



#plymcabinet

Democratic and Member Support

Chief Executive's Department
Plymouth City Council
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Cabinet – Supplementary Pack

Tuesday 31 October 2017
4.00 pm
Council House, Plymouth

Members:

Councillor Bowyer, Chair

Councillor Nicholson, Vice Chair

Councillors Mrs Beer, Mrs Bowyer, Darcy, Downie, Jordan, Michael Leaves, Ricketts and Riley.

Please find attached supplementary papers in relation to agenda item 7.

Tracey Lee

Chief Executive

Cabinet

7. Medium Term Financial Strategy:

(Pages 1 - 50)

PLYMOUTH CITY COUNCIL

Subject: Medium Term Financial Strategy
Committee: Cabinet
Date: 31 October 2017
Cabinet Member: Cllr Darcy: Cabinet Member for Finance and ICT
CMT Member: Andrew Hardingham – Interim Joint Strategic Director for Transformation and Change
Author: Paul Looby - Head of Financial Planning and Reporting
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Ref:
Key Decision: Yes
Part: I

Purpose of the report:

Under the Council's Financial Regulations, the Responsible Financial Officer (Section 151 officer) is required to report the medium term budget prospects. Cabinet is asked to consider the Medium Term Financial Strategy for the period 2018/19 to 2020/21.

The Strategy reflects the latest funding position. The Strategy sets out projected savings over the plan period.

The Medium Term Financial Strategy is recommended by Cabinet to Council.

The Council Corporate Plan 2016/19:

The Medium Term Financial Strategy sets out the resources available to deliver the Corporate Plan.

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

The resource implications are set out in the body of the report and the Medium Term Financial Strategy.

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

The Medium Term Financial Strategy provides the maximum resources achievable to address key policy areas. A risk register is included.

Equality and Diversity:

The equalities impact of specific budget changes will be evaluated item by item where appropriate.

Recommendations and Reasons for recommended action:

1. That Cabinet approves and recommends the Medium Term Financial Strategy to the Council at its meeting of 20 November 2017.
 2. That Cabinet recommend the Leader of the Council writes to the Secretary of State for Communities and Local Government to express the Council's concerns about the availability of resources for Social Care and request additional funding for Adults and Children's Services as part of the local government finance settlement.
-

Alternative options considered and rejected:

The Medium Term Financial Strategy is a key planning document for the Council and fulfills its statutory obligations to maintain a balanced budget.

Published work / information:

[Local Government Finance Settlement 2017/18](#)

Background papers:

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

Sign off:

Fin	djn1718.112	Leg	MO – DVS/29099.	Mon Off		HR		Ass ets		IT		Strat Proc	
Originating SMT Member Andrew Hardingham													
Has the Cabinet Member(s) agreed the content of the report? Yes													

1.0 Introduction

- 1.1 The Medium Term Financial Strategy (MTFS) is the Council's primary financial strategic and planning document linking the revenue budget, the capital programme and the treasury management strategy.
- 1.2 The Strategy sets out the financial planning assumptions for the next three years and ensures resource allocation is in line with Plymouth's priorities.
- 1.3 The previously published MTFS was approved by Council in November 2016 and was last updated in February 2017 when the 2017/18 budget was approved.
- 1.4 The updated Strategy sets out the national context and the Council's assumptions for resources including changes to New Homes Bonus, over the next three years. The key assumptions in the MTFS are:
- Reduction in the revenue support grant of £6.7m as set out in the four year settlement;
 - Increase in council tax base - £1.79m;
 - Adult Social Care precept of 3% - £3.0m;
 - Increased business rates incomes - £1.1m.
- 1.5 Additional costs have been identified and built into the base budget and proposed efficiencies and savings identified to reduce the budget gap.
- 1.6 The main changes in the updated MTFS compared to the previously published strategy are set out below:
- There has been a reduction in the provision for the pay award of £0.1m reflecting a reduced organisation headcount.
 - Spend has been re-profiled for major investments in 2018/19 and 2019/20.
 - Additional provision has been made for the costs of restructuring - £0.250m in 2018/19 and £0.5m in 2019/20.
 - Additional provision has been added to the plan for increased costs with Children's Services - £2.0m in 2018/19 and a further £1.806m in 2019/20.
 - The impact of the withdrawal of the Education Support Grant amounting to £1.3m is reflected in 2018/19.
 - The impact of increased costs for Adult Social Care and national living wage in the 2019/20 budget - £0.926m.
 - Additional provision of £0.250m in 2018/19 has been made to improve Street Scene Services.
 - Additional provision of £0.1m in 2018/19 has been made to strengthen the Elections Service.

The Cabinet are committed to the growth agenda within the City and ensuring adequate budgetary provision is made available to the provision of Street Services.

- 1.7 These changes result in increased costs of £4.150m in 2018/19 and £4.013m in 2019/20.
- 1.8 The updated MTFS also reflects savings in 2018/19 due to re-profiling of City Deal expenditure and one off savings from Public Transport efficiencies.
- 1.9 It has been assumed that all savings previously identified within the MTFS have been included when arriving at the identified budget gap.
- 1.10 In response to the financial challenges faced by Plymouth, a Budget Scrutiny Select Committee has been meeting during 2017 to review the budget and make recommendations to Cabinet and Council. At its meeting on the 27 September 2017, the Select Committee reviewed a first draft of the MTFS. At this stage the 2018/19 budget gap was £4.366m.
- 1.11 The Budget Scrutiny Select Committee will at a future meeting explore the Council's revenue and capital budgets and how they deliver the Council's priorities and will consider specific delivery plans within specific service areas. The Budget Select Committee recommended the Council's reserves are included within the MTFS. These have been included in the latest version.
- 1.12 Cabinet is asked to review the latest version of the MTFS and recommend that it is presented to Council at its meeting on 20 November 2017.

MEDIUM TERM FINANCIAL STRATEGY

2018/19 to 2020/21



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.

Foreword



Councillor Ian Bowyer
Leader of Plymouth City Council

“Constant change is something local government is used 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 that there are financial plans 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 £37m of efficiencies required over the next three 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
Interim Joint Strategic Director for
Transformation and Change

“The expectation 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.”

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Introduction

The Medium Term Financial Strategy (MTFS) links the revenue budget, capital programme and treasury management strategy and;

- Is a central document for our financial planning
- Plays 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.
- Identifies sustainable, alternative and increased sources of income
- Delivers 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

1. Managers must contain their expenditure within their approved budget.
2. The Council will achieve a balanced budget year on year.
3. Services will be charged for under the Council's agreed Fees and Charges Policy. Charges will be increased for inflation.
4. Provision for pay inflation will be made centrally. Available resources will be allocated to service budgets following the local government pay settlement.
5. 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.
6. 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.
7. Service departments are expected to meet the capital financing costs of projects. Corporate or cross cutting schemes may be funded centrally.
8. ICT expenditure is financed by service departments. Corporate or cross cutting schemes will be funded centrally.

Financial Objectives

1. Generate the maximum possible funding towards delivering the priorities as set out in the Plymouth Plan and our Corporate Plan.
2. Prioritise capital schemes based on deliverability of tangible outcomes whilst considering the context of the overall capital and revenue affordability.
3. Support the local Plymouth economy working in partnership with local businesses.
4. Council Tax increases will be below the level to trigger a referendum.
5. Maximise income opportunities primarily through structured growth of the City and proactive partnership working.
6. Continue to maximise savings from our Transformation Programme and seek new opportunities where possible.
7. Achieve a return on investment of 1.3% in 2017/18, and 1.25% in later years.
8. Borrowing not to exceed £450m in 2017/18 and £500m in 2018/19.
9. Provide for borrowing costs in the MTFS.
10. Retain a general fund revenue balance of at least 5% of net expenditure.

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

THE PLYMOUTH PLAN 2014 - 2034

WHAT WE WANT TO ACHIEVE...

LEADING CITY

A city fulfilling its strategic role as a major economic driver for the heart of the South West

HEALTHY CITY

People live in happy, healthy, safe and aspiring communities

GROWING CITY

A city which has used its strengths to deliver quality and sustainable growth

INTERNATIONAL CITY

Plymouth is internationally renowned as the UK's premier marine city, and famous for its waterfront, maritime heritage and culture.

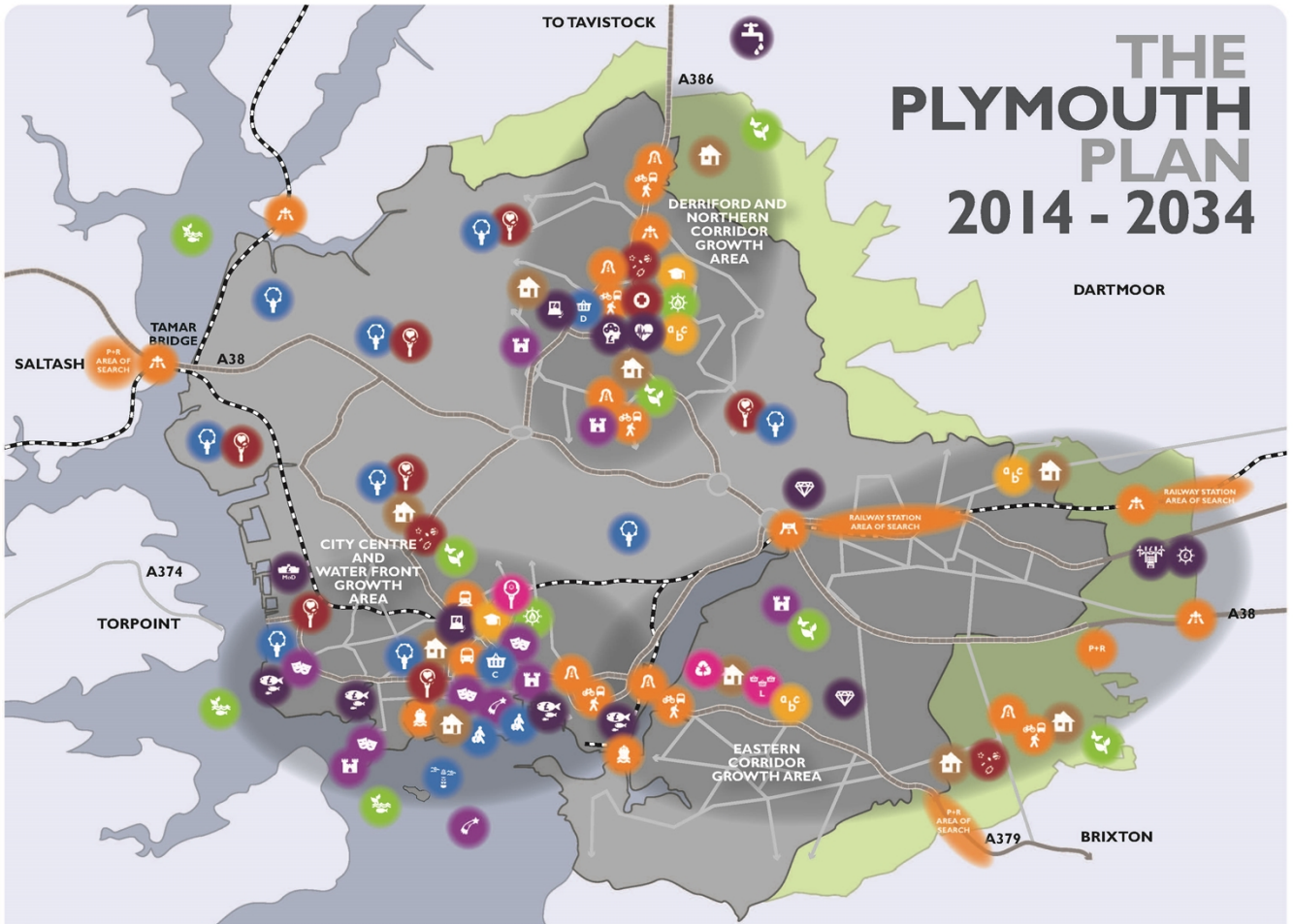
HOW WILL WE KNOW WE'RE SUCCESSFUL?

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?



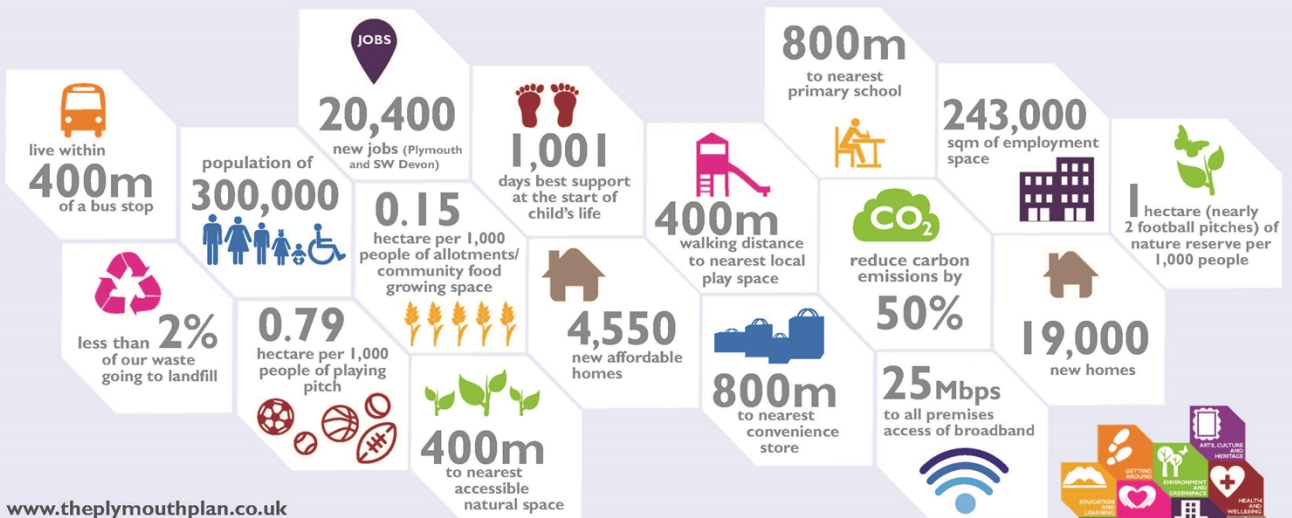
THE PLYMOUTH PLAN 2014 - 2034



KEY

- | | | | | | |
|-------------------------------|---------------------------|----------------------------|---------------------------|--------------------------|------------------|
| Hospital | Train Station | Countryside/Community Park | Strengthening communities | Offices | Waste recycling |
| Sports hub | Coach Station | European Marine Site | Visitor economy | Knowledge industries | Local Centre |
| Improving health inequalities | Park and Ride | District heating | Minerals | Medical sector | Community safety |
| Port | Transport quality gateway | Housing | Distribution | Utilities infrastructure | Urban fringe |
| Transport capacity | Transport connectivity | Ocean City | Business/energy park | Heritage assets | |
| Sustainable transport | University | City Centre | Marine industries | Cultural hub | |
| | Primary school | District Centre | Dockyard | Events | |

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www.theplymouthplan.co.uk
in association with the Plymouth & South West Devon Joint Local Plan
www.plymswdevonplan.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



CITY VISION Britain's Ocean City

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

OUR VALUES

WE ARE DEMOCRATIC

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

WE ARE RESPONSIBLE

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

WE ARE FAIR

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

WE ARE PARTNERS

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

OUR VISION One team serving our city

PIONEERING PLYMOUTH

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

GROWING PLYMOUTH

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

CARING PLYMOUTH

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

CONFIDENT PLYMOUTH

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

OUR THEMES

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

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

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

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

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 legislation to enable 100% Business Rates retention was not included within the Queen's Speech. 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 funding. The Council will be working to protect its financial position by lobbying and as a member of the Special Interest Group of Municipal Authorities (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 financial 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. However 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, without the appropriate resources.

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, three Clinical Commissioning Groups 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 from 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 a 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 longer funding Settlements 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.

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.

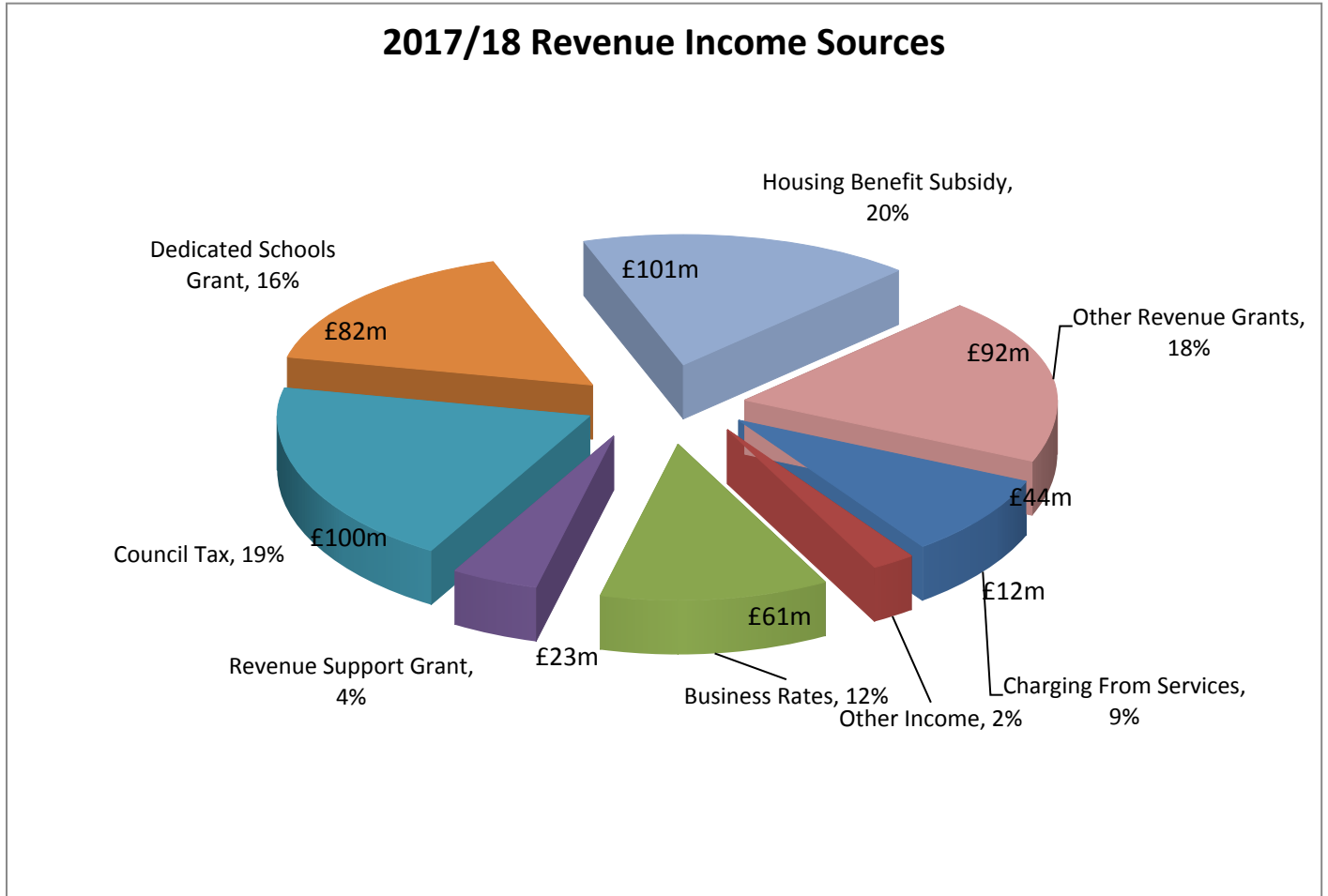
Local Economy

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 2008/09, 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.
- The gap in pay between Plymouth & the HotSW (Annual-Resident full-time) is -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	11.507	10.416	10.318
Overall spend requirement	202.114	195.390	193.485	189.057
In-year shortfall to be found	18.231	12.321	14.746	9.634
Cumulative shortfall	18.231	30.552	45.298	54.932
Transformation stretch savings	18.231	7.555	8.470	(0.694)
REVISED SPENDING FOR YEAR	183.883	187.835	185.015	189.751
Budget Gap	0.000	4.766	6.276	10.328

- 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)	(1.682)	(0.227)	(0.944)
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)	4.196	2.658	1.505	
Corporate items	4.134	(2.200)	(0.700)	0.250
Total Savings	18.231	7.555	8.470	(0.694)

Transformation Stretch Savings Detail

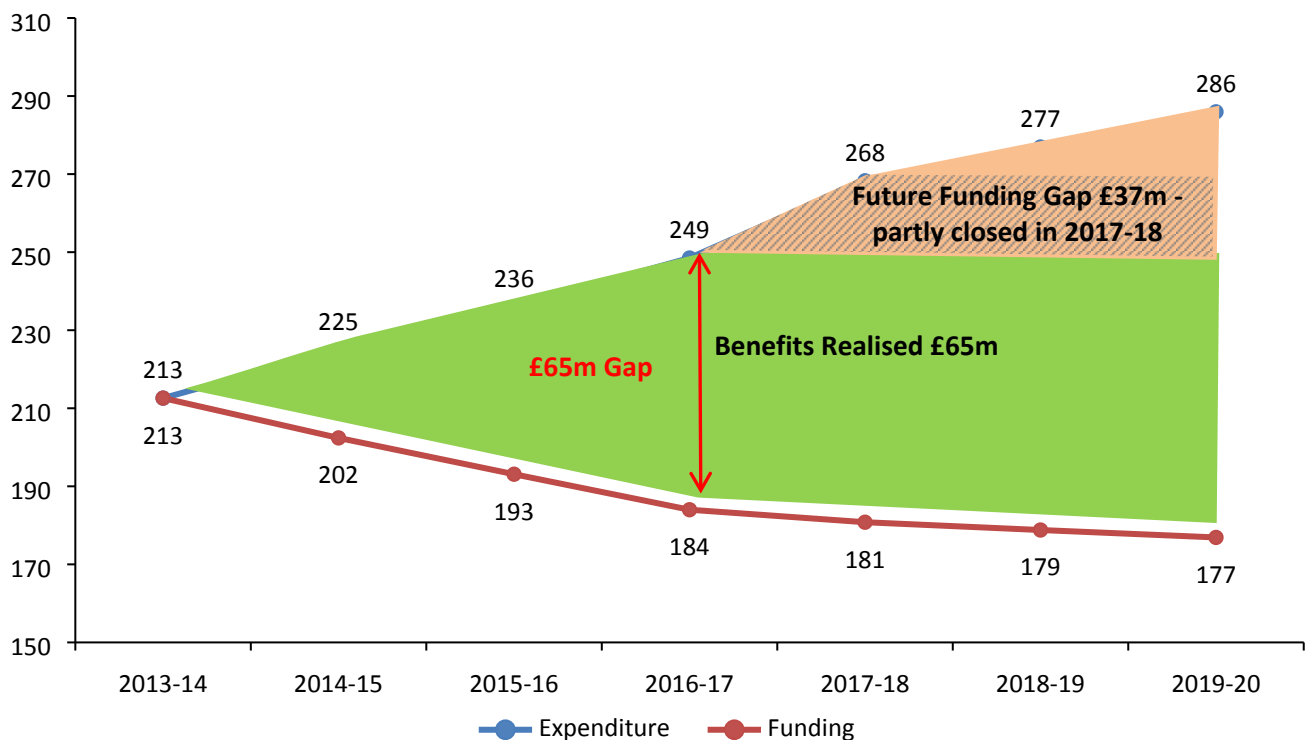
Transformation Stretch Savings	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
New Homes bonus	(0.513)	(1.682)	(0.227)	(0.944)
Better Care Fund Gain	0.764	4.579	4.111	
Adult Social Care Support Grant	1.300	(1.300)		
ODPH Directorate	0.148	0.075	0.074	
Chief Executive Office	0.255	0.035	0.022	
Place Directorate including GAME 2				
Real time passenger information	0.024	0.150	(0.150)	
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		
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		
Fees & Charges in accordance with Policy	0.339	0.002	0.002	

Transformation Stretch Savings	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Treasury Management/MRP/LOBO	0.500	0.500	1.000	
Treasury Management Savings	0.512	(0.114)	(0.118)	
Increase in Investment Diversification	0.200	0.400	0.200	
Systems and IT infrastructure	0.338			
Corporate Training	0.055			
Corporate Items				
Fees & Charges in accordance with Policy		0.250	0.250	0.250
Procurement	0.300			
Flexible use of Capital Receipts	3.500	(2.500)	(1.000)	
Reduction in Reserve	0.150			
Reduction in Working balances	0.184	0.050	0.050	
Total Savings	18.231	7.555	8.470	(0.694)

Our Financial Position – what we projected

In 2013 we worked out what the estimated gap by 2016 would be if we did nothing and this was £65m.

Transformation Programme



Due to transformation savings the Council has overcome the £65m gap identified in 2013. Forecasting further ahead the future funding gap from 18/19 is £37m and to date £15m of savings have been identified.

Financing the Council

Financial Planning Assumptions

The Medium Term Financial Strategy is based on the 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 the 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 LGA's national review of spinal points.

A continued increase in employer pension contributions.

General inflation relating to external spend 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 Business 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 through 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 £9.4 million 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

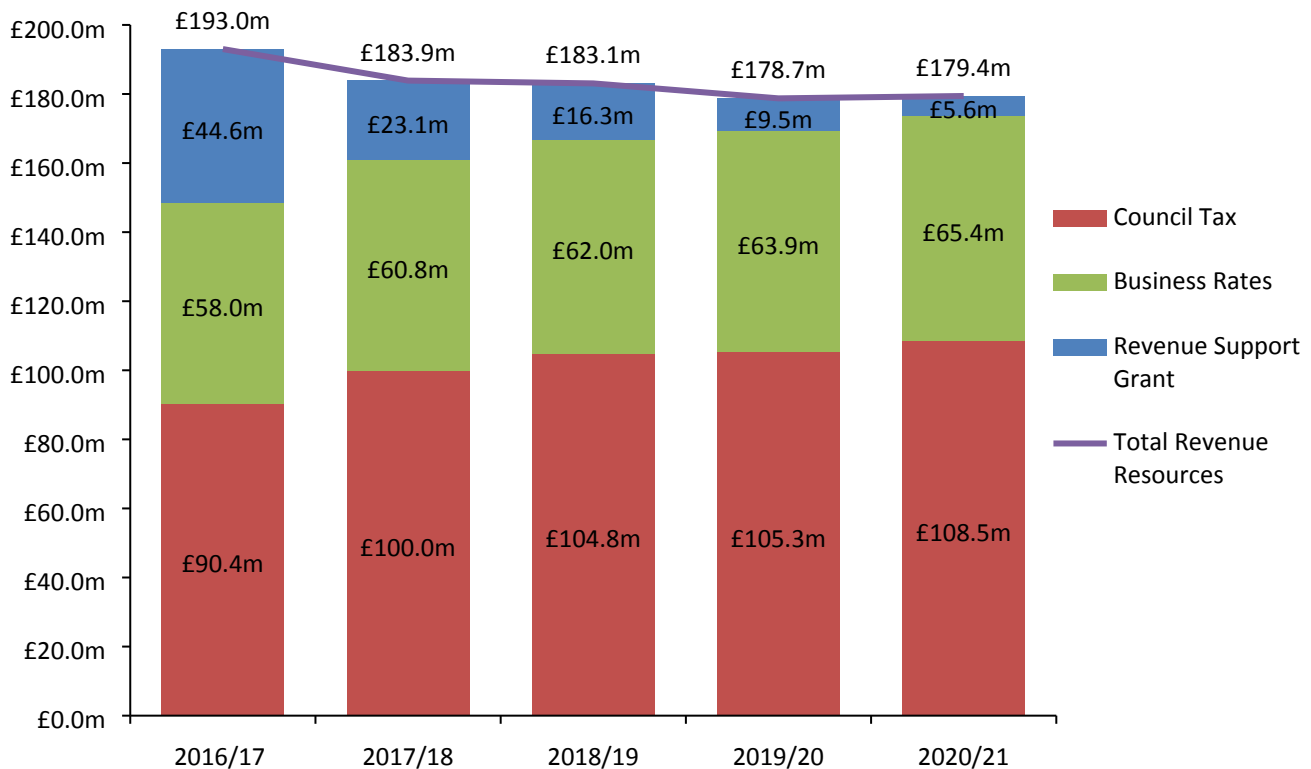
Plymouth City Council, in line with all other Local Authorities, continues to face diminishing resources and increasing demand and costs.

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 faces a continuing reduction in core central funding from the Revenue Support Grant with the expectation this will be zero in the medium term.

Revenue Resources



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 Schools 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 £2.0m, 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 (NHB) 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 NHB 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 £1,606
- 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 2018/19 is due to the ending of previous year's allocations that were made before the 0.4% threshold was introduced. This also impacts 2020/21.

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			0.375	0.375	0.375
Year 9				0.375	0.375
Year 10					0.375
Total New Homes Bonus	5.516	5.003	3.321	3.094	2.150
NHB Year on Year Change	1.319	(0.513)	(1.682)	(0.227)	(0.944)

Part of the NHB 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	

Improved Better Care Fund

Referred to as iBCF, the Improved Better Care Fund was first announced in the 2015 Spending Review. This is paid as a Specific Grant to us as the local authority with a condition that it is pooled into the existing local BCF plan with the Clinical Commissioning Group (CCG). The grant allocations were announced as part of the 2017 Spring Budget.

The grant is time-limited for three years with the additional funding totalling £11.275m; it is front-loaded with the allocation for 2017/18 being £5.800m.

This is additional funding for the provision of adult social care and this is therefore not an on-going revenue stream and cannot be subsumed into “business as usual” to close the funding gap for adult social care. There are clear ministerial guidelines on the areas this money can be used for and Plymouth City Council, working in partnership with key stakeholders such as NEW Devon CCG will ensure the funds are invested in transforming the social care system and reducing delayed transfers of care.

Our allocation for 2018/19 is £3.660m with a further £1.815m in 2019/20.

The Plymouth Integrated Fund

As part of a collaborative transformation programme, Plymouth City Council and NHS Northern, Eastern and Western (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 Health and Social Care Act 2012, 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 well being 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 health and social care 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.

Sustainability and Transformation Plan (STP)

The Wider Devon Sustainability and Transformation Plan sets out ambitious plans to improve health and care services for people across Devon in a way that is clinically and financially sustainable.

Health and care organisations as well as Plymouth City Council and the other local authorities across Devon have been working together to create the shared five-year vision to meet the increasing health and care needs of the population – while ensuring services are sustainable and affordable.

The STP provides the framework within which detailed proposals for how services across Devon will develop – between now and 2020/21.

A key theme throughout the STP is an increased focus on preventing ill health and promoting people's independence through the provision of more joined up services in or closer to people's homes.

Seven priority areas have been identified as key programmes of work:

- Ill health prevention and early intervention
- Integrated care model
- Primary care
- Mental health and learning disabilities
- Acute hospital and specialist services
- Increasing service productivity
- Children and young people

Plymouth is a key contributor to the STP and we ensure our transformation programme for Integrated Health & Wellbeing dovetails with the programme.

Council Tax

The Council increased Council Tax for 2017/18 by 1.49%. Council Tax is assumed to be 0% 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	2020/21
	£m	£m	£m	£m
Adult social care precept assumed	100.004	104.792	105.310	108.478
		1.012	1.073	1.147
Based on 1.00% increase 2017/18 only	100.004	105.804	106.383	109.625
		1.047	1.053	1.085
Based on 1.99% increase 2017/18 only	100.004	106.851	107.436	110.710

Income Collection

The 2017/18 revenue budget and MTF5 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 % 2016/17	Target % 2017/18	Target % 2018/19	Target % 2019/20	Target % 2020/21
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 2018/19 onwards. These are ambitious targets and the increase is not currently assumed in the MTF5. 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 MTF5 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 MTF5 at this stage. Likewise, general inflation relating to external spend and contracts has 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 MTF5 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	0.900	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)		
Loss of Rental Income			0.160	
Street Services Operations		0.250		
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	0.450	0.800
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	11.507	10.416	10.318

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.

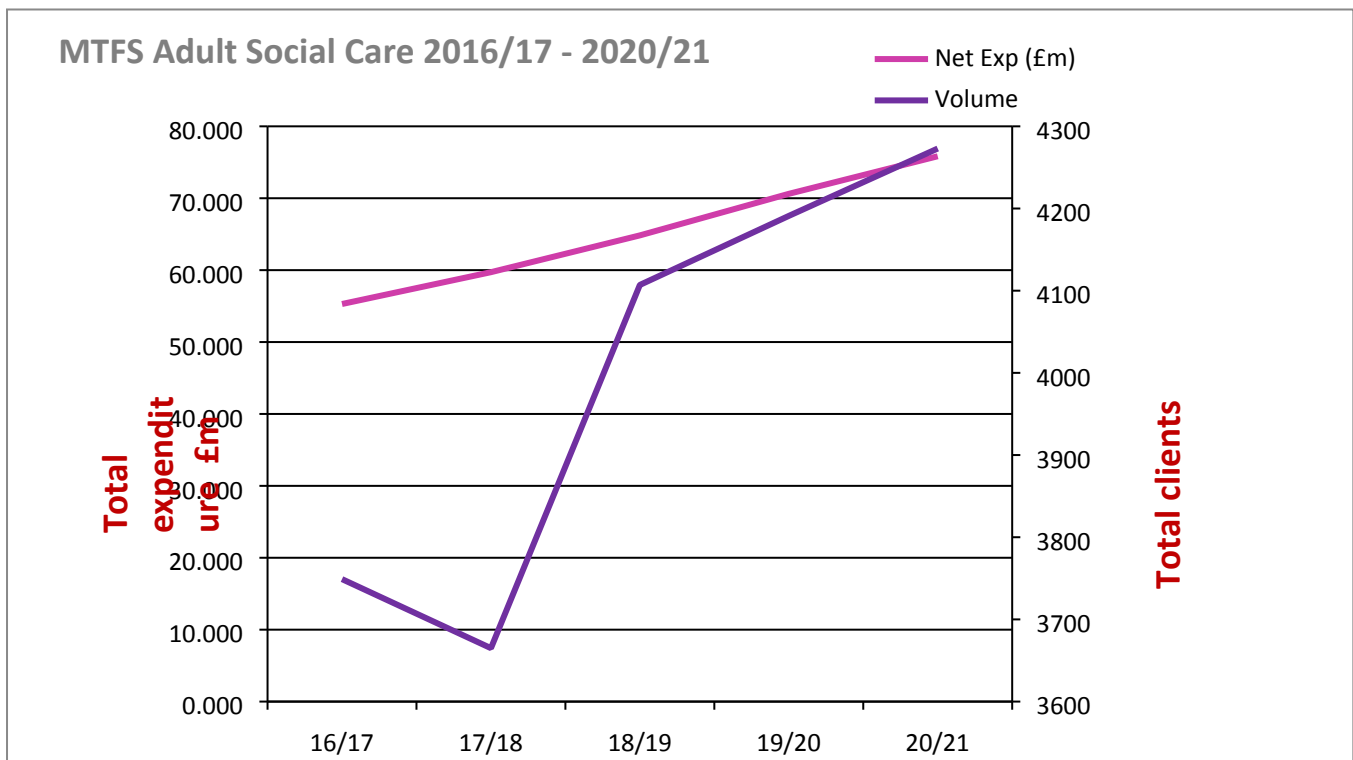
Adult and Children Social Care, plus National Living Wage

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.

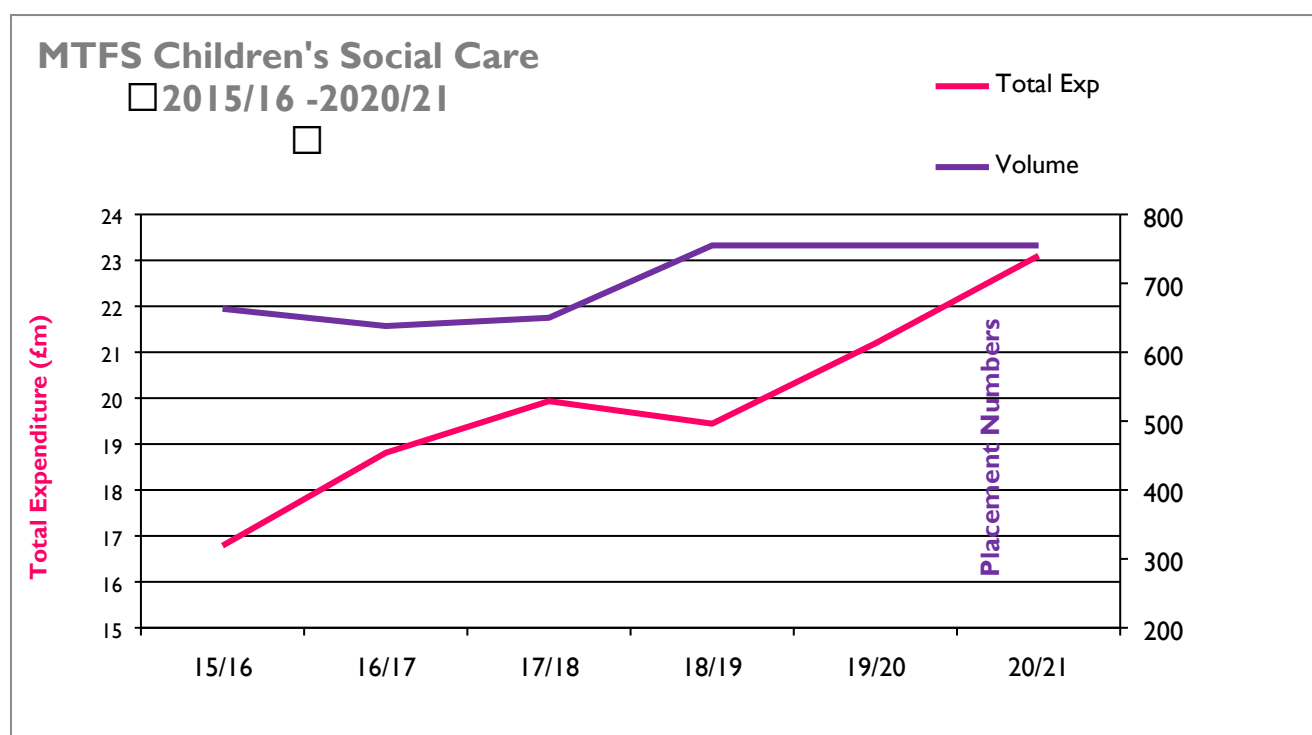
The MTFS has provided £1.670m in 2017/18 and increases in each year as we move towards the Government’s pledge of £9 per hour by 2020/21. Reflecting this year-on-year increase sees additional allocations of £2.304m in 2018/19; £3.393m in 2019/20 and a further £3.364m in 2020/21.

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 between:					
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 Bed & Breakfast numbers for April to July 2017 have been 58 placements per night with nightly costs increasing, as demand has increased necessitating the use of hotel beds 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 ongoing 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.

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.

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 £0.371m in 2019/20. These running costs will not be required long term.

Street Services Operations

An additional £0.250m has been provided from 2018/19 to support operations.

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 £0.450m in 2019/20 and £0.800m 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, such as Transport projects, Schools and Health and Safety, where there is no financial payback. The loan repayments will be funded corporately.

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

Our workforce has reduced significantly in the last three 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 MTF 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

As mentioned on page 18, 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 MTF for loss of housing benefit subsidy.

Transformation Programmes

Local Government is changing rapidly as traditional sources of funding are reducing and the demand for our services is increasing. Our transformation 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, raising income by taking a more commercial approach and a focus and clarity on our organisational purpose.

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

I. 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, reducing 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.
- Implemented a range of 'on the go' recycling facilities in city parks, the city centre and waterfront areas.
- Introduced 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 Council 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, The Highways Maintenance Efficiency Programme (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 BSI 1000 Collaborative Working which will be externally audited.

Asset Investment Fund

In 2015/16, against a backdrop of local authorities increasingly investing in property as an asset class, we drew on our in-house property expertise, proven track record in managing the Council's existing £88 million property portfolio and its access to historically low borrowing costs to establish an Asset Investment Fund.

The Asset Investment Fund has a mandate to invest up to £155 million (subject to approvals) in income-producing, direct development and forward funding commercial property schemes to deliver:-

- Stimulation of economic and employment growth and regeneration in the city.
- Long-term income generation (via rental revenues) to support the wider financial position of the Council.

The Asset Investment Fund has a well-defined investment strategy to manage risk. A key pillar of this is establishing a diversified portfolio with regards to property sector (retail, office and industrial), tenant type and income-expiry profile. The investment approach is also to primarily target secure investments, which generate a net initial yield in excess of 5% per annum (before debt servicing).

The adoption of an Asset Investment Framework provides a sound basis and evaluation criteria on which future property investment acquisitions can be assessed and the performance of the existing investments 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, 1620 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

This initiative involves 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.

2. Integration of Health and Wellbeing programme



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 Delivery

Reviewing our existing retained services following transfer of Adult Social Care staff in April 2015 to Livewell Southwest. We are also working with our provider units The Vines and Colwill to reduce costs and drive through efficiencies including maximisation of income.

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 Special Educational Needs and Disability (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.

Torbay Children's Services

In March 2017, Plymouth City Council was invited to submit an expression of interest to create a contract arrangement with Torbay Council to jointly deliver its Children's Services. Torbay Council's Children's Services have been judged inadequate for several years and in May 2016, the Department for Education (DfE) appointed a Commissioner, John Coughlan, Chief Executive of Hampshire County Council, to oversee improvement.

The Commissioner's role also involves ensuring that improved performance can be sustained over the longer term by exploring alternative delivery models, including partnering with nearby councils. In April 2017, the Commissioner advised that, having evaluated expressions of interest from Plymouth City Council and Devon County Council, his preferred option as a partner for Torbay Council was Plymouth. In June 2017, the DfE Minister endorsed his recommendation.

The Commissioner and the Minister have both been very clear that improvements to Children's Services in Torbay must happen at pace, and we are therefore working towards an agreed 1st April 2018 as the go-live date.

At this stage we have a unanimous In Principle agreement from Full Council and are currently planning the financial and other due diligence required ahead of a full decision at January 2018 Full Council.

The establishment and running of the contract would be at no cost to Plymouth City Council, and there would be no pooling or cross subsidy with Torbay Council budgets. The set-up costs will be covered by a one-off payment from the Department for Education. In the longer term, Torbay Council would pay Plymouth City Council the extra costs incurred in providing the agreed support. Any savings generated from shared working or more efficient delivery structures would be apportioned between the two councils in accordance with a pre-agreed ratio.

The partnership would involve a shared role for the Director of Children's Services across both councils. The remainder of the staffing structures within Children's Services would remain largely unaffected, although the necessity may arise for a minor reapportioning across middle management to take on additional responsibility for supervision and guidance, and a greater degree of deputising across senior management to accommodate the shared Director role.

There could be an opportunity to harmonise working practices and IT systems across the joint workforce and this could lead to the standardisation of case management software. Any associated costs have been factored into the business case for transition funding from the DfE. Torbay Council would make a proportionate on-going contribution to senior management costs, including any additional capacity created to ensure a robust joint DCS function.

Efficiencies

The People Directorate will continue a review of all areas not within the scope of Integrated Delivery, Commissioning or Children's and Young People to remodel services within the Directorate whilst seeking to maximise all available grant funding and additional income opportunities.

3. Transformation of the Corporate Centre (TCC) Programme

This programme has been established to deliver a vision of making things more efficient and simpler for staff and customers by focusing on the delivery of three key outcomes:

- **Create New Ways of Working;**
- **Grow Shared Services;**

- **Create New Ways of Connecting.**

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.

In supporting the programme delivering its three outcomes the following projects have been mobilised:

- **Create New Ways of Working**

The Way We Work Project

As the Council continues to change in shape and our workforce continues to reduce in size, it is essential that we change the way we work to enable our people to deliver or commission services in the most efficient and effective ways possible.

Building on the Smart Working pilot and Asset Management projects this new project aims to invest in:

- Where we work – making the most of our workspaces
- Technology – devices and tools for mobility and collaboration
- How we work – our employee behaviours and culture aligned to new ways of working
- Better information – accessible, secure and compliant

The benefits will be measured in:

- Lower operating costs
- Higher productivity
- Enhanced staff wellbeing
- Better service delivery
- Lower risks
- Better collaboration

An important part of this project will be focusing on our organisational culture and the behaviours and mind-sets of our people, to ensure that we place the customer and citizen at the heart of all that we do to be at our best. 'How we work' is directly aligned to the People Strategy 2016-2020 vision for a motivated, engaged and skilled workforce, through a focus on TLC – Talent, Leadership and Culture.

- **Grow Shared Services**

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.

Future Shared Services – following the creation of an internal service centre, this project supports the Council's objectives of delivering better value for money services and reducing the revenue budget by looking at transferring services to a shared services provider in order to:

- Improve customer experience;
- Provide a lower net cost per transaction / service;
- Increase resilience for services;
- Provide a lower annual cost per service;
- Retain jobs and investment in Plymouth;
- Grow relations and networks with public sector service providers;
- Increase opportunities for income generation.

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.

This project completed in 2016 and we are now focussing on the delivery of the Council's People Strategy 2016-2020, focussing on Talent, Leadership and Culture change to create a motivated, skilled and engaged workforce.

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.

• **Create New Ways of Connecting**

Neighbourhood Problem Solving – this project will align people and resources in the Council and other agencies to give a consistent, clear and effective process for bringing services, budgets and members together to help resolve neighbourhood problems.

Democratic and Community Engagement – this project will develop a renewed role for members in their neighbourhoods with the devolution of budgets and decision making to support improvements at ward level.

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.

Plan for Libraries – This project intends to invest in the future of PCC's library service to ensure that buildings, technologies and resources are fit for purpose now and into the future. In summary the Plan for Libraries will:

- Develop an improved online offer to embrace the digital world of connecting;
- Develop an improved in-library offer to offer an increased range of services in tier 1 libraries;
- Develop an outreach offer to improve the way the service can connect with communities.

Modernised Registration Services – this project intends to make Registration Services more accessible to our customers by delivering a range of services in more community based localities and embracing digital service delivery.

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 and restructuring services in the context of the bigger organisational picture against our Blueprint framework helps to identify opportunities to:

- Standardise, simplify and share our service provision for the city
- Design changes that reinforce each other that result in sustainable change
- Align with our vision and purpose
- Deliver our Customer Service Strategy
- Focus on our People, Organisation and Culture to deliver our People Strategy
- Underpin any organisational change with strong Communications, Planning and Performance management
- Support our service delivery and commissioning strategies
- Standardise and simplify our processes and transactions
- Strengthen our infrastructure informed by information management and in alignment with our ICT Strategy

The Future of Transformation

Our transformation programmes will be aligned to our organisational Purpose:

- Everything we do is about:
 - Facilitating relationships so that everyone can help develop Plymouth.
- We do this by:
 - Being relentless in placing digital at the heart of all that we do;
 - Focusing on building networks and partnerships and supporting them to thrive;
 - Being straightforward with people about the challenges we face so they can help solve them;
 - Co-ordinating our activity effectively.

We will ensure that the basic fundamentals such as an excellent performance management are in place, working well and adding value.

We will be clear how we manage demand for better outcomes.

The future shape of Plymouth City Council will reflect an intelligent organisation making effective use of the data available to us, working closely with our communities, developing models for alternative service delivery vehicles, supported by streamlined services and placing the customer at the heart of our culture.

Capital Budget and Programme

Over recent years the Council has reviewed its management of the capital programme 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 investment 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 of 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	6.830	4.736	5.749	4.686	4.686	26.687
Ring fenced Grants	46.735	51.603	26.199	10.421	20.225	155.183
Developer Contributions	27.025	11.798	7.627	11.265	11.355	69.070
External Contributions	0.500	0.500	0.550	0.500	0.500	2.550
Capital Receipts	5.079	6.172	5.700	0.300	-	17.251
Investment Fund loans repaid	0.205	0.347	0.955	0.448	0.449	2.404
Service Borrowing	60.113	48.293	48.000	7.000	5.000	168.406
Corporate Borrowing	38.451	57.707	56.734	66.633	27.013	246.538
Revenue/ funds	1.165	1.768	0.100	0.100	0.100	3.233
Total	186.103	182.924	151.614	101.353	69.328	691.322

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 and borrowing. The repayment of the loan principle and interest is paid for from revenue.

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 deliver 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 is 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 and Libraries. The Regime has been replaced by CIL but resources continue to be collected.

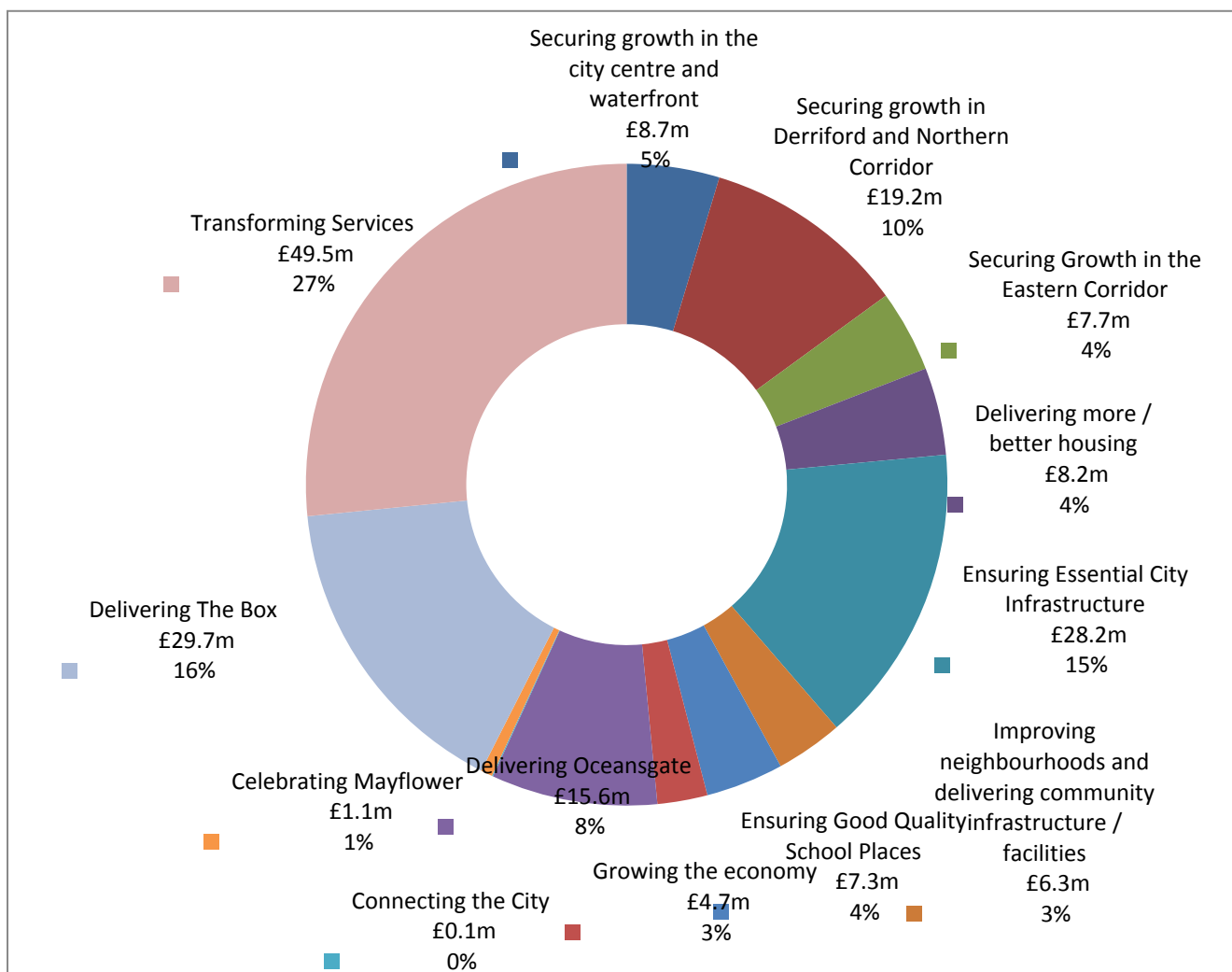
External Contributions

A 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 the revenue budget to directly fund capital spend: This is known as a Revenue Contribution to Capital Outlay (RCCO).

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 £691m, 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 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 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 into a cutting-edge cultural centre, three times its existing size, providing 86% more exhibition space and 100% 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 for 2017/18.

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 place 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 undertaken 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 treasury management advisors, ArlingClose to review and advise best practice. The main conclusions were that 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 Committees

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 is 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

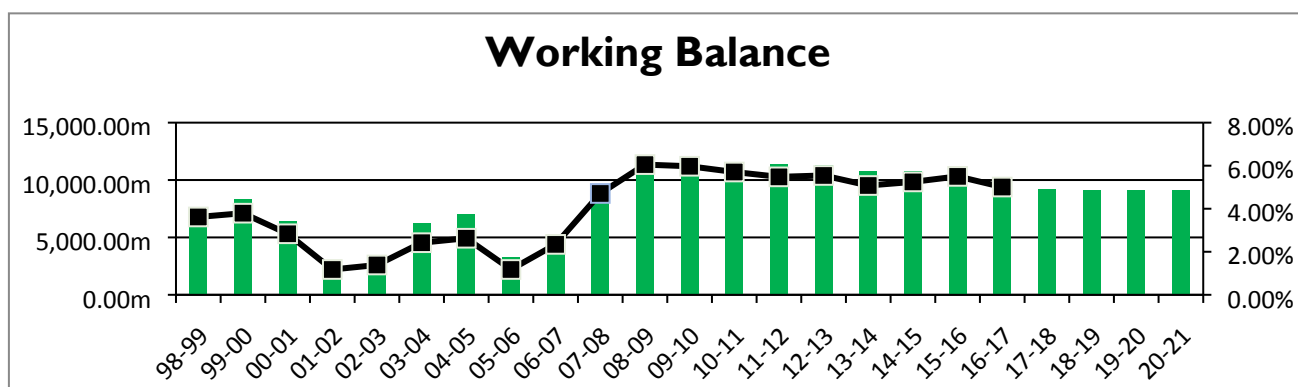
Over recent years, a number of management actions and budget delivery plans have relied on restructuring staffing and/or rationalising management. Whereas the Council is committed to minimising the number of compulsory redundancies unfortunately, on occasions, they are necessary. This specific reserve 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 £9.4m as at March 2017. Given 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 its 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 2017/18 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.

The Councils Reserves

The Council holds a number of reserves in the Balance Sheet. The following table outlines the main reserves held at the end of the 2016/17 financial year.

Analysis of Reserves	31 March 2016	31 March 2017
	£000	£000
Usable Reserves		
General Fund Balance	10,652	9,352
Earmarked General Fund Reserves	29,412	21,056
Capital Receipts Reserve	8,989	18,600
Capital Grants and Contributions Unapplied	2,369	6,441
Total Usable Reserves	51,422	55,449
Unusable Reserves		
Revaluation Reserve	119,216	157,167
Capital Adjustment Account	251,320	229,871
Financial Instruments Adjustment Account	(19,161)	(18,985)
Pensions Reserve	(470,664)	(598,792)
Collection Fund Adjustment Account	(1,529)	(2,336)
Accumulating Compensated Absences Adjustment Account	(2,426)	(2,791)
Deferred Capital Receipts	6	1,928
Available for Sale Financial Instruments Reserve	2,351	2,025
Total Unusable Reserves	(120,887)	(231,913)
Total Reserves	(69,465)	(176,464)

General Fund Balance

See note on Working Balance on page 41-42.

Earmarked General Fund Reserves

Provide financing for future expenditure plans and policy initiatives.

Capital Receipts Reserve

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

Capital Grants and Contributions Unapplied

The Council receives various grants (mainly from Central Government) and contributions towards the financing of its capital programme each year.

Revaluation Reserve

The revaluation reserve covers gains and losses arising for the revaluation of assets.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions:

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

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

MTFS Risk Register

Risk	Mitigation	Likelihood	Impact	Score
National and local economic situation - impact on New Homes Bonus	Proactive approach to new development	3	3	9
Change to economic outlook (nationally and locally) –impact on Business Rates income	Proactive approach to new development and promoting business investment in PCC	3	3	9
Economic outlook - impact upon 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 government 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 higher 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

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