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

Please ask for Helen Wright/Amelia Boulter
T 01752 304022/307903
E Democratic Support Officer
www.plymouth.gov.uk/democracy
Published 21/09/17

SELECT COMMITTEE REVIEW

Wednesday 27 September 2017
3 pm
Warspite Room, Council House

Members:
Councillor Bowie, Chair
Councillor Ball, Vice Chair
Councillors Mrs Aspinall, Fletcher, James, Lowry and Storer.

Members are invited to attend the above meeting to consider the items of business overleaf.

For further information on webcasting, attending Council meetings and how to engage in the democratic process please follow this link http://www.plymouth.gov.uk/accesstomeetings

Tracey Lee
Chief Executive

Select Committee Review

5a Directorate and Departmental Spending Plans 2018/19 **(Pages 1 - 60)**

MTFS Review

The following slides provide a walk through of the progress to date in updating the MTFS for the period from 1 April 2018

Overview & Scrutiny 27 September 2017

Assumptions – All 2017/18 savings will be delivered

PLYMOUTH CITY COUNCIL

RAG Rating Update Sept 2017	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Transformation Stretch Savings 17/18 Q1 Forecast				
Corporate Items	5.346	-1.414	0.382	0.250
Executive Office	0.255	0.035	0.022	0.000
Public Health	0.148	0.075	0.074	0.000
People	6.962	7.318	7.767	0.000
Place	2.536	-0.431	-0.298	-1.044
Transformation & Change	2.984	1.872	0.423	0.000
Total Savings 17/18 Budget	**18.231**	**7.455**	**8.370**	**-0.794**
Transformation Stretch Savings Carried forward from 16/17				
Corporate Items	0.858			
Executive Office	0.000			
Public Health	0.000			
People	4.846			
Place	0.000			
Transformation & Change	1.149			
Total Carried Forward Savings	**6.853**			
Total Savings	**25.084**	**7.455**	**8.370**	**-0.794**

RAG Rating Summary	2017/18	2018/19	2019/20	2020/21
Blue	5.320	2.227	3.766	0.000
Green	5.923	-1.182	-0.901	-1.044
Amber	12.919	5.573	5.084	0.250
Red	0.922	0.837	0.421	0.000
	25.084	**7.455**	**8.370**	**-0.794**

Savings rated as at end of July 17

Of the savings carried fwd. and new savings for 17/18 £922k rated red.

Savings rated as red reduced by £667k. A further £1.6m now banked and rated as blue.

Focus needs to be on turning amber green.

2017/18 forecast – indicative Q2

PLYMOUTH CITY COUNCIL

Directorate	Gross Expenditure	Gross Income	2017/18 Latest Approved Budget	Forecast Outturn	Forecast Year End Variation	Movement from previous month
	£m	£m	£m	£m	£m	£m
Executive Office	3.749	(0.128)	3.621	3.621	0.000	
Corporate Items	14.961	(14.732)	0.229	0.529	0.300	
Transformation and Change	149.376	(116.630)	32.746	33.346	0.600	
People Directorate	253.700	(131.390)	122.310	123.310	1.000	
Public Health	19.657	(19.457)	0.200	0.200	0.000	
Place Directorate	75.742	(50.964)	24.777	25.277	0.500	
TOTAL	**517.185**	**(333.302)**	**183.883**	**186.283**	2.400	

Forecast outturn reduced from £4.2m to £2.4m
Excludes £1.3 ESG pension funding gap

2017/18 forecast – indicative Q2

PLYMOUTH CITY COUNCIL

	£m
Quarter 1 forecast overspend	4.200
At year end forecast overspend will have been reduced to	**2.422**
Made up of:	
Cost pressures on Children's services	1.000
Unachieved procurement savings	0.300
Unachieved Smart working savings	0.305
Unachieved efficiency savings c/fwd (T&C directorate)	0.317
Street Services savings	0.500
The forecast overspend of £2.4m (plus the ESG loss of £1.3m) still need to be covered to balance the books. What other service decisions will require political agreement in order to balance the 2017/18 budget	

MTFS

PLYMOUTH CITY COUNCIL

	2017/18 £m BUDGET	2018/19 £m FORECAST	2019/20 £m	2020/21 £m
REVENUE RESOURCES AVAILABLE	**183.883**	**183.069**	**178.739**	**179.423**
Baseline spend requirement	186.702	183.883	183.069	178.739
One off savings brought forward	4.876			
Plus identified additional costs	10.536	11.007	10.056	10.518
Overall spend requirement	**202.114**	**194.890**	**193.125**	**189.257**
In-year shortfall to be found	**18.231**	**11.821**	**14.386**	**9.834**
Cumulative shortfall	**18.231**	**30.052**	**44.438**	**54.272**
Transformation stretch savings	**18.231**	**7.455**	**8.370**	**-0.794**
REVISED SPENDING FOR YEAR	**183.883**	**187.435**	**184.755**	**190.051**
Budget Gap	**0.000**	**4.366**	**6.016**	**10.628**

Assumptions - resources

PLYMOUTH
CITY COUNCIL

Forecast resources have increased (table page 13) (page 63 of agenda):

RSG - £6.7m (reduction unchanged as per the 4 year settlement)

Council Tax +£4.8m

ASC £3m, growth on tax base £1.75m surplus on previous year collection fund £0.1m

Business Rates +£1.1m

Growth on base £0.7m, increase due to multiplier (RPI 1.5%pa) £0.7m, decrease due to reduction in renewable energy relief £0.3m

Net reduction £0.8m (RSG/Council Tax/Business Rates)

New Homes Bonus (NHB) -£1.8m

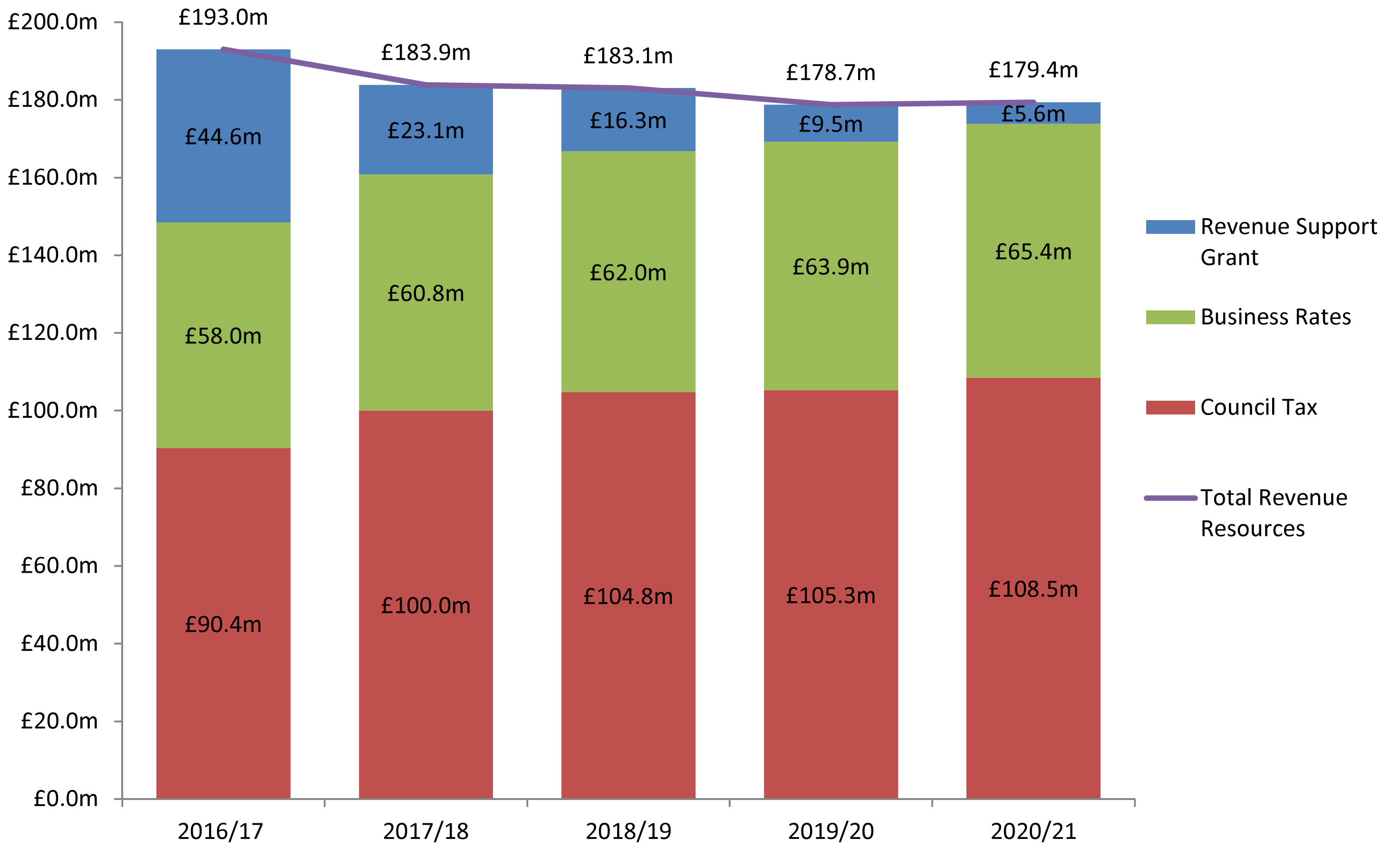
Reduction to a combination of NHB tapering (5-4yrs) and the impact of the 0.4% threshold – (estimate calculated and submitted 1 Oct 17)

Better Care Fund (BCF) +£4.6m

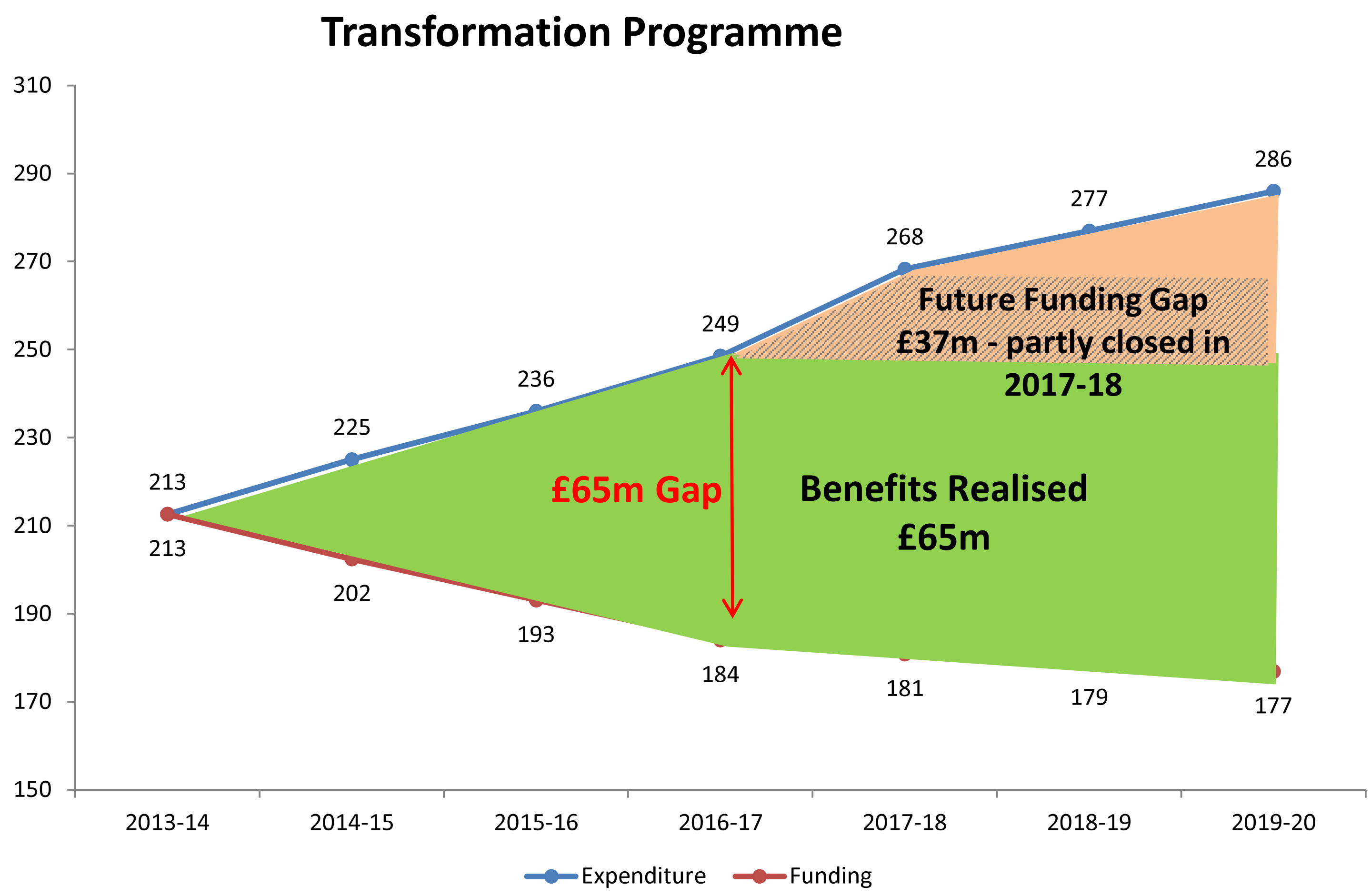
Increase of £4.579m in 2018/19

Net increase £2.8m (NHB/BCF)

Revenue Resources



PCC Revenue Funding



Assumptions – additional costs

Costs added to MTFS since Feb 2017 (£m)	2018/19	2019/20
As per MTFS Feb 2017	7.357	6.403
Reduction in Provision for pay award	-0.100	-0.100
Reduction in Provision to met pension actuarial valuation	-0.250	0.150
Re-profiling major investment	-0.150	0.371
Increase on Redundancy provision	0.250	0.500
Children's placement costs	2.000	1.806
Homelessness costs	0.500	0
Withdrawal of ESG	1.300	0
Increase in Adults social care and NLW	0	0.926
Elections Service	0.100	0
Total additions	3.650	3.653
New total of cost pressures (£7.357+£3.900 = £11.257)	11.007	10.056

ASC BUDGET 2016/17 – 2019/20

PLYMOUTH CITY COUNCIL

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Demographic growth 2016/17	1.778	1.778	1.778	1.778
Demographic growth 2017/18		2.756	2.756	2.756
Demographic growth 2018/19			2.813	2.813
Demographic growth 2019/20				2.386
National Living Wage 2016/17	2.217	2.217	2.217	2.217
National Living Wage 2017/18		1.670	1.670	1.670
National Living Wage 2018/19			2.304	2.304
National Living Wage 2019/20				3.393
Total additional costs pressures	3.995	8.421	13.538	19.317

ASC BUDGET 2016/17 – 2019/20

PLYMOUTH CITY COUNCIL

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Total additional costs pressures	3.995	8.421	13.538	19.317
2% Council Tax Precept 2016/17	1.845	1.845	1.845	1.845
3% Council Tax Precept 2017/18		2.859	2.859	2.859
3% Council Tax Precept 2018/19 (assumed)			2.859	2.859
Improved Better Care Fund		0.764	3.286	7.663
ASC Grant (one off) *		1.300		
Total additional funding	1.845	6.768	10.849	15.226
ASC Funding Gap	**2.150**	**1.653**	**2.689**	**4.091**
*** off set by New Homes Bonus reduction**		**1.281**		

Page 11

Savings included in MTFS at Feb17

PLYMOUTH
CITY COUNCIL

	2018/19	2019/20
As per MTFS Feb 2017	6.805	8.520
City Deal re-profiling	0.500	
Public Transport Efficiencies (One-offs 2018/2019 only)	0.150	-0.150
	7.455	8.370

The Council's savings programme is centred around the three transformation programmes. As programmes develop the profile of savings will inevitably change. The table above reflects two such schemes.

MTFS savings GAME

	2018/19	2019/20	2020/21
City Deal Re-profiling (Saving in 2018/2019; increase for 2019/2020)	£0.500		

Oceansgate is the flagship project in the Plymouth and South West Peninsula City Deal. The plan is to transform under-utilised docks in part of South Yard in to a major marine hub. A masterplan has been undertaken indicating the creation of up to 1,200 jobs and 25,000m2 of floorspace. Oceansgate is being developed in three phases: the Phase 1 build is near completion with strong market interest; Phase 2 land has been transferred to the City Council from the MoD; and Phase 3 is likely to be transferred within the next two/three years. On completion of Phase 3, the City Council will need to pay ongoing security costs that separate Oceansgate from the rest of the Naval Base. The City Council had made provision in the MTFS of £500,000 for these costs to be met in the early years whilst Oceansgate establishes financial sustainability as part of its commitments to the City Deal. However, this is now not required as early as previously envisaged and so represents a saving for the 2018/2019 budget. The latest estimates of these security costs are £570,000, for which the provision would need to be made in 2019/20 or 2020/21 depending upon the date of the actual transfer.

MTFS savings GAME

PLYMOUTH CITY COUNCIL

	2018/19	2019/20	2020/21
Public Transport Efficiencies (One-off for 2018/2019 only)	£0.150	(£0.150)	

Plymouth's Real Time Passenger Information system provides live electronic bus timetable information at 88 displays located at bus stops around the city. The previous contract ended in late 2016 and following a very robust tender process a new system has recently been launched provided by 21st Century Passenger Solutions Limited. The previous contract had relied upon outdated technology which required significantly more infrastructure, whereas the new state of the art system converts GPS location signals direct from the bus ticket machines. The new more efficient system has already delivered an on-going annual saving of £24,000 which was included as part of the 2017/2018 budget setting process. With the roll out of the new display infrastructure, the Public Transport Team in Strategic Planning & Infrastructure have identified that provisional sums set aside to cover projected future maintenance costs are no longer required. Therefore a one off saving of £150,000 can be delivered in 2018/19. Provision has however been made to support the on-going revenue maintenance for the new displays.

2017/18 Budgets by directorate by department

Plymouth City Council General Fund Budget 2017/18		Budget 2017/18 £000's		
Directorate	**Department**	**Expenditure**	**Income**	**Net Cost**
Executive Office	Business Support	807	(50)	757
	Chief Executives Office	2,945	(77)	2,869
	Total Executive Office	3,752	(127)	3,625
People Directorate	Children, Young People & Families	37,202	(3,624)	33,578
	Community Connections	4,073	(1,516)	2,557
	Joint Commissioning & Adult Social Care	109,475	(99,667)	9,808
	Education Participation Skills	103,166	(27,015)	76,151
	Management and Support People	216	0	216
	Total People	254,132	(131,822)	122,310
Place Directorate	Economic Development	14,954	(12,967)	1,987
	Management and Support Place	518	(5,146)	(4,628)
	Strategic Planning	13,511	(3,500)	10,011
	Street Services	45,718	(28,908)	16,810
	Total Place	74,701	(50,521)	24,180
Public Health	Bereavement Services	1,122	(2,811)	(1,689)
	Civil Protection Unit	189	(26)	163
	Environ Health (Food & Safety)	432	(34)	398
	Environmental Protection	580	(165)	415
	Licensing	306	(408)	(102)
	Operational and Development	270	(40)	230
	Public Health	16,427	(16,029)	398
	Trading Standards	404	(17)	387
	Total Public Health	19,731	(19,531)	200
Transformation & Change	Customer Services	113,580	(110,654)	2,927
	Departmental Management	244	0	244
	Finance	18,652	(3,517)	15,135
	Human Resources & Organisational Development	2,902	(412)	2,490
	ICT	6,898	(425)	6,473
	Legal	3,776	(933)	2,843
	Transformation	3,071	(445)	2,626
	Total Transformation & Change	149,123	(116,386)	32,737
Corporate Items	Capital Financing	9,340	(1,969)	7,371
	Other Corporate Items	4,326	(10,866)	(6,540)
	Total Corporate Finance	13,666	(12,835)	831
	Total General Fund	**515,104**	**(331,221)**	**183,883**

Directorate Name	Detail Code CIPFA Standard Groups Name	Expenditure	Income	Grand Total
Corporate Items	Capital Financing outside NCS	9,268		9,268
	Employees	3,038		3,038
	Government Grants		(4,024)	(4,024)
	Interest		(1,969)	(1,969)
	Other Grants Reimbursements		(1,127)	(1,127)
	Other Income		(140)	(140)
	Recharges to other accounts		(5,391)	(5,391)
	Rents		(20)	(20)
	Sales		(165)	(165)
	Supplies and Services	(4,723)		(4,723)
	Support Services	50		50
	Third Party Payments	6,033		6,033
Corporate Items Total		**13,666**	**(12,835)**	**831**
Executive Office	Employees	3,188		3,188
	Fees and Charges		(51)	(51)
	Other Grants Reimbursements		(16)	(16)
	Other Income		0	0
	Premises	0		0
	Recharges to other accounts		(46)	(46)
	Rents		(14)	(14)
	Sales		0	0
	Supplies and Services	374		374
	Support Services	5		5
	Third Party Payments	154		154
	Transport	31		31
Executive Office Total		**3,752**	**(127)**	**3,625**
People Directorate	Capital Financing outside NCS	2,006		2,006
	Employees	33,729		33,729
	Fees and Charges		(14,805)	(14,805)
	Government Grants		(98,915)	(98,915)
	Interest		0	0
	Other Grants Reimbursements		(14,192)	(14,192)
	Other Income		(919)	(919)
	Premises	844		844
	Recharges to other accounts		(2,295)	(2,295)
	Rents		(670)	(670)
	Sales		(26)	(26)
	Supplies and Services	77,090		77,090
	Support Services	391		391
	Third Party Payments	138,852		138,852
	Transport	1,220		1,220
People Directorate Total		**254,132**	**(131,822)**	**122,310**
Place Directorate	Capital Financing outside NCS	4,098		4,098
	Employees	22,238		22,238
	Fees and Charges		(14,170)	(14,170)
	Government Grants		(8,542)	(8,542)
	Licencing		(6)	(6)
	Other Grants Reimbursements		(1,597)	(1,597)
	Other Income		(2,593)	(2,593)
	Premises	3,530		3,530
	Recharges to other accounts		(13,058)	(13,058)
	Rents		(8,928)	(8,928)
	Sales		(1,627)	(1,627)
	Supplies and Services	20,360		20,360
	Support Services	153		153
	Third Party Payments	11,231		11,231
	Transfer Payments	8,548		8,548
	Transport	4,542		4,542
Place Directorate Total		**74,701**	**(50,521)**	**24,180**

⊟ **Public Health**	Employees	3,658		3,658
	Fees and Charges		(2,861)	(2,861)
	Government Grants		(15,735)	(15,735)
	Licencing		(300)	(300)
	Other Grants Reimbursements		(84)	(84)
	Other Income		(168)	(168)
	Premises	219		219
	Recharges to other accounts		(226)	(226)
	Rents		(3)	(3)
	Sales		(153)	(153)
	Supplies and Services	775		775
	Support Services	211		211
	Third Party Payments	14,718		14,718
	Transport	150		150
Public Health Total		**19,731**	**(19,531)**	**200**
⊟ **Transformation and Chan**	Capital Financing outside NCS	608		608
	Depreciatn and Impairt Losses	0		0
	Employees	22,952		22,952
	Fees and Charges		(2,589)	(2,589)
	Government Grants		(103,863)	(103,863)
	Licencing		(1)	(1)
	Other Grants Reimbursements		(992)	(992)
	Other Income		(5,259)	(5,259)
	Premises	8,148		8,148
	Recharges to other accounts		(2,951)	(2,951)
	Rents		(680)	(680)
	Sales		(53)	(53)
	Supplies and Services	3,978		3,978
	Support Services	263		263
	Third Party Payments	7,660		7,660
	Transfer Payments	105,400		105,400
	Transport	114		114
Transformation and Change Total		**149,123**	**(116,386)**	**32,737**
Grand Total		**515,104**	**(331,221)**	**183,883**

This page is intentionally left blank

MEDIUM TERM FINANCIAL STRATEGY

2018/19 to 2020/21

PLYMOUTH
CITY COUNCIL

The Medium Term Financial Strategy takes a 3 year view from April 2018 to 2020/21 and looks at how the Council will fund Plymouth's ambitions and priorities.

VERSION CONTROL

VERSION NUMBER	DATE PRODUCED	MEETING
2.1	N/A	N/A
2.2	27/07/2017	CMT 01/08/2017
2.3	14/8/2017	For CMT 15/8/17
3.0	25/08/2017	Working version – now superseded
4.0	30/08/2017	Working version

Foreword

Councillor Ian Bowyer
Leader of Plymouth City Council

"Constant change is something local government is use to and recent events nationally have added to this uncertainty. However Plymouth is an ambitious City and is well placed to respond to these changes through its growth agenda. Value for money will always be the core principal in its delivery of vital services across the City. The Medium Term Financial Strategy is key to this and will support the provision of high quality cost effective services in these financially challenging but exciting times ahead."

Councillor Ian Darcy
Cabinet Member for Finance and ICT

"The Council provides a wide range of services to the residents of Plymouth and as Portfolio Holder for Finance I continue to be determined to maximise efficiency so the quality of these services are maximised. We recognise that the amount of funding available has fallen but with a robust Medium Term Financial Strategy we will look to maximise external funding and ensure are financial plans are in place to meet the challenges ahead."

Tracey Lee
Chief Executive of Plymouth City Council

"The journey for improved services and ongoing efficiencies continues with over £18m of savings delivered in 2017/18 and a further £21m of efficiencies required over the next 3 years. This programme of continued improvement is supported by the Council's Transformation Agenda. The Medium Term Financial Strategy shows how our improvements link to the City; people's jobs, homes, health and how we will pay for the services we provide."

Andrew Hardingham
Assistant Director for Finance

"The expectations of residents for high quality services in the context of reducing financial resources highlights the importance of a well developed and implemented Medium Term Financial Strategy, which forms the core part of the Council's strategic framework. By ensuring the Council is able to plan and manage its finances, this will enable the priorities of the Corporate Plan to be put into action."

Contents

Introduction

The MTFS links the revenue budget, capital programme and treasury management strategy.

- A central document for our financial planning
- A key role in the budget setting process
- Ensures the budget is prepared in line with Plymouth priorities
- Covers a 3 year period and is updated and reviewed regularly and approved annually by Council.
- Identify sustainable, alternative and increased sources of income
- Deliver the Asset Management Plan and maximise the community value of our assets

The MTFS is based on a set of financial principles and objectives. These are set out below.

Financial Principles

Managers must contain their expenditure within their approved budget.

The Council will achieve a balanced budget year on year.

Services will be charged for under the Council's Fees and Charges Policy. Charges will be increased for inflation.

Provision for pay inflation will be made centrally. Available resources will be allocated to service budgets following the local government pay settlement.

Specific grants will be included in service budgets. Any later reduction in a grant must be absorbed by the service budget, except in exceptional circumstances.

If appropriate cross cutting savings may be held centrally. In-year savings will be reported separately. Savings will be deducted from service budgets the year after implementation.

Service departments are expected to meet the capital financing costs of projects. Corporate or cross cutting schemes may be funded centrally.

ICT expenditure is financed by service departments. Corporate or cross cutting schemes will be funded centrally

Financial Objectives

To generate the maximum possible funding towards delivering the priorities as set out in the Plymouth Plan and our Corporate Plan.

Prioritise capital schemes based on deliverability of tangible outcomes whilst considering the context of the overall capital and revenue affordability.

To support the local Plymouth economy working in partnership with local businesses.

Council Tax increases will be below the level to trigger a referendum.

Maximise income opportunities primarily through structured growth of the City and proactive partnership working.

To continue to maximise savings from our Transformation Programme and seek new opportunities where possible.

Achieve a return on investment of 1.3% in 2017/18, and 1.25% in later years.

Borrowing not to exceed £450m in 2017/18 and £500m in 2018/19.

Provide for borrowing costs in the MTFS.

Retain a general fund revenue balance of at least 5% of net expenditure.

Plymouth
Britain's Ocean City

THE PLYMOUTH PLAN 2011 - 2031

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

WHAT WE WANT TO ACHIEVE...

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

HEALTHY CITY
People live in happy, healthy, safe and aspiring communities

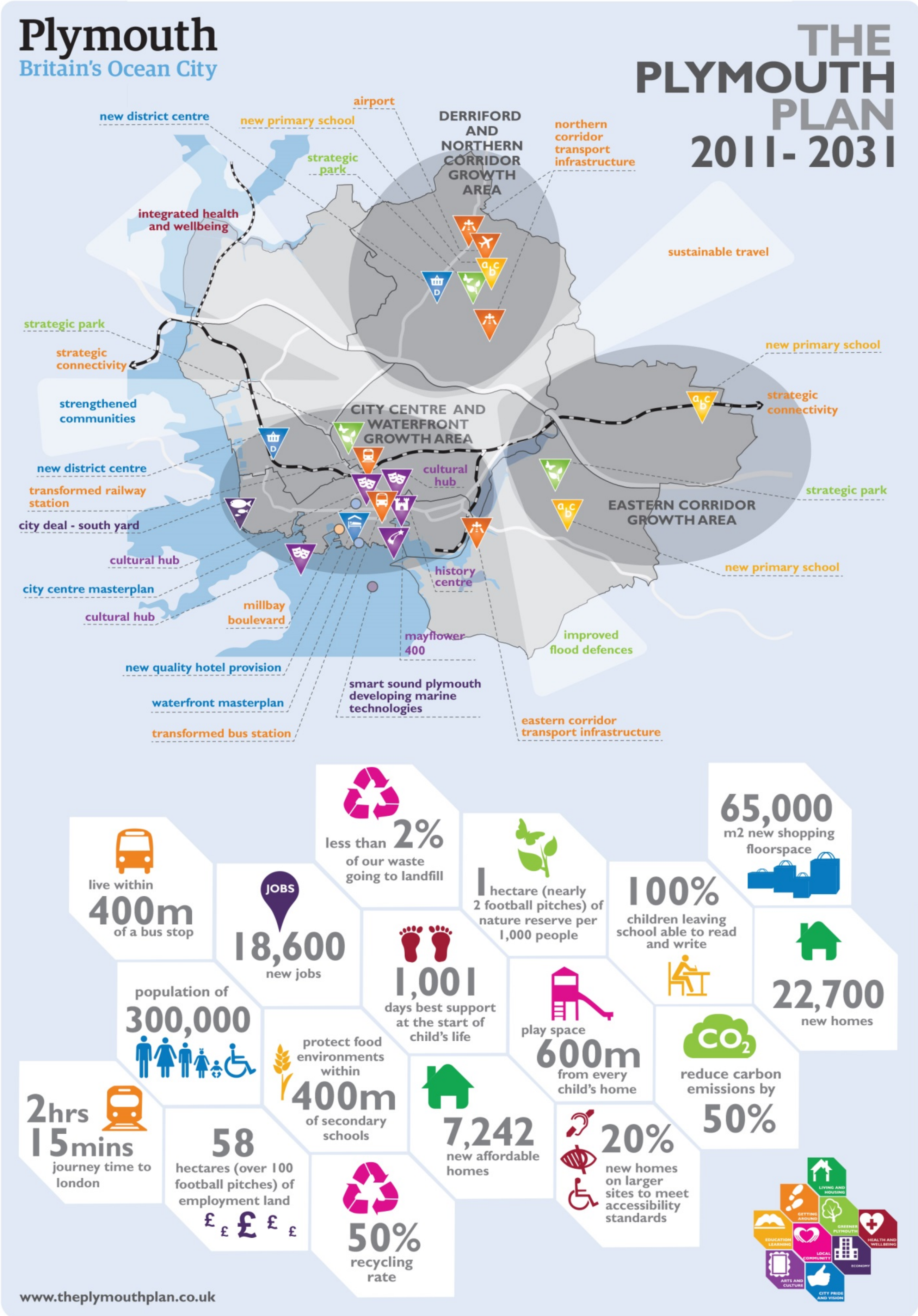
GROWING CITY
A city which has used its strengths to deliver a prosperous city with a strong economy and quality places

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

HOW WILL WE KNOW WE'RE SUCCESSFUL?

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

WHAT PRINCIPLES WILL GUIDE US?


Plymouth
Britain's Ocean City
THE PLYMOUTH PLAN 2011- 2031
new district centre
new primary school
airport
strategic park
DERRIFORD AND NORTHERN CORRIDOR GROWTH AREA
northern corridor transport infrastructure
integrated health and wellbeing
sustainable travel
strategic park
strategic connectivity
new primary school
strengthened communities
CITY CENTRE AND WATERFRONT GROWTH AREA
strategic connectivity
new district centre
cultural hub
transformed railway station
strategic park
city deal - south yard
EASTERN CORRIDOR GROWTH AREA
cultural hub
new primary school
city centre masterplan
history centre
millbay boulevard
cultural hub
mayflower 400
improved flood defences
new quality hotel provision
smart sound plymouth developing marine technologies
waterfront masterplan
eastern corridor transport infrastructure
transformed bus station
less than 2% of our waste going to landfill
65,000 m2 new shopping floorspace
live within 400m of a bus stop
JOBS
18,600 new jobs
1 hectare (nearly 2 football pitches) of nature reserve per 1,000 people
100% children leaving school able to read and write
1,001 days best support at the start of child's life
22,700 new homes
population of 300,000
play space 600m from every child's home
protect food environments within 400m of secondary schools
reduce carbon emissions by 50%
2hrs 15mins journey time to london
58 hectares (over 100 football pitches) of employment land
7,242 new affordable homes
20% new homes on larger sites to meet accessibility standards
50% recycling rate
LIVING AND HOUSING
GETTING AROUND
GREENER PLYMOUTH
HEALTH AND WELLBEING
EDUCATION LEARNING
LOCAL COMMUNITY
ECONOMY
ARTS AND CULTURE
CITY PRIDE AND VISION
www.theplymouthplan.co.uk

Corporate Plan

The Corporate Plan 2016 to 2019 sets out our vision to be 'one team serving our city' and retains our ambition to be a Pioneering, Growing, Caring and Confident City.

OUR PLAN
ONE CITY COUNCIL

PLYMOUTH
CITY COUNCIL

CITY VISION
Britain's Ocean City

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

OUR VALUES

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

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

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

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

OUR VISION One team serving our city

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

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

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

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

OUR THEMES

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

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

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

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

Plymouth
Britain's Ocean City

www.plymouth.gov.uk/ourplan

National Context

Reform of local Government funding

In July 2016 the Government began a fundamental review of how local authorities are funded. Two consultation papers were issued on Fair Funding and 100% Business Rates Retention. This was one of the biggest changes to local Government finance in decades.

A further consultation paper was issued in February 2017 and it was planned for the new system to be in place by April 2019 supported by a number of pilots from April 2018. The changes could have a significant impact on the Council's budgets and would create further complexity and financial risk to the Council in terms of its medium term financial planning.

Following the General Election and Local Government Finance Bill it was not included within the Queens Speech. This was required to progress 100% Business Rates Retention. The Department of Communities and Local Government (DCLG) have said they are committed to deliver the manifesto pledge to help local authorities to control more of the money they raise and will work closely with local government to agree the best way to achieve this. The delay has created further uncertainty for the future of local government fundingThe Council will be working to protect its financial position by lobbying and as a member of SIGOMA and the Unitary Authority Treasurers Group.

The Council's response to the consultation is summarised below.

Fair Funding and Business Rates

The Council already has significant pressures

Spending need should be measured by multi-level modelling. Regression analysis of past expenditure should not be used as it is unfair and self-fulfilling

New burdens are to be devolved to local Government. But Councils must also be given the powers to set service policy and run the devolved services to meet local needs.

Local authorities should not be expected to take on responsibilities where high demographic growth or rapidly increasing demand can be expected

The Council supports business rates growth being used to support devolution deals

The system should be re-set periodically to protect individual authorities

All combined authorities should enjoy the additional powers proposed for Mayoral Combined Authorities

Appeals risk and safety nets should operate nationally

All Combined Authorities should have the power to levy a 2p supplementary rate

Existing powers to levy a business rates supplement should be retained

Working together to grow the wider economy

Plymouth City Council, together with all the councils across Devon and Somerset and Torbay Council have been working with the Heart of the South West Local Strategic Partnership, health organisations, and the two National Parks for over two years to create a strong partnership of local leaders. In February 2016, the partnership submitted a Prospectus for Productivity to Government, setting out the broad challenges and opportunities for the area and identifying the additional support required by Government to increase productivity levels to match other parts of the UK. They are now creating a Productivity Plan which will describe in more detail the type of activities and investment required over the next 15-20 years to increase economic productivity and improve the overall prosperity of the Heart of the South West area. At the same time, the partnership is moving to establish more formal governance arrangement to oversee the Plan. All councils have therefore agreed, in principle, to establish a Joint Committee which is due to come into effect in early 2018. The Productivity Plan and the Joint Committee will create a clear focus for working together locally but will also provide a better basis to engage with Government as opportunities for greater devolved powers or more funding arise.

Four Year Local Government Finance Settlement

2018/19 will be the third year of the four year Settlement offered by government. The City Council supported the move to a longer funding Settlement s on the grounds of reducing financial risk and uncertainty. However an early indication as to whether longer Settlements are to continue and clarity on the timetable for Business Rates Retention would be welcomed.

The Government will consult on the 2018/19 funding settlement in the autumn of 2017 with final figures announced in 2018.

Flexible use of Capital Receipts

A Flexible Use of Capital Receipts Strategy was submitted to Council as part of the 2017/18 budget process. This supports local authorities to deliver more efficient and sustainable services by allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of transformation projects.

New Homes Bonus and Better Care Fund

The Government announced changes in the autumn 2016 budget to New Homes Bonus. Entitlements have been reduced from 6 years to 4 years and a 0.4% threshold has been introduced where no new homes bonus is paid on new property growth below this percentage. Nationally, the reduction in New Homes Bonus is being re-directed to the Better Care Fund. Provisional Better Care Fund allocations are assumed in the savings table in the Medium Term Financial Strategy. Student accommodation – whilst not subject to Council tax – attracts new Homes Bonus.

Brexit

The Government are currently in detailed negotiations on Brexit with the EU. These negotiations are expected to continue until autumn 2018. The financial and service implications of Brexit are being carefully monitored.

- A downturn in the housing market and new starts could impact on New Homes Bonus.
- Changes to interest rates would impact the Council's investment income
- Reduced development of business premises could impact on PCC business rates income
- The Council has significant industrial and commercial holdings and any fall in rental levels or demand for premises could have an adverse impact on income budgets

Brexit will also provide opportunities for Plymouth City Council. Reliance on EU support could be replaced by increased devolution to local authorities. This would create increased opportunities for the Heart of the South West Combined Authority.

Responding with Innovation

The Council continues to explore innovative solutions to the resourcing challenges presented by the shift in financing local government. One such strategy is the use of Alternative Service Delivery Vehicles, such as joint venture companies or wholly owned companies, where they can improve service delivery and drive efficiency and innovation. At the same time as resolving the challenges to improve service delivery and maximise capital investment we are also taking a longer term strategic view to make sure our tax planning is also adding value.

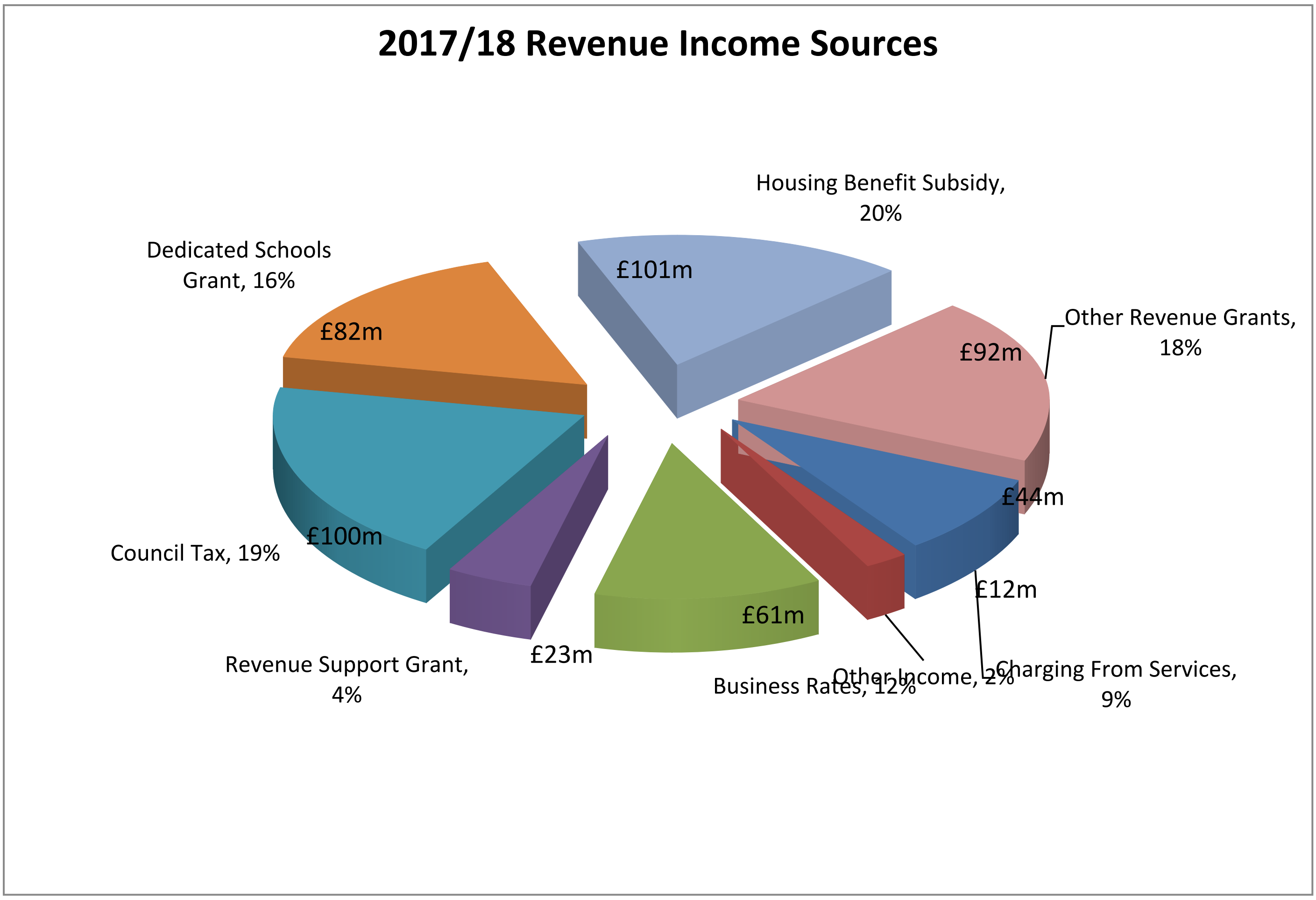
Local Economy

With a population of approximately 264,200 (2016), an economic output of £5.2 billion and 107,800 jobs, Plymouth is the most significant economic centre in the south west peninsula and the largest urban area in the Heart of the South West Local Enterprise Partnership, making it a key location for growth. The city's economic performance up to the onset of the global financial crisis and subsequent recession of 2008/9, showed some signs of improvement particularly in terms of nominal Gross Value Added (GVA), relative GVA per job/hour, and employment growth. Following the economic recovery, Plymouth's economy continues to gain strength; there has been a reduction in public-sector dependency (although it is still higher than in other cities) and unemployment is decreasing. Average house prices are rising in line with the national average and full-time median wages compare favourably with other similar cities.

- Plymouth's total GVA annual total value now exceeds £5.2 Billion (2016).
- GVA per Hour Worked is £29.20 , the highest in the HotSW
- Plymouth's (2015) Gross disposable household income rises to a record high of £15,516 per head
- Gap in pay between Plymouth & the HotSW (Annual-Resident full-time) = -2.5% (2015)
- 1,289 new jobs were created in the city (2015).

Resources available

Although our budget is expressed in net terms of £184m, the actual gross spend for the Council is in excess of £515m per annum. This reflects a number of significant income streams which the Council either manage, or passport on to third parties.



Medium Term Financial Forecast

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
	BUDGET	FORECAST		
REVENUE RESOURCES AVAILABLE	**183.883**	**183.069**	**178.739**	**179.423**
Baseline spend requirement	186.702	183.883	183.069	178.739
One off savings brought forward	4.876			
Plus identified additional costs	10.536	11.007	10.056	10.518
Overall spend requirement	**202.114**	**194.890**	**193.125**	**189.257**
In-year shortfall to be found	**18.231**	**11.821**	**14.386**	**9.834**
Cumulative shortfall	**18.231**	**30.052**	**44.338**	**54.272**
Transformation stretch savings	**18.231**	**7.455**	**8.370**	**-0.794**
REVISED SPENDING FOR YEAR	**183.883**	**187.435**	**184.755**	**190.051**
Budget Gap	**0.000**	**4.366**	**6.016**	**10.628**

- Funding is reducing year on year from £183m in 2017/18 to £179m in 2020/21
- Most of the increasing costs are outside of the control of the Council such as the National Minimum Wage and the cost of Adult and Children's Social Care.
- Transformation stretch savings offset the gap delivering savings of £15m over the next 3 years

Transformation Stretch Savings Summary

Transformation Stretch Savings	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
New Homes Bonus	-0.513	-1.782	-0.327	-1.044
Better Care Fund Gain	0.764	4.579	4.111	
Adult Social Care Support Grant	1.300	-1.300		
ODPH Directorate	0.148	0.075	0.074	
Chief Executive Office	0.255	0.035	0.022	
Place Directorate including GAME 2	3.049	1.351	0.029	
People Directorate - One System One Aim	4.898	4.039	3.656	
Transformation & Change Directorate (Transformation of Corporate Centre)	2.984	1.872	0.423	
Corporate items	5.346	-1.414	0.382	0.250
Total Savings	**18.231**	**7.455**	**8.370**	**-0.794**

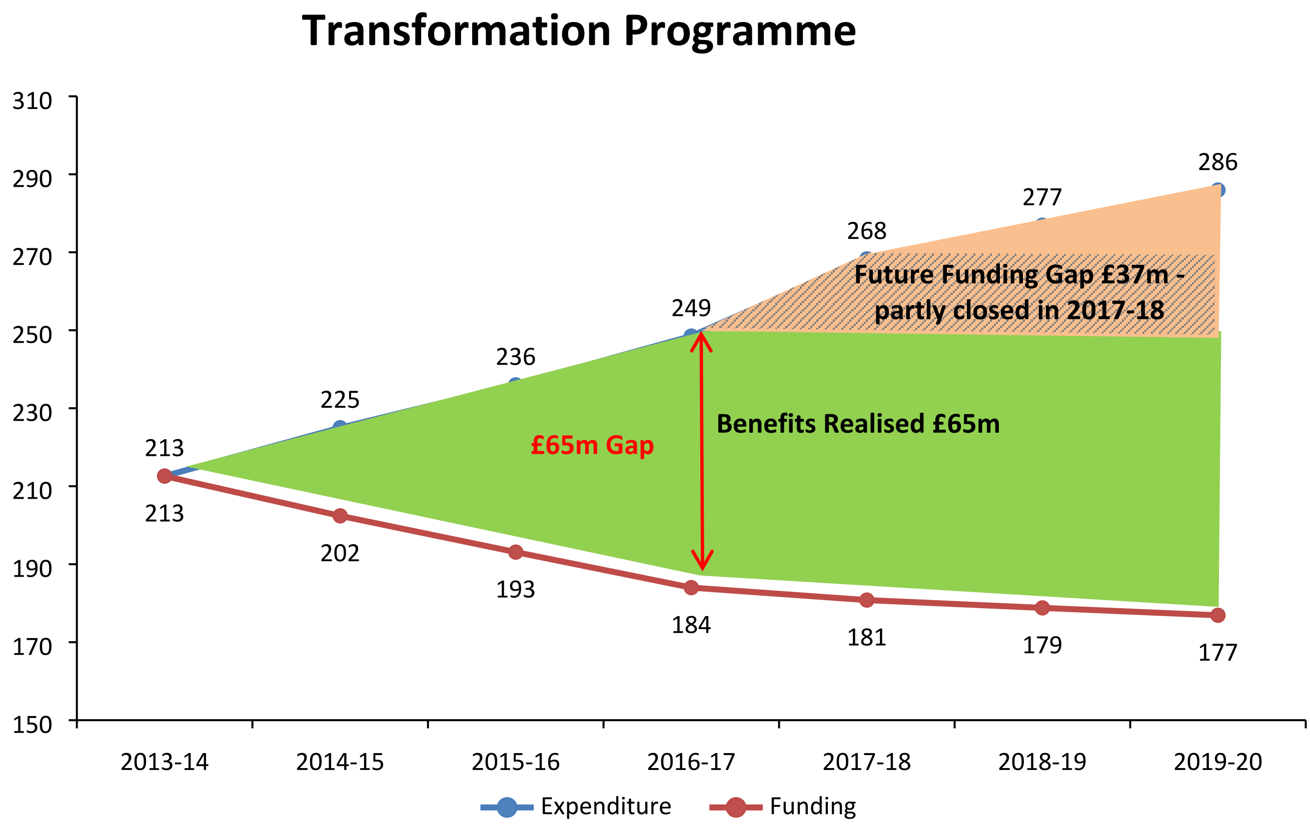
Transformation Stretch Savings Detail

Transformation Stretch Savings	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
New Homes bonus	-0.513	-1.782	-0.327	-1.044
Better Care Fund Gain	0.764	4.579	4.111	
Adult Social Care Support Grant	1.300	-1.300		
ODPH Directorate	0.148	0.075	0.074	
Chief Executive Office	0.255	0.035	0.022	
Place Directorate including GAME 2				
Real time passenger information	0.024			
Economic Development Systems Review - moving towards cost neutrality	0.200			
Commercial Events		0.150	0.050	
Energy-Related Initiatives: Dividend from Ernesettle Solar Farm	0.043			
Energy-Related Initiatives: Additional Capitalisation of Low Carbon Team Posts	0.025			
Parking Modernisation Plan	0.500			
Additional Efficiencies	0.213	0.198	0.126	
Asset Investment Fund	0.950	0.350		
Public Transport Efficiencies		0.150	-0.150	
GAME2 - Street Service operations	0.275			
GAME2 - Highways reprocurement	0.250			
GAME2 - Strategic Planning and Infrastructure Systems Review	0.266			
GAME2 - Waste Modernisation	0.250	0.500		
Fees & Charges in accordance with Policy	0.053	0.003	0.003	
People Directorate - One System One Aim				
Integrated Delivery and Commissioning	3.000	2.105	1.650	
Community Connections		0.050		
Children, Young People and Families	1.500	1.263	0.750	
Education, Participation and Skills		0.421	0.250	
People Directorate review	0.500	0.200	0.250	
Efficiencies People Directorate	2.117		0.756	
One-off grant maximisation in People 16/17	-2.219			
Transformation and Change Directorate (Transformation of Corporate Centre)				
Legal Department Transformation	0.200			
Transformation Review	0.835	0.500		
Smart working	0.305	0.543	0.234	
Administration and Facilities Management	0.125			
Systems Review - Community Facilities	0.470	0.033		
Further Efficiency Savings	0.317	0.294	0.187	
Service Centre		0.500		

Transformation Stretch Savings	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Fees & Charges in accordance with Policy	0.339	0.002	0.002	
Corporate Items				
Systems and IT infrastructure	0.338			
Corporate Training	0.055			
Fees & Charges in accordance with Policy		0.250	0.250	0.250
Procurement	0.300			
Treasury Management/MRP/LOBO	0.500	0.500	1.000	
Treasury Management Savings	0.512	-0.114	-0.118	
Flexible use of Capital Receipts	3.500	-2.500	-1.000	
Reduction in Reserve	0.150			
Increase in Investment Diversification	0.200	0.400	0.200	
Reduction in Working balances	0.184	0.050	0.050	
Total Savings	**18.231**	**7.455**	**8.370**	**-0.794**

Our Financial Position – what we projected

In 2013 we worked out what the estimated gap by 2016 would be if we did nothing.



Due to transformation savings the Council has overcome the £65m gap identified in 2013. The efficiency challenge moves forward and the chart resets the position for setting the 2018/19 budget.

Financing the Council

Financial Planning Assumptions

The Medium Term Financial Strategy is based on national and local economic context and local strategic direction.

Key Financial Planning Considerations

The four-year Revenue Support Grant settlement.

Uncertainty to future funding due to delay in 100% Business Rates Retention. Reductions in other Government grant funding without matching reductions and responsibility for related services provision.

A continuing range of increasing costs in order to meet the demands on the Council and maintain key services, particularly in Adult Social Care, Children's Social Care and Waste

Increased costs of meeting new initiatives.

An expected increase in annual pay inflation of one per cent and the LGAs national review of spinal points

A continued increase in employer pension contributions.

General inflation relating to external spends and contracts have not been accounted for on the understanding that smarter procurement practices will continue to contain significantly increased spending.

Key Assumptions

Benefit from the Devon-wide Rates Pool continues in 2018/19 and future years.

Build on the strong relationship with key partners such as the NHS N.E.W Devon Clinical Commissioning Group building on the S75 Agreement implemented April 2015 and the Integrated Fund

Maintain a minimum 5% Working Balance. This reserve has been steadily built up over the years and stands at £9.4mmillion as at March 2017. This equates to approximately 5.0% of the Council's net revenue budget which is about the average for Unitary Councils.

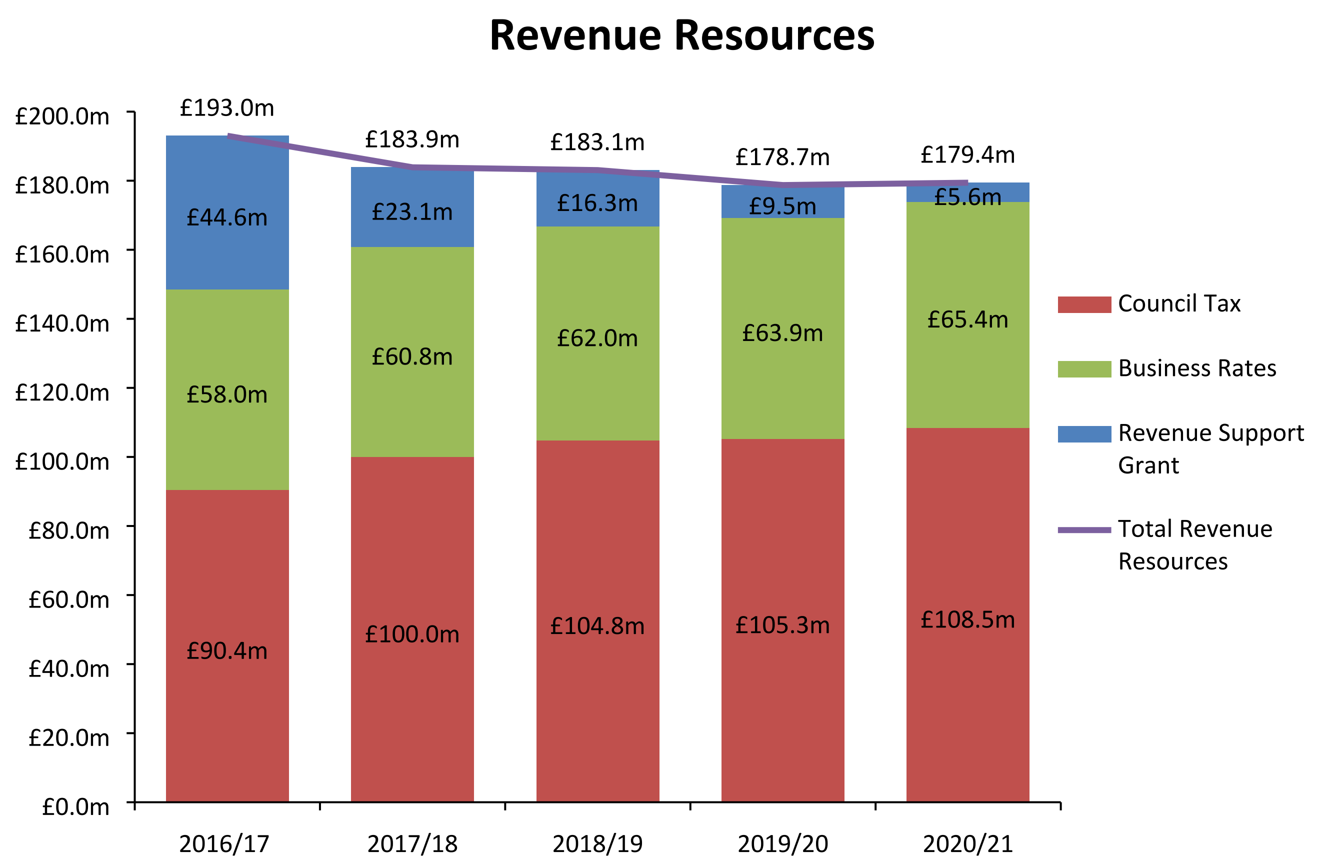
Revenue Resources

Plymouth City Council, in line with all other Local Authorities, continues to face diminishing resources and increasing demand and costs.

Our Council tax assumptions reflect a steadily increasing tax base, and the levying of an additional 3% Adult Social Care precept in 2018/19 as allowed by Government. The Business Rates forecast assumes a full growth dividend. It is expected that Devon Business Rates pooling gains will continue. A moderate RPI increase has been assumed.

	2017/18	2018/19	2019/20	2020/21
	Budget	Forecast		
	£m	£m	£m	£m
Revenue Support Grant	23.058	16.323	9.533	5.567
Council Tax	100.004	104.792	105.311	108.479
Business Rates	60.821	61.954	63.895	65.377
Total	**183.883**	**183.069**	**178.739**	**179.423**

The scale of the funding reductions is the financial challenge facing the Council over the next four years. The Council therefore faces a continuing reduction in core central funding from the Revenue Support Grant with the expectation this will be zero in the medium term



Treatment of Specific Grant Funding

Housing Benefit Subsidy

Normal housing benefit payments are subsidised at 100%. Housing Benefit Subsidy Grant is estimated to be **£101m** in 2017/18. However overpayments attract only a 40% subsidy rate.

Increased levels of claimant error are being notified to Councils by DWP under Real Time Information. An additional £0.5m has been provided in 2017/18 to address the subsidy implications.

Dedicated Schools Grant

The largest specific grant that the Council receives is the Dedicated Schools Grant (DSG) which is **£82m** for 2017/18. The funding is spent either directly by Schools, (Primary, Secondary and Special), through their formula allocations, or by the authority on their behalf. The Schools Forum, (a representative group of Head Teachers and relevant stakeholders), are consulted on the local authority's formula distribution and the amounts administered centrally.

Any over or under spends on the DSG are carried forward to the following financial year with a neutral impact on the Council's general fund. However, accumulated school balances do form part of the Council's overall reserves and provisions.

Pupil Premium

In addition to the Dedicated Support Grant the Council also receives additional schools funding through the Pupil Premium. This allocates additional funding to schools that have pupils who are:

- Eligible for free school meals
- Looked after by the City Council
- Have parents who are currently serving in the armed forces.

Public Health Grant

This Government Grant supports the Council's public health responsibilities. Grant conditions apply including responsibilities for 0-5 children services.

For 2017/18 the Public Health grant is **£15.735m**, which is a reduction of £0.398m from 2016/17. We do not have a confirmed grant allocation for 2018/19 at this stage. The confirmation in previous years has been received in the January ahead of the financial year commencing in the April. For planning purposes Plymouth's Director of Public Health is working on an assumed reduction of a further 2.5% (£0.393m) which would provide a grant value of £15.342m.

Since 2014/15, Plymouth's allocation will have seen a cumulative reduction of more than £2m, nearly 12%.

Grant funds may only be spent on activities whose main purpose is to improve the public health of our local population. This includes some specific requirements around health improvement, sexual health, drug and alcohol services, children and young people's PH services, NHS Healthchecks and health protection, as well as providing healthcare public health advice to support the commissioning of health and wellbeing services.

New Homes Bonus/Better Care Fund

The New Homes Bonus is a Government scheme which is aimed at encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. Local authorities are not obliged to use the New Homes Bonus funding for housing development. The scheme was introduced in April 2011. The amount of NHB that each authority receives is dependent upon these elements;

- The Council tax band of each additional property built, multiplied by the national average Council tax level from the preceding year i.e. 2017/18 allocations are based upon the average Band D Council tax set in 2016/17 at £1,530
- A payment of £350 for each affordable home
- Empty homes coming back into use
- No payment is made on growth in new homes of less than 0.4% as this is deemed to be 'normal' growth

In December 2015, the Department for Communities and Local Government published the provisional 2016/17 New Homes Bonus allocations, indicative 2017/18 to 2019/20 allocations and a technical consultation paper "New Homes Bonus: Sharpening the Incentive."

It was announced that the New Homes Bonus scheme would be extended indefinitely, however Government has issued a consultation to consider how the incentive element may interact with potential full retention of business rates and devolution.

Under the current scheme Local Authorities receive New Homes Bonus for a four year period. The decline in 18/19 is due to the ending of previous year's allocations that were made before the 0.4% threshold was introduced. This also impacts 20/21.

New Homes Bonus projections are detailed below.

New homes Bonus	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
Year 1	0.832				
Year 2	0.706				
Year 3	0.868	0.868			
Year 4	1.189	1.189			
Year 5	0.602	0.602	0.602		
Year 6	1.319	1.319	1.319	1.319	
Year 7		1.025	1.025	1.025	1.025
Year 8			0.275	0.275	0.275
Year 9				0.275	0.275
Year 10					0.275
Total New Homes Bonus	5.516	5.003	3.221	2.894	1.850
NHB Year on Year Change	1.319	-0.513	-1.782	-0.327	-1.044

Part of the New Homes Bonus fund was redistributed to the Better Care Fund. The net effect of this for the Council was as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21
Better Care Fund Allocations		0.764	4.579	4.111	
Net Change to New Home Bonus Scheme from 6 to 4 years and introducing a 0.4% threshold		-1.281	-3.207	-3.517	
Net Change		**-0.517**	**1.372**	**0.594**	

The Plymouth Integrated Fund

As part of a collaborative transformation programme, Plymouth City Council and NHS North East and West (NEW) Devon Clinical Commissioning Group (CCG) continue to draw on the Plymouth Integrated Fund. This has been created by pooling or aligning the vast majority of the People Directorate budget and the Public Health commissioned services budget to form a fully integrated health and social care commissioning budget. Implemented via a Section 75 Agreement under the NHS Act 2006, the Plymouth Integrated Fund has a combined net budget of £490m and was established specifically to create an integrated population based system of health and wellbeing for Plymouth.

Our four integrated commissioning strategies, developed in conjunction with the NEW Devon CCG, continue to provide the direction and guidance for a place-based, whole system approach to health and social care outcomes in Plymouth and help identify how the Plymouth Integrated Fund will be used to optimum effect. Each of the two partners contributes to the fund as follows:

- NHS N.E.W. Devon Clinical Commissioning Group: £353m
- Plymouth City Council: £137m

The Plymouth Integrated Fund also incorporates the Better Care Fund, which is a national programme aimed at accelerating integration between the NHS and Local Government. It creates a local single integrated budget to incentivise the NHS and Local Government to work more closely, placing wellbeing as the focus of the health and social care services. For 2016/17 the funding we received from the Better Care Fund (BCF) was £19.351m for both partners. For 2017/18 the confirmed allocation contains the year's BCF £19.834m plus Plymouth City Council's Improved Better Care Fund (iBCF) allocations of £0.764m and £5.800m; a total of £26.398m. The Plymouth Integrated Fund is supported on the basis of a 72% Clinical Commissioning Group 28% Council share of financial benefits and risks. This agreement limits the transfer of any over or under spends between the partners to a defined prudent maximum. The development of the Plymouth Integrated Fund has created greater opportunity to deliver improved outcomes and financial savings, recognising the existing budget pressures in both organisations, which have developed plans to address underlying overspends in the Plymouth Integrated Fund. Livewell Southwest - a Community Interest Company (CIC) - deliver community, physical and mental healthcare to people living in Plymouth, South Hams and West Devon and is an example of how the transfer of the adult social care staff enabled a fully integrated approach to both health and social care assessments for the people of Plymouth.

Council Tax

The Council increased Council Tax for 2017/18 by 1.49%. Council Tax is assumed to be frozen through to 2020/21 in the MTFS. A 3% Adult Social Care precept has been applied to 2018/19, 0% in 2019/20 and 2% in 2020/21. In the table below we have set out the implications on our overall resources for 2018/19 to 2020/21 of three alternative options on future changes:

- A general Council tax freeze in each year
- A general Council tax increase of 1% year-on-year
- An increase up to the referendum limit of 1.99% in each year.

Every 1% movement in the Council Tax base equates to £1.000m.

	2017/18	2018/19	2019/20	2019/20
	£m	£m	£m	£m
Adult social care precept assumed	100.004	100.004	104.792	105.310
		1.000	1.048	1.053
Based on 1.00% increase 2017/18 only	100.004	101.004	105.840	106.364
		0.990	1.037	1.043
Based on 1.99% increase 2017/18 only	100.004	101.994	106.877	107.406

Income Collection

The 2017/18 revenue budget and MTFS assumptions are based on achieving the collection targets. Bad debt provisions are kept under regular review by the Assistant Director of Finance.

Type of debt	Target % 16/17	Target % 17/18	Target % 18/19	Target % 19/20	Target % 20/21
Council Tax	98.5	98.6	98.7	98.8	98.8
Business Rates	98.5	98.6	98.7	98.8	98.8
Commercial Rents	98.0	98.5	98.5	98.5	98.5
Sundry Debt	97.5	98.0	98.0	98.0	98.0

The targets for Council tax collection and business rates are stretched for 18/19 onwards. These are ambitious targets and the increase is not currently assumed in the MTFS. The average in-year Council tax collection rate for unitary authorities was 96.9% in 2016/17. The average in-year business rates collection for unitary authorities was 97.0% in 2016/17.

Additional costs

Additional costs accepted within the MTFS 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. A clear business case must be approved through the Corporate Management Team (CMT) in order to incorporate future year funding allocations.

Utilities have been a significant additional cost in recent years. However, through office rationalisation, carbon reduction investment and falling prices, we have not incorporated such pressures within our MTFS at this stage. Likewise, general inflation relating to external spends and contracts have not been accounted for on the understanding that smarter procurement practices will continue to contain significantly increased spending. The additional costs within the 2018-19 MTFS are detailed below. Additional costs are kept under constant review as part of on-going budget monitoring.

Item / area	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Salary and Pension Inflation	0.900	0.800	0.800	0.800
Pension actuarial review	1.200	0.650	0.250	0.250
Adult Social Care – Care Packages cost and volume	2.756	2.813	2.386	1.861
National Living Wage – Adult Social Care	1.670	2.304	3.393	3.364
Children's Social Care - cost and volume	1.800	2.000	1.806	1.960
Homelessness		0.500		
Education Services Grant – Legacy Costs		1.300		
National Insurance and Insurance Tax Increase	0.050			
Major Investments – South Marine Yard/Mayflower Celebration	0.550	(0.550)	0.371	0.483
Plymouth Plan (one-off)	0.210	(0.210)		
ICT re-provisioning	0.300	0.300	0.300	0.300
Apprenticeship Levy	0.250			
Revenue costs arising from capital investment decisions	0.250	0.250	0.250	1.000
Staff costs (EVRS / redundancy)		0.750	0.500	0.500
Elections		0.100		
Housing Benefit Subsidy	0.500			
Neighbourhood Initiatives	0.100			
Total	**10.536**	**11.007**	**10.056**	**10.518**

Salary and Pension / Inflation

Pay awards have been significantly reduced over recent years, including a prolonged period of staff pay freeze. A one per cent increase in our payroll roughly equates to £0.8m added revenue spend within our base budget. Looking forward, we have assumed a one per cent award in 2018/19, 2019/20 and 2020/21. In addition to the annual pay award the LGA are currently reviewing the national spinal points. Modelling work has commenced and the MTFS will be updated to reflect local and national modelling. At this stage it is estimated that there could be up to a 3% uplift required to reflect the outcome of the spinal point review. Additional funding has been allocated towards our pension deficit.

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.

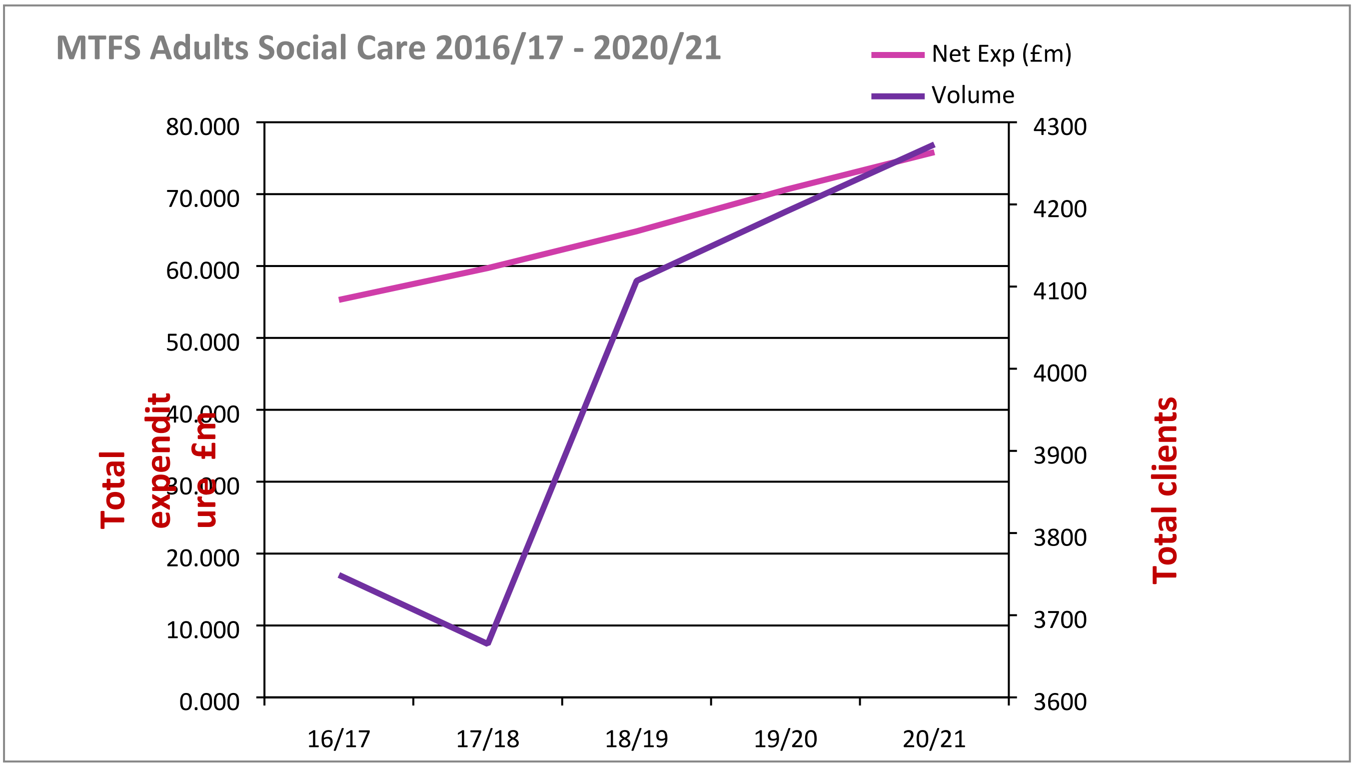
Adult and Children Social Care, plus National Living Wage

A significant proportion of our revenue budget is spent on two main areas; adult care services and children's social care provision. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. We have an ageing population with more complex needs and higher levels of young children requiring our services.

The National Living Wage was increased to £7.50 per hour from April 2017. This increasing cost is shown separately in our additional costs analysis but in reality is a key driver in the increasing costs of providing our adult social care packages and services.

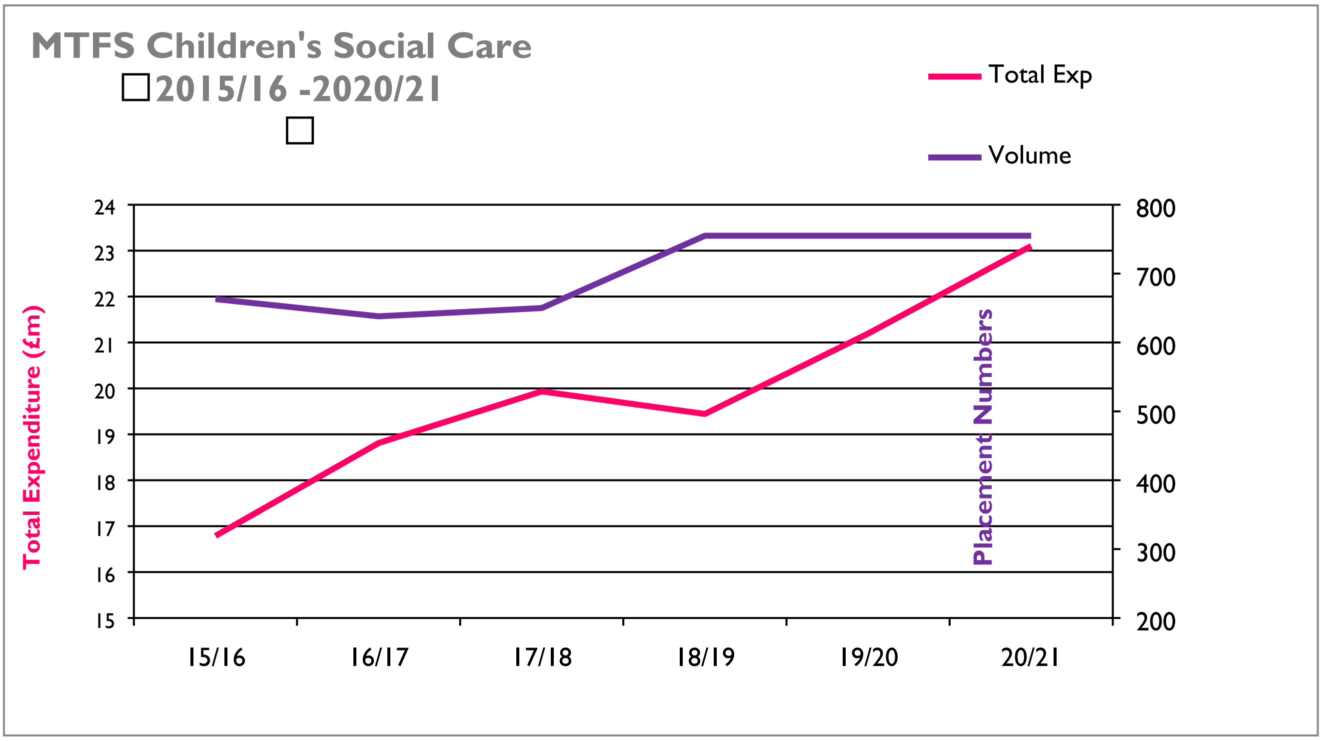
The MTFS has provided £1.670m in 2017/18 and increases in each year as we move towards the Government's pledge of £9 per hour by 2020/21. Reflecting this year-on-year increase sees additional allocations of £2.304m in 2018/19; £3.393m in 2019/20 and a further £3.364m in 2020/21.

For our own workforce, the Council pays the Foundation Living Wage (currently at £8.25) and this will be reviewed or capped for affordability in future years whilst the new National Living Wage catches up.



Adult Social Care Cost + Volume analysis

	2016/17 Outturn £m	2017/18 Budget £m	2018/19 Budget £m	2019/20 Budget £m	2020/21 Budget £m
Net budget for ASC care packages (before savings)	55.291	59.717	64.834	70.613	75.838
Additional MTFS provision		4.426	5.117	5.779	5.225
Split:					
Cost and Volume		2.756	2.813	2.386	1.861
National Living Wage		1.670	2.304	3.393	3.364



Children's Care Cost + Volume analysis

	2016/17 Budget £m	2017/18 Budget £m	2018/19 MTFS £m	2019/20 MTFS £m	2020/21 MTFS £m
Net budget for children's care packages (before savings)	16.108	17.908	19.908	21.714	23.674
Additional MTFS provision		1.800	2.000	1.806	1.960

The cost and volume analysis is refreshed on a quarterly basis. 2017/18 was the first year additional funding was allocated to reflect the increase in the total number of Looked After Children. The further additional funding allocated in future years reflects a levelling out in the trend of the number of children coming into care and an increase in the cost of the care packages and placements. The numbers reflected for 2019/20 and 2020/21 are based on trend analysis at this stage and will be refined going forward.

Homelessness

Community Connections is managing additional costs in 2017/18 due mainly as a result of increased demand for emergency temporary accommodation.

Average B & B numbers for April to July 2017 have been 58 placements per night with nightly costs increasing, as demand has increased necessitating the use of Travelodge together with increasing accommodation needs for families.

As part of the MTFS for 2018/19, Community Connections have been allocated additional funding of £0.500m to reflect this increased demand, whilst action is ongoing to limit the overall cost pressure through lower placements and prevention work.

Education Services Grant (ESG) – Legacy Costs

In 2017/18 the Education Services Grant (ESG) was phased out as a result of the new school funding model introduced by the Department of Education. Although the funding has been withdrawn we still have an on-going commitment to legacy costs inherited as part of the setting up of Plymouth as a Unitary Authority in 1998. This MTFS additional funding allocation replaces the lost ESG allocation.

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 MTFS assumes an allocation of £0.550m in 2017/18 to cover start-up and running costs. This reduces to £0.000m in 2018/19 and then increases to £0.327m in 2019/20. These running costs will not be required long term.

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. This allocation is to cover the revenue associated costs of planning and hosting events up to and including 2021.

ICT re-provisioning

The MTFS provides £0.300m in 2018-19, 2019-20 and 2020-21 for ICT re-provisioning. The cost of replacing our current stock of ICT equipment, covering desktop and laptop equipment and printers etc. will fall on revenue resources rather than the capital programme.

Revenue costs arising from capital investment decisions

£0.250m is included for the revenue costs arising from capital investment decisions in 2018/19 with a step up of a further £0.250m in 2019/20 and £1.00m in 2020/21. Borrowing costs associated with investment projects follow the "Invest to save" principle and are repaid by the project. There will be other cases where investment is required that the council wants to do, such as Transport projects, Schools and Health and Safety, where there is no financial payback. The loan repayments will be funded by corporate borrowing. Such investment will be met from allocations.

Council Staff redundancy costs (Enhanced Voluntary Release Scheme (EVRS) and Compulsory Redundancy)

Our workforce has reduced significantly in the last 3 years as a result of transformational changes that have impacted on the shape and size of the organisation. Staffing reductions have been delivered through a mix of natural turnover of staff, transfers out to alternative service delivery mechanisms (e.g. Delt shared services, Livewell SW and CaterEd) and as a direct result of Service Reviews where we have looked to realign services in line with our Council target operation model ('blueprint') and in line with budgetary savings required within the relevant financial period. £0.750m is included in 2018/19 MTFS period as a prudent provision for future costs associated with EVRS and redundancy of staff, £0.500m in 2019/20 and £0.500m in 2020/21.

Housing Benefit Subsidy

Normal housing benefit payments are subsidised by DWP at 100%. Claimant error is subsidised at 40%, but is recoverable from the claimant. If the claimant is still in receipt of housing benefit there is a regulatory limit to the amount that can be recovered of £10.95 per week.

Since 2014 DWP has compared its database of payroll and family credit information with monthly extracts of Local Authority housing benefit records. Benefits authorities are notified of any claimant error by DWP. Given the increased scale of claimant error and the difficulties of recovering overpayments in many cases, it is prudent to provide £0.500m in the revised MTFS for loss of housing benefit subsidy.

Neighbourhood Initiatives

£100k has been added to the MTFS for this important development.

Transformation Programmes

Local Government is changing rapidly as traditional sources of funding are reducing and the demand for our services is increasing. Our transformational programmes are designed to enable us to meet the £37m funding gap by continuing to transform the way we do things at pace. We know we cannot continue to deliver services in the same way we have done in the past and our transformation portfolio is taking a pioneering and ambitious approach to addressing these challenges while seeking to improve outcomes for Plymouth citizens.

This means providing services in new ways, joining up with partners wherever possible, investing in ways of doing things more efficiently, making the most of our assets and raising income by taking a more commercial approach.

There are three programmes that involve a wide range of projects touching every area of our work. The transformation programme comprises:

Growth, Assets and Municipal Enterprise (GAME 2 Programme)

This programme is investing in accelerating Plymouth's economic growth, which will raise income through business rates and Council tax. It includes a wide range of initiatives to create more jobs and deliver more homes in Plymouth, guided by the Plymouth Plan and the Plan for Homes.

We are also maximising the opportunities to increase income by making best use of our assets and taking a more commercial approach to the way we commission and run services.

Waste and Street Services

The Council has already started to reshape waste services with the optimisation of collection routes and the introduction of alternate weekly collections. The modernisation plan builds on these changes and moves the Council into the next phase of the modernisation of waste management and street scene services to create a seamless, sustainable system in partnership with our residents.

The modernisation in line with national best practice has delivered the following:

- Provided a holistic approach to service delivery with increased cross departmental and collaborative working and a city wide engagement and communications strategy.
- Developed a Street Scene and Waste Policy incorporating customer service standards, which will ensure a high quality and consistent standard of service to meet the needs of our growing city and which are aimed at increasing Plymouth's recycling rates, reduce collection and disposal costs and the council's carbon footprint.
- Put in place Alternate Weekly Collections.
- Developed lean and modern standard operating procedures for waste collection and street scene functions, operating on a zonal, scheduled, holistic approach to the service.
- Developed a schedule of waste collection rounds to ensure minimum disruption for residents and an efficient and cost effective deployment of staff and vehicles.
- Implementation of a range of on the go recycling facilities in city parks, the city centre and waterfront areas.
- Introduction of technologies to improve the service.

Highways re-procurement

In 2016/17 we undertook a major procurement to secure a new private sector partner to deliver the Highways Maintenance and Small Scheme work. The procurement of a 7 plus 3 year contract was a joint exercise carried out in partnership with Devon County Council and Somerset County Councils with a joint value in excess of £700m of which our contribution will be £10m to £12m per year. The contracts were awarded to the new partners on 01/04/17 our partner being South West Highways (SWH). The contract awarded to SWH is a Term Maintenance Contract (TMC) where we manage the workload and SWH carry out the work which will allow us to fully conform to the Department for Transport (DFT) recommended management system HMEP. The adoption of HMEP is essential if we are to secure significant future grant funding. To maximise the added value of the partnership between SWH and ourselves it is a fully collaborative venture with both parties signing up to BS11000 Collaborative Working which will be externally audited.

Asset Investment Fund

In 2015/16 we established an Asset Investment Fund to deliver our objective to use the Council's resources wisely by creating a long term additional commercial property income stream while helping create jobs by providing high quality business accommodation.

We have a significant commercial property investment portfolio with a capital value of around £88m and a net income of circa £5m (5.7% net return). The portfolio supports around 2,400 jobs in property assets that local businesses occupy that contribute towards growth in the local economy.

We are in a unique position to benefit from access to long term fixed rate prudential borrowing at low interest rates and to create an Asset Investment Fund to start an investment programme to directly build and acquire additional economic development and job supporting investment properties. This includes re-purchasing long leases on assets where we hold the freehold title, such as the city centre shops. We re-purchased an industrial estate long lease earlier this year which is providing a 10 per cent return.

The adoption of the Asset Investment Framework will provide a sound basis and evaluation criteria on which future property investment acquisitions can be assessed and the performance of the existing commercial estate monitored. This will ensure that the Council's commercial estate will provide a secure long term income stream to help front line service delivery and support the economic development of the city.

Growth Dividend

We will continue to be proactive in securing greater value from our assets and driving projects that deliver growth which brings long term economic and financial benefits for the city such as through securing New Homes Bonus, new Council tax and business rate revenues and additional Community Infrastructure Levy.

These measures include:

- The Plan for Homes which provides a comprehensive delivery framework to respond to need to increase the supply and quality of new housing in the city. The updated Plan for Homes agreed by Cabinet in February 2016 extends the existing plan to 2021, with an £80m commitment to housing investment to deliver over 1,500 new homes in support of the overall delivery of 5,000 homes over the next five years.
- Reviewing the Community Infrastructure Levy to focus the funding secured from development on supporting the infrastructure needed for growth (a new charging schedule is due to be in place by April 2017)
- Focusing the delivery of major projects that will have the greatest impact on revenue such as Drake Circus Leisure, Civic Centre, Seaton Neighbourhood, Railway Station, Colin Campbell Court, Bath Street, Quality Inn Hotel and Millbay.
- Continuing the programme of Direct Development to drive rental income and NNDR across the Land Property portfolio.
- Continuing to drive housing developments on Council land

One Public Estate – Working with public sector partners to deliver savings by better and more efficient and joined up use of public sector land and property. This includes modernising the railway station and surrounding area, creating a Health and Wellbeing hub at Douglass House and master planning the Mount Gould Hospital site. We secured £0.420m central Government funding for One Public Estate Phase 3.

Integration of Health and Wellbeing programme - One System, One Aim

A significant proportion of our revenue budget is spent on adult care and children's services and the costs of providing health and wellbeing services are rising as demand increases. The programme has already delivered pioneering changes to our adult social care services by combining them with health services to reduce costs and improve the health and wellbeing of Plymouth residents. It has redesigned our offer in Children's Social Care to deliver improved outcomes for young people.

The programme emphasises the need for preventative and early intervention services to improve health and wellbeing, thus reducing demand for crisis services and long term to develop a sustainable system.

It comprises multiple work streams currently embedded across:

- Integrated Delivery
- Integrated Commissioning
- Integrating services for Children and Young People and Families
- Efficiencies

Integrated Commissioning

- Joining up planning and sharing resources
- Implementing the Integrated Commissioning strategies including:
- Working with Primary Care, Community Pharmacies, the voluntary sector and other partners to develop Health & Wellbeing hubs across the city
- Building on our integrated Health & Social Care offer:
    - To allow easier and earlier access to services promoting wellbeing or providing help in a crisis

  - Empowering people to take control of their own health and wellbeing
  - Helping older people who have come out of hospital to stay at home
  - Ensuring that families and carers will not have to chase professionals or ask them to talk to each other
- Working with NEW Devon CCG and Health partners to redesign Urgent and Planned Care across the city
- Redesigning commissioned advice and information services, and develop an implementation plan for a comprehensive 'One Help Plymouth' offer
- Reviewing other areas of the People Directorate to develop smarter and more seamless ways of working.

Children and Young People Services
- Extending of the Gateway offer to widen the support for Children, Young People and Families and supporting the co-ordination of an improved Early Help Offer
- Remodelling SEND services across the system to deliver a joined up approach making use of mobile working technology
- Revising our Transitions offer to develop seamless support
- Extending the Permanency team to widen the support for Children in Care delivering a sustainable offer across the city
- Developing an improved quality assurance response for children's services
- Embedding our new ways of working across Children's Social care, which will make use of mobile working to deliver timely assessments and support for children in need
- Reviewing and remodelling the services for Education, Learning and Skills to develop a partnership approach working with schools to improve our offer to students and parents across the city

The People Directorate review will accelerate the review of all areas not within the scope of Integrated Delivery, Commissioning or Children's and Young People to remodel services across the Directorate.

The Directorate will also continue to seek to maximise all available grant funding and additional income opportunities.

Transformation of the Corporate Centre (TCC) Programme

This programme has been established to:
- Grow our shared service solutions
- Transform the ways we connect

The programme is supporting the delivery of the following agreed outcomes:
- Supporting cost effective, easy to use and highly accessible services
- Enabling informed decision making by joining up systems within PCC to create integrated views of Citizens, Costs, Services and outcomes and Performance
- Automating manual/paper tasks to reduce costs and improve quality
- Enabling smart/mobile working to allow services to be delivered where they are needed and reducing accommodation costs
- Delivering modern, high productivity technical tools to staff meeting the needs of a professional workforce and helping to attract and retain talent to the authority

Service Centre – this will support all Council departments who manage customer (including internal customer) requests and enquiries. The highest volume of customer contacts are the least complex and it is these transactions that will be managed by the Service Centre. Customer interactions will be simplified and standardised and will provide clear and transparent performance metrics. The Service Centre's capacity to support will increase as System Reviews are completed when suitable high volume, low complexity processes will be migrated and deliver economies of scale.

Digital Services - This project is an enabler for channel shift and automation; giving an organisational capability to deliver transformational change in service delivery, assisting with a reduction in call demand, enabling customers to self-serve and reducing paper-based transactions and the manual transfer of information.

AgileHR – We have modernised the way we provide HR and OD services by restructuring the service, introducing a business partner model and improving and expanding the way we use our self-service workforce management system, iTrent. We are developing our workforce to reflect the future needs of the organisation, using technology, empowering managers and providing staff with the tools they need to meet the challenges in their areas.

Finance FIT – Improving the way we deliver financial services to the organisation, ensuring we work in the most efficient way possible and that opportunities for self-service, automation and streamlining processes are maximized.

SMART working – Introducing flexible ways of working, using modern IT to enable staff to work more efficiently, while saving money by making the most efficient use of our buildings and assets.

Asset Management - Investigating the Council's office requirement for the future and rationalising the way we use our estate and delivering savings enabled by SMART working. Ensuring the Corporate Office buildings are fit for purpose and used in the most efficient way. We will be rationalising the estate by consolidating our office space need into the most efficient size/number of buildings and either releasing unused buildings for sale or leasing freed up space to generate income. The Councils depots will be consolidated to reduce the number and size to meet current and forecast needs with surplus depots sold for alternative uses.

Other Transformation Activity

Systems Reviews - a key element of our transformation is breaking down service silos and joining up the way we work both internally and with partners to deliver better and more efficient services.

Reviewing services in the context of the bigger organisational picture helps to identify opportunities to:

- Significantly reduce the number of times citizens have to contact us for the same service request
- Standardise the way we deal with citizens regardless of how they contact us
- Make it quicker and easier for citizens to contact us and to measure how we are performing against consistent standards
- Use our customer insight and organisational intelligence to improve outcomes from citizens
- Enable customers to access more services online at any time and using any device
- Use intelligence and customer insight to add value to interactions with citizens

This will help ensure we have a consistent approach across the organisation to the way we service Plymouth citizens.

The Future of Transformation

Our vision is for all Council services to work as one system together with our partners to deliver the most efficient services possible and better outcomes for Plymouth residents.

This involves collaborating with our public sector partners, providing services in new ways, simplifying our systems and processes, delivering transactional services through one point, maximising the use of digital channels and adopting an entrepreneurial culture.

Our aim as we continue to transform the organisation is to:

- Benefit from economies of scale. We will review all services and centralise those activities that can better be performed universally within a central, consolidated Service Centre.
- Enable maximum contact through digital channels and service as many requests as possible at point of contact and to automate and further streamline processes and opportunities for increase self-service.
- Benefit from a full picture of each customer and their needs based on a centralised data repository and intelligence and to provide a joined-up service to customers using shared business processes.
- Provide a joined-up and intelligent single point of contact for wider servicing of public service needs within the region.
- Explore potential benefits of delivering services by alternative means through a systems review focusing on consolidation, collaboration and sharing –internally and externally.

Capital Budget and Programme

Over recent years the Council has reviewed its management of the capital programme and is based on 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 Box 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.

The Council has decided to provide direct invest into the Plymouth Plan increasing by its long term borrowing to help fund the capital expenditure. The Council agreed a Priority List of projects that they would like to develop over the next five years to the value of £417m which includes £266m borrowing.

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

Funding Source	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m	£m
Un-ring fenced Grants	6.577	4.736	5.749	4.686	4.686	**26.434**
Ring fenced Grants	79.187	97.854	64.485	31.045	15.225	**287.796**
Developer Contributions	26.910	12.063	6.764	11.265	11.355	**68.357**
External Contributions	0.516	0.526	0.550	0.500	0.500	**2.592**
Capital Receipts	5.628	0.672	1.775	0.300	-	**8.375**
Investment Fund loans repaid	0.220	0.326	0.909	0.383	0.435	**2.273**
Plan for Homes	14.700	47.300	16.800	-	0.200	**79.000**
Service Borrowing	61.096	44.767	44.450	7.190	5.000	**162.503**
Corporate Borrowing	37.472	52.333	43.146	40.900	21.300	**195.151**
Revenue/ funds	1.116	1.768	0.100	0.100	0.100	**3.184**
Total	**233.422**	**262.345**	**184.728**	**96.369**	**58.801**	**835.665**

Income Assumptions

Capital Receipts

Capital receipts arise from the sale of an asset. Usually the sale of an asset cannot be used to fund ongoing revenue purposes, without exceptional rules in place (i.e. capitalisation directions, or for one off transformational purposes), thus the sale of assets is used to re-invest in capital investment. Furthermore capital receipts can be ring-fenced or un-ring-fenced subject to specific circumstances or agreed decisions to earmark a specific capital receipt.

The current methodology for predicting capital receipts is obtained from the Capital Receipts working group which tracks progress against scheduled sales of capital receipts. This results in a relatively straight forward forecast of known assets for sale which is then RAG rated based on expected timing and value.

Non Ring-fenced Grants

Un-ring-fenced Grants are best described as the "block allocation" of capital grants awarded to the Council by Central Government, based on a needs assessment. The blocks typically cover education and transport. Historically, the Council allocated the blocks to the applicable services and the services have drawn down against these funds with projects, in essence there has been a ring-fencing of sorts internally. The position is now changed with the Council deciding that all un-ring-fenced resources should first be available to the relevant service area, and if unused be held in a central pool with all priorities being considered. This may mean that funds passed to the Council by the Government for transport may be used for anything else.

The method of prediction is aligned to the spending reviews and settlements. In immediate years the block allocations tend to be announced as confirmed. This is often accompanied by indicative future year announcements (based on an assessment of need). As we move into the future we are using the information provided within these settlements and from central Government announcements.

Investment Fund loans repaid

The Investment Fund of £20m was created from a "top slicing" from a range of all un-ring-fenced income sources. A number of investments were awarded as repayable loans. Approved business cases demonstrated that these initiatives could repay the investment. There is therefore an income stream representing the repayment of these investments back to be recycled as a future un-ring-fenced resource. The monitoring of loan repayments is based on a scheme by scheme basis. Each cash-flow and return on investment varies.

Ring-fenced Grants

These grants are paid to PCC to deliver schemes, or outcomes, which will be defined in the terms and conditions from the funder, and may include time barring and future obligations for the Council. There will be penalties for the terms and conditions not being met.

Our income assumptions include mandated projects in our pipeline.

Borrowing

Loans are taken out to fund capital expenditure from approved lenders based on the Treasury management knowledge on interest rates & borrowing. The repayment of the loan principle and interest is paid for from revenue.

The Service Borrowing is where a service area has a capital project and the capital spending will improve the service or change the way the service is being delivered which makes savings. The savings are used to pay for the borrowing e.g. The Asset Investment Fund has taken out borrowing to purchase commercial properties that delivers an income to the Council as well as paying the service borrowing.

Corporate borrowing is used to pay for some or part of the capital projects in the Priority List and the cost of borrowing should be provided in the revenue budget.

Developer Contributions

Our Planning department forward forecast this based on known future developments. This is then RAG rated based on expected timing and value.

Community Infrastructure Levy (which replaced the S106 Tariff). The levy is used to support new developments by funding infrastructure needs – for example, new road schemes, park improvements or improvements to local school capacity. This is charged on a £ per square metre rate of the proposed new development.

Section 106 – Negotiated Obligations and tariff

Negotiated Element - this is negotiated with the developer and is used to fund specific works, normally linked to the development

Planning Development Tariff - pooled into categories to be used in such areas such as Transport, Education, Libraries. Regime has been replaced by CIL but resources continue to be collected.

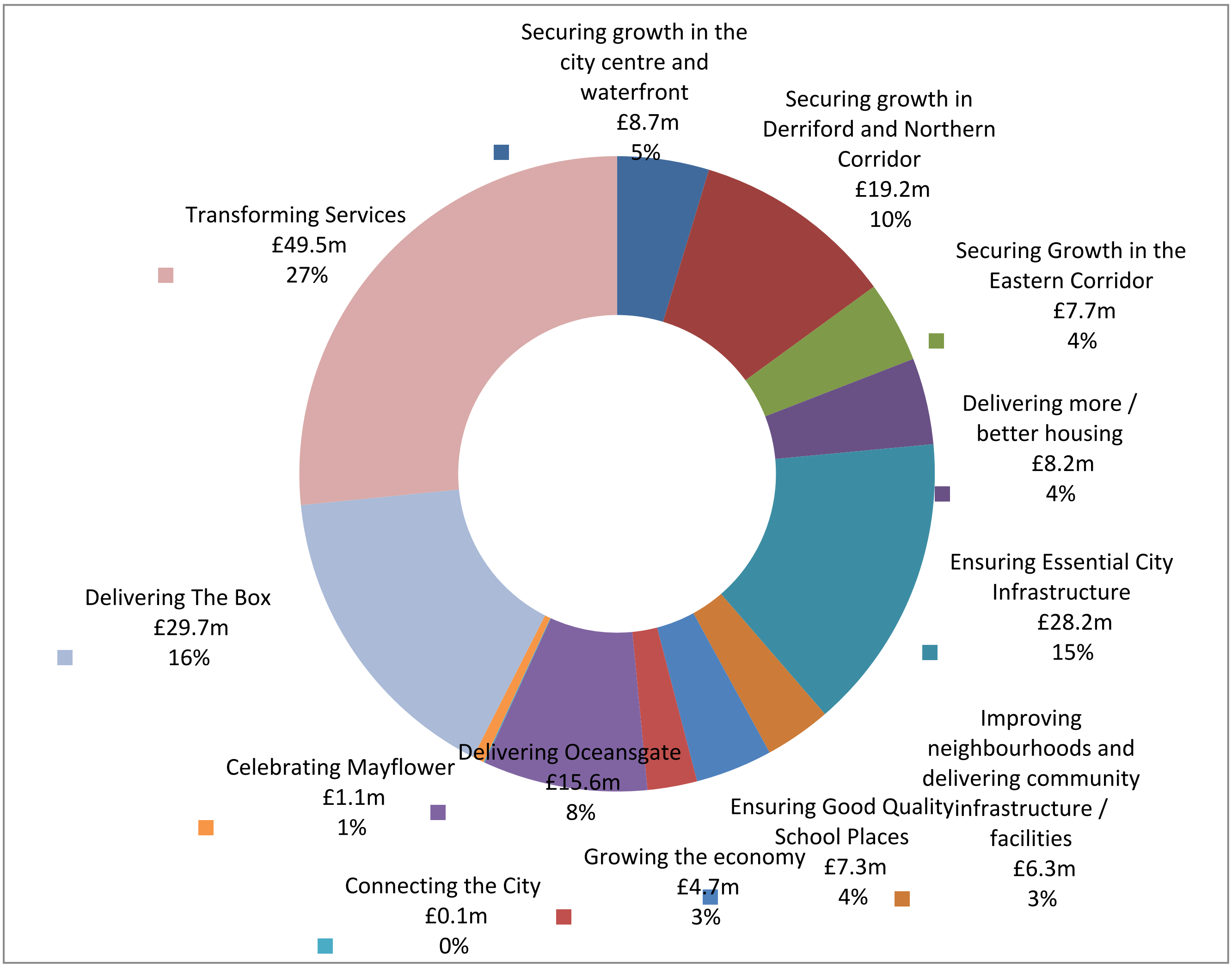
External Contributions

Sum provided by a funder, but not specifically as a grant. This is a direct award of resources for a specified purpose; for example the £2.1m contribution from British Land towards the new Mayflower Coach Station.

Revenue

The use of revenue budget to directly fund capital spend: This is known as an RCCO (Revenue Contribution to Capital Outlay)

Capital Programme for 2017/18



Capital Programme

Officers will remain proactive at securing external grant funding wherever possible in order to continue to deliver significant, ambitious capital investment in the city. The budget will be continually updated as further details of funding are made available. Projects utilising funding are submitted and approved by our City Council Investment Board (CCIB).

Projects seeking to fund proposals from borrowing will be required to meet the principle of "Invest to save". Business cases will evidence that a loan to fund capital spend can be repaid from the net revenue benefits achieved from the investment, as evidenced in a discounted cash flow. This ensures a net present value of a capital project over the life of the asset. The repayment of the loan principle and interest is paid for annually from the revenue account. The repayment of loans taken out based on approved capital projects is reported through regular revenue monitoring, until the loan is repaid. Proposed projects will continue to have to meet this "Invest To Save" criteria, and that the revenue impact of this will continue to be met from the relevant service revenue accounts.

We remain committed to a significant capital investment programme. The Council will engage with partners in major regeneration of the city, not only contributing towards improvements, but also to sustain local work opportunities, for example, the construction industry. We will ensure that we maximise the outcomes and revenue savings generated through capital investment. For example, we will grow businesses in the city and build more houses to generate business rate income, New Homes Bonus and Council tax.

Our Capital Resources to 2021/22 are £836m, 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.

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. We are investing £2.346m in Yealmpstone Farm Primary school.

Plan for Homes

£80m investment will be available to assist 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 to encourage sustainable journeys to be made. Opportunities to improve pedestrian and cycle links and crossings will also be maximised.

Forder Valley Link Road

£33.4m will be invested to provide a direct link to Derriford and to support future housing developments at Seaton neighbourhood**.**

Asset Investment Fund

An additional £100m is being invested into strategic property investments that will help grow the local businesses and will create income to support the Council's revenue budget.

Woolwell to the George

We are investing £15.7m on the road widening between Woolwell and the George to improve traffic flow on the Northern corridor and give better access for the houses at Woolwell.

Railway Station

£40m will be invested to improve the area in and around Plymouth Station This will deliver a new carpark and other developments and improved access for both vehicles and pedestrians.

The Box

Over £30m is being invested to transform the 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.

Oceansgate

£20m has been invested in the first phase with 32,400 square metres of new and converted workspace.

Treasury Management

The Council's approach to Treasury Management has been significantly revised due to the global economic environment and by the recent decision to leave the European Market. These events have led to the Bank of England reducing the bank rate to an all-time low.

Despite being risk adverse, we continue to explore opportunities for generating significant revenue returns through close management of the business's working capital and associated cash flows.

The Asset Investment Fund has been investing in local property by borrowing at unprecedented low interest rates. This will enable the Council to increase its investment income as well as supporting its revenue budget.

With falling interest rates on the Council's main bank and call accounts, we have also been proactive in seeking alternative investment vehicles for money that we are able to put aside for a longer time period. For example, our £20m investment in property funds generated a return of more than 3% in 2016/17 and a similar return is forecast for2017/18.

The Council's published Treasury Management Strategy details our borrowing limits and specifies approved institutes for investment, (with maximum limits), based on credit ratings and other pertinent factors. We also publish Prudential Indicators which set investment and borrowing performance indicators to ensure that we stay within these guidelines. We maintain regular engagement with our Treasury Management advisors, Arlingclose, and constantly seek their advice on our strategic direction and key operational decisions.

Borrowing Limits

The Council is required to set out its annual Borrowing and Investment Strategy recognising its implications on the Council's revenue budget. It is a statutory duty under the Local Government Act 2003 for the Council to determine and keep under review how much it can afford to borrow. The Council must have regard to the Prudential Code when setting its Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council Tax and Council rent levels is acceptable.

The Council approved its revised Treasury Management and Investment Strategy for 2017/18 in February 2017. In this Strategy we have approved the authorised borrowing limits from April 2017 as:

- 2017/18 £450m
- 2018/19 £500m

The Council will consider the use of borrowing if evidenced by a robust business case which clearly details financial and non-financial outcomes achievable through the proposed capital investment. Such cases require approval through the City Council Investment Board (CCIB) with the associated revenue cost of borrowing the money charged against the relevant service department to which the investment relates.

To ensure that the Council is not over-exposed to risk in terms of the extent of long term borrowing, we have set a target that the overall revenue cost of borrowing must not exceed 10% of the Council's entire net revenue budget in any given year. With future year resources anticipated to fall further over coming years, this target needs to be closely monitored by the Council's Section 151 Officer and Treasury Management Board.

Minimum Revenue Provision (MRP) Policy

The Council is required to make a revenue charge each year to provide for the repayment of loans taken out to finance capitalised expenditure. Government's Capital Financing Regulations places the duty for an authority each year to make an amount of Minimum Revenue Provision which it considers to be "prudent". The prudent provision is to ensure that debt is repaid over a period reasonably in line with that over which the capital expenditure provides benefits.

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 changed its MRP policy 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. For example, 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.

Financial Governance, Performance and Risk Management

The Council continues to improve its financial and governance arrangements. Financial Management has improved, performance management has improved, scrutiny has developed and an independent audit committee is operating well.

Finance Business Partners are an integral part of Department Management Teams. They offer financial advice and challenge to Senior Management as part of the process.

The Council's medium term strategy focuses on joining up the individual elements to ensure effective, integrated monitoring and management of:

- Corporate Plan and Priorities
- Benchmarking spend and key performance indicator information
- Revenue budget and spending linked to priorities
- Delivery against revenue delivery plans
- Cost and Volume analysis for Children's and Adult Social Care expenditure
- Delivery of the capital programme

We will continue to build upon the existing reporting template which joins up these core elements. We have an embedded reporting process with quarterly integrated reports (supplemented by monthly scorecards) which will continue to be presented and challenged by:

- Corporate Management Team
- Cabinet
- Scrutiny Management Board

In addition, we produce a joint Plymouth City Council and Clinical Commissioning Group monthly finance report to monitor our performance against our aligned net budget for health and wellbeing of circa £495m for 2017/18. This report will be a management tool for Cabinet and the Clinical Commissioning Group Board and also the Integrated Commissioning Board.

The Audit Committee will continue to provide an essential role in ensuring that we provide effective governance. In particular, their quarterly meetings will challenge progress made against the annual governance statement, internal and external audit plan, reports and recommendations. In addition, the audit committee has a lead member role in challenging and placing assurance on the Council's Treasury Management arrangements. To ensure that our financial procedures and practices are reviewed, up to date and reflect the operational business requirements and risks that the Council faces, Financial Regulations and levels of Delegated Authority will be submitted to, and approved by our audit committee on an annual basis.

Our internal audit service continues to be provided through the Devon Audit Partnership, a shared service arrangement with Devon County and Torbay Councils. The core objective of this arrangement is to improve the quality and efficiency of audit services.

The Council has created a number of specific reserves and provisions in order to plan in advance for known and anticipated future revenue costs. We will regularly review the appropriateness and use of these reserves throughout each financial year. As a minimum, all specific reserves will be reviewed on an annual basis in as part of the end of year accounting closedown.

A brief description of the purpose of each of our significant reserves and provisions is as follows:

Redundancy Costs

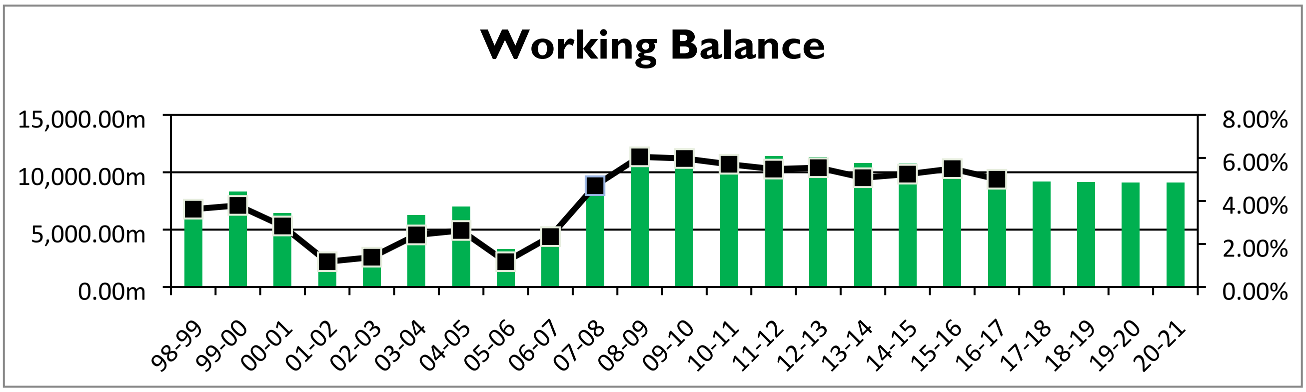
Over recent years, a number of management actions and budget delivery plans have relied on restructuring staffing and/or rationalising management. Whereas the Council is committed to minimising the number of compulsory redundancies unfortunately, on occasions, this is not feasible. This specific reserve is set aside to meet with the Council's corporate redundancy costs.

Insurance Fund Reserve

A provision that has been set up to meet the cost of anticipated future insurance claims based on existing known liabilities and estimated future liabilities. It enables the Council to reduce its payments to external insurance providers by transferring some of the risks of small claims to the authority.

Working Balance

The Council's Working Balance is the revenue reserve that is put aside to cover any significant business risks that might arise. This reserve has been steadily built up over the years and was £9.2m as at March 2017. The significant constraints that will be placed on public sector spending for the foreseeable future.



The Council's reserves should be adequate to cover potential risks. Plymouth has significantly improved the approach to risk management over recent years. Our strategic and operational risk registers are comprehensive and are regularly reported to, discussed and challenged by senior officers and members. Given the size of the financial challenges in 20176/18 and beyond it is even more appropriate that we are maintaining this value in our working balance.
For the MTFS period to 2020/21 we are not anticipating any further draw down against our Working Balance, although with the continuing reduction in our core funding we need to revisit our percentage holding.

Risk Register

Risk	Mitigation	Likelihood	Impact	Score
Brexit impact on New Homes Bonus	Proactive approach to new development	3	3	9
Brexit impact on NDR income	Proactive approach to new development and promoting business investment in PCC	3	3	9
Brexit investment returns	Ongoing review of investment policy and use of property fund to maintain returns	3	3	9
Change of Government - 4-year RSG settlement at risk	Work with partners and local governemnt bodies to protect the settlement	2	2	4
Fair funding review disadvantages PCC	Work proactively to lobby for increased PCC resources that recognise the particular needs of the City	4	5	20
100% business rates retention does not direct a fair share of resources to PCC or does not allow the benefits of rates growth to be fully retained	Work proactively to lobby for increased PCC resources and promote a system that is not unduly favourable to authorities with a high business rates base	3	5	15
Volume of demand and demographics beyond MTFS assumptions- adults	Although provision has been made in the MTFS for additional costs in this area, the position will need careful monitoring	3	5	15
Volume of demand beyond MTFS assumptions - children	Although provision has been made in the MTFS for additional costs in this area, the position will need careful monitoring	4	5	20
Risk to Council tax collection rates following the roll out of Universal Credit	The MTFS is based on realistic collection assumptions, but the position will need to be carefully monitored and additional resources allocated for collection activity as necessary	3	3	9
Risk of additional costs through pension fund deficits beyond MTFS assumptions	Some provision has been made in the MTFS for additional pension costs, but the position will need to be carefully monitored. The Government Actuary is to have a new role in signing off deficit reduction timescales	3	3	9
Delivery of planned savings	The achieved value of Transformation Stretch savings is part of regular budget monitoring. Corrective management action is taken where adverse variations are identified	3	3	9
Commercialisation Debt Risk	Borrowing to invest in commercial projects exposes PCC to additional credit risk, as the revenues that flow from these projects are inherently uncertain	2	4	8

Medium Term Financial Strategy

Published by:

Plymouth City Council
Ballard House
West Hoe Road
Plymouth PL1 3BJ

Tel 01752 312560

Email andrew.hardingham@plymouth.gov.uk

www.plymouth.gov.uk

This page is intentionally left blank