



Oversight and Governance

Chief Executive's Department
Plymouth City Council
Ballard House
Plymouth PL1 3BJ

Please ask for Jamie Sheldon
T 01752 305155
E Senior Governance Advisor
democraticsupport@plymouth.gov.uk
www.plymouth.gov.uk
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CITY COUNCIL – SUPPLEMENT PACK

Monday 22 February 2021
2.00 pm
Virtual Meeting

Members:

Councillor Mavin, Chair

Councillor Winter, Vice Chair

Councillors Allen, Mrs Aspinall, Ball, Mrs Beer, Bowyer, Mrs Bowyer, Mrs Bridgeman, Buchan, Carson, Churchill, Coker, Cook, Corvid, Dann, Darcy, Sam Davey, Deacon, Derrick, Downie, Drear, Evans OBE, Goslin, Haydon, Hendy, James, Mrs Johnson, Jordan, Kelly, Laing, Michael Leaves, Samantha Leaves, Loveridge, Lowry, McDonald, Morris, Murphy, Neil, Nicholson, Parker-Delaz-Ajete, Penberthy, Mrs Pengelly, Rennie, Riley, Singh, Pete Smith, Rebecca Smith, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Ms Watkin, Wheeler and Wigans.

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

Please find enclosed additional information relating to item 6.

For further information on attending Council meetings and how to engage in the democratic process please follow this link - [Get Involved](#)

Tracey Lee

Chief Executive

City Council

- 6. Revenue and Capital Budget and Proposed Council Tax Levels For 2021/22 (Pages 1 - 128)**

City Council



Date of meeting:	22 February 2021
Title of Report:	Revenue and Capital Budget 2021/22
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Brendan Arnold – Service Director Finance
Author:	Paul Looby and Stephen Coker
Contact Email:	Paul.looby@plymouth.gov.uk Stephen.coker@plymouth.gov.uk
Your Reference:	PL/Bud/202122
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Under the Council's Constitution the Council is required to set a Revenue and Capital Budget and set the Council Tax for each financial year.

Recommendations and Reasons

The City Council is recommended:

1. To approve the proposed net revenue budget requirement for 2021/22 of £195.568m;
2. To consider council tax levels for 2021/22;
3. To approve the capital budget of £778.671m for 2020 to 2025 (Appendix B6);
4. To note that the precept to the Council issued by the Police and Crime Commissioner for Devon, Cornwall and the Isles of Scilly in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area, will be confirmed at the meeting;
5. To note that the Devon and Somerset Fire and Rescue Authority precept will be confirmed for 2021/22 at the meeting;
6. To note the Section 151 Officer's statement on the Budget as set out in section 2 of this report;
7. To approve the annual Treasury Management Strategy and Capital Financing Strategy 2021/22 (incorporating the authorised limits, operational boundaries and prudential indicators) as submitted (Appendices B8 and B7);
8. To note the response to the recommendations made by the Budget Scrutiny Select Committee and the Cabinet response to those recommendations (Appendix B9);
9. If required approve the use of flexible capital receipts to fund The Way We Work Programme.
10. To delegate responsibility for any technical accounting changes which may arise after the budget to the Section 151 Officer in consultation with the Leader and Portfolio Holder for Finance.

Alternative options considered and rejected

Setting a balanced budget is a statutory requirement. Options for achieving this are contained within this report and will be considered by the Council.

Relevance to the Corporate Plan and/or the Plymouth Plan

The development and approval of the annual budget and the Medium Term Financial Plan (MTFP) is fundamentally linked to delivering the priorities within the Council's Corporate Plan. The Cabinet reviewed the Council's existing vision, values, priorities and plans in May 2020 and concluded that they remain fit for purpose during the COVID-19 pandemic. Areas of focus agreed in the Council's recovery and renewal framework are set out in this report.

Implications for the Medium Term Financial Plan and Resource Implications:

The resource implications are set out in the body of the report.

Carbon Footprint (Environmental) Implications:

The budget proposals take account of the key implications and issues as set out within the Corporate Carbon Reduction Plan 2021 and the Climate Emergency Action Plan as approved by Council on 25 January 2021. Budget provision has been made as part of the proposals for 2021/22 and future years.

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

The reducing revenue and capital resources across the public sector has been identified as a key risk within our Strategic Risk register. Priorities relating to child poverty and health and safety are addressed within the reset priorities summarised in the report. An Equality Impact Assessment has been undertaken as is included in Appendix B10 of this report.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		<i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
B1	Additional Costs							
B2	COVID-19 costs and grant income							
B3	Savings Proposals							
B4	Budget by Directorate							
B5	Council Tax Resolution (to be tabled at the meeting)							
B6	Capital Budget 2020-2025							

B7	Revenue Budget 2021/22 and Capital Financing Strategy (Cabinet Report)							
B8	Treasury Management Strategy 2021/22							
B9	Cabinet's response to the scrutiny recommendations and the scrutiny report.							
B10	Equalities Impact Assessment							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: Brendan Arnold (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 12/02/2021											
Cabinet Member approval: Councillor Mark Lowry (Cabinet Member for Finance)											
Date approved: 12/02/2021											

1. Background

- 1.1 This report sets out the decisions of Cabinet of 9 February 2021 to recommend a Revenue Budget for 2021/22 and Capital Budget through to 2024/25. In addition, Council is recommended to approve the Treasury Management Strategy Statement and Capital Finance Strategy 2021/22 (as required by the CIPFA Code of Practice), including changes to the prudential indicators.
- 1.2 The report to Cabinet set out in detail the latest budget position and budget gap and the key issues facing the council and achievements challenges that will be faced in the future.
- 1.3 Council is required to set the Council Tax amounts for 2021/22. The precept notification from the office of the Police and Crime Commissioner for Devon, Cornwall and the Isles of Scilly, and the precept for the Devon and Somerset Fire and Rescue Service will be included as part of the Council Tax Resolution for 2021/22.
- 1.4 The final 2021/22 Local Government Finance Settlement was announced on 4 February 2021.
- 1.5 The Section 151 Officer is required to make an assessment as to the robustness of the budget and adequacy of the council's reserves. A detailed assessment is set out in section 2 of this report.

2. Service Director – Finance (S151 Officer) – Budget Robustness Statement

- 2.1 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Service Director for Finance) to formally report to Council as part of the tax setting report their view on the minimum level of reserves available to the general fund and on the robustness of estimates used on the budget setting process. The Council is required to take these views into account when setting the Council Tax at its meeting on 22 February 2021.
- 2.2 In considering the robustness of any estimates, the following criteria need to be considered:-
 - The reasonableness of the underlying budget assumptions such as the:
 - Reasonableness of provisions to meet liabilities;
 - Extent to which known trends and pressures have been provided for;
 - Achievability of changes built into the budget;
 - Attainability of income targets;
 - Alignment of resources with the Council service and organisational priorities;
 - A review of the major risks associated with the budget;
 - The maintenance of unearmarked reserves at a sufficient level to make a reasonable level of provision to mitigate unforeseen and extra-ordinary risks;
 - The strength of the financial management and reporting arrangements.
- 2.3 In coming to a view as to the robustness of the 2021/22 budget, the Section 151 Officer has taken account of the following:-

- The Budget has been prepared using a process of rigorous review. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council. The Cabinet have also been actively involved in reviewing all options for income generation and cost savings.
- Following a review of savings plans those selected for 2021/22 provide reasonable assurance that detailed and feasible plans exist and that sufficient resources are available to undertake the change activities required, and deliver the savings.
- Senior officers have identified cost pressures arising from the COVID-19 pandemic of £9.604m and these have been included in this budget. These have been funded from a mixture of Government grants and management actions. The general uncertainty around the length of the lockdown and the financial impact on the Council's finances and the local economy should be noted. The details are included in Appendix B2.
- In contrast with earlier years the balancing of the Budget is much less dependent on one off solutions. The level of contribution from local resources is considered manageable. The Cabinet has received advice that the opportunities to maximise the yield of Council Tax and the Adult Social Care Precept are in the Council's immediate and long term interests from a financial viewpoint.
- It is considered important that in 2021/22 the organisation continues to develop its approach of managing any further cost pressures through prioritization of spend within the assigned financial limits set by the proposed Budget. This approach has the prospect of assisting the Council in managing such pressures and in meeting the overall financial target.
- In addition to specific directorate risks, the collection of Council Tax and generation of Business Rates (NNDR) are two key factors which need to be closely monitored during the year in question.

Financial Risks – General Observations

- 2.4 It is important to note that 2020/21 has been and continues to be a challenging year. Service demands have increased in all directorates especially in Place, in Children's Services and in People. Central government have recognised the pressure that the sector is under as a result of the Pandemic and have provided additional support in excess of £25m which will be applied in 2020/21 to deal with these effects. They have also provided compensation for the Council's income lost due to COVID-19, albeit not £1 for every £1 lost. In 2021/22 the Government have already indicated that grants will be available for at least a proportion of the year to deal with the ongoing impact of the Pandemic on the finances of the Council. The Income Compensation scheme has also been extended to cover the first quarter of the financial year.
- 2.5 The Council has sustained significant revenue losses through not maximising council tax income in previous years. For 2021/22 the Council needs to consider raising the level of Council Tax by 1.99% and the ASC precept by 3%. The consequences of not taking this course would entail that additional savings would need to be sought in order to balance the 2021/22 Budget and in years following. As a consequence of previous council tax decisions

the Council has reduced spending power to the sum of £9m in each year that would otherwise have been available to fund core services.

- 2.6 The Council has an ambitious capital programme which has in previous years contributed to the growth of council tax base and helped to stabilise the business rates base. Whilst the programme is strongly supported through external grants the programme is heavily reliant on prudential borrowing. Extra provision for increased costs has been included in the budget for 2021/22 but the Council cannot afford to extend beyond the borrowing envelope (as set out in the Treasury Management Strategy) without putting pressure on balances and or other service budgets. The agreed programme will still require budget uplifts in future years which must be considered alongside other service demand pressures and which must lead to a process of prioritisation in budgets subsequent to 2021/22.
- 2.7 A comprehensive review of reserves and balances has been undertaken and these are presently at the minimum required to cover risks as long as the Council remains within the proposed budget. However, it should be noted that an overspend of 1% (£1.96m) would reduce general balances by c. 25% unless alternatively funded. It is therefore important that the Council sets aside additional resources that may come to hand in the year ahead in order to equip itself for future challenges; these include the ongoing impact of the Pandemic, the uncertainty as to the direction of reforms in the funding of Local Government pending the arrival of greater clarity in the impact of these risks in the course of 2021/22.
- 2.8 The Council's financial controls are set out in the Council's Financial Regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate, corporate and Cabinet levels. Given the scale of the budget challenges and the number of actions that need to be implemented to ensure the budget is on track, Cabinet will continue to monitor budget performance on a quarterly basis with monthly reports being provided to Portfolio holders and Scrutiny Committee Members.
- 2.9 In the context of the above, the Section 151 Officer considers the proposed budget - which has been developed following input and reviews with Directors, officers and Members (including Cabinet), as sound and that the level of reserves are adequate for the next financial year given a clear understanding of the following:-
- The present level of unearmarked reserves is regarded as a floor which will not be breached and that additional resources will as a matter of policy be set aside to provide additional flexibility in addressing the risks identified in this report;
 - Both the revenue budget and capital programme have been formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans have been formulated having regard to Council priorities and assessed against an agreed set of impact criteria and equality assessments;
 - Budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action, reporting and any remedial action required is supported by a clear action plan and regularly monitored;
 - The budget contains a number of challenging targets and other actions which will be subject to specific monitoring by the Council's Corporate Management Team, and as such, are at this time considered reasonable and achievable, although it must be noted

that services subject to demand outside of the Council's control are at risk of not achieving the savings or overspending resource budgets and that accordingly a level of prioritisation will be required at directorate level to constrain expenditure within budget totals;

- Regular budget reporting to Cabinet members will continue;
- The attainment of savings targets will need to be closely monitored in detail at Directorate, CMT and Cabinet level in the year ahead;
- There is a clear understanding of the duties of the Council's statutory Financial Officer and that the service implications of them being exercised are fully understood by members and senior management alike.

3. Budget Report 2021/22

- 3.1 The detailed Budget report was presented to Cabinet on 9 February 2021 and attached as Appendix B7 to this report.

Flexible Use of Capital Receipts Policy

- 3.2 The council approved a Flexible Use of Capital Receipts Policy in 2018. Members are asked to endorse the continuation of the policy from 2021/22 onwards as the Council are required to approve the use of capital receipts to support the revenue costs for eligible transformation work.
- 3.3 Any capital receipts that are realised may be used to support the revenue costs of the ongoing The Way We Work Programme and deliver ongoing revenue savings which form part of the budget proposals.

4. Resources Summary

- 4.1 The maximum amount of key resources that could be available to the council are summarised below. The council tax income reflects the possible maximum 1.99% increase in council tax and 3% increase in the Adult Social Care precept. The total Unringfenced resources available with and without the increases are set out below with a comparison to the current year.

		Without increases	With increases
Unringfenced Resources	2020/21	2021/22	2021/22
	£m	£m	£m
Council Tax	118.586	115.704	121.449
Business Rates	65.403	63.010	63.010
RSG	9.688	9.742	9.742
Total	193.677	188.456	194.201

Spending Assumptions

- 4.2 Spending departments will absorb all increased costs arising from inflation.
- 4.3 The additional costs within the budget plans for 2021/22 are detailed in Appendix B1. These include significant cost and volume increases for Adults' and Children's services. The impact of COVID-19 related costs has been separately identified in Appendix B2.
- 4.4 The Council is committed to the National Living Wage and ensuring our care providers receive the necessary funding. This, together with additional demand and complexity within our adult social care services see a year- on year increase in the cost of providing care for the most vulnerable. Meeting the costs of care requires ongoing and increasing investment.
- 4.5 The City has an ambitious capital investment programme which supports the local economy and the revenue implications of this investment are included within the budget plans, with an additional £1.485m added in 2021/22.
- 4.6 The Government has announced a pay freeze for public sector workers outside of the NHS. There is separate negotiating machinery for local government workers nationally and it is presently assumed that the usual negotiations on pay will continue through these channels in respect of 2021.
- 4.7 A significant proportion of our revenue budget (over 70%) is spent on two main areas; adult social care services and children's social care provision. Nationally and locally the costs of providing health and wellbeing services are rising as demand and complexity increases. We have an ageing population and higher levels of young children requiring our services.
- 4.8 Following the Spending Review, we have been able to make a favourable adjustment to our adult social care cost forecast of £2.0m against the original estimates
- 4.9 Nationally there have been significant pressures within Children's Services. A combination of increased numbers and increasingly complex cases has meant costs have been rising beyond the existing budget provision.

4.10 A summary of the net additional cost pressures totalling £10.313m is shown in Appendix B1.

COVID-19

4.11 Cost pressures arising from the COVID-19 pandemic of £9.604m have been included in this budget. These have been funded from a mixture of Government grants and management actions. These are made up of those that have been confirmed as part of the settlement announcement and those that are estimates. The details are included in Appendix B2.

Savings, Income Generation and Grant Income

4.12 Savings, income generation and grants of £1.630m which includes savings previously identified plus the impact of the Provisional Settlement have been approved by Cabinet at their previous meeting.

Net Savings, Income Generation, Grant Income	2021/22 £m
Previously Identified – PFI adjustment	(0.750)
Asset Investment Fund	(0.100)
Fees and Charges	(0.108)
New Homes Bonus (drop in income)	1.802
Additional Social Care Grant 2021/22	(2.076)
New Lower Tier Grant 2021/22	(0.398)
Total Net Savings, Income Generation, Grant Income	(1.630)

4.13 In addition, £6.792m of proposed savings have been approved by Cabinet. Details of these savings are shown in Appendix B3.

Proposed Savings Approved by Cabinet	2021/22 £m
Adults	(1.675)
Children	(1.540)
Corporate (including Finance and Chief Executive Office)	(2.422)
Place	(0.890)
Corporate items	(0.265)
Total Proposed Savings Approved by Cabinet	(6.792)

Summary Budget Position

- 4.14 A summary of the overall budget position before any Council Tax increase is made is shown below taking into account the estimated resources available to the council, increased cost pressures and identified savings to address the funding gap.

	Proposed Budget 2021/22 £m
REVENUE RESOURCES AVAILABLE	188.456
Baseline spend requirement (2020/21 net budget)	193.677
Plus identified additional costs	10.313
Overall spend requirement	203.990
Less: Net Savings, Income Generation, Grant Income	(1.630)
Less: New proposed savings as approved by Cabinet	(6.792)
REVISED SPENDING FOR YEAR	195.568
Budget Gap	7.112

- 4.15 Cabinet are asked to note that the budget shortfall of £7.112m could be offset by:

- a Council Tax increase of up to 1.99%;
- an ASC Precept increase of up to 3.00%;
- the use of limited local resources including a limited use of reserves.

5. Dedicated Schools Grant (DSG)

- 5.1 The total Dedicated Schools Grant (DSG) Plymouth will receive in 2021/22 is £236.239m. This is the main source of government funding for the provision of education. Of this, £178.650m is the Schools Block allocation, an increase of £8.160m.
- 5.2 Plymouth schools experienced years of underfunding prior to the introduction of the National Funding Formula (NFF) in 2018/19. Although Plymouth has benefitted from NFF, some schools didn't see the increases they were entitled to until it was fully implemented in 2020/21
- 5.3 As part of the DSG, the High Needs block funds local authorities' responsibilities for children with Special Educational Needs and Disabilities (SEND). In 2021/22 Plymouth will receive £37.984m, an increase of £3.957m. This funding will go towards meeting the cost of providing for growing numbers of SEND pupils and their increasingly complex needs.

6. Capital Programme

- 6.1 The Plymouth Plan remains the principal driver for the Council's capital programme. It contains the most ambitious set of proposals this City has ever seen. Primarily through its planning vehicle, the Plymouth and South West Devon Joint Local Plan, there are proposals to build 26,700 new homes across the area, create 13,200 new jobs, and to undertake an unprecedented major investment programme in modernising infrastructure including transport, schools and green spaces.
- 6.2 This investment will enable Plymouth to become the key economic driver for the far South West and will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment will enable growth within the economy as well as a significant level of new housebuilding and will therefore assist in generating additional business rates, Council Tax, New Homes Bonus (subject to any changes to the existing scheme) and Community Infrastructure Levy (CIL).
- 6.3 The Council continues to take a strategic approach to the capital programme, having established 15 strategic outcomes within which individual projects sit. Increasingly the programme will need to be aligned with the strategic outcomes set out in the Plymouth Plan and Plymouth and South West Devon Joint Local Plan as well as the investment and business planning programmes of other organisations to maximise delivery on the ground.
- 6.4 The Council's Capital Programme consists of the approved capital projects the Council intends to deliver over a five year period. During the last four years, the programme has grown significantly, however due to the COVID-19 pandemic many projects have been delayed or slowed. It is projected however that the programme has still been able to deliver about £150m of capital spending for 2020/21.

Appendix B I**Net Additional Costs**

Net Additional Costs	2021/22
	£m
Adult Social Care – Additional Costs	3.037
Children, Young Persons and Families (CYP&F) – Additional costs	2.101
Oceansgate & Mayflower projects – reversal of one-off for 2020/21	(0.968)
Street Services department review	0.668
City Business Park – loss of rent	0.300
Reset underlying savings targets	3.110
Transformation Resource – reduction in base budget	(0.400)
Housing Benefit	1.000
Reduction in Registration Income	0.080
Financing the Approved Capital Programme	1.485
Reserves Adjustment - reversal of one-off for 2020/21	(0.100)
Net Additional Costs Total	10.313

Appendix B2**COVID-19 costs and grant income**

COVID	2021/22 £m
Costs	
ODPH Directorate - Test & Trace	0.250
Homelessness	0.600
CYP&F additional social workers	0.385
CYP&F Covid related	2.919
Leisure	0.750
Loss of car park income	1.500
Loss of commercial rent income	3.000
Housing Benefit	0.200
Total Costs	9.604
Grant Income	
Additional COVID Grant	(7.854)
Additional COVID Grant (to be confirmed)	(0.510)
Homelessness Grant	(0.270)
Lost Income - Income Compensation Scheme (Estimate)	(0.720)
Funded from Carry forward grant income	(0.250)
Total Grant Income	(9.604)
Net COVID Costs	0.000

Savings Proposals

New Savings	2021/22 Budget Saving
Customer & Corporate Services, Finance & Chief Executive	
Discretionary spending and management actions	(0.872)
Maximise benefits from Plymouth family of companies	(1.000)
Facilities Management Review	(0.550)
	(2.422)
People	
Care Package Reviews	(0.775)
Direct Payments Reviews	(0.250)
Increase Charging Income	(0.100)
Commissioning Contracts	(0.250)
Maximise Grant Income and Management actions	(0.300)
	(1.675)
Children	
Step Up Education Participation and Skills Redesign	(0.370)
In House Fostering	(0.670)
Step Up Adolescent Support	(0.500)
	(1.540)
Place	
Asset Investment Fund	(0.400)
Fees & charges and management actions	(0.157)
Waste & Street Services Commercialisation	(0.333)
	(0.890)
Corporate	
Schools PFI contract	(0.265)
	(0.265)
Total Savings Proposals	(6.792)

Proposed 2021/22 Budget by Directorate

Appendix B4

Directorate	Department	Budget 2020/21			Budget 2021/22					
		Expenditure	Income	Net budget 2020/21	Cost Increases	Total Expenditure	Proposed Savings	Additional Income and Grants	Total Income	Net budget 2021/22
Executive Office	Chief Executives Office	1.422	(0.135)	1.287	0.000	1.422	(0.100)	0.000	(0.235)	1.187
	Business Support	0.428	(0.010)	0.418	0.000	0.428	0.000	0.000	(0.010)	0.418
	Electoral Function	0.779	(0.019)	0.760	0.000	0.779	0.000	0.000	(0.019)	0.760
	Members	1.402	0.000	1.402	0.028	1.430	0.000	0.000	0.000	1.430
	Legal	1.770	(0.326)	1.444	0.189	1.959	0.000	0.000	(0.326)	1.633
	Executive Office Total	5.801	(0.490)	5.311	0.217	6.018	(0.100)	0.000	(0.590)	5.428
People	Children,Young People,Families	46.306	(4.863)	41.443	2.801	49.107	(1.540)	0.000	(6.403)	42.704
	Jt Comm & Adult Social Care	119.104	(33.412)	85.692	3.037	122.141	(1.575)	0.000	(34.987)	87.154
	Education Participation Skills	102.012	(91.858)	10.154	0.000	102.012	0.000	0.000	(91.858)	10.154
	Community Connections	5.048	(2.298)	2.750	0.000	5.048	(0.100)	0.000	(2.398)	2.650
	Management and Support People	0.212	0.000	0.212	0.000	0.212	0.000	0.000	0.000	0.212
	People Total	272.682	(132.431)	140.251	5.838	278.520	(3.215)	0.000	(135.646)	142.874
Public Health	Public Health	15.540	(15.540)	0.000	0.000	15.540	0.000	0.000	(15.540)	0.000
	Operational and Development	0.091	(0.008)	0.083	0.000	0.091	0.000	0.000	(0.008)	0.083
	Trading Standards	0.433	(0.026)	0.407	0.000	0.433	0.000	0.000	(0.026)	0.407
	Environ Health (Food & Safety)	0.424	(0.044)	0.380	0.000	0.424	0.000	0.000	(0.044)	0.380
	Bereavement Services	1.498	(3.294)	(1.796)	0.000	1.498	0.000	0.000	(3.294)	(1.796)
	Licensing	0.323	(0.399)	(0.076)	0.000	0.323	0.000	0.000	(0.399)	(0.076)
	Environmental Protection	0.676	(0.351)	0.325	0.000	0.676	0.000	(0.008)	(0.359)	0.317
	Civil Protection Unit	0.202	(0.034)	0.168	0.000	0.202	0.000	0.000	(0.034)	0.168
Public Health Total	19.187	(19.696)	(0.509)	0.000	19.187	0.000	(0.008)	(19.704)	(0.517)	
Place	Economic Development	21.351	(21.819)	(0.468)	(0.075)	21.276	(0.400)	(0.145)	(22.364)	(1.088)
	Strategic Planning	15.917	(6.290)	9.627	0.101	16.018	(0.080)	0.000	(6.370)	9.648
	Street Services	45.894	(28.394)	17.500	0.788	46.682	(0.410)	0.000	(28.804)	17.878
	Management and Support	0.327	(3.498)	(3.171)	0.000	0.327	0.000	1.802	(1.696)	(1.369)
	Place Total	83.489	(60.001)	23.488	0.814	84.303	(0.890)	1.657	(59.234)	25.069
Finance	Finance	17.893	(3.132)	14.761	1.485	19.378	(0.066)	(0.750)	(3.948)	15.430
Customer and Corporate Service	Customer Services	64.351	(64.158)	0.193	1.080	65.431	(0.040)	0.000	(64.198)	1.233
	Human Resources & OD	14.835	(2.803)	12.032	0.000	14.835	(0.703)	0.000	(3.506)	11.329
	ICT	9.807	(0.392)	9.415	0.000	9.807	(1.000)	0.000	(1.392)	8.415
	Departmental Management	(0.253)	0.000	(0.253)	0.000	(0.253)	(0.513)	0.000	(0.513)	(0.766)
	Transformation	9.193	(0.078)	9.115	(0.400)	8.793	0.000	(1.200)	(1.278)	7.515
	Customer and Corporate Service Total	115.826	(70.563)	45.263	2.165	117.991	(2.322)	(1.950)	(74.835)	43.156
Corporate Items	Corporate Items	6.700	(26.827)	(20.127)	1.279	7.979	(0.265)	(1.329)	(28.421)	(20.442)
Grand Total		503.685	(310.008)	193.677	10.313	513.998	(6.792)	(1.630)	(318.430)	195.568

Council Tax Resolution

To be distributed separately.

Capital Budget

The five year capital budget 2020-2025 is currently forecasted at £778.671 as at 31 December 2020. The capital budget has been adjusted to take into account new approvals and changes to the capital programme and adjustments to the future funding assumptions shown below.

Current Capital Resources

The Capital budget consists of the following elements:

Description	£m
Capital Programme approved by CCIB	439.630
Future Funding Assumptions *	339.041
Total Revised Capital Budget for Approval (2020-2025)	778.671

* Estimate of funding to be received to finance future capital projects

The approved capital budget (representing forecast resources) is made up of two elements. One is the Capital Programme representing projects that have been approved and the other is future funding assumptions which are estimates of capital funding the Council is likely to receive in the future.

Financing the Capital Programme

Directorate	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	4.581	3.938	2.127	1.334	0.638	12.618
Grant funding	54.958	40.132	31.225	0.100	-	126.415
Corporate funded borrowing	31.994	47.079	16.362	4.828	2.017	102.280
Service dept. supported borrowing	58.092	67.840	40.960	5.988	-	172.880
SI06 & CIL	5.385	11.515	0.860	1.250	-	19.010
Other contributions	3.785	0.117	0	2.525	-	6.427
Total Financing	158.795	170.621	91.534	16.025	2.655	439.630

Detailed Breakdown of the Capital Programme 2020-2025

Details	2020-21 Latest Forecast	2021-22 Latest Forecast	2022-23 Latest Forecast	2023-24 Latest Forecast	2024-25 Latest Forecast	Total
Celebrating Mayflower	£	£	£	£	£	£
Mayflower 400 - Elizabethan House	1,264,940	-	-	-	-	1,264,940
Mayflower 400 - A38 Signage	975,000	-	-	-	-	975,000
Mayflower 400 - Monument	764,038	-	-	-	-	764,038
Mayflower 400 - Public Realm Enabling	593,192	-	-	-	-	593,192
Mayflower 400 - Plymouth Signage	437,713	-	-	-	-	437,713
Mayflower 400 - Public Realm Improvements	380,947	-	-	-	-	380,947
Mayflower 400 - IT and CRM Systems	245,626	-	-	-	-	245,626
Mayflower 400 - Waterfront Event Infrastructure	196,009	-	-	-	-	196,009
Total Celebrating Mayflower	4,857,465	-	-	-	-	4,857,465
Connecting the City	£	£	£	£	£	£
Plymouth Rail Station Regeneration	3,757,184	4,792,863	13,013,863	6,238,043	-	27,801,953
Ply Railway Station Concourse	863,050	4,831,520	-	-	-	5,694,570
Cot Hill Bridge	763,228	-	-	-	-	763,228
Plymouth Rail Station Public Realm	136,033	-	-	-	-	136,033
Electric Car Charge Points	1,164	-	-	-	-	1,164
Mayflower Coach Station	-	8,202	-	-	-	8,202
Total Connecting the City	5,520,659	9,632,585	13,013,863	6,238,043	-	34,405,149
Delivering more / better housing	£	£	£	£	£	£
PfH North Prospect Regeneration - Phase 4	3,250,000	300,000	-	-	-	3,550,000
PfH Plan for Homes Phase 3	2,276,024	2,250,000	2,250,000	1,250,000	-	8,026,024
Bath Street	1,686,404	-	-	-	-	1,686,404
Integrated Health Hub at Colin Campbell Court	1,500,000	-	-	-	-	1,500,000
Asbestos Claims by PCH	500,000	622,746	400,000	400,000	500,000	2,422,746

PfH Empty Homes Financial Assistance	210,000	311,349	-	-	-	521,349
Acquisition of West Park	191,669	-	-	-	-	191,669
Re-provision of Vines and Colwill Lodge	158,251	500,000	6,837,000	3,025,000	-	10,520,251
PfH North Prospect Phase 5	128,311	-	-	-	-	128,311
PfH Self Build Housing Sites - Lancaster Gardens	115,122	-	-	-	-	115,122
Broadland Gardens	95,000	-	-	-	-	95,000
Self Build Housing Sites - Maidstone Place	605	-	-	-	-	605
PfH Extra Care Housing Support Millbay	-	450,000	-	-	-	450,000
PfH Colebrook Road, Plympton	-	300,000	-	-	-	300,000
Total Delivering more / better housing	10,111,387	4,734,095	9,487,000	4,675,000	500,000	29,507,482
Delivering Oceansgate	£	£	£	£	£	£
Oceansgate Phase 2 Direct Development	5,083,915	50,000	-	-	-	5,133,915
Oceansgate - Phase 2 Offsite Drainage	2,643,173	-	-	-	-	2,643,173
Oceansgate - Smart Sound Connect	1,704,000	96,000	-	-	-	1,800,000
Oceansgate Phase 2 Building 1.8	1,292,391	-	-	-	-	1,292,391
Oceansgate - Phase 2 Infrastructure	1,174,184	-	-	-	-	1,174,184
Oceansgate Remediation/separation works	403,567	375,000	-	-	-	778,567
Oceansgate Phase 1 Direct Development	39,710	40,678	-	-	-	80,388
Total Delivering Oceansgate	12,340,940	561,678	-	-	-	12,902,618
Total The Box	3,139,962	-	-	-	-	3,139,962
Ensuring essential city infrastructure	£	£	£	£	£	£
Transforming Cities Fund Tranche 2 Grant	-	19,787,469	27,725,708	-	-	47,513,177
Green Homes	3,309,364	-	-	-	-	3,309,364
Carriageway Resurfacing	2,874,223	1,100,000	1,100,000	1,100,000	-	6,174,223
Cycle G: Southway to Plymbridge	1,454,505	-	-	-	-	1,454,505
Plan for Trees	1,235,000	-	-	-	-	1,235,000

Footway Resurfacing	1,179,813	1,945,250	1,955,292	-	-	5,080,355
Deteriorated Street Lighting Columns Replacement	874,815	1,858,579	1,909,836	1,962,631	2,017,013	8,622,874
Minor Structure Repairs (Reactive)	853,974	611,305	516,127	-	-	1,981,406
Carriageway Permanent Repairs	737,476	1,800,500	1,831,400	-	-	4,369,376
Footway Permanent Repair	698,706	-	-	-	-	698,706
Container Provision	684,759	-	-	-	-	684,759
Warm Homes	517,000	477,214	-	-	-	994,214
Minor Structure Repairs (Preventative)	510,616	-	-	-	-	510,616
Civic Centre District Energy	482,264	-	-	-	-	482,264
Cycle F: Routes within Derriford Community Park, Bircham Valley and Forder Valley	365,853	1,176,288	-	-	-	1,542,141
Traffic signal replacement	335,000	129,595	133,001	-	-	597,596
Vehicle Restraint System	256,533	-	-	-	-	256,533
Cycle Ci: Broxton Dr to Saltram Meadow R/bout	235,000	315,244	-	-	-	550,244
Bretonside Viaduct	233,905	-	-	-	-	233,905
Capitalised drainage schemes	209,102	206,000	212,180	-	-	627,282
Longbrook Street Flood Defence	203,000	-	-	-	-	203,000
Mount Edgcumbe Commercialisation	188,488	200,000	-	-	-	388,488
Home Energy	164,000	81,982	-	-	-	245,982
Elec Veh Work Places	153,116	-	-	-	-	153,116
Cycle B: Routes Within Central Park	151,145	-	-	-	-	151,145
TCF T2 St Budeaux to Crownhill Sustainable Transport Corridor	150,000	-	-	-	-	150,000
Flood Alleviation Works	150,000	-	-	-	-	150,000
Elec Veh PCC Car Parks	149,148	-	-	-	-	149,148
Staddon Lane Cliff Stabilisation	145,000	-	-	-	-	145,000
TCF T2 Mobility Hubs	142,037	494,061	-	-	-	636,098

Cycle A: Somerset PI to Ponsonby Rd	135,535	173,463	-	-	-	308,998
TCF T2 Workplace Travel Package	128,243	535,776	146,107	-	-	810,126
Laira Avenue Flood defence	106,801	-	-	-	-	106,801
Emergency Active Travel Fund T1	105,000	-	-	-	-	105,000
Carriageway Micro Asphalt	-	900,000	900,000	900,000	-	2,700,000
Billacombe Footbridge	-	590,055	-	-	-	590,055
Various projects under £100k	1,897,564	981,772	811,588	-	-	3,690,925
Total Ensuring essential city infrastructure	21,016,986	33,364,553	37,241,239	3,962,631	2,017,013	97,602,422
Ensuring sufficient good quality school places	£	£	£	£	£	£
Plymstock School Expansion	875,232	500,000	-	-	-	1,375,232
Pomphlett Basic Need	226,999	-	-	-	-	226,999
Total Ensuring sufficient good quality school places	1,102,231	500,000	-	-	-	1,602,231
Growing the economy	£	£	£	£	£	£
Asset Investment Fund purchases	21,237,846	23,648,536	23,663,000	-	-	68,549,382
RIO Loan Devonport Market Hall	477,038	1,000,000	-	-	-	1,477,038
Langage Development Phase 2	290,885	-	-	-	-	290,885
Co-operative & Mutuals Development Fund	269,763	152,997	227,093	184,491	137,611	971,953
City Business Park - Redevelopment	195,000	-	-	-	-	195,000
Stonehouse Industrial Units	194,852	-	-	-	-	194,852
Langage Development South Phase 2	150,000	-	-	-	-	150,000
RIO Loan Devonport Guild Hall	103,433	-	-	-	-	103,433
Social Enterprise Fund	86,459	130,195	-	-	-	216,655
Plymouth Albion Spectator Patio	40,000	-	-	-	-	40,000
Langage Development Phase 3	31,094	2,640,000	-	-	-	2,671,094
39 Tavistock Place	30,000	-	-	-	-	30,000
Total Growing the Economy	23,106,369	27,571,728	23,890,093	184,491	137,611	74,890,291

Improving neighbourhoods and delivering community infrastructure / facilities	£	£	£	£	£	£
Plymouth Life Centre - Build - Constructions	2,478,165	-	-	-	-	2,478,165
Plymouth Life Centre Maintenance & Improvement	1,500,000	-	-	-	-	1,500,000
Brickfields Athletics Track	626,971	10,000	-	-	-	636,971
Bond Street Playing fields (Southway Community Football Facility)	391,164	-	-	-	-	391,164
Derriford Community Park - Phase 3	350,827	-	-	-	-	350,827
Higher Efford Play Pitch Enhancements	247,522	-	-	-	-	247,522
Environmental Improvements Hoe & Waterfront	229,200	-	-	-	-	229,200
Improving Outdoor Play Phase 2	198,969	82,050	-	-	-	281,019
Central Park Improvements	181,693	828,243	-	-	-	1,009,936
Barne Barton general amenity improvement	163,666	-	-	-	-	163,666
Tennis Improvements	87,770	-	-	-	-	87,770
Derriford Community Park - Phase 4	64,431	-	-	-	-	64,431
Downham House Short Break Children's Home	62,315	-	-	-	-	62,315
Staddiscombe Sports Improvements	57,673	-	-	-	-	57,673
Central Park Sports Plateau	40,499	-	-	-	-	40,499
Drowning Detection Systems Ply Life Centre	16,479	-	-	-	-	16,479
Dunstone Woods	12,922	-	-	-	-	12,922
Active Neighbourhoods - Ernesettle Creek	3,676	-	-	-	-	3,676
Plympton Swimming Pool	3,316	-	-	-	-	3,316
Active Neighbourhoods - Kings Tamerton Wood	1,756	-	-	-	-	1,756
Active Neighbourhoods - Efford Marsh	466	-	-	-	-	466
Nursery Care Improvements	-	276,155	-	-	-	276,155
Improving neighbourhoods and delivering community infrastructure / facilities	6,719,479	1,196,448	-	-	-	7,915,928

Securing growth in Derriford and Northern Corridor	£	£	£	£	£	£
Forder Valley Link Road	16,145,349	25,046,169	-	-	-	41,191,518
Forder Valley Interchange	551,678	6,883,969	-	-	-	7,435,647
Purchase of Properties in the North of Plymouth	497,750	132,963	-	-	-	630,713
Northern Corridor Strategic Cycle Network	350,000	1,576,866	700,000	-	-	2,626,866
Morlaix Drive Access Improvements	248,584	4,126,638	-	-	-	4,375,222
Woolwell to The George	150,000	129,912	-	-	-	279,912
Charlton Road	82,956	723,247	-	-	-	806,203
N Corridor Junction Imps	40,000	7,358	-	-	-	47,358
Derriford Transport scheme - Derriford Roundabout / William Prance Road	10,323	54,608	-	-	-	64,931
Sendalls Way Junction Improvements	691	-	-	-	-	691
Purchase of 444 Tavistock Road	-	20,000	-	-	-	20,000
Purchase of 422 Tavistock Road	-	20,000	-	-	-	20,000
Millbay Boulevard	1,995,840	3,500	3,500	3,500	-	2,006,340
Civic Square	1,014,825	-	-	-	-	1,014,825
City Centre Public Realm Old Town St/ New George St	915,000	359,422	0	-	-	1,274,422
Colin Campbell Court	635,862	-	-	-	-	635,862
Armada Way	505,578	7,301,688	1,281,268	861,400	-	9,949,934
Demolitions and Pedestrian Crossings	487,154	-	-	-	-	487,154
Royal Parade	300,000	400,000	-	-	-	700,000
Western Approach Car Park	245,098	-	-	-	-	245,098
West End Public Realm	156,085	-	-	-	-	156,085
Cobourg House	126,397	-	-	-	-	126,397
Devonport Market High Tech 'Play Market'	57,171	-	-	-	-	57,171
Relocation of Shekinah	50,000	-	-	-	-	50,000
City Centre Shop Fronts Grant Scheme	17,836	-	-	-	-	17,836

Market Way Public Realm Improvements	11,110	-	-	-	-	11,110
Re-development of Old Town Street / New George Street East	-	500,000	2,000,000	-	-	2,500,000
HSHAZ Façade Restoration	-	100,000	100,000	100,000	-	300,000
Sutton Harbour Public Realm Improvements	-	31,955	-	-	-	31,955
Quality Hotel	-	-	298,598	-	-	298,598
Development Funding	0	74,415	125,000	-	-	199,415
Charles Cross	3,763	200,531	-	-	-	196,768
Securing growth in the City Centre and Waterfront	24,591,523	47,693,240	4,508,366	964,900	-	77,758,028
Securing growth in the Eastern Corridor	£	£	£	£	£	£
E Corridor Junction Improvements	2,370,550	150,000	-	-	-	2,520,550
A38 Manadon Junction	1,472,499	1,067,672	-	-	-	2,540,171
Plymouth Major Road Network	275,411	275,000	-	-	-	550,411
Eastern Corridor Strategic Cycle Network	64,650	1,467,531	-	-	-	1,532,181
A379 Pomphlett to The Ride	587	458,434	-	-	-	459,022
Securing growth in the Eastern Corridor	4,183,698	3,418,637	-	-	-	7,602,335

Transforming Services	£	£	£	£	£	£
Crownhill Court	5,406,377	-	-	-	-	5,406,377
Bereavement Infrastructure	5,209,052	7,803,684	-	-	-	13,012,736
Local Full Fibre Network	3,764,466	-	-	-	-	3,764,466
Plymouth International Medical & Technology Park	3,110,351	7,592	-	-	-	3,117,943
Street Scene & Waste Vehicles	2,562,000	-	-	-	-	2,562,000
Commercial Development at Broadley Park	2,138,506	-	-	-	-	2,138,506
Disabled Facilities (incl Care & Repair works)	2,014,785	500,000	-	-	-	2,514,785
Car Parks - Capital Maintenance & Replacement Payment System	2,000,000	-	-	-	-	2,000,000
Replacement of Hire Vehicles	1,801,000	-	-	-	-	1,801,000

Ballard House	1,657,496	-	-	-	-	1,657,496
TCF T2 Signal Optimisation / ITS (citywide) and Traffic Control Centre	1,350,000	-	-	-	-	1,350,000
Toys 'R Us	1,271,373	-	-	-	-	1,271,373
Electric Vehicles	1,145,761	-	-	-	-	1,145,761
Garden Waste Collection Containers	911,000	151,000	-	-	-	1,062,000
Street lighting Energy Savings	680,000	700,400	721,412	-	-	2,101,812
Chelson Meadow - Push Walls	675,000	-	-	-	-	675,000
On Street Electric Vehicle Charging	524,254	-	-	-	-	524,254
Delt Lights-on Infrastructure	492,130	-	-	-	-	492,130
Core HR	403,018	-	-	-	-	403,018
Revs and Bens System in IT	364,902	-	-	-	-	364,902
City Business Park - Computer Complex Demolition	363,000	-	-	-	-	363,000
Hoe Promenade Toilets	320,932	-	-	-	-	320,932
Lipson Vale - Asbestos Removal	286,712	-	-	-	-	286,712
West Hoe Toilets	217,978	-	-	-	-	217,978
Grass Cutting Equipment	201,714	-	-	-	-	201,714
Investment in Community Connections	190,632	-	-	-	-	190,632
Tech Forge	175,000	-	-	-	-	175,000
Chelson Meadow Closure & Leachate Plant Upgrade	130,346	-	-	-	-	130,346
PCC LED Lighting Replacement Programme	125,363	501,451	-	-	-	626,814
Fredrick Street	125,000	-	-	-	-	125,000
Solar Roof Tops	122,850	368,550	-	-	-	491,400
Mount Wise Sea Wall	120,000	-	-	-	-	120,000
Miel Solutions Shares	-	29,000,000	-	-	-	29,000,000
Garden Waste Collection Vehicles	-	860,000	-	-	-	860,000
Application Rationalisation	-	123,897	-	-	-	123,897

Contribution to Civic Centre Public Realm	-	-	2,500,000	-	-	2,500,000
Various projects under £100k	2,243,863	1,930,636	172,188	-	-	4,346,687
Total Transforming Services	42,104,861	41,947,211	3,393,600	-	-	87,445,672
Total Capital Programme	158,795,559	170,620,175	91,534,161	16,025,064	2,654,624	439,629,582

Cabinet

Date of meeting:	09 February 2021
Title of Report:	Proposed budget 2021/22
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Brendan Arnold (Service Director for Finance & S151 Officer)
Author:	Paul Looby, David Northey and Stephen Coker
Contact Email:	Paul.looby@plymouth.gov.uk David.northey@plymouth.gov.uk Stephen.coker@plymouth.gov.uk
Your Reference:	PL/Bud/20212022
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Cabinet considered the draft 2021/22 budget at its meeting on 12 January 2021 and the Budget Scrutiny Select Committee considered the budget proposals on 18-19 January 2021.

Under the Council's Constitution, Cabinet is required to recommend the Budget to Council which will meet on 22 February 2021.

This report:

- Summarises the impact of the provisional Local Government Finance Settlement on the 2021/22 budget
- Sets out revenue budget planning assumptions in respect of income, approved savings plans and resource requirements for 2021/22
- Summarises cost pressures and mitigations in respect of the COVID-19 pandemic
- Sets out the Capital budget, Capital financing strategy and the treasury management strategy for 2021/22
- Itemises the Council's response to its agreed recovery and renewal priorities and objectives during 2021/22
- Sets out the Cabinet's response to the Budget Scrutiny Select Committee's recommendations relating to the 2021/22 budget

Recommendations and Reasons

1. That Cabinet recommends the following to Full Council:

- 1.1 The Revenue Budget 2021/22;
- 1.2 The Capital Budget;
- 1.3 The Capital Financing Strategy 2021/22;
- 1.4 The Treasury Management Strategy 2021/22;

2. That Cabinet responds to the Budget Scrutiny Select Committee recommendations as set out in Appendix 9.

Alternative options considered and rejected

Setting a balanced budget is a statutory requirement. Options for achieving this are contained within this report and will be further considered by the Council at its meeting on 22 February.

Relevance to the Corporate Plan and/or the Plymouth Plan

The development and approval of the annual budget and the Medium Term Financial Plan (MTFP) is fundamentally linked to delivering the priorities within the Council's Corporate Plan. The Cabinet reviewed the Council's existing vision, values, priorities and plans in May 2020 and concluded that they remain fit for purpose during the COVID-19 pandemic. Areas of focus agreed in the Council's recovery and renewal framework are set out in this report.

Implications for the Medium Term Financial Plan and Resource Implications:

Implications for the above are set out in the body of the report.

Carbon Footprint (Environmental) Implications:

The budget proposals take account of the key implications and issues as set out within the Corporate Carbon Reduction Plan 2021 and the Climate Emergency Action Plan as approved by Council on 25 January 2021. Budget provision has been made as part of the proposals for 2021/22 and future years.

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

The reducing revenue and capital resources across the public sector has been identified as a key risk within our Strategic Risk register. Priorities relating to child poverty and health and safety are addressed within the reset priorities summarised in the report. An Equality Impact Assessment has been undertaken as is included in Appendix 10 of this report.

Appendices

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A Of the Local Government Act 1972 by ticking the relevant box</i>						
		1	2	3	4	5	6	7
1	Additional Expenditure 2021/22							
2	COVID-19 costs and grant income 2021/2							
3	Savings Proposals approved by Cabinet							
4	Proposed 2021/22 Plymouth City Council General Fund Budget							
5	Plymouth's COVID-19 recovery and renewal framework priorities							
6	Capital Financing Strategy 2021/22;							
7	Treasury Management Strategy 2021/22							
8	Capital – Statutory Guidance							
9	Budget Select Committee recommendations							

10	Budget 2021/22 Equality Impact Assessment							
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Background papers:

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	1	2	3	4	5	6	7
Budget 2021/22 – Draft Budget							

Sign off:

Fin	ba.20. 21.22 8	Leg		Mon Off		HR		Assets		Strat Proc	
Originating Senior Leadership Team member: Brendan Arnold											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 04/02/2021											
Cabinet Member approval: Approved by email by Councillor Mark Lowry											
Date approved: 11/01/2021											

1.1 Introduction

1.2 Cabinet received a report on the 2021/22 draft budget at its meeting on 12 January 2021. This report provided:

- an update on the latest budget gap which was £7.112m;
- a summary of the main findings from the Provisional Local Government Finance Settlement which was announced on 17 December 2020;
- a summary of the main budget planning assumptions including resources for council tax, business rates and revenue support grant and other grant income including New Homes Bonus;
- details of the additional spending pressures and costs and plans proposed to address the budget gap through the Council's ongoing savings and income generation programme.

1.3 This report builds upon the material presented in the previous report and asks Cabinet to recommend the proposed revenue and capital budget to Council on 22 February 2021. The report structure is:

- Section 1: Revenue Budget;
- Section 2: Capital Budget;

- Section 3: Renewal and recovery framework priorities
- Section 4: Appendices

- I.4 At the time of writing this report the Final Settlement had not been confirmed, and any further updates will be provided to Cabinet at its meeting on 9 February 2021
- I.5 The preparation of the budget and the Medium Term Financial Plan will always present challenges for local authorities. In recent years the background of financial uncertainty and the ongoing Brexit negotiations have impacted upon local government. Delays to the comprehensive three year funding settlement and the Fair Funding Review, together with a lack of clarity as to the impact these reforms will have, has resulted in a period of limited direction from central government and the inability for local government to plan in detail beyond a one year horizon.
- I.6 The impact of the COVID-19 Pandemic has created a further layer of complexity for local government and uncertainty with regard to funding. Local authorities have risen to the challenge to ensure vital services have been maintained, grants allocated to local businesses and financial support provided to the most vulnerable members of our society without a clear view as to how these new pressures will be addressed in the longer term.
- I.7 The Council was quick in its initial response to the pandemic and learned how agile it could be in adapting quickly to changing circumstances with strong political and managerial leadership and established patterns of partnership working. The Cabinet endorsed the Reset framework in May 2020, which set out six priority areas of focus for renewal and recovery. These are set out in Appendix 5 and summarise the areas of focus for the Council's strategic planning and delivery.
- I.8 It is inevitable that recent events have had an impact of the council's resources and expenditure and this will continue for some time yet. One of the key challenges will be understanding and monitoring the financial impact, in particular the impact upon the resources Plymouth will receive from its main sources of income i.e. Council Tax and Business Rates.
- I.9 The Government published its Spending Review on 17 December 2020 and this set out some headlines for local government. It also confirmed that, once again, local government would only receive a one year funding settlement for 2021/22.
- I.10 This report sets out the main financial information from the Provisional Settlement, announced on 17 December 2020. Along with other local authorities the Council has responded to the usual consultation process and the Final Settlement is awaited at the time of writing.
- I.11 Provisional Local Government Finance Settlement**
- I.12 The late timing of the announcement has not been helpful with regard to preparing the Council's budget. At the time of writing this report the Provisional Settlement confirmed the key announcements made as part of the Spending Review in December 2020.
- I.13 The details from the Provisional Settlement have been incorporated within the planning assumptions below, however further analysis has been undertaken to ensure that these final budget proposals can be delivered within acceptable parameters.

A summary of the key headlines from the Provisional Settlement is outlined below:

- The Government's announcement states core spending on local services has the potential to increase by £2.2 billion in 2021/22 which is an increase of 4.5%. This includes the assumption that where relevant, all local authorities will increase their Council Tax by the maximum

1.99% and that the Adult Social Care precept will be maximised at the 3% cap for 2021/22. These two aspects of local taxation comprise 87% of the 4.5% increase quoted by Government. Given that for Plymouth over 90% of our core resources of council tax and business rates are locally generated, this headline 4.5% includes the assumed additional burden on Plymouth residents and businesses.

- Additional resources have been allocated to meet COVID-19 costs; new funding for adult and children's social care and for councils with responsibility for services such as homelessness, planning, recycling and refuse collection will help meet cost and demand pressures next year.
- The Provisional Settlement did not include details of the Public Health Grant which is essential as local government continues to be at the forefront in responding to the Pandemic. This is expected later in 2021.
- Changes have been made to New Homes Bonus resulting in lower allocations. The Government intends to consult on a new scheme for 2022/23. The Council's allocation is reduced by £1.802m from the 2020/21 allocation.
- The Government has once again delayed major reforms to the system of local government finance i.e. Fair Funding and Business Rates reform.
- As part of a package of support to local authorities in England for COVID-19 pressures in 2021/22, the Government confirmed allocations of the £1.55 billion of unringfenced funding. This was previously announced as part of the Spending Review. For planning purposes at this stage it is reasonable to assume that there will be no further allocations. Plymouth City Council's allocation is confirmed as £7.854m
- The Government outlined the scope of a scheme to compensate for 75% of irrecoverable 2020/21 business rates and council tax losses.
- The Government confirmed the Income Compensation Scheme will continue up until the end of June 2021.
- The Government is consulting on how it intends to distribute £670 million to support households least able to afford council tax payments in 2021/22 based on the proportion of working-age local council tax support caseload.
- As expected the Better Care Fund will continue but has been frozen.
- The Government announced a new £111 million 'lower tier services' grant. Included in this report is Plymouth's allocation of £0.398m.
- The Government announced a £254m grant for homelessness and rough sleeping. Plymouth's total allocation is £1.004m.
- There will be a new domestic abuse grant, to support implementation of the Domestic Abuse Act 2020 (£0.050m)

Section One

1.14 Budget Planning Assumptions – Income

Council tax

- 1.15** The council tax base for 2021/22 has been set at 73,115 properties, a decrease of 1,488 on 2020/21 which is due to lower growth in new homes and an increase in council tax support claimants resulting from the COVID-19 pandemic. The council tax base for 2021/22 was approved by Council on 25 January 2021. The average band D council tax base is set out in the table below.

	Council Tax Base (Band D Properties)
2020/21	74,603
New Homes Growth	250
Council Tax Support Claimants	(1,209)
Collection Rate Reduction	(372)
Lower 2020/21 forecast	(157)
2021/22	73,115

- 1.16** The fall in the council tax base for 2021/22 primarily reflects the impact of an increased number of local residents who are claiming council tax support due to the current economic climate which has arisen from COVID-19. This has resulted in a £1.9m reduction in council tax income. The collection rate is also assumed to fall next year due to the Pandemic and subsequent economic downturn. This results in a £0.6m reduction.
- 1.17** As set out above, the Provisional Settlement set the council tax referendum limit at 1.99% and an adult social care precept (ASC) of 3.00%. As part of developing the 2021/22 budget, Council would have the option to consider adopting a 1.99% increase for Council Tax and a 3.00% level of ASC precept in order to present a balanced budget. If adopted, these increases would provide an additional £2.291m in council tax and £3.454m adult social care precept; a total of £5.745m. The Government have assumed we will maximise this when referencing Council's Core Spending Power.

Business Rates

- 1.17** The impact of COVID-19 has had a significant impact upon the business rates income that Plymouth will receive. This is a national picture and reflects the impact across the retail and hospitality sector due to COVID-19. Business Rates income is forecast to fall by £2.3m in 2021/22 from the current £65.403m to a revised £63.010m. This is due to a reduction in the number of properties eligible for paying Business Rates, particularly in retail and commerce.

Revenue Support Grant (RSG)

- 1.18** As part of the Spending Review, it was confirmed that there would only be a one year funding Settlement and the Fair Funding review and move to 75% Business Rates Retention will not take place in time for the 2021/22 budget. This reflects past and ongoing uncertainty as to when these initiatives will be taken forward by Government. Therefore the 2020/21 RSG settlement has been rolled forward and uplifted for inflation. This was confirmed in the provisional settlement. The amount of RSG for Plymouth will be £9.742m in 2021/22, a £0.054m increase on 2020/21.

Importantly, no information has yet been received to indicate how Government plans to take forward these reforms to local government finance.

New Homes Bonus

- 1.19** The allocation for new homes bonus payment in 2021/22 is £1.621m. This is £1.802m less than the grant paid in 2020/21 and is due to a lower numbers of new homes and a removal of the prior years' payment. In 2022/23 NHB is to be discontinued and at the time of writing no proposals have been issued by Government for a replacement scheme although the possibility of such a scheme has been referred to briefly in briefing material issued.

Public Health Grant

- 1.20** The Public Health grant is another key source of income and is used to improve the health of the population, and in particular to tackle large differences in health outcomes that we see between local areas. At the time of writing this report the 2021/22 grant has yet to be advised. However, this has no impact on the bottom line as the expenditure matches the funding available.

Resources Summary

- 1.21** In addition to the resources referred to above the council receives a range of other "one off" specific grants. These include Better Care Fund grant and social care grant, and others which form part of the local government finance settlement announcement.
- 1.22** The maximum amount of key resources that could be available to the council are summarised below. The council tax income reflects the possible maximum 1.99% increase in council tax and 3% increase in the Adult Social Care precept. However, at this stage it should be noted that no increase in council tax has been assumed. The total Unringfenced resources available with and without the increases are set out below with a comparison to the current year.

	2020/21	Without increases	With increases
Unringfenced Resources	2020/21 £m	2021/22 £m	2021/22 £m
Council Tax	118.586	115.704	121.449
Business Rates	65.403	63.010	63.010
RSG	9.688	9.742	9.742
Total	193.677	188.456	194.201

Spending Assumptions

- 1.23** Spending departments will absorb all increased costs arising from inflation.
- 1.24** The additional costs within the budget plans for 2021/22 are detailed in Appendix 1. These include significant cost and volume increases for Adults' and Children's services. The impact of COVID-19 related costs has been separately identified in Appendix 2.
- 1.25** The Council is committed to the National Living Wage and ensuring our care providers receive the necessary funding. This, together with additional demand and complexity within our adult social care services see a year- on year increase in the cost of providing care for the most vulnerable. Meeting the costs of care requires ongoing and increasing investment.

- 1.26** The City has an ambitious capital investment programme which supports the local economy and the revenue implications of this investment are included within the budget plans, with an additional £1.485m added in 2021/22.
- 1.27** The Government has announced a pay freeze for public sector workers outside of the NHS. There is separate negotiating machinery for local government workers nationally and it is presently assumed that the usual negotiations on pay will continue through these channels in respect of 2021.
- 1.28** A significant proportion of our revenue budget (over 70%) is spent on two main areas; adult social care services and children's social care provision. Nationally and locally the costs of providing health and wellbeing services are rising as demand and complexity increases. We have an ageing population and higher levels of young children requiring our services.
- 1.29** Following the Spending Review, we have been able to make a favourable adjustment to our adult social care cost forecast of £2.0m against the original estimates
- 1.30** Nationally there have been significant pressures within Children's Services. A combination of increased numbers and increasingly complex cases has meant costs have been rising beyond the existing budget provision.
- 1.31** A summary of the net additional cost pressures totalling £10.313m is shown in Appendix 1.

COVID-19

- 1.32** Cost pressures arising from the COVID-19 pandemic of £9.604m have been included in this budget. These have been funded from a mixture of Government grants and management actions. These are made up of those that have been confirmed as part of the settlement announcement and those that are estimates. The details are included in Appendix 2.

Settlement impact and Savings Plans

- 1.33** Prior to receipt of the provisional settlement and spending review announcement our modelling had shown a budget gap of £14.063m. The table below summarises the movements which are shown in detail throughout the report to the current gap of £7.112m. This includes reversing the previous working assumption on council tax at 1.99% and precept at 2% in order to present the true funding gap.

	2021/22
	FORECAST £m
Estimated gap before Provisional Settlement	14.063
Council Tax previously assumed at 1.99% & 2.00%	4.594
RSG Settlement	0.032
Business Rates Top Up adjustment	0.298
Provision for pay award moved to set-aside provision	(1.230)
New Homes Bonus reduction	0.721
Lower Tier Grant	(0.398)
Social Care Grant	(2.076)
Spending Review impact on Adult Social Care forecast	(2.000)
New Savings Plans	(6.792)
Fees and Charges	(0.100)
Current Reported Gap	7.112

I.34 As in previous years, the additional resources available to fund the budget for 2021/22 are insufficient to cover the base budget plus the additional costs. Therefore a range of savings have been proposed. An analysis of savings and income plans by directorate are set out below.

I.35 Cabinet Members and Officers have worked to identify these savings proposals to offset these increased budget pressures which are an inevitable consequence of the ongoing reduction to funding and increased costs for Plymouth.

Savings, Income Generation and Grant Income

I.36 Savings, income generation and grants of £1.630m which includes savings previously identified plus the impact of the Provisional Settlement have been approved by Cabinet at their previous meeting.

Net Savings, Income Generation, Grant Income	2021/22 £m
Previously Identified – PFI adjustment	(0.750)
Asset Investment Fund	(0.100)
Fees and Charges	(0.108)
New Homes Bonus (drop in income)	1.802
Additional Social Care Grant 2021/22	(2.076)
New Lower Tier Grant 2021/22	(0.398)
Total Net Savings, Income Generation, Grant Income	(1.630)

I.37 In addition, £6.792m of proposed savings have been approved by Cabinet. Details of these savings are shown in Appendix 3.

Proposed Savings Approved by Cabinet	2021/22 £m
Adults	(1.675)
Children	(1.540)
Corporate (including Finance and Chief Executive Office)	(2.422)
Place	(0.890)
Corporate items	(0.265)
Total Proposed Savings Approved by Cabinet	(6.792)

Summary Budget Position

1.38 A summary of the overall budget position before any Council Tax increase is made is shown below taking into account the estimated resources available to the council, increased cost pressures and identified savings to address the funding gap.

	Proposed Budget 2021/22 £m
REVENUE RESOURCES AVAILABLE	188.456
Baseline spend requirement (2020/21 net budget)	193.677
Plus identified additional costs	10.313
Overall spend requirement	203.990
Less: Net Savings, Income Generation, Grant Income	(1.630)
Less: New proposed savings as approved by Cabinet	(6.792)
REVISED SPENDING FOR YEAR	195.568
Budget Gap	7.112

Conclusion

1.39 At the time of writing this report the council had not received the Final Settlement. This report sets out a budget gap of £7.112m as included in Appendix 4.

1.40 To get to the current position, officers have:

- Incorporated the impact of the Provisional Settlement where known;
- Reflected the impact of the Spending Review announcements for 2021/22 costs
- Ensured that the impact of a pay award through the national negotiation machinery can be met whilst noting the Government's view that pay should not increase in the public sector in 2021/22.
- Included a mix of departmental savings and income increases together with grant maximisation schemes of £1.630m.
- Proposed additional savings totalling £6.792m which Cabinet approved at its January meeting

1.41 Cabinet are asked to note that the budget shortfall of £7.112m could be offset by:

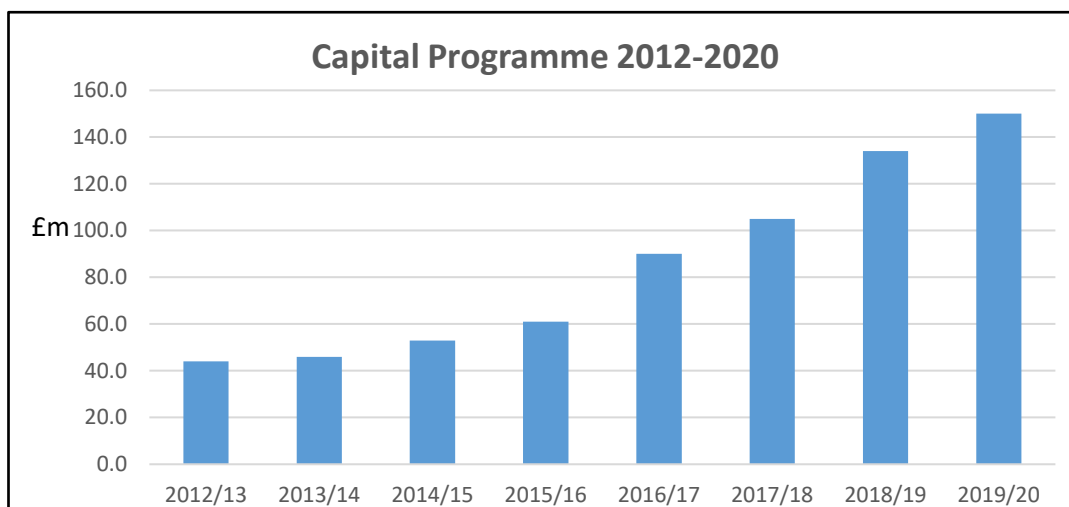
- a Council Tax increase of up to 1.99%
- an ASC Precept increase of up to 3.00%
- the use of limited local resources including a limited use of reserves.

1.42 By making use of these factors a balanced budget could be agreed by Council on 22 February 2021.

Section 2 - Capital budget

- 2.0** The Plymouth Plan remains the principal driver for the Council's capital programme. It contains the most ambitious set of proposals this City has ever seen. Primarily through its planning vehicle, the Plymouth and South West Devon Joint Local Plan, there are proposals to build 26,700 new homes across the area, create 13,200 new jobs, and to undertake an unprecedented major investment programme in modernising infrastructure including transport, schools and green spaces.
- 2.1** This investment will enable Plymouth to become the key economic driver for the far South West and will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment will enable growth within the economy as well as a significant level of new housebuilding and will therefore assist in generating additional business rates, Council Tax, New Homes Bonus (subject to any changes to the existing scheme) and Community Infrastructure Levy (CIL).
- 2.2** The Council continues to take a strategic approach to the capital programme, having established 15 strategic outcomes within which individual projects sit. Increasingly the programme will need to be aligned with the strategic outcomes set out in the Plymouth Plan and Plymouth and South West Devon Joint Local Plan as well as the investment and business planning programmes of other organisations to maximise delivery on the ground.
- 2.3** The Council's Capital Programme consists of the approved capital projects the Council intends to deliver over a five year period. During the last four years, the programme has grown significantly, however due to the COVID-19 pandemic many projects have been delayed or slowed. It is projected however that the programme has still been able to deliver about £150m of capital spending for 2020/21.

Recent annual Capital Programmes



2.4 The capital programme includes the following major projects that have already commenced but are not yet completed, or are due to start:

- Oceansgate phase two (£32m);
- The Eastern Corridor junction improvement scheme and cycle network (£8m);
- Further Asset Investments (£41m);
- New Crematorium (£16m);
- Forder Valley Link Road (£53m);
- Forder Valley Interchange (£9m);
- Brunel Plaza (Plymouth Railway Station) (£29m);
- Expansion of Pennycross Primary School (£3m);
- Outdoor play area improvements (£2.1m);
- Transforming Cities Fund (£57.1m);
- Central Park improvements (£5.7m);
- Derriford Community Park (£1.1m);
- Millbay Boulevard (£3.6m);
- Integrated Health Hubs;
- Further improvements to the condition of our highways and footpaths;
- Investment in ICT;

2.5 The breakdown of the current five year Capital Programme forecast across the Directorates is shown below.

Five year Capital Programme by Directorate

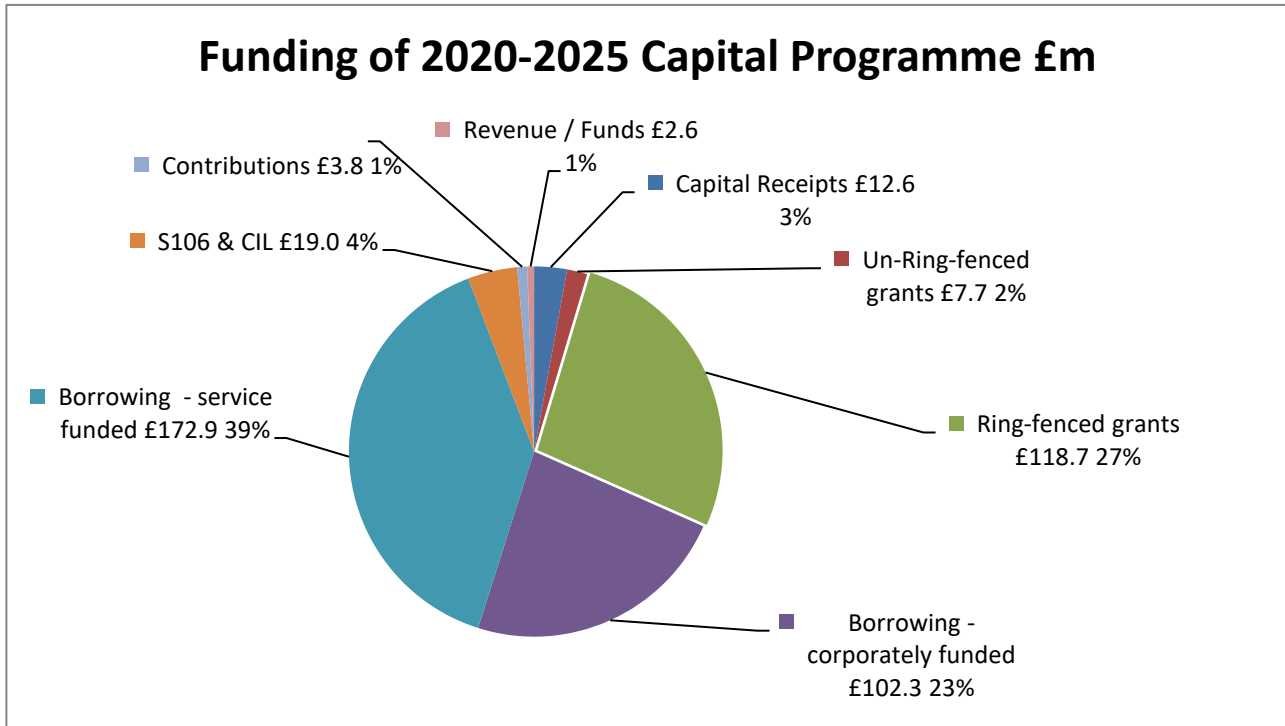
Directorate	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
People	10.300	2.391	7.009	3.025	-	22.725
Place	135.354	129.423	84.525	13.000	2.655	364.957
Customer & Corporate	7.932	31.003	-	-	-	38.935
Public Health	5.209	7.804	-	-	-	13.013
Total	158.795	170.621	91.534	16.025	2.655	439.630
Financed by:						
Capital Receipts	4.581	3.938	2.127	1.334	0.638	12.618
Grant funding	54.958	40.132	31.225	0.100	-	126.415
Corporate funded borrowing	31.994	47.079	16.362	4.828	2.017	102.280
Service dept. supported borrowing	58.092	67.840	40.960	5.988	-	172.880
Section 106 & CIL	5.385	11.515	0.860	1.250	-	19.010
Other contributions	3.785	0.117	0	2.525	-	6.427
Total Financing	158.795	170.621	91.534	16.025	2.655	439.630

2.6 The breakdown of the five year Programme by outcome is shown below.

Five year Capital Programme by outcome

Primary Outcome of Projects	£m
Securing Growth in the City Centre/Waterfront	20.259
Securing Growth in Derriford and the Northern Corridor	57.499
Securing Growth in the Eastern Corridor	7.604
Delivering More/Better Housing	29.507
Ensuring Essential City Infrastructure	97.602
Improving Neighbourhoods and Community Infrastructure	7.916
Ensuring Good Quality School Places	1.602
Growing the Economy	74.890
Delivering Oceansgate	12.903
Connecting the City	34.405
Celebrating Mayflower	4.857
Delivering The Box	3.140
Transforming Services	87.446
Total	439.630

2.7 Funding of the Capital Programme



- 2.8** Funding for the capital programme comes from a variety of sources with the highest proportion from borrowing at 62%. Of this amount service borrowing accounts for 23% of the capital programme. This is an established and effective strategy used in Plymouth to fund capital investment as the borrowing repayments are covered by income or savings being made within the Service Departments.
- 2.9** The Council will continue to fund a number of projects from Corporate Borrowing (39%). This is largely for projects that are considered to be overall strategic priorities and where the borrowing repayments are covered by making revenue provision in the annual budget. The revenue implications of the current programme and the agreed priorities has been addressed in developing the 2021/22 Medium Term Financial Plan.
- 2.10** To ensure the capital programme remains sustainable in the long term the level of borrowing continues to be regularly monitored. The external funding environment is rapidly changing and new opportunities are constantly arising. By continuing to take an organised and proactive approach to identifying, bidding for and then securing them, external grants will make the budget sustainable and reduce the pressure on the revenue budget.

2.11 Capital Budget 2020 - 2025

2.12 The five year capital budget 2020-2025 is currently forecasted at £778.671m as at 31 December 2020. The capital budget has been adjusted to take into account new approvals and changes to the capital programme and adjustments to the income assumptions.

Description	£m
Approved Capital Programme	439.630
Funding Assumptions *	339.041
Total	778.671

* Estimate of funding to be received to finance future capital projects

2.13 Funding Assumptions

2.14 The current funding assumptions forecast for the five year capital budget 2020-2025 is £339.041m is based on future grants and external contributions.

2.15 External funding currently contributes approximately towards 35% of resources within the capital resource envelope; this is included within the income assumptions and includes both ring-fenced and un-ring-fenced grants, S106 and contributions.

2.16 The council will endeavour to ensure a significant proportion of the funding for the Programme comes from external sources – grants from other organisations and Government departments and agencies (27%). Capital receipts make up about 3% of the programme with S106 contributions and CIL constituting about 4%. Every effort is being made to secure funding from grant programmes and other external sources.

Some of the grants recently awarded include:

Future High Streets Fund	£12.000m
Transforming Cities Fund tranche 2	£53.263m
Oceansgate Smart Sound Connections	£ 1.800m
LEP Funding – Forder Valley Link Road	£22.558m
NPIF - Forder Valley Interchange	£ 5.000m
Transforming Cities Fund tranche 1	£ 7.800m

- 2.17** The Government has strengthened its guidance with respect to Councils investing in commercial properties to increase their income. There are obviously risks in these types of investments and new guidance is in place to ensure that local authorities have the correct safeguards and due diligence in place to mitigate these risks.
- 2.18** Plymouth City Council's commercial property and development activities operate under robust and effective governance arrangements as set out in the Council's constitution. The Council has a small team of experienced in-house chartered surveyors including an Asset Manager recruited specifically for the Asset Investment Fund who has significant experience in property fund management obtained in the private sector.
- 2.19** The Capital Finance Strategy gives an overview of how the associated risks are managed and the implications for future financial sustainability. The Capital Strategy and Treasury Management Strategy are attached as Appendix 6 and 7. Both of these reports have been approved by the Audit and Governance meeting of 30th November 2020. A summary of the statutory guidance for capital as required by of the Ministry of Housing, Communities and Local Government (MHCLG) and The CIPFA Code and how this interacts with the Capital and Treasury Management is shown in Appendix 8.

Conclusion

- 2.20** The Capital Plan sets out an ambitious programme of investment within Plymouth. The revenue implications have been accounted for within the revenue budget and this investment will support the growth agenda within the City including regeneration and supporting the economy and creation of jobs. Cabinet are asked to recommend the Capital Plan to Council on 22 February 2021.

Section 3 – Delivering the Corporate Plan: Areas of focus for the Council's recovery and renewal framework

The Cabinet approved Plymouth's recovery and renewal framework in May 2020. The framework summarises the challenges and opportunities facing the Council and city in our response to the COVID-19 pandemic, sets out key assumptions and principles to inform our planning and identifies recovery and renewal priorities and objectives, which are set out at Appendix 5 of this report. This section of the report summarises the Council's activities in respect of each of the Priority Areas of the framework.

3.1 Restating the Council's vision and values

A key principle informing the Council's response to the COVID-19 pandemic is that our existing vision, values, priorities and plans as summarised in the Corporate Plan remain fit for purpose. The Council's approach has been to prioritise key elements within the plan to ensure that we address the most immediate impacts of the pandemic on those most vulnerable, and support the city's recovery, both in health and economic terms in the most appropriate way.

3.2 Growing Plymouth: supporting the economy

3.2.1 The Council has focussed on driving the City's growth agenda through delivery of a vibrant package of measures which make Plymouth a great place to live, do business in, invest in and visit. This package includes leveraging investment, business development and support, spatial planning and strategy, a strong cultural and events offer, housing delivery and our own impressive capital delivery programme which includes major sustainable transport improvements. 2020/21 was poised to be a year of further success as we built upon the £45m which had been generated through the Plymouth Growth Dividend, made up of growth in Business Rates, Council Tax and New Homes Bonus, over the previous six years. No one, however, was anticipating a global coronavirus pandemic and the devastating impact it would wreak on the lives, businesses and economic health of the UK and our City.

3.2.2 Despite the significant challenges of working within the context of the coronavirus pandemic the Council has still consistently delivered over the period on projects and work areas which are in our control. Some notable examples include:

- Opening the £48m premier cultural attraction The Box.
- Securing the LOOK II statue by world renowned sculptor Sir Antony Gormley.
- Winning first place in the SW Institute of Civil Engineers award for the £3m Charles Cross Scheme.
- Securing key grant funding including: £51.2m towards the 96m Transforming Cities Fund; £12m initial award from Future Highstreets Fund; £8m LEP funding for Resurgam projects; £4m from Getting Building Fund for railway station concourse improvements.
- Work commenced on the £80 railway station redevelopment programme.
- Major progress on the Forder Valley Link Road and Forder Valley Interchange capital projects with a combined budget of over £65m.

3.2.3 The Council's Economic Development Service is acting as an Economic first responder, galvanising support for the business community across all sectors and offering signposting, advice and crucially the issuing of £51m in various Government COVID-19 support grants across 7,000 individual payments. The team quickly developed the City's economic recovery plan, Resurgam, which aims to balance continuing to provide an acute response to protect jobs and business, alongside 6 recovery pillars which include public sector procurement, capital

building works, skills, our £500m City Centre renaissance Programme, key beacon projects particularly capitalising on our enviable natural infrastructure and a focus on 11 different sectors with associated bespoke interventions. The programme has also sought to maximise the power of the council's own procurement, with 'local' spend in the first six months of 2020-21 equating to over 60% of total spend. Resurgam will continue to be a key priority for 2021/22 alongside helping businesses to navigate both the challenges and opportunities posed by Brexit, address the challenges set by the Levelling Up agenda and the envisaged long term impact of COVID-19 on employment and the wider economy.

- 3.2.4 Described elsewhere in this report is an overall development project pipeline of over £1bn. 2021/22 will see continued focus on key projects such as the transformation of Plymouth's Railway Station; the City Centre renaissance programme; direct and partnership delivery of over 130,000 square metres of new employment spaces across a range of business parks; major transport works including the Forder Valley Link Road and Forder Valley Interchange; continued delivery of both the £97.5m Transforming Cities Fund programme and £8.2m Eastern and Northern Corridor Strategic Cycle Network to bring a step change in the sustainable travel options for the City. The Council will also continue to drive progress with the delivery of the UK's first National Marine Park and continue to lever investment to improve all our highly valued natural spaces. We will also be assessing the impact of releasing a pair of beavers into the wild for the first time in 400 years, as part of a rewilding programme within the Green Minds project.
- 3.2.5 2021/2 will see further development of the City's cultural and events offer. This includes hosting the prestigious SailGP following competitive bidding process with five other cities for the fastest and most competitive sail racing event in the world. The other world class events the City is anticipating include the national fireworks competition and a series of Mayflower 400 commemorations rescheduled from 2020.
- 3.2.6 House building remains a key priority for the Council, and affordable housing in particular is more important than ever at a time of unprecedented economic challenge for the city and its residents. Once again the Council remains on track to deliver its Plan for Homes commitment to build 1,000 new homes per year, with an average of 1,019 dwellings being completed per annum within Plymouth over the 4 years between 2016/17 and 19/20. Of these 1048 are affordable homes with an average of 262 affordable dwellings being completed over the same time period.
- 3.2.7 The Plan for Homes continues to create new opportunities for housing providers to meet a wide range of housing needs by adding another 15 development sites to the existing development pipeline, which equates to more than 600 new homes in total over the coming years. A number of these sites will be earmarked for Low Carbon housing to start to address the Climate Emergency challenge, and to set a new standard for future housing development in the city. In addition over the last year the final phase of the regeneration of North Prospect has been unlocked with a total of £3.55 million of new grant funding from PCC and MHCLG being secured. 2020 has also seen two large regeneration schemes totalling more than £68 million of investment into Barne Barton make a first start on site with the demolition of more than 150 flats that were beyond economic repair. In time this will result in more than 320 new high quality homes being constructed in that part of the city.

3.3 Minimising inequalities and supporting individuals and communities

- 3.3.1 Plymouth's response to COVID-19 has demonstrated the contribution that communities can make. Since the beginning of the outbreak, communities have sprung into action. Neighbours are connecting and looking out for each other more than usual, and informal support groups in local areas have organised to support people in need. In Plymouth mutual aid groups and an army of 800 volunteers have offered support via Caring for Plymouth and the Plymouth Good

Neighbours Scheme, volunteering to deliver prescriptions and food parcels to vulnerable residents. Our aim is now to accelerate the following work streams: Leadership and cultural change within the council, development of the community empowerment framework, informal volunteering (through Cities of Service) and formal volunteering, empowerment through the voluntary and community and social enterprise sector, and enabling community resilience. Taken together, the programme will support communities to identify things that they can do for themselves that will give tangible benefits to their lives, their environment and their life experience in an environment of financial constraint.

- 3.3.2 Caring Plymouth has been at the forefront of our local pandemic response and is facing a series of unprecedented demands both now and in the foreseeable future. The pandemic has placed pressures on our provider market, increased demand for public services for vulnerable adults and children and widened existing inequalities.
- 3.3.3 These COVID-19 related challenges are on top of other challenges faced in supporting vulnerable individuals and communities, including the impact of welfare reform, the Care Act, the economy and the changing structure of the population.
- 3.3.4 A significant proportion of our revenue budget is spent on care services and 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. We have been lobbying for more funding for both adult and children's social care and funding for schools and school services and for our Fair Share allocation of NHS funding.
- 3.3.5 In terms of Adult Social Care, The National Audit Office (NAO) has estimated that, between 2010 and 2017, the number of people in need of care aged 65 and over increased by 14.3%, fuelling greater demand for services. In addition rising disability among working-age adults has seen the proportion of working-age adults approaching local authorities for support rise by 4 per cent – over 23,000 people – since 2015/16.
- 3.3.6 At the same time, England's increasing older population is fuelling greater demand for services. Together, this has led to over 1.8 million requests for adult social care, up 2 per cent since 2015/16. However, nearly 13,000 fewer people are receiving support and in real-terms local authority spending on social care is £700 million below what it was in 2010/11. The House of Lords' Economic Committee stated the adult social care system would need around £8 billion a year to 'restore care quality and access to 2009/10 standards'.
- 3.3.7 This national picture is reflected locally as the Plymouth Report has highlighted there is a growing ageing population. Crucially healthy life expectancy in Plymouth is significantly lower than the England average for both males and females. This places an added pressure on the care and support system as it makes looking after people more challenging. Whilst numbers of requests for support and service users have remained steady since the introduction of the Care Act, (albeit significantly increasing in 18/19) the nature of the demand has changed, in terms of increased levels of complexity and ultimately therefore increased costs.
- 3.3.8 Despite these challenges there still remains 'no clear long-term plan for reform and no clear path for developing one', with the Green Paper being consistently delayed.
- 3.3.9 Through the Homelessness Reduction Act, and changes to homelessness legislation we have seen an increased demand on homelessness services, resulting in financial and capacity challenges within the housing system. We have seen rises in the number of people approaching the Local Authority who are homeless or threatened with homelessness. COVID-19 has now further impacted this with further increased demand. In 2019/20 we were approached by 2,404

households and are projecting that this will rise to 2,760 households in 20/21 (14.8% rise on last year).

- 3.3.10 We continue to work in partnership with the Devon CCG (Clinical Commissioning Group) to develop a single commissioning function focusing on developing and adopting:
- joined up population based, public health, and preventative and early intervention strategies
 - an asset based approach to providing an integrated system of health and wellbeing, focusing on increasing the capacity and assets of people and place.
- 3.3.11 Integrated commissioning provides the opportunity to commission an integrated provider function stretching across health and social care to provide the right care, at the right time, in the right place. Integrated commissioning also has a key role in ensuring that every child in the city achieves the best start to life. All these changes are underpinned by high quality statutory services aimed at protecting the most vulnerable in society from harm and neglect and ensuring services are focused on delivering better outcomes for individuals.
- 3.3.12 In response to the pressures facing Adult Social Care we have developed our Caring for Plymouth operating model. This outlines a series of system-wide transformations across social care and communities designed to improve the experience of our citizens and deliver improvements to the Plymouth care system. As outlined within the Corporate Plan, one of the Council's priorities is to be a Caring Council and this proposal supports that ambition. There will be a strong focus on working with individuals at the earliest point on the pathway to understand what they feel are their strengths and challenges in order to enable professionals and the community to better understand how they can prevent the situation from worsening. This in turn will lead to reducing health inequalities and keeping those we are responsible for safe.
- 3.3.13 At the heart of the new model will be the principle of "promoting independence", recognising the assets and strengths of people and enabling people to live independent and fulfilled lives as part of their communities. The revised system will operate as a whole but with four key elements:
- Plymouth Independent Living Service;
 - Gateway to Social Care;
 - Short Term Care (Recovery, Reablement, Rehabilitation);
 - Long Term Personalised Care.
- 3.3.14 The homelessness system will come together under a re-invigorated homelessness prevention partnership to further build on the work of the Preventing Homelessness and Rough Sleeping in Plymouth 2019-2024 strategy and the work of the Plymouth Alliance. It will provide an opportunity to discuss the homelessness strategic direction with all partners, ensure that partners are all working together to the same vision and harness the collective enthusiasm, energy and creative thinking of all key partners to bring about system change and to deliver efficiencies.
- 3.3.15 Our focus is on ensuring that children and young people in Plymouth grow up healthy happy and safe, and able to aspire and achieve; living in resilient families and communities, able to take advantage of a broad range of opportunities. Our aim is that no Plymouth child should find that their life chances are defined or limited by the circumstances of their birth or early childhood experiences. If problems emerge we will step in and seek to work effectively to improve outcomes.
- 3.3.16 Our Children's Services work with partners to ensure that children and young people are safe and protected from the risk of harm at home and in their communities. With increased demand and complexity of need for those children in need our approach shared with partners includes making sure as far as possible that:

- Families tell their story once, and are fully involved in their plans to support change with a focus on their strengths.
- Families receive their support in the places and from the people that best suit their needs, for as long as they need to embed resilience.
- Families don't see the 'join' between services.
- Children and young people have opportunities to have fun and take calculated risks to support their development.

3.3.17 We have maintained our focus on improving the quality of practice for children, young people and families, and developed work streams that are impacting on demand and ensuring that for those children in our care we have suitable and sufficient placements. A particularly acute pressure has been the culmination of rising demand, complexity of care, rising costs and the availability of suitable placements. This is not just a local issue, but is seen nationally.

Therefore our priorities include:

- Improving the quality of practice.
- Managing demand with a key focus on adolescents at risk of coming into care, and recent entrants into our care.
- Increasing our capacity to provide family based care for children in our care by increasing the number of in house foster carers.
- Commissioning appropriate residential placements including supported accommodation for young people over the age of 16.

3.3.18 We have realigned how our core statutory social work services are delivered to better support good practice, with specific changes in the delivery of services for care leavers implemented this year.

3.3.19 A full review of our in-house fostering service was undertaken in 2019-20 and a new service design was implemented as well as commissioning an external marketing agency with experience in recruitment of foster carers. This has been effective in being on target to increase our in house placements available this year, with a further increase of 36 additional placements projected by the end of March 2022.

3.3.20 Our work in commissioning appropriate residential placements continues and includes a block contract with a provider of suitable placements in the city, and the re-tendering of supported living for young people aged 16 years and above.

3.3.21 We are building on the work stream to establish an Adolescent Support team which was established in June 2020. The team works intensively with young people on the edge of care to support them to remain at home, as well as working with young people who have had a period in our care to return to their families safely. At this point eight young people have been successfully re-united with their families, and the team are now working with another eight where there is a safe plan in place for them to return to their families in the coming weeks. The work stream for 2021-22 will build on the success of this team to widen the scope of the young people the team can work with to include those with complex mental health, and other health needs.

3.3.22 In relation to educational attainment we continue to work with partners across the education system to improve attainment levels and outcomes for all of the children and young people in the city. A key focus has remained improving the standards of secondary education in the city and this has been supported by the Plymouth Commission.

With partners across the education system we will continue to build on the progress and momentum achieved to date to:

- Establish and embed a shared approach to inclusion.
- Improve attainment and outcomes for all pupils.
- Narrow the gap for disadvantaged pupils – with a specific focus on addressing the impact of COVID-19.

- 3.3.23 There is a strong shared strategic approach and delivery in relation to children with Special Educational Needs and a Virtual School that impacts positively on ensuring schools and education settings are meeting the needs of children in our care.
- 3.3.24 Our Education Participation and Skills service has undertaken a full review and this resulted in a complete service redesign, and proposals for the development of home to school transport. Savings have been achieved, in year, with full impact in 2021-22.
- 3.3.25 In addition the work of the Skills service has continued with nationally recognised work through Skills4Plymouth in establishing the Skills Launchpad, a virtual service, available for adults and young people with plans for both an adult and youth hub progressing well. Since being established in August 2020 the Launchpad service has attracted over 6,000 unique users and 6,700 users – across all demographics inclusive of 16-65 year olds.
- 3.3.26 All plans for the year ahead take account of the impact and anticipated impact of COVID-19 on Children, young people in the city, as well as staff and partners.
- 3.3.27 The impact of COVID has been keenly felt across all areas of Children's Services, with an increase in demand across all aspects of statutory services including more children in need of help and protection, and a significant increase in the numbers of children in care. Service delivery has been maintained, and at different stages of lock down appropriate risk assessments and virtual delivery arrangements put in place where appropriate.
- 3.3.28 These trends have been analysed and agreement reached to increase the social work capacity by increasing the number of social work posts.
- 3.3.29 Schools have faced some of the most challenging expectations in ensuring that they can support the most vulnerable pupils, and children of critical workers, at the same time as providing virtual learning. Work is continuing to ensure that COVID-19 safe arrangements are in place for pupils and staff when schools are fully open again.

3.4 The way we work: delivery of council services

- 3.4.1 Following the Council's Customer Experience corporate peer challenge conducted with the Local Government Association in 2018, we have clarified and refocussed our approach to 'The way we work'. Our operating model is designed to improve our customers' experience by getting the basics right, working across departments, advancing our digital ambition and sets out our approach to community empowerment, ensuring we are a 'city where everyone does their bit'. Although this has been a challenging year, our investment over the last few years has given us the technology, culture and energy to respond to the COVID-19 pandemic and has ensured that we are able to deliver many of our services in a new and innovative way. We have focussed on a clear set of priorities, accelerated the pace of change and benefitted from important insights during the pandemic as to how we can develop our strategies and operating model in the coming year and beyond.
- 3.4.2 Throughout the pandemic the Council's frontline workers have worked effectively whilst addressing the challenges which have arisen. They have sought to uphold business as usual as far

as possible, maintaining highways, cleaning streets, keeping our valued green and play spaces tidy and safe, and prioritising waste collection and disposal services. The coronavirus pandemic has provided opportunities to look at different ways of delivering services and a key priority will be to enable managers in the service to exercise their initiative to innovate further and capitalise on our professional skills, talent and potential. Delivery of cost-effective frontline services to a safe and consistent standard remains a priority into 2021/22. Work will continue to optimise operations to make them as efficient as possible whilst also balancing the achievement of better customer experiences, greater digitisation of processes, an ongoing Health & Safety Improvement Programme and a strong focus on reducing carbon emissions. A good example is the further electrification of the Council's fleet vehicles and plant equipment and using policy and communications to help residents adhere to the waste hierarchy of reduce, reuse and recycle.

- 3.4.3 A key change in 2021/22 will be the roll out of wheelie bins for the garden waste collection which will help delivery both service improvements with regards to reliability and also help protect the Health, Safety and Wellbeing from the physical impact of repeated manual lifting and emptying of bags. Further work continues to improve the commercial offer of our waste collection service to business customers and capitalise on our facilities, infrastructure and expertise.
- 3.4.4 Contact centre and business support staff will continue to support the organisation and our customers through the COVID-19 pandemic which seen us make rapid changes to our approach to meet increased demand and keep staff and customers safe. These services have been through a number of challenges in the past year and looking forward will reorganise later in 2021 once the consultation and structure for the business support service is concluded. It is likely that the demand on our Revenues and Benefits service will increase and therefore the capacity and future model will need to evolve taking into account the further roll out of universal credit and the deep recession the country as a whole is likely to be facing. Our Library Service will continue to develop and will be an important front door for our residents moving forward, both in terms of outreach activity, digital education and in providing face to face support where required.
- 3.4.5 The Council's digital plan was adopted by Cabinet in January 2021. Next year will see the completion of the Local Full Fibre Network and the continuation of the significant £50m planned investment announced by City Fibre. Alongside this are a number targeted reviews that support the Council's operating model and importantly ensure that the digitally excluded can benefit from such investments. Working across the City and with our partners we will continue to seek ways we can work together, maximise our investments and pilot new technologies to their best effect, including a 5G Sound Project and other 5G deployments across the City. To support this we will be submitting proposals to invest in our existing digital team during 2021/22.
- 3.4.6 The Council will continue to implement the People Strategy that was adopted in March 2020. The modernisation of the way we work will be the main priority, ensuring that employees have the right skills and are supported to work flexibly in a way underpinned by corporate HR policies. We will seek to embed diversity and inclusion within the Council's service delivery models and in the way that the workforce is managed and led. Engaging, leading, driving and supporting change throughout the Council at the same time managing the challenges that are presented by the pandemic. Service structures and resources will be reviewed in 2021 to ensure that the service is aligned to the delivery model and priorities of the organisation.
- 3.4.7 The Council has a statutory obligation to provide a safe and healthy working environment for its workforce. We will provide advice and assurance to ensure that governance and risk assessments and safe systems are in place. We will continue to support the wellbeing of the workforce. The Council achieved the bronze wellbeing at work award in 2020 and is now working towards the silver award in 2021/22.

- 3.4.8 Transformation resources are being focused on supporting three key elements of The Way We Work Programme. This helps us deliver our operating model for the Council and supports both the digital plan and people strategy that Cabinet approved in 20/21. The digital programme is already referenced above and the other two programmes are detailed below.
- 3.4.9 The Business Support review will continue to progress the delivery of a new model to provide support services across the organisation from a single new structure. This work will not only deliver consistent services to defined standards but also £1.2m savings by the end of FY 21/22.
- 3.4.10 The Accommodation Programme will focus on reducing the office space required to deliver our services. This process is starting with moving services from Windsor House, PCC and partner agency staff that previously used this as their office will work more flexibly and when they need to use the office will be able to access desks in Ballard or other sites across the city.

3.5 Responding to the climate emergency

- 3.5.1 The Council agreed its Climate Emergency and Carbon Reduction plans for 2021/2 at its January 2021 meeting. The first constitutes a city wide focus to work with partners to reduce emissions and to encourage others to contribute also, and the second is a corporately focused plan targeting activities under the Council's direct control such as the running of buildings and fleet. Successes in 20/21 include the formation of the detailed plans and associated governance; upgraded dwellings of vulnerable residents with energy efficient improvements and success in securing £3.3m for further improvements; the installation of 77 further electric charging points; alongside a city wide rolling investment in LED lighting in subways and other highway infrastructure.
- 3.5.2 The Transforming Cities Fund (TCF) will enable the implementation of up to 50 multi-modal mobility hubs across the city include an additional 300 public electric vehicle charge points, 400 electric bikes and the establishment of an electric car club. E-charging facilities are being installed at the Barbican Landing Stage, 14kms of off road-cycle improvements will be created, £12.3m of TCF funding is being invested into the Better Places city centre programme, 10 key junctions are being reconfigured/improved, a new control centre will be created hosting the latest in technological signal advancements for autonomous vehicles and £750k grant funding has been made available to local businesses to help work places invest in sustainable initiatives. The Climate Emergency Action Plan 2021 will outline over 80 realistic, achievable and deliverable actions and the Corporate Carbon Reduction Plan 2021, 24 actions the City Council is committed to delivering during 2021. Place will continue to coordinate and contribute to the delivery of these new plans which include new commitments from other departments of the City Council, and a greater focus on engagement activities.

Section 4 Appendices

Appendix I

Additional Expenditure

Net Additional Costs	2021/22 £m
Adult Social Care – Additional Costs	3.037
Children, Young Persons and Families (CYP&F) – Additional costs	2.101
Oceansgate & Mayflower projects – reversal of one-off for 2020/21	(0.968)
Street Services department review	0.668
City Business Park – loss of rent	0.300
Reset underlying savings targets	3.110
Transformation Resource – reduction in base budget	(0.400)
Housing Benefit	1.000
Reduction in Registration Income	0.080
Financing the Approved Capital Programme	1.485
Reserves Adjustment - reversal of one-off for 2020/21	(0.100)
Net Additional Costs Total	10.313

Appendix 2

COVID-19 costs and grant income

COVID	2021/22 £m
Costs	
ODPH Directorate - Test & Trace	0.250
Homelessness	0.600
CYP&F additional social workers	0.385
CYP&F Covid related	2.919
Leisure	0.750
Loss of car park income	1.500
Loss of commercial rent income	3.000
Housing Benefit	0.200
Total Costs	9.604
Grant Income	
Additional COVID Grant	(7.854)
Additional COVID Grant (to be confirmed)	(0.510)
Homelessness Grant	(0.270)
Lost Income - Income Compensation Scheme (Estimate)	(0.720)
Funded from Carry forward grant income	(0.250)
Total Grant Income	(9.604)
Net COVID Costs	0.000

Savings Proposals Approved by Cabinet

New Savings	2021/22 Budget Saving
Customer & Corporate Services, Finance & Chief Executive	
Discretionary spending and management actions	(0.872)
Maximise benefits from Plymouth family of companies	(1.000)
Facilities Management Review	(0.550)
	(2.422)
People	
Care Package Reviews	(0.775)
Direct Payments Reviews	(0.250)
Increase Charging Income	(0.100)
Commissioning Contracts	(0.250)
Maximise Grant Income and Management actions	(0.300)
	(1.675)
Children	
Step Up Education Participation and Skills Redesign	(0.370)
In House Fostering	(0.670)
Step Up Adolescent Support	(0.500)
	(1.540)
Place	
Asset Investment Fund	(0.400)
Fees & charges and management actions	(0.157)
Waste & Street Services Commercialisation	(0.333)
	(0.890)
Corporate	
Schools PFI contract	(0.265)
	(0.265)
Total Savings Proposals	(6.792)

Proposed 2021/22 Plymouth City Council General Fund Budget

Appendix 4

2021/22 Plymouth City Council General Fund Budget

		Budget 2020/21			Budget 2021/22					
Directorate	Department	Expenditure	Income	Net budget 2020/21	Cost Increases	Total Expenditure	Proposed Savings	Additional Income and Grants	Total Income	Net budget 2021/22
Executive Office	Chief Executives Office	1.422	(0.135)	1.287	0.000	1.422	(0.100)	0.000	(0.235)	1.187
	Business Support	0.428	(0.010)	0.419	0.000	0.428	0.000	0.000	(0.010)	0.419
	Electoral Function	0.779	(0.019)	0.759	0.000	0.779	0.000	0.000	(0.019)	0.759
	Members	1.402	0.000	1.402	0.028	1.430	0.000	0.000	0.000	1.430
	Legal	1.770	(0.326)	1.444	0.189	1.959	0.000	0.000	(0.326)	1.633
	Executive Office Total		5.801	(0.490)	5.311	0.217	6.018	(0.100)	0.000	(0.590)
People	Children,Young People,Families	47.193	(4.863)	42.329	2.801	49.994	(1.540)	0.000	(6.403)	43.590
	Jt Comm & Adult Social Care	119.104	(33.412)	85.691	3.037	122.141	(1.575)	0.000	(34.987)	87.153
	Education Participation Skills	101.073	(91.804)	9.269	0.000	101.073	0.000	0.000	(91.804)	9.269
	Community Connections	5.048	(2.298)	2.750	0.000	5.048	(0.100)	0.000	(2.398)	2.650
	Management and Support People	0.212	0.000	0.212	0.000	0.212	0.000	0.000	0.000	0.212
	People Total		272.630	(132.377)	140.252	5.838	278.468	(3.215)	0.000	(135.592)
Public Health	Public Health	15.540	(15.540)	0.000	0.000	15.540	0.000	0.000	(15.540)	0.000
	Operational and Development	0.091	(0.008)	0.083	0.000	0.091	0.000	0.000	(0.008)	0.083
	Trading Standards	0.433	(0.026)	0.407	0.000	0.433	0.000	0.000	(0.026)	0.407
	Environ Health (Food & Safety)	0.424	(0.044)	0.380	0.000	0.424	0.000	0.000	(0.044)	0.380
	Bereavement Services	1.498	(3.294)	(1.796)	0.000	1.498	0.000	0.000	(3.294)	(1.796)
	Licensing	0.323	(0.399)	(0.076)	0.000	0.323	0.000	0.000	(0.399)	(0.076)
	Environmental Protection	0.676	(0.351)	0.325	0.000	0.676	0.000	(0.008)	(0.359)	0.317
	Civil Protection Unit	0.202	(0.034)	0.168	0.000	0.202	0.000	0.000	(0.034)	0.168
Public Health Total		19.188	(19.697)	(0.509)	0.000	19.188	0.000	(0.008)	(19.705)	(0.517)
Place	Economic Development	21.351	(21.819)	(0.468)	(0.075)	21.276	(0.400)	(0.145)	(22.364)	(1.088)
	Strategic Planning	15.917	(6.290)	9.627	0.101	16.018	(0.080)	0.000	(6.370)	9.648
	Street Services	45.894	(28.394)	17.501	0.788	46.682	(0.410)	0.000	(28.804)	17.879
	Management and Support	0.327	(3.498)	(3.171)	0.000	0.327	0.000	1.802	(1.696)	(1.369)
	Place Total		83.489	(60.001)	23.488	0.814	84.303	(0.890)	1.657	(59.234)
Finance	Finance	17.893	(3.132)	14.761	1.485	19.378	(0.066)	(0.750)	(3.948)	15.430
Customer and Corporate Service	Customer Services	64.351	(64.158)	0.193	1.080	65.431	(0.040)	0.000	(64.198)	1.233
	Human Resources & OD	14.835	(2.803)	12.032	0.000	14.835	(0.703)	0.000	(3.506)	11.329
	ICT	9.807	(0.392)	9.415	0.000	9.807	(1.000)	0.000	(1.392)	8.415
	Departmental Management	(0.253)	0.000	(0.253)	0.000	(0.253)	(0.513)	0.000	(0.513)	(0.766)
	Transformation	9.193	(0.078)	9.115	(0.400)	8.793	0.000	(1.200)	(1.278)	7.515
	Customer and Corporate Service Total		115.825	(70.563)	45.263	2.165	117.990	(2.322)	(1.950)	(74.835)
Corporate Items	Corporate Items	6.700	(26.827)	(20.127)	1.279	7.979	(0.265)	(1.329)	(28.421)	(20.442)
Grand Total		503.632	(309.955)	193.677	10.313	513.945	(6.792)	(1.630)	(318.377)	195.568
									Total Resources Available	(188.456)
									Budget Gap	7.112

Appendix 5**Plymouth's COVID-19 recovery and renewal framework priorities**

Priority Area	Key elements
Restating the Council's vision and values	Carry a special urgency given the impact of the pandemic: <ul style="list-style-type: none"> • A City to be proud of • One of Europe's most vibrant cities where an outstanding quality of life is enjoyed by everyone • Making Plymouth a fairer city where everyone does their bit • Democratic, responsible, fair and co-operative • A growing city and a caring council • How we will deliver
Managing the Council's finances	Unprecedented impacts on income, demand for services and the local and national economy – a sound financial footing is a prerequisite for delivering the rest of our programmes and messaging about making and sticking to tough decisions and existing plans, delivering efficiencies and understanding each other's challenges across directorates is important. The importance of financial management and planning need to underpin all of the priority areas
Resurgam: supporting the economy	How the city responds to the recession will impact us for years to come – it's important that everyone understands the importance of delivering key infrastructure and cultural projects, sector based recovery priorities, buying local and plans for jobs and homes
Minimising inequalities and supporting individuals and communities: <ul style="list-style-type: none"> • Caring for Plymouth • Supporting children • Building community resilience 	Acknowledgement of the impacts of the pandemic on existing inequalities in the city: for children, vulnerable adults, those in care homes, educational attainment, and broader health outcomes. Retaining and developing what we have learned about working with communities and the VCS, and remembering 'the wedge' – that services and support for communities spans general support and joint working with individuals, prevention and resilience all the way through to acute focussed support
The Way We Work: <ul style="list-style-type: none"> • People Strategy • Business Support • Accommodation • Digital approaches to organisational and service delivery • Customer engagement 	Adopted in March 2020 and focussed around attracting and keeping the right people (employer of choice), being well led, supporting inclusivity and diversity, promoting wellbeing, and aspiring to be the best Joining up and aligning services, sharing resources, setting consistent standards and developing skills Rationalising our estate and recognising changes in working practices, financial and environmental drivers for change Embrace and promote new digital approaches, lead by example in using new systems More than the digital agenda – includes getting the basics right, understanding customer needs, aligning services, rationalising 'front doors' and having a coherent and visible approach to engagement and community resilience

Responding to the climate emergency	<ul style="list-style-type: none">• Engagement and behaviour change• Waste minimisation and recycling• Buildings: reducing emissions• Travel and transport• Renewable energy
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Appendix 8

Capital Financing Strategy 2021/22

Introduction and Context

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas. It is a requirement of the amendments implemented in the 2017/18 Treasury Management Code of Practice Guidance that all Local Authority's will need to produce a Capital Strategy each year.

Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

The strategy will provide an overarching policy framework for the Council's capital programme and planning, and will form part of a suite of strategies which provide a holistic view of the Council's financial planning framework. With this in mind this document should be considered in conjunction with the Medium-Term Financial Strategy, Treasury Management Strategy and Investment Strategy.

Capital Framework

The Council approved the Plymouth Plan in 2015 which sets out the strategic direction for the city.

The Plan identifies specific strategic outcomes for the Council and its partners for the medium and longer-term; these outcomes align to those set in the Plymouth and South West Devon Joint Local Plan.

Performance is measured towards the delivery of the agreed outcomes and reported against on an annual basis.

In February 2020 the Council approved a budget which contained an uplift to the revenue budget of £1.771m to meet the increased costs associated with borrowing requirements to fund the capital programme. The current MTFP contains proposals to further increase this sum by £1.485m in 2021/22, £1.648m in 2022/23 and £1.199m in 2023/24. The MTFP sets out a summary of schemes that the Council wishes to support and an indicative level of Council financial support which will assist in the delivery of those schemes which all deliver towards the city's outcomes.

Governance

The Financial Regulations detail how capital projects are approved and added into the capital programme.

All new schemes must be fully financed and receive relevant approval by Section 151 Officer; up to £0.200m, or by the Leader when above this threshold.

Each scheme will need to detail:

- the aim of the project and any other ways of achieving it
- effects on staffing;
- legal, contractual and prudential borrowing code implications;
- if the Council is acting through an agent or partnership, legal advice must be sought on whether it has the power to act this way;
- if it is a key decision, any comments made during consultation and the Council's response;
- the estimated amount and timing of any capital and revenue spending.

All proposed new schemes will need to demonstrate how they meet the requirements of the City by presenting a Business Case for approval and detail which of the City's outcomes are being achieved and how the scheme will address this need.

Due diligence is carried out on all new proposals to determine whether the scheme is deemed suitable. Financial and capital planning reviews are carried out prior to any Business Case being presented to the City Council Investment Board to provide members with the confidence that the schemes meet the expected requirements in line with the strategic direction of the city.

Once accepted, all new schemes, which will require both finance and legal sign-offs, are published in the Executive Decision along with the Leaders decision.

Capital Budget

The Capital Budget is the collective term which defines two key elements; the Capital Programme as approved by the Leader or S151 Officer and Future Income Assumptions which refer to the funding available for future projects yet to be approved.

The Capital Programme is the list of schemes which have a confirmed financing source and have been approved for capital investment by the Leader following consideration of a robust, evidence-based business case.

'Income Assumptions' is the term used to refer to funding that the Council expects to receive or allocate to finance schemes which have not yet been approved. Income Assumptions consist of both ringfenced and unringfenced resources.

Ringfenced resources are essentially those that can only be applied to a specific purpose and include specific grants and S106 contributions etc. Unringfenced resources can be applied to any project and include unringfenced grants and corporate borrowing etc.

Capital Programme

Once approved, schemes are added to the capital programme for delivery.

The table below details the Capital Programme as reported to Cabinet in November 2020, including, amongst others, the following schemes:

- Derriford Transport Scheme;
- Forder Valley Link Road;
- Northern and Eastern Corridor Improvements;
- The Box;
- Plymouth Railway Station Regeneration;
- Oceansgate;

- Asset Investment Fund;
- Bereavement Infrastructure;
- Schools Basic Need.

Any adverse variance to approved schemes are required to seek further approval, with identified funding, to enable authorisation for increased expenditure providing details of the variance.

Five Year Capital Programme by Directorate

Directorate	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
People	10.300	2.391	7.009	3.025	-	22.725
Place	135.354	129.423	84.525	13.000	2.655	364.957
Customer & Corporate	7.932	31.003	-	-	-	38.935
Public Health	5.209	7.804	-	-	-	13.013
Total	158.795	170.621	91.534	16.025	2.655	439.630
Financed by:						
Capital Receipts	4.581	3.938	2.127	1.334	0.638	12.618
Grant funding	54.958	40.132	31.225	0.100	-	126.415
Corporate funded borrowing	31.994	47.079	16.362	4.828	2.017	102.280
Service dept. supported borrowing	58.092	67.840	40.960	5.988	-	172.880
SI06 & CIL	5.385	11.515	0.860	1.250	-	19.010
Other contributions	3.785	0.117	0	2.525	-	6.427
Total Financing	158.795	170.621	91.534	16.025	2.655	439.630

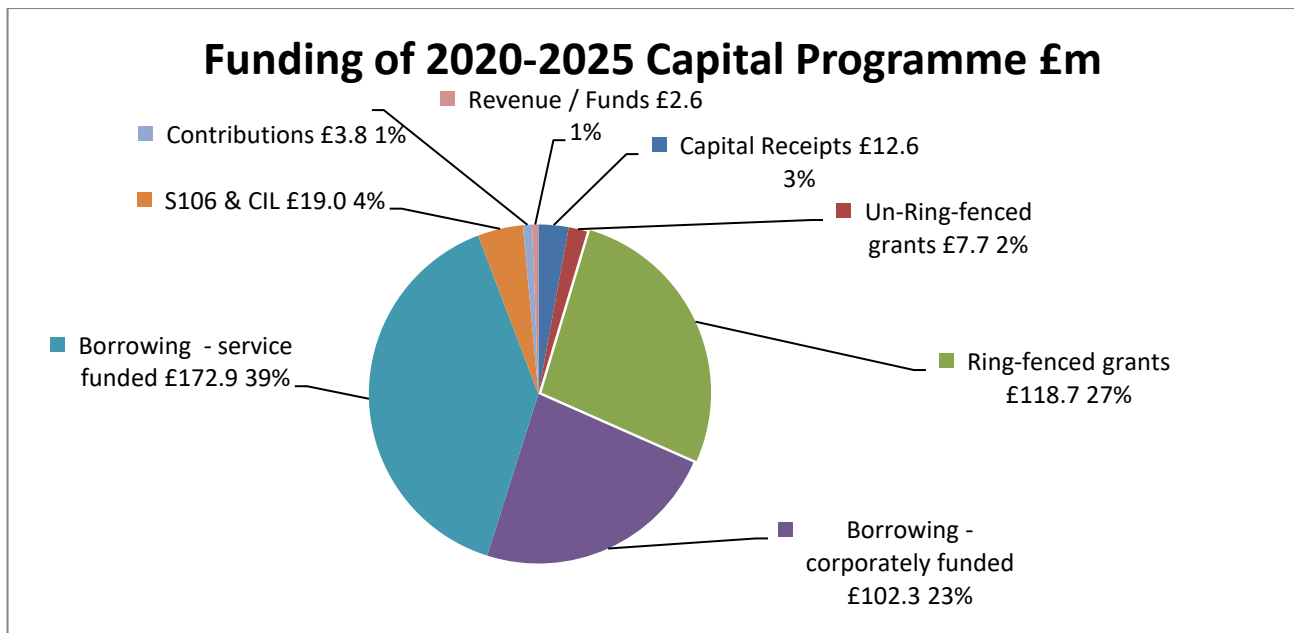
Capital Expenditure and Financing

Capital expenditure is defined as money spent on assets, such as property or vehicles, which will provide a service benefit for more than one year. In local government, this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 (land and buildings) and £5,000 (vehicles, plant or equipment) are not capitalised and are charged to revenue in year.

Capital expenditure is financed by a range of sources which may either be ringfenced or unringfenced. The source of financing is always identified and approved at the time of capital project approval. The capital programme is currently financed by:

- Capital Receipts;
- Grants and contributions;
- SI06 and Community Infrastructure Levy (CIL);
- Revenue Contribution to Capital Outlay (RCCO);
- Borrowing – both funded corporately, or where schemes deliver a saving, this is offset against the project and repaid by service.

The Council has approved medium-term capital expenditure of £405.884m as summarised below by funding source.



Asset Investment Fund (AIF)

The Asset Investment Fund's strategic objectives are to deliver regeneration, economic and employment growth in Plymouth and the Functional Economic Area (Local Economic Partnerships; Cornwall and the Isles of Scilly and Heart of the South West). The council will manage its commercial property portfolio seeking to maintain the majority of its holdings within the city council boundaries and a lesser proportion in the wider area. Historically these proportions have been understood as 80% within the city and 20% in the wider area although it is accepted that circumstances may arise where these proportions may be varied. This will enable the Council to invest in direct developments and forward funding opportunities to promote regeneration and economic growth in Plymouth and the Functional Economic Area.

A robust and well-defined investment strategy is used to manage risk and a key pillar of this is establishing a diversified portfolio with regards to property sector (retail, office, industrial etc.), tenant type and income-expiry profile. Diversification is considered best practice by fund managers to help to minimise portfolio risk and avoid portfolio return volatility (due to different correlations of investment types with exogenous factors). A diversified income-expiry profile will ensure that the funds income return is robust across a number of scenarios.

All investment decisions will be fully accountable and follow a sequence of internal reporting and sign-offs. In addition, verification of purchase prices by external suitably qualified RICS Approved Valuers is obtained prior to any investment.

In terms of on-going governance arrangements, the AIF is managed in accordance with the existing quality assurance framework of the Council's existing commercial property portfolio. In addition, the team undertake regular analysis at both a portfolio and property-level to benchmark AIF performance and manage risk. Bespoke industry-accepted property fund management software is used to assist in this

monitoring. To improve transparency and disclosure, a monthly fund managers' report is produced and an AIF Management Group of key stakeholders meet quarterly to review the investments and the performance.

The Asset Investment Fund has approved investment of £238 million in commercial property including 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 Fund supports the affordability of the revenue budget through the generation of long term income realisation.

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.

Affordability

The Council considers all finances from a prudent perspective; this includes the assessment of affordability of all capital investments.

At the point of approval of a scheme, both the funding implications and any ongoing revenue implications are evaluated to enable informed decisions to be made regarding investment opportunities.

Project managers responsible for capital schemes requiring in excess of £0.500m will generally be expected to present a cost benefit analysis to support decision making.

The short, medium and longer-term impacts are all assessed taking into account any other wider policy implications which could impact on the decision.

As much of the capital programme is funded by borrowing, assumptions and decisions on the cost and affordability of the Council's borrowing is linked to the Public Works Loan Board (PWLb) interest rates, prudential indicators and the approved borrowing strategy as set out in the Treasury Management Strategy 2021/22.

Risk Management

The Council considers its appetite to risk to be low. Risks are assessed continually from both an operational and financial perspective.

In carrying out due diligence, potential project risks are identified and relevant mitigation measures documented prior to approval.

All risks are then managed in line with the Council's risk management policy which includes documenting risks on a risk register, assigning owners, regular review of risks and Red Amber Green (RAG) rating.

Subject to careful consideration, the Council may consider investing in a higher risk initiative should there be a significant direct gain to the Council's resources or enable more effective delivery of statutory duties.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director of Finance is a qualified accountant with over 20 years' experience; the Council pays for staff to study towards relevant professional qualifications including CIPFA, ACCA, CIMA, MRICS, CIPS etc.; where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Appendix B8

TREASURY MANAGEMENT STRATEGY 2021/22



How Plymouth will invest to grow and meet future Infrastructure needs

Foreword

Councillor Mark Lowry Cabinet Member for Finance

“This Strategy demonstrates the network of controls that are in place to provide confidence in the way we management of our investments and borrowing”.

It also demonstrates our commitment to sound management and control of the Council’s cash and investments.

It also shows how the Council’s ambitious capital programme will be funded and offers much greater openness and transparency to residents and stakeholders”

Brendan Arnold Service Director for Finance

“This Strategy is designed to underpin the Council’s ambition to invest in the future of Plymouth. It offers a series of opportunities to manage the Council’s finances to maximise returns, reduce risk, diversify investments and minimise the cost of borrowing.

The strategy will keep us within our prescribed limits under the Prudential Code. The Council is seeking at all times to deliver good investment returns that are secure and affordable.”

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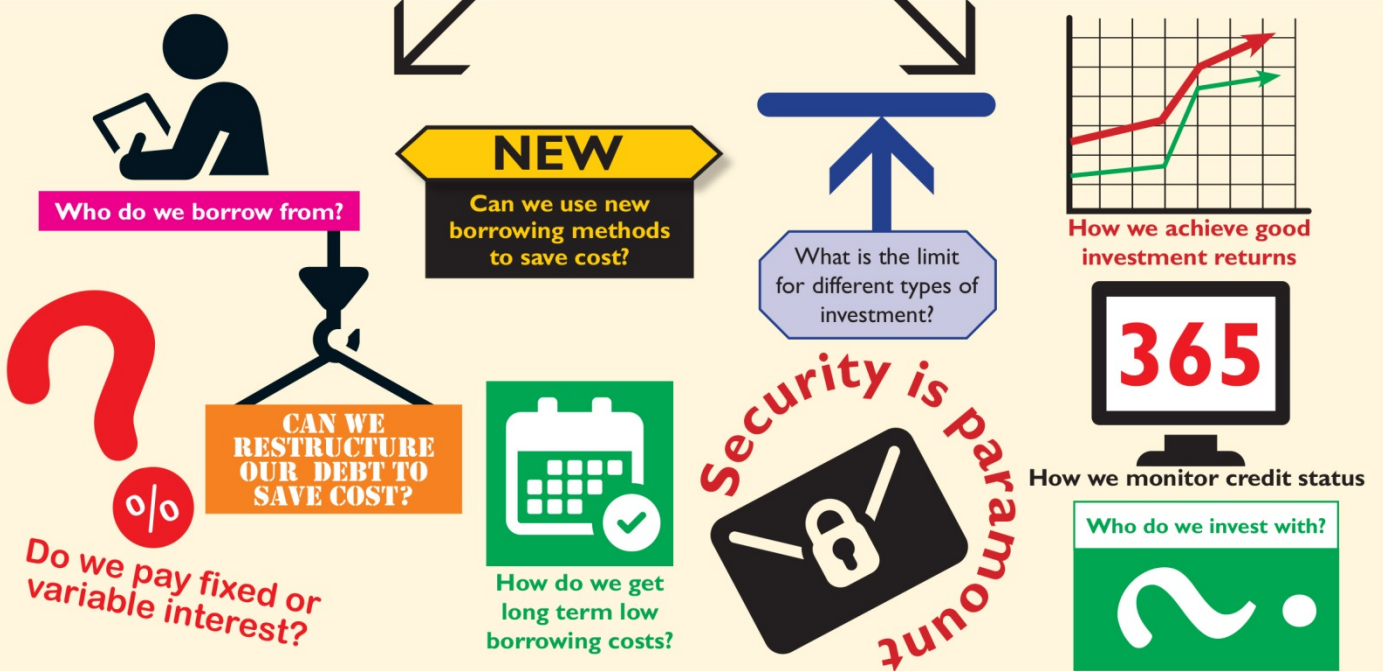
How the Treasury Management System works



Infrastructure and capital investment needs to deliver the Plymouth Plan



Borrowing to fund the investment. Investing surplus funds



This section explains how we invest and borrow

Introduction

Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the effects of changing interest rates.

The Treasury Management Strategy sets out how Plymouth will invest to grow and meet future Infrastructure needs. It is a companion document to the Medium Term Financial Plan which sets out Plymouth's ambitions and priorities from the Plymouth Plan.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code.

INVESTMENTS – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns
- To minimise the cost of borrowing
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

Market Intelligence

- Bank of England reports
- Market Outlook by the Council's advisers Arlingclose

Statutory and Performance Framework

Rules that guide us

Investments

- Sterling only
- Can use UK Government, Local Authority or a body of high credit quality
- The Council defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher and domiciled in UK

Counterparties and Limits (see table on page 20)

Investment Limits – subject to Counterparty table on page 20

- **Unlimited** UK Government
- **Unlimited** Money Market Fund
- **£25m** any single local authority or government entity
- **£25m** secured investment
- **£12m** per Bank (unsecured)
- **£20m** unrated corporates
- **£60m** Strategic Pooled Funds
- **£10m** Real estate investment

Key Council Budget Assumption for 2021/22

- Investments make an average rate of return of 1.5%

Approach

Choices made within the framework

Objective - Security first, Yield second and then Liquidity
Strategy - to maximise returns, reduce risk and diversify investments

Risk Assessment and credit ratio - Our advisors monitor credit ratings daily so any new investments will be made using the latest credit information

Other information on security of Investments - Market intelligence from our advisors may give warnings before credit warning changes e.g. credit default swaps information

BORROWING – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns
- To minimise the cost of borrowing
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

Market Intelligence

- Bank of England reports
- Market Outlook by the Council's advisers Arlingclose

**Statutory
and
Performance
Framework**
Rules that guide us

Borrowing

- **£220m** Total Capital Expenditure
- **£1053m** Capital Finance Requirement (need to borrow)
- **£1061m** Total Debt (loans and private finance initiative)
- **£1065m** Operational Boundary (practical ceiling on borrowing)
- **£1115m** The Authorised Limit (absolute maximum debt approved)

Prudential Indicators

- **11.1%** Ratio of finance costs to net revenue stream (borrowing costs as a proportion of net revenue budget)
- **£12.90** Hypothetical increase in Council Tax affordability. (this is technical measure; the Council has made no future years tax decisions)

Treasury Management Indicators

- **100%** Limit on Fixed Interest Exposure
- **95%** Limit on Variable Interest Rate
- **0% to 90%** Maturity Structure of Borrowing, exposure in any duration

Minimum Revenue Provision Policy (MRP)

- Annuity Method
- 50 year repayment for capitalisation directives
- PFI/Leases charged on an annuity method over the life of the asset
- No MRP on capital loans or investments
- Option for capital receipts to be used towards repaying debt

Key Council Budget Assumption for 2021/22

- New long-term loans will cost an average rate of 2.7%

Approach

Choices made within the framework

Objective - Balance low interest rates with long term certainty

Strategy – to borrow short term now and lock in long term when appropriate

Sources of Finance - Banks or Building Society, Public Works Loan Board, Pension Funds, Capital Market Bonds, Municipal Bonds Agency, anyone with whom we would invest. Also, Leasing, PFI, Sale & Lease back

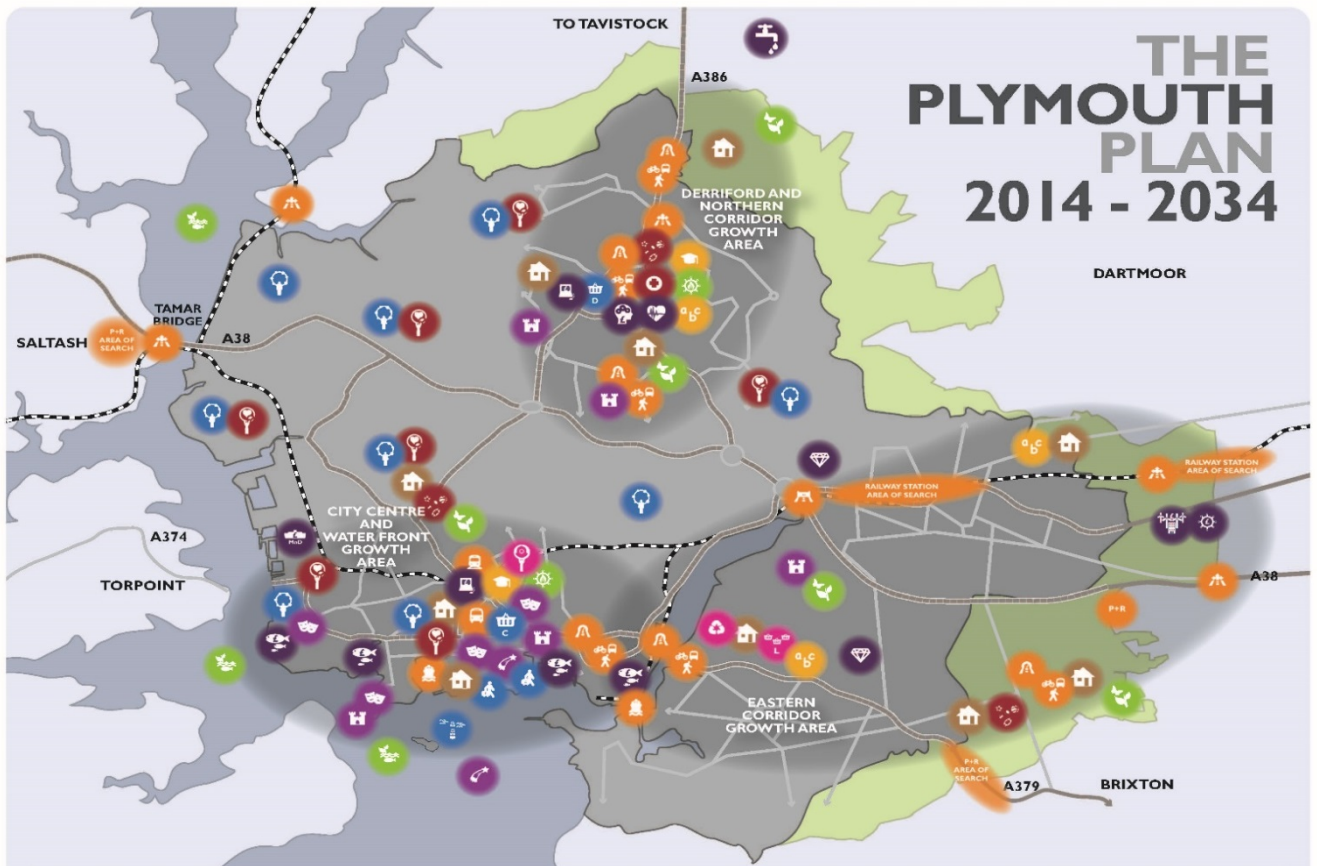
LOBOs will be repaid if there is a NPV saving and if there is agreement with the lenders

Municipal Bonds Agency Council will use where appropriate

Debt Restructuring A present value calculation based on current rates for the same period of loan may result in a discount or premium.

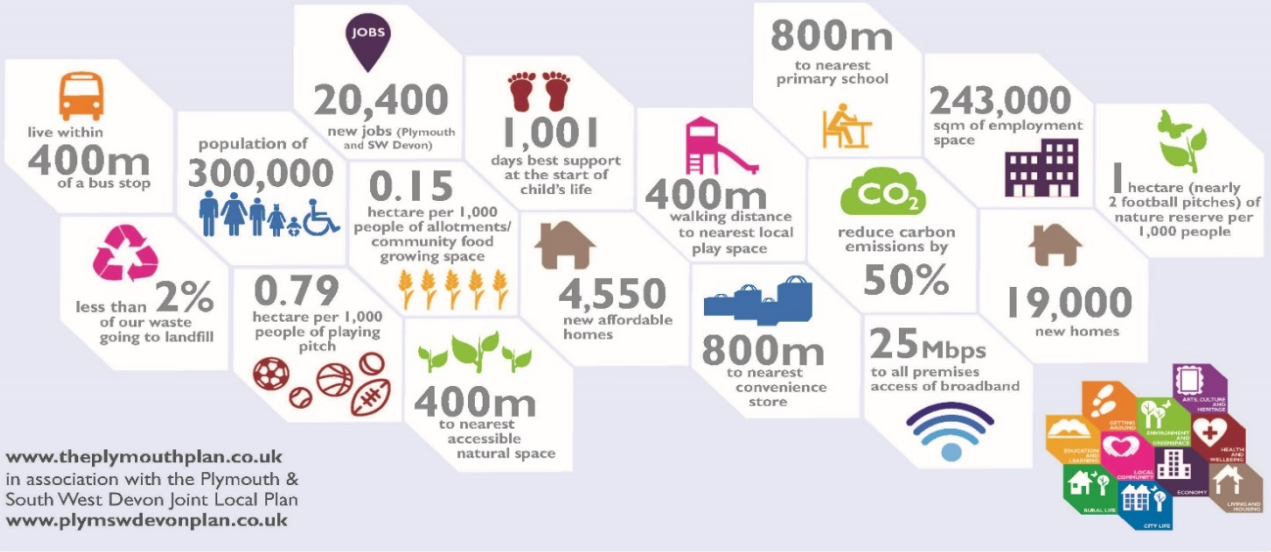
- Council will re-schedule if it reduces cost or risk

Delivering the Plymouth plans explains why we are borrowing and investing



THE PLYMOUTH PLAN 2014 - 2034

KEY					



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



Our Corporate Plan includes themes of infrastructure and investment

Corporate Plan

The Corporate Plan sets out our vision to be ‘one of Europe’s most vibrant cities’ and our priorities are to be ‘A Growing City’ and ‘A Caring Council’.

**OUR PLAN
A CITY TO BE PROUD OF**



**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 MISSION Making Plymouth a fairer city, where everyone does their bit.

OUR VALUES

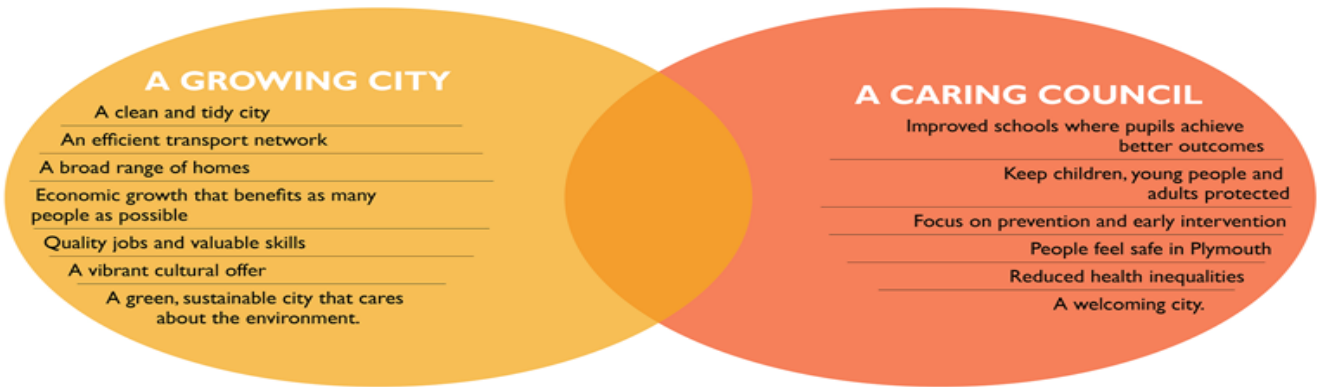
WE ARE DEMOCRATIC
We will provide strong community leadership and work together to deliver our common ambition.

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

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

WE ARE CO-OPERATIVE
We will work together with partners to serve the best interests of our city and its communities.

OUR PRIORITIES

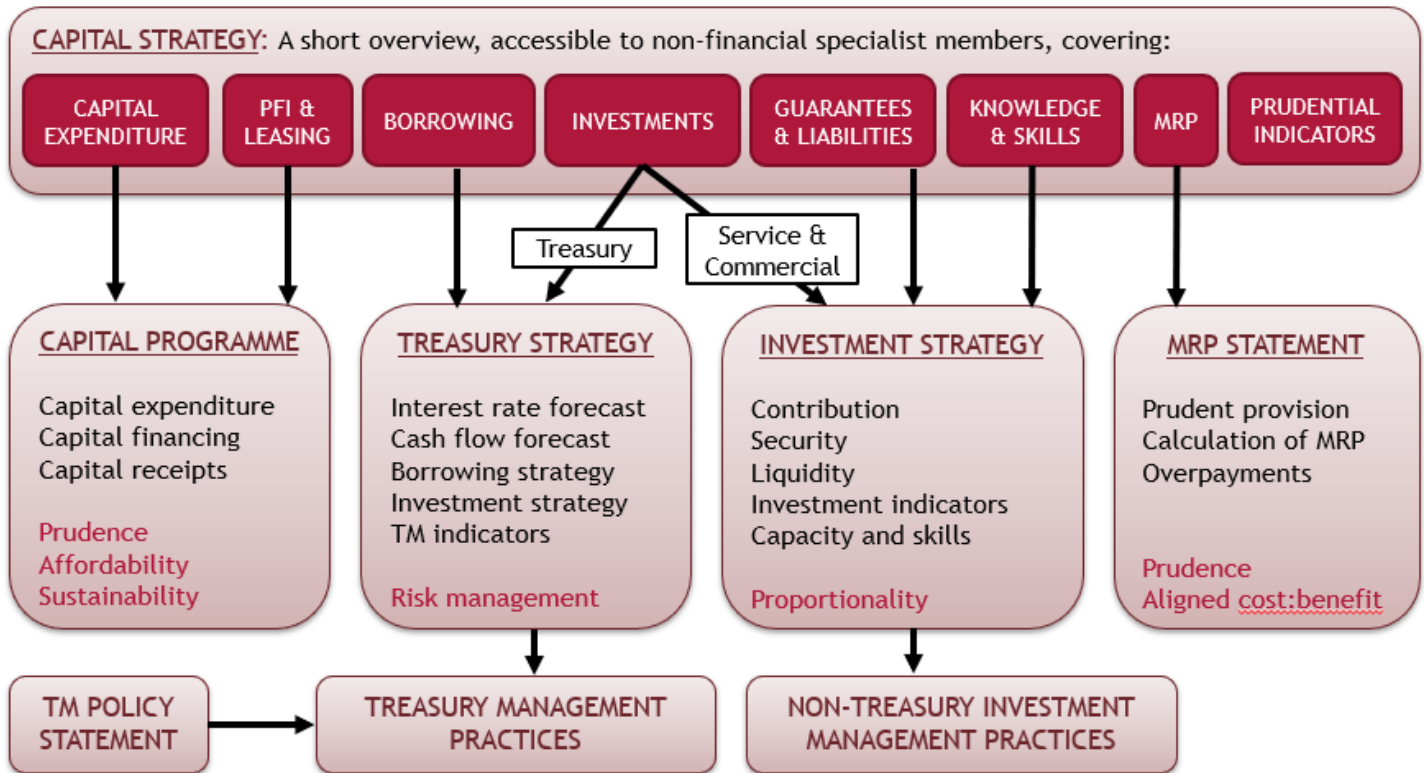


HOW WE WILL DELIVER

- Listening to our customers and communities.
- Providing quality public services.
- Motivated, skilled and engaged staff.
- Spending money wisely.
- A strong voice for Plymouth regionally and nationally.

The diagram below shows how Capital expenditure affects the Treasury Management Strategy

Strategy Reports:



The diagram above shows how the requirements of the 2018 Ministry of Housing, Communities and Local Government (MHCLG) Guidance and The CIPFA Code interact with the Capital and Treasury Management. There is a new Capital Strategy (presented in a separate document) and a new Non-Treasury Management

Specialist advisers Arlingclose support the Council with borrowing and investment advice. This is Arlingclose’s expert assessment of the economy in the coming months and years.

Investment Strategy (shown as service and commercial in the diagram) included in this document.

Economic update from Treasury Management advisors Arlingclose as at January 2021

The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Council's treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the

potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022. The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.

This is Arlingclose's expert view on future interest rates.**Credit Outlook**

After spiking in late March as coronavirus became a global pandemic and then rising again in October/November, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 and 2021 may be significantly lower than in previous years.

The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

This is Arlingclose's view of the risks of bank failures in the period ahead.**Interest Rate Forecast**

The Council's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

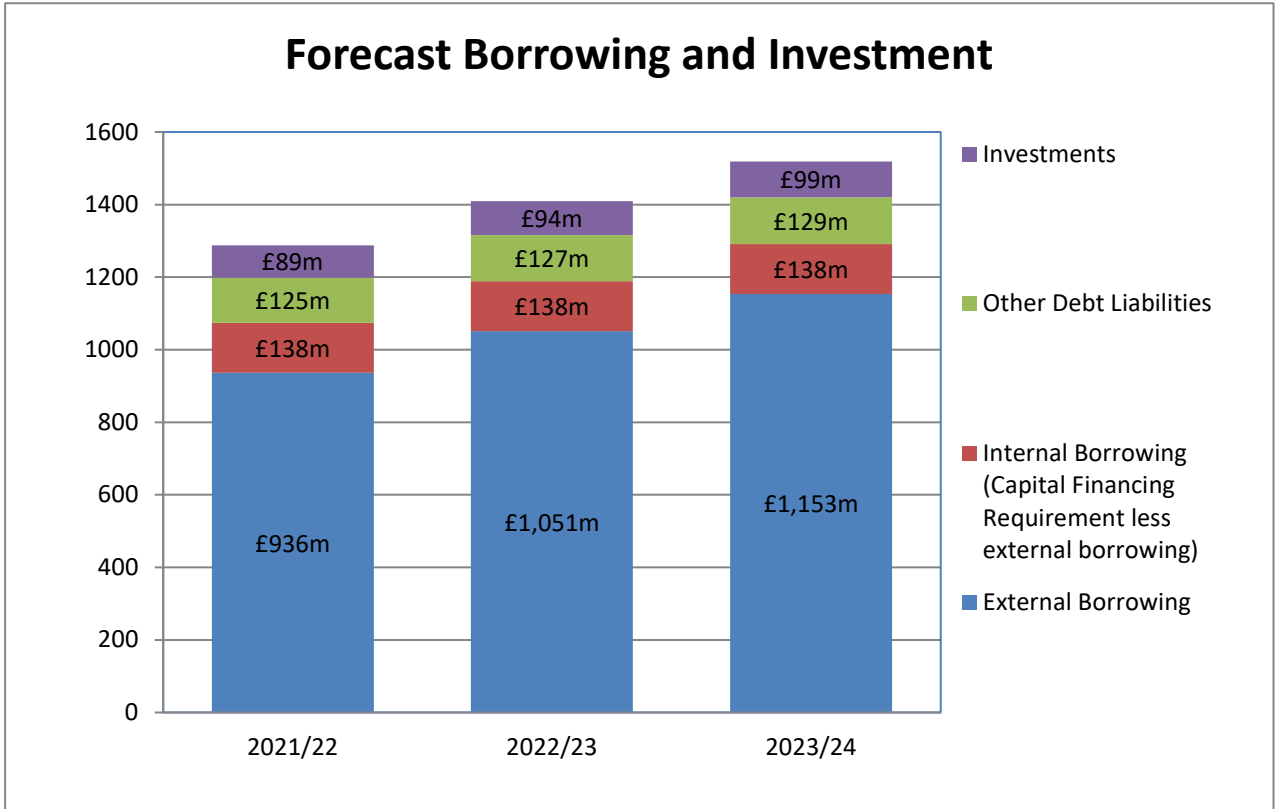
Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

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

Part 2 – Technical Detail for Analysis

Borrowing

This is how much debt and investments we expect to have in the next three years



These are borrowing limits we are required to set by law. They are affordable levels and needed to fund our capital programme.

Maximum Total Debt

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement. Usable reserves and working capital are the underlying resources available for investment. The current strategy is not to borrow to the full underlying need. Some internal resources are used instead of external borrowing.

CIPFA’s *Prudential Code for Capital Finance in Local Authorities* sets a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years.

The Council held £603 million of loans in as at 31 March 2020. This was an increase of £138 million on the previous year. The increase in loans is because of funding previous years’ capital programmes.

The Council expects to hold borrowing up to £850m in 2021/22. The total borrowing must not exceed the authorised limit set by the Council of £890 million.

We seek low interest rates, but it is good to be as sure as possible what our interest costs will be in future years.

Objectives of Borrowing Decisions

- To strike an appropriately low risk balance between securing low interest and certainty of costs.
- Flexibility to renegotiate loans should the Council's long-term plans change.

It is much cheaper to borrow for a short period now. Before long term rates rise we intend to lock into fixed rate loans.

Borrowing Strategy

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

By doing so, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

Short term borrowing is the cheapest option but leaves the Council exposed to refinancing risk, which can be divided into interest rate risk (the risk that rates will rise) and availability risk (the risk that no-one will lend to the Council).

Long-term fixed rate loans remove the interest rate risk by fixing the rate for the term of the loan. These are have been popular among local authorities but are relatively expensive.

The Council is looking to continue rolling short-term borrowing and has taken an interest rate swap to reduce its interest rate risk. This combines the main benefit of short-term borrowing (the low margin) with the main benefit of the long-term fixed rate borrowing (the fixed rate).

Financial derivative transactions will only be arranged with any organisation that meets the approved investment criteria, using the credit ratings applicable to derivative obligations. Financial derivative will only be made with entities whose lowest published derivative counterparty rating or equivalent is no lower than A-. However, derivative decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

The government increased PVLB rates by 1% in October 2019 making it now a relatively expensive options. A HM Treasury consultation on lowering PVLB rates concluded in July 2020 but the government has yet to publish its response. In the meantime, the Council will continue to borrow short term but if it decides to take long-term loans, it will also look at other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

We are always looking at options to replace existing loans with cheaper alternatives.

The Council will take the option to repay LOBO loans if there is a NPV saving and if there is agreement with the lenders.

The Council will reschedule or repay loans where this is expected to lead to an overall cost saving or a reduction in risk.

The Council will only borrow from approved sources.

These are the lenders we are able to use.

Sources of Borrowing

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Devon Local Government Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- Any other counterparty that are approved by the Council's TM advisors
- A Plymouth City Council bond or similar instruments

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

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

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

These agreements were entered into under different market conditions. Where possible we will replace them with lower cost loans.

Lender's Option Borrower's Option (LOBOs)

The Council holds £64m of LOBO loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

The Council understands that lenders are unlikely to exercise their options in the current low interest rate environment but there remains an element of refinancing risk.

The Council will take the option to repay LOBO loans if there is a NPV saving and if there is agreement with the lenders.

This allows the flexibility to borrow from the Municipal Bonds Agency

Municipal Bond Agency

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. In 2020 the agency issued its first bonds to the capital markets for individual local authorities. By issuing a single name bond, albeit using the MBA's infrastructure, the bond is again "solely, unconditionally and irrevocably guaranteed by the authority. This eliminates many of the problems associated with aggregating funding across authorities, with no need to compromise on funding structure, timing, and no requirement to guarantee the debt of other issuers.

Short-term and Variable Rate loans

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk.

If we can, we will replace existing loans with cheaper new loans.

Debt Rescheduling

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

Prudential Indicators 2021/22

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

Estimates of Capital Expenditure

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

This is how we will fund the investment needed to deliver the Plymouth Plan

Capital Expenditure and Financing	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
General Fund	196.180	156.976	155.084	127.856
Total Expenditure	196.180	156.976	155.084	127.856
Capital Receipts	1.661	4.493	4.030	2.151
Grants and Contributions	31.303	72.317	39.366	26.383
Reserves	-	-	-	-
Revenue	0.261	0.996	0.091	1.500
Borrowing	162.955	73.170	109.597	97.322
Leasing and PFI	-	6.000	2.000	0.500
Total Financing	196.180	156.976	155.084	127.856

Estimates of Capital Financing Requirement

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

This is the total past and planned capital expenditure we need to finance.

Capital Financing Requirement	31 Mar 20 Actual £m	31 Mar 21 Estimate £m	31 Mar 22 Estimate £m	31 Mar 23 Estimate £m
General Fund	740.983	897.959	1053.043	1180.899
Total CFR	740.983	897.959	1053.043	1180.899

The Council has an increasing CFR and is forecast to rise by £283m over the next two years for the capital programme and therefore will require additional borrowing.

Gross Debt and the Capital Financing Requirement

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

This is how much we expect to borrow over the three years

Debt	31 Mar 21 Estimate £m	31 Mar 22 Estimate £m	31 Mar 23 Estimate £m
Borrowing	741.531	936.128	1038.450
PFI liabilities & Finance Leases	123.000	125.000	127.000
Total Debt	864.531	1061.128	1165.450

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

Operational Boundary for External Debt

The operational boundary is based on the Council's estimate of most likely, (i.e. prudent, but not worst case) scenario for external debt.

This is the flexibility we need to cope with our changing borrowing position from day to day.

Operational Boundary	2020/21 £m	2021/22 £m	2022/23 £m
Borrowing	740.000	935.000	1035.000
Other long-term liabilities	125.000	130.000	135.000
Total Debt	865.000	1065.000	1170.000

Authorised Limit for External Debt

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

This is the absolute maximum of debt approved by the City Council

Authorised Limit	2020/21 £m	2021/22 £m	2022/23 £m
Borrowing	775.000	980.000	1050.000
Other long-term liabilities	130.000	135.000	140.000
Total Debt	905.000	1115.000	1190.000

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

This measure demonstrates that our proposed borrowing is affordable.

Ratio of Financing Costs to Net Revenue Stream	2019/20 Actual	2020/21 Estimate	2021/22 Estimate
General Fund	9.0%	10.8%	11.1%

Incremental Impact of Capital Investment Decisions

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

This is a technical measure prescribed by CIPFA to demonstrate affordability. The Council has not made any decisions on council tax levels in future years.

Incremental Impact of Capital Investment Decisions	2019/20 Actual	2020/21 Estimate	2021/22 Estimate
General Fund - increase in annual band D Council Tax	£10.80	£11.10	£12.90

Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011* edition in April 2002. It fully complies with the Codes recommendations.

Treasury Management Investment Strategy

This explains the types of Investments under the CIPFA and MHCLG rules including non-Treasury Management Investments

Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

**This sets out how we invest any surplus funds.
Security of the funds is paramount**

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from CIPFA. The balance of treasury investments is expected to fluctuate between £65m and £100m during the 2020/21 financial year.

Objectives

Both the CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The Council defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher or if unrated an assessment will be made from the financial information available.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

**These are the limits we use for making individual investments.
They are based on advice from Arlingclose.**

Investment Limits

When considering investment limits in the chart below you must also refer to the credit ratings of the individual organisations to make the final assessment.

Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Treasury Investment Counterparty Limits

Sector	Time Limit	Counterparty Limit	Sector limit
The UK Government	50 Years	Unlimited	n/a
Local authorities & other government entities	25 years	£25m	Unlimited
Secured investments *	25 years	£25m	Unlimited
Banks (unsecured) *	13 months	£8m	Unlimited
Building Societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£10m
Money Market Funds *	n/a	£12m	Unlimited
Strategic pooled funds	n/a	£25m	£60m
Real estate investments trusts	n/a	£5m	£10m
Loans and investments to unrated corporates	n/a	£5m	£20ml
Other investments, unrated investments in equity, quasi-equity, debt or otherwise	n/a	£5m	£20m

This table must be read in conjunction with the notes below:

Liquidity Management

The Council uses a cash flow forecasting spreadsheet to determine the amount of cash required on a day to day basis to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to

meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

This is the rate we expect to pay on new borrowing, and how much we expect to earn on investments.

Council Budget Assumptions for 2021/22

- Investments will make an average rate of 1.5%
- New long-term loans will cost an average rate of 2.7%

Negative Interest Rates

The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

Given the increased risk and very low returns from short-term unsecured bank investments, the Council aims to diversify further into more secure and higher yielding asset classes during 2020/21. The Council holds £50m as a longer-term investment (CCLA Property Fund, CCLA Diversified Fund, Schroder's Income Maximiser and Fidelity Enhanced Income Fund) and these give a higher return than the short term investments. The purpose of having medium to long-term investments is to generate income that supports the revenue budget and the provision of local services.

The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits and in short-term money market funds. The Council will continue to look for investment opportunities that give a good return whilst being a secure investment.

Business models:

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved Counterparties

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

Credit Rating

Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

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

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational Bank Accounts

The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than AAA- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances should be kept below £5m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk Assessment and Credit Ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

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

Other Information on the Security of Investments

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

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Treasury Management Indicators

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

This is how we measure our performance.

Security

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

	Target
Portfolio average credit rating	A

This is how we ensure that we have cash available to meet unexpected payments.

Liquidity:

The Council does not keep large amounts of cash in call accounts so that it reduces the cost of carrying excess cash. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities.

This is a technical measure to limit how much we can be affected by changing interest rates.

Interest Rate Exposures

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

	2021/22	2022/23	2023/24
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	95%	95%	95%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Our loans fall due for repayment at various dates. We expect to have mainly fixed rate debt for longer loans. This avoids the risk of extra interest costs.

Maturity Structure of Borrowing

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

	Upper	Lower
Under 12 months	90%	10%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and above	95%	5%

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

Principal Sums Invested for Periods Longer than 365 days

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

	2021/22	2022/23	2023/24
Limit on principal invested beyond one year	£10m	£10m	£10m

Non-Treasury Management Investments

Introduction

The non-treasury management investment strategy was a new report introduced in 2019/20, following the requirements of statutory guidance issued by the government (MHCLG) in January 2018, and focuses on the second and third of the following investment categories.

The Council invests its money for three broad purposes:

1. **Treasury Management Investments** – to invest surplus cash from reserves and as a result of its day-to-day activities, for example when income is received in advance of expenditure;
2. **Service Investments** - to support local public services by lending to or buying shares in other organisations; and
3. **Commercial Investments** - to earn investment income (where this is the main purpose).

Treasury Management Investments

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with the CIPFA guidance.

The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Full details of the Council's policies and its plan for 2020/21 for treasury management investments are covered in the preceding sections of this document.

Service Investments

Loans

The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities or housing associations etc. to support local public services and stimulate local economic growth. For example the Council has given a loan to Plymouth Community Energy to support the construction of the solar energy farm at Ernesettle.

The council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by the Section 151 Officer and the Leader. All loans will be subject to close, regular monitoring.

Loans are treated as capital expenditure for accounting treatment.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due.

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding service loans by:

1. reviewing the financial statements of the organisation and reviewing the organisation's business plans and future projections and future cash flows;
2. assessing what security is available to secure the loan and if necessary carry out a professional valuation of any property;
3. using external advisors to provide professional information such as due diligence requirements;
4. the loan agreements are reviewed by our legal team to ensure that they are legally compliant and includes any safeguards for the Council;
5. if an organisation has a credit rating we will carry out a credit check to assist;
6. State Aid rules are taken into account before a loan can be considered.

Shares

The Council may invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding shares by reviewing the history of the organisation; its financial statements and its share values. The Council will also look at business plans, future cash flows and any other market information that may affect the organisation.

Liquidity: The Council covers its liquidity for working capital and cash flow by holding cash in its Money Market Fund and being able to borrow short term loans from other local authorities.

Commercial Investments: Property

The MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.

Contribution: The Council invests in local and regional, commercial and residential property with the intention of making a profit, after paying the borrowing costs that will be spent on local public services.

Property held for investment purposes

Asset Investment Fund	Actual Prior to March 2020	Estimate 2020/21	Forecast 2021/22
Commercial Property	£216.411m	£30.000m	£30,000m
Net Income	£3.527m	£0.600m	£0.600m
Net Return	2.2%	2.0%	2.0%

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

Where the fair value of the Council's investment property portfolio is no longer sufficient to provide security against loss, and the Council will take mitigating actions to protect the capital invested. These actions include enhancing or refurbishing the assets and reviewing the rents agreements.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding property investments by carrying out the evaluation process described below. The risk of not achieving the desired profit or borrowing costs increasing or the having vacant premises is partially covered by a void reserve. Annual payments are deducted from the rental income each year to add to the void reserve.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council makes an internal charge (service borrowing) to cover the capital repayments from the rental income.

The Council also makes alternative arrangement to cover their short term cash requirements.

Proportionality

The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the

Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan.

Table 4: Proportionality of Investments

	2019/20 Actual
Gross expenditure on provision of services	£537.631
Gross Investment income	£3.527
Proportion	0.66%

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council has chosen not to follow this guidance and has previously borrowed for this purpose because it wants to generate income to support its local economy and its statutory duties. This is a common practice by local authorities since the Localism Act of 2011.

Investment Evaluation Process

The Council's due diligence assessment processes are consistent and robust evaluation process and is set out below:

1. Proposed investment opportunities are reported by suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals.
2. This assessment provides analysis of a set of key criteria against which every prospective purchase is evaluated. The presentation of information highlights fundamental matters such as tenant covenant strength, lease length and location, in a transparent and consistent format, to support clear scrutiny and decisions.
3. The assessment provides a basis for scoring and weighting risk, to support the analysis of potential acquisitions and qualify overall suitability for inclusion in the portfolio.
4. The score threshold is not an absolute, but helps guide decisions.
5. To ensure arms-length objectivity, external agents provide professional market analysis, data and advice, in the context of the Property Investment Strategy, to support the evaluation and internal reporting process.

6. Since tenant default is a significant threat to the performance of the property investment financial checks are made on the proposed tenants. This is augmented by additional internal assessment of tenants' covenant and likely future performance.
7. With all the additional information a detailed model is produced. The model is tailored for each prospective investment, by including items such as future demand, yield, cash flows; rental movement, optimal holding periods for the property and data to support profitability modelling.
8. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms.
 - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, issued by RICS as part of their commitment to promoting and support high standards in valuation delivery worldwide. The publication details mandatory practices for RICS members undertaking valuation services.
 - A Building Survey report, as part of the proposed purchase for investment purpose, including preparation of a Site Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.
9. The above is reviewed by the Asset Portfolio Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Land and Property on whether to proceed.
10. The Head of Land and Property Projects receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

Property Investment Governance

Clear, robust and transparent governance is critical to the strategy, meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate. It is also important to ensure any decision process retains fluidity, so officers are empowered to respond promptly and competitively, to investment opportunities in the market and avoid missing opportunities through delay.

The Council to acquire or dispose of land is vested in the Head of Land and Property and where the land is purchased through the Asset Investment Fund a proposal is presented to the City Council Investment Board (CCIB) a recommended for authorisation by the relevant Leader, Legal and the Section 151 Officer.

Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment

decisions. For example, the Service Director of Finance is a qualified accountant with over 20 years' experience.

The Council employs staff with professional qualifications including CIPFA, ACCA, CIMA, MRICS, CIPS etc. and pays for junior staff to study towards relevant qualifications.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Head of Land and Property and the property team receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

How investments are funded:

Asset Investment Fund commercial property purchases are funded by borrowing. The borrowing is not directly taken out against each property but is managed through our Treasury Management function.

The rental income generated from the purchasing of commercial property is used to repay the borrowing before the net income is used in the supporting of services.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council.

Annual Minimum Revenue Provision Statement 2020/21

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's (MHCLG) Guidance on Minimum Revenue Provision (the MHCLG Guidance) updated in 2018.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

Minimum Revenue Position Policy

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

For assets acquired after 31 March 2008 MRP will be determined by charging the expenditure over the expected useful life of the asset, to a maximum of 50 years, on an annuity basis, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years.

The MRP payment is funded from revenue with an option that part or all of the payment could be funded from capital receipts to repay debt.

MRP will commence in the financial year following the asset coming into use or after purchase.

Expenditure funded by borrowing where the project is being built and is not complete at 31st March 2018 (classified as under construction). MRP will be deferred until the construction is complete and operational with the charge to be made in the year following completion.

For capital expenditure incurred before 1st April 2008, for supported capital expenditure incurred on or before that date, MRP will be charged on an annuity basis over 50 years, incorporating an "Adjustment A" in accordance to the guidance.

Investment properties will be charged MRP for properties that have reduced in value at the year-end valuation. For investment properties that have increased in value at the year-end valuation these will have nil MRP charge in that year. The investment properties are required to have life cycle maintenance and therefore are assumed to increase in value over time. This will extend the life of the assets and therefore it would not be appropriate to charge MRP.

All investment properties that are sold by the Council will use the capital receipts to repay the outstanding loan finance for that property before any balance of capital receipts is available for other capital projects.

External Loans

For capital expenditure loans to third parties that are repaid in instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

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

PFI/Leases - For assets acquired by leases or the Private Finance Initiative, the Council has changed its policy with effect from 01/04/2021 that MRP is charged over the life of the assets on an annuity basis. This is in line with the Council's MRP policy for all other assets as described above.

Other Items

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

Policy on use of Financial Derivatives

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

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

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit for the purpose of making new investments.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before

Investment Training

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

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

Markets in Financial Instruments Directive

Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.

Other options considered

The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having

consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

The Treasury Management Practices, Principles and Schedules

The Treasury Management Practices, Principles and Schedules sets out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Audit Committee is required to approve the Treasury Management Practices, Principles and Schedules each year under delegated decision.

Investment of Money Borrowed in Advance of Need

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

The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be less than one year, although the Council is not required to link particular loans with particular items of expenditure.

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

Appendix A – Arlingclose Economic and Interest Rate Forecast January 2021

Underlying assumptions

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Artingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Artingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Artingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Artingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
 PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B - Existing Investment and Debt Portfolio Position

	31 Oct 2020 Actual Portfolio £m	31 Oct 2020 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	44.3	5.76
Short Term Borrowing	416.5	0.50
LOBO Loans	64.0	4.34
Long Term Borrowing	18.0	4.37
Total External Borrowing	542.8	1.51
Other Long Term Liabilities:		
PFI, Finance Leases and other liabilities	102.0	n/a
Other loans	16.6	n/a
Total Gross External Debt	661.4	
Investments:		
<i>Managed in-house</i>		
Short-term Money Market Funds	6.7	0.08
Other Short Term investments	3.6	0.40
<i>Managed externally</i>		
CCLA Pooled Funds	25.0	2.50
Other Pooled Funds	30.0	1.78
Total Investments	65.3	1.77
Net Debt	596.1	

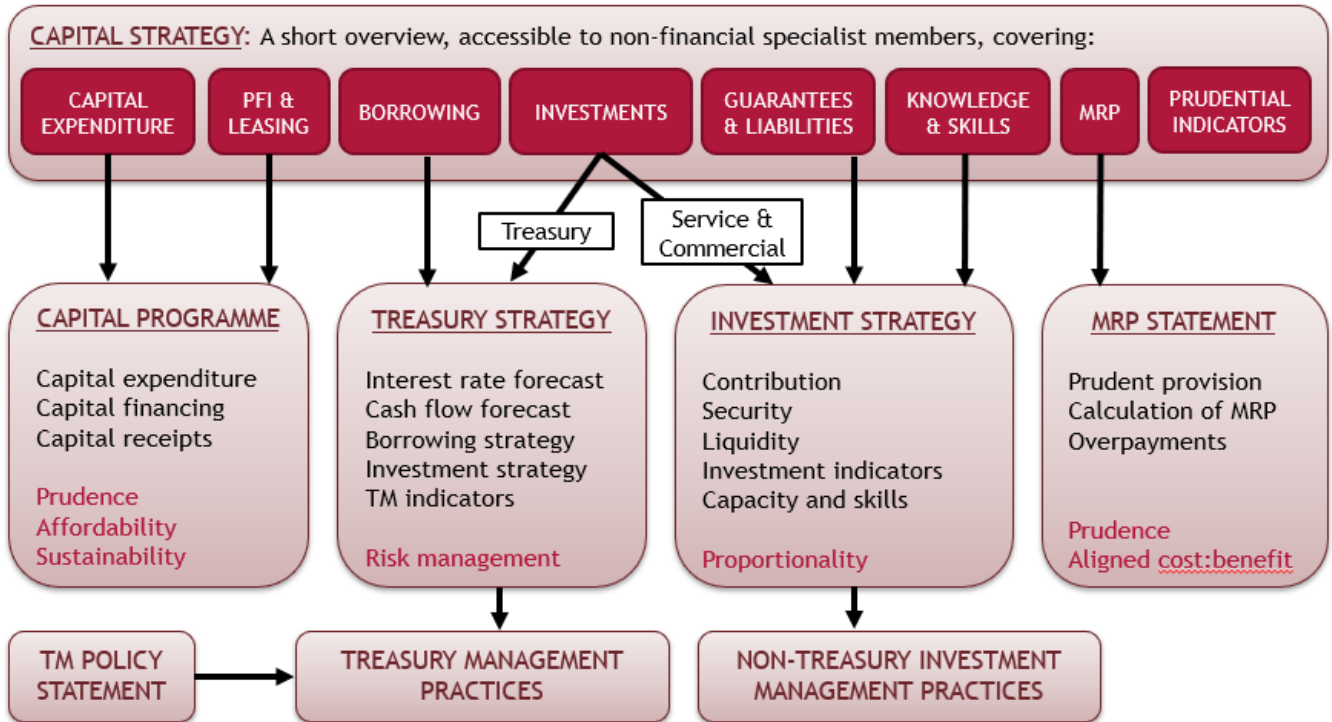
Treasury Management Strategy 2021-22

Published by:
Plymouth City Council
Ballard House
West Hoe Road
Plymouth PL1 3BJ

Tel 01752 304212
Email: chris.flower@plymouth.gov.uk
www.plymouth.gov.uk

Capital - Statutory Guidance

Strategy Reports: England



17.1 The above diagram shows how the requirements of the Ministry of Housing, Communities and Local Government (MHCLG) Guidance and The CIPFA Code interacts with the Capital and Treasury Management. There is a requirement for the Council to produce a Treasury Management Strategy, a Capital Financing Strategy and a Non-Treasury Management Investment Strategy. These have been considered by Audit Committee and will be presented to Council for approval on 22 February 2021.

BUDGET SCRUTINY RECOMMENDATIONS 2021/2

No.	Recommendation	Cabinet response
1.	That the Chief Executive and Leader seek support from the Local Government Association in seeking clarity from Government regarding the timeliness of future Local Government Finance Settlements. In addition, to request that a 3 year settlement including grant funding be considered to improve the budget setting process, and that revenue support grant continues until the replacement business rates scheme is finalised.	Agreed
2.	The Cabinet member for Children and Young People work with the Director of Children's Services to continue to reduce the use of independent fostering placements in favour of in house fostering placements.	Agreed
3.	The Cabinet member for Finance creates a specific reserve to ensure that contingencies are in the budget in case the number of children in care placements increases due to COVID-19. Regular reporting is recommended to the Education and Children's Scrutiny Committee.	Existing financial management and contingency arrangements are appropriate
4.	The Cabinet member for Children and Young People work with the Director of Children's Services to ensure that financial savings made through alternative methods of school transport do not adversely affect pupils who would use the service. Regular reporting is recommended to the Education and Children's Scrutiny Committee ensuring arrangements for pre-decision scrutiny of the consultation for the School Transport review.	Agreed, suggest Cabinet Member for Education, Skills and Transformation is lead for this work
5.	The Cabinet member for Health and Adult Social Care and the Director of People to work with partners to ensure that there is adequate provision for Children and Adolescent Mental Health Services (CAMHS), ensuring that the work with young people who benefit from this support is more effective and manageable within the budget.	Agreed, suggest Cabinet Member for Children and Young People is lead for this work
6.	The Cabinet member for Housing and Co-operative Development ensures that adequate provision is made in the budget to continue to prevent homelessness and, if necessary, support those finding themselves	Agreed

	homeless following the lifting of the evictions ban. Reporting into the Performance, Finance and Customer Services Scrutiny.	
7.	That the Leader of the Council writes to the Home Secretary to ensure that the value of Health Care Workers from overseas is recognised in future policy making.	Agreed

No.	Recommendation	Cabinet response
8.	The Leader of the Council to write to the Local Government Association in order to ask the Government to set out a clear timetable and road map for reform of Adult Social Care funding in order to meet the challenges of an ageing population and to provide a long term sustainable financial settlement.	Agreed
8a.	That Cabinet recommends Council to approve a 3% ASC precept.	For consideration by Full Council
9.	Scrutiny Management Board to review the Kickstart scheme to ensure it fulfils its expectations.	Agreed
10.	The Leader of the Council to write to the Local Government Association in order to ask the Government to work with the sectors most affected by the new trading arrangements with the EU and formulate an action plan to address issues e.g. our local fishing industry.	Agreed
11.	The Leader write to the Secretary of State for Housing, Communities and Local Government asking that restriction on accessing Public Works Loan Board loans be removed for councils pursuing sound investments within their travel to work area in order to offset the reduction central government funding.	Agreed
12.	The Cabinet member for Environment and Street Scene to prioritise improvements on playgrounds and multi-play areas which are not currently compliant with the Equalities Act 2010.	Agreed
13.	The Cabinet member for Environment and Street Scene to work with the Service Director for Street Services to explore the reasons for the use of agency staff and where possible work to reduce it within the	Agreed

	service. Reporting into Performance, Finance and Customer Services OSC by November 2021.	
14.	The Cabinet member for Environment and Street Scene and Cabinet member for strategic planning and infrastructure to provide a detailed update on the impacts and benefits to savings proposals and maintenance costs arising from the carbon reduction measures. Reporting to the Brexit Infrastructure and Legislative Change OSC by November 2021.	Agreed
15.	The Cabinet member for strategic planning and infrastructure to review the policy for walking and cycling infrastructure to ensure increased levels of distinct and well defined walking and cycle pathways. Reporting to the Brexit Infrastructure and Legislative Change OSC by November 2021.	Agreed

No.	Recommendation	Cabinet response
16.	The Deputy Leader to work with the Strategic Director for Customer and Corporate Services to embed future working from home arrangements (The Way We Work), focusing on wellbeing, and realising savings from a rationalisation of resources and accommodation. Reporting to the Finance and Customer Services OSC by November 2021.	Agreed, suggest collaboration with Cabinet Members for Transformation and Finance
17.	That Cabinet consider how to maximise all financing opportunities to support the city's growth agenda and the capital programme pipeline to ensure that the necessary investment in the city's infrastructure including supporting the Council's climate emergency action plans is made.	Agreed
18.	The Deputy Leader to report to the Scrutiny Management Board on the delivery of the accommodation strategy, including home working arrangements.	Agreed – as response to recommendation (16) above.

BUDGET 2021/22 EQUALITY IMPACT ASSESSMENT

APPENDIX B10

INTRODUCTION

- Between September and November 2020 the organisation undertook a review of our organisational practices relating to equality and diversity. In December 2020 a paper provided Cabinet with a summary of the findings from the equality review.
- Our equality review found that the organisation is committed to equality and diversity but that further work is required to fully mainstream equality and diversity across the organisation. Specifically, the Equality Review found that further work is required to ensure the timely and appropriate completion of equality impact assessments (EIA). As an organisation we are keen to embed the learning from our equality review and ensure that we provide timely and appropriate EIAs to ensure that 'due regard' is given to decisions.
- This equality impact assessment and associated briefing has been drafted to help ensure that we give due regard to equality considerations that arise from setting our budget.

BACKGROUND

- The Equality Act 2010 harmonised and replaced pre-existing equality legislation and extended statutory protection across nine 'protected characteristics'. It recognised forms of discrimination that were previously beyond the scope of legislation and introduced the concept of the Public Sector Equality Duty (PSED).
- The protected characteristics include; age, disability, gender reassignment marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation
- The PSED placed specific responsibilities on public sector organisations to consider equality in their decision making. It consists of a general equality duty, supported by specific duties which are imposed by secondary legislation. In summary, those subject to the equality duty must, in the exercise of their functions, have due regard to the need to:
Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct.

Advance equality of opportunity between people who share a protected characteristic, and those who do not.

Promote good relations between people who share a protected characteristic and those who do not.

CONTEXT

- The social and economic impacts of COVID- 19 are felt differently across the social strata; disproportionate effects are felt by those people already in precarious financial positions. The Centre for Progressive Policy observed that in Plymouth a third of all jobs have been identified as vulnerable or very vulnerable due to the economic situation caused by COVID-19 (Centre for Progressive Policy, 2019).
- For those people in some of the city's most deprived wards, COVID-19 places them in an increasingly uncertain financial context which will only worsen already prevalent inequality in the city. As a large proportion of jobs in Plymouth are within low paid sectors (which disproportionately feel the economic impacts of COVID-19) families already in precarious financial positions will be face increasing economic hardship.
- Excluding key workers, most people in the bottom tenth of the earnings distribution are in sectors that have been forced to shut down due to the pandemic (IFS, 2020). Plymouth's average full time weekly earnings by place of residence currently stands at £558.2 compared to 550.2 in the South West and £586.7 nationally (NOMIS, 2021).
- The 2019 Index of Multiple Deprivation highlighted that of the 317 local authority districts in England, Plymouth is ranked as the 64th most deprived. The most deprived LSOA in Plymouth is located in the Stonehouse neighborhood and is the 163rd most deprived LSOA in England. Whilst we have a lower rate of child poverty than some of our comparators, the extent is still significant. 18.6 per cent of Plymouth children live in poverty (9,990 children) (Plymouth Plan, 2019).

METHODOLOGY

The draft budget EIA was developed through identifying several budget proposals included within the draft 9 February Cabinet report which have potential equality impacts. Information has been supplemented with desk based research to help identify possible impacts on different communities.

Analysis of the current council tax support caseload was undertaken to assess whether there may be an indirect impact on one or more groups with protected characteristics as a result of any possible council tax rises. This data is included where it is available in the evidence for each protected characteristic below.

Individual budget decisions will be individually equality impact assessed in accordance with usual policy and practice – this is key to ensuring that ‘due regard’ is given to equality considerations.

Several budget proposals (grouped by directorate) have been identified as having potential equality impacts (see EIA template below).

The development of this EIA template was planned to include consultation with the newly formed Corporate Equality Group, however due to COVID pressures this was not possible.

Having identified some potential equalities impacts our next steps will be to work with departments to identify appropriate mitigations. This will involve looking at evidence and considering the effect of proposals on the whole community.

STAGE I: WHAT IS BEING ASSESSED AND BY WHOM?

<p>What is being assessed - including a brief description of aims and objectives?</p>	<p>OVERVIEW</p> <p>On 9 February the Council’s annual budget for 2021/22 is being presented to Cabinet for approval and then to Full Council. The budget sets out the plans to deliver a balanced budget. The budget presents these changes through a number of proposals. Equality Impact Assessments will be completed for all individual policy changes as they are developed in accordance with our normal criteria.</p> <ul style="list-style-type: none"> • PEOPLE <ul style="list-style-type: none"> ▪ Care Package Review Programme ▪ Direct Payments Reviews ▪ Increase Charging Income ▪ Commissioning Contracts ▪ Maximise Grant Income and Management actions
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- **CHILDREN**
 - Step Up Education Participation and Skills Redesign
 - In House Fostering
 - Step Up Adolescent Support
- **PLACE**
 - Fees & charges and management actions
 - Waste & Street Services Commercialisation

Council Tax

The Provisional Settlement set the council tax referendum limit at 1.99% and an adult social care precept (ASC) of 3.0%. As part of developing the 2021/22 budget, Council have the option to consider adopting a 1.99% increase for Council Tax and a 3.00% level of ASC precept in order to present a balanced budget. If adopted, these increases would provide an additional £2.291m in council tax and £3.454m adult social care precept; a total of £5.745m (Budget Report, 2021).

The council tax base for 2021/22 has been set at 73,115 properties, a decrease of 1,488 on 2020/21 which is due to lower growth in new homes and an increase in council tax support claimants resulting from the COVID-19 pandemic. The council tax base for 2021/22 was approved by Council on 25 January 2021 (Budget Report, 2021).

The fall in the council tax base for 2021/22 primarily reflects the impact of an increased number of local residents who are claiming council tax support due to the current economic climate which has arisen from COVID-19 (Budget 2021).

Plymouth City Council operates a council tax support scheme which limits the amount eligible working age recipients have to pay to up to a minimum of 20%. In addition an exceptional hardship policy exists to support those in financial need. We will continue to run communication campaigns

throughout the year and work with our partners to raise general awareness to maximise access to benefits and discounts for all customers who are eligible.

Savings/Income Generation – The draft budget currently anticipates that £6.792m in savings will be found in 2020/21.

People – Adult Social Care provision is a statutory service and the Council must meet clients' assessed needs. £1.675m of savings are proposed for this directorate which include £0.775 from Care Package Reviews, £0.250m from Direct Payments Reviews, £0.100 from Increase Charging Income, and £0.250 from Commissioning Contracts and £0.300m from Maximise Grant Income and Management actions

Children - £1.540M is proposed to be saved from this directorate which includes Step Up Education Participation and Skills Redesign £0.370m, In House Fostering £0.67m and Step Up Adolescent Support £0.5m.

Place - Economic Development, Strategic Planning, Street Services will require savings/income increases of £0.89m.

Customer & Corporate Services, Finance & Chief Executive – Savings and income generation of £2.422m are budgeted for 2020/21. This includes £0.872m of discretionary spending and management actions, £1m from maximising the benefits from the Plymouth family of companies and £0.550m from a Facilities Management Review.

Corporate Items – £0.265 will be saved from PFI contracts.

Redundancies

Plymouth City Council has clear policies and procedures in place to ensure that staff sharing protected characteristics are not unfairly discriminated against. Where any changes to structures or

	service delivery arrangements lead to redundancies, we will ensure that staff are not unfairly selected for redundancy e.g. on bases of them having a particular protected characteristic under the Equality Act 2010.
Author	Laura Hill, Policy and Intelligence Advisor
Department and service	Policy and Intelligence Team
Date of assessment	04/01/2021 (Updated 03/02/21)

STAGE 2: EVIDENCE AND IMPACT

Protected characteristics (Equality Act)	Evidence and information (e.g. data and feedback)	Any adverse impact See guidance on how to make judgement	Actions	Timescale and who is responsible
Age	The average age in Plymouth (39.0 years) is about the same as the rest of England (39.3 years), but less than the South West (41.6 years).	Step Up Education Participation and Skills Redesign Potential impact on already vulnerable children as they are the primary service users.	We will conduct a specific service level EIA on proposals to identify appropriate mitigations. The current CTS scheme includes protection for families with children by	Children's Services

	<p>Council Tax records show the following ratios of customers by age group:</p> <p>18-24 = 770 = 3.37%</p> <p>25-34 = 3325 = 14.56%</p> <p>35-44 = 3589 = 15.72%</p> <p>45-54 = 3387 = 14.83%</p> <p>55-64 = 3579 = 15.67%</p> <p>65-74 = 3828 = 16.76%</p> <p>75+ = 4162 = 18.22%</p> <p>Compared to the overall population, children are more likely to be in low income households.</p> <p>Working-age adults in working families are less likely to be in relative low income than those in families where no-one is in work.</p> <p>There are 241 care leavers of which 140 live within Plymouth.</p> <p>Excluding key workers most people in the bottom tenth of earnings</p>	<p>In House Fostering Potential impact on already vulnerable children as they are the primary service users.</p> <p>Step Up Adolescent Support Potential impact on children as they are the primary service users.</p> <p>Increase Charging Income Potential impact on older people as they disproportionately use the service.</p> <p>Care Package Review Programme Potential impact on older people. This impact may be heightened due to the pressures on these services.</p> <p>Direct Payments Reviews Potential impact on older people as they disproportionately use the service.</p>	<p>keeping the family premium, disregarding income from child benefit and maintenance payments.</p> <p>Discounts exist for students, 18 year olds still at school and apprentices.</p> <p>Annual review of Council Tax Support Scheme and development of work with partner organisations to maximise access to benefits and discounts for eligible customers.</p>	<p>Customer Services</p> <p>Adult Services</p> <p>Adult Services</p> <p>Adult Services</p>
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	<p>distribution are in sectors that have been forced to close due to COVID-19. Young people are more affected than others by this (IFS, 2020).</p> <p>There will be a major shift in the population structure of Plymouth over the next 20 years as the proportion of the population aged 65 and over increases and the population aged 0-4 year's decreases. ONS projects a rise in the percentage of the Plymouth 65+ population from 17.9 per cent in 2016 to 22.7 per cent by 2034 (Plymouth Plan, 2019).</p> <p>An ageing population suggests an increasing need for care and support services and also an increasing burden placed on the working age population (Plymouth Plan, 2019).</p>	<p>Waste & Street Services Commercialisation Potential impact on older people as they may be more likely to use the bulky waste collection service.</p> <p>Council Tax The increase in the number of young people receiving Council Tax support suggests that there could be an adverse impact on young people aged 18-25 from any increases in Council Tax. This year such impacts are likely to be further exacerbated due to the economic fallout from COVID-19.</p> <p>The need to make efficiency services could have an adverse impact on services for children and older people as they are disproportionately likely to benefit from these services.</p>		<p>Waste & Street Services</p>
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	<p>In 2017 there were over 26,500 people (aged 18-64) in Plymouth estimated to be suffering from common mental health problems including depression, anxiety, and obsessive compulsive disorder (Plymouth Plan, 2019).</p> <p>Over 11,900 Plymouth residents aged 18-64 years in 2017 were estimated to have more than one mental health problem; a figure that was projected to remain fairly static over the next 10-15 years (Plymouth Plan, 2019). COVID-19 is likely to increase the number of people requiring support for mental health condition.</p>			
<p>Disability</p>	<p>A total of 31,164 people (from 28.5 per cent of households) declared themselves as having a long-term health problem or</p>	<p>Step Up Education Participation and Skills Redesign Potential impact on children with disabilities.</p>	<p>We will conduct EIAs on any proposals that may have an adverse impact on disabled services users.</p>	<p>Children’s Services</p>

	<p>disability (national figure 25.7 per cent of households), compared with the total number of people with disabilities in UK (11.6m) (2011 Census).</p> <p>10 per cent of our population have their day-to-day activities limited a lot by a long-term health problem or disability (2011 Census).</p> <p>In January 2019, Schools identified 18.2% of Plymouth's school cohort (Year R to Y11) as requiring additional support for an identified Special Education Need and/or disability.</p> <p>33% of Council Tax Support (CTS) claimants are disabled.</p> <p>After housing costs, the proportion of working age people with disabilities living in poverty (26%) is higher than the proportion of</p>	<p>Increase Charging Income Potential impact on people with disabilities.</p> <p>Care Package Review Programme Potential impact on people with disabilities as they disproportionately use the service.</p> <p>Direct Payments Reviews Potential impact on older people as they disproportionately use the service.</p> <p>Waste & Street Services Commercialisation potential impacts for people with disabilities if fees were to increase.</p> <p>The need to make efficiency services could have an adverse impact on services for people with disabilities as they</p>	<p>CTS discounts exist for carers and those who have a disability.</p> <p>We will review the proposed changes to carefully to consider the potential impacts on people with disabilities in light of the recent judgement in SH vs. Norfolk County Council.</p>	<p>Adult Social Care</p> <p>Adult Social Care</p> <p>Adult Social Care</p> <p>Waste and Street Services</p>
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	<p>working age non-disabled people (20%) (Scope, 2020).</p> <p>On average, tax and benefit changes on families with a disabled adult will reduce their income by about £2,500 per year; if the family also includes a disabled child, the impact will be over £5,500 per year. This compares to a reduction of about £1,000 on non-disabled families (EHRC, 2017).</p> <p>In 2017 there were over 26,500 people (aged 18-64) in Plymouth estimated to be suffering from common mental health problems including depression, anxiety, and obsessive compulsive disorder (Plymouth Plan, 2019).</p>	<p>are disproportionately likely to benefit from these services. There are already pressures facing adults social care.</p>		
Faith/religion or belief	<p>Christianity is the biggest faith in the city with more than 58 per cent of the</p>	NA	NA	NA

	<p>population (148,917 people).</p> <p>32.9 per cent (84,326) of the Plymouth population stated they had no religion.</p> <p>Those who identified as Muslim was just under 1%, while Hindu, Buddhist, Jewish or Sikh religions combined totalled was less than 1 per cent (2011 Census).</p>			
<p>Sex - including marriage, pregnancy and maternity</p>	<p>50.2 per cent of our population are women and 49.8 per cent are men.</p> <p>Of those customers in receipt CTS, 29% have children in the household.</p> <p>There are approximately 4,390 single parent families in receipt of council tax support. This equates to 19% of CTS households.</p> <p>93% of single parent CTS households are headed by a female.</p>	<p>Any increases to Council Tax may disproportionately effect female headed single parent households.</p>	<p>The current CTS scheme includes protection for families with children by keeping the family premium, disregarding income from child benefit and maintenance payments.</p>	<p>Customer Services</p>

	<p>Women lose more than men from reforms at every income level. Overall, women lose around £940 per year on average, more than double the losses of around £460 for men. Lone parents lose around 15% of their net income on average – almost £1 in every £6. By contrast, the losses for all other family groups are much smaller, from nothing to 8%, especially for those that are relatively well-off (EHRC, 2017).</p> <p>School and nursery closures removed the childcare provision that had made it possible for many women to be in full time in employment – it is too early to be able to confidently say what impact the COVID-19 pandemic will have on the gender pay gap (IFS, 2020).</p>			
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	<p>Plymouth has a relatively high prevalence of domestic abuse and the numbers of reported incidents show an increasing trend over the past five years.</p> <p>Nationally there was a 7% increase in police recorded offences flagged as domestic abuse-related between March and June 2020, compared with the same period in the previous year (ONS, 2020)</p>			
Gender reassignment	<p>There are no official estimates for gender reassignment at either national or local level. However, in a study funded by the Home Office, the Gender Identity Research and Education Society (GIRES) estimate that between 300,000 and 500,000 people aged 16 or over in the UK are experiencing some degree of gender variance.</p>	NA	NA	NA

	<p>It is likely that the mental health of LGBT+ communities have been particularly affected by COVID-19 as there is extensive research to show that LGBT+ people are more likely to experience poor mental health in general (Intercom, 2020)</p>			
<p>Race</p>	<p>92.9 per cent of Plymouth’s population identify as White British.</p> <p>7.1 per cent identify as Black, Asian or Minority Ethnic (BAME) with White Other (2.7 per cent), Chinese (0.5 per cent) and Other Asian (0.5 per cent) the most common ethnic groups.</p> <p>Recent census data suggests there are at least 43 main languages spoken in the city, showing Polish, Chinese and Kurdish as the top three.</p>	<p>BAME households have already been disproportionately affected by the economic impacts of COVID-19 and welfare reform.</p>	<p>CTS data to identify any under/over representation amongst different ethnic groups where appropriate.</p>	<p>Customer Services</p>

	<p>Plymouth is a refugee dispersal location under the Vulnerable Persons Resettlement Scheme. Plymouth. The COVID-19 pandemic and consequent lockdown leaves vulnerable refugees and asylum seekers increasingly isolated and could exacerbate mental health conditions that they already disproportionately suffer from such as PTSD. People who speak English as an additional language may face additional challenges. This could include, understanding government guidance and facilitating home schooling for their children.</p> <p>Plymouth is becoming more diverse. The population identifying as BAME rose from 3 per cent in 2001 to 6.7 per cent in 2011, and therefore has more than</p>			
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	<p>doubled since the 2001 census.</p> <p>Evidence suggests that BAME communities have disproportionately felt the economic impacts of COVID-19.</p>			
<p>Sexual orientation - including civil partnership</p>	<p>There are no official estimates for sexual orientation at a local level. There is no precise local data on sexual orientation in Plymouth, but based on the ONS Annual Population Survey 2017 estimates, approximately 1.7 per cent of the UK population is lesbian, gay or bi-sexual (LGB) . This would mean that there are approximately 3,649 LGB people in the city (Plymouth Report, 2019). It is likely that the mental health of LGBT+ communities have particularly affected by COVID-19 as there is</p>	NA	NA	NA

	extensive research to show that LGBT+ people are more likely to experience poor mental health in general (Intercom, 2020)			
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STAGE 3: ARE THERE ANY IMPLICATIONS FOR THE FOLLOWING? IF SO, PLEASE RECORD ACTIONS TO BE TAKEN

Local priorities	Implications	Timescale and who is responsible
Pay equality for women, and staff with disabilities in our workforce.	Plymouth City Council is committed to equal opportunities and the fair treatment of its workforce. As an employer we have a clear policy of paying employees equally for the same or equivalent work regardless of gender or disability. The council operates a comprehensive job evaluation scheme to ensure that rates of pay are fair and are based wholly on the role being undertaken.	Human Resources and Organisational Development
Supporting our workforce through the implementation of Our People Strategy 2020 – 2024 Plymouth is a city where people from different backgrounds get along well.	HR & OD – Training – possible impact on equality and diversity training and thus workforce understanding of equality and diversity if this budget is reduced. Any impacts on the training budget will be limited to ensure that staff are able to undertake their duties in a safe and compliant manner.	Human Resources and Organisational Development
Supporting victims of hate crime so they feel confident to report incidents, and working with, and through our partner organisations to achieve positive outcomes.	NA	NA

<p>Plymouth is a city where people from different backgrounds get along well.</p>	<p>There is a strong correlation between community cohesion and economic deprivation, cohesion rates are generally lower in wards with lower scores in the Index for Multiple Deprivation.</p>	<p>NA</p>
<p>Human Rights Please Refer To Guidance</p>	<p>The United Nations Convention on the Rights of the Child sets out how decisions effecting a child should be made in the best interests of the child. It also sets out how Governments must protect children from violence, abuse and neglect and states when placed somewhere away from home for their health or protection that the child's situation must be checked regularly (UNICEF, 2020).</p>	<p>Children's Services</p>

STAGE 4: PUBLICATION

Brendan Arnold, Service Director for Finance

Date 01/02/2021

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