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Date 17 February 2012

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CITY COUNCIL

Date: Monday 27 February 2012

Time: 2pm

Venue: COUNCIL HOUSE, PLYMOUTH (next to the Civic Centre)

Members:

The Lord Mayor, Councillor Brookshaw, Chair

The Deputy Lord Mayor, Councillor Delbridge, Vice Chair

Councillors Mrs Aspinall, Ball, Mrs Beer, Berrow, Bowie, Bowyer, Mrs Bowyer, Mrs Bragg, Browne, Casey, Churchill, Coker, Davey, Mrs Dolan, Drean, Evans, K Foster, Mrs Foster, Fry, Gordon, Haydon, James, Jordan, Martin Leaves, Michael Leaves, Sam Leaves, Lock, Lowry, Dr. Mahony, McDonald, Monahan, Murphy, Mrs Nelder, Nicholson, Mrs Nicholson, Penberthy, Mrs Pengelly, Rennie, Reynolds, Ricketts, Dr. Salter, Singh, John Smith, Peter Smith, Stark, Stevens, Thompson, Tuffin, Tuohy, Vincent, Wheeler, Wiggins, Wildy, Williams and Wright.

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

Members and officers are requested to sign the attendance list at the meeting.

Please note that unless the chair of the meeting agrees, mobile phones should be switched off and speech, video and photographic equipment should not be used in meetings.

Barry Keel
Chief Executive

CITY COUNCIL

AGENDA

PART I – PUBLIC MEETING

1. APOLOGIES

To receive apologies for non attendance submitted by councillors.

2. MINUTES

(Pages 1 - 16)

To approve and sign as a correct record the minutes of the meeting held on 30 January 2012.

3. DECLARATIONS OF INTEREST

Councillors will be asked to make declarations of interest in respect of items on this agenda.

4. ANNOUNCEMENTS

- (a) To receive announcements from the Lord Mayor or the Chief Executive;
- (b) To receive announcements from the Leader, Cabinet Members or Committee Chairs.

TO DETERMINE RECOMMENDATIONS FROM CABINET

5. CORPORATE PLAN 2012 -15, REVENUE AND CAPITAL BUDGET 2012/13 AND PROPOSED COUNCIL TAX LEVELS

(Pages 17 - 158)

Cabinet Members: The Leader (Councillor Mrs Pengelly) and Councillor Bowyer

The City Council will be asked –

- to consider the report of the Chief Executive and the Director for Corporate Services on the corporate plan 2012-15, the revenue and capital budget 2012/13 and the proposed Council tax levels;
- to adopt the corporate plan 2012 -15
- to approve the proposed net revenue budget requirement;
- to approve the capital programme;
- to approve the Treasury Management Policy Statement, the Treasury Management Strategy Statement 2012/13 and the Investment Strategy 2012/13;
- to approve the Council tax for 2012/13.

The following Cabinet minutes of the meeting held on 7 February 2012 refer –

- minute 115 - Budget and Corporate Plan Scrutiny Report 2012/13);
- minute 116 – Corporate Plan 2012 -15
- minute 117a - New Capital Schemes for Investment;
- minute 118a - Treasury Management Strategy Statement and Annual Investment Strategy 2012/13;
- minute 119 – 2012/13 Updated Draft Budget (Revenue and Capital) allocated to corporate priorities.

6. EXEMPT BUSINESS

To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 to exclude the press and public from the meeting for the following item(s) of business on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in paragraph(s) of Part I of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

PART II – PRIVATE MEETING

MEMBERS OF THE PUBLIC TO NOTE

That, under the law, the City Council is entitled to consider certain items in private. Members of the public will be asked to leave the meeting when such items are discussed.

NIL

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City Council

Monday 30 January 2012

PRESENT:

The Lord Mayor, Councillor Brookshaw, in the Chair.

The Deputy Lord Mayor, Councillor Delbridge, Vice Chair.

Councillors Mrs Aspinall, Ball, Mrs Beer, Berrow, Bowie, Bowyer, Mrs Bowyer, Mrs Bragg, Browne, Casey, Churchill, Coker, Davey, Mrs Dolan, Drean, Evans, K Foster, Mrs Foster, Fry, Gordon, Haydon, James, Jordan, Martin Leaves, Michael Leaves, Sam Leaves, Lock, Lowry, Dr. Mahony, McDonald, Monahan, Murphy, Mrs Nelder, Nicholson, Mrs Nicholson, Penberthy, Mrs Pengelly, Rennie, Reynolds, Ricketts, Singh, John Smith, Peter Smith, Stark, Stevens, Thompson, Tuffin, Tuohy, Vincent, Wheeler, Wiggins, Wildy, Williams and Wright.

Barry Keel (Chief Executive), Tim Howes (Assistant Director for Democracy and Governance), Judith Shore (Democratic and Members Services Manager) and Nicola Kirby (Senior Democratic Support Officer (Cabinet))

Apology for absence: Councillors Dr. Salter

The meeting started at 2.00 pm and finished at 7.15 pm.

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

96. MINUTES

Agreed that the minutes of the meeting held on 5 December 2011 are confirmed as a correct record.

97. DECLARATIONS OF INTEREST

The following declarations of interest were made in accordance with the code of conduct from councillors in relation to items under consideration at this meeting –

Name	Item	Interest	Reason
Councillor Mrs Beer	Minute 109 – Motion on Notice: Appointment of Chief Constable	Personal and prejudicial	Employed by Devon and Cornwall Police
Councillor Berrow	Minute 108 – Motion on Notice: Assistance for those affected by Welfare Benefit and Tax Credit Reforms	Personal	Member of Plymouth Citizens Advice Bureau

Councillor Mrs Pengelly	Minute 109 - Motion on Notice: Appointment of Chief Constable	Personal	Member of the Devon and Cornwall Police Authority
Councillor Stevens	Minute 109 - Motion on Notice: Appointment of Chief Constable	Personal and prejudicial	Employed by Devon and Cornwall Police
Councillor Thompson	Minute 108 - Motion on Notice: Assistance for those affected by Welfare Benefit and Tax Credit Reforms	Personal	Member of Plymouth Citizens Advice Bureau

98. **APPOINTMENTS TO COMMITTEES, OUTSIDE BODIES ETC**

(1) Proportionality

Following the resignation of Councillor Berrow from the Conservative Group and his membership of the United Kingdom Independence Party, it was proposed that no changes were made to the committee or outside body membership.

The Assistant Director for Democracy and Governance gave advice that –

- there was no obligation to undertake a review of proportionality in these circumstances;
- the Council could choose to take a different course of action provided that no-one voted against the proposal; and
- following a request, a review had been undertaken.

Following a vote, the proposal for no changes to be made to the committee or outside body membership was carried but was not unanimous.

Agreed that a review of proportionality would not be carried out and no further action would be taken.

(2) the following appointments are agreed -

	Committee	Membership	Appointments
a.	Lord Mayor Selection Committee	Six councillors (three conservative and three labour members)	Councillors Mrs Aspinall, Browne, Churchill, Evans, Mrs Pengelly and Vincent

b.	Elize Hele and John Lanyon Foundations	Current members: Councillors Casey, Lowry and Dr Mahony	Lorraine Parker to replace Councillor Casey
c.	Municipal Charities of Plymouth	Current members: Councillor Casey, Fred Brimacombe, Michael Fox and Betty Gray	Councillor Penberthy to replace Councillor Casey

- (3) the following nominations notified to the Assistant Director for Democracy and Governance are noted -

	Appointments Panel	Membership
d.	23 January 2012 am	Councillors Ball, Bowyer, Evans, Fry, Lowry, Mrs Pengelly and Peter Smith. (Substitute: Councillor Williams)
e.	23 January 2012 pm	Councillors Bowyer, Evans, Fry, Lowry, Mrs Pengelly, Peter Smith and Wigans (Substitutes: Councillor Michael Leaves and Williams)
f.	26 January 2012	Councillors Bowyer, Evans, Fry, Mrs Pengelly, Peter Smith, Wildy and relevant Cabinet Member (Councillor Jordan / Monahan / Sam Leaves). (Substitute: Councillor Williams)

- (4) the following change of membership notified to the Assistant Director for Democracy and Governance is noted -

Committee	Membership
Planning Committee	Councillor Stark to replace Councillor Churchill

99. **ANNOUNCEMENTS**

Bronwen Lacey, Director of Services for Children and Young People

The Lord Mayor referred to Bronwen Lacey, Director of Services for Children and Young People, who would be leaving the Council at the end of February after 14 years of service and, on behalf of the Council, wished her well in the future and presented her with a bouquet.

General who used to attend Southway School

Councillor Browne expressed concern that his request for an announcement relating to a General who used to attend Southway School, had not been included on the agenda today.

Agreed that the announcement is made at the next meeting of the City Council.

100. **QUESTIONS BY THE PUBLIC**

Two questions had been received from members of the public in relation to matters which, in the opinion of the Lord Mayor, were relevant to the business of the meeting, in accordance with paragraph 10 of the Constitution.

Question No	Question By	Relevant Cabinet Member	Subject
8 (11/12)	Mr B Kerr	Councillor Mrs Pengelly, Leader	Prayers
Is the council going to continue to have prayers during scheduled times for council meetings? This is asked as many people would see this as an exclusionary practice against people of different faiths and no faith, and paints the city as backward in a modern world			
<p>Response:</p> <p>There is no constitutional requirement for the council to have prayers prior to the commencement of the formal council meeting, but it is the practice of Lord Mayors to have their chaplain in attendance to say them. There is no reason why a future Lord Mayor might choose not to have prayers at the meeting, although I would expect that such a decision would be considered by the council as a whole.</p> <p>Since the prayers are not part of the formal meeting then neither councillors nor the public need be present (and some already choose not to attend) consequently no one is excluded from the meeting.</p>			

Question No	Question By	Relevant Cabinet Member	Subject
9 (11/12)	Mr F Sharpe	Councillor Fry, Cabinet Member for Planning, Strategic Housing and Economic Development.	Sherford development
Please could residents of Elburton and Plymstock be given a presentation by Plymouth City Council before Sherford comes before the Council in February 2012 plus details of what South Hams Council has passed regarding Sherford.			

Response:

Yes, planning officers will give a presentation to the next available meeting of the Elburton and District Residents Association prior to the Sherford planning application being reported back to Planning Committee on 8th March 2012.

In the absence of the questioners, the questions and responses were circulated and written responses would be sent to Mr Kerr and Mr Sharpe.

MATTERS REFERRED FROM CABINET AND OTHER COMMITTEES

101. **Sex Establishment Licensing Policy**

Councillor Michael Leaves (Cabinet Member for Community Services (Street Scene, Waste and Sustainability)) moved the Cabinet recommendations to the City Council on the Sex Establishment Licensing Policy (Cabinet minute 104 of the Cabinet meeting held on 17 January 2012 and the written report of the Director for People referred). The proposal was seconded by Councillor Browne.

Councillor Penberthy moved the following amendment which was seconded by Councillor McDonald –

To add a new Recommendation 5

To implement the outstanding recommendations of the Customer and Communities Overview and Scrutiny Panel on this matter.

Following an adjournment, the Assistant Director for Democracy and Governance advised that the amendment was not in order as it negated the original proposal.

The Lord Mayor reminded councillors that personal remarks about officers were not acceptable.

Councillor Penberthy then moved a further amendment as follows -

On page 21 to delete paragraphs (1) and (2) and on page 22 to delete (3).

The recommendations to the City Council become (1) and section (b) below becomes a new (2) 'to implement the outstanding recommendations of the Customer and Communities Overview and Scrutiny Panel.'

The Assistant Director for Democracy and Governance advised that this amendment was also not in order as the City Council could not amend Cabinet decisions.

Following a further adjournment, Councillor Penberthy moved an amendment as follows –

- (4) (a) to adopt Schedule 3 of the Local Government (Miscellaneous Provisions) Act 1982 as amended by s.27 Policing and Crime Act 2009, which shall come into force on the 5 March 2012;
- (b) to adopt the Sex Establishments Licensing Policy contained in Appendix A of the written report subject to recommendation (5) below;
- (c) to approve the scheme of delegation contained in Appendix B of the written report;
- (d) to approve the following fees and charges -
- Application Fee £3900
 - Variation Fee £ 800
 - Annual Renewal £3200
 - Transfer £750
- (5) To implement the outstanding recommendations of the Customer and Communities Overview and Scrutiny Panel on this matter, i.e.
- Hours of opening to included 'Good Friday' on a similar basis to Sundays
 - That residents, chairs of school governors and religious establishments within a specific distance from the proposed sex establishment, as well as the relevant ward members, are notified of any application by individual letter

The amendment was seconded by Councillor McDonald.

The Assistant Director for Democracy and Governance drew councillors' attention to the legal advice on pages 30 and 31 of the Cabinet report.

Councillor Thompson (Chair of the Customers and Communities Overview and Scrutiny Panel) indicated that the legal advice set out in Cabinet report had not been available at the meeting of the panel.

Following a debate, the amendment was put to the vote and the amendment was lost.

The main motion was debated and following a vote, it was agreed -

- (1) to adopt Schedule 3 of the Local Government (Miscellaneous Provisions) Act 1982 as amended by s.27 Policing and Crime Act 2009, which shall come into force on the 5 March 2012;
- (2) to adopt the Sex Establishments Licensing Policy contained in Appendix A of the written report subject to recommendation (2) of Cabinet to include Option I as follows (Hours of Operation on page 44 refer) –

'The Council will apply hours of operation that are commensurate to the existing use of the area and its effect on the locality. There shall normally be no operation of licensable activities on Sundays and Good Friday (06.00 am to Midnight), Christmas day or Easter Sunday. Alternative opening restrictions may be put into place dependant on the character of each locality and representations received';

- (3) to approve the scheme of delegation contained in Appendix B of the written report;
- (4) to approve the following fees and charges -
 - Application Fee £3900
 - Variation Fee £ 800
 - Annual Renewal Fees £3200
 - Transfer £750

102. **Tamar Bridge and Torpoint Ferry Joint Committee: Revenue Estimates and Capital Programme 2012/13 to 2015/16**

Councillor Martin Leaves (Joint Chair of the Tamar Bridge and Torpoint Ferry Joint Committee) proposed the recommendations from the Tamar Bridge and Torpoint Ferry Joint Committee: Revenue Estimates and Capital Programme 2012/13 – 2015/16 as follows (Tamar Bridge and Torpoint Ferry Joint Committee minute 22 of the meeting held on 2 December 2011 referred) –

- (a) that the proposed revenue budget for 2012/13 as set out in Appendix 1 to the officer report be approved;
- (b) that the proposed capital programme as set out in Appendix 2 to the officer report be approved;
- (c) that the longer term revenue forecast to 2015/16 be noted.

The motion was seconded by Councillor Foster.

Councillor Wiggins referred to advice contained in the written report of the Director for Place and Director for Corporate Services and moved the recommendations in the written report as an amendment.

The amendment was seconded by Councillor Nicholson.

Following a vote on the amendment, the amendment was carried.

The motion, as amended, was put to the vote and it was agreed that –

- (1) the ongoing work of the member/officer workshops on budget forecast issues are noted and that the preferred option is reported to Cabinet prior to any decision being made;

- (2) the revenue and capital budgets for 2012/13, proposed by the Tamar Bridge and Torpoint Ferry Joint Committee are approved by the Council;
- (3) all schemes included in the capital programme beyond 2013 are submitted to Cabinet supported by robust business cases.

103. **ORDER OF BUSINESS**

At the request of Councillor Wildy, the Lord Mayor, with the consent of the City Council, agreed to change the order of business to bring forward the motion on notice relating to changes to child benefit.

MOTION ON NOTICE

104. **Changes to Child Benefit**

Councillor Wildy moved the following motion on notice for approval –

‘CHANGES TO CHILD BENEFIT

Council notes the recent announcement by the Coalition Government regarding legislation on Child Benefit.

Council recognises that the proposed changes are likely to penalise some families in Plymouth and could affect the Growth Agenda.

Council therefore resolves to request the Leader to write to the Chancellor on behalf of Plymouth City Council, requesting him to reconsider the proposed legislation on Child Benefit.’

The motion was seconded by Councillor Davey.

During the debate, the issues raised included that –

- the current proposals sought to limit child benefit to earners under £45,000;
- the limit would not apply to joint earners, leaving them able to claim twice the amount;
- child benefit was the only income of some women;
- money would be taken out of the Plymouth economy;
- those who did not need the benefit could choose to donate it to charity;
- all children should be valued equally;
- the proposals could put more children at risk.

The Leader indicated that she shared the concerns about the proposals and would be happy to write to the Chancellor.

Following a vote, the motion was agreed.

105. **PAY POLICY STATEMENT**

The Assistant Director for Democracy and Governance presented the written report of the Chief Executive on the pay policy statement.

Councillor Bowyer moved the recommendation in the written report and the proposal was seconded by Councillor Sam Leaves.

During the debate, Councillor Evans sought an early discussion on the challenges of shared services and he was advised that if he had a query, to make contact with Councillor Bowyer who would try to resolve it.

Following a vote, the pay policy statement was agreed, as recommended in the written report.

106. **CONSTITUTION**

The Assistant Director for Democracy and Governance presented his report on the constitution.

Councillor Bowyer moved and Councillor Lowry seconded the recommendation in the written report.

Following a vote, it was agreed to revise the financial regulations to set an upper limit on revenue expenditure and virements at £100,000, as recommended in the written report.

FURTHER MOTIONS ON NOTICE

107. **Councillors Involvement in Section 106 Agreements**

Councillor Stevens moved the following motion on notice for approval –

‘COUNCILLORS INVOLVEMENT IN SECTION 106 AGREEMENTS

Plymouth City Council believes its Planning system must be seen to be acting in the interests of Plymouth, including agreed Planning Obligations and Gains.

Whilst recognising that each must comply with council planning documents, policies and guidance and Regulation 122 of the Community Infrastructure Levy Regulations 2010, contributions made under Section 106 of the Town and Country Planning Act must be seen to mitigate the effects of developments.

To this end, the allocation of any such contributions recommended as part of the Planning permissions will be subject to consultation with the relevant Ward Councillors at an early stage in the consideration of the application and before the decision is put before the Planning Committee or taken by an Officer under delegated authority.’

The motion was seconded by Councillor Tuffin.

The issues raised included –

- the need for involvement by elected representatives in consultation on Section 106 monies;
- the difficulties experienced in the process relating to West Hoe tennis courts;
- the Localism Act which promoted public involvement.

Councillor Fry moved an amendment so that the amended motion would read as follows –

‘WARD COUNCILLORS INVOLVEMENT IN SECTION 106 AGREEMENTS

Plymouth City Council believes its planning system must be seen to be acting in the interests of Plymouth, including agreed planning obligations.

Whilst recognising that each must comply with council planning documents, policies and guidance and Regulation 122 of the Community Infrastructure Levy Regulations 2010, Planning Obligations negotiated under Section 106 of the Town and Country Planning Act must be seen to mitigate the effects of development.

To this end, where the need for a planning obligation is anticipated by a planning officer, Ward Councillors shall be consulted at an early stage of the planning application process. The views of Ward Councillors on planning obligations will be sought and shall be considered in any decision taken by Planning Committee or by an officer under delegated authority.

Planning Services shall be instructed to prepare a Protocol on Ward Councillor Involvement in Section 106 Agreements, establishing the detailed framework for consultation in the formal pre-application and planning application processes, this report to be considered by the Constitution Working Group.’

The amendment was seconded by Councillor Lock.

During the debate on the amendment, the issues raised included –

- that councillors were now able to view the Council’s website to monitor the progress of section 106 monies in each ward;
- that the Constitutional Working Group would make a recommendation to the City Council.

Following a vote, the amendment was agreed.

The motion, as amended, was put to the vote and the amended motion was agreed.

108. **Assistance for those affected by Welfare Benefit and Tax Credit Reforms**

Councillor Williams moved the following motion on notice for approval -

‘ASSISTANCE FOR THOSE AFFECTED BY WELFARE BENEFIT AND TAX CREDIT REFORMS

This Council notes that a number of changes in welfare benefits and tax credit systems will be implemented over the next 12 months.

The Government intends to make the following savings through these changes:

- CPI indexation (£5.8 bn)
- Tax Credit changes (£4.51 bn)
- Housing Benefit reform (£2.02 bn)
- Child Benefit (£2.42 bn)
- Contributory Employment Support Allowance (ESA) time-limit (£2bn)
- Disability Living Allowance reform (£1.2 bn)
- Council Tax Benefit (£0.49 bn)
- Benefits cap (£0.27 bn)
- End to ‘asset –based welfare’ (£0.6 bn)
- Social Fund reforms

Inevitably there will be confusion and distress caused to people who have their benefits cut, whilst the cost of living continues to rise.

This Council resolves to –

Actively promote information about the changes in welfare benefits and tax credits and signpost those likely to be affected to appropriate organisations such as the CAB in order that they may provide advice and support.’

The motion was seconded by Councillor Rennie.

During the debate the following issues were raised –

- the proposed cuts would affect all sectors of the population;
- that the Council needed to be proactive;
- the impact on disadvantaged groups together with changes to child benefit;
- that Cabinet Members had started to undertake work on welfare reforms;
- information on the changes would be promoted;
- staff would signpost enquiries to the appropriate organisations;
- that there was an opportunity to work with credit unions;
- following budget scrutiny there was concern about the level of provision made and the capacity to deal with the issues;
- that the voluntary sector could not cope with the potential level of enquiries in the forthcoming months;
- that councillors were unaware of the actions being taken.

Following a vote, the motion was agreed.

(Councillors Berrow and Thompson declared personal interests in the above item.)

109. **Appointment of Chief Constable**

Councillor Evans moved the following motion on notice for approval -

‘APPOINTMENT OF CHIEF CONSTABLE

Council notes the decision by the DC and IoS Police Authority to defer a decision on replacing Stephen Otter, the Chief Constable with a permanent replacement until after the forthcoming Police Commissioner elections.

Council also notes that, according to media reports, this decision is being reconsidered.

Council believes the best interests of policing in Plymouth and the force area are best served by a permanent appointment and requests our PA rep to lobby for the earliest possible permanent replacement.’

The motion was seconded by Councillor Williams.

During the debate, the following issues were raised –

- that there would be a hiatus in policing between Chief Constable Stephen Otter leaving Devon and Cornwall Police and the new Police Commissioner elections in November 2012;
- that there were a number of senior police officers already acting up;
- that crime was rising in Plymouth;
- that the government were prepared to allow an appointment to be made but that the police authority had chosen not to do so;
- the disagreement on the composition of the Crime Panel.

Following a vote, the motion was lost.

(Councillors Mrs Beer, Mrs Pengelly and Stevens having declared interests, withdrew from the meeting during consideration of the above item).

110. **QUESTIONS BY COUNCILLORS**

In accordance with Part B, paragraph 12 of the constitution, the following questions were asked of the Leader, Cabinet Members and Committee Chairs covering aspects of their areas of responsibility -

	From	To	Subject
1	Councillor Berrow	Councillor Bowyer	at the last Audit Committee, there was a reduction on savings for the non ringfenced part of the budget from £4m to £1.2m. What are the current savings being made and what effect will it have on other budgets for this £2.8m difference?
	Councillor Bowyer undertook to supply the information.		
2	Councillor Gordon	Councillor Mrs Pengelly	Reference comments made by Councillor Mrs Pengelly in Saturday's Herald, does she think that the MVV contract for the city's waste is value for money for the taxpayers of the city and how did she come to that conclusion?
	Councillor Mrs Pengelly responded that she did think that it was value for money because it was cheaper than landfill, would protect jobs and would provide energy to the dockyard and navy which would help to ensure that the navy stayed in Plymouth. Energy from waste plants existed in Sweden and the middle of Vienna. Current arrangements to landfill were not environmentally friendly and costed £7m per year. When the site was full, waste would be transported all over the country with more costs.		
3	Councillor Smith	Councillor Jordan	when the Life Centre was commissioned, a commitment was made to keep the Pavilions until an alternative ice provision was funded. What is the latest situation and can you confirm that you have not given the Pavilions notice to close the ice in September this year?
	Cllr Jordan responded that a press release would be made tomorrow. He promised that the ice would be continued and that it was still the aim to do so until an ice rink was built. He confirmed that notice had not been given to the Pavilions as stated.		
4	Councillor Singh	Councillor Fry	is there going to be an investigation in into the scrutiny report which brought the city unnecessary attention and what sort of welcome would / could international students have received?
	Councillor Fry responded that he gathered that the report was withdrawn from meeting and was a city centre report. It would be taken up within the company. Councillor Mrs Pengelly added that she understood that shop traders mentioned it to the city centre company and she undertook to investigate it including where it came from and how it got into a report.		

5.	Councillor Evans	Councillor Fry	is the response in order from the person whose name is on front of report and his responsibility, with the damage to Plymouth's reputation as a visitor destination? A full investigation is needed.
<p>Councillor Nicholson (Chair of the Growth and Prosperity Overview and Scrutiny Panel) advised that the report went to his scrutiny panel and that he had been alerted to the press report by Councillor Fry. He had spoken with Councillor Coker and ensured that that aspect of the report was withdrawn. It was not acceptable and dealt with as expeditiously as possible. He had been assured that the matters would be investigated.</p> <p>Councillor Fry responded that he saw the report on the morning of the meeting and had not seen the report before. He had had an apology from the manager of the city centre company. In future, the officers had been advised that reports should not go out in the Cabinet Member's name if the Cabinet Member has not seen them.</p>			
6.	Councillor Penberthy	Councillor Sam Leaves	at the Council meeting on 25 July a motion was agreed asking for an analysis to identify what actions were being taken to address child poverty in the city and what additional work was required to address inequality and child poverty levels between wards. It was not included in the report on child poverty to Cabinet in September. Will it be released to all councillors?
<p>Councillor Sam Leaves responded that events had moved on since then and at budget scrutiny meeting, she made a commitment that a child poverty working group would be set up, the first meeting to be in place by the end of February to discuss these issues. She assumed that Councillor Penberthy wants to be involved and looked forward to working with him. She gave an assurance that the information would be released.</p>			
7.	Councillor Berrow	Councillor Mrs Pengelly	can she give an update on any rent paid by Argyle to Plymouth City Council please?
<p>Councillor Mrs Pengelly undertook to provide the information.</p>			
8.	Councillor Evans	Councillor Sam Leaves	Are you aware of the press report about a year long study by the government into schools and an instruction from government for such surveys to exclude the condition of asbestos in schools. Is it true? Does it apply in Plymouth? What are the implications?

	Councillor Sam Leaves responded that she had not seen the press releases and would ensure that a response is sent to councillors as soon as possible.		
9.	Councillor Wheeler	Councillor Bowyer	How much has been lost from the Icelandic banks' investments, in capital and interest? The report indicated that the LGA had got back £470m of which £100k had come to Plymouth, not promising?
	Councillor Bowyer responded that the Council had received a further instalment of the Heritable deposit of £100k (63 per cent returned to date); Landsbanki and Glitnir: still in the courts but received a favourable judgement on our status as a creditor. Projections of 100 per cent of Glitnir and 95 per cent of Landsbanki deposits were anticipated and work was ongoing. When he had more definite information he would share it with the Council.		
10.	Councillor Evans	Councillor Fry	How could a report so damaging be released and what stages did the report go through before committee? How could the Council, City Centre Company and Police have got into this situation to develop policy? An investigation was needed and procedures put in place to ensure that it doesn't happen again.
	Councillor Fry responded that no Cabinet Member had seen it and the procedure would be rectified in future.		
11.	Councillor Wheeler	Councillor Mrs Pengelly	Following the response to a written question on the council owned playing field in Barne Barton, next to Riverside School, why has nothing happened?
	Councillor Mrs Pengelly undertook to investigate and respond.		
12	Councillor Williams	Councillor Sam Leaves	With regard to the Adventure Activities Act, has she written to all schools asking them to support the petition? If not, could she use her resources to write to all schools now?
	Councillor Sam Leaves responded that it was in progress at the moment and as stated in emails between them, she was keen to meet and talk about the petition on the website, to promote it more, and if she was happy, to move forward. No response had been received to the email (Councillor Williams indicated that she had replied) and she still wanted to meet.		
13	Councillor Singh	Councillor Jordan	what impact has the report had on the city as it was on the website?

	<p>Councillor Jordan responded in his experience, very little. We had done well in attracting teams to the city events for the Olympics. He was with the Ghana delegation at the time and no comment was made. It should not have happened, it will be investigated and the Council would learn from it.</p>		
14	Councillor Evans	Councillor Mrs Pengelly	<p>How many photo opportunities will she have before the start of purdah? How many inviting us? How many inviting the Lord Mayor? Why did it take 15 months for Highfield to arrange the opening event? Why were they uninvited?</p>
	<p>Councillor Mrs Pengelly responded that she was aware of one photo opportunity. The requests came from the Herald. She did not receive invitations to the Lord Mayor.</p> <p>With regard to the opening of Highfield School, the invitations were the responsibility of the headmistress. She had no idea why it had taken 15 months to arrange.</p>		

CITY OF PLYMOUTH

Subject:	Corporate Plan 2012 -15, Revenue and Capital Budget 2012/13 and Proposed Council Tax Levels
Committee:	City Council
Date:	27 February 2012
Cabinet Member:	The Leader and Councillor Bowyer
CMT Member:	Chief Executive and the Director for Corporate Services
Author:	David Northey, Head of Finance
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Ref:	DJN/27022012
Key Decision:	No
Part:	I

I.0 Executive Summary:

- I.1 The Corporate Plan and Revenue and Capital Budget comprises the following reports, as presented to Cabinet 7 February 2012 -
- Corporate Plan 2012 - 2015
 - 2012/13 Updated Draft Budget (Revenue and Capital) allocated to corporate priorities
 - Treasury Management Strategy Statement and Annual Investment Strategy 2012/13
- I.2 These reports supplement and complement each other. They set out the Council's vision and how we have allocated our resources to match our priorities. Readers should refer to the reports for the detail. It should be noted that the Treasury Management Strategy Statement and Annual Investment Strategy 2012/13 is included as it has updated changes to the Prudential Indicators.
- I.3 Consultation on the budget proposals has been undertaken, including with the people of Plymouth via our on-line survey. The information formed part of the documentation fed into the public budget scrutiny sessions by the Overview and Scrutiny Management Board on 11, 16 and 18 January 2012. The recommendations arising from these sessions are appended to this report.

- I.4 The Council continues to improve how it communicates with Partners and the public in relation to its budget setting and spending plans.
- I.5 The Treasury Management Strategy for 2012/13 was subject to scrutiny by a sub-committee of the Audit Committee on 27 January 2012. The Audit Committee on 27 January 2012 and Cabinet 7 February 2012 agreed the Treasury Management Strategy and Investment Strategy and recommended the report for approval by Council.
- I.6 Cabinet considered the corporate plan and draft budget on 7 February 2012 and the minutes are attached at Appendices B and G.
- I.7 The updated spending plans presented on 7 February detailed a net budget requirement of £204.5m against total resources available of £203.7m. Following final analysis of all grants, there remains a funding shortfall of circa £0.800m for which we are developing final plans to address.
- I.8 This is after assuming income of £2.4m from either a 2.5 per cent increase in Council Tax, or a freeze and acceptance of the Government's Council Tax Freeze Grant, equivalent to a 2.5 per cent rise.
- I.9 Officers and Cabinet continue to work through all areas in conjunction with the original budget allocations to ensure we have the correct alignment of resources to priorities. We will continue to work up plans to present a balanced budget to Council for sign off on 27 February 2012.
- I.10 Currently, officers are working up new Budget Delivery Plans around two areas. Following the review of the Senior Management structures at both director and assistant director levels, we are reviewing the savings which can be achieved by de-layering the third and fourth tier management structures. In addition, officers are working up plans to achieve budget savings from moving further transactions from across the Council into both the customer centre and transactions centre.
- I.11 At the time of preparing this budget, the Council has announced its intention to move from a five to a three directorate model progressively from 1 January 2012. The final proposed budget report for Full Council on 27 February 2012, for comparative purposes, will be structured around the existing directorates.

2.0 Tax Level:

- 2.1 At this stage, the Council has not declared its position in regard to whether to freeze the Council Tax for a second year, and accept the Government's one-off Council Tax Freeze Grant for 2012/13. This would be equivalent to a 2.5 per cent increase which equates to funding of £2.398m. For purposes of this budget report, the assumption is additional income of £2.398m could be available through either freeze or 2.5 per cent increase and is therefore included in the calculations at this stage.
-

- 2.2 The final decision on whether to increase the Council Tax, or freeze for the second year and accept the Government's one-off Council Tax Freeze Grant will be decided at Full Council on 27 February 2012.
- 2.3 Every effort is being made to maximise efficiencies, minimise any Council Tax increase, and if possible freeze Council Tax for a second year. The final version of the Council tax resolutions will be tabled at Council on 27 February 2012.
- 2.4 The Police Authority and the Fire Service are both holding meetings on 17 February 2012 to approve their tax increases, which is after publication of this report. In the event of either or both authorities setting a different precept amount, the changes will be reflected in revised Council Tax amounts which will be tabled at Council.

3.0 Corporate Plan 2012 – 2015

- 3.1 The Corporate Plan focuses on the vision for the city and the Council and the four shared priorities with partners, together with a range of supporting outcome measures. Whilst in incredibly challenging times financially, a number of major items were highlighted to be delivered during the period of the plan, for example –
- adult social care transformation;
 - health integration;
 - early intervention and prevention, including trouble families;
 - tackling worklessness and unemployment;
 - delivering some key elements of the growth agenda, particularly around rail and broadband connectivity;
 - working with other organisations to reduce costs and improve services;
 - transforming working practices and improving customer contacts.
- 3.2 It also summarises the Council's financial position in line with the December indicative budget, the public budget consultation, partnership input and the overview and scrutiny focus.
- 3.3 The plan as appended has been updated to reflect the latest Medium Term Capital Forecast which was accepted by Cabinet on 7 February 2012 and recommended to the City Council for approval.
- 3.4 The plan will need to be amended further to reflect the final approved budget.

4.0 Capital Medium Term Forecast and Funding

- 4.1 The Capital Delivery Board has recently considered, and prioritised, a number of other new capital investment projects that deliver outcomes against corporate priorities. These schemes were considered at Cabinet on 7 February 2012 and are set out in Appendix C for approval by Council -

- 4.2 Subject to approval of the above, the following updated programme is based on known projects and funding streams. The council will remain proactive at optimising external grant funding wherever possible in order to continue significant capital investment in the city. The Council has adopted a four year Capital MTFF aligning it with the number of years over which the revenue MTFF is based. The programme will grow in future years when we receive more certainty around future funding streams.

	2011/12 Revised £000	2012/13 Revised £000	2013/14 Revised £000	2014/15 Revised £000	Total £000
Children's Services	15,727	25,431	15,987	5,948	63,093
Community Services	26,951	9,012	1,155	1,062	38,180
Corporate Support	7,662	6,547	521	0	14,730
Development & Regeneration	28,321	9,731	11,135	7,871	57,058
	78,661	50,721	28,798	14,881	173,061

Funding Source	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	Total £000
Capital Receipts	20,126	9,955	5,077	0	35,158
Unsupported Borrowing	19,528	5,195	0	0	24,723
Supported Borrowing	277	47	0	0	324
Grants & Contributions	33,574	33,177	23,472	13,294	103,517
S106 / Tariff	1,857	957	51	1,250	4,115
Revenue & Funds	3,299	1,390	198	337	5,224
Total	78,661	50,721	28,798	14,881	173,061

5.0 Revenue Out-turn 2011/12 and impact on reserves:

- 5.1 The latest budget monitoring position, as at the end of December 2011, shows a forecasted year end overspend of £0.454m.
- 5.2 Directors have enacted a number of delivery plans within the current financial year to drive through budget savings. Directors will continue to reduce spend up to 31 March 2012 and we are confident we will achieve a breakeven outturn result.
- 5.3 If directors and departmental management teams are unable to achieve reduced spend to balance the budget by 31 March 2012, any residual amount would have to be funded through working balances.
- 5.4 In compliance with our Medium Term Financial Strategy, we aim to retain the Council's working balance at a level exceeding 5 per cent of net revenue budget. Our forecast working balance at 31 March 2012 is £11.5m which is approximately 5.5 per cent of our 2012/13 net revenue budget.

6.0 Medium Term Financial Strategy & Budget Book:

- 6.1 The Medium Term Financial Strategy (MTFS) was approved by Council on 20 June 2011. The strategy will be further revised and updated following approval of the 2012/13 revenue and capital budget, and the setting of the Council Tax for the coming year.
- 6.2 Within this strategy, we will retain our focus on providing strong financial management, driving value for money and efficiencies, promoting accountability and ownership, managing risks effectively and continuing to improve our income collection rates.
- 6.3 In support of this budget, as in previous years, the Council will produce a detailed budget book which will be published by 31 March 2012.

7.0 Treasury Management Report

- 7.1 The Treasury Management report outlines the Council's Prudential Indicators for the next three years as required by the Local Government Act 2003, together with the MRP policy for 2012/13 required under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

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

Once approved the 2012/13 budget will become the base year for the Medium Term Financial Strategy (MTFS) 2012-15.

The MTFS will be revised and updated in the light of the final 2012/13 budget and settlement implications.

9.0 Other Implications: e.g. Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion

The revenue and capital budget report refers to headline risks and equality issues. All departmental delivery plans are covered by Equalities Impact Assessments, signed off by the relevant director. Each delivery action has considered the impact on: council priorities, legal obligations, customers and other services and partners. Each separate action has been risk assessed in terms of potential barriers to implementation with corresponding mitigation stated where relevant.

10.0 Recommendations and Reasons for recommended action:

- 10.1 In compliance with legislation, it is the responsibility of the Council's Section 151 Officer to recommend a balanced and robust budget for approval. The recommendations from Cabinet are attached at appendices F and I.
- 10.2 Council is requested to –

Corporate Plan 2012 -2015

- (1) adopt the Corporate Plan 2012 -2015 subject to agreement on any minor amendments and editorial design changes being delegated to the Leader and Chief Executive and to reflect the final approved budget.

Revenue and capital budget and Council Tax

- (2) approve the new capital schemes for investment amounting to £0.056m in 2011/12 and £2.026m for future years as set out in Cabinet minute 117a;
- (3) approve the four year capital programme (2011/12 – 2014/15) of £173.061m;
- (4) approve the proposed net revenue budget requirement for 2012/13 to be tabled on 27 February 2012;
- (5) it is noted that on 13 December 2011 the Cabinet calculated the Council Tax Base 2012/13 for the whole Council areas as 77,271 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")];
- (6) calculate that the **Council Tax requirement** for the Council's own purposes for 2012/13 is £tbc;
- (7) that the following amounts be calculated for the year 2012/13 in accordance with Sections 31 to 36 of the Act:
- (a) £tbc being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act (**Gross Expenditure and Transfers to Reserves**)
 - (b) £tbc being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (**Gross Income and Transfers to Reserves**)
 - (c) £tbc being the amount by which the aggregate at 7(a) above exceeds the aggregate at 7(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council Tax requirement** for the year. (Item R in the formula in section 31B of the Act)
 - (d) £tbc being the amount at 7(c) above (Item R), all divided by Item T (5 above), calculated by the Council, in accordance with Section 31B of the Act, as the **basic amount of its Council Tax** for the year

(8) to note that the Police Authority and the Fire and Rescue Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the tables below.

(9) that the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2012/13 for each part of its area and for each of the categories of dwellings.

Plymouth City Council

A	B	C	D	E	F	G	H
Tbc	Tbc	Tbc	Tbc	Tbc	Tbc	Tbc	Tbc

Devon & Cornwall Police Authority

A	B	C	D	E	F	G	H
Tbc	Tbc	Tbc	Tbc	Tbc	Tbc	Tbc	Tbc

Devon & Somerset Fire Authority

A	B	C	D	E	F	G	H
Tbc	Tbc	Tbc	Tbc	Tbc	Tbc	Tbc	Tbc

Aggregate of Council Tax Requirements

A	B	C	D	E	F	G	H
Tbc	Tbc	Tbc	Tbc	Tbc	Tbc	Tbc	Tbc

(10) that having considered the principles approved by the House of Commons on the 8 February 2012 under 52ZB of the Act, the Council's relevant basic amount of council tax for 2012/13 is not excessive (tbc).

Treasury Management Strategy Statement and Annual Investment Strategy 2012/13

- (11) approve the Treasury Management Policy Statement as submitted in Appendix A to the written report to Cabinet;
- (12) approve the Treasury Management Strategy Statement for 2012/13;
- (13) approve the Investment Strategy for 2012/13 as set out in Sections 8 and 9 of the written report including the use of specified and non-specified investments;
- (14) approve the lending organisations and counterparty limits as set out in Appendix D to the written report;

- (15) approve the prudential indicators as set out in the written report covering the revised indicators/limits for 2011/12 and the forecasts/limits for 2012/13 to 2014/15;
- (16) approve the authorised borrowing limits of £309m, £284m and £274m for the period 2012/13 to 2014/15;
- (17) approve the operational boundary of £279m, £268m and £259m for 2012/13 to 2014/15;
- (18) approve the minimum revenue provision for debt redemption policy for 2012/13.

11.0 Alternative options considered and reasons for recommended action:

The Corporate Plan sets the strategic direction for the council and brings together a range of related information in one place. This year more emphasis has been placed on ensuring that all the key elements of sound business planning are represented within the plan.

There is a statutory requirement under Section 33 Local Government Finance Act 1992 for the Council to produce and deliver a balanced budget and to set a Council Tax.

12.0 Background papers:

- Finance Settlement Papers Department of Communities and Local Government (CLG)
- The Prudential Code for Capital Finance in Local Authorities
- Equality Impact Assessments
- The Local Government Act 2003 and The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- 2011/12 Budget / Prudential Code Working Papers
- Medium Term Financial Strategy
- Capital Financing Regulations
- Indicative 2012/13 Budget Report to Cabinet on 7 December 2011

Appendix A – Updated draft Corporate Plan 2012 – 2015 (following Cabinet on 7 February 2012)

Appendix B - Cabinet minute 116 on the Corporate Plan 2012 – 2015

Appendix C - Cabinet minute 117a - new capital schemes for investment from the performance and finance report

Appendix D - Medium Term Capital Programme 2011/12 – 14/15

Appendix E - Cabinet minute 115 on the Budget and Corporate Plan Scrutiny Report 2012/13 together with Cabinet's response to the recommendations

Appendix F - Budget and Corporate Plan Scrutiny Report 2012/13

Appendix G - Cabinet minute 119 on the 2012/13 updated draft budget (revenue and capital) allocated to corporate priorities

Appendix H – Cabinet report on the 2012/13 updated draft budget (revenue and capital) allocated to corporate priorities

Appendix I - Cabinet minute 118a on Treasury Management Strategy Statement and Annual Investment Strategy 2012/13

Appendix J - Cabinet report on Treasury Management Strategy Statement and Annual Investment Strategy 2012/13

Sign off

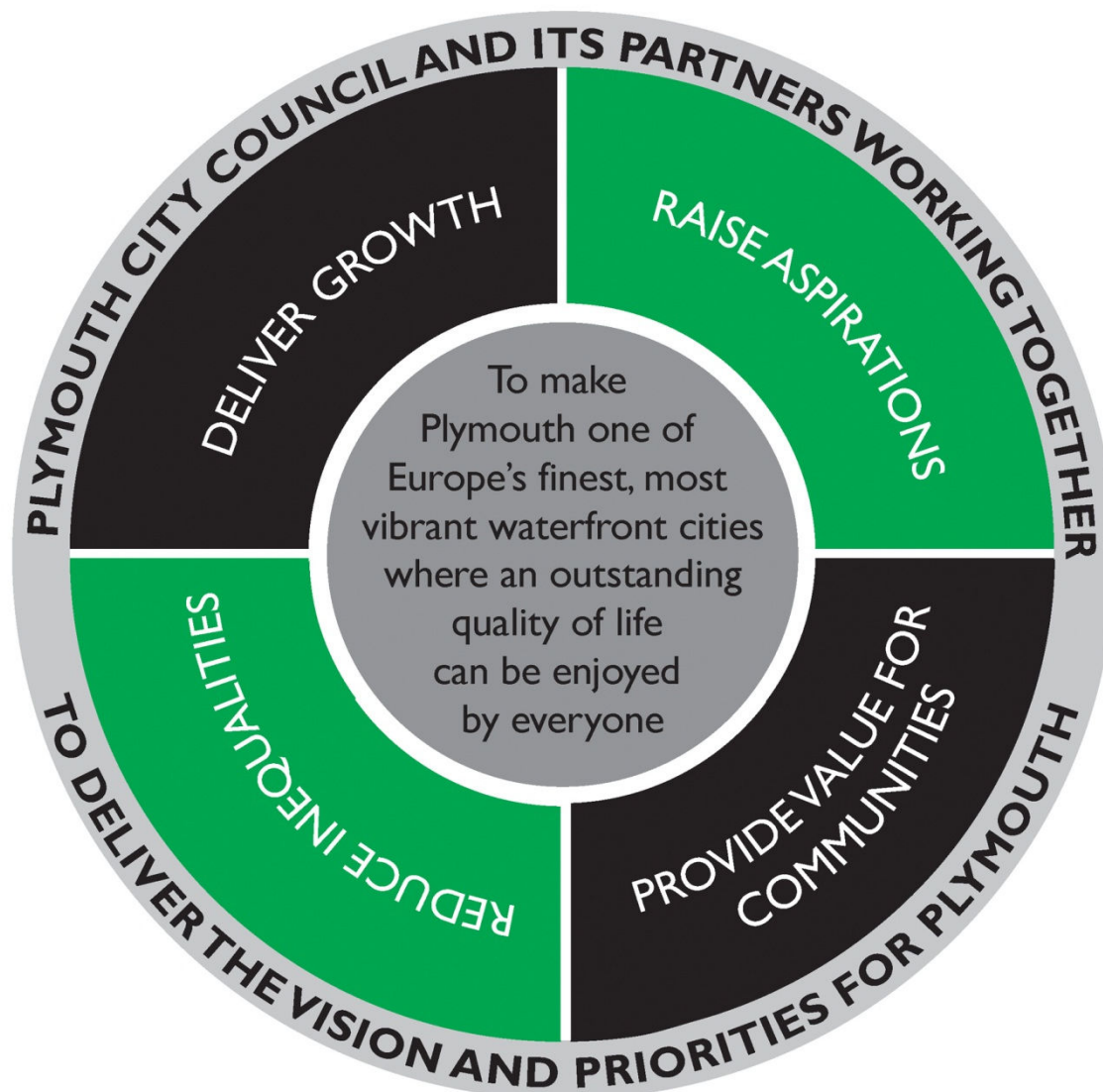
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Originating SMT Member: Malcolm Coe											

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CORPORATE PLAN

2012-15

Our shared vision and priorities



Corporate Plan 2012-15
Published by Plymouth
City Council
March 2012

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The Corporate Plan placed on the council's website once approved will be in a design layout that includes pictures and other design features not available in a basic word document

FOREWORD

We are in an incredibly challenging period nationally and globally and no one can know for sure what the impact will be on the economy and our standards of living. Things may well be very tight indeed for some years to come and Plymouth, as both a city and a council, cannot escape that scenario. We can, however, try to ensure that we are well placed when the economic upturn does come and do our best to support people through difficult times, particularly those most reliant on our front line services.

In last year's edition of what is a three year rolling Corporate Plan, we recommitted, along with our partners, to our ambitious vision to make Plymouth one of Europe's finest, most vibrant waterfront cities where an outstanding quality of life can be enjoyed by everyone. We did this in the full knowledge that the economic climate was extremely difficult and we remain committed to achieving that vision - whilst recognising that some of the original milestones for doing so may need to be pushed back, given the changing circumstances from when they were first set in 2003-6.

Last year, following analysis of the Plymouth Report in 2010, we adopted four key priorities with our partners to help us really drive towards our vision. These were to deliver growth, raise aspirations, reduce inequality and provide value for communities. We are more than ever committed to them and they are priorities we all need to own. Providing value for communities and working together to be more efficient is very pertinent in these austere times. Focusing on inequality and disadvantage to reduce dependence, enhance aspiration and opportunities and protect the most vulnerable is also essential. Creating the right infrastructure to enable the city to come out of the economic down turn strongly and deliver growth is also critical, while that very growth can help to sustain a strong and resilient city.

We have a number of major items that we have to deliver over the life of this Corporate Plan if we are to address the financial and external challenges we face and move forward on our long-term vision and priorities. These cover adult social care transformation; health integration; early intervention and prevention, including trouble families; tackling worklessness and unemployment; delivering some

Corporate Plan's purpose

The Corporate Plan helps us make sense of our complex world. It:

Outlines the strategic direction of the council for the next three years

Provides an assessment of current performance and future challenges

Shows how we contribute to achieving the city's shared vision and priorities

Demonstrates how we align our resources and contribute to the efficiency drive and transformation of service delivery

Informs the integrated planning process with partners

Gives clear direction on how the organisation will operate

Helps us hold ourselves to account and ensure we deliver for the city and its residents

Brings key information together in one place – particularly for members, managers, staff and partners

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key elements of the growth agenda, particularly around rail and broadband connectivity; working with other organisations to reduce costs and improve services; transforming our working practices and improving customer contacts.

This year sees us put more focus on how we organise ourselves to ensure delivery, both as a council and a city, whilst meeting efficiency targets. We have to address a very challenging national agenda in areas like, health, welfare, localism, child poverty, education and policing reform. Our senior management structure is being reorganised and streamlined as we have moved to three directorates – People, Place and Corporate Services. We are also working with our partners to streamline our partnerships and enhance their operational focus. Whilst our management overheads will continue to be reduced, this is an opportunity to look at whether we are being imaginative enough in how we deliver services on the ground and the degree to which we get maximum benefit for our residents and customers.

The future will be about being far more innovative in how services are resourced and provided and being even more focused on seeing things through from conception to implementation. Our staff will be central to achieving both these objectives.

Leader

Chief Executive

OUR VISION AND PRIORITIES

The type of city we want to be

The transformation of Plymouth where the most is made of the city's natural assets and setting, is at the core of the vision for Plymouth to become "one of Europe's finest, most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone". It is based on the Mackay view that the city should grow in width to the east and in height to exploit its waterfront setting. The aim is to grow the city's population to achieve the critical mass to provide the range of amenities needed to be an enticing regional economic hub of the far South West – with more visitors, inward investment and jobs; the development of the cultural and retail offer and making the place more vibrant. It involves exploiting the city's natural waterfront setting for commercial, recreational and domestic purposes; as well as building on the city's marine heritage to become a major marine industries centre of international excellence.

It is a vision that involves all our council services and partnership activity. We will have to respond to what will be a growing and changing population, as new workers and visitors arrive, in an inclusive and welcoming way. It means building on the city's strengths and developing a series of interlocking and sustainable communities, where there is strong resident engagement. Ensuring that there are high quality access networks across the city to leisure, work, health and other amenities is a feature of the vision, together with improving the major gateways to the city and our major road corridors. It requires much better connectivity to the rest of the country in terms of both transport and information and communications technology.

The vision involves the University of Plymouth centred on enterprise, the City College on vocational skills and the council supporting a range of learning opportunities and high quality school provision that is at the heart of community regeneration. It is also about co-locating services like health and social care, so they are more accessible and bringing services together better at the locality level. It is focused on creating jobs in six high value growth areas; having a vibrant city centre of

The type of city we want to be

A marine city noted for its world class marine industries and waterfront setting

A city that is a thriving regional centre that attracts visitors and businesses

A city with a series of sustainable communities enjoying a high quality of life

A city that is well connected to the rest of the country, particularly for business

A city with a strong cultural and retail offer

A city that is aspiring with excellent educational attainment

A city that is cutting edge with high tech, high value industries and jobs

A city that people want to live, work and play in because of the quality of its environment and waterfront setting

A city where everyone feels they can be part of its success

A city with a strong regional, national and international identity

A city that is dynamic and innovative with a growing and diverse population

Our plans involve increasing the city's population from 248,000 in 2005 to around 300,000 by 2026, with an extra 50,000 in the surrounding area.

They include opening up the waterfront, renovating the harbour areas and delivering area action plans

It means, creating 13,000 sq metres of office space per annum; 172,000 sq metres of new retail space by 2021; as well as 100 new hectares of local nature reserves, 32,000 new homes and 42,500 new jobs in our six growth areas:

- advanced engineering,
- business services,
- creative industries,
- marine industries,
- medical and health care
- tourism and leisure

regional significance and a second centre for the growing high tech and medical sciences quarter to the north of the city at Derriford. It involves getting the most from 12 miles of open waterfront; enhancing our many green amenities like the Hoe and Central Park; and continuing to improve the economic and cultural vibrancy of the city centre and the waterfront.

It includes rejuvenating areas like Devonport and North Prospect; ensuring the housing stock is decent, there is a good balance of quality and affordable homes; waste is effectively recycled and disposed of; providing a safe and healthy environment; the opening of the Plymouth Life Centre that provides local and nationally significant sports facilities; enhancing the cultural offer through major events and other attractions to create vibrancy and having a thriving voluntary and community sector. It is a vision that is about people in terms of raising aspirations, widening horizons, maximising opportunities and having a creative culture. The vision and commitment to growth is what makes Plymouth distinct. It is also a level of ambition against which progress has to be judged. In Plymouth the bar is higher.

It is work in progress with achievements to date and there is no intention of moving away from it. Recent examples of progress include the Americas Cup and British Arts show; government funding for Princess Yachts to support enterprise and jobs; new state of the art marine research facilities being developed at the University of Plymouth and the opening of the Plymouth Life Centre in February 2012.

The type of council we want to be

A vibrant, innovative city needs an efficient, innovative and enabling council focused on its customers, so we must continue our process of modernisation and improvement. Looking to the future, we will have a stronger enabling function, as we seek to build up capacity in local communities and help people achieve their ambitions and become less dependent on services in some cases. In terms of direct provision, we will have more varied delivery options and a stronger focus on commissioning services. We will e-enable all our services so that, where appropriate, we can provide our customers with the choice of self service at times that suit them.

There will be closer working with our partners as we seek to provide more seamless services and easy contact points for a range of advice and support. We will share more back

The type of council we want to be

We will be very focused on our customers and work with partners to provide easy points of contact and streamlined service delivery

We will be ambitious for our city, all its residents, our council, Members and staff

We will have staff that recognise the value and demands of operating within a democratically accountable body; while our Members will value the knowledge and commitment of our staff

We will encourage innovation and take reasonable risks in pursuit of our vision for the city, encouraging both user and staff engagement to improve services

We will work from flexible settings, sometimes co-located, sometimes remotely, and there will be more movement around the organisation and across the partnership to tackle issues

We will be a confident, learning organisation; an employer of choice where people feel they can develop and realise their full potential

We will be more of an enabling organisation rather than simple provider – helping others to deliver services where possible

We will have clear and transparent leadership and sense of direction, with an enabling management culture where staff are empowered to act and make decisions

We will be an organisation that shares its support services with other agencies to get maximum efficiencies and benefits

We will be a 'can do', problem solving organisation that is focused on having an impact and getting things done

We will constantly raise the bar and challenge ourselves to perform better

office functions where we can to reduce costs and gain benefits of scale. There will be more flexible working as we 'hot desk' and lower office costs. We will also share more accommodation with our partners, whether that is offices, depots or other facilities. Our staff will be empowered to make decisions; they will be far more self-reliant; there will be considerably less management overheads and more focus will be placed on strong strategic leadership, good communication and managing outcomes. The council will be both a more exciting and more challenging place to work.

Again this is work in progress with the council, for example, rationalising its accommodation through new ways of working, including the introduction of Lync telephone technology, co-locating with health services at Windsor House and undertaking the current management restructure.

Our four priorities for delivering the vision

Following our analysis of the Plymouth Report in 2010 we reduced the number of our priorities for the city, the council and our key partners to four, in order to drive the vision:

Deliver growth	Develop Plymouth as a thriving growth centre by creating the conditions for investment in quality homes, jobs and infrastructure
Raise aspirations	Promote Plymouth and encourage people to aim higher and take pride in the city
Reduce inequality	Reduce the inequality gap, particularly in health, between communities
Provide value for communities	Work together to maximise resources to benefit customers and make internal efficiencies

We recommitted to our growth agenda and recognised that we need to focus on it much more strongly if we are to get the step change required to achieve our vision for the city. This is the agenda that makes Plymouth distinct. Closely tied to that is the need to raise aspirations. We not only want our children and young people to set their sights higher, but for those in contact with them to have higher expectations; for people to want to come to Plymouth as a place where they can develop and prosper. We do not want the local population to be held back by deprivation and inequalities, but to contribute to and share in the city's growth. At the same time, we recognise that we are operating in tight financial circumstances and need to be innovative, resourceful, more customer focused and provide greater value for money. Whilst some directorates within the council, or partner agencies, may have a greater affinity with some priorities than others, we must stress that these are four priorities that we are all responsible for – they are all our business and they are all interlinked.

Together with partners we agreed a set of very high level long term outcome measures that sit under the priorities and for which we share collective responsibility. Under these sit a set of medium term outcome measures which will contribute to the delivery of the high level ones and involve effective partnership working if we are to achieve the desired results.

Level 1 Long-term Outcome Measures

Deliver growth	Raise aspirations	Reduce inequality	Provide value for communities
Increase the number of jobs in Plymouth	Raise Plymouth's Level 4 attainment so that it exceeds the national average by 2% by 2020.	Reduce the gap in life expectancy by at least 10% between the fifth of areas with the lowest life expectancy and the population as a whole by 2020	Increase the value of commissioned goods and services by the third sector
An increase in the headline gross value added per head index at current basic prices	Increase in the number of visitors coming to the city	Reduce the rates of premature mortality (<75 years) in men from all causes by 40% by 2020	Increase customer satisfaction with all public services offering VFM
Deliver connectivity with key regional, national and international markets	Overall / general satisfaction with local area	Reduce Child Poverty	Increase % of people who feel they can influence decisions in their locality
	Increase the new business births in the city per 10,000 resident population		Per Capita CO2 emissions in the LA area
			Increase % of people who believe people from different backgrounds get on well together

Level 2 Medium-term Outcome Measures

Deliver growth	Raise aspirations	Reduce inequality	Provide value for communities
Hectares of employment land delivered per annum	Achievement of 5 or more A*-C grades at GCSE or equivalent incl Maths & English	Reduction in the educational attainment gap at Key Stage 4 between the most and least deprived localities in the city	Increase in the value of commissioned goods and services
Percentage of dwellings on major sites meeting good/very good Building for Life standards	Reduce under 18 conception rate	Reduce the gap in vulnerable families by at least 50% between the fifth most and fifth least deprived neighbourhoods by 2020	Increase in the use of volunteers
Number of inward investment enquiries	16 to 18 year olds who are not in education, training or employment (NEET)	Child protection plans lasting two years or more	Customer satisfaction with the council offering vfm
Number of affordable homes delivered (gross)	Rate of anti-social behaviour incidents per 1000 population	Social Care clients receiving self directed support.(direct payments & individual budgets)	% of priorities identified at neighbourhood meetings that have been resolved
Net additional homes provided	Increase in the percentage of working age people with level 3 or above qualifications	Prevalence of breastfeeding at 6-8 weeks	Percentage of household waste sent for reuse, recycling and composting
Improved rail journey times and frequency to key cities	Increase in numbers of visitors by different types – e.g. day, stay, international visitors	Reduce the economic inactivity rate	CO ₂ reduction from public sector operations
Percentage of households connected by broadband		Housing decency - Number of Category 1 Hazards removed	No. of racist, disablist, homophobic and faith, religion and belief incidents
Improved road journey times to key cities		Narrow the gap in overall crime between the city average and most deprived neighbourhoods	Level of community engagement in neighbourhood plans

Reduce the gap in average pay of full-time workers between Plymouth and the South West		Reduce the rate of accidental dwelling fire casualties	Rate of non-domestic property fires
		Reduce the rate of adult smoking	% satisfied with outcome of reported racist, disabilist, homophobic, faith & belief incidents
		Narrow the gap in Coronary Heart Disease (CHD)	
		Decrease the rate of childhood obesity in Year 6 children by 10% by 2020	
		Reduce the rate of alcohol-related admissions by 2020 to 2010 levels	
		Delayed Transfers of Care (NI 131)	
		Reduce harm from inter-personal violence (domestic violence and sexual violence)	
		Access to services and opportunities – ease of transport access	

Progress against medium term outcome measures can be found in the quarterly monitoring reports that go through Overview and Scrutiny and which are published on the council's website. In addition, the six-monthly Economic Review contains information about longer term economic trends and more medium term measures. Information can also be obtained through the Policy, Performance & Partnerships service – 01752 398330.

Our medium term operational focus

We have a number of major items that we have to deliver over the life of this Corporate Plan if we are to address the financial and external challenges we face and move forward on our long-term vision and priorities. These are the areas where we have to ensure we have robust delivery plans and milestones in place and give added attention to achieving our required outcomes. They are the areas where change will be significant and cover:

- Adult social care transformation around personalisation and choice
- Health integration including social care, public health, the Joint Strategic Needs Assessment and health strategy
- The early intervention and prevention agenda around children and families, including troubled families, to reduce dependency and provide better outcomes
- Tackling worklessness and youth unemployment
- Delivering on some key immediate challenges within the growth agenda – e.g. connectivity, particular rail and broadband; business support, especially in relation to the maritime sector, selling Plymouth as a place to invest in and building on the success of the America's Cup to bring in more visitors
- Working with other organisations to reduce costs and improve services
- Transforming our working practices to further improve productivity and service delivery
- Improving customer contact through library hubs, one-phone number, e-transactions and customer management

These areas represent an interrelated programme of activity and issues like our response to welfare reform and reducing child poverty will be integrated within them.

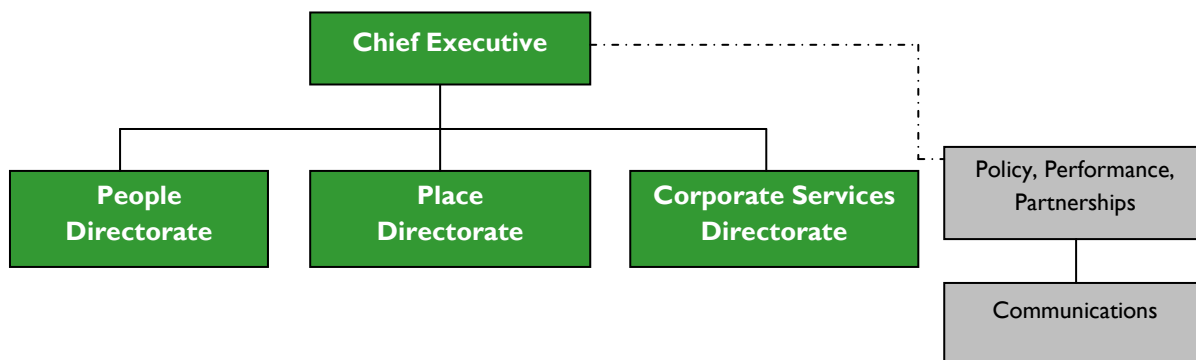
Plymouth Plan – our long term perspective

The new statutory requirement to prepare a Local Plan under the government's Localism Act provides the opportunity, for the council as the responsible body, to develop one overarching strategic Plymouth Plan for the city. The Plan will:

- Map out how change will be delivered to 2031, building on city's vision and priorities for transformation, while taking account of national and local changes since the city's current strategies were first prepared.
- Be about both people and place, outward facing, outcome focused and provide the context for all other plans and the allocation of resources – the focus will be on what Plymouth will be like as a place to work, rest and play in and how the city and its services need to be configured to achieve this
- Provide an integrated approach for key areas such as the economy, education, health, housing, transport and communications, culture, the environment, social inclusion, neighbourhoods, older people and children and set this within a sub-regional context
- Enable a significant streamlining of the strategies that currently exist, with those that remain feeding into the Plan in a way that they both influence and are influenced by it – with the focus on operational delivery
- Offer a single point of reference for articulating our vision and long term direction of travel and a framework to guide decisions on infrastructure investment and service priorities
- Be supported by a shared source of evidence and information to assist demographic modeling and scenario planning – including the Economic Review, Joint Strategic Needs Assessment, strategic assessment of crime and Plymouth Report
- Be produced in an inclusive way with our partners

OUR CHANGING DELIVERY MODEL

We are in the process of changing our delivery model within the council. A key driver for this has been to reduce senior management positions and costs in order to make £1m savings as part of the council's budget delivery plans 2011-14. However, it is an opportunity to get greater clarity around how the council is likely to evolve as an organisation in the future, ensure the revised structure supports that evolution and thereby informs future decision-making around support services and direct delivery. The overarching model we have adopted is now common in many unitary authorities, though we will be fine tuning it further in the coming year, particularly around the front end of delivery, as we better align service functions.



The restructure is also an opportunity to rationalise our strategic work; ensure we share our technical skills better; improve our operational and customer interface to provide more streamlined customer processes, reduce duplication and achieve greater efficiency; operate more effectively across directorates and encourage innovation. We have adopted a structure that we feel will help us better deliver the city's vision and the four priorities, with a strong focus on customer delivery and engagement. It is simple to understand and align with both revised partnership and shared delivery arrangements.

People

We face major legislative, demographic and financial challenges within the People Directorate and how we change our working practices and work more closely with our partners will be crucial to our success. We will need strong leadership throughout; effective negotiating and influencing skills; a willingness to work across service areas and issues and develop a shared vision for delivery with our partners.

In health, for instance, there are a number of new delivery and commissioning groups. We have established an overarching Health & Wellbeing Board development group; the Plymouth Shadow Commissioning Group is in place, as is Plymouth Community Healthcare; Plymouth Hospital NHS Trust is applying to be a Foundation Trust and we are exploring joint commissioning opportunities. We will soon see public health responsibilities transferred to the council. We want to use the Joint Strategic Needs Analysis, Health and Wellbeing Strategy and overview of commissioning to focus on the most important health and well-being priorities for the city, particularly health inequalities.

At the same time, medical science is one of our growth priority sectors, so it will be important that the Foundation Trust's business plan and the development of Derriford as a centre for the north of the city fit together. Growth interweaves with health as a vehicle for planning healthy communities, with better quality housing, services and improved access to specialist facilities, and as a means of attracting more high value jobs and companies through the development of the medical sciences, hospital and university.

In 'People' we must establish a shared vision for areas where adult, children's and health services need to be integrated to deliver better outcomes; with the early establishment of a

People Directorate

Children's Social Care

- Children's Safeguarding
- 16+ Service and transitions
- Children in Care
- Business Support (Children's Social Care)
- Permanency and Placements
- Advice and Assessment
- Children in the Community
- Out of Hours
- Family Support

Joint Commissioning/Adult Social Care

- Adult safeguarding
- Joint Adult and Children's Commissioning
- Assessment/Care Management Service -Adults
- Self-directed Support Service
- Service Provision
- Children's Disability Team (integrated)

Education, Learning and Family Support

- School Improvement (schools and settings)
- School Organisation and Admissions
- Early Years Team
- Governor Services
- Plymouth Adult and Community Learning
- Special Educational Needs
- Integrated Locality Services inc. Ed. Psychology
- Behaviour Support Services
- Educational Welfare Services
- Common Assessment Framework Team
- School Transport
- Assessment of need
- Route planning and procurement
- Passenger assistants
- Education Catering
- Alternative Complementary Education
- Centre for Young Parents
- Parent Partnership Service

Homes and Communities

- Youth Services
- Youth Offending Services
- Sports Development Unit
- Neighbourhood working
- Equalities, Access and Participation Co-ord.
- Community Safety
- Gypsies and Travellers Welfare
- Homelessness and Temporary Housing
- Housing Advice
- Housing Needs (Register)
- Housing Options - Customer services
- Neighbourhood Regeneration
- Anti-Social Behaviour Unit
- Family Intervention service
- Private Rented Sector Team
- Housing Renewals Team

Major achievements to draw on

Good safeguarding and children in care services with outstanding features; fostering and adoption service outstanding

Good assessment of adult services throughout, strong progress on the personalisation agenda

Rising educational attainment, including that for Children in Care

Preventing homelessness and reducing the number of children in temporary accommodation

Work on financial inclusion/community cohesion

Preventative approach to addressing disadvantage and tackling issues like alcohol and substance misuse, families with multiple problems, anti-social behaviour

Reduction in overall crime

Examples of commission driving down costs and providing better service

Adapting 466 homes with Disabled Facilities Grants

Improving quality of rented accommodation through HouseLet and EasyLet

Moving on – the big issues

Increased demand for children's social care services, whilst responding to the Munroe Review and diverting children from care

Making the most of the trading relationship with schools in the new educational environment

Ensuring commitment from partners around multi-disciplinary team locality working

Aspirations and the post 16 agenda highlighted by Ofsted

Ageing population with more complex conditions such as dementia and multiple disabilities – extra 4000 people over 65 by 2015

Impact of economic downturn on serious acquisitive crime, up 19% in first half of year, and longer term impact of reducing inequalities

Big health agenda – integration of social care, joint commissioning, setting up new partnerships

Reducing costs in Adult Social Care, particularly expensive care packages in Learning Disability – where we are around average

New relationships to develop with Police and Crime Commissioner and Panel

Responding to welfare reform policy changes

Focus on troubled families that consume resources of many agencies – building on our success here

Increased birth rate in more deprived areas

joint commissioning team essential. We are committed to developing a more joined up advice and information services through the Contact Centre, web, libraries, GP surgeries, schools and other outlets; together with the further development of Plymouth Online Directory

The personalisation agenda within adult social care involves a major change in culture in terms of how services are provided and received and we will have to ensure this transformation change takes place. The inclusion of adult and children's services also provides us with the opportunity to achieve better outcomes for those children who move between the two services.

We will have to use our influence to ensure that the needs of Plymouth are reflected in the priorities of directly elected Police and Crime Commissioners and Panels, as they become established. The bringing together of youth services, youth offending, neighbourhood management, sports development, anti-social behaviour, community regeneration and homelessness will enable us to have one joined up approach and maximise our resources on the ground. We must concentrate on more joined up services to vulnerable families, in conjunction with health and the police, to deliver better outcomes in their lives.

Early intervention and the embedding of multi-agency teams around localities are both critical to diverting children from care, improving school attendance, reducing the number of young people not in education, training or employment and addressing issues like teenage pregnancy, substance misuse and inequalities in attainment.

We must continue to tailor our education services to meet the needs of academies and

emphasise the improvement agenda. The city needs a more highly educated and skilled workforce to match its growth aspirations and we must continue to aim high here, whilst narrowing the attainment gap for the most deprived areas.

We remain committed to preparing young people for work, particularly given the difficult economic climate. Pupil attainment for 11 year olds at Key Stage 2 needs to improve significantly to achieve and overtake the national average, as does attainment at age 19. We are working with our schools and colleges to improve education results and the development of the University Technical College will provide an important new educational offer to young people in the city and beyond, concentrating on engineering skills.

More shared services across back office functions will help us to succeed, along with a joint workforce development plan across children, adult and health services.

Although there is much to do we have a strong base to build on and must utilise the best practice we have developed – e.g. consultation and engagement with young people; Charteris and Carefirst 6 up-grade in adult transformation; the Sentinel Referral Hub that provides a single point of access for all planned referrals; the Children and Young People's Plan, the Children's Trust and work of the Safeguarding Board; our work to address and prevent disadvantage and harm; and, our use of Programme Boards to drive delivery.

Place

The configuration of services under the Place Directorate offers a real opportunity to work more effectively in terms of strategy, project development and delivery. For instance:

- Bringing together culture and economic development provides a much stronger link with Destination Plymouth and can help to strengthen and clarify the city's cultural offer
- Pulling together the various capital programme teams from across the council will provide us with a broader set of shared skills, improve co-ordination and delivery and bring greater coherence to what we are trying to achieve

Across the directorate we want to encourage strong matrix working to maximise our impact. At the same time, we will need to ensure that we maintain high standards of day to day delivery, particularly in areas like environmental services and aspects of cultural provision, where there is a strong customer interface.

Our work is intimately tied to delivering the city's vision with key areas of immediate priority:

- The development of the city centre and Derriford centre
- Maintaining the momentum around Devonport and North Prospect regeneration
- Bringing in the investment that supports high growth businesses and business start-ups
- Improving connectivity – digital and physical

Other major challenges include ensuring that we have a strong Peninsula and regional presence and national identity and are able to state the city's case clearly, particularly at a time when there are less funding sources to compete for and a more fluid environment in which to do so. Working with the Heart of the South West Local Economic Partnership (LEP) and our own private sector led Growth Board will be crucial here.

We must also remember that there are a number of areas where it is critical that we work successfully across the whole council and city partnership:

Place Directorate

Economic Development

- Economy and Employment
- Capital Strategy (inc. Strategy for Change)
- Strategic Estate Management (including business parks and City Market)
- Strategic Projects
- Museum Services
- Culture and Arts
- Events and Visitor Services
- Place Management

Transport and Infrastructure

- Network Management
- Parking and Marine Services
- Public Transport
- Capital Projects Delivery
- Transport Strategy
- Road Safety
- AMEY Contract Management

Planning

- Area Planning Teams
- Planning Delivery
- Spatial Planning
- City Sustainability
- Building Control
- Housing Enabling and New Homes Delivery

Environmental Services

- Garage
- Waste Disposal
- Waste Projects and Commercial Development
- Environment Protection and Monitoring
- Food Safety and Standards
- Safety, Health and Licensing
- Trading Standards
- Bereavement Service
- Neighbourhood/Environmental Quality
- Parks
- Waste and Street Scene

Achievements to draw on

Very successful Americas Cup, British Arts Show attracting visitors and investment
Market recovery action plan
Award winning area action planning and strong performance on major applications
£1.2b of development approved since 2009, £318m of development on the ground
993 new affordable homes and further 1,000 through accessing inward investment of over £100m
Award winning East End Community Village and regeneration of Devonport and North Prospect
Eastern Corridor and East End scheme
Strong City Centre Company and Development of Waterfront Improvement District
Work to support to Plymouth Argyle
Extension of green waste collection and anti-social littering bins
Strong city record around sustainability

Moving on – the big issues

Moving the city forward during difficult times
Promoting the city so that its identity is clear to investors, policy makers and visitors
Becoming the centre of marine excellence
Achieving improved connectivity
Developing city and Derriford centres; maintaining momentum in Devonport and North Prospect
Securing long-term commitment to the naval base
Rebalancing economy away from dependence on public sector; supporting private sector job growth
Addressing unemployment amongst young people
Responding to the Localism Act
Addressing challenging environmental issues around waste minimisation, recycling
Building on Americas Cup success
Maintaining income during economically difficult times and also developing a Growth Fund
Ensuring the city’s population has the right skills to support growth
Supporting innovation and the Growth Acceleration Investment Network

- Worklessness, homelessness and poverty have to be addressed as one issue and not compartmentalised and there must be an increasingly strong emphasis on both early intervention and support for young people who are unemployed
- Provision of new and affordable housing is another cross cutting issue that will require imaginative solutions to how we influence the housing supply chain and maintain progress with affordable housing and area regeneration
- Across the council we have many physical assets and these can be used more strategically and efficiently, both within the council and the partnership, to support the growth agenda and provide better value for communities.

In the more challenging environment we are working in it will be crucial that we develop innovative initiatives for attracting investment and jobs, or reducing the cost of delivery in some areas - and have the skills to do so from conception of an initiative through to delivery. The technical skills that support this work will need to be enhanced. We will need to work towards the long-term transition of the local economy, shifting dependence on public sector jobs to areas of recognised excellence – e.g. the marine sector through support for and development of initiatives such as the Marine Energy Park. Finally, we have some challenging targets to deliver against. Given the economic circumstances we are in nationally and globally, we may well have to adjust the timings of some of these targets. Whilst

many of these outcomes are not in our direct control, it is important that they are ‘owned’, so that we ensure things happen and barriers to progress are identified. The long-term nature of some of the measures, such as increasing Gross Value Added and the jobs target, heightens the need to have clear plans to ensure the building blocks for success are in place. This in turn means having clear milestones and knowing where you are at a given time.

Corporate Services

Corporate Services is not simply a support service to other parts of the council, but an outward facing service that has extensive contact with residents and businesses.

Customer Services, for instance, provides advice and information to customers and will now include the Library Service, following the restructure. This provides the opportunity to strengthen the role of libraries in the community and create community information hubs. Further operational services will transfer to Customer Services over the next year as we seek one seamless contact point for our customers. Other services with a very strong customer interface include Revenues and Benefits, Electoral Services and the Registration Service; while our Procurement and Legal Services interact extensively with our business suppliers.

We are working hard to provide as seamless a service as possible for our customers. For instance, our Tell Use Once initiative means that customers informing the Register Office of births, marriages and deaths have all other relevant departments informed as a result. Our support to other departments also has a strong outward facing impact – e.g. Customer Services work with Adult Social Care in giving people more control over the provision of services; Finance, Legal and ICT services working with development colleagues to deliver the Americas Cup and purchase Home Park; Carers clubs delivered through libraries.

We also have a major role in the delivery of the transformational change agenda across the council through new ways of working and new interfaces with our customers; as well as providing day to day support to other services, including realigning financial, technical and HR areas of work to support the new structures. As we seek to operate within a more limited budget and provide services more efficiently, we will increasingly be looking at partnership and shared service arrangements to support delivery across the city.

In terms of performance, we need to improve benefit processing times against a background of increasing demand, as well as phone response times. We need to improve our response times for addressing Freedom of Information requests and Subject Access Requests. We

Corporate Services Directorate

Human Resources and Organisational Development

- Human Resources Operations
- Payroll and Pensions
- Health, Safety and Wellbeing
- Organisational Development
- Training (including ICT training)
- Workforce Development Strategy and Coordination
- Recruitment and Talent
- Organisational Review

Customer Services

- Counter Services
- First Stop and Reception
- Contact Centre
- Customer Services
- Corporate Feedback
- Library Services (including the schools library service)
- Corporate Information Management & Provision

Democracy and Governance

- Coroner
- Democratic Support
- Civic Support and Lord Mayor's Office
- Electoral Services
- Legal Services
- Registration Service
- Risk and Insurance

Finance, Technology, Assets and Efficiencies

- Finance and Accounting
- ICT services
- Facilities and Estate Management (Corporate Estate)
- Property Maintenance
- Asset Register
- Carbon Management (Council)
- Value for Money and Efficiencies
- Procurement
- Council Tax
- Revenues and Benefits
- Transaction Centre

Key achievements to build on

Improved customer contact and increased productivity in Customer Service and Revenues and Benefits

Govmetric council of the year

Progress with accommodation and ICT strategies – including Lync, Windows 7, AX 2012, SharePoint, Dynamic CRM and Project Server

Agreement on terms and conditions

Embedding competencies and appraisals

20% reduction in absence across the council saving £1.03m in sick pay

New libraries at St Aubyn’s church, Plymstock and forthcoming one at Plympton

Purchase to pay scheme

Public satisfaction with reception service improving from 66% to 89%

Saving of £408,000 on corporate insurance

90% success rate with High Court judicial reviews

Retention of working balances during tough economic times

must also improve the quality of our internet transactional offer in order to improve e-take-up rates

Looking ahead our focus in the coming year will be around:

- Working with partners, particularly health and the university on shared accommodation and ICT
- Ensuring our services are supporting the population, especially vulnerable people
- Growing and improving our customer services – with more services on one phone number and more through the web
- Maximising the efficiency of all services across the council
- Investing further in ICT to improve services to customers – ICT Strategy
- Maximise the efficiency of our workforce – Workforce Development Plan
- Getting the best use out of our assets – Accommodation Strategy

Moving on – the big issues

Growing demand for frontline customer services due to economic situation

Impact of welfare reform

Economic and public sector funding environment

Maximising income opportunities

Impact of Localism Act

Effect on staff morale of continuing pay freeze, pension changes, restructures

Bedding in new structure and supporting rest of council through restructure

Maintaining momentum around transformational change and shaping future direction of organisation

Shared services agenda

Chief Executive's Unit

The Unit provides the glue and direction that can help bind and drive both the council and the city partnership. Its focus is on clear strategic direction, strong communication and co-ordinated activity, supported by robust evidence and proportionate accountability arrangements. The Policy, Performance and Partnerships bit has only recently been set up, drawing in functions from across the council and thereby reducing costs.

The operating context for both the council and the city is changing. Budgetary constraints are putting greater pressure on managing resources more efficiently internally and with partners. There is a move away from top down target setting and overall inspection towards greater local autonomy and less nationally prescriptive partnership approaches. Public health will become a council responsibility; localism is of increasing importance; while the city will need to promote itself within a more fluid regional environment. The growing move from provider to enabling councils, with an enhanced role for commissioning, is another crucial ingredient in this mix. This changing landscape offers both opportunities and risks and it is important that the Unit helps the council and the partnership take control of this agenda and shape it to support our vision and priorities for the city.

The Unit must have credibility and be regarded as source of authoritative advice. It must be about change, innovation and impact if it is to operate successfully. Key priorities are:

- Helping reshape the partnership
- Improving forward planning/decision making
- Rationalising strategies through a Plymouth Plan
- Aligning research and intelligence
- Proportionate and effective performance management
- Providing clear and consistent messages across the council and to the partners and public around performance, transformation and change
- Driving the Visual Identity Project

Chief Executive's Unit includes

Policy, Performance & Partnerships

- Executive Office Support
- Civil Protection
- Partnerships
- Policy and Performance
- Business Planning
- Information and intelligence
- Scrutiny co-ordination

Communications

- Press and PR
- Internal and external communications
- Design and branding
- Website

Key achievements to build on

- Managing and informing the successful inspection of Safeguarding and Children in Care Services
- The Adult Social Care inspection returns
- Strong consultation exercises run around transport, planning issues and budget process
- Development of integrated planning with partners
- Corporate Plan and approach to service business planning and support
- Plymouth Report and development of four priorities for the council and the city
- New Children and Young People's Plan
- Support for Children's Trust and Plymouth 2020
- Work to support Health and budget scrutiny
- Short Sermon and business continuity planning
- Visual identity project

Moving on

Holding together and improving partnership working during challenging times for partners

Ensuring that the council and partnership holds itself to account effectively, whilst not becoming overburden with reporting arrangements

Keeping abreast of new and potential legislation and practices, so that we stay one step ahead

Further embedding the visual identity project

Bringing together the Chief Executive's functions into a high impact, strategic operation

WORKING TOGETHER

Working as one council

We are a large complex organisation that offers over 300 distinct services to our customers, involving thousands of products and activities. The problems we have to address are complex ones that can cut across service areas and partner activity, as we seek to find solutions to them. Whilst it is important that we have clear lines of linear accountability, so people know who does what and where to go, it is equally important that we work across the organisation and partnership, not in silos. The alternative is wasted opportunities and poor deployment of resources.

Working across complex organisations is challenging, but there are a number of things that can help to bind us together:

- We have a common set of priorities - although some may have greater affinity for some services, they are interlinked priorities and we must all own them
- We stand or fall by our reputation and this can be influenced by how customers perceive a particularly service or how well we do in an inspection – all our reputations are at stake
- We have to ensure we speak with one voice, both as a council and a city, if we are to promote Plymouth effectively and get the resources and support we need to achieve our vision for the city
- We all have to support each other to improve performance and efficiency – as poor performance in one area can quickly impact on another in terms of increased demand and extra cost
- We need to be seen as one council in terms of our staffs' experience of working for us; the way we deal with customers in a seamless manner and through our arrangements with suppliers and external providers – the alternative is confusion and alienation
- We must make the most of our collective resources and assets if we are to be innovative and efficient – whether through the accommodation strategy, council property estate or our collective skills and competencies

Whilst we want to give staff the freedom to make decisions at the earliest point of contact and encourage new ideas and taking risks, we want to do this within the simple framework of one council operating in a seamless and efficient manner.

We are a diverse and complex business

Daily we help around 3,500 older people to live in the community, support the education of 40,000 children, fund 4,220 nursery places, through customer services have 250 face to face contacts and deal with 2,100 calls

Weekly we pay out £1.5m in benefit, collect bins from 117,000 households, respond to 600 housing advice requests and undertake 30 food hygiene inspections

Yearly we dispose of 127,500 tons of domestic and bulky waste, process 2,000 planning applications, issue over 1,315,000 books from our libraries and cut 6m square metres of grass

This is just some of what we do

Working in partnership

We believe that by working in partnership we can achieve far more for Plymouth than if we worked alone. We have a strong vision for the city, a clear set of priorities for driving it forward and some good successes behind us. Our world is, however, changing. The pressure on public expenditure and the difficult economic climate mean it is even more important to work together to make economies of scale, achieve efficiencies, effectively address complex multi-agency issues and support our ambitious growth agenda. We have already had to respond to some new partnership requirements, such as Health and Wellbeing Boards; while our existing set up has evolved with, for instance, the formation of the private sector led Growth Board and its links to the Heart of the South West Local Economic Partnership. How these Boards fit with the existing Children's Trust, Culture Board, our focus on safe and strong communities and adult skills is being reviewed. We must change how we operate in some important respects:

- The focus on delivery rather than strategy means the partnership must adapt its structure, with greater delegation and fast track decision-making within the overall parameters of accountability
- The tightening of resources in the public sector in particular means that more stress needs to be put on capacity issues
- There will have to be a more aggressive pursuit of funding in what is a competitive market - with a stronger shared message across the city and better support evidence
- A stronger sub-regional focus will be needed to meet the challenges ahead
- More emphasis on building capacity and engagement in the community is required

A vibrant, innovative city needs a vibrant innovative partnership if it is to be successful.

Building on successes

- Tackling difficult issues – e.g. Little Teds', Southway explosion, community cohesion
- Working on the ground – e.g. Partnership Talents; Better Together; Hidden Harm; Family Nurse Partnership
- Infra-structure partnerships – e.g. Sutton Partnership
- Community regeneration partnerships – e.g. East End and Devonport
- Strong links between schools, colleges and business around skills
- A number of important strategies agreed with a clear vision/priorities
- Third sector service agreement; partner agreement around locality working
- User/community engagement

Being more effective

- Partnership arrangements that are focused on delivery with clear plans, milestones and outcomes
- Strong resource alignment behind targeted delivery
- Stress on making decisions that impact on actions, rather than receiving and noting information
- Identifying cross cutting impacts and combined pressures on resources when planning and delivering
- Alignment of strategic delivery under one Local Plan – The Plymouth Plan
- More streamlined reporting arrangements with the focus at the right level
- Making the best use of people's time/skill

Being more resourceful

- Using our collective finance, assets and people in the most efficient way
- Understanding total spend across the city and its impact
- Maximising our bidding capability in order to attract funding and investment
- More focus on joint commissioning, procurement and contract management
- Good understanding of our skills base and requirements with an aligned workforce development approach
- Movement of staff between agencies to utilise specialist skills and learning opportunities where appropriate
- A focus on competencies like leadership, communication, change and project management within a partnership context
- Having a resource plan

Democratic accountability and governance

We are a democratically accountability body and that gives us both an added legitimacy and public leadership role, which we have a responsibility to exercise. Our aim, as stated earlier, is to work inclusively with our partners, whilst taking the initiative where there is a vacuum.

Our Full Council approves the overall direction of the council, our Cabinet makes executive decisions and our Overview and Scrutiny function ensures we are held to account, increasingly in relation to partnership and city-wide activity. Both parties on the council support the overall vision for the city and council and the current directorate restructure.

A feature of this Corporate Plan has been how we are restructuring and adapting to meet the very big challenges that are ahead. The democratic side of the organisation has to regularly adapt to change. The more we work in partnership the more we have think about how we hold those sometimes more arms length activities to account; similarly with moves to being the commissioner rather than provider of services. This is about changing relationships and ensuring our members are fully supported to address new challenges. The more streamlined and efficient we become as an organisation and partnership, the timelier and more clinical our scrutiny arrangements must be. Key challenges:

- Further improve the overall democratic planning process
- Clarify Overview and Scrutiny's engagement with changing delivery arrangements and ways of doing business, particularly in areas like health and crime

Addressing inequality

Addressing inequality is one of our four priorities, with a particular stress on health inequality. We want everyone to benefit from the city's growth and recognise that inequalities and high levels of deprivation hold the city back, as well as the people experiencing them. This is a particular problem in the western side of the city. Our current restructure will help to align services better to address inequality. We recognise the importance of early intervention and working both across the council and partnership to meet this challenge.

- We will continue to align our resources including our neighbourhood working arrangements, to reduce inequality gaps particularly in health, child poverty and between our communities.
- By building on our strong track record in promoting equality of opportunity we will ensure that we deliver against the new Public Sector Equality Duty.
- To address the economic pressures faced by our communities, we will modernise our advice giving services to be prepared for the pending welfare benefit changes
- We will need to improve our Community Cohesion levels as they are in the lowest 25% in the country, with particular focus on the West of our city.
- Our 'Report It' system will be improved to reach more communities, enabling us to increase both the amount of reports we receive and satisfaction rates.

- As our population grows, diversifies and gets older, health and care related services will be adapted to meet the demand.
- We will engage and involve all our diverse community groups especially our Black and Minority Ethnic (BME) groups, where we expect to see an increase in three or four larger communities with some new smaller groups emerging,

Promoting sustainability

Whilst we continue to enjoy a reputation for excellence in the application of sustainable thinking, our commitment to the 2008 Sustainable Development Framework needs to be reviewed and updated to take account of changing priorities. Consequently, we will develop a Sustainability Master Plan with a corporate position statement against which baselines and targets can be set and actions agreed. A long term corporate delivery plan 2012-20 will follow which, once adopted, will support departmental action, the integration of sustainability into the Plymouth Plan and business continuity across the council. This plan will be reviewed annually in a Sustainability Statement.

Cost effectiveness and environmental resource management are emerging as key drivers for corporate sustainability. Our Carbon Management Plan continues to provide support for the reduction of emissions from the council's estate and the introduction of energy and cost saving initiatives. Our carbon footprint reduced by 8.5% in 2010/11 against the previous year's baseline and we are aiming for a 20% reduction in emissions by March 2015.

City-wide sustainability is also focused on tackling climate change and, in particular, the impact of a low carbon economy on sustainable growth. Here nationally recognised initiatives, that reflect the council's leadership, include:

- The reduction of the city's overall carbon footprint by 14.53% between 2005 and 2009
- The reduction of the city's per capita carbon footprint by 18.04% between the same dates
- The development of the city's Local Carbon Framework and its recommended local carbon budget (one of only nine in the UK supporting a Government pilot project)
- Recognition that the low carbon sector already employs 2.9% of Plymouth's workforce
- Recognition that the sector's contribution of £192 million in 2008 could be boosted by a further £127 million by 2020 with an additional 880 new jobs

New legislation and monitoring processes for both sustainability and carbon accounting are expected from early 2012. Plymouth's reputation as a 'green city' relies on our ability to be ahead of the game in developing and applying new, innovative and creative ways of embedding sustainability.

Under our new delivery arrangements Corporate Services will take the lead for our corporate sustainability responsibilities, while the Place Directorate will lead on the city-wide agenda, where the sustainability of new developments, green space, social sustainability and the green economy are major areas of focus. We must emphasis though that being sustainable is all our responsibilities, we all have something to contribute.

Finance and efficiencies

We remain committed to sound financial management as a basis for achieving our priorities, providing good quality services and protecting those who are most vulnerable. We aim to put resources behind our priorities and move them away from those areas that are less important or where we can stop doing things. We also want to increase our income where we can and be more resourceful, so achieving a priority is not always about putting more money behind it. We resource our priorities over time, so some priorities may feature more strongly as circumstances change.

Financial context

The 2010 Comprehensive Spending Review (CSR) set a very tight financial envelop for local government funding to 2015, with a real terms reduction of 28% in the formula grant. The Government's 2011 Autumn Statement makes it clear that the financial situation is likely to remain tight for many years to come. There is the likelihood of further severe restrictions on public sector pay, while a public sector pension's settlement is still being negotiated. The national and global economic situation is causing real uncertainty and significant budget pressures, as we experience the impact of reduced income from our car parks and commercial rents. The downturn has brought reduced interest rates and therefore reduced income from our treasury investments. Our ability to use future capital investment in the city to stimulate growth and regeneration has been restricted. We also face increasing spending pressures in areas like adult social care and children's care services.

Future local government funding is expected to move away from a needs based formula towards a greater emphasis on incentivised funding. The published White Paper on Growth outlines plans for a review of business rates with the intention that in future local government will be able to keep what they collect; the introduction of a new homes bonus (consultation currently on-going); and plans to change the law so that council's will be able to borrow against the proceeds of future business rates (known as Tax Increment Funding) in order to invest. We will have more autonomy over a smaller pot of money. This makes it even more imperative that we working with our partners to align budgets and maximise the impact of our joint resources; ensure we achieve our efficiency programme and vigorously pursue what funding opportunities that remain.

Priorities, efficiency and transformation

For 2012/13 we are again focusing on value for communities and the efficiency agenda. We are also protecting budgets around growth. Our efficiency programme, outlined below, is focused on significantly reducing support services costs in order to protect front line ones. It looks likely to deliver around 90% of its year one targets; but we cannot underestimate the challenges we will face in the next two years of that programme.

Investment in ICT is fundamental to successful transformation. It will enable us to have one consistent, joined up and reliable source of information on the customer; support flexible

working across all our buildings and better links with partners; increase the use of e-learning facilities and provide greater functionality to support e-transactions and other customer contact. These are all central to our ICT Strategy, where we initially prioritised investment and activity that supports the Accommodation Strategy. We are striving to reduce the number of applications used within the council and consolidate around enterprise-wide ones. We want a wider, higher skill base with staff using common tools across the council and with partners to improve the way we work with information. This requires the cooperation of all departments and it is intended that the new corporate ICT architecture is being designed and delivered with the help of key partners, bringing in both expertise and capacity at a critical time.

Three year cumulative efficiency programme 2011-14

Revenue reduction targets by delivery group	Budget for reduction	Reduction 2011/12		Reduction 2012/13		Reduction 2013/14	
	£000	%	£000	%	£000	%	£000
1. Policy, Performance & Partnerships	2,201	-15%	-330	-25%	-550	-40%	-880
2. Business Support & Corporate Coms	6,051	-15%	-908	-25%	-1,513	-40%	-2,420
3. Corporate Support Services	18,823	-15%	-2,823	-25%	-4,706	-40%	-7,529
▪ ICT – Direct Costs to Departments	3,484	-3.0%	-105	-5.0%	-174	-8.0%	-279
4. Adult Social Care & Health	70,999	-1.5%	-1,065	-3.0%	-2,130	-6.0%	-4,260
5. Children & Young People's Social Care	25,762	-1.5%	-386	-3.0%	-773	-6.0%	-1,546
6. Children & Young People (exc. Social Care)	22,502	-1.5%	-338	-3.0%	-675	-6.0%	-1,350
7. Customer Services (inc. Revs & Bens)	4,171	-1.5%	-63	-3.0%	-125	-6.0%	-250
8. Growth & the Economy	15,229	-1.5%	-228	-3.0%	-457	-6.0%	-914
9. Culture, Sport & Leisure	10,680	-5.0%	-534	-9.0%	-961	-13.0%	-1,388
10. Blue collar services/client side	14,596	-5.0%	-730	-15.0%	-2,189	-25.0%	-3,649
11. Accommodation costs	5,862		-750		-1,500		-1,500
▪ Miscellaneous small budgets	1,464						
Reduction applied	201,825		-8,260		-15,753		-25,966

In addition to the savings programme set out above, and following the December 2010 final settlement, these annual efficiency targets were further increased by approximately £5m each year. Hence the revised targets were £13m rising to £30m in year three.

Medium Term Financial Strategy and budget

Although times are challenging, we have a sustainable Medium Term Financial Strategy, having for some time been modelling for a significant reduction in the government's formula grant and requirement for a council tax freeze.

In 2011/12, the government gave councils an additional 2.5% to offset a council tax freeze, with this included for base budgets to 2014/15. A further 2.5% for any additional freeze in 2012/13 is currently under discussion*, but would only be for that year. The figures for the subsequent two years in grey in the table are based on our current assumptions around how funding might evolve.

When the Corporate Plan is published in March it will reflect the budget against new structure as shown across, rather than the old one

Investments and Treasury Management

We have improved our financial reserves considerably over the years from a once poor position. Our working balance at 31 March 2011 was £11.5m or 5.7% of our indicative net 2012/13 revenue budget. Our plan is to retain this level throughout 2012/13. In addition, specific earmarked reserves are forecast to be £23m at the end of March 2012, reducing to 20m by March 2013. These specific reserves cover known or estimated costs for specific activities and/or liabilities, such as the Waste Management Reserve to meet interim revenue costs of waste disposal prior to the planned delivery of the energy from waste plant. They are higher than estimated last year as we now have to include schools' balances and unused year-end grants carried forwards.

We receive and spend significant sums of money in order to provide services to people in Plymouth. Effective Treasury Management maximises our financial return on cash balances throughout the year whilst minimising risk. Our Treasury Management Strategy details our approach and rules around investment and borrowing and specifies the financial organisations that we are able to transact with, based on sound risk assessment. Due to continuing low interest rates, we will continue to make use of short term variable borrowing to cover cash flow. New investments throughout the year and cash balances have a target to achieve an overall return of greater than 1%.

Revenue resource assumptions

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Formula Grant	112.3	105.2	99.9	99.9
Increase / (decrease) over previous year	(5.0%)	(6.3%)	(5.0%)	0.0%
Council Tax income including collection fund	95.9	95.9*	98.3	100.8
Increase / (decrease) over previous year	0.0%	0.0%	2.5%	2.5%
Total Resources available	208.2	201.1	198.2	200.7
Increase / (decrease) over previous year	(2.6%)	(3.4%)	(1.5%)	1.3%

Three year net revenue budget by directorate

	2012/13 £m	2013/14 £m	2014/15 £m
People			
Place			
Corporate Services			
Chief Executive's			
Corporate items			
Total revenue budget			

**The exact overall figures to be put in and aligned with the figures from the budget that will be available for full council.*

Capital and asset programmes

We remain committed to a significant capital investment programme. It supports our growth agenda for the transformation of Plymouth, while providing more immediate job opportunities in the construction industry. There remains significant volatility around future capital grant funding and income generation through capital receipts.

The restructure means that most major schemes will now fall within the Place directorate – schools, transport, waste, leisure and corporate property. The People directorate is responsible for the completion of Plymouth Life Centre, Care First and various housing initiatives like disability grants to up-grade homes; Corporate Services for IT and HR replacements.

Partnership and budget consultation

In 2010 we consulted on the four priorities and ran a public consultation on the budget. The latter identified support services as the main area for efficiency savings, with better joined up internal support and a reduction in the number of buildings we use. Increasing charges in some areas was seen as a further way of managing the tight budgetary situation. Both police and health representatives stressed the importance of partners assessing the impact on each other of changes in their respective organisation. Business and culture sector representatives welcomed the focus on growth, with the latter also highlighting the importance of transformational change. From the voluntary sector the emphasis was on supporting preventative activities, addressing inequalities, particularly around health, and protecting the needs of those who are most vulnerable. Overview and scrutiny members put a great deal of stress on ensuring that the impact of any changes was effectively understood and managed. Delivery was seen as the key issue within a challenging environment.

Four year directorate capital programme forecast

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
People					
Place					
Corporate Support					
Total	78.661	50.721	28.798	14.881	173.061

Funding sources - £m

Capital Grants/Contributions	103,517
Supported Borrowing	324
Unsupported Borrowing	24,723
Capital Receipts	35,158
Section 106/Revenue/Funds	9,339
Total	173,061

* Updated to reflect latest position reported to Cabinet on 7th February 2012

Schemes for delivery by 2014 include

- The Plymouth Life Centre
- State of the art new college at Tor Bridge
- Improving transportation in Plymouth (Local Transport Plan)
- A further two new Academies
- The University Technical College (UTC)
- History Centre

In 2011, we built on the previous year's consultation to ask both the public and our staff where they saw the scope for further efficiencies or where we should invest about the same. We covered 38 areas of service activity, including health and community safety, and received 1,109 responses – 53% from the public, including businesses, and 47% from our staff. Over 50% of respondents wanted to see budgets staying around the same in 35 of the 38 categories, which indicates how hard it can be to prioritise between specific services. The top areas with a positive support rating of above 90% were creating and protecting jobs across the city; support for vulnerable children; tackling violent crime including domestic violence and support for older people to live independently. The least supported area was preventative health services – yet this is an activity that can impact on whether older people are likely to need care in the first place and whether children are more or less likely to be vulnerable. The responses of the public and staff were very similar throughout.

Our consultation with partners in 2011/12 found the Chamber of Commerce continuing to support our focus on the growth agenda; stressing the importance of our procurement function supporting local businesses and proposing joint consideration of how the greater retention of the business rate can support local growth initiatives. The community and voluntary sector stressed encouraging infrastructure development, social investment and small grants, as well as involvement in the planning, design and implementation of services and their impact on the most vulnerable. For the Police the emphasis was on developing the capacity and capability of the community to 'self-regulate', as well as looking at the shared services agenda, joint commissioning and how we target and support those who make the highest levels of demand on public services. In the case of Health, the focus was on change and delivering sustainable services, while stressing the significant part health has to play in delivering the city's growth. The overriding concern of our scrutiny function was ensuring that we were focused on the key things that needed to change in the coming years and were realistic in our plans for addressing them at a time when there will be very little money available.

Managing risk

Good risk management and the actual taking of risks in some cases are critical for a council with an ambitious vision and a difficult financial terrain to negotiate. Budget reductions arising from the Comprehensive Spending Review; the effects of the economic downturn, coupled with demographic changes and an increasing demand for services put severe pressure on service delivery. Allied to this, the increasing focus on the localism agenda and the development of the government's Big Society vision will see more public services being delivered by, or in partnership with, charities, communities or public sector organisations. Such a potential shift in the structure of service provision will create significant risks, but also present significant opportunities.

In this challenging climate we recognise that we need to constantly review our approach to managing risk to ensure that short-term budget challenges do not divert us from our vision or prevent us from addressing the longer-term risks that may result from future service delivery models. Our embedded approach to managing risk at strategic, operational and project level is supported by a competency framework that recognises and encourages the management of risk as a core management skill. This ensures that the step changes we are currently making are taken with the confidence that risks will be effectively minimised and opportunities fully embraced.

Major risks and mitigation

Significant budget pressure from CSR	Regularly monitored Medium Term Financial Strategy and risk-assessed budget delivery plans. Reductions in back office to protect front-line services
Partnerships	City-wide review of strategic partnership governance arrangements and preparation for health integration agenda. Partnerships Framework
Listing of Civic Centre and Council House	Professional advice sought on options for rationalising and improving office accommodation. Formal procurement process instigated to invite expressions of interest for purchase/development proposals
Social Care client IT management system	Carefirst programme management arrangements in place and process re-engineering work progressing
Adult Social Care costs	Programme Board monitoring performance and delivery plans
Pressure on Capital Delivery Programme	Capital and Major Projects team managing delivery and project re-alignment supported by improved corporate project management procedures
Welfare Reform 2011-17	Strategic impact assessment group in place
Information Governance.	Information management risks monitored through corporate risk management processes. Information Lead Officers Group being formed

Change management and organisational culture

We are now very much about change - changing our culture, changing our service delivery and changing our structure. Our staff are central to that change in terms of how they work with each other, relate to customers, partners and contractors. There are a number of building blocks to our approach.

Blended learning approach

Learning and development is critical to our transformation programme. We will need a workforce with the capacity, capability, flexibility and skills to deliver an excellent service to our customers. Going forward, we will have fewer employees, a smaller training budget, new ways of working and customers expecting more. To meet the varied learning needs of the workforce and to maintain service continuity, we will need to develop high quality alternative delivery models to classroom based training, which can be accessed from people's desks. This will be made possible through the accommodation strategy technology roll-out of Lync, which enables people to have audio and video access through their PCs and head-sets.

This won't work for everyone, as not everyone has a PC or learns in this way. However, if done properly, this will significantly reduce the pressure on classroom based learning. The council must, therefore, develop blended learning approaches to complement other delivery models. To develop high quality solutions we will need technical specialists with knowledge of how to build e-learning + multi-media training programmes to work alongside specialist trainers knowledgeable in their own fields.

Joining together learning and development services

Learning and Development (L&D) is currently delivered from across the council. Due to reductions in overall budgets, departments delivering this function have had to think carefully about priorities and delivery models that will increase the impact of learning while minimising disruption to services. In addition, it has prompted thinking around whether L&D services should be based together to ensure consistency and joined up delivery. A commitment has been made for all L&D services to adopt the same database system, to enabling reporting on learning and development activity across the whole council rather than in silos. This will enable the council to properly evaluate the impact of learning and development on its performance. It will also enable workforce planning activity to identify future departmental learning needs and develop learning strategies to address those needs.

Rather than support a catalogue programme of training delivery around interpersonal skills, we have focused on critical needs of the council and areas where we feel we can make the greatest impact. For example, in recognition of the power and influence of strong leadership, in 2010 the council launched its' Enterprise Leadership Programme (ELP) which has been highly successful in developing a bank of 36 "leaders" from all levels of the council able to support transformational change. Delegates are currently supporting transformational change programmes in their departments.

Management Development Programme

The council is transforming the way it delivers its services and is committed to delivering value for money to its customers. This means aligned and cross working with partners and stripping away duplication and inefficiency. The workforce will be smaller, structures will be flatter and people will be more flexible and skilled to cover a broad range of activities across wider teams.

Managers at all levels will need to support new ways of working and so we are developing a management development programme to enable our managers to support and manage their staff in the right way. Regardless of their department and job type, managers will need to understand the vision and how the council will operate in future. Managers will also need to consider the impact to them as managers and adjust to a culture of less bureaucracy and hierarchy, where they will make more decisions and empower rather than micro-manage their staff.

To broaden the impact of the workforce managers will need to understand the untapped potential of “engagement” – non-engaged workers are 20% less productive and that does not take account of the knock-on impact an unengaged member of staff has on the engagement levels of the teams. A recent appraisals analysis suggested that managers might lack the confidence to tackle poor performance issues and set aspirations and goals too low, which may be stifling the council’s performance.

High Performance Teams

We are developing a programme of High Performance Team development to support teams through the transformational change programme. Without this kind of programme, levels of engagement will immediately dip as teams are restructured and performance levels will likely only start to recover after twelve-months. The problem is made worse where teams are already performing poorly when they enter a period of significant change. This programme will build a bank of facilitators, including ELP delegates who will support departments and teams through this change.

Talent Management

In the current climate of job insecurity there is a risk that the council’s most talented, skilled and flexible employees find alternative roles elsewhere, which would dramatically impact on our performance and the morale of remaining staff. We are, therefore, developing recruitment and retention strategies that safeguard the council against any vulnerability, protect its workforce performance and aid retention and engagement.

These may include the development of talent pools to support recruitment to critical roles, development career paths and job families – and the development high level skills sets around job families to enable skills gap analysis.

Listening to our staff

We have a commitment to listening to our staff and responding to what they think. The stronger emphasis that we have placed on improving change management and providing

people with the skills to manage change is one of the responses to our last two staff surveys. We now survey staff every two years, with a short interim survey in between which looks at the engagement index, which covers a number of questions around such topics as whether staff feel they can put their ideas forward, improve their skills and enjoy their job. The key messages from the most recent interim survey are:

- Overall the council's staff engagement has gone up by 5 percentage points, from 57% in 2010 to 62% in 2011 - though our engagement level still remains average compared to the national council benchmark figures
- Each service area registered increased engagement, but with a wide variation between 1% 30%
- The largest increase came in staff being able to contribute their views before changes are made which affect their jobs. The overall increase did, however, mask some small decreases, notably in jobs making good use of their skills and abilities (down 5%) and a matching drop in staff wanting to be here in 12 months' time
- In addition to improved engagement levels, staff expressed a greater degree of happiness with their working environment and have a greater trust that issues raised in the staff survey process are being acted upon

Performance management and improvement

With less national focus on top down performance indicators and inspection we have greater freedom to do what we think is best for our circumstances. That does not mean that we can forget about performance indicators, as we need outcome measures to evaluate our performance and get an indication of how we are progressing. In the past there has been a fixation nationally around targets and this has sometimes led to perverse outcomes, as people adjust behaviour to meet targets, often at the expense of equally or more valid outcomes.

We will focus on what the measure is telling us about our performance to date, how that sits with the trajectory we need to be on to meet our ambitions and what, if anything, we need to do to alter performance. The emphasis will be on analysis, trends and decisions. Similarly, we will have better plans in place for achieving our outcomes, with resources more effectively aligned behind them. More time needs to be spent on effective scoping, planning and risk assessment, with strong but not overly bureaucratic programme management. The use of Programme Boards with clear plans and milestones is a welcome development that we need to build on in order to achieve transformational change and further improve services to our customers during difficult times.

CITY COUNCIL

27 February 2012



CABINET MINUTE 116

CORPORATE PLAN 2012 - 2015

The Chief Executive submitted the draft Corporate Plan 2012 – 2015 which set out the Council's strategic direction for 2012-15 and beyond.

It focused on the vision for the city and the Council and the four shared priorities with partners, together with a range of supporting outcome measures. Whilst in incredibly challenging times financially, a number of major items were highlighted to be delivered during the period of the plan, for example –

- adult social care transformation;
- health integration;
- early intervention and prevention, including trouble families;
- tackling worklessness and unemployment;
- delivering some key elements of the growth agenda, particularly around rail and broadband connectivity;
- working with other organisations to reduce costs and improve services;
- transforming working practices and improving customer contacts.

It also summarised the Council's financial position, the public budget consultation, partnership input and the overview and scrutiny focus.

Agreed that the Corporate Plan 2012 -2015 is commended to the City Council for adoption subject to agreement on any minor amendments and editorial design changes being delegated to the Leader and Chief Executive.

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

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CITY COUNCIL

27 February 2012

**PLYMOUTH**
CITY COUNCIL**CABINET MINUTE 117a****New Capital Schemes for Investment - Recommendations to the City Council**

Further to minute 117 above,

the City Council is Recommended to approve the new capital schemes for investment as follows amounting to £0.056m in 2011/12 and £2.026m for future years –

£000	£000	£000	£000	Scheme to be approved at February Council
11/12	12/13	13/14	14/15	
-	80	320	500	Plymouth Natural Networks – Increased green space in the city to match the additional housing as per the Growth Agenda
-	790	-	-	Gypsy and Travellers Site – Site at Broadley Park
-	51	285	-	Southway Community Football Hub
56	-	-	-	Mount Edgumbe – Purchase of Marquee
56	921	605	500	Total of new Schemes for approval February 2012

CABINET MINUTE 117 IS SET OUT BELOW FOR INFORMATION ONLY –**PERFORMANCE AND FINANCE REPORT (INCLUDING CAPITAL PROGRAMME UPDATE)**

The Corporate Management Team submitted a written report on the third monitoring report for 2011/12 which outlined the performance and finance monitoring position of the Council as at the end of December 2011.

The report indicated -

- (a) how the Council was delivering against its key indicators in terms of performance, and its financial measures using its capital and revenue resources;

- (b) that with effect from 1 January 2012, the Council restructured its directorates to move from five to three, with a corresponding reduction in directors. However, for comparison purposes, the report continued to monitor against the “old” five directorate model. Monitoring of the three new directorates would commence on 1 April 2012;
- (c) the Council’s newly designed scorecards;
- (d) that the overall performance position continued to have no highly critical issues, with 88 per cent of the performance indicators there or there about on target;
- (e) that areas requiring close scrutiny were –
- domestic burglary;
 - processing of new housing and Council tax benefit claims;
 - those not in education, employment or training (NEETs);
 - self-directed support;
- (f) that the Council was forecasting a revenue over spend at year end of £0.454m against a net revenue budget of £208.237m, which was a variance of 0.2 per cent. The main adverse variations related to Community Services in relation to the adult social care service, the learning disability service and environmental services;
- (g) that good progress had again been made against the £15.197m revenue delivery plans set for 2011/12, with just under 95 per cent rated either green or amber. RAG (red, amber, green) rated delivery plans were detailed in the report;
- (h) that following approval of new schemes, re-profiling and variations at the City Council on 5 December 2011, the capital programme for 2011/12 was £87.005m however the latest forecast at 20 January 2012, was now £78.661m.

Agreed –

- (l) the variations to capital spend and re-profiling as follows -

2011/12	2012/13	2013/14	2014/15	Re-Profiling / Other Variations
£000	£000	£000	£000	
(2,041)	2,041	-	-	Corporate Accommodation Strategy - Re-profiling to take into account changes to work plans
(535)	535	-	-	Autistic Spectrum Disorder – Re-profiling of expenditure on project following delays in planning and feasibility.

(1,093)	1,093	-	-	Mercury Abatement – Re-profiling to reflect more realistic delivery dates.
(1,087)	1,087	-	-	SAP Replacement – Updated cashflow information from project officer.
-	(3,800)	3,800	-	Materials Recycling Facility – Re-profiling with updated information from project officer.
662	(657)	(5)	-	Plymouth Life Centre - Re-profiling of budget from 12/13 to 11/12 for risk items that will be expended in this financial year.
(4,350)	4,176	327	191	Other Re-profiling – Details in Appendix B of the report.
44	1,097	3,928	4,853	Variations and virements – Details in Appendix B of the report.
(8,400)	5,572	8,050	5,044	Total Re-Profiling / Other Variations

(2) the budget virements as follows -

Virements over £100k	000's		
	Delivery Plan Management	Other	Total Virements
Chief Executive	(5)	0	(5)
Children and Young People Services	(37)	0	(37)
Corporate Items	(0)	(721)	(721)
Community Services	(914)	87	(826)
Corporate Support	1,019	58	1,077
Development and Regeneration	(63)	575	512
TOTAL	0	0	0

(3) the potential draw down on the waste reserve for 2011/12, subject to the 2011/12 outturn position;

(4) the potential draw down on the pension reserve for 2011/12, subject to the 2011/12 outturn position;

- (5) the funding of the Council's element of the carbon reduction commitment levy for 2011/12.

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

Service	Latest Forecast 2011/12 £000	Latest Forecast 2012/13 £000	Latest Forecast 2013/14 £000	Latest Forecast 2014/15 £000	Total Programme 11/12 - 14/15 £000
Childrens Services	15,727	25,431	15,987	5,948	63,093
Community Services	26,951	9,012	1,155	1,062	38,180
Corporate Support	7,662	6,547	521	-	14,730
Development	28,321	9,731	11,135	7,871	57,058
Total Capital Programme	78,661	50,721	28,798	14,881	173,061

Services for Children and Young People

Service	Sub-Programme	Latest Forecast 2011/12 £000	Latest Forecast 2012/13 £000	Latest Forecast 2013/14 £000	Latest Forecast 2014/15 £000	Total Programme 11/12 - 14/15 £000
Strategic Programmes	BSF (One School Pathfinder)	7,017	3,287	-	-	10,304
	Basic Need (Primary)	1,334	7,969	2,489	4,015	15,807
	Future Allocations-Academies	237	10,043	10,425	-	20,705
	Primary Capital Programme	1,549	40	-	-	1,589
	Special Education and Inclusion	319	-	-	-	319
School Development Works	Primary & Secondary Development	170	1,338	-	-	1,508
Condition Works	School Condition Works	525	625	2,500	1,400	5,050
Early Years and Childcare	Children's Centres and Early Years	240	-	-	-	240
Focused Work	Extended Schools, 14-19 and Sustainability	109	51	-	-	160
	ICT in schools	126	-	-	-	126
	School Meals	978	250	-	-	1,228
	Section 106 projects	195	-	-	-	195
	Access	92	-	-	-	92
	SEN and Inclusion	501	40	-	-	541
Children's Social Care	Children's Social Care	140	665	40	-	845
Devolved Formula Capital	Primary, Secondary, Special, Nursery & Other	2,159	1,123	533	533	4,348
Other Items	Including Play and Sport	36	-	-	-	36
Services for Children and Young People Total		15,727	25,431	15,987	5,948	63,093

Community Services

Service	Sub-Programme	Latest Forecast 2011/12 £000	Latest Forecast 2012/13 £000	Latest Forecast 2013/14 £000	Latest Forecast 2014/15 £000	Total Programme 11/12 - 14/15 £000
Leisure	Plymouth Life Centre	21,488	2,938	-	-	24,426
	Libraries & Museums	727	-	-	-	727
	Brickfields	166	-	-	-	166
	Factory Cooperage History Centre	75	1,915	-	-	1,990
Environment Services	Environmental & Regulatory	92	1,093	-	-	1,185
	Parks	932	907	285	-	2,124
	Vehicle Purchases	1,376	620	-	-	1,996
Safer Communities	Gypsy and Traveller Site	-	790	-	-	790
Adult Health and Social Care	Community Care	2,039	749	870	1,062	4,720
Mount Edgecumbe Joint Comm	Purchase of Marquee	56	-	-	-	56
Community Services Total		26,951	9,012	1,155	1,062	38,180

Corporate Support

Service	Sub-Programme	Latest Forecast 2011/12 £000	Latest Forecast 2012/13 £000	Latest Forecast 2013/14 £000	Latest Forecast 2014/15 £000	Total Programme 11/12 - 14/15 £000
Information Systems	ICT	622	646	521	-	1,789
	Data Centre	127	1,173	-	-	1,300
	HR Transformational Programme	903	1,115	-	-	2,018
Corporate Property	Other projects	519	-	-	-	519
	Accommodation Strategy	4,718	3,613	-	-	8,331
	DRCP Projects	773	-	-	-	773
Corporate Support Total		7,662	6,547	521	-	14,730

Development

Service	Sub-Programme	Latest Forecast 2011/12 £000	Latest Forecast 2012/13 £000	Latest Forecast 2013/14 £000	Latest Forecast 2014/15 £000	Total Programme 11/12 - 14/15 £000
Local Transport Plan	Demand Management	222	193	-	-	415
	Public Transport	1,112	656	170	190	2,128
	Walking and Cycling	670	373	-	-	1,043
	Road Safety	220	562	-	-	782
	Regeneration & Urban Renewal	129	441	-	-	570
	Dft settlement not yet allocated and Safety Camera Partnership	35	-	3,470	4,264	7,769
	Compensation Payments - A386 special project and Royal William Yard	115	351	-	-	466
	Capital Maintenance	4,101	2,183	-	-	6,284
Economic Development	City Market electrical refurbishment	613	-	-	-	613
	Purchase of Home Park freehold	1,686	-	-	-	1,686
	Strategic Property Acquisitions	2,637	-	-	-	2,637
	Devonport Park	1,347	-	-	-	1,347
Planning	Housing & Planning Delivery Grant -planning services expenditure	12	-	-	-	12
	Saltram Countryside Park Phase 1	-	58	-	-	58
	Plymouth Natural Networks	-	480	812	500	1,792
	Stepping Stones to Nature	140	46	-	-	186
Retained Waste Projects	Material Recycling Facility	-	200	3,800	-	4,000
	Chelson Meadow restoration (Capping & Leachate)	4,309	955	-	-	5,264
Strategic Housing	Home Energy/ Healthy Homes	178	72	-	-	250
	Disabled Facilities Grants	1,037	1,024	913	-	2,974
	Decent Home Loans and Other Private Sector Works	96	250	250	-	596
	Empty Homes / Enabling	35	65	176	-	276
	Housing Capital Salaries	231	231	-	-	462
Transport- Non-LTP	Eastern Corridor (excluding East End element shown line below)	-	-	-	1,000	1,000
	East End Community Transport Improvement scheme	8,207	-	-	-	8,207
	Marjons Bus Link Road	-	108	25	25	158
	Marjons interchange	-	52	-	-	52
	George Park & Ride access improvements	-	257	-	-	257
	Plymouth Connect Local Sustainable Transport scheme	150	497	1,379	1,892	3,918
	West End & A38 Junction Improvement	52	-	-	-	52
	Flood Defence	467	451	-	-	918
	Western Approach Car Park Invest to Save works	365	-	-	-	365
	Mayflower East Car Park	-	110	-	-	110
	Mayflower Steps	117	-	-	-	117
	Improvements to Visitor Signage, Delivery of Rights of Way and Royal Parade Crossing	38	116	140	-	294
Development Total		28,321	9,731	11,135	7,871	57,058

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CITY COUNCIL

27 February 2012



CABINET MINUTE 115

BUDGET AND CORPORATE PLAN SCRUTINY REPORT 2012/13

The report of the Overview and Scrutiny Management Board on the Budget and Corporate Plan Scrutiny 2012/13 was submitted together with minute 84 of the Overview and Scrutiny Management Board.

Councillor James (Chair of the Overview and Scrutiny Management Board) presented the report and advised Cabinet Members that -

- (a) the Overview and Scrutiny Management Board had scrutinised the Council's partners for the first time, in addition to the Cabinet Members;
- (b) the Management Board had been assisted by advisers this year;
- (c) the scrutiny exercise had been undertaken over three days, 11, 16 and 18 January 2012;
- (d) his thanks were extended to Cabinet Members, directors and assistant directors for their assistance;
- (e) his thanks were also were extended to Katey Johns and Ross Jago (Democratic Support Officers) and Giles Perritt (Head of Performance, Policy and Partnerships) for their immense contributions and support;
- (f) the recommendations of the Management Board were submitted for consideration.

In response to questions from Cabinet Members, Councillor James advised that the scrutiny process could be improved and indicated that he was in favour of replacing the scrutiny panels with task and finish groups.

The Chair responded and expressed a reservation about the role of advisers. She thanked Councillor James, the Management Board and advisers for their considerable amount of work and felt that the sessions had been genuinely challenging. The inclusion of the Council's partners had added to the quality of the sessions and the exercise demonstrated that scrutiny could add value to the Council's decision making process.

On behalf of Cabinet, she broadly welcomed the recommendations and Cabinet's response to the Budget and Corporate Plan 2012/13 scrutiny recommendations was submitted.

Agreed the responses, as submitted and appended to these minutes, as the Cabinet's formal response to the recommendations of the Overview and Scrutiny Management Board.

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

**Cabinet Response to recommendations made by the Overview and Scrutiny Management Board
following Budget Scrutiny 2012 - 2013**

	Recommendation	Cabinet/CMT lead	Cabinet Response
R1	That the future provision of funding for police community support officers should be included in police base budgets.	GJ/CM	Agreed - recommendation to be made to Police Authority
R2	A position statement from police on identification of any potential areas for collaboration with Council for shared services in Plymouth to be sought.	IB/AB	Agreed - include with shared service planning response R43 below
R3	Commitment required from Police to appropriate resourcing to meet crime and community safety targets in the city reflecting the city's status as the major urban centre within the force area.	Leader/GJ/CB	Agreed - recommendation to be made to Police Authority
R4	That any proposals for a possible increase in the police precept and the impact on council services during a council tax freeze should be monitored and reported to the Cabinet / Board.	IB/AB	Agreed - precept will be agreed at Police Authority meeting on 17 February

	Recommendation	Cabinet/CMT lead	Cabinet Response
R5	Additional clarification is sought regarding multi agency funding of the Children and Young People's Plan.	SL/CB	Agreed
R6	Plans to increase take-up of free school meals, with in year targets be submitted to the Children and Young People's scrutiny panel.	SL/CB	Agreed
R7	Department to provide additional detail on schools infrastructure plan to include impact of Academy transition on the Council's PFI liabilities, and actions being taken to address this.	SL/CB	Agreed, although for capital items as yet unfunded see R8 below
R8	Schools capital spending priorities beyond those in the funded capital programme are published.	SL/CB	Not agreed – capital programme will include only funded items
R9	Cabinet member to supply evidence of a coordinated cross Council response to the issue of Child Poverty and worklessness amongst young people, with clear accountability and delivery arrangements at Council and Partnership level and SMART targets for review during the coming year.	SL/CB	Agreed – to be included in the work programme of the Members' working group on Child Poverty

	Recommendation	Cabinet/CMT lead	Cabinet Response
R10	A review of the Common Assessment Framework be undertaken to ensure that it is fit for purpose in the new economic environment	SL/CB	An update on the Common Assessment Framework will be provided
R11	A report is prepared for the Management Board outlining how Children's services, Plymouth Community Healthcare, Adult Social Care and Plymouth Community Homes are jointly providing aligned and coordinated locality based services that are understood and accessible to customers	SL/CB	Agreed
R12	Cabinet assurance is sought that plans are in place to ensure a smooth and seamless transition for children in care to adult social care.	SL/CB	Agreed – joint commissioning arrangements in new People directorate will address
R13	To provide Health and Adult Social Care Overview and Scrutiny Panel with an update of the results of the Joint Strategic Needs Assessment and its use in the development of the Health and Wellbeing strategy.	GM/CB	Agreed – agenda item for March meeting of Panel
R14	Information to be provided into the impact of the Adult Social Care transformation programme on the adult care sector.	GM/CB	Agreed – work already undertaken

	Recommendation	Cabinet/CMT lead	Cabinet Response
R15	Ensure that the Health and Wellbeing Board has appropriate and effective representation from the community and voluntary sector.	GM/CB	Will be raised with Health and Wellbeing Development Group for consideration when Shadow Board in place in April/May 2012
R16	That further details of the Adult Social Care transformation plan were to be incorporated into the corporate plan.	GM/CB	Included at high level – further detail more appropriate in Health and Wellbeing Strategy when published later in 2012-13
R17	The Adult Social Care service should undertake demand forecasting on which to inform the allocation of budget and resources. The production of the information should be monitored by the adult social care overview and scrutiny panel.	GM/CB	Work already being undertaken
R18	The budget to support young carers in the city should sit within adult social care.	GM/CB	Agreed – will be addressed as joint commissioning arrangements for children and adults are put in place
R19	That the growth board consider the impact of changes to health provision on the health workforce and consider future health workforce development in the city.	TF/AP	As R14 above
R20	A report is produced detailing the demographic impact of Plymouth's ageing population.	GM/CB	Agreed

	Recommendation	Cabinet/CMT lead	Cabinet Response
R21	Proposals are brought forward to demonstrate how capacity is being built and liabilities offset to enable a viable Community Assets Transfer programme	IB/AB	Community asset transfer principles already agreed
R22	Clarification is sought on how the Growth Fund will be maximised and ringfenced to economic development	TF/AP	Cabinet decision of March 2011 regarding Growth Fund in place, subject to review
R23	Detailed monitoring of worklessness targets and outcomes by project and work area is published regularly	TF/AP	Agreed - worklessness plan under development
R24	Undertake a risk assessment of the localisation of non-domestic rates detailing likely impact on the Council's medium term financial plan.	IB/AB	Agreed - will be undertaken as government proposals regarding transition arrangements are clear
R25	Cabinet member to supply evidence of a coordinated cross Council response to the issue of worklessness, with clear accountability and delivery arrangements at Council and Partnership level and SMART targets for review during the coming year.	TF/AP	As R23 above
R26	Details are published of the indicative Transport Capital Programme (£11.94m)	KW/AP	Agreed – will be produced as details are available

	Recommendation	Cabinet/CMT lead	Cabinet Response
R27	Bus Punctuality Improvement Plan is published, with details of punctuality and targets by route/geography.	KW/AP	Agreed
R28	Update on progress in investment commitments made by GoAhead around the sale of Citybus be provided.	KW/AP	Agreed
R29	Demonstrate how the strategic parking review will support retail growth within the city.	KW/AP	Agreed
R30	Impact on car parking and CCTV control room of future redevelopment of Mayflower East/West car parks be assessed and mitigated.	KW/AP	Agreed – as plans are developed
R31	Demonstrate how the Market Recovery Plan identifies priorities for delivery in the coming year and expected outcomes.	TF/AP	Agreed
R32	Impact of community infrastructure levy (CIL) is assessed on economic development objectives.	TF/AP	Agreed

	Recommendation	Cabinet/CMT lead	Cabinet Response
R33	Impact of Localism Act – ensure modelling is undertaken to test the capacity of the planning service to respond to the changing legislative environment, particularly to support neighbourhood planning forums.	TF/AP	Agreed
R34	Amend the capital programme to reflect the fact that £4m won't be spent on MRF in 2012/13.	IB/AB	Agreed
R35	Provide strategy for potential allocation of the night time levy.	GJ/CB	Agreed – as legislation is clarified and details worked up
R36	Produce a Recycling Strategy and Action Plan.	ML/AP	Contained within Waste Management Strategy
R37	The Council to allocate additional resources over and above the grant allocation to major adaptations to ensure that the promoting independence agenda is fully supported.	GM/CB	Will be considered against other funding priorities
R38	An impact assessment is carried out and published of the likely impact of housing benefit and other relevant welfare reforms on both homelessness and existing tenancies, with an action plan demonstrating how the impact on key vulnerable groups is being addressed.	TF/CB	Agreed

	Recommendation	Cabinet/CMT lead	Cabinet Response
R39	Resources are made available to improve on the current rate of 500 per year of the 18000 properties with category one hazards that are being addressed.	TF/CB	Not agreed – current risk based arrangements appropriate given other calls on housing related resources
R40	Proposals are consulted on regarding the nature of local schemes for Council Tax benefit and the Social Fund.	IB/AB	Agreed
R41	How is the Council as a whole addressing the issue of troubled families?	SL/GJ/CB	Agreed - details will be provided as proposals developed
R42	Provide the projected savings for post 12/13 co-location with Health at Windsor House.	GM/CB	Agreed – details will be provided as they are quantified
R43	Provide a shared services plan that defines principles and definitions of shared services, with expected outcomes for the Council, proposed principle and secondary partners, Member and officer leads and accountabilities. Propose milestones and projected outcomes for the coming year and beyond.	IB/AB	Agreed

	Recommendation	Cabinet/CMT lead	Cabinet Response
R44	Bring forward Transaction Centre integration proposals for addition integration of services for the coming year, with projected efficiency savings.	IB/AB	Agreed
R45	Ensure capital priorities are clearly linked to city priorities.	IB/AP	Agreed
R46	Publish plans to reduce IT applications across the Council, with projected targets and financial savings.	RB/AB	Agreed
R47	Bring forward proposals as to how as yet unfunded capital investment priorities can be considered prior to funding becoming available.	IB/AP	Not agreed as R8 above
R48	Identify contingency plans if no partner investment is available for the Civic Centre following tender exercise during 2012-13.	IB/AB	Agreed, will be developed as necessary
R49	What targets are being set for key staff engagement measures for the coming year, and how are they to be met?	IB/AB	Agreed, information will be provided when agreed

	Recommendation	Cabinet/CMT lead	Cabinet Response
R50	A review is undertaken into the procurement, shared services and location risk assessment arrangements of the data centre.	RB/AB	Agreed
R51	What are the SMART targets by service area for sickness in the coming year and how are managers going to be held accountable for delivering them?	IB/AB	Agreed – as R49 above
R52	Publish a Workforce Development with resource requirements and measurable outcomes.	IB/AB	Agreed
R53	The business case for a fully transactional website to be published and made available for consultation.	RB/AB	Agreed
R54	The libraries review to be made available for pre-decision scrutiny and further engagement work is undertaken with the community and voluntary sector regarding the development of libraries as community hubs.	GJ/AB	Agreed

	Recommendation	Cabinet/CMT lead	Cabinet Response
R55	Undertake a risk assessment of customer services ability to deal with increased demand and contacts during welfare reform implementation.	RB/AB	Agreed
R56	Scrutiny management Board to receive proposals on changes to committee and scrutiny structure.	SR/AB	Agreed
R57	Identification of mitigation to offset impact of lack of statutory legal aid representation for priority groups.	SR/AB	Agreed – work already undertaken
R58	An appropriately funded plan be put in place to mitigate the likely impact on voter numbers of the proposed electoral reforms.	SR/AB	Identification of potential impacts will be undertaken
R59	Any decision to use the Life Centre for the count at the local elections is informed by cost and value for money implications.	SR/AB	Agreed
R60	Ensure the city's long term priorities clearly reflect the more turbulent economic climate we are moving through and that the medium term focus on key areas of delivery is clearly drawn out in the Corporate Plan.	VP/BK	Corporate Plan amended – further work will be undertaken during the year through business planning process

	Recommendation	Cabinet/CMT lead	Cabinet Response
R61	Investigate the best ways of joining up our various priority areas of delivery through an overall programme.	VP/BK	As R60 above
R62	Provide risk mitigation around red delivery plans in 2012-13.	Identified Cabinet members and directors	Agreed

**Overview and Scrutiny
Management Board**

Scrutiny Review Report

January 2012



Budget and Corporate Plan Scrutiny 2012-13

Plymouth City Council

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Foreword

1. The Council's Overview and Scrutiny Management Board, formed in July 2009, has responsibility for holding the Cabinet to account for its decisions with respect to the corporate budget and policy framework, as set out in the Council's constitution. Its members, drawn from both parties and assisted by advisors with expertise from the business, education, health and voluntary and community sector, are charged with independent scrutiny of the Council's decisions with respect to financial and performance management matters, as well as the Council's key strategies.

2. The Overview and Scrutiny Management Board has planned its programme carefully to challenge whether:

- the Council's Corporate Priorities within the draft Corporate Plan are properly tested as being fit for purpose in delivering the city's strategic objectives and achieving the Council's vision
- the proposed budget, both capital and revenue, is both deliverable and supports the priorities;
- arrangements are in place to deliver the stated priorities within the financial framework set out in the budget.

3. We would like to extend our thanks to members of the Board, both councillors and advisors, for their commitment in conducting this scrutiny review. We would also like to thank the officers who supported us, Cabinet Members, Directors and Assistant Directors who took part in the review. We would also like to express our appreciation of the contribution made by colleagues from NHS Plymouth, Devon and Cornwall Constabulary, Devon and Somerset Fire and Rescue Service, Plymouth Community Homes and Community and Social Action Plymouth.



Councillor David James, Chair



Councillor Patrick Nicholson, Vice-Chair

Scrutiny Approach

4. The Board convened over three days to hear from Partners, Cabinet Members, Directors and senior officers, to consider the Draft Corporate Plan 2012 – 2015 and the Revenue and Capital Budgets 2012/13. As part of their considerations the Board received a number of documents which supported the scrutiny process, including –

- 2012/2013 Indicative Budget and Delivery Plans
- Draft Corporate Plan 2012-2015
- level 1 and 2 indicators
- Council level 2 and 3 indicators
- Budget Challenge of council directorates, health and police services
- Public and Stakeholder Consultation Results
- Equality Impact Assessments

5. The first session on 11 January saw members probe the city council and its strategic partners about their views on changes within the public sector, their plans and the impact that these plans would have on the service provision across partner agencies.

6. Issues raised within the various representations were taken forward by members of the Board and used to inform a more robust challenge over the scrutiny sessions with Cabinet Members and partners. Board members also used the information to form recommendations on how the Council could work better with its partners in the future.

7. The session on 11 January included an overview of the shared city vision, the vision for the council and the city priorities. This overview was presented by the Leader, Chief Executive, Chief Executive of NHS Devon Plymouth and Torbay Cluster and the Chief Constable of Devon and Cornwall Police and was followed by challenge for each public service area over the remainder of the sessions in January. The programme of scrutiny culminated in a concluding session with the executive team of the Leader, Cabinet Member for Finance, Property, People and Governance and the Corporate Management Team.

8. The meetings were public and recommendations were drafted and generated in a dynamic manner throughout each session.

9. At the beginning of each session individual Cabinet Members provided an overview of their portfolio and then answered questions from Board members supported by the appropriate Directors, Assistant Directors and partners, where the impact of delivery plans on service provision was explored as well as some more detailed issues.

Overview

10. The Leader, the Chief Executive, Chief Constable, Devon and Cornwall Police, and NHS Devon, Plymouth and Torbay Cluster Chief Executive set the scene for the budget scrutiny and gave an overview of the Draft Corporate Plan, indicative budget and partner budget challenge.

The Leader

11. The Leader of the Council welcomed colleagues from Health, Police and Fire and Rescue Services, underlining the importance of a partnership approach to facing the challenges of delivering the city's shared objectives. These challenges include the impact of the economic downturn on people's personal finances, business, and the public sector. Broader impacts include the impact of the growing elderly population on adult social care and health budgets and the changes both in demand for benefits and in proposed changes to the welfare regime nationally.

12. Despite the challenging circumstances, the city continues to focus on its priorities of delivering growth, raising aspiration, tackling inequalities and providing value for communities. A number of successes have characterised the past year, including the delivery of major capital schemes, such as the Life Centre, the East End transport scheme and the energy from waste facility at North Yard. Plymouth's profile had been raised by staging the America's Cup, and important new educational facilities were being delivered, including the new University Technical College and the community campus at Estover.

13. The coming year would see mounting revenue and capital pressures, but the senior management restructure, further investment in the city's infrastructure and rationalisation of the Council's assets would provide a firm foundation for moving forward.

Chief Executive, NHS Devon, Plymouth and Torbay Cluster

14. The Chief Executive for NHS Devon, Plymouth and Torbay cluster advised the panel of challenges being tackled in the Health Service. There had been an increase in the numbers of older people with complex and long term needs and the new challenge was how to deliver sustainable services for the future.

15. The Health and Social Care Bill had triggered a major reform of NHS. Clinicians would commission services, ensuring that NHS funding met the needs and priorities of local areas. Significant structural changes would need to take place and Clinical Commissioning Groups would replace Primary Care Trusts. The Public Health Department would become part of the local authority and Derriford Hospital would be required to become a Foundation Trust. During this time of change, Health Services still had a significant part to play in delivering the city's growth agenda and would engage fully with the partnership agenda.

Chief Constable, Devon and Cornwall Police

16. The Police had improved officer visibility in Plymouth up to 50% from 12%, the service also ranked 9th best in country with regard to victim satisfaction. However there were real term cuts ahead, a 20% saving needed to be made over four years. There had already been significant back office savings and in order to address the budget challenge the force had begun to reorganise operations and used the opportunity to improve services. A reduction in officer numbers would be necessary but would take place in a controlled manor.

17. The Police priorities were to further reduce crime and prosecute offenders, protect people from harm, improve the satisfaction of those who were victims of crime and anti social behaviour and to maintain visibility in communities.

18. The transition from Police Authority to Police and Crime Commissioner and associated crime panels was a risk in terms of budget planning. The service faced a very difficult situation and was unable to predict the implications of the Police Commissioner election in November 2012, but was absolutely committed to continuing to work in partnership with the City Council and its partners to deliver the city vision.

Community Services

19. Members welcomed the Cabinet Member for Community Services (Safer and Stronger Communities and Leisure, Culture and Sport), Police BCU Commander for Plymouth, the Assistant Chief Constable, the Assistant Chief Fire Officer and the Director of People to the community services challenge. The session focused on –

- Crime and Community Safety (including Fire Prevention)
- Locality and Neighbourhood Working
- Equalities and Community Cohesion
- Museum Services
- Culture and Arts
- Recreation and Sport
- Library Services

20. Members of the panel were advised that there were a number of risks arising from the economic climate and changes to legislation including –

- Pressure on personal financial advice services
- An increase in acquisitive crime
- The introduction of Police & Crime Commissioners in November 2012
- Welfare reform

21. Members valued the contribution that the 83 Police Community Support Officers in the city made to community safety. Members recommended future provision of funding for Police Community Support Officers should be included in Devon and Cornwall Police base budgets.

22. The Board expressed concern that the police would require an unaffordable increase in the precept in order to protect front line community policing. The Board noted that the Police were awaiting approval of recommendations from the Independent Review of Police Officer and Staff Remuneration and Conditions, and that approval of the recommendations would provide greater certainty over Police budgets in the medium term. The Board recommended that any proposals for a possible increase in the police precept and the impact on council services during a council tax freeze should be monitored and reported to the Cabinet / Board.

23. Although the police expressed a willingness locally to collaborate over potential shared services, there appeared to be pressure from the Home Office for police forces to collaborate amongst themselves rather than with other agencies locally.

24. Concerns were raised that the voluntary and community sector were not adequately engaged during changes to library provision. Questions were raised in relation to the work being undertaken regarding community asset transfer and the level of work that had taken place around community centres and other community hubs. The Board recommended that further engagement work was undertaken with the community and voluntary sector regarding the development of libraries as community hubs.

25. Members expressed concerns that the impact of the election of a new Police Commissioner in November 2012 had not been properly understood or mitigated for in existing budgets. The Board requested assurances that Devon and Cornwall Police would remain focused on Plymouth with the move to a functional model of policing.

Recommendations

To Cabinet -	
R1	That the future provision of funding for police community support officers should be included in police base budgets.
R2	A position statement from police on identification of any potential areas for collaboration with Council for shared services in Plymouth to be sought.
R3	Commitment required from Police to appropriate resourcing to meet crime and community safety targets in the city reflecting the city's status as the major urban centre within the force area.
R4	That any proposals for a possible increase in the police precept and the impact on council services during a council tax freeze should be monitored and reported to the Cabinet / Board.

Children and Young People

26. Members welcomed the Cabinet Member for Services for Children and Young People, Chief Superintendent of Plymouth, the Director of People and the NHS Joint Commissioning Manager to the Services for Children and Young People Challenge. The session focused on:

- Children's Social Care
- Learners and family Support
- Lifelong Learning
- Special Educational Needs
- Children in Schools
- Youth Services
- Children's Disability Team

27. Members of the panel were advised that there were a number of risks and opportunities arising from the economic climate, demographics and changes to legislation including –

- Increases in the birth rate, placing ongoing pressure on school accommodation capacity
- An increase in the number of children in care, driven partly by the Southwark judgement
- Higher numbers of young people presenting as homeless
- Strong changes in policy direction towards prevention and early intervention

28. Members of the board raised concerns that schools developed through the city councils Private Finance Initiative (PFI) programme would be transferred to academy status with the local authority having continuing revenue liabilities with lessened control over the assets.

29. It was not clear to the panel how the Children and Young People's Plan is to be resourced, including financial commitments by the Police and Health agencies.

30. It was not clear what capital spending priorities for schools would be beyond the funded programme.

31. Concern was raised about the lack of take-up of free school meals given the impact of the economic downturn on personal finances.

32. Financial support for Young Carers appeared to continue to be funded from children's services budgets, rather than from adult social care despite recommendations following the Young Carers' review.

33. The Panel was not convinced that there was a coordinated cross Council response to the issue of Child Poverty and worklessness amongst young people, with clear accountability and delivery arrangements at Council and Partnership level.

34. The Panel felt that the Common Assessment Framework should be revisited in the light of changing economic and demographic circumstances to ensure that it is fit for purpose to meet the needs of children.

35. Concerns were raised as to whether families understand the localities framework and are able to access services and advice from social care, health and housing agencies.

36. Questions were raised as to how numbers of 18 year olds entering further education were being measured, and what resources were being allocated to meeting targets.

37. This being the Director for Children's Services last appearance before the Board, she was thanked for her significant personal contribution to the improvement of services to children and young people and for her leadership role in the city.

Recommendations

To Cabinet -	
R5	Additional clarification is sought regarding multi agency funding of the Children and Young People's Plan.
R6	Plans to increase take-up of free school meals, with in year targets, be submitted to the Children and Young People's scrutiny panel.
R7	Department to provide additional detail on schools infrastructure plan to include impact of Academy transition on the Council's PFI liabilities, and actions being taken to address this.
R8	Schools capital spending priorities beyond those in the funded capital programme are published.
R9	Cabinet member to supply evidence of a coordinated cross Council response to the issue of Child Poverty and worklessness amongst young people, with clear accountability and delivery arrangements at Council and Partnership level and SMART targets for review during the coming year.
R10	A review of the Common Assessment Framework be undertaken to ensure that it is fit for purpose in the new economic environment.
R11	A report is prepared for the Management Board outlining how Children's services, Plymouth Community Healthcare, Adult Social Care and Plymouth Community Homes are jointly providing aligned and coordinated locality based services that are understood and accessible to customers.
R12	Cabinet assurance is sought that plans are in place to ensure a smooth and seamless transition for children in care to adult social care.

Health and Social Care

38. Members welcomed the Cabinet Member for Adult Health and Social Care and the Director of People to the Adult Health and Social Care challenge. The session focused on –

- Adult Safeguarding
- Assessment and Care Management Service
- Adults
- Self-directed Support Service
- Health Commissioning

39. Members of the panel were advised that there were a number of risks arising from the economic climate and changes to legislation including –

- Rising numbers of older people and increasing levels of long term care
- Potential market failure of service providers
- Legal and Legislative changes
- Responsiveness of the local care market
- Structural reforms of partner agencies

40. Members expressed concern that the fundamental changes to the delivery of adult social care services were not fully explored within the corporate plan. Members noted that the service was currently undertaking a three year plan to address budget pressures and future demographic changes that would impact on frontline services. The Board recommended that further details of the Adult Social Care transformation plan were added to the corporate plan.

41. Members of the Board recommended that the department should undertake demand forecasting on which to inform the allocation of budget and resources. The production of the forecast information should be monitored by the Adult Social Care Overview and Scrutiny Panel.

42. It was noted that the budget to support young carers still sat within Services for Children and Young People. It was felt that the budget ought to sit with adult social care in order to support recommendations of the task and finish group into young carers held by the Children and Young Peoples Overview and Scrutiny Panel in 2011. The Board recommended that the budget to support young carers in the city should sit within adult social care.

43. The wider implications of the Adult Social Care transformation programme were considered by the Board. With a focus on helping people to live independently it was felt there could be an effect on jobs in the care sector. The Board recommended that the growth board consider the impact of changes to health provision to the health workforce and consider future health workforce development in the city.

44. The role of Health and Wellbeing Board was understood by the Management Board to be key in the future development of health and wellbeing strategy. The Board recommended

that the Health and Wellbeing Board considers appointing additional members of the community and voluntary sector to its core membership.

Recommendations

To Cabinet -	
R13	To provide Health and Adult Social Care Overview and Scrutiny Panel with an update of the results of the Joint Strategic Needs Assessment and its use in the development of the Health and Wellbeing strategy.
R14	Information to be provided into the impact of the Adult Social Care transformation programme on the adult care sector.
R15	Ensure that the Health and Wellbeing Board has appropriate and effective representation from the community and voluntary sector.
R16	That further details of the Adult Social Care transformation plan were to be incorporated into the corporate plan.
R17	The Adult Social Care service should undertake demand forecasting on which to inform the allocation of budget and resources. The production of the information should be monitored by the adult social care overview and scrutiny panel.
R18	The budget to support young carers in the city should sit within adult social care.
R19	That the growth board consider the impact of changes to health provision on the health workforce and consider future health workforce development in the city.
R20	A report is produced detailing the demographic impact of Plymouth's ageing population.

Economic Development Challenge:

45. Members welcomed the Cabinet Member for Planning, Strategic Housing and Economic Development, the Director for Place and the Assistant Director for Economic Development.

46. The past year has seen the Economic Development service dealing with a number of major strategic issues including the future of Plymouth Airport, Plymouth Argyle Football Club, the transfer of RDA Assets, the creation of Plymouth's Growth Fund and the hosting of the America's Cup. In planning a budget for 2012/13, and building on priorities and initiatives already in train, the department has sought to give priority and focus to the following key areas:

- Supporting growth in the city's 6 priority sectors.
- Development of the knowledge economy.
- Driving forward the City's growth hubs – Derriford and the City Centre.

- Tackling youth unemployment and barriers to work.
- Attracting investment and lobbying.

47. Given the current economic climate there are a number of risks to the delivery of these priorities and initiatives. Plymouth's historical reliance on employment in a relatively narrow base of economic sectors, means that the service faces a significant challenge in bringing them to fruition and achieving its delivery plans.

48. Risks identified include –

- failure to stimulate and support the private sector to create jobs, coupled with a major contraction in the public sector;
- rising unemployment and, in particular, its impact upon young people aged 18 to 24;
- maintaining occupancy and rental levels within the commercial estate.

49. Positives and Opportunities include –

- notwithstanding the financial climate, the commercial estate is currently 93% let;
- Plymouth has the 4th lowest cost for its Economic Development Services out of 57 unitary authorities;
- creation of a Strategic Projects Team, to drive forward major transformational projects including Derriford and the City Centre, as well as a new economic intelligence function;
- appointment of the City's first Head of Marketing;
- developing capacity in the Strategic Economic Partnership, (Growth Board), along with other key partnerships including Destination Plymouth, GAIN and the Plymouth Waterfront Partnership;
- significant investment in new projects through the creation of the Growth Fund, transfer of RDA Assets, purchase of Derriford Business Park, innovative use of the Commercial estate and supporting the successful RGF application for Princess Yachts;
- through Urban Enterprise, the appointment of a Worklessness Co-ordinator and adoption of a City Worklessness Plan to tackle barriers to work and Youth Unemployment.

50. Following discussion around making better use of the commercial estate, and the potential to transfer assets to the community and voluntary sector, Members expressed concern at the Council's reliance on this plan given that the community and voluntary sector have considerably less resource to take on such expense, particularly those that come with costly maintenance liabilities. Members were of the opinion that, in the current economic climate, there was little evidence that community groups would be interested or have the ability to take this responsibility on board.

51. Whilst the Board welcomed the establishment of the Growth Fund as a new mechanism to support growth and regeneration, concerns were raised around the security of this funding, whether adequate resources were being directed towards it and the lack of any detail on the 'ring fence' criteria.

52. Given the predicted 10% rise in unemployment, assurances were sought that targets had been set for tackling worklessness in the City and that departments were taking a joined up approach in their initiatives, particularly in relation to those not in education, employment or training and the 18-24 age group.

53. Concerns were raised about the overall impact of the intended localisation of Non Domestic Rates on the city’s income, as Plymouth was a net beneficiary of current centralised arrangements.

Recommendations

To Cabinet -	
R21	Proposals are brought forward to demonstrate how capacity is being built and liabilities offset to enable a viable Community Assets Transfer programme.
R22	Clarification is sought on how the Growth Fund will be maximised and ringfenced to economic development.
R23	Detailed monitoring of worklessness targets and outcomes by project and work area is published regularly.
R24	Undertake a risk assessment of the localisation of non-domestic rates detailing likely impact on the Council’s medium term financial plan.
R25	Cabinet member to supply evidence of a coordinated cross Council response to the issue of worklessness, with clear accountability and delivery arrangements at Council and Partnership level and SMART targets for review during the coming year.

Transport and Highways Challenge:

54. Members welcomed the Cabinet Member for Transport, the Director for Place and the Assistant Director for Transport. The session focused on the following four service areas –

- Transport Strategy
- Sustainable Transport
- Parking
- Network Management and Amey Contract

55. Members of the Board were advised that there were a number of risks and opportunities arising from the economic climate and changes to legislation, including –

- this last year has seen the successful adoption of the Third Local Transport Plan and, in response to changing funding opportunities, the service has been successful in securing two Local Sustainable Transport Fund bids totalling c.£7m;
- National connectivity has been raised in profile for the city, and the service is leading on responding to the GW rail franchise, as well as working closely with the

- Highways Agency to maintain and enhance the performance of the A38 corridor;
- the transport capital programme has been refocused to deliver fewer larger scale projects as opposed to numerous smaller ones;
- a joint Bus Punctuality Improvement Plan has been developed, adopted and implemented with the city's three main bus operators;
- ongoing rising running costs, combined with a downward turn in patronage, continue to pose a risk to the Concessionary fares and subsidised bus services budget;
- significant investment into the operating processes and assets of the parking service has enabled the service to maintain its revenue position despite falling patronage, and without resorting to significant increases in parking charges;
- the camera car has been extremely successful in changing driver behaviour;
- introduction of a new Business Support Permit that will assist those businesses in permit controlled areas in these difficult economic times;
- delivery of the £20m East End road improvement scheme;
- total carriageway revenue and capital funding was increased by £2,280,000 on 2010/11 budgets.

56. The key challenge for the service is the management of the c.£2bn of assets it is responsible for and a draft Highway Asset Management Plan is being prepared to better understand the issues and establish what additional funding or change in procedures may be required to ensure the network is maintained to an acceptable level.

57. Whilst it is acknowledged that the outcome of the Department for Transport settlement is still awaited, Members expressed concern at the lack of any visible draft capital programme. It was suggested that an indicative allocation should have been shared as part of the budget scrutiny process to provide Members with the opportunity to form an opinion on whether or not the prioritisation within the programme is right.

58. Members were pleased to learn of the establishment of a Bus Punctuality Improvement Plan. However, concerns were raised that pockets of the city were being denied access to services following the withdrawal of a number of bus routes. Assurances were sought that all possible opportunities were being explored to ensure access to services were maintained, particularly given that it was often those who were most in need that were affected.

59. Questions were raised as to whether the capital investment commitments in vehicles and infrastructure made during the Citybus sale had been honoured.

60. The panel were interested to see how parking assets were being used by the Council to support the retail sector in the city, and were concerned about the impact on both parking capacity and the CCTV control room of the proposed redevelopment of the Mayflower East and West car parks.

Recommendations

To Cabinet -

R26	Details are published of the indicative Capital Programme (£11.94m).
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R27	Bus Punctuality Improvement Plan is published, with details of punctuality and targets by route/geography.
R28	Update on progress in investment commitments around the sale of Citybus be provided.
R29	Demonstrate how the strategic parking review will support retail growth within the city.
R30	Impact on car parking and CCTV control room of future redevelopment of Mayflower East/West car parks be assessed and mitigated

Planning Challenge:

61. Members welcomed the Cabinet Member for Planning, Strategic Housing and Economic Development, the Director for Place and the Assistant Director for Planning Services. The session focused on the main risks and key budget opportunities for Planning Services which included –

- pressure on planning and building regulation fee income arising from the impact of the recession and on-going fragile economic circumstances;
- increased resistance to the new fees and charges introduced as a result of the 2011/2012 Budget Review process;
- developing a Community Infrastructure Levy Charging Scheme and addressing the major resource implications for future infrastructure planning and co-ordination of resources to support growth;
- investing in development delivery to increase revenue potential of New Homes Bonus;
- investigating opportunities for new models of delivery and reducing costs such as shared services with Cornwall Council to further increase market share, and new service configuration to respond to planning reforms;
- investment in IT to deliver greater e-planning (and therefore drive out further process savings and current sunk costs);
- major reforms of the planning system and new neighbourhood planning arrangements with significant cost and resource implications/opportunities.

Recommendations

To Cabinet -	
R31	Demonstrate how the Market Recovery Plan identifies priorities for delivery in the coming year and expected outcomes.
R32	Impact of community infrastructure levy (CIL) is assessed on economic development objectives.

R33	Impact of Localism Act – ensure modelling is undertaken to test the capacity of the planning service to respond to the changing legislative environment, particularly to support neighbourhood planning forums.
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Environmental Services Challenge:

- 62. Members welcomed the Cabinet Member for Community Services (Street Scene, Waste and Sustainability), the Director for Place and the Assistant Director for Environmental Services.
- 63. Key risks to the service include year on year increases on landfill tax to 2014, and fines of up to £150 per tonne if landfill of biodegradable waste exceeds landfill allowances.
- 64. Prior to the waste to energy facilities coming on line, there will be short term pressures on waste disposal resources.
- 65. Members heard that there were not yet firm plans as to how any Night Time Levy might be implemented, but that priorities would be around addressing anti-social behaviour and maintaining cleaner streets.
- 66. It was not clear what mitigation is in place against non-delivery of environmental services budget delivery plans, currently shown as at risk of non-delivery.
- 67. Whilst various initiatives were in place to promote recycling, there did not appear to be an overall cross Council and cross Agency strategy and action plan to address the fact that the city compares unfavourably both regionally and nationally with respect to recycling performance.

Recommendations

To Cabinet -	
R34	Amend the capital programme to reflect the fact that £4m won't be spent on Materials Recycling Facility in 2012/13.
R35	Provide strategy for potential allocation of the night time levy.
R36	Produce a Recycling Strategy and Action Plan.

Housing Challenge

- 68. The Panel heard from the Cabinet member that the priorities for housing include the need to continue promoting investment in the city's housing stock across all tenures, to secure continued investment in the regeneration of the North Prospect area of the city and to ensure that the supply of new and affordable housing is maintained. Risks include the impact of the economic downturn on homelessness prevention.

69. The Chief Executive of Plymouth Community Homes updated the Panel on progress towards delivering the new organisation’s pledges on stock improvement, regeneration and customer service.

70. In response to a query concerning the potential provision by the Council of loan or credit guarantees to those seeking to secure a mortgage or loan for improvements, the Cabinet member informed the Panel that there were no current plans in this area, and that he would be concerned about the financial risks to the Council in embarking on this course of action

71. Panel members expressed concern that government support for the provision of new and affordable homes was significantly reduced. In response, the Assistant Director for Housing informed the Panel that Government support for affordable housing development funding was bid for on a national basis by Registered Social Landlords, and that Plymouth was performing well in respect of the amount of available resources that were being invested in the city, although the level of grant for each new build has been reduced, which will impact on future affordable home completions.

72. There had been a 28% increase in homelessness presentations by families, and a 50% increase in single persons in the last year, with eleven families currently in bed and breakfast accommodation. A range of schemes were described that are in place to mitigate an increase in homelessness, including the Homelessness Prevention Fund, an ‘Easylet’ scheme comprising 30 units of accommodation and the new Homeless Hostel at George Place, being run in conjunction with the Shekinah Mission. Combined funding of £600k from the Early Intervention Grant and revenue resources was being directed at ‘troubled families’, and all families likely to be affected by housing benefit changes had been individually contacted to review their housing options.

73. The Panel heard that there is a projected decrease in the number of household aids and adaptations that would be undertaken, with no discretionary funding benign allocated by the Council or by partners. This presented a risk to the ‘promoting independence’ agenda.

74. Revised under occupancy rules with respect to housing benefit would impact tenants of Plymouth Community Homes, and changes to direct payment of housing benefit could impact debt levels and revenue to the organisation.

75. The Panel considered that the welfare benefit reforms currently being considered by Parliament present challenges across a number of the Council’s services, and those of its partners, and that these need to be identified and mitigated in a coordinated way, with resource implications addressed.

Recommendations

To Cabinet -

R37	The Council to allocate additional resources over and above the grant allocation to major adaptations to ensure that the promoting independence agenda is fully supported.
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R38	An impact assessment is carried out and published of the likely impact of housing benefit and other relevant welfare reforms on both homelessness and existing tenancies, with an action plan demonstrating how the impact on key vulnerable groups is being addressed.
R39	Resources are made available to improve on the current rate of 500 per year of the 18000 properties with category one hazards that are being addressed.
R40	Proposals are consulted on regarding the nature of local schemes for Council Tax benefit and the Social Fund.
R41	How is the Council as a whole addressing the issue of troubled families?

Finance, Technology, Assets and Efficiencies

76. The Panel heard that the Government grant to mitigate the effect of a freeze on Council Tax increases would create certainty for four years from 2012-13, but was nonetheless a 'one-off' grant.

77. The Council's pension fund reserve of £1m was sufficient to address anticipated calls on the Council's contribution to the fund.

78. No savings had been quantified from the co-location proposals with Health personnel at Windsor House. No savings were anticipated in 2012-13, although 'significant' savings were predicted for future years.

79. The Cabinet Member spoke of a 'Huge desire and level of determination to progress shared services', identifying Health as the most likely partner to generate positive outcomes. Collaboration with Devon and Cornwall Constabulary was limited by Home Office direction for police forces to share resources amongst themselves rather than with other statutory partners.

80. Attention was drawn to the proposed post in the Council's senior management structure for ICT shared services, with specific reference being made to work with Health agencies and the University.

81. The panel enquired as to the level of political and managerial leadership for a clear programme with respect to shared services, setting out the Council's objectives in this regard, and identifying potential partners amongst partner agencies and other councils.

82. The Panel heard that the Council was committed to supporting community asset transfer where appropriate, but there were no specific plans for investment in assets to offset the impact of the transfer of liabilities to receiving organisations.

83. Reassurances were received that the 'sale and leaseback' proposal to fund the refurbishment of the Civic Centre would provide a solution to the investment needs of the building over the next twelve months, although there were no funded contingency arrangements should this not be the case.

84. With respect to the Council's capital programme, the Director for Corporate Services confirmed that the Council would spend £87m by the year end, and that the Academies programme would roll forward to 2013-14.

85. The Panel heard that ICT efficiencies were compromised by the number of 'stand-alone' IT applications in place across the Council, with 277 applications being maintained against a more appropriate target of 150. It was not clear what 'spend to save' requirement could be identified to bring forward a reduction in the number of applications supported over the next year.

86. Anticipated savings of £1m from the implementation of the Transaction Centre had been generated, but it was not clear what further integration of services into the centre could be achieved to build on these efficiencies.

Recommendations

To Cabinet -	
R42	Provide the projected savings for post 12/13 co-location with Health at Windsor House.
R43	Provide a shared services plan that defines principles and definitions of shared services, with expected outcomes for the Council, proposed principle and secondary partners, Member and officer leads and accountabilities. Propose milestones and projected outcomes for the coming year and beyond.
R44	Bring forward Transaction Centre integration proposals for addition integration of services for the coming year, with projected efficiency savings.
R45	Ensure capital priorities are clearly linked to city priorities.
R46	Publish plans to reduce IT applications across the Council, with projected targets and financial savings.
R47	Bring forward proposals as to how as yet unfunded capital investment priorities can be considered prior to funding becoming available.
R48	Identify contingency plans if no partner investment is available for the Civic Centre following tender exercise during 2012-13.
R49	A review is undertaken into the procurement, shared services and location risk assessment arrangements of the data centre.

Human Resources and Organisational Development

87. During discussion of the council's interim staff survey results, the increase in staff engagement levels by 5% to 62% against a national benchmark of 61% for the public sector and 64% for the private sector was acknowledged. However, attention was drawn to a corresponding and equal drop in the number of staff thinking that good use was being made of their skills and abilities, and in those still wishing to be employed by the Council in twelve months' time.

88. The impact of not reaching the Council's target for days lost through sickness was equated to 80 Full Time Equivalent staff, at a cost of £1.6m.

89. The Panel was keen to understand the detail of workforce development plans, how they were being resourced and what specific outcomes were being anticipated. There was some debate as to whether sickness and appraisal targets for individual departments were aspirational or whether senior managers were being actively held to account for them.

Recommendations

To Cabinet -

R50	What targets are being set for key staff engagement measures for the coming year, and how are they to be met?
R51	What are the SMART targets by service area for sickness in the coming year and how are managers going to be held accountable for delivering them?
R52	Publish a Workforce Development with resource requirements and measurable outcomes.

Customer Services

90. The focus of questioning with respect to customer services was the progress of the Council in improving the availability of services outside standard weekly working hours. The panel heard that there was not currently a business case for a fully transactional website, and that the vision for libraries as customer service hubs was not yet completed.

91. Concerns were raised as to whether the impact of the economic downturn and of welfare reforms on customer services had been fully analysed and the necessary mitigation of risk both to staff and to customers put in place.

Recommendations

To Cabinet -	
R53	The business case for a fully transactional website to be published and made available for consultation.
R54	Libraries review to include consideration of further engagement work with the community and voluntary sector and to be made available for pre-decision scrutiny.
R55	Undertake a risk assessment of customer services ability to deal with increased demand and contacts during welfare reform implementation.

Democracy and Governance

92. During a discussion of the Lord Mayoralty, no commitment could be given to the avoidance of further reductions in budgetary provision, although consultation would be undertaken with the Lord Mayor Elect in the coming months, and the Board would await the recommendations of the proposed Task and Finish review into the issue.

93. Concerns were raised as to the proposal for a further £25k reduction in democratic support, and a commitment was made to consult with all members into any proposed changes to scrutiny arrangements.

94. Legal Aid reforms would potentially reduce access to representation by victims of domestic abuse, but the Council was making additional legal resources available to mitigate this.

95. Concerns were raised as to the potential impact of electoral reform on voter numbers.

96. The level of payments to the returning officer was questioned.

Recommendations

To Cabinet -	
R56	Scrutiny management Board to receive proposals on changes to committee and scrutiny structure.
R57	Identification of mitigation to offset impact of lack of statutory legal aid representation for priority groups.
R58	An appropriately funded plan be put in place to mitigate the likely impact on voter numbers of the proposed electoral reforms.

R59	Any decision to use the Life Centre for the count at the local elections is informed by cost and value for money implications.
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Wrap Up Session

97. The Leader and the Corporate Management Team joined the Panel for the final session.

98. The panel asked the Executive whether, in their opinion, the Corporate Plan and priorities for the city were still appropriate given the changed economic and legislative circumstances faced by the city.

99. The Chief Executive responded that the long term vision and four priorities remained appropriate for the city, but that partners needed to share and demonstrate through their actions a common understanding with the Council of the scale of the task that lay ahead. In addition the Council needed to demonstrate more effectively that key themes, initiatives and programmes were being effectively coordinated and delivered across all Council services.

Recommendations

To Cabinet -	
R60	Ensure the city's long term priorities clearly reflect the more turbulent economic climate we are moving through and that the medium term focus on key areas of delivery is clearly drawn out in the Corporate Plan.
R61	Investigate the best ways of joining up our various priority areas of delivery through an overall programme.
R62	Provide risk mitigation around red delivery plans in 2012-13.

CITY COUNCIL

27 February 2012



CABINET MINUTE 119

2012/13 UPDATED DRAFT BUDGET (REVENUE AND CAPITAL) ALLOCATED TO CORPORATE PRIORITIES

Further to minute 96 which gave approval to the 2012/13 Indicative Revenue and Capital Budget Report, the Director for Corporate Services submitted a written report on the 2012/13 updated draft budget (revenue and capital), allocated to corporate priorities. The report took into account the recommendations from the consultation process, including budget scrutiny (referred to in minute 115 above).

The draft budget would be presented to the City Council on 27 February 2012 and for comparative purposes, would be structured around the existing directorates, although a summary would be provided on how the new budget would look under the revised three directorate model.

The settlement was in line with officers' predictions and no major adjustments were necessary to the original budget assumptions and allocations. However, the settlement figures quoted in the written report were still subject to final approval by the government and the decision was expected in early February 2012.

The report identified areas of the budget where there were either perceived timing issues in relation to the implementation of budget delivery plans, or forecasted pressures which required greater clarity on funding. Officers and Cabinet would work through these areas in conjunction with the original budget allocations to ensure the correct alignment of resources to priorities and to enable a balanced budget to be presented to the City Council on 27 February 2012.

Following final analysis of all grants, a funding shortfall remained of circa £0.800m and final plans were being developed to address this.

The report needed to be read in conjunction with the third quarter Performance and Finance Report (including capital programme update) (referred to in minutes 117 and 117a above) and the Treasury Management Strategy Statement and Annual Investment Strategy 2012/13 (referred to in minutes 118 and 118a above).

Agreed that –

- (1) Cabinet notes -
 - (a) the impact of the funding requirements as shown in the written report of £203.7m available resources to meet an indicative spend of £204.5m and the progress to date to close the gap of £0.8m;

- (b) the proposed capital expenditure of £173.061m;
 - (c) that the report had taken into account the recommendations from the consultation process, including budget scrutiny referred to in minute 115 above;
- (2) officers identify further savings in advance of the City Council meeting on 27 February 2012 to arrive at the budget requirement;
- (3) the City Council is Recommended to consider a final version of the 2012/13 draft budget (revenue and capital) in order to achieve the proposed target budget requirement of £204.5m for 2012/13.

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

CITY OF PLYMOUTH

Subject:	2012/13 Updated Draft Budget (Revenue & Capital) allocated to corporate priorities
Committee:	Cabinet
Date:	7 February 2012
Cabinet Member:	Councillor Bowyer
CMT Member:	Director of Corporate Services
Author:	David Northey, Head of Finance
Contact:	Tel: 01752 (30)4566 e-mail: david.northey@plymouth.gov.uk
Ref:	djn130112
Key Decision:	No
Part:	I

Executive Summary:

The 2012/13 Indicative Revenue and Capital Budget Report, signed off by Cabinet 5 December 2011, built on the income assumptions set out in the latest published Medium Term Financial Strategy and its impact on the Council Tax. The report laid out the elements of the Council's income and expenditure strategy, summarised by each department, together with its Capital strategy.

At the time of preparing this budget, the Council has announced its intention to move from a five to a three directorate model progressively from 1 January 2012. The final proposed Budget Report for Full Council 27 February 2012, for comparative purposes, will be structured around the existing Directorates. However, we will also incorporate a summary indicating how the new budget will look under the revised three Directorate model.

At the time of publishing the December Indicative Budget report, the Council was still awaiting notification of its Government settlement for 2012/13 along with details of any significant changes anticipated to specific grants, both revenue and capital, which would have a material impact in certain service areas. The Settlement was in line with our predictions hence there is not a need to make major adjustments to the original budget assumptions and allocations. However, it should be noted that the Settlement figures quoted in this report are still subject to final approval by the Government. The decision is expected early February 2012.

This report identifies areas of the budget where there are either perceived timing issues in relation to the implementation of budget delivery plans, or forecasted pressures which require greater clarity on funding.

Officers and Cabinet must work through these areas in conjunction with the original budget allocations and ensure we have the correct alignment of resources to priorities. We will continue to work up plans to present a balanced budget to Council for sign off in February 2012. Following final analysis of all grants, there remains a funding shortfall of circa £0.800m for which we are developing final plans to address.

This report needs to be read in conjunction with the third quarter Performance and Finance Report (including Capital Programme update) presented to Cabinet 7 February 2012, and the Treasury Management Strategy Statement and Annual Investment Strategy 2012/13.

Corporate Plan 2012-2015 as amended by the four new priorities for the City and Council:

The budget, and wider Medium Term Financial Strategy, is central to the successful delivery of the Corporate Plan 2012-15.

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

Once approved the 2012/13 budget will become the base year for the Medium Term Financial Strategy (MTFS) 2012-15. The MTFS will be revised and updated soon after the adoption of the 2012/13 budget and will reflect the final settlement announcement. Human resources, ICT and asset implications have been fully considered and referred to throughout the report.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

All Departmental Delivery Plans are covered by Equalities Impact Assessments, signed off by the relevant Director. Each delivery action has considered the impact on: council priorities, legal obligations, customers and other services and partners. Each separate action has been risk assessed in terms of potential barriers to implementation with corresponding mitigation stated where relevant.

Recommendations & Reasons for recommended action:

It is recommended that:

- I. Cabinet consider the impacts of the funding requirements shown in this report, and note progress to date; and

- a. consider findings from consultation, plus feedback from budget scrutiny during February '12; and
- b. request officers to identify further savings in advance of the Full Council meeting on 27 February 2012 to arrive at the budget requirement; and
- c. recommend that a final version of the Revenue and Capital Budget for 2012/13 will be presented for sign off to Full Council on 27 February 2012.

Alternative options considered and reasons for recommended action:

It is a statutory requirement under Section 33 Local Government Finance Act 1992 for the Council to produce and deliver a balanced budget and to set a Council Tax.

Background papers:

- Finance Settlement Papers Department of Communities and Local Government
- Indicative Budget published December 2011
- Corporate Plan 2012-15 (draft published December 2011)
- The Prudential Code for Capital Finance in Local Authorities
- Equality Impact Assessments
- The Local Government Act 2003 and The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- Medium Term Financial Strategy
- Capital Financing Regulations
- Workforce development Strategy
- ICT Strategy
- Accommodation Strategy
- Third quarter Performance and Finance Report (including Capital Programme update) 7 February
- Treasury Management Strategy Statement and Annual Investment Strategy 2012/13.

Sign off

Fin	MC11 12.07	Leg	TH30/ 1/12A	HR	MG/AM	Asset Man.	n/a	IT	n/a	Strat. Proc.	n/a
Originating SMT Member Malcolm Coe											

I. Introduction and Contents

- I.1. This report details how the Council has allocated its revenue and capital resources across departments and priority areas for 2012/13 to improve outcomes for local people. It is fully linked and underpins the Council's Corporate Plan 2012-15.
- I.2. The proposed 2012/13 budget builds in the Settlement confirmed in December 2011. However, officers are still working through the detail of any changes to specific grant funding for the budget year.
- I.3. This report identifies areas of the budget where there are either perceived timing issues in relation to the implementation of budget delivery plans, or forecasted pressures which require greater clarity on funding.
- I.4. Any amendments required to this indicative budget, as a result of the December Settlement and after consideration of our consultation process and the proposals from the January 2012 Scrutiny, will be presented to Council for approval in February 2012.
- I.5. Funding allocations are made within the framework of the Council's Medium Term Financial Strategy, (MTFS), which sets targets and principles for setting three year revenue budgets and four year rolling capital budgets. The MTFS will be revised, updated, and published, following the approval of the 2012/13 budget and formal approval of the Council Tax.
- I.6. The December report included a summary report from each Director outlining the departmental context, detailing what the department intends to do to deliver a balanced revenue budget in 2012/13, and the plans for 2013-2015. Detailed delivery plan actions were also detailed. Readers should refer to the original report for this information.
- I.7. Appendix A to this report shows the impact of the changes identified to the Departmental Indicative Budgets.
- I.8. The Indicative Budget proposals have been subject to wide consultation culminating in Public Scrutiny by the Overview and Scrutiny Management Board on 11 and 16 and 18 January 2012. This updated budget report takes into account the recommendations of the consultation process.
- I.9. The proposed budget report in December outlined indicative budget targets to Departments based on initial budget planning and resource assumptions. The report however outlined the need to revisit the targets not least to update for a number of corporate adjustments and budget virements made during the latter part of 2011/12.

2. Resource review

- 2.1 The review of the budget assumptions for 2012/13 has considered all on-going funding allocations, together with any one-off funding allocations, plus the latest position on the 12/13 settlement and specific grants.
- 2.2 Our current Medium Term Financial Strategy makes no allowance for any changes to our Council Tax income arising from movements in our housing profile base assumptions. We have now been able to complete our analysis of the Council Tax Base for 2012/13 which indicates additional on-going income of £0.195m each year.
- 2.3 This additional income is based on existing tax levels and therefore before we apply any increase or freeze. This income together with the rest of the Council Tax will be added to the general fund resources, and be available for allocation to our priorities.
- 2.4 When setting the 2011/12 budget, there was an indication from Central Government that our lower paid employees should be allocated a £250 flat rate pay award. This was calculated to equate to an additional cost of £0.200m per annum.
- 2.5 This directive was later confirmed to relate to Civil Servants only, not including local authority staff. However, there was an allowance of £0.200m built into 2012/13 base figures which is now no longer required.
- 2.6 Officers continue to analyse detail of the specific grant funding allocation. This analysis is concentrating on the major blocks of funding which, prior to the changes announced in the 2010 Comprehensive Spending Review, (CSR), would have been ring-fenced. They are no longer ring-fenced, providing the flexibility for the Council to allocate any new resources to local priorities.
- 2.7 The latest funding position is shown in Appendix B. Officers continue to work through the implications of all grant funding.
- 2.8 For 2011/12 there has been a pay freeze for all local government employees.
- 2.9 However, there are recommendations from the Local Government Association (LGA) which suggest we can expect pressure to increase salaries anywhere between 1% and 3% over the next three years.
- 2.10 On advice from our HR department, and for budget setting purposes, it is prudent to set a provision for a 1% increase for 2012/13 and assume around 1.5%~2% for future years. A 1% increase would require an extra allocation of £1m for 2012/13
- 2.11 The three new directorates came into effect on 1 January 2012, and The Appointments Panel made appointments to the Assistant Director level during January 2012, to take effect from 1 March 2012.
- 2.12 Officers are currently working up a new Budget Delivery Plan to undertake a management de-layering at the 3rd tier management level. This plan will build on the synergies available as a result of the reduced directorates and greater span of control

3. Departmental Review

- 3.1 The current 2012/13 budget is year two of our three year rolling strategy. In setting the 2011/12 budget we set up a three year department delivery plan programme.
- 3.2 The savings required from these plans have been well documented, rising from savings of £13m in 2011/12 (year 1) to £20m in 2012/13 (year 2) and finally £30m cumulative savings by 2013/14 (year 3).
- 3.3 Plymouth City Council has continued to make tangible improvements to client facing services whilst driving efficiencies throughout 2011/12. This principle underlies the strategy for the budget for 2012/13. The Authority has to direct scarce resources away from the support functions and towards the frontline services, but maintain the ability to provide the necessary level of support, not just for 2012/13 but the coming years.
- 3.4 The latest outturn forecast for 2011/12 confirms we are making tangible savings, with around 95% of the in-year efficiency savings already either delivered or on schedule to be delivered by the end of the financial year.
- 3.5 However, the delivery plans require a major step change to achieve the full savings required for 2012/13. There are a number of areas where timing issues will require a further review of resource allocation.
- 3.6 In the following areas, and since the adoption of the relevant budget delivery plans as part of the 2011/12 budget process, there are one-off delays which will impact on the value of the 2012/13 savings. The plans will still be put in place and deliver full year savings from 2013/14 onwards. However, in order to activate these plans, we must be aware of the impact on the 2012/13 budget.
- 3.7 The opening of the Plymouth Life Centre, on time and on budget in March 2012, reinforces Plymouth City Council's ambitions for the city. The Plymouth Life Centre will offer a greater range of sports & leisure and family activities at a significantly reduced cost to the Council. A major strand of this project sees the outsourcing of our leisure management to a leisure contractor. The delivery plans assumed we would realise a saving of £0.250m each year for the next ten years.
- 3.8 We have successfully outsourced the leisure management contract during 2011/12 but have flagged that the current year (2011/12) savings would not be achieved. The Community Services Director has been working up alternative savings to cover the 2011/12 shortfall. This still leaves a savings shortfall for 2012/13.
- 3.9 Within the detail of the Leisure Management Contract, the business plan shows that the full £2.5m savings are still achievable over the next ten years. But there is a timing issue to be resolved for 2012/13.

- 3.10 The Director for People (formerly under the remit of the Director for Community Services) has indicated throughout the 2012/13 budget setting and challenge sessions at CMT that the council would need to allocate circa £0.800m to maintain the Pavilions funding for ice provision. Currently this is not reflected in the resource allocations.
- 3.11 The delivery plans set out for the Community Services Directorate includes a plan which is rated as “Red” under Environmental Services. This is another example of a timing delay which means that this plan is unlikely to deliver the full saving during 2012/13. The actions required to implement this plan will mean that the earliest we can expect to see savings will be early 2013/14. The value of this plan is £0.560m.
- 3.12 The Waste Reserve is potentially available to address this shortfall.
- 3.13 The Government has previously announced the introduction of a Carbon Reduction Commitment (CRC) tax. It has now been confirmed that the first such tax levy will fall due in 2011/12. The full estimated exposure is £0.400m. However, a proportion of this relates directly to the emissions from the city’s schools. Officers will therefore advise the Schools Forum to accept a charge of £0.160m, reducing the authority’s charge to £0.240m. The estimate is for the same charge for 2012/13; currently this is not reflected in the resource allocation.
- 3.14 The delivery plans set out currently for Corporate Support, but transferring for 2012/13 to the new Place Directorate, includes a £1.500m saving from the Corporate Accommodation Strategy.
- 3.15 Whereas this saving will still be realised in a full year, delays in securing a long term solution for the Civic Centre have meant that the savings anticipated will not now materialise in full for 2012/13. The shortfall is currently projected as £0.500m
- 3.16 Adult Health and Social Care Services continue to manage service transformation and drive integration with Health partners in order to mitigate future costs of social care against a challenging climate and changes to resourcing. Furthermore, in order to ensure we comply with government guidance we will be consulting with the market before setting care home fees.

4. Review of Reserves & Risk Management

- 4.1 In terms of Reserves, the council retains a prudent approach to risk management. Our core working balance, as at 31 March 2011, at £11.5m is 5.7% of our indicative net 2012/13 revenue budget. Our plans are to retain this Working Balance level throughout 2012/13 (compliant with the objectives set within our MTFs).
- 4.2 In addition to the Working Balance, specific earmarked reserves are forecasted at £23.0m at the end of March 2012 and forecasted to reduce to £20.0m by 31 March 2013. The balances are higher than estimated at this time last year as we now have to include, under IFRS requirements, the previously undisclosed Schools Balance (currently £5.5m) and unused year end Grants carry forwards (currently £3.0m)

- 4.3 Specific reserves are set to cover known or estimated future costs for specific activities and / or liabilities.
- 4.4 For example, a Waste Management Reserve of £2.4m was set up to meet the short term revenue costs of waste disposal, bridging the years 2011/12 to 2013/14 when the proposed Energy from Waste Incinerator comes into full operation.
- 4.5 This reserve was to cover the estimated increases in Landfill Tax and Gate fees. It is therefore now proposed to call down against this reserve in three equal instalments of £0.800m in each of the three years 2011/12, 2012/13 and 2013/14. The draw down for 2011/12 is subject to review once the final outturn position is confirmed.
- 4.6 The 2010/11 Outturn position enabled the set aside of three specific amounts to cover expenditure in 2011/12. These were £0.100m to support the cost of the America's Cup; £0.300m to cover urgent health and safety required demolitions; and £0.400m to support the introduction of the transformational Procure to Pay (P2P) project.
- 4.7 The target saving for the P2P project for 2012/13 steps up to a revised target of £1.300m. It is anticipated that it would be prudent at this stage to plan for a reduced savings target for 2012/13 of £1.050m, creating a pressure of £0.250m.
- 4.8 The council currently has monies set aside into a Pension Reserve, with a balance of £1.080m. This reserve was created to ensure we are able to meet future shortfalls in our contributions to the Pension Fund. In December 2011, the Pension Fund Administrator indicated the likely shortfall for 2011/12 to be circa £0.300m.
- 4.9 If our contributions remain at the same level for the next two years, the period of the last tri-annual valuation, we would anticipate further shortfalls for 2012/13 (and 2013/14.)
- 4.10 We must be mindful that, as staff numbers reduce, the pension contributions are likely to reduce. This may require larger draw-downs from the reserve in the future.
- 4.11 It is proposed to draw down the estimated £0.300m contribution shortfall for 2012/13 from the existing Pension Reserve.

5. Revenue Resources

- 5.1 Our resources for 2012/13 are based on confirmed assumptions and allocations. However, officers continue to review all areas of specific grant funding to ensure we are matching our resources to the correct areas of expenditure.
- 5.2 Central Government made a significant adjustment to the Council Tax Freeze Grant for the financial year 2011/12. We have confirmation that this grant will be available to authorities for the period of the CSR. This means we are guaranteed that this funding will continue for 2012/13, 2013/14 and 2014/15. The grant was initially applied as Specific Grant funding as opposed to established "Revenue Resources"; as such, it was allocated to Corporate Items as an income line.

- 5.3 For the remaining three years of the funding, it has been consolidated into the Formula Grant, thereby reclassifying it as part of our Revenue Resources. This has the effect of appearing to increase our revenue, although this is not new money, rather a re-classification.
- 5.4 Central Government has now confirmed the offer of a one-off Council Tax Grant allowance in 2012/13 equivalent to 2.5% of the Council tax base, in return for a second consecutive Council Tax freeze. For Plymouth City Council, this has been confirmed as equating to £2.398m.
- 5.5 Although this Grant offer is welcomed, it does mean the Authority would have a year on year shortfall in future funding, as this money is removed from the budget from 2013/14 onwards.
- 5.6 Plymouth City Council therefore has two options to consider in terms of our Council Tax strategy for 2012/13.
- 5.7 Option one is to decline the Government's offer of a freeze grant, and apply an increase to our Council Tax. In round terms, for Plymouth City Council, each 1% increase represents £0.959m. Therefore a 2.5% increase, equivalent to the Government's grant funding, would generate additional income of £2.398m.
- 5.8 At this stage, the Government has set a threshold of 3.5% above which a council is obliged to call a referendum.
- 5.9 Option two is to freeze the Council Tax, and accept the Government's offer of a one-off specific grant equivalent to a 2.5% increase. This would generate an income of £2.398m for 2012/13 only. As this is a one-off grant payment, the Council should take great care before applying this funding to on-going revenue expenditure commitments.

6. Summary Revenue and Resources Position

- 6.1 In summary, the challenges to be addressed total 'one-off' pressures for 2012/13 of £1.770m and on-going pressure for 2012/13 of £2.900m, giving a total challenge to be addressed of £4.670m

One-off pressures 2012/13 £1.770m

New DIRECTORATE / Area	ONE OFF PRESSURES	Detail in report
PLACE		
	£m	
Accommodation Strategy	0.500	section 3.15
PLACE TOTAL	0.500	
PEOPLE		
Culture, Sport & Leisure	0.800	section 3.10
Culture, Sport & Leisure	0.220	section 3.9
PEOPLE TOTAL	1.020	
CORPORATE SERVICES		
Procurement	0.250	section 4.7
CORP SERVICES TOTAL	0.250	
TOTAL ALL DIRECTORATES	1.770	

On-going pressures 2012/13 £2.900m

New DIRECTORATE / Area	ON-GOING PRESSURES	Detail in report
PLACE		
	£m	
Environmental Services	0.560	section 3.11
Environmental Services	0.800	section 4.5
PLACE TOTAL	1.360	
CORPORATE ITEMS		
Other Corporate Itmes	1.000	section 2.10
Carbon Reduction	0.240	section 3.14
Other Corporate Itmes	0.300	section 4.11
CORP ITEMS TOTAL	1.540	
TOTAL ALL DIRECTORATES	2.900	

- 6.2 The impact of the additional Council Tax receipt, together with the transfer of the 2011/12 Council Tax Freeze Grant into Formula Grant, is an apparent increase in our revenue resources from the £201.1m detailed in our December Indicative Budget, to a revised £203.7m. It must be remembered however that the only new money at this stage is the additional Council Tax base at £0.195m

	2012/13 Indicative Budget	2012/13 Updated Budget	Movement
Revenue Resources	£m	£m	£m
Formula Grant	105.2	105.2	0.0
Council Tax	95.9	96.1	0.2
Council Tax Freeze Grant 2011/12	-	2.4	2.4
Total Resources Available	201.1	203.7	2.6

6.3 This report has also detailed the following sources of funding to close the current budget gap. At this stage, the Council has not declared its position in regard to whether to freeze the Council Tax for a second year, and accept the Government's one-off Council Tax Freeze Grant for 2012/13. This would be equivalent to a 2.5% increase which equates to funding of £2.398m. For purposes of this budget report, the assumption is additional income of £2.398m could be available and is therefore included in the calculations at this stage.

6.4 Including this amount of £2.398m gives us the following resources:

ADDITIONAL RESOURCES	£m	Detail in report
Council Tax Base Income	0.195	section 2.2
C/T or C/T Freeze Grant 2012/13?	2.398	sections 5.4 + 5.7
Waste Reserve	0.800	section 4.5
Pension Reserve	0.300	section 4.11
Corporate Items	0.200	section 2.5
Additional DP Management De-layering	tbc	section 2.12
Waste Reserve	tbc	section 3.12
TOTAL POSSIBLE RESOURCES	3.893	

6.5 As previously stated, we are still working to close the gap between the revenue budget costs and the available revenue resources. We are currently working to close a possible gap of £0.777m

	£m
One-off pressures 2012/13	1.770
On-going pressures	2.900
TOTAL PRESSURES	4.670
TOTAL POSSIBLE RESOURCES	3.893
BUDGET GAP	-0.777

6.6 It should be noted that the Settlement figures quoted in this report are still subject to final approval by the Government. The decision is expected early February.

7. Review of Fees and Charges

7.1 Councils have powers to charge for a wide range of services. Many of these powers derive from legislation that applies to specific service areas. However under the local Government Act 2003, Council's also have wide powers to charge for discretionary services.

7.2 Fees, charges and rents, will account for around 8% of the Council's income in 2012/13.

7.3 Service managers are required to review charges as part of the annual budget setting exercise unless a service review has been, or is due, to be undertaken. The underlying principle is that fees and charges should be reviewed annually and uplifted by the rate of inflation (RPI), currently 4.7%, with the exception of services where charges have been implemented or amended to fund services improvements or where benchmarking shows that the Council's costs may be low, (or high), in comparison to those charged elsewhere. In deciding whether to increase fees and charges departments continue to have regard to the current economic climate.

7.4 Any revisions to the 2012/13 fees and charges will be approved in line with the Council's constitution.

8. Capital Resources

8.1 The principle that capital schemes are only approved into the programme where specific funding has been clearly identified, and supported by business cases, is maintained. Thereby, the capital investment programme, at any set point in time, will evidence 100% funding allocation against approved schemes. Capital investment is prioritised to ensure that outcomes are maximised against the council's Priorities.

8.2 The Council continues to challenge the affordability of its four year capital programme for the period 2011/12 to 2014/15 which is shown, along with the funding, in Figures 1 and 2 below.

Figure 1: Four year proposed Departmental Capital Programme

	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s	Total £000s
Children's Services	15,727	25,431	15,987	5,948	63,093
Community Services	26,951	9,012	1,155	1,062	38,180
Corporate Support	7,662	6,547	521	0	14,730
Development & Regeneration	28,321	9,731	11,135	7,871	57,058
Total	78,661	50,721	28,798	14,881	173,061

Figure 2: Four year proposed Funding

	Capital Receipts £000s	Unsupported Borrowing £000s	Supported Borrowing £000s	Grants & Contributions £000s	S106 etc £000s	Revenue and Funds £000	Total £000s
2011/12	20,126	19,528	277	33,574	1,857	3,299	78,661
2012/13	9,955	5,195	47	33,177	957	1,390	50,721
2013/14	5,077	0	0	23,472	51	198	28,798
2014/15	0	0	0	13,294	1,250	337	14,881
Total	35,158	24,723	324	103,517	4,115	5,224	173,061

- 8.3 The Council remains committed to a significant capital investment programme despite the current economic climate. The Council, engaging with partners in major regeneration of the City, will not only contribute towards delivering improvement priorities, but will also help to sustain much needed work opportunities in the local area
- 8.4 The Council will continue to regularly review the assets that it owns to ensure that they are fit for purpose and optimise the use of capital receipts, where deemed beneficial, in order to support the overall capital investment programme. However, the ability to generate capital receipts has been severely impacted in the last couple of years due to significantly falling land and property prices.
- 8.5 This report needs to be read in conjunction with the third quarter Performance and Finance Report (including Capital Programme update) published February 2012.

9. Summary

- 9.1 This budget has been set under very challenging conditions, with unprecedented reductions in Government resources, both in terms of revenue grant and capital support.
- 9.2 Despite this operating environment, the Council is continuing its aims of transforming, modernising and increasing efficiency across the whole Council.
- 9.3 This budget builds on, where possible, protecting frontline services whilst rationalising and reducing the back office running costs.
- 9.4 All areas are under review, including initiatives to make savings from greater procurement efficiency, and invest to save projects, both revenue and capital, which will reduce future cost pressures.
- 9.5 As the Council undertakes transformation, there will be a need to reduce staff numbers, but this will continue to be managed in such a way as to reduce the need for redundancies.
- 9.6 At the time of writing, this report outlines a budget which still requires actions and plans to address a funding shortfall of circ £800k. Cabinet must consider how to close this shortfall to present a balanced budget to Council for sign off 27 February 2012. Currently we are
- 9.7 Every effort is being made to maximise efficiencies, minimise any Council Tax increase, and if possible freeze Council Tax for a second year.
- 9.8 The proposed final Revenue and Capital Budget for 2012/13 will be presented to Full Council 27 February 2012.

APPENDIX A

DIRECTORATE	11/12 £000s REVISED BASE BUDGET	12/13 £000s DEC TARGET BUDGET	12/13 £000s Additional PRESSURES	12/13 £000s Additional RESOURCE ALLOCATION	12/13 £000s TARGET BUDGET REVISED
Schools	0	0			0
Funded Programmes	0	0			0
Performance and Policy	355	275			275
Learner and Family Support	9,387	9,055			9,055
Lifelong Learning	10,794	10,794			10,794
Social Care	28,013	27,493			27,493
Childrens YP Budget Savings	(320)	(406)			(406)
Children & Young People	48,229	47,211	0	0	47,211
Adult Health and Social Care	71,867	70,267			70,267
Culture Sport and Leisure	9,447	9,217	1,020		10,237
Environmental Services	24,267	22,987	1,360	(800)	23,547
Safer Communities	2,024	2,024			2,024
Service, Strategy & Regulation	413	413			413
Community Services Budget Savings	0	(790)			(790)
Community Services	108,018	104,118	2,380	(800)	105,698
Planning Services	1,504	1,506			1,506
Strategic Housing	2,839	2,966			2,966
Business Support	24	(339)			(339)
Transport and Highways	13,511	13,636			13,636
Waste Management Project Team	420	306			306
Economic Development	(1,339)	(1,339)			(1,339)
Development Budget Savings	0	0			0
Development & Regeneration	16,959	16,736	0	0	16,736
Departmental Management	482	482			482
Policy Performance & Partners	1,137	1,130			1,130
Corporate Communications	572	572			572
Chief Executive Budget Savings	(30)	(164)			(164)
Chief Executive	2,160	2,019	0	0	2,019
Departmental Management	181	181			181
Finance, Assets & Efficiencies	12,952	12,772			12,772
HR Organisational Development	2,951	2,801			2,801
ICT Information Systems	5,797	5,697			5,697
Customer Services	2,155	2,055			2,055
Democracy and Governance	5,063	5,063			5,063
Corporate Support Budget Savings	(2,412)	(4,314)	750		(3,564)
Corporate Support	26,687	24,255	750	0	25,005
Other Corporate Items	(3,653)	(3,653)	1,540	(500)	(2,613)
Capital Financing	9,635	10,235			10,235
Major Projects	203	203			203
Corporate Items Budget Savings	0	0			0
Corporate Items	6,185	6,784	1,540	(500)	7,825
TOTAL REVENUE RESOURCES	208,237	201,123	4,670	(1,300)	204,493

TOTAL REVENUE BUDGET Dec 11	201,123
Add additional C/Tax income 12/13	195
Add C/T Freeze Grant 2011/12	2,398
REVISED RESOURCES	203,716
SHORTFALL	(777)

Assumes drawdown from Waste Reserve £0.800m / Pension Reserve £0.300m

PROVISIONAL SETTLEMENT 2012/13				APPENDIX B			
PCC Funding							
	MTFS Revenue Assumptions 12/13 Budget £m	2012/13 Provisional Settlement 8.12.11 £m	2012/13 Variation £m	Comments	Where it is a non ringfenced grant add detail of Commitments Against Funding (including Variation) £m		
Now Combined into FG	105.191	105.191	-				
Formula Grant	0	2.398	2.398	Replaced from specific grant			
Council Tax Freeze Grant re 11/12	95.922	96.117	0.195	Due to additional 157 Band D equivalent properties as at 30/11			
Council Tax Receipts	201.113	203.706	2.593				
Resources to fund NBR							
Specific Grants announced at settlement							
Is this grant ringfenced?	MTFS Revenue Assumptions 12/13 Budget £m	2012/13 Provisional Settlement 10.01.12 £m	2012/13 Variation £m	Comments	Where it is a non ringfenced grant add detail of Commitments Against Funding (including Variation) £m		
NO	2.277	2.411	0.134				
Learning Disability and Health Reform			£2.227 in CB				
NO	2.377	2.377	-				
HB Admin Grant			£2.377 in CB				
NO	1.070	1.538	0.468		Full amount linked to DP within department		
New Homes Bonus			£1.070 in CB. To meet spending plans within department - NF to explain to Malcolm				
LSSG - NO	0.154	0.154	-		Full amount committed		
LSSG for Lead Local Flood Authorities			£0.154 in CB				
LSSG - NO	0.575	0.575	-				
Preventing Homelessness			£0.575 in CB				
NO	11.710	12.018	0.308		Full amount committed		
Early intervention Grant			£11.710 as FG last yr. The £12.018 includes 2 yr old funding subject to Finance & Commissioning Board Approval				
LSSG - NO	0.142	0.176	0.034		Full amount committed		
Extended Rights & free travel			Split between School Transport Budget and Sustainable Transport Team				
YES	3.983	3.983	-				
Education PFI Revenue for operational projects			£4.929 in CB but includes schools income so comparable figure is £3,983				
YES	123.468	123.468	-				
Dedicated Schools Grant			DSG funding is standstill for 12/13, although subject to pupil numbers which will not be known until January 12				
YES	3.634	6.163	2.529				
Pupil Premium			£0.125 in CB - will be updated as part of schools budget prep workings				
			-				
	149.390	152.863	3.473				
	Specific Grants						
	350.503	356.569	6.066				
	TOTAL REVENUE FUNDING ANNOUNCED TO DATE						

CITY COUNCIL

27 February 2012



CABINET MINUTE 118A

Treasury Management Strategy Statement and Annual Investment Strategy 2012/13 - Recommendations to the City Council

Further to minute 118 above,

the City Council is Recommended to approve -

- (1) the Treasury Management Policy Statement as submitted in Appendix A to the written report;
- (2) the Treasury Management Strategy Statement for 2012/13;
- (3) the Investment Strategy for 2012/13 as set out in Sections 8 and 9 of the written report including the use of specified and non-specified investments;
- (4) the lending organisations and counterparty limits as set out in Appendix D to the written report;
- (5) the prudential indicators as set out in the written report covering the revised indicators/limits for 2011/12 and the forecasts/limits for 2012/13 to 2014/15;
- (6) the authorised borrowing limits of £309m, £284m and £274m for the period 2012/13 to 2014/15;
- (7) the operational boundary of £279m, £268m and £259m for 2012/13 to 2014/15;
- (8) the minimum revenue provision for debt redemption policy for 2012/13.

CABINET MINUTE 118 IS SET OUT BELOW FOR INFORMATION ONLY –

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2012/13

The Director for Corporate Services submitted a written report setting out the Council's Treasury Management Strategy for borrowing and Annual Investment Strategy.

The report indicated -

- (a) that the borrowing and investment strategy sought to balance financial returns from the Council's cash balances whilst at the same time minimising financial risk to the Council;
- (b) how the treasury management function contributed to the Council's overall policy objectives;
- (c) the risks inherent within the treasury management function and how officers would seek to minimise those risks;
- (d) that any amendments to the Treasury Management Strategy would require the approval of Cabinet with the exception of changes to the prudential indicators which required approval by the City Council;
- (e) that the strategy over the medium term would be to align borrowing with the capital financing requirement and investments with available balances and reserves;
- (f) that the Council would continue to regard risk, security and liquidity as the key factors in all its investments with the interest rate only considered after these prime objectives;
- (g) that following discussions with the Council's treasury management advisers, Arlingclose, it is proposed that investments were limited to a maximum of one year with organisations meeting the appropriate credit quality, with consideration to longer-term investments in pooled funds and government/corporate bonds;
- (h) the Council's prudential indicators for the next three years together with the minimum revenue provision for debt redemption policy for 2012/13;
- (i) that the CIPFA code of practice on treasury management required a formal mid year report and an end of year report to be presented to the City Council.

Agreed that the Director for Corporate Services, acting under delegated authority in accordance with the constitution, keeps the lending list under review and updates the list during the year as dictated by market circumstances.

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

CITY OF PLYMOUTH

Subject:	Treasury Management Strategy Statement and Annual Investment Strategy 2012/13
Committee:	Audit Sub-Committee Cabinet Full Council
Date:	27 January 2012 7 February 2012 27 February 2012
Cabinet Member:	Councillor Bowyer
CMT Member:	Director of Corporate Services
Author:	Andrew Liddicott, Senior Accountant
Contact:	Tel: 01752 307873 e-mail: andrew.liddicott@plymouth.gov.uk
Ref:	Acct/AL
Key Decision:	Yes
Part:	I

Executive Summary:

The Local Government Act 2003 requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. Officers have worked closely with the Council's Treasury Management advisors, Arlingclose Ltd, to review the options available to produce a borrowing and investment strategy that seeks to balance financial returns from the Council's cash balances whilst at the same time minimising financial risk to the Council.

This report outlines how the treasury management function contributes to the Council's overall policy objectives. It also outlines the risks inherent within the treasury management function and how officers will seek to minimise those risks.

The borrowing and investment policies proposed in this report therefore offer flexibility for the Director for Corporate Services, acting under delegated powers in accordance with the Constitution, to respond quickly to market circumstances without the need to seek prior Cabinet approval. Any amendments to the Treasury Management Strategy will require the approval of Cabinet with the exception of changes to the Prudential Indicators which can only be approved by Full Council.

The strategy over the medium term will be to align borrowing with the Capital Financing Requirement and investments with available balances and reserves.

The Council will continue to regard Risk, Security and Liquidity as the key factors in all its investments with the interest rate achieved only considered after these prime objectives. Following discussions with Arlingclose it is proposed that investments be limited to a maximum of one year with organisations meeting the appropriate credit quality, with consideration to longer-term investments in pooled funds and government/corporate bonds. Further details are outlined in the report.

This report also outlines the Council's Prudential Indicators for the next three years as required by the Local Government Act 2003, together with the MRP policy for 2012/13 required under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. These require approval by Full Council. The CIPFA Code of Practice on Treasury Management requires a formal mid year report and an end of year report, as a minimum, to be produced and presented to Full Council.

Corporate Plan 2012-2015:

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

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

Treasury Management affects the Council's budget in terms of borrowing costs and investment returns.

Other Implications: e.g. Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion

The volatility and uncertainty within the global financial markets continues to have a substantial effect on Treasury Management activities. The Council's investment strategy is constantly monitored and acted upon through the Treasury Management Board which meets weekly. The report outlines the risks specific to the treasury management function.

Recommendations & Reasons for recommended action

- 1 To request the Director of Corporate Services, acting under delegated authority in accordance with the Constitution, to keep the lending list under review and update the list during the year as dictated by market circumstances.
2. To recommend Full Council approve:
 - (a) The Treasury Management Policy Statement (Appendix A to this report)

- (b) The Treasury Management Strategy Statement for 2012/13
- (c) The Investment Strategy for 2012/13 set out in Sections 8 and 9 of the report including the use of Specified and Non-Specified Investments
- (d) The Lending Organisations and Counterparty limits set out in Appendix D
- (e) The Prudential Indicators set out in the report covering the revised indicators/limits for 2011/12 and the forecasts/limits for 2012/13 to 2014/15
- (f) The Authorised Borrowing limits of £309m, £284m and £274m for the period 2012/13 to 2014/15
- (g) The Operational Boundary of £279m, £268m and £259m for 2012/13 to 2014/15
- (h) The MRP policy for 2012/13

Alternative options considered and reasons for recommended action:

It is statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual Treasury Management Strategy for borrowing and prepare an Annual Investment Strategy. This strategy including Prudential Indicators and the MRP policy must be approved by Full Council.

Background papers:

Treasury Management budget working papers

Sign off:

Fin	DN/CorpF1112 002/11.01.12	Leg	13768/DVS	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member : Malcolm Coe											

Treasury Management Strategy Statement and Annual Investment Strategy 2012/13

I. Introduction/Background

I.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”) requires local authorities to set a Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the CLG’s Investment Guidance.

I.2 CIPFA has defined Treasury Management as:

“the management of the organisation’s investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

I.3 The Council’s Treasury Management Policy Statement is set out in Appendix A. Treasury Management activity is a key factor for the Council achieving its objectives. The strategy takes into account the impact of the Council’s revenue budget and capital programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates.

I.4 Each year, Officers work with the Council’s Treasury Management advisors, currently Arlingclose, to develop a strategy that seeks to balance financial returns from the Council’s cash balances whilst at the same time minimising, as far as possible, the risks associated with treasury management activity. The Council’s detailed Treasury Management Strategy and Annual Investment Strategy is presented to an Audit Sub-Committee for scrutiny, prior to submission to Cabinet and Full Council for final approval.

I.5 The purpose of this Treasury Management Strategy Statement is to approve the:

- Treasury Management Strategy for 2012/13;
- Annual Investment Strategy for 2012/13 including the use of Specified and Non-Specified investments;
- Prudential Indicators for 2012/13, 2013/14 and 2014/15;
- MRP Statement; and
- Counterparty List applicable from 1 April 2012

I.6 A key element of Treasury Management is the management of risk. The Authority is responsible for its treasury decisions and activity. No treasury management activity is without risk and this is covered in this report.

I.7 As per the requirements of the Prudential Code, the Authority has adopted the CIPFA Treasury Management Code at its meeting of Full Council in April 2002. The council has incorporated the changes from the revision to the CIPFA Code of Practice in 2009 and 2011 into its treasury policies, procedures and practices.

I.8 All treasury management activity will comply with relevant statute, guidance and accounting standards

2. Treasury Management Risk

2.1 No treasury management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of the Council's treasury management activities. The CIPFA code lists risks to treasury activity as:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal & Regulatory Risk (i.e. non-compliance with statutory and regulatory requirements, risk of fraud)

2.2 The Council will continue to minimise risks contained within its current debt and investment portfolios by establishing an integrated debt management and investment policy which balances certainty and security with liquidity and yield. The Council will continue to make use of internal borrowing and short term variable rate borrowing, whilst at the same time seeking to balance its investments across a range of investment instruments. Further details of specific risks in the current borrowing and investment portfolios are outlined in the relevant sections.

2.3 Risk is managed by way of the limits set within the Prudential and Treasury Indicators which are required to be approved by Full Council before the start of each financial year.

3. The Use of Financial Instruments for the Management of Risks

3.1 Financial Instruments called derivatives are generally used to hedge risk, but can also be used for speculative purposes. Derivatives are instruments that can be bought to offset the risk of investments or debt held by the Council. They can be used to provide a hedge against interest rate risks. An example would be an interest rate swap used to exchange variable interest rates for fixed interest rates or vice versa reducing the risk of exposure to large levels of variable or fixed debt and balancing this against the mixture of variable and fixed rate investments.

3.2 Currently Local Authorities' legal powers to use derivative instruments remain unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently the Authority does not intend to use derivatives.

3.3 Should the position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives such as interest swaps and options, but this change in strategy will require Full Council approval.

4. The Council's Forecast Treasury Position

4.1 This report including Prudential Indicators is based on the latest available information on the Capital Programme and financing for 2011-12 to 2014-15. This is subject to approval by Cabinet on 7th February 2012. Any amendments to Prudential Indicators as a result of updates to the Capital Programme will be reported as a supplement to this report to be

approved by Full Council on 27th February 2012.

- 4.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with the Cash Backed Internal Balances, are the core drivers of the Authority's Treasury Management activities. The movement in actual external debt and balances combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years. The forecast CFR, borrowing, balances and the resulting net borrowing requirement is set out in table I below.

Table I

	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m	2104/15 Estimate £m
Total CFR	270.235	260.698	251.399	242.480
Less: Existing profile of borrowing	204.403	191.315	191.315	191.315
Other Long Term Liabilities	35.016	33.776	32.502	31.191
Cumulative Maximum External Borrowing Requirement	30.816	35.607	27.582	19.974
Internal Balances*	60.354	51.700	66.689	71.336
Cumulative Net Borrowing Requirement/(Investments)	(29.538)	(16.093)	(39.107)	(51.362)

*Internal Balances includes MRP that can be used to repay debt/reduce future borrowing requirements

- 4.3 The actual and estimated treasury position for 31/3/2012 and 31/3/2013 is as follows:

Table 2

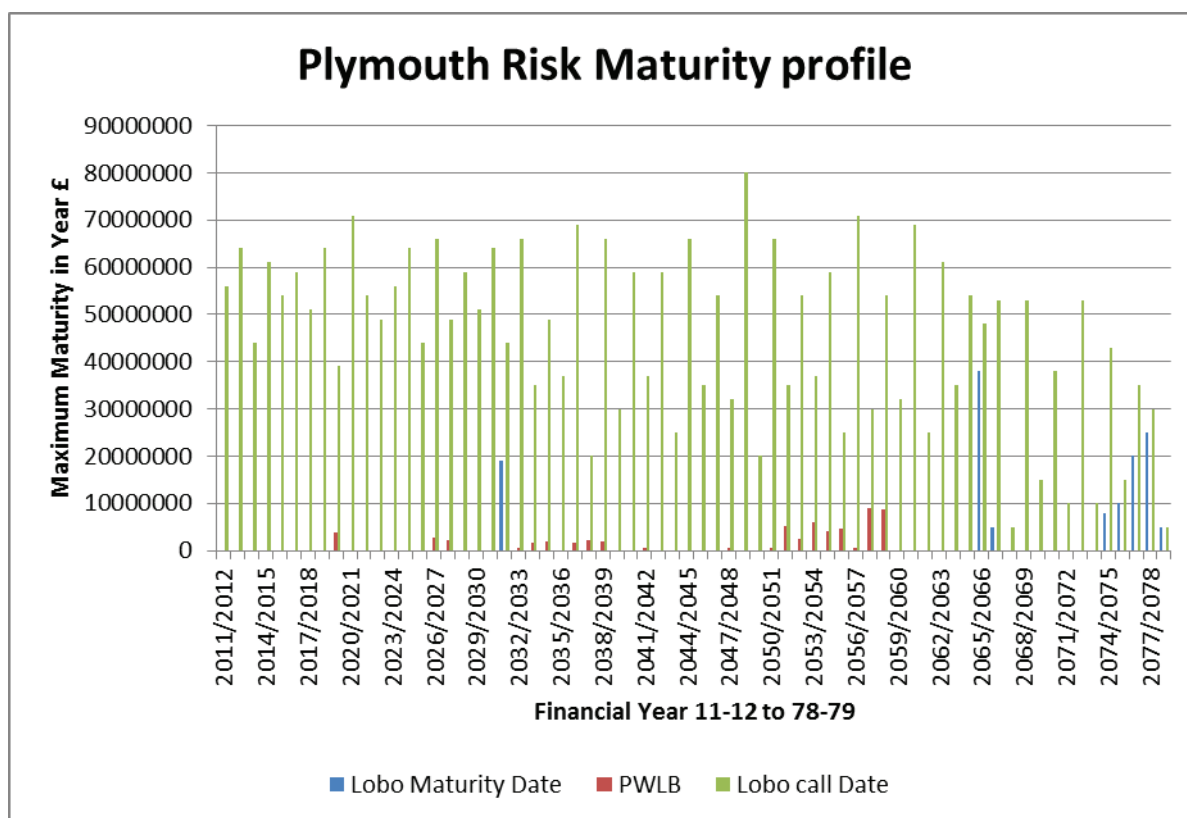
	11/01/2012 Actual £m	Ave %	31/3/2012 Estimate £m	Ave %	31/3/2013 Estimate £m
External Borrowing					
Fixed Rate PWLB	61.315	5.40	61.315	5.40	61.315
Fixed Rate – Lobo	66.000	4.41	66.000	4.41	86.000
Variable Rate – Lobo	64.000	4.43	64.000	4.43	44.000
Temporary Borrowing	10.000	0.30	15.000	0.30	7.179
Fixed Rate Bonds	0.083	1.00	0.083	1.00	0.083
Sub Total External Borrowing	201.398	4.51	206.398	4.41	198.577
PFI	31.017	8.73	31.017	8.73	30.247
Finance Leases	2.759		2.759		2.255
Total External Debt	235.174		240.174		231.079
Total Investments	78.007	1.00	53.000	1.00	52.000

- 4.4 Lobo loans are lender option borrower option loans, where the lender has the option to vary the rate at pre-agreed dates and the borrower then has the option to accept this rate or repay the loan. The option dates are set for periods ranging from 2 to 5 years. Where the period to the option date is one year or greater the loan is treated as a fixed rate. Where the period to the option date falls below one year the loan then becomes potentially subject to a change in rate in that year and therefore the loan is treated as a variable rate loan.
- 4.5 The Portfolio above allows for a reduction in short-term borrowing and an emphasis on internal borrowing due to current credit conditions. Internal borrowing using available balances is forecast to be £43m at 31st March 2012. This is subject to variation based on changes in forecast cashflow. If credit conditions improve and short-term rates remain low, further borrowing will be considered reducing the level of internal borrowing and increasing the level of both external debt and investments at 31st March 2012 and 31st March 2013.

4.6 Debt Maturity

The following graph shows the maturity profile of the Council’s external debt.

Figure 1



*The debt portfolio continues to include £130m of LOBO (market) loans. These loans have various option call dates where the banks have the ability to amend the loan terms and at which point the Council could choose to repay the loan if the terms are changed adversely. This is reflected within the maturity profile shown above (in green) to enable officers to risk manage the Council’s cashflows.

- 4.7 The debt portfolio continues to have a higher weighting of market (LOBO) loans to PWLB. LOBO loans inherently carry a higher risk than PWLB loans as the Council

cannot effectively control the repayment of such loans and is unable to take advantage of rescheduling opportunities when interest rates change. This will be addressed over time with any new long term borrowing taken in PWLB loans.

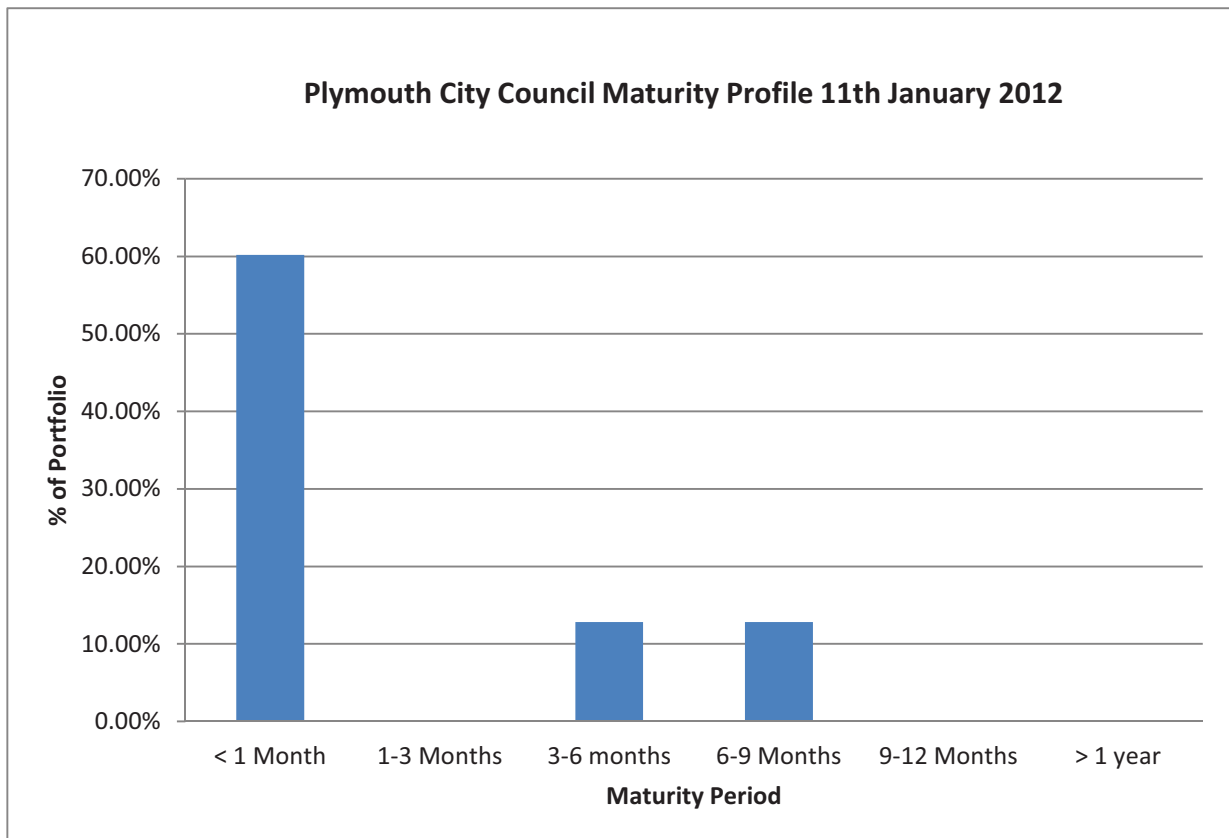
4.7 The estimate for interest payable during 2012/13, as included in the revenue budget, is £9.060m. This compares to the latest forecast for 2011/12 of £9.216m. The forecast reduction is based on a lower estimated level of short-term debt.

4.8 **Investments**

The Council’s investments at 11 January 2012 are £78.007m, estimated to reduce to £53m at the end of the year based on forecast cashflow requirements and the continued strategy of using internal balances to cover the borrowing requirement for capital expenditure. The actual position at year end will depend on the continuation of this strategy and the credit conditions for the rest of the financial year.

The graph below shows the current maturity profile of the Council’s investments.

Figure 2



4.9 The Council's investments at 11 January 2012 were as follows:

Table 3

Counterparty	Total
	£m
Iceland	11.062
Banco Santander	
Santander UK	9.915
Lloyds Banking Group	
Bank of Scotland	10.475
Barclays	15.000
Royal Bank of Scotland (RBS)	16.555
Nationwide	15.000
Total	78.007

4.10 In terms of risk management, with the exception of the £11.062m still held in Iceland, the investment portfolio is now held either in UK banks or building societies, or UK subsidiaries of foreign banks. These banks are viewed as systemically important to the UK economy and as such in the short to medium term would have the support of the UK government. Whilst these institutions continue to have this support, there is a risk, albeit a small risk, should the UK Government, i.e. our sovereign state, collapse.

4.11 The estimate for interest receipts for 2012/13 as included in the revenue budget proposals is £0.53m.

5. Interest Rate Forecasts

5.1 The economic and interest rate forecast provided by the Authority's treasury management advisor, Arlingclose, is attached at appendix B. The Authority will reappraise its strategy from time to time in response to evolving economic, political and financial events.

6 The Council's Borrowing Requirement and Prudential Indicators

6.1 The underlying need to borrow for capital

6.1.1 The underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR). The CFR represents the cumulative capital expenditure of the local authority that has not been financed. To ensure that this expenditure will ultimately be financed, local authorities are required to make a Minimum Revenue Provision for Debt Redemption (MRP) from within the revenue budget each year. The estimated MRP included in the 2012/13 budget is £8.59m.

6.2 Table 4 below shows the estimated CFR over the medium term.

Table 4 Prudential Indicator- CFR

Capital Financing Requirement	31/3/2012 Approved £m	31/3/2012 Revised £m	31/3/2013 Estimate £m	31/3/2014 Estimate £m	31/3/2015 Estimate £m
Total CFR	269.456	270.235	260.698	251.399	242.480

- 6.3 Capital expenditure not financed from internal resources, i.e. not from capital receipts, capital grants and contributions, revenue or reserves, will produce an increase in the CFR (the underlying need to borrow) and may in turn produce an increased requirement to charge MRP to the Revenue Account.
- 6.4 The funding of the capital programme is kept under constant review. Due to the removal of supported borrowing previously included within the settlement for capital programmes, replaced by grant, the majority of borrowing taken to cover capital expenditure is unsupported funding with the full cost of this borrowing being met from the Council's revenue budget. Due to the pressure on the revenue budget any capital schemes requiring unsupported borrowing will be limited. The estimated borrowing requirement forecast to cover the capital programme over the next 3 years based on the current approved programme is:

	£m
2012/13	5.242
2013/14	Nil
2014/15	Nil

An additional £3.066m of short-term borrowing may be required in 2012/13 to cover the timing differences in realising capital receipts. This borrowing will be repaid from expected capital receipts in the following year. The borrowing requirement is expected to be met from short-term borrowing, cashflow and internal balances.

- 6.5 Actual borrowing may be greater or less than the CFR but, in accordance with the Prudential Code, the Council will ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimated additional CFR for the current and next two financial years. The Council will have no borrowing in advance at 1 April 2012.
- 6.6 Under Section 3 of the Local Government Act 2003 and supporting regulations the Council must determine and keep under review how much it can afford to borrow. The Council is required to set two limits:
- The Authorised Limit
 - The Operational Boundary
- 6.7 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments). The limits include any PFI or Finance Lease repayments. The limits proposed for the medium period are shown in table 5.

Table 5 Prudential Indicator – Authorised Limit for External Debt

Authorised Limit for External Debt	2011/12 Approved £m	2011/12 Revised £m	2012/13 Limit £m	2013/14 Limit £m	2014/15 Limit £m
Borrowing	337	256	275	251	243
Other Long-term Liabilities	31	35	34	33	31
Total	368	291	309	284	274

- 6.8 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario, but without the additional headroom included within the Authorised Limit. Table 6 shows the Operational Boundary proposed for the medium term period.

Table 6 Prudential Indicator – Operational Boundary for External Debt

Operational Boundary for External Debt	2011/12 Approved £m	2011/12 Revised £m	2012/13 Limit £m	2013/14 Limit £m	2014/15 Limit £m
Borrowing	312	236	245	235	228
Other Long-term Liabilities	31	35	34	33	31
Total	343	271	279	268	259

- 6.9 The Borrowing limits are required to be formally approved by Full Council and, whilst these can be amended during the year, any amendment also requires Full Council approval. The limits will reduce in 2013/14 and 2014/15 as debt is repaid and the forecast borrowing for the capital programme is reduced.
- 6.10 The Director for Corporate Services has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Full Council.
- 6.11 The Prudential Code requires that capital expenditure remains within sustainable limits and, in particular, requires authorities to consider the impact on Council Tax. The tables below show the anticipated capital expenditure over the period to 2014/15, as outlined in the latest approved capital programme, and how this expenditure will be financed.

Table 7 Prudential Indicator – Estimates for Capital Expenditure

Capital Expenditure *	2011/12 Approved £m	2011/12 Revised £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
Total	85.201	78.662	50.721	28.7978	14.881

The capital expenditure is expected to be financed as follows:

Table 8

Capital Financing *	2011/12 Approved £m	2011/12 Revised £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
Capital Receipts	19.642	20.126	9.955	5.077	-
Grants and Contributions	42.642	33.575	33.177	23.472	13.294
Section 106/Tariff	6.573	1.857	0.956	0.051	1.250
Revenue/Fund	0.015	3.298	1.391	0.198	0.337
Total Financing	68.872	58.856	45.479	28.798	14.881
Borrowing:					
Supported Borrowing	0.078	0.277	0.047	-	-
Unsupported Borrowing	16.251	19.529	5.195	-	-
Total Borrowing Requirement	16.329	19.806	5.242	-	-
Total Financing	85.201	78.662	50.721	28.798	14.881

*The 2011/12 approved figures are as per the 2011/12 budget book with the 2011/12 revised and 2012-13 to 2014/15 estimates based on the latest forecast in the Quarter 3 capital monitoring report.

6.12 Incremental Impact of Capital Investment Decisions

As an indicator of affordability the table below shows the impact of capital investment decisions on Council Tax. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Table 9 Prudential Indicator – Incremental Impact of Investment Decisions

Incremental Impact of Capital Investment Decisions	2011/12 Approved £	2011/12 Revised £	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £
Increase in Band D Council Tax	1.96	0.81	0.92	5.12	7.44

6.13 The impact on the Council Tax in 2012/13 and future years reflect the cumulative cost of financing the approved capital programme in 2012/13 to 2014/15.

6.14 Ratio of Financing Costs to Net Revenue Stream

The ratio of financing costs to the Council's net revenue stream 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 borrowing costs. The ratio is based on the costs net of investment income.

Table 10 Prudential Indicator – Ratio of Financing Costs to Net Revenue Stream

Ratio of Financing Costs to Net Revenue Stream	2011/12 Approved %	2011/12 Revised %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %
	7.29	6.90	8.56	8.67	8.42

7 **The Borrowing Strategy for 2012/13**

- 7.1 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The interest rate forecast provided in Appendix B indicates that an acute difference between short and longer term interest rates is expected to continue. This difference creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments because of the gap between what is paid on the borrowing and what is earned on the investment. Whilst the cost of carry can be assumed to be a reasonably short-term issue since borrowing is often for longer dated periods (anything up to 50 years), it cannot be ignored against a backdrop of uncertainty and affordability constraints in the Authority's wider financial position.
- 7.2 The Authority's current level of debt and investments is set out at Table 1 and Table 2 in section 4 of this report.
- 7.3 Although the Authority is able to borrow funds in excess of the current level of its CFR up to the projected level in 2014/15, the reducing CFR forecast as a result of MRP being in excess of any new borrowing over the next 3 years means any borrowing will be limited to the in year CFR.
- 7.4 As indicated in Table 1 in Section 4 of this report, the Authority has a forecast gross borrowing requirement of £35.607m in 2012/13 but has sufficient balances to avoid the need for external borrowing. By essentially lending its own surplus funds to itself, the Authority is able to minimise borrowing costs and reduce overall treasury risk by reducing the level of its external investment balances. If credit conditions improve, the Director for Corporate Services will consider externalising this borrowing using short – term loans or long-term loans as part of a balanced maturity profile within the Prudential Indicators included in this report. The Council will adopt a flexible approach to

borrowing in consultation with its treasury management advisors, Arlingclose. The following issues will be considered prior to undertaking any external borrowing.

- Affordability
- Credit and Counterparty risk of increased investments
- Maturity profile of existing debt
- Interest rate and refinancing risk
- Borrowing Source

7.5 Borrowing options available to the Council are:

- PWLB loans
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Local authority stock issues
- Structured finance
- Leasing

7.6 The cost of carry has resulted in an increased reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The Authority's exposure to shorter dated and variable rate borrowing is kept under regular review by reference to the difference or spread between variable rate and longer term borrowing costs. A narrowing in the spread by 0.5% will result in an immediate and formal review of the borrowing strategy to determine whether the exposure to shorter dated and variable rates is maintained or altered.

7.7 The Authority has £130m exposure to LOBO loans (Lender's Option Borrower's Option) of which £64m of these can be "called" within 2012/13. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the Borrower can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion.

Any LOBOs called will be discussed with the treasury advisers prior to acceptance of any revised terms. The default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted.

7.8 **Debt rescheduling**

The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.

The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities arise. The rationale for undertaking any debt rescheduling would be one or more of the following:

- Savings in risk adjusted interest costs
- Rebalancing the interest rate structure of the debt portfolio
- Changing the maturity profile of the debt portfolio

As opportunities arise, they will be discussed with the Council’s treasury advisors.

7.9 Borrowing and rescheduling activity will be reported to the Cabinet in the quarterly monitoring report and formal treasury management mid-year and annual reports will be presented to Audit Committee and Full Council.

7.10 The following Treasury Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

Table 11 Treasury Indicator – Upper Limits for Interest Rate Exposure

	2011/12 Approved %	2011/12 Revised %	2012/13 Limit %	2013/14 Limit %	2013/14 Limit %
Upper Limit for Fixed Interest Rate Exposure	200	225	200	200	200
Upper Limit for Variable Interest Rate Exposure	85	85	50	50	50

7.11 The Council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt.

Table 12 Treasury Indicator – Maturity Structure of Fixed Rate Borrowing

Maturity structure of fixed rate borrowing	Approved Upper limit for 2011/12 %	Upper Limit for 2012/13 %	Lower Limit for 2012/13 %
under 12 months	50	50	0
12 months and within 24 months	70	60	0
24 months and within 5 years	35	40	0
5 years and within 10 years	25	25	0
10 years and within 20 years	25	30	0
20 years and within 30 years	25	30	0
30 years and within 40 years	25	25	0
40 years and within 50 years	35	40	0
50 years and above	50	25	0

These limits are based on the risk of Lobo loans being called and repaid at the next option date and not at the final maturity date.

- 7.12 The update of the CIPFA Treasury Management Code of Practice issued in November 2011 introduced an additional Prudential Indicator to highlight a situation where the Council is planning to borrow in advance of its cash requirements. This can be expressed as a limit on the percentage of net debt against gross debt as set out in table 13 below.

Table 13 Treasury Indicator – Gross and Net Debt – Limit of net debt as a percentage of gross debt.

Net Debt as a % of Gross Debt	2011/12 Estimated %	2012/13 Limit %	2013/14 Limit %	2014/15 Limit %
Upper Limit	80	80	80	80
Lower limit	36	35	35	35

The upper limit allows for periods where deposits are reduced, due to cashflow and the use of internal borrowing, to reduce credit risk. The lower limit allows for periods where cash and investments are increased due to positive cashflow, particularly in periods where grant funding is received. The higher the % the lower the credit risk of holding higher level of investments. CIPFA has acknowledged that the upper limit does not work as was intended and is working on a revised indicator. This indicator will be amended once revised guidance has been received from CIPFA and will be included in the Treasury Management mid-year report.

7.13 Tax Incremental Financing

In its White Paper “Local Growth: realising every place’s potential” which was released in November 2010, the Government outlined its plans to give councils the tools to promote growth, including giving more freedom for local authorities to make use of additional revenues to drive forward economic growth in their areas. To this aim they

are looking to introduce new borrowing powers to enable authorities to carry out Tax Incremental Financing (TIF).

In determining the affordability of borrowing for capital purposes, local authorities take account of their current income streams and forecast future income. Currently this does not factor in the full benefit of growth in local business rate income. TIF will enable local authorities to borrow against a future additional uplift to their business rates base. This will require new legislation and will be closely linked to another Government initiative concerning the localisation of business rates i.e. local retention of business rate income. It will be important to manage the costs and risks of this borrowing alongside wider borrowing under the Prudential Code.

Further information will be available via the Local Government Resource Review which is due to be announced shortly.

ANNUAL INVESTMENT STRATEGY 2012-13

8 Investment Policy

- 8.1 In accordance with Investment Guidance issued by the CLG and best practice this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yields earned on investments is important but are secondary considerations.
- 8.2 Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets. In some instances, Greece and Italy being the most notable examples, the extent and implications of the debt it has built up have lead to a sovereign debt crisis and a banking crisis with the outcome still largely unknown. It is against this backdrop of uncertainty that the Authority's investment strategy is framed.
- 8.3 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG.

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

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

Table 13 Specified and Non-Specified Investments

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

8.5 A number of changes have been implemented to the investment strategy for 2012/13 in response to changes in the CLG Guidance and evolving conditions in financial markets. This results in the inclusion of corporate bonds which the CLG have indicated will become an eligible non-capital investment from 1st April 2012. However, the principal amendments are in relation to the individual institutions with which the Authority is prepared to lend its funds and the reduction in deposit maturities with these banks/building societies from 2 years as set in the 11-12 strategy to 1 year for the 12-13 strategy. The director of Corporate Services has delegated authority to manage counterparty limits with the maximum maturity limits set out within the 2012-13 investment strategy.

8.6 The financial institution credit rating limits in place and proposed for 12-13 is a minimum long-term rating of A- or equivalent and a minimum short-term rating of F1 or equivalent with a minimum long-term sovereign rating for non UK countries of AA+ or equivalent. The financial institution limit proposed is lower than the A+ minimum originally adopted in 2011/12 and is a response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system. The minimum credit rating required to be met from all three credit rating agencies are:

Fitch Long-Term (LT) A- Short-Term (ST) F1
 Moody's Long-Term (LT) A3 Short-Term (ST) P-1

Standard & Poor's Long-Term (LT) A- Short-Term (ST) A-I

8.7 In response to these downgrades it is proposed to reduce the counterparty limits for Non-UK banks from £10m to £5m whilst increasing the limits available for using Money Market Funds (MMF's) from 10% to 20% of the investment portfolio and Bonds issued by multilateral investment banks from 10% to 20% to increase the flexibility and security of investments at times of increased credit risk.

8.8 Within the criteria set out above new specified and non-specified investments will be made/considered within the following limits:

Specified Investments				
Investment		Minimum Security / Credit Rating	Maximum Amount	Maximum Period
Term Deposit UK Government	DMADF (DMO)	Government Backed	No limit	12 Months
Term Deposits/Bills	UK Local Authorities: Unitary Councils County Councils Metropolitan Councils London Borough Councils	High Security	£5m	12 Months
Term Deposits / CD's / Call Accounts (including callable deposits)	UK Banks / Building Societies	Minimum credit rating: Fitch LT A- St FI Moody's LT A3 ST P-I S&P LT A- ST A-I	£30m	12 Months
Term Deposits / CD's / Call Accounts (including callable deposits)	Non-UK Banks	Minimum credit rating: Fitch LT A- St FI Moody's LT A3 ST P-I S&P LT A- ST A-I In select countries with a minimum Sovereign Rating of AA+	£5m	12 Months
Gilts	UK Government	Government Backed	20% of total investments	12 Months
T-Bills	UK Government	Government Backed	No limit	12 Months
Bonds issued by multilateral development banks	Non-UK	AAA or Government Guaranteed	20% of total investments	12 Months
Corporate Bonds	UK Companies	Minimum credit rating: Fitch LT A- St FI Moody's LT A3 ST P-I S&P LT A- ST A-I	10% of total Investment	12 Months
Commercial Paper *	UK Companies	Minimum credit rating: Fitch LT A- St FI Moody's LT A3 ST P-I S&P LT A- ST A-I	10% of total Investments	9 Months
Money Market Funds	CNAV MMF's VNAV MMF's (where there is greater than	AAA	20% of total investments Max £5m	Call

	12 month history of a consistent £1 Net Asset Value)		per fund limited to 0.5% of total fund value	
Other MMF's and Collective Investment Schemes	Various	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments	£10m	No set maturity date

* Commercial Paper (CP) is a short-term unsecured promissory note with a fixed maturity of 1 to 270 days. It is a money-market security issued (sold) by large banks and corporations to raise funds to meet short term debt obligations (for example, payroll), and is backed by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Although originally a paper instrument (hence the name), CP is now issued electronically and the notes are held in accounts on a central electronic register.

The reduction in the proposed strategy to limit investment with Banks and Building Societies to a maximum of one year limits the investments that are available to be used that fall within the category of Non-Specified Investments. These investments are required to be identified separately to ensure the Council understands these are higher risk, either due to counterparty risk, liquidity risk and/or interest rate risk. The Council has traditionally invested in term deposits or call accounts, although the annual strategy statements have outlined a number of other specified and non-specified instruments. Non-specified investments available to be used in 2012/13 are detailed below.

Non-Specified Investments				
Investment		Minimum Security / Credit Rating	Maximum Amount	Maximum Period
Term Deposits	UK Local Authorities: Unitary Councils County Councils Metropolitan Councils London Borough Councils	High Security	£5m	2 Years
Gilts *	UK Government	Government Backed	20% of overall investments	10 Years
Bonds issued by multilateral development banks *	Non-UK	AAA or Government Guaranteed	20% of overall investments	10 Years
Other MMF's and Collective Investment Schemes *	Various	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments	£10m	No set maturity date

*Investments in Gilts, Bonds and Collective Investment Schemes will be considered following the advice of our Treasury Management Advisors, Arlingclose.

8.9 Credit risk prudential Indicator

8.10 The Council considers security, liquidity and yield, in that order, when making investment decisions.

8.11 Credit ratings remain an important element of assessing risk but they are not a sole feature in the Council's assessment of credit risk.

8.12 The Council also considers alternative assessments of credit strength and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings for financial institution (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns systemically important to the financial system)
- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)
- Sovereign support mechanisms/potential support from well-resourced parent institutions
- Share Prices (where available)
- Macro-economic indicators
- Corporate developments, news, articles, market sentiment and momentum

8.13 In addition Arlingclose have developed the following matrix to score the credit risk of an authority's investment portfolio:

- Value weighted average credit risk score
- Value weighted average credit rating score
- Time weighted average credit risk score
- Time weighted average credit rating score

Scoring methodology:

- Value weighted average reflects the credit quality of investments according to the size of the deposit
- Time weighted average reflects the credit quality of investments according to the maturity of the deposit
- Credit quality is calculated as:
 - AAA = highest credit quality = 1
 - D = lowest credit quality = 15

The Council will aim for A- or higher credit rating, with a score of 7 or lower, to reflect an investment approach with its main focus on security within the proposed use of counterparties and investment limits set in this report.

- 8.14 Any institution can be suspended or removed should any of the factors identified above give rise to concern.

The countries and institutions that meet the criteria for term deposits, Certificates of Deposit (CDs) and call accounts up to 12 months are included in Appendix C together with the limits in place at 11.01.2012.

It remains the Authority's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

- 8.15 **Authority's Banker** – The Authority banks with the Co-operative Bank. At the current time it *does not* meet the minimum credit criteria of A- (or equivalent) long term and FI or equivalent short-term. *Despite the credit rating being below the Authority's minimum criteria the Co-operative Bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.*

This policy has been implemented in the revised strategy for 11/12 approved by Cabinet on 29th November 2011.

9 Investment Strategy

- 9.1 Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets. In some instances, Greece and Italy being the most notable examples, the extent and implications of the debt it has built up have led to a sovereign debt crisis in the Eurozone. An age of austerity has been used as an attempt to reduce debt levels with the IMF increasing funds available to aid Countries in financial difficulties. Despite a number of meetings of European Union member countries, the Eurozone crisis is far from being resolved and the final outcome is still largely unknown. It is against this backdrop of uncertainty that the Authority's investment strategy is framed.
- 9.2 With short-term interest rates low for even longer, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.
- 9.3 In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved investment counterparties in order to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.

9.4 Money Market Funds (MMFs) will be considered but good treasury management practice prevails and whilst MMFs provide good diversification the Authority will also seek to diversify any exposure by utilising more than one MMF. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF.

9.5 The Council's in-house investments are made with reference to the outlook for the UK Bank Rate and money market rates. The current counterparty list and investment strategy permits the Council to invest in:

- The Debt Management Agency Deposit Facility (DMO)
- Treasury Bills (T-Bills) issued by the UK Government
- Term deposits or business reserve accounts with UK banks or building societies systemically important to the UK economy
- UK nationalised/part nationalised banks
- Deposits with other local authorities
- Deposits with highly credit rated foreign banks, on the advice of Arlingclose (not currently used)
- Certificate of deposits with banks and building societies
- Bonds issued by multilateral development banks
- Gilts (Bonds issued by the UK government)
- UK Government Treasury Bills (T-Bills)
- AAA-rated Money Market Funds (MMF) with a Constant Net Asset Value (Constant NAV investing predominantly in government securities (not currently used)
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) investing in instruments issued primarily by financial institutions (not currently used)
- AAA-rated Money Market Funds with a Variable Net Asset Value (VNAV)
- Other Money Market Funds and Collective Investment Schemes which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573

In addition to these available investments, new investment types proposed for 2012-13 to give greater flexibility within the risks identified in this report are:

- UK Government Gilts
- Commercial Paper
- Corporate Bonds

9.6 The Council needs to maintain flexibility in its investment options if it is to be able to respond quickly to changing circumstances, and the above list continues to outline a number of investment instruments available for use in the coming year. The inclusion of such instruments on the list will afford the Director for Corporate Services, acting under delegated authority in accordance with the Constitution and in consultation with the Treasury Management Board, the flexibility required to manage the investment portfolio on a day to day basis responding to market conditions without the need to seek prior Council approval for changes. Inclusion of an instrument on the list does not mean that the Council will necessarily make use of these during the year. New organisations and

instruments would not be used without careful monitoring of the credit risk, and, liaison with our treasury advisors.

- 9.7 In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office (DMADF) and UK Treasury Bills. The rates of interest from the DMADF/T-Bills are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.
- 9.8 The Council and its treasury advisors, Arlingclose, will continue to analyse and monitor the indicators set out in 8.12 and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.
- 9.9 The Council will keep a minimum of £15m in liquid call accounts at all times to ensure cash is available to meet its liabilities.
- 9.10 The UK Bank Rate has been maintained at 0.5% since March 2009, and is anticipated to remain at low levels throughout 2012/13. Short-term money market rates are likely to remain at very low levels for an extended period which will have a significant impact on investment income.
- 9.11 To protect against a lower for longer prolonged period of low interest rates and to provide certainty of income some longer-term investment options, set out below, may be considered during 2012/13 following the advice of our treasury advisors, Arlingclose.
- UK Government Gilts. Rates on offer have fallen sharply over the past year but these investments provide the highest level of security and may be considered if credit conditions worsen.
 - Deposits with Local Authorities. These rates are lower than those available from Banks and Building Societies but provide additional security and may be used to secure investment returns.
 - Supranational Bonds (bonds issued by multilateral development banks):- even at the lower yields likely to be in force, the return on these bonds would provide certainty of income against an outlook of low official interest rates.
 - Pooled Funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments. These are investment products where the council would purchase units and receive a dividend payment. The capital growth of these investments varies over time and would only be considered as long-term investments. Such funds include Property and Equities. Due to fluctuations in the capital value with these type of investments there is a risk on disinvestment that the Council may not receive the full value of the original investment.
- 9.12 The Council has placed an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. No more than 30% of the Council's investment portfolio will be in investments exceeding 364 days at any one time.

Table 13 Prudential (Treasury) Indicator – upper limit for sums invested more than 364days

Upper Limit for total principal sums invested over 364 days	2011/12 Approved £m	2011/12 Revised £m	2012/13 Estimate £m	2013/14 Estimate £m	2013/14 Estimate £m
	25	25	20	20	20

- 9.13 The Council's updated lending list for 2012/13 is included at Appendix D. These are the maximum limits proposed for 2012/13. Limits in place for each investment type and counterparty will depend on the economic circumstances and the credit risk. The list will continue to be reviewed and updated by the Director for Corporate Services during the year.
- 9.14 The target rate of return on new investment in 2012/13 is 0.80%. The current deposits include some longer-term deposits taken in 11-12 maturing in 12-13. This amounts to £20m of deposits at an average rate of 1.75%. Taking these deposits into account the average rate forecast for 2012/13 is 0.90%. The investment interest included in the 2012/13 budget is £0.503m. This allows for a continued strategy of internal borrowing and the use of call accounts.
- 9.15 The benchmark to be used for the Council's investment returns will be the daily average 7- day London Interbank Bid rate (LIBID).

10. Investments defined as Capital Expenditure

- 10.1 The acquisition of share capital or loan capital in any body corporate, a loan or grant or financial assistance by the Council to another body for capital expenditure, and certain other types of investment are defined as capital expenditure under the relevant regulations.
- 10.2 The Council's policy is to not use any investment which will be deemed capital expenditure.

11. Balanced Budget Requirement

- 11.1 The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget. The proposed budget for 2012/13 is set out in the 2012/13 budget report.

12. Annual MRP Statement

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

12.2 The four MRP options available are:

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

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

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

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

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

12.3 MRP in 2012/13: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

12.4 Under the regulations, the authority is required before the start of each financial year to prepare a statement of its policy on making MRP in respect of that financial year and submit it to the Full Council. The proposed policy for 2012/13 is as follows:

Supported Borrowing

For borrowing supported by Revenue Support Grant the Council will continue to use the regulatory method (Option 1).

Unsupported Borrowing

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

Capitalisation Directions

For capitalisation directions on expenditure incurred since 1 April 2008 MRP will be made in equal annual instalments over 20 years in line with DCLG guidance (Option 3).

PFI/Leases

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

MRP will commence in the financial year following the one in which the expenditure is incurred, except for expenditure funded by unsupported borrowing where the project is not complete at 31st March 2013 (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.

13. Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

- 13.1 In accordance with the recommendations of the Treasury Management Code, the Council's Audit Committee will be responsible for the scrutiny of treasury management activities and practices.
- 13.2 The Director for Corporate Services will report to the Audit Committee and full Council on treasury management activity and performance at least twice a year against the strategy approved for the year (being a mid year review and an end of year review).
- 13.3 The Council is required to produce an outturn report on its treasury activity no later than 30 September after the financial year end.
- 13.4 In addition treasury management activity will continue to be reported as part of the quarterly budget and performance reports to Cabinet and as part of the budget outturn report.

14. Other Items

14.1 Training

CIPFA's Code of Practice requires the Director of Corporate Services to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

Members of the Audit Committee received training in Treasury Management in January 2010. Council Officers provided refresher training for members on 10 January 2011. Council Officers will organise additional training for members and staff with Arlingclose and any other suitable organisation to ensure relevant needs are met.

14.2 Investment Consultants

The CLG's Guidance on local government investments recommend that the Investment Strategy should state:

- whether and, if so, how the authority uses external contractors offering information, advice or assistance relating to investment and
- how the quality of any such service is controlled.

The contract with our advisors ended on 31st December 2011. In order to retain an advisory service in this time of uncertainty Council Officers arranged a tender process from which two responses were received. Following interview and scoring Arlingclose have been re-appointed as our Treasury Management advisors until 31st December 2012 with the option to roll over yearly to 31st December 2014. Arlingclose attend the Council Offices and meet with the Treasury Management Board at least quarterly to discuss the Council's borrowing and investment strategies and update on any new developments. The Council also receives regular updates concerning its counterparty institutions, including any new institutions that may be added to the counterparty list.

During 2010/11 Arlingclose developed a set of benchmarking criteria which enables the Council to compare its investment performance against other Unitary Council clients of Arlingclose. This is used to monitor/benchmark credit risk as set out in this report.

15. Recommendations

15.1 To request the Director for Corporate Services, acting under delegated authority in accordance with the Constitution, to keep the lending list under review and update the list during the year as dictated by market circumstances.

15.2 To recommend Full Council approve:

- (a) The Treasury Management Policy Statement (appendix A to this report)
- (b) The Treasury Management Strategy Statement for 2012/13
- (c) The Investment Strategy for 2012/13 set out in Sections 8 and 9 of the report including the use of Specified and Non-Specified Investments
- (d) The Lending Organisations and Counterparty limits set out in Appendix D
- (e) The Prudential Indicators set out in the report covering the revised indicators/limits for 2011/12 and the forecasts/limits for 2012/13 to 2014/15
- (f) The Authorised Borrowing limits of £309m, £284m And £274m for the period 2012/13 to 2014/15
- (g) The Operational Boundary of £279m, £268m and £259m for 2012/13 to 2014/15
- (h) The MRP policy for 2012/13

TREASURY MANAGEMENT POLICY STATEMENT

I. INTRODUCTION AND BACKGROUND

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

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

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

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

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

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

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

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

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

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

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

Economic & Interest Rate Forecast (Sections 5.1 & 7.1)

	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Official Bank Rate													
Upside risk						0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
1-yr LIBID													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.75	1.75	1.75	1.75	1.75	1.80	1.85	1.95	2.00	2.10	2.20	2.30	2.40
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.25	1.30	1.35	1.40	1.50	1.60	1.70	1.80	2.00	2.10	2.30	2.40	2.50
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt													
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	2.20	2.30	2.40	2.45	2.50	2.55	2.60	2.70	2.75	2.80	2.85	2.90	3.00
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.00	3.05	3.05	3.10	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.60	3.75
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.25	3.40	3.50	3.60	3.70	3.80	3.90	4.00	4.00	4.00	4.10	4.20	4.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

- The UK's status as a safe haven remains for now and keeps Gilt yields suppressed.
- Conventional monetary policy has become largely redundant; the Bank of England and the US Federal Reserve have signalled their respective official interest rates will be on hold through to the end of 2012. We think that it could be 2016 before official interest rates rise.
- The Bank of England's Monetary Policy Committee has returned to unconventional monetary policy and embarked on a further round of Quantitative Easing. There will be more to come.

Underlying Assumptions:

- Stress in financial markets continued to build. Rates within Interbank markets (where banks fund the majority of their day to day operations) continue to climb. This dynamic was a feature of the banking crisis that occurred in 2008 and whilst the authorities have flooded the markets with liquidity still provides a key barometer of rising risk within markets.

- The MPC's decision to embark on a further £75 billion of QE – which the Minutes showed was unanimously supported – is likely to be expanded in the coming months as some members of the MPC had voted for £100bn of QE.
- Inflation moderated back to 5% from what is considered to be its peak of 5.2% reached in October. The Bank of England expects domestic inflation to subside markedly in 2012 as the twin effects of the VAT increase and surge in oil prices fall out of the twelve month series.
- Economic growth meanwhile remains largely illusive not helped by the considerable uncertainty and expansion of risks presented by the crisis in the Eurozone. Even if a credible and effective policy is implemented, the scale of the problems means that there is likely to be a prolonged period of subdued growth within the euro area. A failure to meet the challenges would almost certainly have significant implications for the global economy.
- Recent data and surveys suggest that the UK economy has lost the admittedly fragile momentum since the summer. Business and consumer surveys point to continued weakness in coming months and the situation in the euro area is likely to further undermine confidence and lead to tighter credit conditions for households and firms.

Against this uncertain backdrop the ability of the economy (government, companies and individual consumers) to accommodate an increase in the cost of money through higher interest rates – in the absence of a deterioration in the high credit standing that the UK enjoys – remains unlikely. In fact, we believe that it is highly unlikely.

Recommended Sovereign and Counterparty List (Section 8)

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Limits in Place at 11-01-2012	
			Maximum Counterparty limit £m	Maximum period
UK	Santander UK Plc (Banco Santander Group)	30	30	Overnight/call
UK	Bank of Scotland (Lloyds Banking Group)	30	30	1 Month
UK	Lloyds TSB (Lloyds Banking Group)	30	30	1 Month
UK	Barclays Bank Plc	30	30	1 Month
UK	HSBC Bank Plc	30	30	3 Months
UK	Nationwide Building Society	30	30	3 Months
UK	NatWest (RBS Group)	30	30	1 Month
UK	Royal Bank of Scotland (RBS Group)	30	30	1 Month
UK	Standard Chartered Bank	30	30	3 Months
Australia	Australia and NZ Banking Group	5	10	3 Months
Australia	Commonwealth Bank of Australia	5	10	3 Months
Australia	National Australia Bank Ltd (National Australia Bank Group)	5	10	3 Months
Australia	Westpac Banking Corp	5	10	3 Months
Canada	Bank of Montreal	5	10	3 Months
Canada	Bank of Nova Scotia	5	10	3 Months
Canada	Canadian Imperial Bank of Commerce	5	10	3 Months
Canada	Royal Bank of Canada	5	10	3 Months
Canada	Toronto-Dominion Bank	5	10	3 Months
Finland	Nordea Bank Finland	5	Suspended from list	
France	BNP Paribas	5	Suspended from list	
France	Credit Agricole CIB (Credit Agricole Group)	5	Suspended from list	
France	Credit Agricole SA (Credit Agricole Group)	5	Suspended from list	
France	Société Générale	5	Suspended from list	
Germany	Deutsche Bank AG	5	Suspended from list	
Netherlands	ING Bank NV	5	Suspended from list	

Netherlands	Rabobank	5	Suspended from list	
Netherlands	Bank Nederlandse Gemeenten	5	Suspended from list	
Sweden	Svenska Handelsbanken	5	Suspended from list	
Switzerland	Credit Suisse	5	Suspended from list	
US	JP Morgan	5	10	3 Months

- £30m total limit for UK bank/group to include money market call accounts
- Lloyds Banking Group limit to include deposits with:
 - Lloyds TSB
 - Bank of Scotland
- RBS Banking Group limit to include deposits with:
 - RBS
 - NatWest
- £5m total limit for Non-UK bank/group to include money market call accounts
- Credit Agricole Group limit to include deposits with:
 - Credit Agricole CIB
 - Credit Agricole SA
- Limit of 10% of total investments in any Non-UK Country

This list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools. Alternatively, if a counterparty/country is downgraded, this list may be shortened.

PLYMOUTH CITY COUNCIL- PROPOSED COUNTERPARTIES FOR NEW INVESTMENTS (EFFECTIVE 1ST APRIL 2012)

MAX LENGTH	Up to 12 months		2 Years
	Unlimited	£50M**	
Investment Criteria	Country	Minimum ratings (Ratings required for all 3 agencies) Fitch A- A3 P-1 F1 Moody's A- A3 P-1 S&P A- A-1	Minimum ratings (Ratings required for all 3 agencies) Fitch A- A3 P-1 F1 Moody's A- A3 P-1 S&P A- A-1
UK Banks	UK	Barclays Bank Plc HSBC Bank Plc Lloyds Banking Group Royal Bank of Scotland Group Santander UK PLC (Banco Santander Group) Standard Chartered Bank Nationwide Building Society	
UK Building Societies	UK		
Central Government	UK	UK Government Debt Management Office (DMO) - DMADF Treasury Bills (T-Bills)	
Local Authorities	UK		Unitary Councils County Councils Metropolitan Councils London Borough Councils
Foreign Banks	Australia		Australia and NZ Banking Group Commonwealth Bank of Australia National Australia Bank Ltd Westpac Banking Corp
	Canada		Bank of Montreal Bank of Nova Scotia Canadian Imperial Bank of Commerce Royal Bank of Canada Toronto-Dominion Bank Nordea Bank Finland
	Finland		BNP Paribas
	France		Credit Agricole CIB (Credit Agricole Group) Credit Agricole SA (Credit Agricole Group) Societe Generale Deutsche Bank AG
	Germany		ING Bank NV
	Netherlands		Rabobank Bank Nederlandse Gemeenten
	Sweden		Svenska Handelsbanken
	Switzerland		Credit Suisse
	USA		J.P. Morgan
Money Market Funds	UK/Ireland/ Luxembourg		
Bonds Issues by Multilateral Development banks	Various	**£30m total limit for Bank/group to include money market call accounts deposits with: Lloyds TSB Bank of Scotland Royal Bank of Scotland Group to include deposits with: RBS NatWest	Limit of 10% of total investments in any non UK country ***Total Deposit limit in all periods with a non-UK bank/group £5m

Approved by Adam Broome, Director for
Corporate Support

PLYMOUTH CITY COUNCIL- PROPOSED COUNTERPARTIES FOR NEW INVESTMENTS (EFFECTIVE 1ST APRIL 2012)

A3

MAX LENGTH	10 years		Money Market Funds
MAX AMOUNT	£20m	£20m	£5m *
Investment Criteria	UK Government	Multilateral Development Banks	<p><u>Minimum rating (Rating required from at least 1 agency)</u></p> <p><u>Fitch</u> <u>Moody's</u> <u>S&P</u></p> <p>A Constant/Variable Net Asset value Investing predominantly in Government securities AAA/m mt Aaa/IR+ AAA/m A Constant/Variable Net Asset value Investing in Instruments issued primarily by financial institutions</p>
UK Banks	UK		
UK Building Societies	UK		
Central Government	UK		
Local Authorities	UK		
Money Market Funds	UK/Ireland/ Luxembourg		<p>Aviva Investors Sterling Liquidity Fund Blackrock Sterling Liquidity Fund BNY Mellon Asset management Sterling Liquidity Fund CCLA Public Sector Deposit Fund Deutsche Managed Sterling Fund Liquidity Fund - Sterling Goldman Sachs Liquid Reserve Fund HSBC Sterling Liquidity Fund Ignis Asset management Sterling liquidity Fund Insight Investments Sterling Liquidity Fund Invesco aim STIC Sterling Liquidity Portfolio J.P. Morgan Sterling Liquidity Fund Legal & General Investment Management Sterling Liquidity Fund Morgan Stanley Investment Management Sterling Liquidity Fund Northern Trust Global Cash Fund Prime Rate Capital Management Sterling liquidity fund RBS Sterling Fund State Street Global Advisors GBP Liquidity Fund SWW Global Liquidity Fund - Sterling Fund</p>
Bonds Issues by Multilateral Development banks	Various	<p>Council of Europe Development Bank (CEDB)* European Bank for Reconstruction and Development (EBRD)* European Investment Bank (EIB)* Inter-American Development Bank (IADB)* International Bank for Reconstruction and Development (the World Bank)* Kreditanstalt fuer Wiederaufbau (KfW) Nordic Investment Bank (NIB)*</p>	
Footnotes:	Total Investment in Gilts not to Exceed 20% of investment portfolio	* Total Investments in Bonds £20m Total Investments in Bonds not to exceed 20% of total Investment portfolio.	Total Investments not to exceed 20% of investment portfolio. Maximum £5m per fund limited to 0.5% of total fund value.

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