT, including ensuring that project income is maximised, and where possible back office services are provided by the Council.
PEOPLE – Children Young People and Families The Children Young People and Families Service are reporting a budget pressure of £0.671m no change in the month. As part of the transformation project for 2015/16, the CYP&F was expected to make savings of over £1.500m (in order to contribute to the £8.045m Directorate target). There are risks that continue to require close monitoring and management during the year: • Lack of availability of the right in-house foster care placements creating overuse of IFA's. • High number of placements in Welfare Secure, with 4 placements in year of which there is currently 2 in situ. Rigorous work continues to maintain this position but it is not always possible to predict.	0.671	£0.654m has been saved to date through the first phase of wraparound and creative solutions, phase two will be implemented but there will be a real challenge in achieving the full saving in the face of increased pressures. One off Families with a Future (FWAF) rewards of £0.200m are on target to be achieved and we have managed to secure an additional £0.200m contribution from NEW Devon CCG (CAMHS transformation monies) in order to help offset the additional costs for five looked after children in mental health crisis. The current commissioning arrangements for Supported Accommodation are being reviewed in order to provide more capacity at a reasonable price. CSC / Commissioners / DCH Block Provider proactively working together to review individual Lot 4 placements for step down, and all referrals to prevent use of Lot 4. Senior Managers have now commented

• Unexpected court ordered spend on Parent & Child Assessment placements. • There are still a small number of individual packages of care at considerably higher cost due to the needs of the young person. • There are currently 91 Independent Foster Care (IFA's) placements with budget for only 68 . The overall number of children in care at the end of December decreased by 2 to 393. The number of children placed with independent fostering agencies has increased by 2 to 91 which are above the budgeted target of 68. Residential placements have reduced by 2 to 23 against a target of 26 budgeted placements with a significant number of these placements being high cost due to the complex nature of these children's needs. In particular 5 young people with complex needs have been placed in high cost placements this financial year these placements were at a higher cost than welfare secure. The number of young people placed in 'welfare' secure placements has increased by 1 with 2 young people currently in situ. The In-House Foster Care placements have reduced by 1 to 184 placements against a target budget of 209 placements, with 3 placements in 'Other Local Authority' Foster Care. There are currently 2 In House Parent & Child Assessment Placement, 7 court ordered Independent foster care placement and 2 high cost Residential placement. The number of young people 16+ placed in supported living has increased by 1 to 20 against a target budget of 22.		on the draft commissioning plan which will be finalised in February 2016. A paper has been approved by Cabinet agreeing to the proposal for contract award for five residential children's homes beds in and close to the city for Plymouth children and young people in care with a reputable children's home provider. This will ensure that there are sufficient resources available for our most vulnerable young people and potentially reduce the spend on costly out of area packages of care. Contract and service specification now agreed. two solo placements in the city contracted for exclusive use for Plymouth CYP, three further units in development. Property identified. Expected "live" date April or May depending on Ofsted registration. Ten new In House Foster carers are anticipated coming on line between now and the end of the financial year in order to increase placement sufficiency and reduce costs.
PEOPLE – Management and Support Savings identified from Directors contributions to other bodies.	(0.006)	

PEOPLE – Strategic Co-operative Commissioning The Strategic Co-operative Commissioning (SCC) service is reporting to come in (£0.251m) under budget at the end of month 9, a saving of (£0.020m) from the month 8 position. The overall variation is mainly in the following areas: • Leisure Management – mainly due to a saving on utilities, there is expected to be a saving of (£0.091m) against budget this year. • Fairer Charging Income – there is a favourable variation of (£0.453m) on Community based contributions, mainly due to the change in the Fairer Charging policy and the Direct Payment income that is being collected as a result. • Care Packages – there is currently an adverse variation of £0.327m overall on care packages which are mainly around the increased costs of Supported Living. There has been an increase in clients from CCRT in Residential and Nursing, although this has partly been offset by additional client contributions. As part of the transformation project for 2015/16, the SCC budget will need to make savings of over £5m (in order to contribute to the £8.045m Directorate target) with the activities and actions that will drive delivery forming part of the transformation programme. So far, SCC has achieved in the region of £4.5m of savings around reduced client numbers in residential and nursing, reviews of high cost packages and contract savings, however there are £0.5m of delivery plans for 2015/16 that are currently showing as RAG rated amber, ie reviews to care packages, and further use of ECH housing instead of higher cost placements, that are still to be achieved and, if necessary, alternative plans being put in place to achieve the savings.	(0.251)	So far, SCC has achieved in the region of £4.500m of savings around reduced client numbers in residential and nursing, reviews of high cost packages and contract savings, however there are £0.5m of delivery plans for 2015/16 that are currently showing as RAG rated amber, ie reviews to care packages, and further use of Extra Care Housing instead of higher cost placements, that are still being achieved and, if necessary, alternative plans being put in place to make the savings.

Two areas that have been closely monitored during the year are: • DoLS assessments – over the past year there has been a very significant increase in Deprivation of Liberty Safeguard (DoLS) applications. Official data from the Health and Social Care Information Centre (HSCIC) show that there has been a ten-fold increase on previous activity levels. A DOLS action plan has now been developed and is being monitored through the year. • Care Coordination Team clients – there are currently a large number of clients that are waiting for an assessment which could result in the costs being charged to SCC – see monitoring variations above. A working group has been established to ensure reviews are completed in a planned and managed way.		A DOLS action plan has now been developed and will be monitored through the year. A working group has been established to ensure reviews are completed in a planned and managed way.
PEOPLE – Housing Services The Housing Service is reporting a balanced forecast outturn, containing budget pressures reported in July within existing budgets through an improvement in quarter due to a reduction in monthly demand on emergency accommodation, together with management reviewing future commitments.	0.000	
PEOPLE – Learning & Communities Learning and Communities is reporting a pressure of £0.082m due to the Home to School transport taxi and minibus contract costs which have been retendered with effect from 1st January 2016. The retendering exercise resulted in a full year effect increase in cost totalling £0.327m. As part of the transformation project for 2015/16 the Learning and Communities budget will need to make savings of £0.600m (in order to contribute to the (£8.045m) Directorate target) with activities and actions that will drive delivery forming part of the transformation programme.	0.082	To date one off savings totalling £0.308m have been identified against savings targets.

PUBLIC HEALTH – The public health ring-fenced grant was identified as one of the areas targeted for in year budget cuts and the reduction for 2015/16 has now been confirmed as £0.919m for Plymouth City Council.	(0.090)	Now that the cut has been quantified, the management team are putting plans in place for reducing expenditure. This includes managing vacancy levels and reviewing contract activity levels across Public Health commissioned contracts. The variability in Bereavement Services income and the current management actions in the Public Protection Service are being closely monitored with potential impacts on service capacity being managed. Savings are forecast at approx. £0.090m following staff leaving through EVRS.
PLACE - Strategic Planning and Infrastructure SP&I are projecting an estimated outturn variation of (£0.289m). It has additional favourable variations in relation to staffing costs and planning and building control income, with improvements in both of these areas since last month. This has more than countered cost pressures within other parts of the SPI budget.	(0.289)	Income and expenditure is routinely reviewed each cycle to control spend and maximise income.
PLACE - Economic Development Economic Development is currently forecasting to deliver within budget by year end, although this is not without risk. Economic pressure on commercial rents continues. The return on head leases is outside of the council's control and far from being a risk has now become an issue to mitigate. The events programme will deliver within the overall budget for events.	0.000	The Council continues to sponsor and promote major events across the city underwriting from council budgets. Officers continue to work to seek to manage the budget and ensure a positive economic benefit for the local economy.

PLACE - GAME The Commercialisation Work stream is making a significant contribution of £1.000m towards the transformation. A combination of some of the commercialisation projects, passenger and staff travel benefits will not be achieved in the current year.	0.942	Organisation wide commercialisation opportunities will continue to be explored and accelerated to address the current projected shortfall. Decisions to defer some commercial income streams will be revisited in the current year. The Place budget is continuously being reviewed to stop or re-profiling expenditure to help mitigate the GAME pressures.
PLACE - Street Services Street Services is currently planning to deliver within budget through careful cost control and by seeking opportunities to improve the way it operates. As a key frontline service there are some demand risks in delivering services within the available budget. Waste Services; One-off savings continue at the Energy from Waste plant during the extended commencement period: these will offset pressures elsewhere within Street Services. Highways Parking & Marine Services, and Street Cleansing & Grounds outturns are expected to meet budgets.	0.000	We are currently modelling new opportunities to reduce costs to ensure key services can be delivered within existing budget whilst also planning ahead for longer term service delivery as available resources are reduced. We will also continue to explore opportunities to maximise income and productivity. Car park trading income losses are being addressed as part of budget setting in 2016/17. This will impact on the Highways account.
TOTAL	**1.348**	

Virements

Cabinet are required to approve all non delegated revenue budget virements over £0.1m. However, there are no non delegated revenue budget virements over £0.1m for quarter 3.

REVENUE MONITORING REPORT 2015/16 QUARTER 3

City Council – 29 February 2016

PLYMOUTH CITY COUNCIL

CABINET MINUTE 77 (16 February 2016)

Lesa Annear (Strategic Director for Transformation and Change) submitted the Revenue Monitoring report 2015/16 quarter 3.

The Leader thanked officers for their hard work towards achieving a balanced budget.

The current revenue monitoring position and actions in place to reduce / mitigate shortfalls were noted.

This page is intentionally left blank

PLYMOUTH CITY COUNCIL

Subject:	Response to the Budget Scrutiny Report on the Indicative 2016/17 Revenue Budget
Committee:	Cabinet
Date:	16 February 2016
Cabinet Member:	Councillor Evans, Leader
CMT Member:	Tracey Lee (Chief Executive)
Author:	Ross Jago, Performance and Research Officer
Contact details:	01752 304469
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 Indicative 2016/17 Revenue Budget plus 2 Year Indicative Financial Forecast and 2016/17 to 2019/20 Capital Programme'.

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 plans, budgets and savings targets within all areas of the council to ensure that proposals delivered against its co-operative vision and the Plymouth Plan.

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:
None.

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

Published work / information:

Indicative 2016/17 Revenue Budget plus 2 Year Indicative Financial Forecast and 2016/17 to 2019/20 Capital Programme

Budget Scrutiny Documentation

Budget Scrutiny Minutes

Webcast Day One
Webcast Day Two
Webcast Day Three

Background papers:

Sign off:

Fin	**akh 151 6.67**	Leg	**DV S24 914**	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member – Giles Perritt													
Has the Cabinet Member(s) agreed the content of the report?													

Budget Scrutiny Report on the Indicative 2016/17 Revenue Budget

	Recommendations	To	Response
1	Quantify, in an appendix to the budget report, the levels of external funding both capital and revenue, currently being utilised by the City Council with an accompanying statement outlining how further resources are being sought.	Cabinet	**Accepted** – Relevant information will be provided in the Budget Report to Council in February
2	Place Directorate to consider how experience in the development of the Plymouth Plan can be commercialised to provide a consultancy offer to other local authorities.	Cabinet	**Accepted** – The Place Directorate will consider this opportunity and build upon work that is already being developed with South Hams and West Devon District Councils to develop a joint strategy for the wider Plymouth area
3	Recommend that work continues to further integrate targeted services to ensure greatest impact for the most vulnerable children and young people, including those on the edge of care.	Cabinet	**Accepted** – Work will continue and updates will be presented to Scrutiny where required.
4	Recommend that police and local authority work together to deliver an integrated approach to neighbourhood and community safety services	Cabinet / Police and Crime Commissioner	**Accepted** – Work will continue and updates will be presented to Scrutiny where required.
5	The Board has heard much with regard to community hubs be it with regard to the integration of health and social care, children's services or changes to policing. The Board recommends that a time limited working group including cabinet and scrutiny members is established to consider the opportunities that the One Public Estate programme offers to develop a rational approach to community hubs and avoid a duplicated and fragmented range of initiatives.	Cabinet / Scrutiny	**Under Consideration** – Cabinet asks that scrutiny give sufficient time for officers to undertake a situation analysis which will be provided at a future scrutiny meeting; with respect to community hubs.
6	Accelerate the development of the Workforce Plan, with particular regard to succession planning and bring a report to scrutiny at a future meeting to include an update on the actions undertaken with regard to the 2015 staff survey	Cabinet	**Accepted** – Work will continue and updates will be presented to Scrutiny where required.
7	The Chief Executive Office should develop a dedicated approach to communication with councillors.	Cabinet	**Accepted** – Work is underway and updates will be presented to Scrutiny where required.
8	Disaggregate the commercialisation project and targets across the Council Directorates	Cabinet	**Accepted -** However, further consideration will be given

	and using the available framework develop an entrepreneurial approach and commercial ethos within Directorates of the council		to this recommendation and a response will be provided to the scrutiny function when the Commercialisation Strategy is presented to scrutiny for consideration.
9	Consider further provision within the capital programme to bring empty homes back into use	Cabinet	**Accepted –** The Plan for Homes 2016-2021 report to Cabinet on 16th February 2016 will contain proposals for additional investment in empty homes following input from the Housing Needs Working Group (Councillors Bowyer, Jordan, Penberthy and Lowry).
10	Recommend that the 2% adult social care levy is applied to council tax bills. The levy should be highlighted on council tax bills with enclosed information on how the money is spent. A report should be provided to the scrutiny on the use of the levy at an appropriate future meeting.	Cabinet	**Under consideration** pending outcome of the detail of the final settlement figures
	For the Scrutiny Work Programme		
1	Undertake a review of the DELT and Commercialisation transformation projects and present a “lessons learned” report to Scrutiny	Scrutiny	**Accepted**
2	Receive regular updates on progress of Success Regime to ensure that it is aligned with local objectives and priorities at the same time as bringing the system back to financial stability	Scrutiny	**Accepted**
3	Overview and Scrutiny should receive update on pooled budget and commissioning plans for 2016/17 when they are finalised and the Sustainability and Transformation Plan as required in the planning guidance for 2016/17 is produced.	Scrutiny	**Accepted**
4	That the new Communications and Engagement Framework is scrutinised ahead of formal decision.	Scrutiny	**Accepted**

Co-operative Scrutiny Board

Wednesday 6 January 2016

PRESENT:

Councillor James, in the Chair.
Councillor Mrs Aspinall, Vice Chair.
Councillors Mrs Beer, Bowie, Mrs Bowyer, Sam Davey, Jordan, Murphy, Ricketts, Storer and Kate TaylorMrs Beer, Mrs Bowyer, Bowie, Sam Davey, Jordan, Murphy, Ricketts, Storer and Kate Taylor.

Also in attendance: Lesa Annear (Strategic Director for Transformation and Change),Carole Burgoyne (Strategic Director for People), Jerry Clough (CCG), Councillor Philippa Davey (Cabinet Member for Safer and Stronger Communities), Ross Jago (Lead Scrutiny Officer), Sarah Lees (Consultant in Public Health), Councillor Lowry (Cabinet Member for Finance), Andrew Hardingham (Assistant Director for Finance), Craig McArdle Assistant Director for Strategic Co-operative Commissioning), Councillor McDonald (Cabinet Member for Children and Young People), Andy Netherton (Service Manager), Rob Nelder (Consultant Public Health Intelligence), David Northey (Head of Corporate Strategy), Councillor Penberthy (Cabinet Member for Co-operatives and Housing), Councillor Tuffin (Cabinet Member for Health and Adult Social Care), Helen Wright (Democratic Support Officer).

The meeting started at 10am and finished at 4.30 pm.

Monday 11 January 2016

PRESENT:

Councillor James, in the Chair.
Councillor Mrs Aspinall, Vice Chair.
Councillors Mrs Beer, Bowie, Mrs Bowyer, Sam Davey, Jordan, Murphy, Ricketts, Storer and Kate TaylorMrs Beer, Mrs Bowyer, Bowie, Sam Davey, Jordan, Murphy, Ricketts, Storer and Kate Taylor.

Also in attendance: Les Allen (Head of Transformation Programme), Lesa Annear (Strategic Director for Transformation and Change), Dawn Aunger (Assistant Director for HR and OD), Faye Batchelor-Hambleton (Assistant Director for Customer Services), Alison Botham (Assistant Director for Children, Young People and Families), Carole Burgoyne (Strategic Director for People), Nikki Clark (Lead Accountant),Councillor Philippa Davey (Cabinet Member for Safer and Stronger Communities), Matt Garratt (Head of Housing Services), Jayne Gorton (Head of Access and Planning), Andrew Hardingham (Assistant Director for Finance), Judith Harwood (Assistant Director for Learning and Communities), Ross Jago (Lead Scrutiny Accountant), Councillor McDonald (Cabinet Member for Children and Young People), Anne Osborne (Head of Service for Children and Young People), Councillor Penberthy (Cabinet Member for Co-operatives and Housing), Fiona Phelps (CCG), Dave Shepperd (Assistant Director and Head of Legal Services), Jo Siney (Head of Special Educational Needs and Disability), Councillor Smith (Deputy Leader), Councillor Jon Taylor (Cabinet Member for Transformation and Customer Services) and Helen Wright (Democratic Support Officer).

The meeting started at 9am and finished at 4.30 pm

Wednesday 13 January 2016

PRESENT:

Councillor James, in the Chair.
Councillor Mrs Aspinall, Vice Chair.
Councillors Mrs Beer, Bowie, Mrs Bowyer, Sam Davey, Jordan, Murphy, Ricketts, Storer and Kate TaylorMrs Beer, Mrs Bowyer, Bowie, Jordan, Murphy, Ricketts, Storer and Kate Taylor.

Apology for absence: Councillor Sam Davey.

Also present at the meeting: Paul Barnard (Assistant Director for Strategic Planning and Infrastructure), Councillor Coker (Cabinet Member for Strategic Transport and Planning), Simon Dale Ross (Interim Assistant Director for Street Services), David Draffan (Assistant Director for Economic Development), Jago (Lead Scrutiny Officer), Tracey Lee (Chief Executive), Richard Longford (Head of Communications), Anthony Payne (Strategic Director for Place),Councillor Penberthy (Cabinet Member for Co-operatives and Housing), Giles Perritt (Assistant Chief Executive), Candice Sainsbury (Senior Policy, Performance and Partnerships Adviser), Councillor Smith (Deputy Leader), Judith Shore (Democratic and Member Services Manager), Councillor Vincent (Cabinet Member for Streetscene), Adrian Vinken (PlymouthTheatre Royal) and Helen Wright (Democratic Support Officer).

The meeting started at 9am and finished at 4.30 pm

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

81. **DECLARATION OF INTEREST**

In accordance with the code of conduct, Councillors made the following declarations of interest –

Name	Minute Number	Reason	Interest
Councillor Kate Taylor	83	Employed by BCHA Close relative in receipt of a care package	Private
Councillor Jordan	83	Director of charitable organisations Director of Routeways Parents in receipt of care packages Governor of Chaddlewood Primary School Governor of Plymouth Federation of Nurseries Trustee of Chaddlewood Nursery Chair of Bobtails	Private
Councillor Mrs Beer	83	Son is employed by Princesses Yachts Employed by Devon and Cornwall Police	Private
Councillor Mrs Bowyer	83	Father is in receipt of a care package	Private
Councillor Rickets	83	Father is in receipt of a care package	Private
Councillor Mrs Aspinall	83	Chair of Governors at Primary School Governor of Special School Co-opted Member of Plymouth Association of Governors (PAG) Daughter is employed by Plymouth Community Homes	Private
Councillor Bowie	83	Governor of Mount Tamarside School	Private

82. **CHAIR'S URGENT BUSINESS**

There were no items of Chair’s urgent business.

83. **SCRUTINY OF THE INDICATIVE 2016/17 REVENUE BUDGET PLUS TWO YEAR INDICATIVE FINANCIAL FORECAST AND 2016/17 TO 2019/20 CAPITAL PROGRAMME**

Members of the Co-operative Scrutiny Board, during the three days of scrutinising the indicative 2016/17 revenue budget and the capital programme, explored with Cabinet Members and partners (New Devon CCG and the Chief Executive of the Theatre Royal) their views on the challenging economic climate, reduced resources and rising demand for services, the ability of the Council to continue to deliver sustainable services and the continuing changes within the public sector.

With regard to–

(a) recommendation 1 – the Board queried whether adequate work had been undertaken in identifying external funding sources for both revenue and capital which were available to the Council and whether a statement listing the levels of funding could be incorporated into the corporate finance monitoring reports;

(b) recommendation 2 – the Board considered that with the enormous amount of knowledge and expertise that had been gained through the development of the Plymouth Plan this should be commercialised in order to provide a consultancy offer to other local authorities;

(c) recommendation 3 – whilst the Board heard that targeted services were being integrated (complete care plans which looked at the services that would be required from birth to the end of life); it considered that further work was required in order to ensure the greatest impact for the most vulnerable children and young people, including those on the edge of care;

(d) recommendation 4 – the Board heard that any reduction in the police budget which resulted in the number of police officers and police community support officers being cut would have an adverse effect on people feeling safe in their communities; work would need to be re-prioritised to ensure that people felt safe;

(e) recommendation 5 –the Board raised concerns at the lack of integration regarding the number of 'community hubs' relating in particular to health and social care, children's services and changes to policing;

(f) recommendation 6 – the Board raised concerns at the results of the 2015 staff survey; in mitigation it heard that the survey had been conducted during a major period of change and whilst several services had been subject to service reviews; the Board considered that the acceleration of the development of a strategic four year Workforce and Organisational Development Plan would set out clear objectives for the development of staff ensuring that staff had the right skills, capabilities and expertise;

(g) recommendation 7 – the Board queried the lack of consistent communications across all wards (particularly in relation to 'have your say' meetings); whilst it was recognised that a 'one size' model was not suitable for all wards, the lack of a consistent approach affected how councillors were able to effectively engage with residents;

(h) recommendation 8 – the Board heard that in order to generate income, the Council needed to be more focused on commercial projects (projects had commenced such as the maintenance of Amey's fleet); the establishment of a central commercial team would help to drive through this change within the organisation; the Board considered that through the Commercialisation Framework the whole Council needed to develop an entrepreneurial approach and set a commercial ethos throughout the organisation;

(i) recommendation 9 – the Board raised concerns regarding the current level of empty homes within the City and the need to make funding available in order to accelerate the process of bringing these homes back into use and further increase of the New Homes Bonus;

(j) recommendation 10 – the Board heard that £6.5m would be cut from the adult social care budget for 216/17; the 2% precept which could be levied for adult social care would raise £1.8m; although this was a Council decision the Cabinet Member for Finance was minded to consider this option for the Council;

(k) recommendation 11 – the Board heard that the setting up of Delt Shared Services Ltd had been challenging and there were valuable lessons to be learnt for future ventures; it was recognised, that at present, the Council's capability around commercialisation was weak;

(l) recommendation 12 – the Board heard of the importance of the Council remaining engaged with the Success Regime, as this framed on-going work on budgets, recovery and finance;

(m) recommendation 13; the Board heard that there was a new requirement to produce a five year Sustainability and Transformation Plan to achieve financial balance in the health system, whilst focusing on changing the way it provided high quality care for patients; (this would make seven day services a reality for patients and also meet the ambitious of the NHS Five Year Forward View);

(n) recommendation 14 – the Board heard that work had commenced on a communications and engagement strategy with the aim of it being a corporate strategy owned by the organisation as a whole and not merely used as a communications tool.

The Board agreed to submit the following recommendations to Cabinet –

(1) to quantify, in an appendix to the budget report, the levels of external funding both capital and revenue, currently being utilised by the City Council with an accompanying statement outlining how further resources are being sought;

(2) that the Place Directorate consider how experience in the development of the Plymouth Plan can be commercialised to provide a consultancy offer to other local authorities;

(3) that work continues to further integrate targeted services, to ensure the greatest impact for the most vulnerable children and young people, including those on the edge of care;

(4) that the Police and local authority work together to deliver an integrated approach to neighbourhood and community safety services;

(5) that a time limited working group including cabinet and scrutiny members is established to consider the opportunities that the One Public Estate programme offers to develop a rational approach to community hubs and avoid a duplicated and fragmented range of initiatives;

(6) to accelerate the development of the Workforce Plan, with particular regard to succession planning and to bring a report to scrutiny at a future meeting, to include an update on the actions undertaken with regard to the 2015 staff survey;

(7) that the Chief Executive unit, develop a dedicated approach to communication with councillors;

(8) to disaggregate the commercialisation project and targets across the Council Directorates and use the available framework to develop an entrepreneurial approach and commercial ethos within Directorates of the Council;

(9) to consider further provision within the capital programme to bring empty homes back into use;

(10) that the 2% adult social care levy is applied to council tax bills; the levy should be highlighted on council tax bills with enclosed information on how the money is spent; a report should be provided to scrutiny on the use of the levy at an appropriate future meeting.

The Board further agreed –

(11) to undertake a review of the DELT and commercialisation transformation projects and present a 'lessons learned' report to scrutiny;

(12) to receive regular updates on progress of the Success Regime to ensure that it is aligned with local objectives and priorities at the same time as bringing they system back to financial stability;

(13) that overview and scrutiny should receive updates on pooled budget and commissioning plans for 2016/17 when they are finalised and the Sustainability and Transformation Plan as required in the planning guidance for 2016/17 is produced;

14 that the new communications and engagement framework is scrutinised ahead of a formal decision.

The Chair, on behalf of the Board extended a vote of thanks to all those who had contributed to this process.

Note: the scrutiny of the indicative 2016/17 revenue budget plus two year indicative financial forecast and 2016/17 to 2019/20 capital programme was conducted over three days with the meetings being webcast –
http://council.webcast.vualto.com/plymouth-city-council/home?EventId=13182
http://council.webcast.vualto.com/plymouth-city-council/home/?EventId=13779
http://council.webcast.vualto.com/plymouth-city-council/home?EventId=13789

84. **EXEMPT BUSINESS**

There were no items of exempt business.

This page is intentionally left blank

RESPONSE TO THE BUDGET SCRUTINY REPORT ON THE INDICATIVE 2016/17 REVENUE BUDGET

City Council – 29 February 2016

PLYMOUTH CITY COUNCIL

CABINET MINUTE 74 (16 February 2016)

Councillor David James, Chair of the Co-operative Scrutiny Board presented the recommendations of the review of the Indicative 2016/17 Revenue Budget.

The Leader thanked Councillor James for the work of the Co-operative Scrutiny Board and all staff involved.

The responses to the recommendations made by the Co-operative Scrutiny Board itemised in the report were agreed.

This page is intentionally left blank