



#plymcouncil

**Democratic and Member Support**

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

Please ask for Judith Shore  
T 01752 304494  
E [judith.shore@plymouth.gov.uk](mailto:judith.shore@plymouth.gov.uk)  
[www.plymouth.gov.uk/democracy](http://www.plymouth.gov.uk/democracy)  
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## CITY COUNCIL

Monday 11 July 2016  
2.00 pm  
Council House, Plymouth

**Members:**

Councillor Murphy, Chair

Councillor Sam Davey, Vice Chair

Councillors Evans, Stevens, Mrs Aspinall, Mrs Beer, Bowyer, Mrs Bowyer, Coker, Drear, K Foster, Mrs Foster, Fry, James, Jordan, Martin Leaves, Michael Leaves, Bowie, Lowry, Dr Mahony, McDonald, Nicholson, Mrs Pengelly, Rennie, Ricketts, Smith, Vincent, Wheeler, Wogens, Ball, Sam Leaves, Tuohy, Penberthy, Churchill, Singh, Philippa Davey, Tuffin, Darcy, Parker-Delaz-Ajete, Jon Taylor, Kate Taylor, Morris, Sparling, Storer, Hendy, Downie, Mrs Bridgeman, Riley, Deacon, Dann, Kelly, Fletcher, Carson, Cook, Loveridge, Mavin and Winter.

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

This meeting will be webcast and available on-line after the meeting. By entering the Council Chamber, councillors are consenting to being filmed during the meeting and to the use of the recording for the webcast.

The Council is a data controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with authority's published policy.

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**Tracey Lee**

Chief Executive

## City Council

### 1. Apologies

To receive apologies for absence submitted by councillors.

### 2. Minutes

**(Pages 1 - 14)**

To approve and sign the minutes of the meeting held on 21 March 2016 and the Council's Annual Meeting held on 20 May 2016 as a correct record.

### 3. Declarations of Interest

**(Pages 15 - 16)**

Councillors will be asked to make declarations of interest in respect of items on this agenda. A flowchart providing guidance on interests is attached to assist councillors.

### 4. Appointment to Committees, outside bodies etc

The Head of Legal Services will report on vacancies on committees, outside bodies etc and of changes notified to us.

### 5. Announcements

- (a) To receive announcements from the Lord Mayor, Chief Executive, Assistant Director for Finance or Head of Legal Services;
- (b) To receive announcements from the Leader, Cabinet Members or Committee Chairs.

### 6. Questions by the Public

To receive questions from and provide answers to the public in relation to matters which are about something the council is responsible for or something that directly affects people in the city, in accordance with Part B, paragraph 11 of the Constitution.

Questions, of no longer than 50 words, can be submitted to the Democratic Support Unit, Plymouth City Council, Ballard House, West Hoe Road, Plymouth, PL1 3BJ, or email to [democraticsupport@plymouth.gov.uk](mailto:democraticsupport@plymouth.gov.uk). Any questions must be received at least five complete working days before the meeting.

## Recommendations from Cabinet and other committees

### 7. Corporate Plan 2016 - 19

**(Pages 17 - 28)**

Cabinet Member: Councillor Bowyer (Council Leader)

The City Council will be asked to adopt the revised Corporate Plan 2016 - 19.

The minute of Cabinet held on 28 June 2016 will be submitted together with the report considered at Cabinet.

**8. A Devolution Deal for the Heart of the South West (Pages 29 - 74)**

Tracey Lee (Chief Executive) will submit a report seeking endorsement for this '*in principle*' agreement.

**9. Financial Outturn 2015 - 2016 (including Capital Programme and Treasury Management) (Pages 75 - 106)**

Lesa Annear, Strategic Director for Transformation and Change will submit the Financial Outturn 2015 – 2016 (including Capital Programme and Treasury Management).

**10. Annual Report on Treasury Management Activities for 2015/16 (Pages 107 - 128)**

Andrew Hardingham (Assistant Director for Finance) will submit the Annual Report on Treasury Management Activities for 2015/16.

**11. Leader's Scheme of Delegation (Pages 129 - 132)**

David Shepperd (Head of Legal Services and Monitoring Officer) will submit a report to inform Council of the Leader's decision to make changes to his Scheme of Delegation for Executive Functions.

**12. Motions on Notice**

To consider motions from councillors in accordance with Part B, paragraph 14 of the Constitution.

**13. Questions by Councillors**

Questions to the Leader, Cabinet Members and Committee Chairs covering aspects for their areas of responsibility or concern by councillors in accordance with Part B, paragraph 12 of the constitution.

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## City Council

Monday 21 March 2016

### PRESENT:

Councillor Dr. Mahony, in the Chair.

Councillor Ball, Vice Chair.

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

Apologies for absence: Councillor Parker-Delaz-Ajete.

The meeting started at 2pm and finished at 7.10 pm.

*Note: The full discussion can be viewed on the webcast of the City Council meeting at [www.plymouth.gov.uk](http://www.plymouth.gov.uk). 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.*

### 63. Minutes

The minutes of the meeting held on 29 February 2016 were agreed.

### 64. Declarations of Interest

The following declarations of interest were made by councillors in accordance with the code of conduct in respect of items under consideration at the meeting -

Name	Minute Number	Reason	Interest
Councillor Ball	71	Trustee of Brock Trust	Private
Councillor Churchill	71	Board Member of Plymouth Community Homes	Private
Councillor Damarell	70c	Wife is an employee of hospital parking enforcement company	Disclosable Pecuniary Interest
Councillor Dann	71	Board Member of Plymouth Community Homes	Private
Councillor Jordan	70b	Has a Post Office pension and wife is an employee of Post Office	Private

Councillor Martin Leaves	70b	Has a post office pension	Private
Councillor Sam Leaves	70b	Spouse signed has a Post Office pension	Private
Councillor Lowry	70a	Employee of Babcock	Private
Councillor Nicholson	70a	Employee of Babcock	Private
Councillor Riley	70b	Wife is an employee at Derriford Hospital	Disclosable Pecuniary Interest
Councillor Tuohy	71	Board Member of Plymouth Community Homes	Private
Councillor Vincent	69	Spouse is proposed as Lord Mayor 2016/17	Disclosable Pecuniary Interest

65. **Appointments to Committees, Outside Bodies etc**

The Assistant Director and Head of Legal Services informed the Council that –

- (a) Councillor Stevens had replaced Councillor Kate Taylor on the North Yard Community Trust;
- (b) Councillor Tuohy had become the second member on the Incinerator Liaison Committee.

66. **Announcements**

**Lord Mayor**

- Thanks to Councillors departing in May
- Plymouth Blitz 75<sup>th</sup> anniversary
- British Parking Association Award

**Leader**

- Business rates and Enterprize Zones
- Administration's Pledges
- Apprentice Week and the Ron Simmons cup
- Children 'Not in Education, Employment or Training'
- Employability Passport Scheme
- History Centre
- Jamie Yabsley Sports Relief hospitality
- Mayflower 400 conference
- Integrated Health and Social Care Conference
- Langage Business Park phase 2

**Councillor Smith (Deputy Leader) –**

- Letter to Secretary of State for Business Innovation and skills about Trade Unions.

**Councillor Vincent (Cabinet Member for Streetscene) -**

- New public toilets at Devil's Point, Richmond Walk, Crownhill, Southway and Whitleigh.

**Councillor Philippa Davey (Cabinet Member for Safer and Stronger Communities) –**

- Syrian Refugees in Plymouth.

**Councillor McDonald (Cabinet Member for Children and Young People)**

–

- Continuing success of CaterEd.

**Councillor Penberthy (Cabinet Member for Co-operatives and Housing)**

–

- Cities of Service update.

**Councillor Jon Taylor (Cabinet Member for Transformation and Customer Services) –**

- Plympton Library shortlisted for British Book Industry award.

**Councillor Tuffin (Cabinet Member for Health and Adult Social Care) –**

- Winning bids from Public Health;
- Effect of changes to Personal Independence Payments.

67. **Questions by the public**

There were no questions from members of the public.

68. **European referendum - impact on Plymouth**

Councillor James presented the recommendations of the Co-operatives Scrutiny Board's report on the impact of the European Referendum on Plymouth.

The report was noted and Council agreed to direct the Assistant Director for Learning and Communities to encourage schools in Plymouth to hold debates on the EU referendum.

69. **Lord Mayoralty 2016 - 2017**

Councillor Evans (Leader) proposed and Councillor Mrs Beer seconded the recommendation of the Lord Mayor's Selection Committee.

Agreed that the nomination of Councillor Murphy as Lord Mayor for 2016/17 is forwarded to the Council's Annual General Meeting.

Councillor Murphy addressed the council following the vote.

*(Councillor Vincent declared a disclosable pecuniary interest in the above item and left the meeting during this item)*

70. **Motions on Notice**

70.1 Trident Replacement Programme  
Councillor Bowyer proposed and Councillor Nicholson seconded a motion on the Trident replacement programme.

During the debate Councillor Rennie proposed and Councillor Smith seconded a proposal to move straight to the vote.

Following a request from ten Councillors for a recorded vote the Council agreed to go straight to the vote.

*For the motion (30) – Councillors Mrs Aspinall, Bowie, Mrs Bridgeman, Coker, Damarell, Dann, P Davey, S Davey, Evans, Fox, Hendy, Jarvis, Lowry, McDonald, Morris, Murphy, Penberthy, Rennie, Riley, Singh, Smith, Sparling, Stevens, Storer, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent and Wheeler.*

*Against the motion (25) – Councillors Ball, Mrs Beer, Bowyer, Mrs Bowyer, Churchill, Darcy, Deacon, Downie, Drean, Fletcher, Foster, Mrs Foster, Fry, James, Jordan, Kelly, Martin Leaves, Michael Leaves, Sam Leaves, Nicholson, Mrs Nicholson, Mrs Pengelly, Ricketts, Dr Salter and Wiggins.*

*Abstentions (1) – Lord Mayor*

Following a request from ten Councillors for a recorded vote on the motion, the motion was lost.

*For the motion (25) – Councillors Ball, Mrs Beer, Bowyer, Mrs Bowyer, Churchill, Darcy, Deacon, Downie, Drean, Fletcher, Foster, Mrs Foster, Fry, James, Jordan, Kelly, Martin Leaves, Michael Leaves, Sam Leaves, Nicholson, Mrs Nicholson, Mrs Pengelly, Ricketts, Dr Salter and Wiggins.*

*Against the motion (30) – Councillors Mrs Aspinall, Bowie, Mrs Bridgeman, Coker, Damarell, Dann, P Davey, S Davey, Evans, Fox, Hendy, Jarvis, Lowry, McDonald, Morris, Murphy, Penberthy, Rennie, Riley, Singh, Smith, Sparling, Stevens, Storer, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent and Wheeler.*

*Abstentions (1) – Lord Mayor*

*(Councillors Lowry and Nicholson declared a private interest in the above item)*



**70.2** Crown Status of the Post Office

Councillor Tuffin proposed and Councillor McDonald seconded a motion on the crown status of the Post Office.

Council agreed the motion as follows –

This Council notes with great concern that St Andrew Cross Crown Post Office is planned to be franchised into another Business. This Council believes that a City Centre the size of Plymouth is fully deserving of a Post Office of Crown status, staffed by highly skilled and experienced post office employees. Furthermore, this Council believes that this move would have a negative impact on the City Centre, and a detrimental effect on postal services being offered to the Plymouth public.

Consequently, this Council wishes to express its opposition to the Post Office's plan, and calls upon them to reverse their decision.

*(Councillors Jordan, Martin Leaves and Sam Leaves declared private interests in the above item)*

**70.3** Hospital Parking Charges

Councillor Jon Taylor proposed and Councillor Stevens seconded a motion on hospital parking charges.

During the debate Councillor Darcy proposed and Councillor Kelly seconded an amendment to the motion as follows –

*As the National Health Service (NHS) was founded on the principle of access based on need and not an individual's ability to pay, Plymouth City Council notes ~~with sadness that the Conservative Government has repeatedly failed to intervene to scrap hospital car parking charges. This failure has led to hospitals hiking up parking charges to plug gaps created by the Conservative Government's cuts to the NHS.~~ that successive Governments have repeatedly failed to intervene to scrap or halt the rise in hospital car parking charges.*

*Plymouth City Council believes this is little more than a stealth tax on the sick and their families causing financial hardship for many in Plymouth, especially those who have to visit hospital regularly for treatment or get to their workplace. There are direct consequences too for neighbourhoods close by such as Derriford, ~~Thornhill~~ **Thornbury** and Estover as staff avoid unaffordable parking charges by parking in surrounding areas causing problems for residents.*

*We therefore call on the Government to scrap hospital parking charges immediately for patients, carers and staff, so Plymothians can have access to free hospital parking which is already available elsewhere in the United Kingdom.*

*Further, we instruct the Scrutiny Management Board to look at this complex issue, as to whether the abolition of Derriford Hospital car parking charges for patients, carers, and staff is a viable option and to assess the impact on neighbouring residential areas.*

The amendment was put to the vote and declared lost.

Councillor Evans proposed and Councillor Lowry seconded and Council agreed a proposal to move straight to the vote.

Council agreed the motion as follows -

As the National Health Service (NHS) was founded on the principle of access based on need and not an individual's ability to pay, Plymouth City Council notes with sadness that the Conservative Government has repeatedly failed to intervene to scrap hospital car parking charges. This failure has led to hospitals hiking up parking charges to plug gaps created by the Conservative Government's cuts to the NHS.

Plymouth City Council believes this is little more than a stealth tax on the sick and their families causing financial hardship for many in Plymouth, especially those who have to visit hospital regularly for treatment or get to their workplace. There are direct consequences too for neighbourhoods close by such as Derriford, Thornhill and Estover as staff avoid unaffordable parking charges by parking in surrounding areas causing problems for residents.

We therefore call on the Government to scrap hospital parking charges immediately for patients, carers and staff, so Plymothians can have access to free hospital parking which is already available elsewhere in the United Kingdom.

*(Councillors Damarell and Riley declared a disclosable pecuniary interest in the above item and left the meeting during this item).*

71. **Ernest Brock Home for the Aged Charity**

Councillor Penberthy proposed and Councillor Evans seconded a recommendation on the Ernest Brock Home for the Aged Charity.

Agreed to approve the grant of consent to release the rights of the Council and the Lord Mayor to nominate persons for appointment as Trustees to the charity on the revised premise described.

*(Councillors Churchill, Dann and Tuohy declared a private interest in the above item)*

72. **Report of the Leader on urgent key decisions**

The Leader presented his report on urgent key decisions taken between May 2015 and March 2016.

73. **Council and committee meetings 2016/2017**

Councillor Smith proposed and Councillor Evans seconded the Annual Calendar of Council and Committee meetings 2016/17.

Agreed to adopt the calendar of meetings as set out in the agenda with the inclusion of Cabinet meeting on 28 June 2016.

74. **Questions by Councillors**

	From	To	Subject
1	Councillor Bowyer	Councillor Lowry	'For Hire' sign on Plymouth Guildhall.
2	Councillor Kate Taylor	Councillor Penberthy	Social Fund Replacement.
3	Councillor Martin Leaves	Councillor Smith	Central Park events field.
4	Councillor Dr Salter	Councillor Evans	Celebration of Her Majesty The Queens 90 <sup>th</sup> Birthday (Leader to let councillors know what events are and if invited).
5	Councillor Sparling	Councillor Penberthy	Council Tax support.
6	Councillor Jordan	Councillor Lowry	Planning consent for banner on Guildhall.
7	Councillor Martin Leaves	Councillor P Davey	Impromptu vehicle gatherings at the Milehouse park and ride site.
8	Councillor Kelly	Councillor Coker	Traffic light timings on Marjons link road
9	Councillor Stevens	Councillor Penberthy	Changes to Personal Independence Payments
10	Councillor Mrs Bridgeman	Councillor Coker	Policy for protection of airport site.
11	Councillor Evans	Councillor James	Advice for campaigning in Plympton.
12	Councillor Mrs Aspinall	Councillor Penberthy	Cuts to benefits to people with disability and invitation to caring scrutiny.
13	Councillor Churchill	Councillor Evans	Reference to Plymouth as an outhouse
14	Councillor Penberthy	Councillor James	Scrutiny on welfare reform.
15	Councillor Morris	Councillor Lowry	Group room arrangements in the Council House
16	Councillor Stevens	Councillor James	Progress of summer budget scrutiny review

*Please note that questions and supplementary questions have been summarised.*

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**City Council**

**Friday 20 May 2016 (10.30 am)**

**PRESENT:**

The Lord Mayor, Councillor Dr Mahony, in the Chair.

The Deputy Lord Mayor, Councillor Ball, Vice Chair.

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

The meeting started at 10.30 am and adjourned at 11.30 am.

**Friday 20 May 2016 (3.30 pm)**

**PRESENT:**

The Lord Mayor, Councillor Murphy, in the Chair.

The Deputy Lord Mayor, Councillor Sam Davey, Vice Chair.

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

Also in attendance: Tracey Lee (Chief Executive), David Shepperd (Assistant Director and Head of Legal Services), Judith Shore (Democratic & Member Services Manager) and Lynn Young (Democratic Support Officer).

The meeting re-convened at 3.30 pm and finished at 4.25 pm.

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1. **Declarations of Interest**

There were no declarations of interest in respect of items on this agenda.

2. **To elect the Lord Mayor and Deputy Lord Mayor for the period up to the next Annual Meeting**

Agreed that Councillor Murphy is elected Lord Mayor and Councillor Sam Davey is elected Deputy Lord Mayor of the city for the ensuing year.

3. **Lord Mayor's Chaplain**

The Lord Mayor announced the appointment of Reverend Karl Freeman MBE, Rector of Emmanuel with St Paul, Efford, Plymouth, as her Chaplain.

4. **Presentation of Drake's Sword**

Warrant Officer David Halliday RM, on behalf of the Royal Navy, presented Drake's Sword to the Lord Mayor to symbolise the key links between the Royal Navy and the City of Plymouth.

5. **Vote of thanks to the retiring Lord Mayor and Deputy Lord Mayor**

Agreed that –

- (1) the Council accords to Councillor Dr John Mahony the sincere thanks of the citizens of Plymouth for the invaluable services he has rendered to the city as Lord Mayor since May 2015, and for the able manner in which he has presided over the deliberations of the Council during that period;
- (2) the Council also expresses its indebtedness to Councillor Richard Ball for his diligent and efficient discharge of the duties of Deputy Lord Mayor, and Mrs Dianne Ball as the Deputy Lady Mayoress, who has supported him during his year of office.

The Lord Mayor presented the retiring Lord Mayor and the retiring Deputy Lord Mayor with gifts to commemorate their time in office for the 2015-2016 civic year.

6. **Adjournment of the meeting**

Councillor Dr Mahony moved, Councillor Darcy seconded and it was agreed that the meeting would be adjourned after agenda item 4 at the conclusion of the ceremonial part of the meeting, and would re-convene at 3 pm in the Council Chamber to agree the Leader and appoint members to committees and outside bodies.

**RE-CONVENED MEETING**

7. **To agree the Leader of the City Council**

Councillor Nicholson moved, and Councillor Darcy seconded, that Councillor Ian Bowyer is elected as Leader of the City Council.

Councillor Smith moved, and Councillor Stevens seconded, that Councillor Evans is elected as Leader of the City Council.

Following a recorded vote there voted –

For Councillor Ian Bowyer (30)

*Councillors Ball, Mrs Beer, Ian Bowyer, Mrs Bowyer, Mrs Bridgeman, Carson, Churchill, Cook, Darcy, Deacon, Downie, Drear, Fletcher, Ken Foster, Mrs Foster, Fry, James, Jordan, Kelly, Martin Leaves, Mike Leaves, Sam Leaves, Loveridge, Dr Mahony, Nicholson, Mrs Pengelly, Ricketts, Riley, Storer and Wiggins.*

For Councillor Evans (26)

*Councillors Mrs Aspinall, Bowie, Coker, Dann, Phillipa Davey, Sam Davey, Evans, Hendy, Lowry, Mavin, McDonald, Morris, Parker-Delaz-Ajete, Penberthy, Rennie, Singh, Smith, Sparling, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler and Winter.*

Abstentions (1)

*Lord Mayor (Chair)*

The Lord Mayor announced that Councillor Bowyer was elected as Leader of the City Council.

8. **To note the membership of the Cabinet**

The Council received the report of the Council Leader (Councillor Ian Bowyer), tabled at the meeting, which advised that the Cabinet would comprise the following Members –

<b>Portfolio</b>	<b>Member</b>
Leader	Councillor Ian Bowyer
Deputy Leader (including Strategic Transport, Housing and Planning)	Councillor Nicholson
Transformation and Customer Services	Councillor Jordan
Finance/ICT	Councillor Darcy
Children and Young People	Councillor Mrs Beer
Health and Adult Social Care	Councillor Mrs Bowyer
Safer and Stronger Communities	Councillor Downie
Streetscene/Environment	Councillor Mike Leaves
Transport and Housing Delivery	Councillor Ricketts
Hr/Democracy and Governance/Licensing	Councillor Riley

9. **To agree committees and their members and appoint chairs and vice chairs**

A schedule of nominations Committees, Joint Committees, panels etc. was tabled at the meeting.

Agreed the appointments to Committees, Joint Committees, Panels, Working Groups and the Chairs and Vice Chairs for the transaction of the business of the Council until the next Annual Meeting subject to:

- (1) the appointments to membership of the four scrutiny panels being deferred until a future meeting of the Council to consider this; to be confirmed shortly through the calling of an Extraordinary General Meeting of Council on a date before the end of June;

- (2) in the intervening period, the Cooperative Scrutiny Board will act and be known as the Overview and Scrutiny Committee and shall carry out all of the statutory scrutiny functions of the Council. Membership of the Overview and Scrutiny Committee will comprise eleven non-Cabinet members;
- (3) the Council's Monitoring Officer be instructed to make all necessary constitutional amendments to implement this proposal once agreed by Council;
- (4) Political proportionality and appointments to Committees and Chairs and Vice Chair 2016/17, Other Committees
  - Devon Audit Partnership (not proportional) amend to read Lab 0, Con 2
  - delete Joint Health Scrutiny (not proportional)
  - Health and Wellbeing Board (not proportional) amend to read Lab 1, Con 2
- (5) Tamar Bridge and Torpoint Ferry Joint Committee
  - amend to read Councillor Martin Leaves as Joint Chair
  - add Councillor Dreaan as Conservative substitute
- (6) Mount Edgumbe Joint Committee
  - amend to read Councillor Mrs Pengelly as Joint Chair

Following a recorded vote there voted –

For the proposal (30)

*Councillors Ball, Mrs Beer, Ian Bowyer, Mrs Bowyer, Mrs Bridgeman, Carson, Churchill, Cook, Darcy, Deacon, Downie, Dreaan, Fletcher, Ken Foster, Mrs Foster, Fry, James, Jordan, Kelly, Martin Leaves, Mike Leaves, Sam Leaves, Loveridge, Dr Mahony, Nicholson, Mrs Pengelly, Ricketts, Riley, Storer and Wiggins.*

Against the proposal (26)

*Councillors Mrs Aspinall, Bowie, Coker, Dann, Phillipa Davey, Sam Davey, Evans, Hendy, Lowry, Mavin, McDonald, Morris, Parker-Delaz-Ajete, Penberthy, Rennie, Singh, Smith, Sparling, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler and Winter.*

Abstentions (1)

*Lord Mayor (Chair)*

10. **To nominate or appoint representatives to outside bodies**

A schedule of the nominations to outside bodies was tabled at the meeting.



Agreed that –

- (1) approval is given to the appointments and nominations of Councillor’s and others as representatives on outside bodies as tabled, with the following amendments –

	<b>Organisation</b>	<b>Appointments/Nominations</b>
50.	Plymstock United Charity	Commander Mansfield

- (2) a number of outside bodies received more than one nomination, and following a vote on each of these appointments the following appointments were made –

	<b>Organisation</b>	<b>Appointments/Nominations</b>
1.	Academy – All Saints Academy Plymouth – Governor	Councillor Storer
4.	Adoption and Permanence Panel	Councillor Mrs Foster
7.	Dartmoor National Park Forum	Councillor Martin Leaves Councillor Bridgeman Councillor Sam Leaves (substitute)
20.	Estover/Leigham/Mainstone Management Committee	Councillor Kelly
26.	Millfields CEDT	Councillor Jordan
27.	Mount Batten Sailing and Water Sports Centre – Board of Directors	Councillor Michael Leaves Councillor Churchill
28.	North Prospect Community Learning Development Group	Councillor Storer
34.	Plymouth and Devon Racial Equality Council	Councillor Downie
37.	Plymouth Centre for Faiths and Cultural Diversity – Board of Trustees	Councillor Dreaan
44.	Plymouth Energy Community Limited	Councillor Michael Leaves
56.	South West Regional Flood and Coastal Committee	Councillor Carson
58.	Tamerton Foliot United Charities	Councillor Deacon
60.	Wolseley CEDT	Councillor Carson Councillor Storer

- (3) consideration of appointments to the following organisations are deferred and will be considered at the first ordinary meeting of the Council –

	<b>Organisation</b>	<b>Appointments/Nominations</b>
2.	Academy – Marine Academy Plymouth - Governors	One vacancy
5.	Ballard Youth Activity Trust	Three vacancies (two Conservative and one UKIP)
7.	Dartmoor National Park Forum	One substitute vacancy
10.	Devon Investment and Pension Fund	One substitute vacancy
15.	Maternity and Early Years Systems Optimisation Group (formerly known as Early Years Partnership)	One vacancy
18.	Emma Stirling Bequest	One vacancy
21.	Fostering Panel	One vacancy
28.	Municipal Charities of Plymouth	Deferred for clarification
33.	PLUSS	Deferred for clarification
38.	Plymouth Charity Trust	Four vacancies
52.	SACRE (Standing Advisory Council for Religious Education)	Three vacancies
56.	South West Regional Flood and Coastal Committee	One deputy (substitute) vacancy

DECLARING INTERESTS – QUESTIONS TO ASK YOURSELF

What matters are being discussed?

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Does the business relate to or is it likely to affect a disclosable pecuniary interest (DPI)? This will include the interests of a spouse or civil partner (and co-habitees):

- any employment, office, trade, profession or vocation that they carry on for profit or gain
- any sponsorship that they receive including contributions to their expenses as a councillor or the councillor’s election expenses from a Trade Union
- any land licence or tenancy they have in Plymouth
- any current contracts leases or tenancies between the Council and them
- any current contracts leases or tenancies between the Council and any organisation with land in Plymouth in they are a partner, a paid Director, or have a relevant interest in its shares and securities
- any organisation which has land or a place of business in Plymouth and in which they have a relevant interest in its shares or its securities

No

Yes

Declare interest and leave (or obtain a dispensation)

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Does the business affect the well-being or financial position of (or relate to the approval, consent, licence or permission) for:

- a member of your family or
- any person with whom you have a close association; or
- any organisation of which you are a member or are involved in its management (whether or not appointed to that body by the council). This would include membership of a secret society and other similar organisations.

Yes

No

You can speak and vote

Will it confer an advantage or disadvantage on your family, close associate or an organisation where you have a private interest more than it affects other people living or working in the ward?

Yes

No

Declare the interest and speak and vote

Speak to Monitoring Officer in advance of the meeting to avoid risk of allegations of corruption or bias

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Cabinet members must declare and give brief details about any conflict of interest\* relating to the matter to be decided and leave the room when the matter is being considered. Cabinet members may apply to the Monitoring Officer for a dispensation in respect of any conflict of interest.

\*A conflict of interest is a situation in which a councillor’s responsibility to act and take decisions impartially, fairly and on merit without bias may conflict with his/her personal interest in the situation or where s/he may profit personally from the decisions that s/he is about to take.

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**CITY COUNCIL: 11 JULY 2016**

Corporate Plan 2016 - 19

**Cabinet minute 5: 28 June 2016**

Tracey Lee (Chief Executive) submitted a report updating the Corporate Plan 2016 - 19 which sets out the new administration's vision for the next three years – as one team serving our city. The Corporate Plan 2016 – 19 will replace the previous Corporate Plan 2013-16 (update published September 2015). The new Plan updates the Council's direction in light of continuing budget challenges and the need to transform services to meet needs.

Councillor Bowyer (Council Leader) introduced the proposals.

Alternative options considered and the reasons for the decision –

As set out in the report.

Agreed the Corporate Plan 2016 – 19 and Recommends it to the City Council for adoption and notes the proposed performance framework to deliver the Corporate Plan.

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## PLYMOUTH CITY COUNCIL

<b>Subject:</b>	Corporate Plan 2016-19
<b>Committee:</b>	Full Council
<b>Date:</b>	11 July 2016
<b>Cabinet Member:</b>	Councillor Bowyer
<b>CMT Member:</b>	Tracey Lee, Chief Executive
<b>Author:</b>	Candice Sainsbury, Senior Policy, Performance and Partnership Advisor
<b>Contact details:</b>	candice.sainsbury@plymouth.gov.uk
<b>Key Decision:</b>	N/A
<b>Part:</b>	I

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### **Purpose of the report:**

Plymouth City Council and its partners are committed to the vision to be ‘one of Europe’s most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone’.

This Corporate Plan 2016-19 sets out the new administration’s vision for the next three years - as one team serving our city. Building on the successes and momentum gained over recent years we will continue to drive vital work supporting growth, the integration of health and social care and transformation of the Council while raising the regional and national profile of the city.

Now recognised by 91% of its staff, the Plan retains the values which inform the way that the Council goes about its business. The simplicity of the Plan on a Page format has also been retained following local and national praise for its ability to convey a large amount of information and ambition in an easy to read way.

Through a set of themes based around Pioneering, Growing, Caring and Confident, the Corporate Plan 2016-19 demonstrates how we will deliver competent, community based Council public services to the people of Plymouth.

Supported through the Medium Term Financial Strategy and departmental business plans, this Plan reinforces the Council’s commitment to working with its partners to meet the needs of the city and its citizens.

This Corporate Plan is also accompanied by a performance framework that outlines how the Plan will be delivered through a series of outcomes and priority activities. This will enable regular updates to be provided to Cabinet, and Full Council, regarding the progress being made, but is also part of our value led approach to performance management which embeds a ‘golden thread’ of responsibility and accountability down to individual level.

Appended to this report are the following documents:

- The new Corporate Plan 2016-19 – Plan on a Page
- The new Corporate Plan Performance Framework

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### **The Corporate Plan 2016-19**

The Corporate Plan 2016-19 will replace the previous Corporate Plan 2013- 2016 (update published September 2015). The new Plan updates the Council's direction in light of continuing budget challenges and the need to transform its services to meet needs.

It connects the Council to the city priorities outlined in the Plymouth Plan – the single strategic plan for the city; and will be cascaded into business plans and ultimately individual appraisal objectives. This report proposes the adoption of the Corporate Plan committing the Council to the values, vision and themes presented, and these are supported by a simplified and outcome focused performance framework.

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

The Medium Term Financial Strategy is a core component of the Council's strategic framework and has a vital role to play in translating the Council's ambition and priorities set out in the Corporate Plan and the city's ambition in the Plymouth Plan, into action.

The current Medium Term Financial Strategy focuses on taking a view to 2019/20 of the range of major issues affecting the resources of Plymouth City Council.

Changes made in the new Corporate Plan 2016-19 will be reflected in the Medium Term Financial Strategy.

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

The Corporate Plan complements the Council's existing policy framework with respect to the above.

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### **Equality and Diversity:**

Where potential equality and diversity implications are identified from the implementation of any new activities arising from the Corporate Plan, assessments will be undertaken in line with the Council's policies.

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### **Recommendations and Reasons for recommended action:**

It is recommended that the Cabinet:

1. agrees the Corporate Plan 2016 – 19 and recommends it to Full Council for adoption and
2. notes the proposed performance framework to deliver the Corporate Plan

It is important that the Council's Corporate Plan is revised to reflect the new administration's vision and theme.

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### **Alternative options considered and rejected:**

- Failure to revise the Corporate Plan 2013-2016 would result in a reduced forward direction for the council and would not reflect the new administration's priorities.



- The Corporate Plan is a decision within the Policy Framework.

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**Published work / information:**

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Corporate Plan 2013-16										

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**Sign off:**

Fin	pcl61 7.04	Leg	lt/258 70	Mon Off	DVS2 5873	HR		Assets		IT		Strat Proc	
Originating SMT Member: Giles Perritt													
Has the Cabinet Member(s) agreed the content of the report? Yes													

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# OUR PLAN ONE CITY COUNCIL



## CITY VISION Britain's Ocean City

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

## OUR VALUES

<p><b>WE ARE DEMOCRATIC</b></p> <p>Plymouth is a place where people can have a say about what is important to them and where they can change what happens in their area.</p>	<p><b>WE ARE RESPONSIBLE</b></p> <p>We take responsibility for our actions, care about their impact on others and expect others will do the same.</p>	<p><b>WE ARE FAIR</b></p> <p>We will be honest and open in how we act, treat everyone with respect, champion fairness and create opportunities.</p>	<p><b>WE ARE PARTNERS</b></p> <p>We will provide strong community leadership and work together to deliver our common ambition.</p>
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## OUR VISION One team serving our city

<b>PIONEERING PLYMOUTH</b>	<b>GROWING PLYMOUTH</b>	<b>CARING PLYMOUTH</b>	<b>CONFIDENT PLYMOUTH</b>
We will be innovative by design, and deliver services that are more accountable, flexible and efficient.	We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes.	We will work with our residents to have happy, healthy and connected communities where people lead safe and fulfilled lives.	We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally.

## OUR THEMES

<b>THEME 1</b>	<b>THEME 2</b>	<b>THEME 3</b>	<b>THEME 4</b>
<ul style="list-style-type: none"> <li>■ Quality services focused on customers' needs</li> <li>■ Balancing the books</li> <li>■ New ways of working</li> <li>■ Best use of Council assets</li> <li>■ Working constructively with everyone</li> </ul>	<ul style="list-style-type: none"> <li>■ Quality jobs and valuable skills</li> <li>■ Broad range of homes</li> <li>■ Increased levels of investment</li> <li>■ Meeting future infrastructure needs</li> <li>■ Green and pleasant city</li> </ul>	<ul style="list-style-type: none"> <li>■ Focus on prevention and early intervention</li> <li>■ Keeping children and adults protected</li> <li>■ Inclusive communities</li> <li>■ Respecting people's wishes</li> <li>■ Reduce health inequalities</li> </ul>	<ul style="list-style-type: none"> <li>■ Council decisions driven by citizen need</li> <li>■ Plymouth as a destination</li> <li>■ Improved street scene environment</li> <li>■ Motivated, skilled and engaged workforce</li> <li>■ Setting the direction for the South West</li> </ul>

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# Corporate Plan Performance Framework

Our Vision		Our Themes
<p><b><u>Pioneering Plymouth</u></b></p> <p>We will be innovative by design, and deliver services that are more accountable, flexible and efficient.</p>		<ul style="list-style-type: none"> <li>• Quality services focused on customers' needs</li> <li>• Balancing the books</li> <li>• New ways of working</li> <li>• Best use of Council assets</li> <li>• Working constructively with everyone</li> </ul>
Outcome	Outcome Measures	Priority Activity
<p><b>Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus.</b></p>	<ul style="list-style-type: none"> <li>• Increase the uptake of digital services by our customers</li> <li>• Maintain a high percentage of customers satisfied with our services</li> <li>• Reduce the volume of complaints over time</li> <li>• Increase in the (£) value of income from commercial services</li> <li>• Maximise ROI on each commercial estate investment</li> <li>• Scrutiny is assured that partnership working is effective</li> </ul>	<p><b>Quality services focused on customers' needs</b></p> <ul style="list-style-type: none"> <li>• Implement innovative Transformation Programmes including;                             <ul style="list-style-type: none"> <li>- SMART working</li> <li>- System reviews</li> <li>- Increased digital accessibility for customers</li> </ul> </li> <li>• Cemetery facilities fit for the future</li> </ul> <p><b>Balancing the books and best use of Council assets</b></p> <ul style="list-style-type: none"> <li>• Deliver the Medium Term Financial Strategy</li> <li>• Identify sustainable, alternative and increased sources of income</li> <li>• Deliver the Asset Management Plan and maximise the community value of our assets</li> </ul> <p><b>New ways of working</b></p> <ul style="list-style-type: none"> <li>• Enhance our capability to generate intelligence that informs decision making</li> </ul> <p><b>Working constructively with everyone</b></p> <ul style="list-style-type: none"> <li>• Deliver the Cities of Service vision promoting volunteering, individual effort and personal responsibility</li> <li>• Work collaboratively with the voluntary and community sector to deliver better outcomes for citizens</li> <li>• Develop a partnership governance framework to ensure that partnerships make robust decisions, are accountable and compliant with regulations</li> </ul>

## Our Vision

### Growing Plymouth

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

## Our Themes

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

Outcome	Outcome Measures	Priority Activity
<p><b>We realise our full economic potential; outperforming the region by creating quality houses and jobs with a better educated and skilled population.</b></p>	<ul style="list-style-type: none"> <li>• Increase the number of jobs in Plymouth</li> <li>• Increase the value of the City's GVA</li> <li>• People are skilled to meet the needs of higher value jobs measured by:               <ul style="list-style-type: none"> <li>- Increase in NVQ4 per head of population</li> <li>- Increase the number of higher level apprenticeship starts to beyond the regional %</li> <li>- Decrease in % of residents with no formal qualifications</li> </ul> </li> <li>• Increase proportion of young people in academic years 12-14 who are in Education, Employment or Training (EET)</li> <li>• Deliver 5000 new homes over next 5 years</li> <li>• Reduce carbon emissions</li> </ul> <p>➤ GVA = Gross Value Added ➤ HoSW = Heart of the South West</p>	<p><b>Quality jobs and valuable skills</b></p> <ul style="list-style-type: none"> <li>• Work with the Growth Board to deliver the Local Economic Strategy creating jobs and investment</li> <li>• Deliver new high value jobs by delivering the Oceansgate development programme as part of our City Deal</li> <li>• Deliver the History Centre project to support jobs and investment</li> <li>• Deliver the Vision for Education Plan</li> <li>• Work with the Employment and Skills Board to deliver the Plan for Employment and Skills</li> </ul> <p><b>Broad range of homes</b></p> <ul style="list-style-type: none"> <li>• Deliver the Plan for Homes               <ul style="list-style-type: none"> <li>- Accelerate plans to bring empty homes back into use</li> <li>- Development of brownfield sites</li> </ul> </li> </ul> <p><b>Increased levels of investment</b></p> <ul style="list-style-type: none"> <li>• Take forward and deliver major development schemes</li> <li>• Continue to develop a development pipeline using Council land and property assets and a strong programme of inward investment activity</li> </ul> <p><b>Meeting future infrastructure needs</b></p> <ul style="list-style-type: none"> <li>• Maximise resources available to the city               <ul style="list-style-type: none"> <li>- Help to secure funding for priority infrastructure projects</li> </ul> </li> <li>• Transform the gateways to the city</li> </ul> <p><b>Green and pleasant city</b></p> <ul style="list-style-type: none"> <li>• Support the growth of community owned energy solutions</li> <li>• Deliver the Active Neighbourhoods Project</li> <li>• Progress strategic transport projects</li> <li>• Deliver new community park and farm at Derriford</li> <li>• Deliver enhancements to Central Park informed by the masterplan</li> </ul>

## Our Vision

### Caring Plymouth

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

## Our Themes

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

Outcome	Outcome Measures	Priority Activity
<p style="text-align: center;"><b>Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it.</b></p>	<ul style="list-style-type: none"> <li>• Improve safeguarding through increased success in achieving the "Families with a future" (Troubled Families) Outcome Framework</li> <li>• Increase % of children making good progress at the 2 year old development check</li> <li>• Increase % of young people with Special Educational Needs and Disabilities (SEND) in education, employment and training</li> <li>• Improve the safeguarding of children and young people through timeliness of single assessments</li> <li>• Increase % of people who use adult social care services who say that those services have made them feel safer and more secure</li> <li>• Increase % of people satisfied with adult social care services</li> <li>• Reduce Delayed Transfers of Care</li> <li>• Number of households prevented from becoming homeless</li> <li>• Reduce the number of category one hazards from homes</li> <li>• Close the gap in life expectancy between the most and least deprived areas</li> <li>• Self reported wellbeing – Reduce percentage with a low satisfaction score</li> <li>• Increase participation in sports activities</li> </ul>	<p><b>Focus on prevention and early intervention</b></p> <ul style="list-style-type: none"> <li>• Deliver the Integrated Commissioning strategies</li> <li>• Deliver the Children, Young People and Families Service Improvement Plan</li> <li>• Deliver the Plan for Sport</li> </ul> <p><b>Keeping people protected</b></p> <ul style="list-style-type: none"> <li>• Deliver the Safeguarding Improvement Plan for Adults and Children</li> <li>• Deliver the Community Safety Plan</li> </ul> <p><b>Inclusive communities</b></p> <ul style="list-style-type: none"> <li>• Deliver the Welcoming City Action Plan</li> </ul> <p><b>Reduce health inequalities</b></p> <ul style="list-style-type: none"> <li>• Deliver the Child Poverty Action Plan</li> <li>• Deliver Thrive Plymouth</li> </ul>

## Our Vision

### Confident Plymouth

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

## Our Themes

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

Outcome	Outcome Measures	Priority Activity
<p><b>A city with an outstanding reputation where people choose to live, work and visit.</b></p>	<ul style="list-style-type: none"> <li>• Plymouth is recognised as a great place to live and visit evidenced through:               <ul style="list-style-type: none"> <li>- an increase in population</li> <li>- increase in visitor numbers</li> <li>- increase in visitor spend</li> </ul> </li> <li>• Citizens have a positive impact on their community, neighbourhood and city through (adult) residents volunteering at least once per month</li> <li>• Increase numbers of local communities benefitting from non Council grant funding</li> <li>• Voter turnout exceeds previous turnout</li> <li>• Increase the % of people satisfied with the neighbourhood in which they live</li> <li>• Increase the % of residents who feel they can impact on decisions</li> <li>• City congestion is reduced below the national average</li> <li>• Residents are satisfied with the condition of roads and pavements in the city</li> <li>• The city's reputation as a leading green city increases through:               <ul style="list-style-type: none"> <li>- Improved recycling rates</li> <li>- Less waste going to landfill</li> </ul> </li> <li>• Reduced rail journey times between Plymouth/London</li> <li>• Highly engaged Council staff promote the city and Council</li> </ul>	<p><b>Council decisions driven by citizen need</b></p> <ul style="list-style-type: none"> <li>• Residents help to inform Council priorities</li> </ul> <p><b>Plymouth as a destination (Mayflower 400)</b></p> <ul style="list-style-type: none"> <li>• Deliver the Mayflower National Trail and International Events programme</li> <li>• Support Destination Plymouth to deliver the Visitor Plan</li> <li>• Support the Culture Board to deliver the Vital Spark Cultural Strategy</li> </ul> <p><b>Improved street scene environment</b></p> <ul style="list-style-type: none"> <li>• Ensure that the city is kept moving</li> <li>• Deliver the pavements Improvement Programme</li> <li>• Develop and deliver the Plan for Waste</li> <li>• Introduce an initiative to tackle littering</li> </ul> <p><b>Setting the direction for the South West</b></p> <ul style="list-style-type: none"> <li>• Strengthen Plymouth's role in the region through the delivery of priority actions identified in the Plymouth Plan</li> <li>• Continue to fight to secure better alternative rail and improved road links</li> <li>• Take a lead role in the new Combined Authority and deliver a Devolution Deal</li> </ul> <p><b>Motivated , skilled and engaged workforce</b></p> <ul style="list-style-type: none"> <li>• Deliver the People Strategy</li> </ul>



**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	A Devolution Deal for the Heart of the South West
<b>Committee:</b>	Full Council
<b>Date:</b>	11 July 2016
<b>Cabinet Member:</b>	Councillor Bowyer
<b>CMT Member:</b>	Tracey Lee, Chief Executive
<b>Author:</b>	Alison Ward, Senior Policy, Performance and Partnership Advisor
<b>Contact details:</b>	Tel: 01752 398084 e-mail: alison.ward@plymouth.gov.uk
<b>Key Decision:</b>	N/A
<b>Part:</b>	I

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**Purpose of the report:**

In the Summer of 2015, Plymouth City Council, together with all the councils across Devon and Somerset worked together to submit a Statement of Intent to Government expressing the desire to explore a Devolution Deal that would transfer powers and funding from central Government, and enable greater influence over a wide range of public service areas.

At their meeting on 23 November 2015, Plymouth City Council endorsed recommendations to submit a detailed proposition to Government from the 17 councils and other bodies across the Heart of the South West (HotSW) partnership. The [Prospectus for Productivity](#) was submitted to Government on 29 February 2016.

On 25 May 2016, a meeting was held between the leaders of Plymouth City Council, Somerset and Devon County Councils and the Mayor of Torbay Council, with the Secretary of State for Communities and Local Government. At that meeting, the Secretary of State offered to support and open up negotiations for a Devolution Deal, if each council, and the respective MPs covering the area were able to provide evidence of an *'in principle'* agreement for the creation of a new Combined Authority to administer any Devolution Deal, by the end of July.

This report seeks endorsement for this *'in principle'* agreement recognising that:

- It does not commit the Council to a formal Devolution Deal, only to the principle of establishing a Combined Authority to open up negotiations and explore potential options with Government
- Any new Combined Authority would act as the legal body to administer powers handed down from central Government that we don't currently exercise
- Any Devolution Deal offered by Government on the basis of a new Combined Authority would be subject to full debate and further ratification by the Council.
- There is no requirement at this stage for the Council to take decisions on the detail of the delivery of newly devolved functions or other service provision
- The nature and constitution of any new Combined Authority will be extensively debated and will require the subsequent agreement of all constituent councils, and the Government
- All constituent councils are seeking endorsement of the same recommendations at this stage

Appended to this report are the following documents:-

- A summary paper
- A briefing note 'What is a Combined Authority?'
- 'What Devolution means for Plymouth'
- The Prospectus for Productivity

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## **The Corporate Plan 2016-19**

The transfer of powers, and control of funding from central Government will enable decisions to be taken closer to the point of service delivery, and will allow greater flexibility to respond to the needs of local communities. In this way, a Devolution Deal will support the themes in the Corporate Plan.

The Prospectus for Productivity has a strong emphasis on driving growth and is entirely consistent with the Corporate Plan ambitions around jobs, skills, homes, investment and infrastructure.

Finally, due to its prominence within the peninsula, Plymouth City Council has played a leading role in developing the Devolution agenda, demonstrating confidence in 'setting the direction to the South West.'

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

### **1. Financial Implications**

Each of the partner councils' s.151 officers will be involved in the development of the draft Deal and the associated investment framework that would support the delivery of the Deal by the Combined Authority. This will allow each partner council and the Partnership as a whole to understand the financial implications of a Combined Authority and any Devolution Deal.

### **2. Legal Implications**

Each of the Councils' legal teams will be involved in the development of the draft Deal and the structure of a Combined Authority for the Heart of the South West. This will allow each Council and the Partnership as a whole to understand the legal implications of any Devolution Deal and new Combined Authority body.

### **3. HR Implications**

None identified at this stage. Implications will be addressed as the Devolution Deal and proposals for the Combined Authority are developed further.

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

### **1. Other Implications (including due regard implications)**

None identified at this stage, however the whole population within the local authority could potentially be affected by a Devolution Deal. Any final Devolution Deal with Government will be subject to further approval / ratification by all partners, and will require other implications and impacts to be considered at that stage.

### **2. Risk Implications**

The involvement of technical specialists such as s.151 officers and legal advisers in the development of any draft Deal and Combined Authority model will promote a clearer understanding of the risk implications for the Council and the wider partnership. A risk register will be developed to sit alongside the development of the draft Deal and the Combined Authority.

It is possible that one or more partners may not endorse the recommendations at this stage and choose not to proceed with a formal proposal to Government. This would be unfortunate as there is strength in all partners coming on board; however, it is possible for a Devolution Deal and Combined Authority to go ahead even if one or more local authorities choose to opt out. There is significant discussion underway between partners to produce proposals that are acceptable to all. This should mitigate the risk of losing partners as the proposals develop.

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**Equality and Diversity:**

An Equality Impact Assessment has been undertaken.

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**Recommendations and Reasons for recommended action:**

It is recommended that Full Council:

1. Endorse the current approach to Devolution and agree to sign up to the principle of creating a Combined Authority for the Heart of the South West, as set out in the Prospectus for Productivity, as the basis for negotiation with Government towards a Devolution Deal for the area;
2. Note that giving this endorsement does not commit the Council to entering into a Devolution Deal, or becoming a member of a Heart of the South West Combined Authority. This would be subject to future debate and agreement by the Council and subject to negotiations with Government.

Reasons for recommendations:

The Council has an opportunity to benefit from Devolution across a wide range of topics and services. Benefits include:

- having greater influence and control over the funding and local delivery of further education; careers advice and guidance; apprenticeship reform; and national employment support programmes to boost skills levels and create a workforce that matches employer demand
- re-shaping the provision of local support for businesses to support and stimulate greater enterprise, innovation, investment and trade
- influencing and testing national planning reforms to benefit the city's growth ambitions
- the opportunity to secure longer term investment commitments from Government for strategic infrastructure to support the city, and to propose financial models that incentivise greater private investment
- opening a dialogue with Government on integrated health and care provision, and particularly looking at the issues surrounding mental health through the establishment of a Mental Health Commission

Devolution has clear links to, and the potential to enhance the benefits from the Plymouth and South West Peninsula City Deal by gearing enhanced powers around the objectives in the City Deal future plans and ensuring that we maintain a high profile with Government.

It also links to Plymouth's Offers and Asks which identifies specific points on which the Council and partners across the city will lobby Government on.

These recommendations seek to gain authority to pursue solutions that help the Council maximise the opportunities of Devolution. They do not commit the Council to a formal Devolution Deal, only to the principle of a Combined Authority to open up negotiations with Government.

At this stage of the process the Council is not required to take decisions on the detail of future service provision but rather to be actively aware and involved in discussions

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**Alternative options considered and rejected:**

1. To decline the Secretary of State's offer and continue at our own pace.  
Reason for rejection: As far as we are aware we may be the first two tier area to be given the opportunity to enter into negotiation with Government for a Devolution Deal without committing to a directly elected Mayor (except for Cornwall which has a different arrangement). This is a prime opportunity to test Government and push as far as we can for powers to be devolved to the HotSW. The offer is likely to be time-limited due to Government schedules and announcements.
  
2. To make separate approaches to Government, rather than as a Heart of the South West partnership.  
Reason for rejection: Since the submission of the Statement of Intent in September 2015, the 17 local authorities, 2 National Parks, the HotSW Local Enterprise Partnership and the 3 Clinical Commissioning Groups have worked very effectively together to create a strong and credible Prospectus that has been acknowledged by the Secretary of State. We should remain united moving forward into negotiations to have a stronger voice, and secure a better Deal.

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**Published work / information:**

**Background papers:**

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

**Sign off:**

Fin	akhI 617. 14	Leg	DVS 2589 8	Mon Off	DVS 2589 8	HR	n/a	Assets	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Giles Perritt													
Has the Cabinet Member(s) agreed the content of the report? Yes													

## Summary Paper

### I. Background

Devolution for the Heart of the South West (HotSW) is being led by the Leaders of Somerset and Devon County Councils, all Somerset and Devon Districts, Torbay Council, Plymouth City Council, Dartmoor and Exmoor National Parks, the Local Enterprise Partnership and the three Clinical Commissioning Groups. The group has become an informal partnership working towards a Devolution Deal with Government to secure greater powers and control, and to have a stronger voice with Government.

Our shared Devolution Statement of Intent was submitted to Government on 4 September 2015, in response to announcements in the July Budget and the deadline set by the Chancellor of the Exchequer.

The Statement of Intent set out the broad ambition from the Heart of the South West area in terms of transforming overall productivity levels, through investment in strategic infrastructure and housing, raising skills levels and creating jobs, and integrating public services. The Statement also contained a set of principles agreed by all partners. That the devolution process would be:-

- A politically-led process without local government reorganisation
- Powers devolved to councils collectively, working with the Heart of the South West Local Enterprise Partnership, then pass-ported to the appropriate level (*Subsidiarity or double-devolution*)
- Space for collaborative propositions with other authorities within the wider South West, on issues where it would make sense
- Equal voice for all of the local authorities involved
- A pragmatic and flexible, mutually supportive approach, ensuring that no authority would be disadvantaged, even if they would not directly benefit
- Arrangements focussed on gaining new powers that are currently unavailable to local authorities and will deliver benefits for all.
- Wherever possible, partners will use or adapt existing arrangements to manage and deliver on proposals to avoid extra layers of bureaucracy
- Cost-effective solutions, pursuing fiscal neutrality in line with Government expectations.

Since September 2015, the partnership has strengthened and evolved, and jointly developed the HotSW Prospectus for Productivity. The Prospectus builds on the three basic ambitions: - to raise productivity levels; improve health, care and wellbeing; and improve connectivity and resilience. A number of thematic groups were established to develop the detail for the proposition.

- Health, social care and wellbeing
- Skills and employment
- Business support
- Infrastructure, resilience and connectivity
- Housing and planning
- Governance

Our [Prospectus for Productivity](#) was submitted to Government at the end of February 2016. Since then the Partnership has pressed the Secretary of State to enter into discussion with its negotiation team to secure a Devolution Deal for the Heart of the South West area. Following an invitation

from the Secretary of State, on the 25th May 2016, leaders from the upper tier authorities met with Greg Clark, the Secretary of State for the Department of Communities and Local Government, to seek his views on our next steps forward.

Following that meeting, he invited us to come forward with a proposal and the following points were clarified:

- **Geography** – the Devon and Somerset area is agreed as the appropriate scale. Our proposal will need clearly demonstrate why this is the right geography for the Devolution agreement and all councils and MPs must support the proposal.
- **Combined Authority** – the Partnership will move forward into the negotiation process based on a Combined Authority model. The Mayoral issue may be considered at a later stage, within the timeline agreed by our Partnership. A Mayor will not be imposed or be a pre-condition of any initial deal.
- **Extent of the Deal** – areas that have agreed to have a Mayor will get more powers than a non-Mayoral Combined Authority. However, the negotiation process will be an opportunity to push the limits of this initial Deal, and the process should be viewed as being incremental
- **Timeline** – we will still work towards an Autumn Statement timeline for the announcement of an initial Deal
- **Growth Deal 3** – the LEP will not be penalised in Growth Deal 3 negotiations just because the area has decided to pursue a Devolution Deal based on a Combined Authority without a Mayor. The decision for allocation will be based purely on the quality of the Growth Deal bid.

The Secretary of State went on to advise that if the Partnership, backed by each Council and MPs, would sign up to the principle of creating a Combined Authority by the end of July 2016, he would arrange for HM Treasury to open up negotiations towards a Devolution Deal.

This report seeks approval to sign up '*in principle*' to the pursuit of a Devolution Deal and the creation of a Combined Authority for the Heart of the South West sub-region to administer the powers and funding devolved through the Deal. An '*in principle*' agreement from all of the local authorities, partners and MPs involved in the Heart of the South West devolution process will open up negotiations with HM Treasury to work towards a Deal.

Any final Devolution Deal with Government will be subject to further approval / ratification by all partners individually. A Heads of Terms document will be used as a negotiating tool to draw down additional powers and funding to provide a significant boost to the Heart of the South West economy by creating new jobs, accelerating the delivery of new homes, and raising skills levels.

It should be noted that there is no intention for a new Combined Authority to take existing powers or funding from local authorities, or existing City Deal governance structures, without the explicit agreement of those constituent local authorities. Further detailed work will be undertaken to identify the decision making powers and the constitution of the Combined Authority, and all partners will be fully involved and consulted on these arrangements as they develop over the coming months.

## 2. Development and Communications

Leaders and chief executives from the 17 councils, 2 national parks, 3 Clinical Commissioning Groups and the Local Enterprise Partnership have met each month since September 2015 to monitor and make decisions to progress the overall Devolution programme. In addition, a smaller group of chief

executives and leaders for each theme is responsible for shaping and driving the programme, and for overseeing a small programme management team led by Plymouth City Council.

Regular briefings have been held with the previous and current Leaders of Plymouth City Council, the political groups, and senior officers including technical leads who are helping to define the detail of what could be in a Devolution Deal.

The Partnership regularly produces a newsletter which is available on the Member Toolkit area of Staffroom, and media releases and key documents are posted on the Council's website.

Senior finance and legal officers from all of the councils are currently involved in developing a greater understanding of the benefits, implications and risks of pursuing a Deal, and of setting up a Combined Authority.

A comprehensive Member Development Programme has been put together and this will be delivered during the Autumn in every council.

Based on advice from other Devolution areas, the Heart of the South West partnership will undertake more widespread public consultation when negotiations are at a more developed stage.

### **3. Next steps**

If HM Treasury agree to open up negotiations towards a Devolution Deal for the Heart of the South West, further work will be required as detailed below. The timescales to deliver this work will be extremely tight if the Partnership is to achieve its target of establishing a Combined Authority before May 2018.

The Programme Management Office oversees the delivery of the work plan and maintains communications between each partner. Consideration will need to be given to whether the capacity of the PMO will need to be increased to meet these potentially tight timescales.

In addition to shaping a potential Devolution Deal with Government, based on what the Heart of the South West area needs, two other vital complementary pieces of work are in train.

- **Productivity Plan**

The HotSW partnership has already committed to developing a Productivity Plan which will guide the powers and resources received in our Devolution agreement, together with locally aligned contributions. This Plan will incorporate and build upon a refresh of the Local Enterprise Partnership's current Strategic Economic Plan (SEP). It will go beyond the current SEP to describe a longer term and wider scope ambition.

Regardless of whether the Government agrees to open up negotiations for a Deal, the development of a Productivity Plan for the Heart of the South West sub-region will be an imperative to describe the long term future growth of the area, in order to provide a better quality of life for our residents. Therefore, work will continue on the development of a sub-regional Productivity Plan irrespective of whether there is an announcement in the Chancellor's Autumn Statement.

The Productivity Plan will focus on each of the six 'golden opportunities' that have been identified in the prospectus - Marine, Nuclear, Aerospace and Advanced Engineering, Data Analytics, Rural Productivity and Health and Care. Sitting beneath each of the 'golden opportunities' will be detailed

plans setting out our ambitions for the sub-region. These plans will describe the transformational impact that these opportunities will deliver if we are genuinely able to capitalise on them.

- **Governance Review**

A Governance Review is already underway. This is examining existing structures and developing options for the best governance structure for the Heart of the South West sub-region. This review is a necessary part of moving towards the establishment of a Combined Authority as it helps to provide the evidence to meet the key test for the Secretary of State that it *'is likely to improve the exercise of statutory functions in the area'*. As part of this review, the following key issues will be considered, and all partners will be involved in this process:

- The extent of the decision making powers to be vested in the Combined Authority
- What decision making structures or advisory committees (including place-based arrangements) will be required under the Combined Authority– including any joint committee arrangements
- Proposed voting arrangements

Indicative timeline: -

**1. Working towards securing a Devolution Deal**

- May - meeting with the Secretary of State
- July - endorsement by all councils of the *'in principle'* agreement
- July/August - commence discussions with civil servants
- September/October - Member development sessions and further MP engagement
  - high level negotiations and a potential Ministerial challenge session
  - Draft Deal taken back to councils and partners for agreement
- November - potential Chancellor's announcement of a draft Deal for HotSW

**2. Establishing new Governance Arrangements**

- May - stage I of the governance review underway
- July - endorsement of *'in principle'* agreement by councils
- August/September - stage I complete and development of CA options
- October - draft proposals for a new CA taken through councils for endorsement

**3. Creating a Productivity Plan and Single Investment Framework**

- July - collating the evidence base
- August/September - visioning work with Leaders on the new Plan
  - shared understanding of the Single Investment Framework
- December – April - drafting of the Productivity Plan and accompanying delivery schedule



# EQUALITY IMPACT ASSESSMENT



## STAGE 1: What is being assessed and by whom?

What is being assessed - including a brief description of aims and objectives?

Council are being asked to approve an 'in principle' agreement to proceed towards the development of a Combined Authority, as a vehicle to administer a Devolution Deal with Government. This is based on the submission of a Prospectus for Productivity sent to Government in late February 2016.

Any Deal agreed with Government is expected to create a change to policy at a strategic level in terms of drawing down powers and funding not currently available to councils across the Heart of the South West area, and in terms of how the constituent councils and the LEP work together in the context of a new Combined Authority.

However, any impact that these might have on individuals or communities with protected characteristics is not yet known and will be dependent on the form of any Devolution Deal from Government, and subsequent changes to the ways in which services are locally commissioned, designed and delivered.

Responsible Officer

Giles Perritt

Department and Service

Assistant Chief Executive, Policy, Performance and Partnerships

Date of Assessment

20<sup>th</sup> June 2016

## STAGE 2: Evidence and Impact

Protected Characteristics (Equality Act)	Evidence and information (e.g. data and feedback)	Any adverse impact?	Actions	Timescale and who is responsible?
Age	Broad policy areas included in the Heart of the South West Prospectus for Productivity include: <ul style="list-style-type: none"> <li>• Health, Care and Wellbeing</li> <li>• Skills and Employment</li> <li>• Business Support</li> <li>• Connectivity</li> <li>• Resilience</li> <li>• Housing and Planning</li> </ul>	This Council report and its recommendations do not directly affect any people or communities; however the proposals, if ultimately included in a Devolution Deal, may affect all communities in Plymouth.  Further equality impact assessments will therefore need to be carried out on specific proposals for any service changes.	None at this stage – further evaluation will be required once a deal has been announced.	A final Deal is not anticipated until 2017 at the earliest.
Disability				
Faith, Religion or Belief				
Gender - including marriage, pregnancy and maternity				
Gender Reassignment				
Race				
Sexual Orientation -including Civil Partnership				

STAGE 3: Are there any implications for the following? If so, please record 'Actions' to be taken		
Local Priorities	Implications	Timescale and who is responsible?
Reduce the inequality gap, particularly in health between communities.	A major theme within the Devolution Deal is around increased integration between health, care and wellbeing services which is expected to have a positive impact on reducing the inequality gap in health. There will be a particular focus on mental health.  In addition, the ability to influence the commissioning	A final Deal is not anticipated until 2017 at the earliest.  This is likely to be a first settlement with an expectation that if successfully delivered; further devolved powers may follow subsequently.

<b>STAGE 3: Are there any implications for the following? If so, please record 'Actions' to be taken</b>		
<b>Local Priorities</b>	<b>Implications</b>	<b>Timescale and who is responsible?</b>
	of employment support (DWP Work Programme or similar) and provision around skills should provide greater flexibility to reflect local differences, and therefore more opportunity to reduce inequalities.	
Good relations between different communities (community cohesion).	None	
Human Rights	None	

<b>STAGE 4: Publication</b>			
Director, Assistant Director/Head of Service approving EIA.	Giles Perritt	Date	20 June 2016

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June 2016

## What is a Combined Authority?

### Summary

Combined authorities (CAs) were introduced under in the [Local Democracy, Economic Development and Construction Act 2009](#) ('2009 Act'), and subsequently amended by the [Cities and Local Government Devolution Act 2016](#). The Heart of the South West Partnership has developed this briefing note as a simple explanation of both a Mayoral and Non-Mayoral Combined Authority (CA). Following a meeting with the Secretary of State in late May, and in line with the briefing note circulated shortly afterwards, the Partnership is considering establishing a Non-Mayoral CA.

It should be noted that we are not seeking to establish a Mayoral CA at this stage, but we are keeping our options open to see what additional powers this could unlock in the future. It is important that we collectively agree to the principle of setting up a Non-Mayoral CA initially to allow us to enter into negotiations with Government at this time.

### What is a Combined Authority (CA)?

England has one of the most centralised governance systems in the world. By creating a CA, the Heart of the South West partnership aims to draw down a range of new strategic powers and funding from central Government, through a Devolution Deal. This will mean that more decisions can be taken locally to better reflect local priorities. A CA can be set up by two or more local authorities. It is a formal structure with a recognised legal status. It usually has one representative from each of the constituent member local authorities, and operates on either a Leader and Cabinet, or Committee structure. A Mayoral CA also has a directly-elected Mayor who is the overall Leader or chair.

The 2016 Act removes previous limitations on the powers that a CA can exercise and permits the Secretary of State to transfer a wide range of statutory functions, including functions from public bodies. The only qualifications on this relate to the transfer of health service functions. The extent of the powers transferred depends on the Devolution Deal agreed with Government. The Secretary of State has been clear that the Mayoral CA model enables areas to draw down the most extensive range of powers. Examples of some pre-existing Combined Authorities that will become Mayoral CAs by May 2017:

- [Greater Manchester Combined Authority](#)
- [Sheffield City Region](#)
- [Liverpool City Region](#)

### What it's not.....

A Combined Authority is **not**:

- part of a process to instigate local government reform, or bring about unitary status.
- a take-over by any authority, nor a merger of authorities to form a 'super council'.
- about ceding (transferring) powers to a single body without the express will of the constituent local authorities.
- a 'physical entity,' for example with teams of regeneration officers from the constituent authorities sitting in one building – **unless** the constituent local authorities wish it to be. (Except for a very small core support team that is required by law)

## What is a Mayoral CA?

A Mayoral CA is a new variant introduced under the 2016 Act and is different to the elected mayors that a number of councils already have in place such as Torbay.

Up until recently, the Mayor of London had a unique position within English local government, with powers over strategic planning, transport, fire and emergency planning, policing and crime, and economic development over all of London, together with an elected 25-member London Assembly with scrutiny powers. The remaining local government functions in London are performed by the 32 borough councils.

Through Devolution Deals a number of areas have agreed to have a directly elected Mayor and a CA in return for a range of additional powers. An example of this is Greater Manchester Combined Authority. It will have a different model from London as they will operate a cabinet model CA, where all GMCA leaders have a clear portfolio of responsibilities that will act as a supporting and advisory function to their Mayor and CA in respective policy areas. Elections for the GMCA Mayor will take place in May 2017.

In this example the Mayor will need to consult the Cabinet on his/her strategies, which it may reject if two-thirds of the Members do not agree. Some functions such as the Statutory Spatial Framework will need to be approved by a unanimous vote of the Cabinet.

## What is the process for setting up a CA?

There are a number of routes for establishing a CA.

- 2009 Act – requires the authorities to carry out a governance review and publish a scheme recommending the creation of a combined authority. This requires the consent of the authorities involved in the scheme and the Secretary of State will agree to make a Parliamentary Order under the Act to create the CA.
- 2016 Act – the Secretary of State can establish a Combined Authority if the councils in the area consent. The Secretary of State must hold a public consultation if this has not already been undertaken locally. The Secretary of State needs to be satisfied that the CA is likely to “*improve the exercise of statutory functions*” in the area. The typical timeframe for establishing a CA through this route is 6-9 months.

An existing CA can be changed into a Mayoral CA through a Statutory Order from the Secretary of State. Any authorities that do not consent must be removed from the CA when the elected Mayor is established.

The governance review stage is important in determining the best model of CA for an area and is part of the overall scheme. In a Non-Mayoral CA the constituent members need to decide if they want a Leader and Cabinet, or a Committee style model for the CA

## Can the membership of a CA be changed?

It is possible for councils to leave, or for new councils to join a CA, however Government agreement is required to amend or dissolve the Combined Authority. If a local authority wishes to leave the Combined Authority, a new review of governance arrangements would have to take place, and a revised scheme would need to be published, before the Statutory Order could be amended.

## What sort of powers could the HotSW Combined Authority expect to receive through its first Devolution Deal?

No other areas of the country have been given a Devolution Deal based on the establishment of a new Non-Mayoral Combined Authority, however the Deals struck with Cornwall and West Yorkshire provide a guide as to what we might expect to be in our Deal.

We believe we are in a strong position to push for as much as possible in our first Deal with Government.

Devolution Deals tend to be incremental and to evolve over time. Once areas are able to demonstrate that they have strong and accountable governance arrangements in place, and that they can successfully deliver on the new functions, Government is willing to transfer further powers by negotiating subsequent deals. In March 2016, Greater Manchester, the pioneers of Devolution, successfully secured their 4<sup>th</sup> Deal with Government which gave them greater powers over more public services, including the criminal justice system.

All Devolution Deals have a common set of themes; however, the greatest powers, funding control, and influence are reserved for areas with Mayoral Combined Authorities. We believe that the following examples would be available to us as a bare minimum:

- **Transport** – for example around bus franchises, and determining local bus network routes
- **Learning and Skills**– for example, control of the Adult Education Budget to redesign further education
- **Business Support** – having the freedom to join up a range of Government agencies locally to provide a better, more coordinated offer to businesses
- **Employment Support** – the ability to influence commissioning of the new DWP Health and Work Programme
- **Land and Housing** – greater influence over the use or disposal of central Government land and assets, and working with Government on planning reforms

We will be pushing hard for all the powers and influence reflected in the 'Asks' in our Prospectus. In particular, we will be making a strong case to secure a long term investment commitment for the infrastructure we need to unlock growth.

## How would it impact on my Council?

The CA does not replace the existing member Councils, it operates alongside and allows those members to draw down and exercise a range of powers and control funding from Government they would not otherwise be able to access. It means that local politicians have greater control over decision making traditionally held in Westminster. The extent of the powers is determined by the Devolution Deal negotiated with Government.

It is not intended for any existing council functions across Devon and Somerset councils to transfer to the CA at the time of its establishment, but once established it would be possible, where there is a clear benefit, for councils to transfer functions into the CA, subject to agreement.

## Further information

House of Commons Briefing Paper on Combined Authority – February 2016

<http://researchbriefings.files.parliament.uk/documents/SN06649/SN06649.pdf>

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June 2016

**What does Devolution mean for the Heart of the South West - and for Plymouth?**

Since the submission of the Statement of Intent in September 2015, the Heart of the South West Partnership have been working together to try and draw down greater powers, funding and freedoms from Government by securing a Devolution Deal for the area.

**There are a number of underlying reasons to pursue a Devolution Deal and Combined Authority as a Heart of the South West Partnership**

The partnership has agreed the rationale and benefits for being involved in this process as follows:

- This is a unique opportunity to release powers and funding from Whitehall and enable us to have greater influence to deliver on the priorities we know are important to our sub-region
- It places our Partnership into an exclusive club with the 10 other deal areas and the advantages this can bring in terms of incremental shifts of power from the centre to local areas
- It is the start of an ongoing process that will allow us to build on our track record and credibility for delivery that makes a tangible difference to our communities

By working together as a Partnership we have a stronger voice with Government and greater clarity about our shared priorities. It puts decision-making closer to our communities so that we can plan, sequence and deliver what our areas need over the longer term. It will create a firm foundation for working together and for having conversations at a strategic level with neighbouring areas across the South West.

**The benefits across the whole partnership of working together towards a Devolution Deal include access to new powers, for example around:**

- **Transport** – for example around bus franchises, and determining local bus network routes
- **Learning and Skills**– for example, control of the Adult Education Budget to redesign further education
- **Business Support** – having the freedom to join up a range of Government agencies locally to provide a better, more coordinated offer to businesses
- **Employment Support** – the ability to influence commissioning of the new DWP Health and Work Programme
- **Land and Housing** – greater influence over the use or disposal of central Government land and assets, and working with Government on planning reforms



### **Benefits for Plymouth**

The transfer of powers and control of funding from central Government will enable decisions to be taken closer to the point of service delivery, and will allow greater flexibility to respond to the needs of local communities. In this way, a Devolution Deal will support the themes in Plymouth City Council's Corporate Plan.

The Heart of the South West Prospectus for Productivity has a strong emphasis on driving growth and is entirely consistent with Plymouth City Council's Corporate Plan ambitions around jobs, skills, homes, investment and infrastructure. Whilst we will work together across the partnership to produce a Productivity Plan, in order to fully capitalise on the transformational opportunities in the Plan, we will require freedoms and flexibilities from Government that we don't currently have.

For Plymouth, this includes the focus on developing our expertise around the marine sector to make the city a centre of expertise of global significance, attracting international investment and research that will drive enterprise and innovation, creating high quality employment, and raising skills levels. Devolved powers will be geared around supporting the Plymouth and South West Peninsula City Deal to ensure it reaches its full potential and the benefits are widely felt.

The Prospectus sets out proposals to take control of adult education budgets, to have a greater influence over post 16 skills, and to work with DWP to help people back into work. There have been some excellent pilot projects in Plymouth, for example to help plug skills gaps in the construction industry, to encourage the take up of apprenticeships, and to inspire young people into manufacturing and engineering careers. Devolved funding streams will help us to do more and will provide the flexibility to re-shape the skills training on offer to match what employers need to grow their businesses.



# Devolution

for the Heart of the South West

## A Prospectus for Productivity



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# The Heart of the South West



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- Principal Growth Areas	- Renewable energy potential	- Universities	- Innovation Centres	- Yeovil Aerospace	- Data Analytics Centre
- Secondary Growth Areas	- Enterprise Zones	- Science Parks	- Marine Technology	- Hinkley Point Nuclear Site	

# Executive Summary

In September 2015 the Heart of the South West (HotSW) submitted its devolution Statement of Intent to Government. After considerable further work during autumn 2015, the partners - 17 local authorities, two National Parks, the Local Enterprise Partnership (LEP) and the three Clinical Commissioning Groups - are now in a position to commence detailed negotiations with Government on a devolution deal.

Government has challenged local leadership teams to treat productivity as 'the challenge of our time'. They have asked us to do that by 'fixing the foundations' of infrastructure, skills, and science through a devolution revolution delivering long-term public and private investment.

Heart of the South West productivity continues to lag behind national productivity and is currently under 80% of the UK average. To redress this we need more, better jobs, a healthier, higher skilled labour market and new homes for our growing population.

With Government support for our proposition, by 2030 the Heart of the South West can accelerate delivery of 163,000 new jobs, 179,000 new homes and an economy of over £53bn GVA. To put this in context, this is more growth over the next fifteen years than Bristol, Birmingham and Nottingham (the three non-'Powerhouse' core cities) have delivered in the last fifteen.

To do this we will exploit and deliver our Golden Opportunities around investment in nuclear energy at Hinkley, across the peninsula in marine, aerospace, advanced manufacturing and environmental futures. We will connect our rural communities to these transformers and address the challenges of ageing and health-related worklessness with unprecedented

health and care integration.

We will take responsibility for fixing our foundations. We seek Government's support to do this through negotiation and delivery of a far reaching devolution deal for the Heart of the South West.

Our approach to delivering this transformation focuses on a comprehensive Productivity Plan:

- **For people:** we will build on Government's own national reconfiguration of the skills system to supply business with the skills it needs and a labour market able to deliver productivity per job and per hour at 'Greater South East' levels (outside Inner London). Our plans for health and care integration will support a significant proportion of our non-working population into work.
- **For business:** our Growth Hub will enable business growth and internationalisation following closure of the national Business Growth Service. We will augment this with specific policies and initiatives to realise national priorities implicit in our Golden Opportunities.
- **For place:** we will provide the infrastructure and housing required and make the Heart of the South West investment ready. We also recognise that much of our growth will occur in specific sub-regional economic geographies. We will plan and manage change in these sub-regions to ensure their connectivity with each other, with the rest of the country and globally. We will make sure that rural areas access and leverage these opportunities and build on Government's 10 point plan for rural productivity geographies.<sup>1</sup>

<sup>1</sup> The Heart of the South West's economic transformational opportunities were identified and agreed in our Strategic Economic Plan, March 2014.

Cohesive, coherent leadership and governance of this transformation is crucial. We propose to establish a Combined Authority to provide leadership, supported by sub-regional delivery mechanisms so powers and resources are deployed on the scale at which our economy functions. These arrangements will develop new ways of working to address priority issues.

Our proposals build upon successful and strong business leadership through our Local Enterprise Partnership: we cannot deliver effective economic interventions without a strong business voice.

If we do not act, the Heart of the South West will not be able to contribute to the Government's ambition to meet the national productivity challenge as set out in Fixing the Foundations.

This document outlines our position and objectives. An early agreement on heads of terms for a devolution deal will trigger the start of our governance review and formulation of our Productivity Plan.



New housing development, Beechfield View, Torquay



Somerset Energy Innovation Centre



# Our Vision and Goals

**G**overnment recognises that fixing the foundations and devolution are the projects of a generation. Our key challenges are:

- An insufficiently skilled workforce and limited pool of available labour: many young people move away to live and work, rather than stay or move into our area.
- A need for more infrastructure to support our existing businesses and workers and to attract new ones. We need better and more resilient infrastructure: roads, railways, broadband and housing.
- Enabling a more effective, far-reaching support environment for businesses to sustain those we already have and make the area more attractive to inward investment and home-grown entrepreneurs.
- Managing the significant and increasing cost of health and social care, which combined with our ageing population threatens the viability of public services unless radical reforms are completed.

Productivity-led growth in the Heart of the South West will have three dimensions:

- **People:** who are healthy, with the skills they need to access higher value jobs and grow their careers.
- **Business:** more businesses creating new jobs and increasing productivity.

- **Place:** sustainable growth across the geography, supported by modern infrastructure and accelerated housing delivery.

We signalled our intention to meet these challenges with our Statement of Intent. The submission of this more detailed proposition shows how serious our intent is. We believe the proposals we have committed to developing will realise our local ambitions and make decisive, important contributions to Government's national priorities.

With Government support for our proposals we will redress our productivity gap and help us manage demographic challenges more effectively. Key outcomes we will achieve by 2030 include:

- £4bn additional in GVA for the UK economy.
- 163,000 new jobs.
- Infrastructure that supports our ambitious plans.
- 179,000 more homes, and accelerated delivery in major growth points.
- Wage levels higher than the national average.
- Additional tax revenue for the Treasury of £113million per year.
- Apprenticeship starts increased by 400%.
- Every young person in education, employment or training.
- £1bn per year welfare benefits savings as more people enter employment.
- 60% of our workforce qualified to NVQ level 4 or above.
- Faster more reliable rail services with greater capacity.
- Faster and more reliable journey times on our road network, with less congestion.
- 100% superfast broadband coverage.



The Heart of the South West has a strong track record of delivering in partnership for residents and businesses:

- Securing and supporting major national and international investment in the future of the nuclear industry at Hinkley Point.
- Plymouth and South West Peninsula City Deal.
- A total of £195.5m secured through Growth Deals – including the highest Growth Deal 2 settlement of any LEP area in the country – to deliver a comprehensive programme of projects in pursuit of growth.
- Exeter University, Science Park, Innovation Centre and Innovation Zone.
- Connecting Devon and Somerset superfast broadband.
- Three Enterprise Zones: South Yard in Plymouth to support innovation and growth in marine industries, Huntspill Energy Park near Bridgwater to support the growth of a new nuclear cluster catalysed by investment in Hinkley and east of Exeter sites aligned to opportunities in environmental sciences and big data.
- Delivery of Plymouth Science Park by Plymouth City Council and Plymouth University, now entering phase 5, creating the largest science park in the south of England.
- Better, more reliable roads, including major improvements to A303, A358, A30 corridor, M5 Junctions and A361 North Devon Link.
- The Peninsula Rail Task Force.
- Connecting communities in rural areas.
- Exeter and East Devon Growth Point.
- A high quality and thriving Further Education Sector.
- Health and social care initiatives including Somerset Together Vanguard project, Exeter 'ICE', Torbay's Integrated Care Organisation and 'One System One Budget' in Plymouth.

We can scale up and build on these experiences. However, without the comprehensive framework that our governance proposals will deliver, the Heart of the South West and national Government will miss out on the solutions, linkages, and effectiveness that collective leadership can achieve.

A Heart of the South West devolution agreement with robust governance structures, accelerated delivery, and more focused use of scarce resources is the optimal way for Government to assure itself that the national Fixing the Foundations plan is being proactively and consistently led and delivered across the Heart of the South West.

In this prospectus we set out our goals for 2016-2030 and how we will deliver the long-term and evolutionary work required to achieve our devolution revolution.



FlyBe Academy

# National Context

Government set out its long-term ambitions for the UK economy in 'Fixing the Foundations', its productivity plan for 2015-2020. This framework outlined how long-term investment and a dynamic economy could raise productivity and lift living standards. Government's invitation to areas to propose ways that devolution could contribute to this agenda led to our Statement of Intent being submitted on 4th September 2015.

With policy developments in the autumn, and the Spending Review, Government has firmed up the financial intentions behind the productivity plan. In terms of local contributions leadership teams need to deliver an extensive portfolio of reforms:

- In skills and employment, 2016-20 will see major reforms of the post-16 and adult skills systems (both of colleges and providers on the supply side, and of loans for learners on the demand side). Post-16 Area Reviews and introduction of the Apprenticeship Levy offer opportunities to transform the delivery of local labour market skills, however the demands of transition may be acute.
- Physical investment will need to be managed in the context of higher performance expectations for planning regimes, new approaches to housing supply (especially starter home ownership) and proactive asset management at a public estate as well as local authority level. Local leadership teams will also need to play into the revision of the National Infrastructure Plan with new commitments to flagship schemes like HS2 and nuclear energy.

- As the national Business Growth Service closes by March 2016, new pressures will be placed on emerging local Growth Hubs. For innovation, local and regional Science and Innovation Audits will seek to shape national priorities as Research Councils and Innovate UK come together in Research UK with a range of new products.
- These agendas, and others, need to be delivered without diverting attention from existing commitments. These include City Deals, local Growth Deals, the European Structural and Investment Fund programmes, and other legacy programmes, such as the Regional Growth Fund, Growing Places Fund, existing and newly announced Enterprise Zones.

These agendas sit alongside, and will be enabled by, devolution and fiscal reforms and managed in the context of continued public sector expenditure constraint.

The challenge for the Heart of the South West is to shape these national priorities to our unique circumstances. We have drawn on our Strategic Economic Plan to describe the causes of our productivity challenge, identify our key Golden Opportunities and understand how to build on our track record of success.



Hinkley Point C, Somerset

# Local Context

The Heart of the South West covers most of the south west peninsula. Its 1.7 million residents live in a mixture of rural and urban settings served by a stunning natural environment and rich cultural heritage.

Most of our businesses are small and medium sized enterprises (SME) employing fewer than five people, providing excellent potential for growth and innovation. We are also home to cutting edge engineering and manufacturing industries including companies of global significance:

- Aerospace and advanced engineering industries employ more than 23,000 people and contribute over £1billion to the economy. Businesses in the area also have specialisms in advanced electronics/photonics, medical science and wireless and microwave technologies.
- Analysis of the comparative advantages of our local assets has identified that the Exeter City Region can make a unique contribution by becoming a globally recognised centre of excellence in weather and environment-related data analytics. Exeter is home to the Met Office, the city leads Europe in combined environmental science, data and computational infrastructure, hosting 400 researchers in environmental and sustainability science. From 2017, it will also host the most powerful supercomputer in Europe.

- The first of the UK's new generation of nuclear reactors being constructed at Hinkley Point will deliver substantial economic benefits across the south west. It is part of our growing low carbon and energy sector and offers £50billion worth of business opportunity in the nuclear sector within a 75-mile radius of Hinkley Point.

- We are a global centre of excellence for marine science and technology, including Plymouth University's Marine Institute and the Plymouth Marine Laboratory.

- There are 30 working fishing ports across the Heart of the South West, ranging from England's two largest fishery landings at Brixham and Plymouth to smaller traditional operations at locations such as Ilfracombe and Clovelly.

- The South West Marine Energy Park, the country's first, serves the wider south west peninsula, and offers direct access to superb physical assets and resources including the north Devon and north Somerset marine energy coasts for opportunities in wind, tidal and nuclear energy.

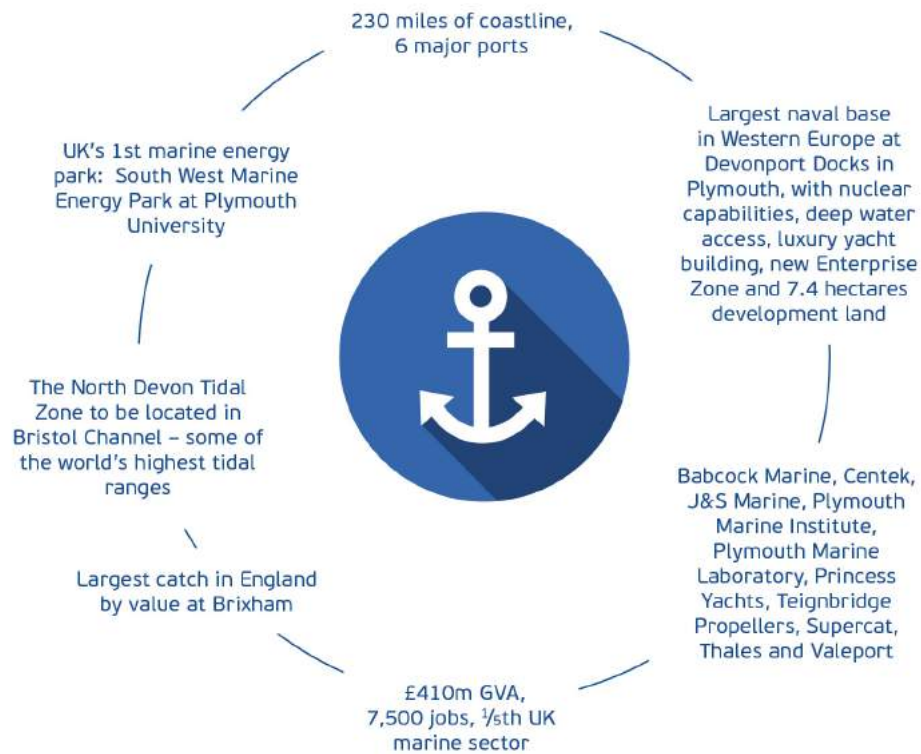
Our mixed economy also serves our traditional strengths. Our tourist and visitor economy attracts millions of visitors per year and our food and drink sector has a significant impact on national GVA (4.2% in 2011).

Whilst our largest employment sectors remain public administration, health and education, our Local Enterprise Partnership's Strategic Economic Plan recognises our area as having 'New World' potential if opportunities can be capitalised upon and the right conditions for growth created.

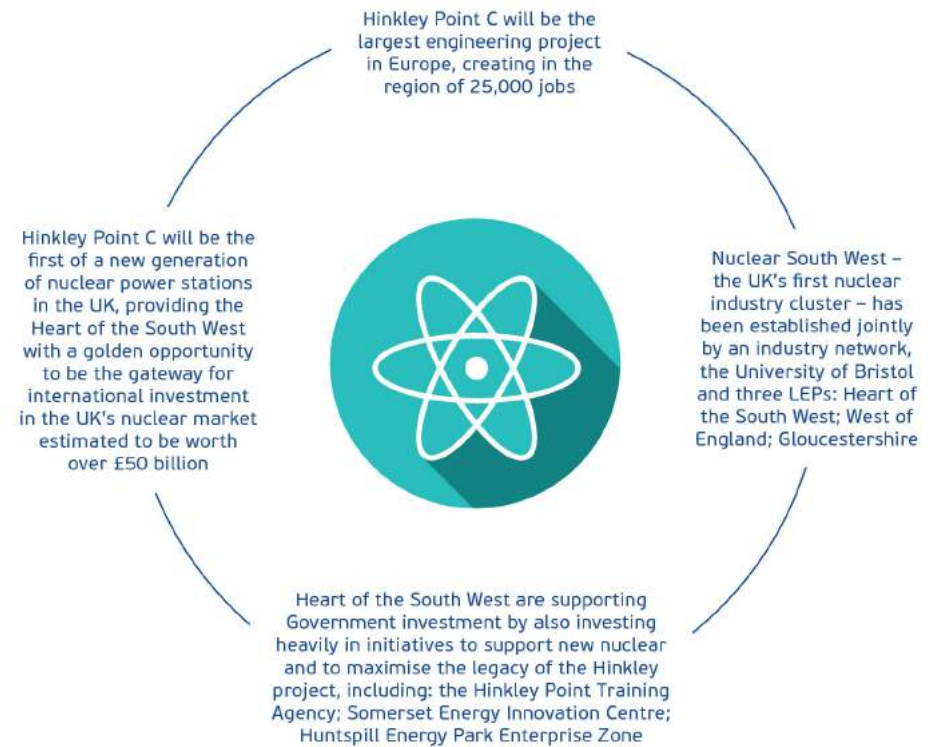
## Golden Opportunities

We have identified six Golden Opportunities that we will use to drive productivity and economic growth whilst continuing to support our diverse economy and taking advantage of new opportunities as they emerge.

### Marine

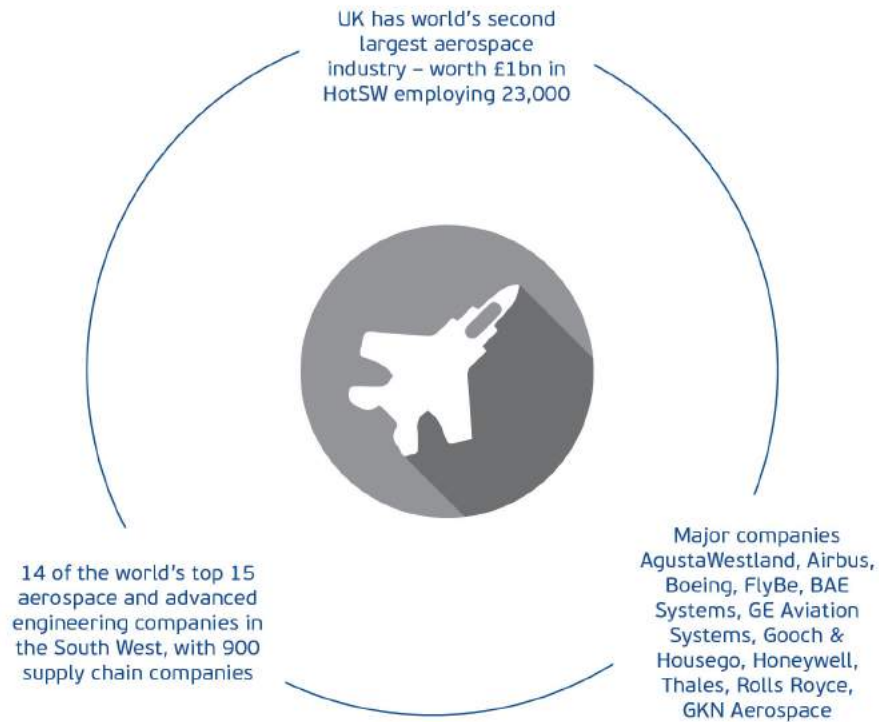


### Nuclear





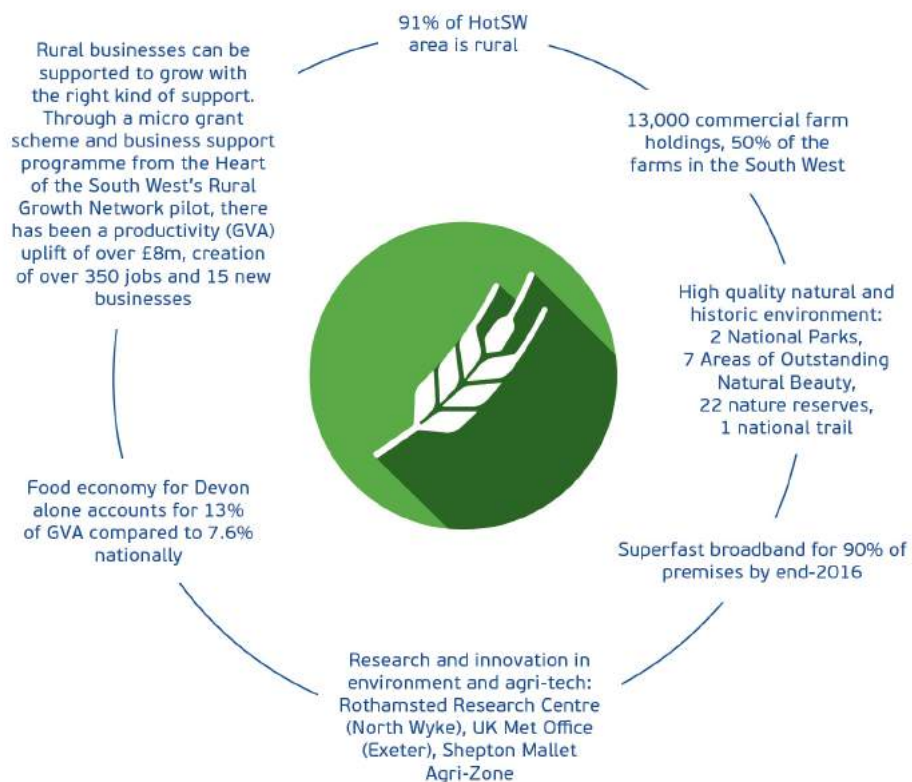
## Aerospace and Advanced Engineering



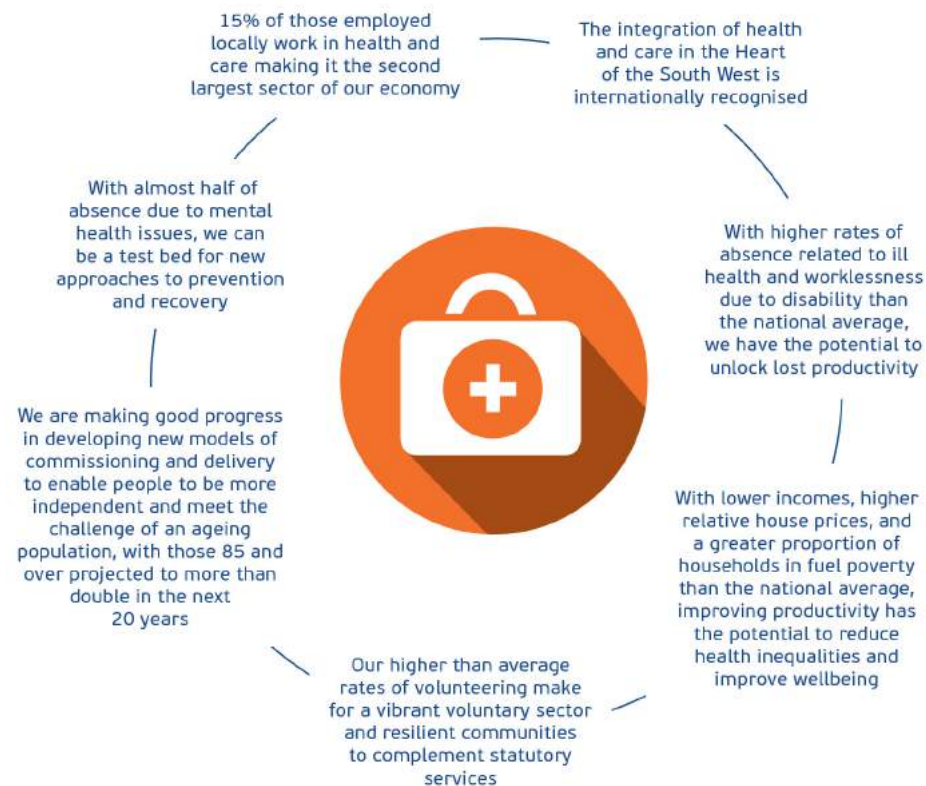
## Data Analytics



## Rural Productivity



## Health and Care



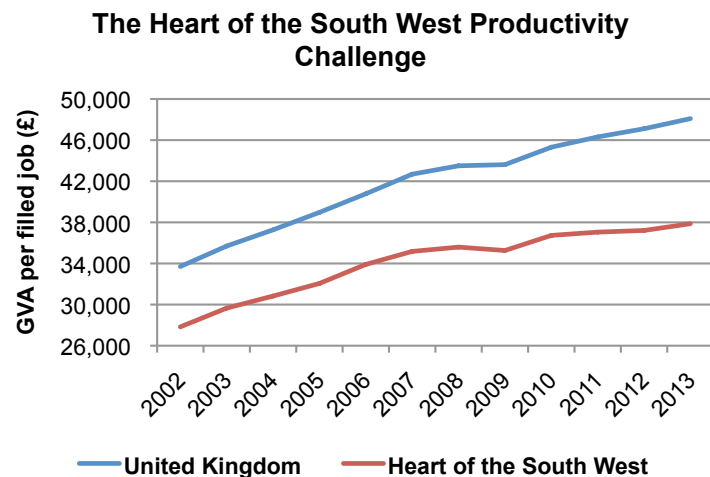
# From six Golden Opportunities to six Key Challenges

Realising our vision, goals and targets requires us to address and solve six major, interrelated economic and societal challenges:

## 1. Our productivity is too low and growing too slowly

Whilst not uniform across the area, in 2013 our productivity per job filled was below 80% of UK averages, a fall of around 3% over the last decade. Our forecasts suggest that unless we unlock our emerging transformational opportunities our productivity will continue to lag behind the rest of the UK.

This performance is a manifestation of poor comparative skills levels, labour market shortages, insufficient infrastructure, and poor connectivity, the human and financial cost of ill-health, a lack of joined-up support for business and need for higher value industrial densities.



## 2. Our labour market is limited in size and skills levels

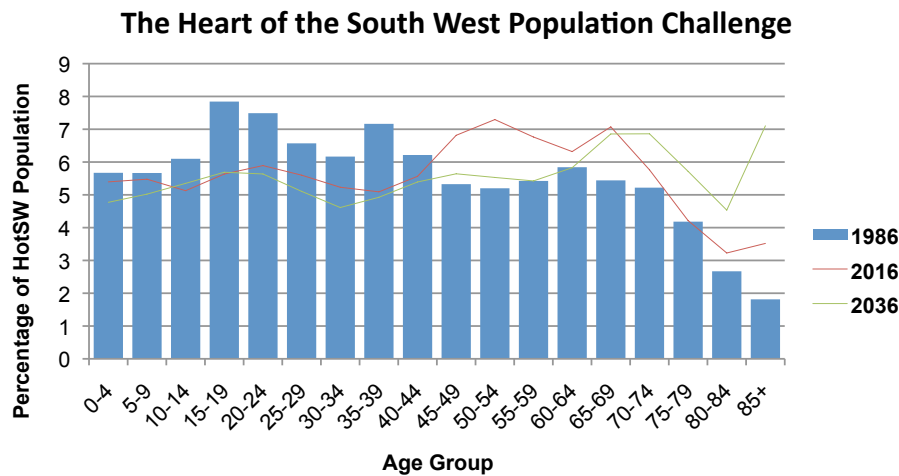
A key factor in our low productivity is a shortage of workers and a shortage of skills. Low unemployment means businesses have a limited labour pool from which to draw recruits. Higher level skills attainment is below national averages and out-migration of our talent to London and other metropolitan centres means that employers regularly report labour shortages and recruitment difficulties.

## 3. Our enterprise and innovation performance is inconsistent and needs to improve

Evidence shows that businesses that take up support do better than those who don't. However, the business support landscape is complex and confusing and short-term Government funding for programmes creates uncertainty. The Heart of the South West ranks 38th out of 39 LEP areas on many measures of innovation including patent registrations and Innovate UK funding. We cannot resolve these science and innovation issues without more highly skilled workers and a stronger innovation environment, particularly around our Golden Opportunities.

#### 4. We are a leader in facing the challenges of an ageing population

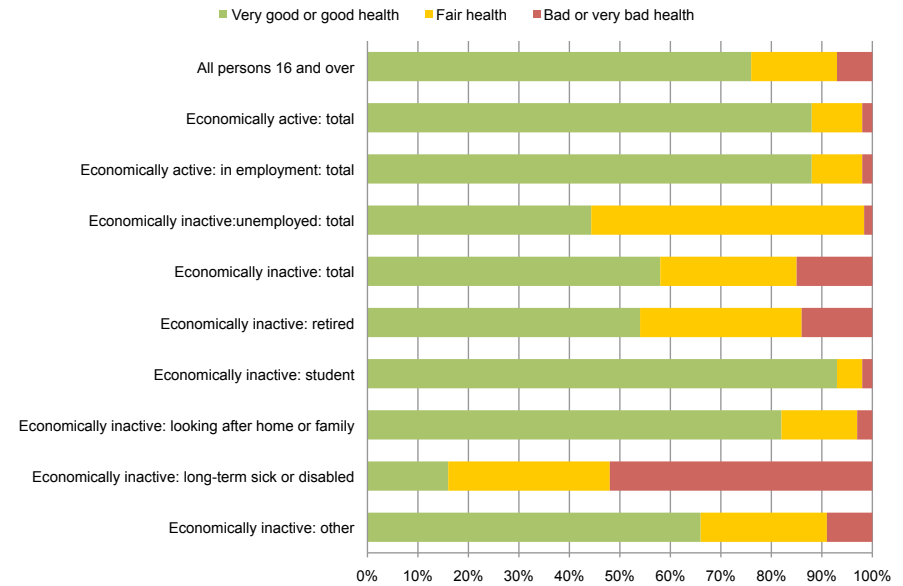
Our population profile shows a significant increase in the proportion of our residents aged 65 or over and a corresponding decrease in the proportion of working age people under 45. By 2036, 17% of our population – more than 327,000 people – will be over 75 years of age.



#### 5. We are a leader in facing the challenges of health and care integration

Particularly related to our demography, our health and care system needs to be reshaped to meet social, economic and financial pressures. Our area performs poorly for mental health outcomes when compared to national figures, making this a key priority.

**Heart of the South West Economic Activity by General Health**



A healthier population means lower public sector costs and increased economic activity. To fill 163,000 more jobs we must engage the non-working population in the labour market which will require a significant health and care contribution.

Employment of people with physical disabilities, learning disabilities, mental health issues and other long-term conditions is strongly correlated with their achieving better outcomes and being less dependent on publicly funded health and care services. This represents considerable productive potential.





## 6. Our infrastructure and connectivity needs to be modernised and more resilient

More infrastructure especially housing, transport links, broadband, mobile connectivity and energy grid improvements are required to make our area more attractive to investors and viable for the future. Improving these conditions are key to giving businesses in our area the tools they need to compete in global markets, attract future entrepreneurs and secure investment. We must overcome these barriers if we are to capitalise on our transformational opportunities.

### Fixing the Heart of the South West and our contribution to fixing the national foundations

The current landscape of funding and decision-making has only taken us so far. Despite our achievements to date we need freedom to act more decisively. A devolution agreement means we can take responsibility for our unique challenges and capitalise on our Golden Opportunities.

The dividend for the National Productivity Plan is considerable. Besides the specific metrics identified in our goals, the UK will benefit from global and national energy investments and security, environmental futures and big data capabilities, an at-scale set of solutions to health and care integration and public service reforms.

This negotiating prospectus lays out the heads of terms of an agreement to create the foundations for a transformational jump in productivity. It will deliver quick wins this decade whilst planning for the medium and long-term.

Fingle Bridge, Devon



Improvements by Rail



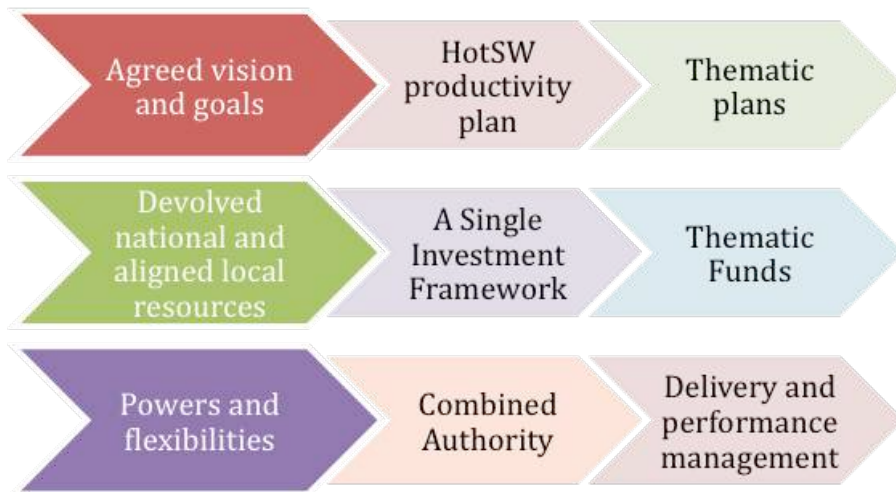
Met Office, Exeter

# Our negotiating prospectus

We wish to agree with Government a shared commitment to building three pillars of a devolution deal for the Heart of the South West.

## Foundation 1: The Productivity Plan

The Productivity Plan will be our instrument for fixing our foundations. It will incorporate the refresh of our Strategic Economic Plan and scale up local growth agendas for 2016-20 incorporating Spending Review and public service reform priorities. It will include proposals for our Strategic Labour Market Plan and Strategic Infrastructure Plan. It will also reflect our ambitions for integration of health and social care where they link to our devolution deal.



## Foundation 2: The Single Investment Framework

The Single Investment Framework will set the financial parameters of our agreement and encompass devolved funds and locally aligned resources. It is likely to include:

1. A single infrastructure fund to provide the physical investment for backbone, nationally-significant infrastructure.
2. A housing delivery instrument to accelerate housing delivery by unlocking key sites and stimulating market activity.
3. Skills and employment allocations to enable remodelling of the skills and employment landscape.
4. Devolved health and care budgets delivering agreed business cases with NHS England and other partners.

We believe agreement to formulate these two foundations will enable early delivery of accelerated housing development, skills reform, and improved business support, with health and social care reform and infrastructure development taking place in parallel.

These two foundations will be overseen and assured by a Combined Authority arrangement. This will, once established, provide the Heart of the South West counterpart to Government for planning and management of our devolution deal. It will take responsibility for the powers, resources and deliverables outlined below.

## People

### A highly skilled, high productivity labour market meeting businesses' employment priorities

We are clear that without proactive leadership and intervention our skills profile will remain a chronic block to fixing our foundations and delivering our vision.

We intend to use national reforms, led and shaped locally, to deliver a labour market capable of achieving productivity at Greater South East levels (excluding the distorting effect of Inner London).

Government's expectations of local leadership teams for 2016-20 as laid out in existing devolution agreements, the 2015 Spending Review and other policies include:

- Planning and management of phased devolution of post-19 public sector adult skills budgets, leading to full commissioning and funding of providers from 2018-19.
- Chairing and facilitation of successful Area Reviews of post-16 education and training, implementation of review recommendations including reshaping provision where required.
- Co-design of apprenticeship reforms including introduction of the levy and deployment of Apprenticeship Grant for Employers.

- Co-design of future employment support programmes with DWP and performance management regimes.

The Combined Authority will take responsibility for delivering these agendas, augmented by specific asks around:

- Specification and delivery management of Careers, Education Information, Advice and Guidance in schools and colleges.
- Support from Government to deliver a wider Higher Education offer for Somerset, including a new university.

Our Offer	Our ask of Government
Responsibility for reshaping the skills and employment system. Delivered through formulation, agreement, resourcing and delivery management of a business-led <b>Strategic Labour Market Plan.</b>	Full devolution of powers to the Combined Authority, phased over a number of years, with relevant skills, education and employment budgets into the Single Investment Framework.  Government departments and agencies to co-design and co-deliver the Strategic Labour Market Plan.

## Why is this important?

Our analysis has shown:

- Young people are not getting the independent, quality careers and education advice and guidance to help them make informed decisions on their education and training.
- Employer productivity improvements are held back by shortages and lack of skills in local labour markets.
- The national provider system is poor at anticipating and securing future skills needs.
- Support for the workless is ineffective for those furthest from the labour market. Our evidence shows a distinct lack of progress for those in receipt of Employment Support Allowance despite significant investment and reform.

## Key outcomes

With the powers and funding outlined above we believe a devolution deal will allow us to deliver the skilled workforce our productivity ambition requires. We will work with Government to design system reforms that deliver:

- 40,000 people helped to move from benefits into paid work.

- Benefit bill savings to Government of £1bn per year.
- Additional money earnings locally per year of £800m.
- Additional tax income for Government of £113m per year.
- All young people in employment, education or training.
- Apprenticeship starts increased by 400% and aligned to our six Golden Opportunities.
- Parity of esteem between vocational and academic pathways.
- Maximised links between Golden Opportunities and skills development to encourage young people into our area's high tech industries.
- A university for Somerset.



Babcock Training



## A national demonstrator of effective health and care integration for improved wellbeing

The Heart of the South West already has well established and innovative local approaches to health and care integration, however our system continues to be under demographic pressure. We now have an opportunity to bring together resources across the public sector to deliver the systemic reform needed by the health and care system and through strong local leadership can engage communities and voluntary sector in that enterprise. We want to create a system where prevention and early intervention are an integral part and which rethinks its approach to mental health and wellbeing. In summary:

Our Key Offer	Our ask of government
Building on the NHS 5-Year Forward View, we will deliver a 'whole system' approach to health and care based on the existing footprints for integration activity.	Devolution of 5 year place based budgets for health to the level of our existing health and care economies.
<b>This will include:</b>	
Devolved commissioning of primary and associated specialist care services including mental health.	
Flexibility in regulation and budgeting, including freedom for partners to pool resources.	
Greater emphasis on public health and the link between health and housing.	
Capitation-based payments.	
Support to address skills shortages.	

## Why is this important?

We want people to lead longer, healthier, more productive and fulfilling lives while ensuring the sustainability of our health and care services.

Health outcomes are generally good and life expectancy is high, but too many people develop avoidable long-term multiple conditions which affect both the quality of their lives and their ability to work. People with mental health conditions are in too many cases poorly served by a fragmented system in which there is no effective link between preventive, primary care and acute services.

Health and care is the second largest sector in our economy but productivity lags behind other areas and there are workforce and skills shortages which affect both the quality and cost of provision. These issues can only be tackled through whole-system reform and a closer matching of strategy and resources to local need.

Our ageing population demography is ahead of many other areas meaning we have an opportunity to lead the way in tackling the associated health, care and economic challenges.

## Key outcomes

Devolution will help us create a health and care system that supports a healthier population, greater personal independence and wellbeing, and improved workforce productivity:

- Better physical and mental health outcomes.
- A system that is integrated and financially sustainable, offering a whole system approach, and is a test-bed for Government innovation.
- People of all ages encouraged and supported to make healthy lifestyle choices and manage their own care, therefore diverting or delaying dependency.

Devolution offers the potential for us to go further, faster, and bring reform initiatives together at a scale and with a scope that can provide a demonstrator (given our advanced demographic profiles) to health and care reforms in other parts of the country:

- The NHS 5-year Forward View and the requirement on areas to develop transformation plans for local areas.
- The financial settlement for local government, including the requirement to submit integration plans by 2017.
- Changing Better Care Fund guidance and the option to work across local authority areas to plan and deliver it.
- The Success Regime applying to NEW Devon Clinical Commissioning Group, other local integration projects, their impact on and learning for other health and care economies.



Improved health care and wellbeing.

## Business growth and innovation

Government expectations of local leadership teams for 2016-20 includes sustaining and developing support for business growth after closure of the Business Growth Service, as well as enabling distinctive contributions to national research and innovation-led growth priorities. For us this means scaling up the reach and impact of our Growth Hub and realising the full potential of our Golden Opportunities.

To deliver this Heart of the South West partners already have primary responsibilities for:

- Operation and performance management of the Growth Hub and shaping of national agency (eg UKTI) access and support to Heart of the South West business.
- Strengthening the coherence and effectiveness of local innovation eco-systems around our Golden Opportunities - notably the marine cluster anchored by Plymouth, the environmental futures cluster anchored by Met Office investments in Exeter, the UK Hydrographic Office's long-term commitment to Taunton, the nuclear cluster catalysed by Hinkley Point C, and the broader South West aerospace cluster with its major growth node in South Somerset.

Our skills and infrastructure proposals provide a number of interventions to address these challenges. These will feed into and through the Growth Hub so our business growth and innovation strand, in summary, will:

Our Key Offer	Our ask of Government
<p>Scale up and assure a Growth Hub providing a seamless approach to business growth support.</p> <p>Strengthen a network and cluster of 'innovation eco-systems' anchored by each of our Golden Opportunities</p>	<p>An increased devolved revenue pot for at least 5 years which can draw if required on the Single Investment Framework.</p> <p>Co-commissioning of all remaining national business growth and internationalisation services.</p> <p>Commitment to bespoke agreements with national agencies to realise the UK and local growth dividends of each of the Golden Opportunities - underpinned by an early Science and Innovation Audit undertaken by a consortium of south west LEPs and universities.</p>
<p><b>This strand will include:</b> Collaboration with neighbouring LEPs on a cluster approach to inward investment.</p>	



## Why is this important?

Discharge of these primary responsibilities is impeded by national pressures which manifest themselves locally. Analysis shows:

- SMEs and early stage entrepreneurs find national and local systems fragmented, opaque and bureaucratic. This leads to low rates of business growth support take-up and entrepreneurial/start-up activity.
- Inward investment, internationalisation and trade, and our visitor economy are held back because the South West is perceived to be a distant periphery. Offers are poorly joined-up and we have a low national profile, and are a low priority for UKTI, VisitEngland and other agencies.
- National science and innovation products and services are not accessed consistently by existing business. Furthermore our national offer is not investment-ready so cannot easily take advantage of the potential of our Golden Opportunities.

We need more certainty of investment and freedom from national funding cycles so we can operate our proposed Single Investment Framework and ensure the right interventions are made at the right time to support our economic opportunities.

## Key outcomes

Our Golden Opportunities and distinctive assets have the potential to

release major productivity gains for us and for the national economy. Business support devolution will drive productivity through:

- More businesses taking up the support they need.
  - 20% of business stock informed about business support
  - 3,000 businesses supported
  - 750 business accounts managed
  - 10 Operational Level Agreements signed between business support delivery partners
  - 360 businesses receiving intensive support
  - 36 events to co-ordinate network businesses support delivering with the aim to simplify business support customer journey
- Significantly increased levels of inward investment.
- Heart of the South West businesses competing strongly in the global economy.
- Better engagement with business and an entrepreneurial culture.
- Double the number of international tourists to the Heart of the South West and more national tourists.
- Greater levels of science and innovation in our economy: double the uptake of Innovate UK support, and increased research and development.



## Place

Government expectations of local leadership teams over 2016-20 include:

- Adoption and implementation of Local Plans with demonstrable collaboration across functional economic areas to drive physical investment.
- A performance regime that accelerates housing and employment growth.
- Devolved local transport budgets and plans including both development and regulatory functions, to improve system performance locally and add value to national infrastructure investments and programmes.
- Contributions to specific national and pan-regional infrastructure priorities, including Hinkley energy agreements and recommendations of the Peninsula Rail Task Group.
- Proactive delivery management of Starter Homes, housing investment pots and local authority contributions to new housing.
- Completion of backbone superfast broadband infrastructure and increasing take-up to support the digital economy and wellbeing.
- Local authority and other public sector land disposal, development and rationalisation strategies.

Our proposals will enable us to take responsibility for delivering these agendas, including, in summary:

Our Key Offer	Our ask of Government
Establishment of an Infrastructure Commission to formulate a new Strategic Infrastructure Plan with implementation overseen by the Combined Authority.	Support to develop, fund and deliver the Strategic Infrastructure Plan.  A commitment to create a flexible funding model to support accelerated housing delivery, targeting locally identified growth areas.

### This will include Government commitments to:

- Existing and new infrastructure development, including the A361 North Devon Link, A303/A358/A30 improvements and Peninsula Rail Task Force 20-year plan.
- Match funding and co-production to deliver 100% superfast broadband coverage
- Use the two National Parks as test beds for integrated land management and rural productivity.
- Inclusion of Plymouth on the Strategic National Corridor network.

**This will include Government commitments to:**

- Devolved Air Passenger Duty from Exeter Airport.
- Support to develop and sustain new energy initiatives including wind, sub-sea and grid improvements.
- A National Policy Statement for renewable energy generation in the Bristol Channel and Severn Estuary.

**Why is this important?**

Long-term investment in our infrastructure is critical to unlocking growth and delivering our productivity targets. Our Strategic Infrastructure Plan will set out where and when investment is required. We need to accelerate housing and employment land allocations, electronic communications for our businesses, more housing for our workers, and improved transport links to allow faster movement of our workforce, goods and services. This infrastructure underpins growth and is the key to our future productivity.

Despite recent successes we are underfunded compared to other areas. Long-term investment is vital to provide confidence for developers and to drive productivity through faster, more reliable transport and digital connectivity. Investment in resilience is essential to minimise disruption and financial loss during a crisis. There is considerable untapped resource and market opportunity for the Heart of the South West to contribute more to the energy supply of the nation. We have the potential to become a leader in low carbon energy and renewables, however current grid infrastructure is limiting deployment.

**Key outcomes**

To support productivity growth, infrastructure devolution will deliver:

- 179,000 new homes, and a new Garden Town in Somerset.
- Accelerated housing and employment growth in the identified growth areas of Greater Exeter, Hinkley Growth Zone, Plymouth, Taunton, and Torbay.
- Faster rail connections to London, the South East, and Midlands.
- 100% superfast broadband availability and reliable mobile phone connectivity.
- Prioritised and sequenced infrastructure projects to maximise the value of investments.
- Innovation in energy development and supply to support the national energy strategy.
- Greater resilience of our infrastructure.
- Innovative approach to environmental management, increasing productivity, improving resilience, and growing our rural economy.

# Foundation 3: Towards a Combined Authority

The partners to this proposal recognise that leadership and governance of delivery of our deal will require transparent, robust, and efficient structures and processes commanding the confidence and support of Government, local communities, and business.

We also recognise Government's preferred model of choice for this vehicle is the Combined Authority (CA), with Mayoral leadership in the case of Core City Regions.

We will create a Combined Authority with appropriate strong leadership and accountabilities. We will carry out a Governance Review to identify the most effective structure and processes for putting this commitment into effect, ideally with an inception date of either April 2017 or April 2018.

The Governance Review shall draw on the principles outlined in our Statement of Intent as a starting point. The review will proceed in tandem with both the enactment of the Cities and Local Government Bill, and the progress of our devolution agreement negotiations and requirements of its effective implementation.

The Governance Review will set out the powers, roles, functions, and operational arrangements for the Combined Authority - and propose its relationships with and to key delivery partners nationally, locally and with neighbours.

At a minimum, the Heart of the South West LEP, CCGs and others as appropriate will become full non-constituent members of the emerging

Combined Authority, playing leadership roles where appropriate in its sub-structures, for example to build on the LEP's business credentials.

In addition, we consider there will be a number of collaborative arrangements that we shall wish to progress with variable consortia of South West neighbours. These may include a 'Transport South West' proposition, the in-train Science and Innovation Audit consortium with neighbouring LEPs and national clusters in areas such as nuclear, renewables energy,

Similarly, our prospectus recognises that specific sub-regional geographies will accommodate significant shares of the growth to be delivered. Bespoke arrangements to plan and manage these changes will build on or adapt existing arrangements including The Greater Exeter Group, The Plymouth and South West Peninsula City Deal, the emergent Hinkley, Taunton and Bridgwater triangle. Options for strengthening and adapting these arrangements (or elaborating new place-based governance) may include Development Corporations, Special Economic Zones, Accelerated Development Zones, or other models.

# Next Steps

**D**elivering devolution requires careful sequencing. A high level roadmap for developing and delivering our deal is outlined below.

A Heart of the South West partners group will launch shadow Combined Authority arrangements and a formal Programme Management Office (PMO) upon agreement from Government of serious intent to progress towards a devolution agreement. The PMO will be resourced to support devolution agreement workstreams with business case and financial management capacity, including assuring fiscal neutrality.

The shadow Combined Authority and PMO will work with Government to deliver six co-produced workstreams by early 2017:

1. The Governance Review will apply the processes required under legislation to specify, agree and launch the form of Combined Authority eventually determined. This work will include the role and voice of business and sub-regional geographical arrangements.
2. The Productivity Plan will elaborate the evidence base, strategies and performance management required to deliver the vision and goals of the devolution agreement.
3. We are seeking Government agreement to establish a Joint Skills Commission to oversee national policy requirements and the process of localising these under the terms of our devolution deal.
4. The local leadership team will work with our successful health integration exemplars, NHS England, and other local, regional and

national partners to identify wider opportunities to contribute to the Productivity Plan and national health and care integration priorities.

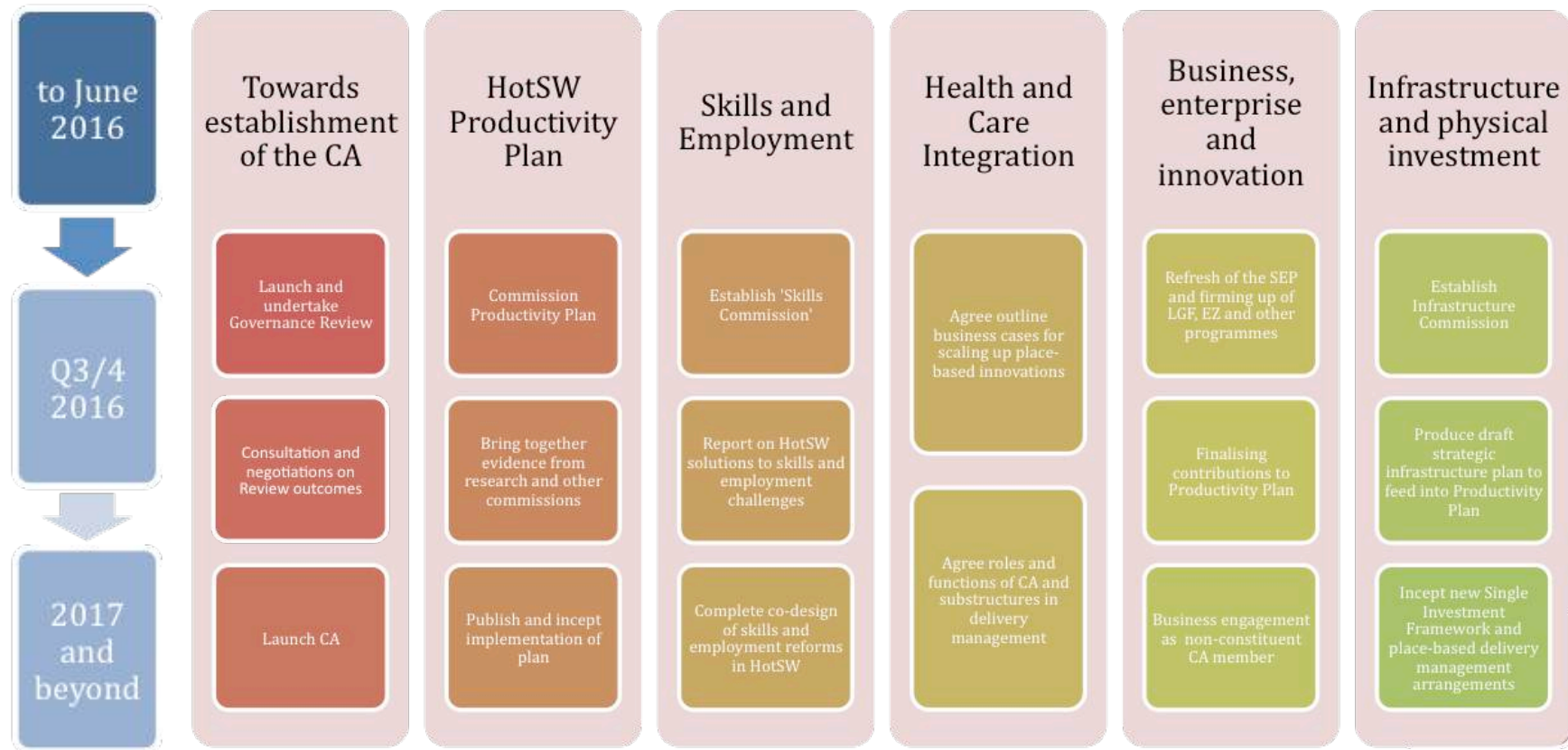
5. The LEP will ensure existing local growth commitments are delivered effectively, that the refresh of the Strategic Economic Plan feeds into the wider Productivity Plan and that business engagement in the establishment and operation of the Combined Authority and its priorities is strong.
6. We are seeking Government commitment to establish a Joint Infrastructure Commission to firm up the physical investment needs identified in national and Heart of the South West priorities and how the Single Investment Framework will resource these.

This process will allow early wins to be made, including accelerated housing development and initial skills and business support reform, whilst specifying and agreeing the structures needed to deliver the medium and long-term outcomes of our devolution agreement.

**In anticipation of a positive outcome from negotiations on our deal we seek early agreement from Government on a match-funded budgetary contribution to co-deliver these workstreams.**

We invite Government to begin formal negotiation with us on our proposals and the detail behind them with a view to signing a deal during the first half of 2016.

# Outline Roadmap







Third Way Bridge, Taunton



 Northern, Eastern and Western Devon Clinical Commissioning Group  
 South Devon and Torbay Clinical Commissioning Group  
 Somerset Clinical Commissioning Group

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Financial Outturn 2015/16 (including Capital Programme and Treasury Management)
<b>Committee:</b>	Full Council
<b>Date:</b>	11 July 2016
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Lesa Annear, Strategic Director for Transformation and Change
<b>Authors:</b>	Andrew Hardingham, Assistant Director for Finance Hannah West, Business Partner (Finance)
<b>Contact details:</b>	Tel: 01752 305171 Email: <a href="mailto:hannah.west@plymouth.gov.uk">hannah.west@plymouth.gov.uk</a>
<b>Ref:</b>	
<b>Key Decision:</b>	No
<b>Part:</b>	1

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**Purpose of the Report:**

This report is the final monitoring, or outturn, report for 2015/16 and details the financial monitoring position of the Council as at the end of March 2016.

The Leader approved the recommendations in the report under an Executive Decision dated 28 June 2016; the decision can be viewed on our web page [Executive decision: 2015/16 Financial Outturn Report](#). The report is being presented to the Full Council meeting 11 July for noting.

The Council's gross revenue budget for 2015/16 was £534.639m, with an outturn of £534.607m. The net revenue position for the year, assuming the transfers to and from reserves as proposed in the report are approved, is £192.997m, which represents an overall underspend of £0.032m.

As is normal practice, this report proposes a number of adjustments to the financial accounts following the financial review always undertaken by the Section 151 Officer at the end of the year. Decisions made as part of this report will feed into the Council's annual Statement of Accounts which is subject to external audit.

Following approval there will be a requirement for a transfer of £0.032m to the Working Balance, leaving a balance of £10.652m at 31 March 2016.

The final Capital outturn position for 2015/16 is £62.224m.

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### **The Corporate Plan 2016 - 19**

This outturn report is fundamentally linked to delivering the priorities within the Council's Corporate Plan and sets out how the Council has allocated its limited resources to key priorities to maximise the benefits to the residents of Plymouth.

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### **Implications for Medium Term Financial Strategy and Resource Implications**

The overall outturn position is a saving of £0.032m against our gross budget of £534.639m which is testament to the strong financial management and discipline across all areas of the Council. This puts the Council in a very strong position going into the even more financially challenging 2016/17.

Given the size of the financial challenge faced for 2015/16, with a total savings target of £21.5m, balancing the budget is a major achievement for the Council.

There are two particular areas to note; we have been able to use one-off savings from our revised Treasury Management Strategy, in particular our Minimum Revenue Provision (MRP): and this is the first year of our pioneering Section 75 Agreement with the NHS Northern, Eastern, Western Clinical Commissioning Group (N.E.W. CCG). Working with our health partners and our revised budget setting process which reflects both cost and volume pressures for our social care budgets, 2015/16 is the first year we have recorded an underspend for our Adult Social Care provision in the past six years.

The Medium Term Financial Strategy will now be updated to take account of the outturn position as detailed in this report.

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

In considering the budget variations for the year, Directors will identify any potential risks to delivering the budget in future years. These will be monitored as part of the corporate reporting process.

All actions taken as part of the Corporate Adjustments have been considered for their impact on: council priorities, legal obligations, customers and other services and partners.

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### **Equality and Diversity**

We have given due regard to our Public Sector Equality Duty for all relevant managers.



**Recommendations and Reasons for Recommended Action**

That the Council:-

1. Note the provisional outturn position as at 31 March 2016
2. Note the adjusted revenue surplus for the year of £0.032m and that this will be transferred to the General Fund Working Balance.
3. Note the additional transfers to and from reserves reflected within the outturn figures:
 

▪ Creation of a Modernisation Enabler Reserve	£1.100m
▪ Transfer to Redundancy Reserve	£1.000m
▪ Release from Insurance Provision and Reserve	£(0.962)m
▪ Transfer to Business Rates Reserve	£1.000m
▪ Transfer to Pensions Reserve	£0.400m
▪ Release from General Fund Bad Debt Provision	£(0.158)m
▪ Transfer to provision for Housing Benefit Overpayments	£0.500m
4. Note the Capital Financing Requirement of £62.224m and the borrowing requirement of £11.277m for 2015/16.
5. Note the re-profiling changes to the Capital Programme identified during the outturn process.
6. Note the additions to the Capital Programme, which total £9.198m for the period November 2015 – March 2016.
7. Note the Treasury Management Outturn Position and the new operational and authorised limits for 2015/16 to 2017/18.

**Alternative Options Considered and Rejected**

None considered as it is a statutory requirement to report on the use of the Council's budget funds.

**Published Work / Information**

- [The Local Government Act 2003](#)
- [The Local Authorities \(Capital Finance and Accounting\) \(England\) Regulations 2003](#)
- [The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2015](#)
- [Capital Financing Regulations \(2012\)](#)
- [Annual Report 2015/16](#)
- [Executive decision: 2015/16 Financial Outturn Report.](#)

**Sign off**

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Originating SMT Member: Andrew Hardingham													
Have the Cabinet Members agreed the contents of the report? Yes													

**Plymouth City Council  
Finance Monitoring – 2015/16  
Quarter 4 Outturn at 31 March 2016**

**I. Introduction**

- I.1 This report reviews the Council's financial performance for the year ended 31 March 2016.
- I.2 It is appropriate, given the financial challenges facing the Council in the next financial year and the medium term, that as part of reporting the final position for 2015/16 further consideration is now given to future levels of the Working Balance and reserves. As is normal practice at this time of year, the Chief Finance Officer, the Assistant Director for Finance is recommending a number of adjustments to provisions and reserves within the report.
- I.3 The outturn figures will now feed into the Council's formal Statement of Accounts, which will include the balance sheet position. Under the Accounts and Audit Regulations 2011 the Assistant Director for Finance, as the Council's Section 151 Officer, is required to formally approve the accounts by 30 June 2016. The external auditor is required to audit the accounts by 30 September 2016 – the statutory deadline for their publication; the Audit Committee will be formally asked to approve the final accounts for the year following completion of the audit.
- I.4 This report contains the following sections and appendices:-
- **Section A**            **Revenue Finance Outturn**
  - **Section B**            **Capital Programme**
  - **Section C**            **Treasury Management**
  
  - Appendix A            Revenue Outturn Variances by Department 2015/16
  - Appendix B            Movement in Reserves Summary 2015/16
  - Appendix C            Movement in Provisions Summary 2015/16
  - Appendix D            Capital Programme additions November 2015 – March 2016
- I.5 Full details of how we have allocated our financial resources to our priorities are set out in our Annual Report 2015/16, which can be accessed using the link on page three. The Annual Report summaries how we are delivering the priorities for Plymouth.
- I.6 It sets out what we aim to achieve going forward and details what we achieved during 2015/16 despite the financial challenges we are facing including the creation of more jobs and homes for the city and our ambitious capital investment.

## SECTION A: REVENUE FINANCE OUTTURN

### 2. Revenue Finance Outturn 2015/16

- 2.1 Council approved a gross revenue budget of £534.639m with a net revenue budget of £193.009m for 2015/16 at its meeting 23 February 2015. Table I below provides a summary of the Council's overall revenue expenditure and compares the draft (subject to Audit) outturn with the latest approved budget.
- 2.2 The Council's Trading Accounts have been accounted for within the Place Directorate and Office for the Director of Public Health, with movements shown in Appendix B.

**Table I** End of Year Revenue Outturn by Directorate

Directorate	2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 Council Approved Net Budget	2015/16 Budget Virements	2015/16 Latest Budget	2015/16 Outturn	Year End Over / (Under) Spend	%
	£m	£m	£m	£m	£m	£m	£m	
Executive Office	4.107	(0.145)	3.840	0.059	3.899	3.953	0.053	1.4%
Corporate Items	18.466	(10.593)	14.010	(6.137)	7.873	5.097	(2.688)	(34.1%)
Transformation and Change Directorate	149.245	(116.171)	26.682	6.392	33.074	35.496	2.423	7.3%
People Directorate	281.710	(158.477)	121.400	1.833	123.233	123.482	0.160	0.1%
Public Health	19.703	(18.696)	0.194	0.813	1.007	0.689	(0.318)	(31.6%)
Place Directorate	61.408	(37.485)	26.883	(2.960)	23.923	24.260	0.337	1.4%
<b>TOTAL</b>	<b>534.639</b>	<b>(341.630)</b>	<b>193.009</b>	<b>0.000</b>	<b>193.009</b>	<b>192.977</b>	<b>(0.032)</b>	<b>0.0%</b>

- 2.3 The monitoring report which was received by Cabinet 16 February 2016 forecast a revenue outturn position of £1.348m overspend at the year end. In addition to the changes to the calculations on our minimum revenue provision, reduced spend and management actions have contributed to the end of year underspend position of £0.032m.
- 2.4 Across the Council, management actions to reduce the overspend being reported over the last months of the financial year included a full review of all discretionary spend and delayed expenditure wherever possible, with major savings being achieved within Corporate Items.
- 2.5 Given the closedown timetable, both PCC and N.E.W. CCG have agreed to formalise the financial position as shown in Table 2 for the Plymouth Integrated Fund as at February 2016.

- 2.6 We have therefore closed the books with the risk share for 2015/16 being a transfer to PCC of £0.089m. With the month 12 figures now available the final position is closer to a risk share of £0.040m with the movement to be reflected in next year's accounts.

**Table 2** Plymouth Integrated Fund for Period 11

<b>Plymouth Integrated Fund</b>	<b>Section 75 indicative position</b>	<b>2015/16 Latest Budget</b>	<b>Forecast Outturn</b>	<b>Forecast Year End Over / (Under) Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
N.E.W. Devon CCG – Plymouth locality	331.000	348.565	349.390	0.825
Plymouth City Council	*131.000	133.177	133.584	0.407
<b>TOTAL</b>	<b>462.000</b>	<b>481.742</b>	<b>482.974</b>	<b>1.232</b>

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

### 3. Analysis of the Final Outturn Position by Directorate

#### Executive Office

- 3.1 This service area has recorded a small overspend for the year of £0.053m. This is the balance of an in-year legacy efficiency target that was reported against the Executive Office from July 2015.

#### Corporate Items

- 3.2 The final position, in relation to corporate items is an underspend position for the year of £2.688m. The detail of this saving includes:
- 3.3 A review of the Minimum Revenue Provision Policy resulted in £5.964m savings through recouping prior year overly prudent provision and changing to the annuity method of calculation. In addition to this, there were other savings within Treasury Management of £0.762m due to a reduction in interest costs through improved cash management resulting in reduced borrowing, and further investment in the CCLA Property Fund.
- 3.4 Redundancies and Enhanced Voluntary Release Scheme costs in 2015/16 were met by £0.700m from the Redundancies Reserve; but a further £0.764m remained unfunded.
- 3.5 £0.500m was released from Pensions Reserve to meet the year-end pensions shortfall, but we have been able to replace £0.400m of this as part of the transfers to reserves detailed below.

- 3.6 Other adverse movements on the Corporate Items budget included £0.472m relating to changes in structure and staffing levels and the subsequent reduction in internal recharges, £0.470m impact of reduced trading activity on recharges, £0.100m shortfall on the forecast income from the Devon Business Rates Pool and £0.294m shortfall on corporate efficiency savings.
- 3.7 In addition to the above, the additional transfers to and from reserves and provisions approved in this report reduces the Corporate Items outturn by £2.880m. Details of these movements can be found later in the report.

### Transformation and Change

- 3.8 The directorate has a range of service areas reporting an underspend mainly as a result of an Enhanced Voluntary Release Scheme being offered and completing service reviews across the Directorate.
- 3.9 Despite this the overall position is showing an overspend of £2.423m; this is predominately due to the review of the Delt contract that took place in November 2015. The outcome of this review resulted in additional funds of £1.400m being allocated to ensure that the Council's IT requirements are resourced at the appropriate level going forward.
- 3.10 Legacy delays in Cooperative Centre of Operations (CCO) projects have had an impact on sustainable benefits achievable in year. Likewise, the refocus on establishing a market proposition in corporate services before assessing whether we can sell services means our actual savings do not meet the benefit targets set. Following a review by senior management in July 2015, this CCO strand of project work merged with People and Organisational Development and efforts were made to deliver as many of the benefits as possible.
- 3.11 Additional Delt income from new customers has been shown to be unrealistic in terms of timescale and quantity. However, in many areas we have been able to offset the savings shortfalls with one off in-year savings such as vacancy savings and additional income.
- 3.12 The Customer Services Programme achieved in full its benefit target of £1.356m.
- 3.13 The cost of our Transformation Programme was included in the Transformation and Change budget for 2015/16 with an allocation of £5.105m. The final outturn was £4.528m contributing a saving of £0.577m. During the year we were able to reduce our requirement for external consultants due to increased internal knowledge; this together with other staff savings, such as unfilled vacancies, contributed to this overall saving.

### People Directorate

- 3.14 This is the first year of our Integrated Fund with the Plymouth locality of the N.E.W. Devon CCG and represents a major step in working closer with our health partner to improve outcomes for the people of Plymouth.

- 3.15 Our integrated budget for 2015/16 was £482.0m and we have closed the books with the risk share for 2015/16 being a transfer to PCC of £0.089m. This reflects a combined over spend of £1.2m or 0.25% against the integrated budget (£482m).
- 3.16 In the December 2015 quarter 3 report, the People directorate was showing a forecast £0.496m over spend. The directorate has continued to work closely with finance colleagues to minimise the outturn overspend. The improvement in the quarter is £0.336m leaving an overspend for the year of £0.160m.
- 3.17 The detail of this final outturn position includes:
- Children Young People and Families Service is reporting a budget outturn overspend position of £0.652m. There have been a number of factors that have contributed to the overspend.
    - Lack of availability of the right in-house foster care placements creating overuse of IFA's.
    - High number of placements in Welfare Secure, with 5 placements in year.
    - Unexpected court ordered spends on Parent and Child Assessment placements.
    - There have been a small number of individual packages of care at considerably higher cost due to the needs of the young person.
    - There are currently 105 Independent Foster Care (IFA's) placements with budget for only 68.
- 3.18 Adult Social Care ended the year with a total spend of £70.265m against the budget of £70.735m, an underspend of £0.470m. Management action to contain spend included measures around sign off of spend by Senior Management before approving care packages, reviewing contracts and a further review of high cost packages.
- 3.19 As shown above, there are specific areas of departmental service that continued to present us with significant financial impact, mainly in relation to our demand-driven Children's Social Care and our Co-operative Commissioning and Adult Social Care programme. We have reset the 2016/17 budget allocation in both areas based on client numbers and costs of provision. This resetting of the budget baseline, based on latest data modelling should ensure we do not report overspend positions at the end of 2016/17, although we must always be mindful that both services are demand driven.

### Public Health

- The directorate of Public Health has ended the year with an underspend of (£0.318m).
- Public Health came in as a balanced budget within the ring fenced grant.
- Public Protection Service underspent by (£0.297m) due to a mixture of additional income and deferred spending on IT and other equipment.
- Civil Protection Unit had an underspend of (£0.021m).

## Place Directorate

- 3.20 The directorate had been forecasting a small overspend position for the year and has finished with a small overspend of £0.337m, which is less than 1.4% of net budget
- 3.21 This final outturn position includes:
- 3.22 Economic Development came in with a slight overspend of 0.027m, having worked hard to mitigate significant pressures in the Events programme, which brings in significant Gross Value Add and is one of several platforms for promoting the city and attracting inward investment and growth. The Land and Property Service has also delivered on mitigating £0.300m economic pressure and achieved a favourable position of £0.132m on the £4.000m pa commercial rent roll through effective estate management, alongside one off commercial deals and the implementation of the Property Investment Portfolio to acquire properties that will yield rental income. Challenges will remain during an uncertain and recovering economic climate.
- 3.23 Throughout the year Strategic Planning and Infrastructure (SPI) has taken a proactive approach to budget management reflecting the wider pressures within the Place Directorate highlighted by earlier budget monitoring reports. The overall favourable outturn therefore reflects a planned approach to minimise spend within SPI given known pressures identified earlier in the year. Of the overall saving of £0.476m, £0.325m relates to concessionary fares, which are affected by a variety of issues beyond direct control with the overall position only becoming clearer near year end. In 2016/17 the concessionary fares budget is being reduced by about £0.135m to address wider budget pressures.
- 3.24 During 2015/2016 SPI also made a number of one-off savings and reprogrammed areas of expenditure. In addition the favourable variation reflects a review of capitalisation opportunities given the significant number of large capital schemes the department is leading on as well as planning application fees exceeding the income target by about £0.150m as the growth agenda was driven forward in support of GAME Plymouth Growth Dividend targets. In light of this, the planning fee income target for 2016/17 has already been increased by £0.100m which has potential risks in the event that there is a slowdown in the number of planning applications and Development Enquiry Service pre-application submissions received.
- 3.25 Street Services outturn is better than projected with an outturn of £17.653m against the budget allocation of £17.827m which is £0.174m favourable. The department is going through a huge modernisation programme with challenging target savings whilst also having to deal with a range of demand based pressures during the course of the year. A wide review of the Highways budgets has taken place in preparation for the new maintenance contract effective from April 2017 with one off savings being identified to fund the cost of the procurement.
- 3.26 The Waste Service has seen some real improvements during the year with route optimisation software introduced, in order to shape the revised routes our

collection vehicles must take for the new waste disposal facility in the north of the city. Our materials reclamation facility re-opened and is recycling more waste than ever before. These two improvements are set against a background of increasing demand for services because of population growth, which the service will not be able to continue to absorb beyond the next year or two. There is also a declining recyclables end market internationally, which means we receive less for recyclable material. This inevitably results in budget pressures and as with the highways budget, it is necessary to undertake even greater analysis of this budget using the cost/volume modelling that has been used successfully elsewhere in the Council to predict growth and demand. Increased productivity and efficiency must also be maximised in the short term before consideration can be given to providing additional resource to meet demand.

- 3.27 Street Cleansing and Grounds budget achieved a positive variance of £0.336m due to the capitalisation, where possible, of revenue spend, extra external service income, plus effective expenditure controls and through additional income generation, which supports the Council's drive on commercialisation.
- 3.28 The GAME Transformation programme has generated circa £1.0m towards the revenue budget in 2015/16. In addition to a one-off currency hedge gain from our Energy from Waste plant, we achieved sustainable savings from our street lighting and trade waste contracts. There was a small shortfall of £0.150m on Commercialisation despite delivering £1.1m of savings. Staff and Passenger Transport Projects addressed some key issues, but didn't generate anticipated savings resulting in pressure of £0.770m being absorbed by the overall Place revenue budget making one off savings to mitigate.

#### **4. Other Financial Performance**

- 4.1 In addition to the minimal variance against the revenue budget there were a range of other significant financial achievements. In-year collection targets are set for our Council Tax, Business Rates, Commercial Rent, and Sundry Debt Income including our Trade Waste Income. The 2015/16 revenue budget was based on the achievement of the required targets.
- 4.2 We continue to increase our collection rates in core income streams and explore alternative ways of making further improvements. For example, in-year Council Tax collection rate has increased steadily from 92.5% in 2009/10 to our actual 96.8% in-year 2015/16.



## 4.3 Some Key Indicators are:

- The Miscellaneous Debt Management Team raised invoices to the total value of £111m in 2015/16 compared with £93m in 2014/15. At the end of 2015/16 the debt outstanding was £11.148m compared to the debt outstanding of £11.191m in the previous year. £20m more billed and collected with arrears reduced by 15%.
- the value of invoices over 30 days old has reduced from £4.1m in 2014/15 to £3.5m in 2015/16
- 96.4% of our general debt was collected in year against a target of 95%. The UK average for 14/15 was 88% collected in 90 days. Plymouth collected 96.4% in 30 days.
- 97.1% of all invoices were paid within 30 days against a target of 95%
- 98.6% of NNDR collected against a target of 95.0%
- Average borrowing rate 3.52% against target of 3.41% (14/15 = 3.77%)
- Average investment return 1.33% against target of 0.70% (14/15 = 0.80%)
- VAT partial exemption at 3.95% (14/15 = 4.37%)
- 53% of spend with PL post code against target of 52% (14/15 = 48%)

## 5. 2015/16 Financial Review

5.1 As part of consideration of the outturn position, and before officially closing the accounts, it is necessary to review the Council's overall financial position, looking not only at the outturn position for the year, but reviewing the adequacy of reserves and provisions in the light of financial liabilities identified over the short to medium term. Decisions made feed into the Council's statutory Statement of Accounts which is subject to external audit.

5.2 As an integral part of the financial review the Assistant Director for Finance and Corporate Management Team (CMT) are recommending the following Corporate Adjustments, including transfers to and from reserves, which amount to a net reduction to the overall outturn of £2.880m:

a. Transfer to Housing Benefits Overpayments Provision £0.500m

5.3 The review of the level of provision for the Council's liability for Housing Benefit Overpayment resulted in the requirement for an increase to the provision of £0.500m to move in line with standard corporate bad debt provision rates and to cover the balance of overpayments outstanding at the end of the year. The level of provision continues to be monitored and will be subject to a full review in 2016/17.

b. Release of Insurance Provision and Transfer from Insurance Reserve (£0.962m)

- 5.4 A review of the level of provision for outstanding insurance claims has allowed the Council to release £0.962m from its insurance provisions and reserve. A balance of approximately £0.300m remains on the insurance reserve to meet future identified costs.

c. Release of Bad Debt Provision (£0.158m)

- 5.5 A review is carried out annually of the level of Bad Debt Provision across the General Fund to ascertain if debts have been sufficiently provided for. The balances at the year-end showed an overprovision which has now been released.

d. Transfer to Pensions Reserve £0.400m

- 5.6 To meet Plymouth City Council's 2015/16 pension fund contribution obligations £0.500m was released from the Pensions Reserve in year. We have transferred a further £0.400m back to the reserve to meet anticipated pressures in 2016/17 contributions.

e. Creation of a Modernisation Enabler Reserve £1.100m

- 5.7 To enable the Council to become fit for its future functions £1.100m has been set aside to meet commercialisation objectives, facilitate transformation initiatives and meet IT requirements. Within this, £0.100m is allocated to a Commercialisation Reserve, £0.250m to a Transformation Feasibility Reserve. It is anticipated that this fund will be used to provide seed funding for commercial initiatives and be replenished as they start to provide a return on the investment.

f. Transfer to Redundancies Reserve £1.000m

- 5.8 £0.700m was released from the Redundancies Reserve in 2015/16 to fund departures under the enhanced voluntary release scheme (EVRS). £1.000m is being returned to the Reserve to meet the costs of restructures that are currently under way and any further EVRS schemes in the organisation in 2016/17.

g. Transfer to Business Rates Reserve £1.000m

- 5.9 Non Domestic Rates (Business Rates) is an area of the Council's core funding that is subject to uncertainties and change. NHS Trusts have recently started applying for mandatory business rates relief, which could reduce the rates income from them by 80%. Whilst we do not currently have a liability with respect to this, these sorts of large scale appeals have the potential to impact the level of business rates income currently factored into our forward planning. In addition to this the future of Business Rates pooling arrangements is uncertain, whilst the pool continues in to 2016/17 it is not confirmed if pools will continue as we move towards 100% business rates retention.

## 6. Reserves and Provisions at 31 March 2016

### Working Balance

- 6.1 Approval of the actions outlined above would leave a Working Balance at 31 March 2016 of £10.652m

**Table 3** Working Balance

	March 2015	Add Outturn	March 2016
	£m	£m	£m
<b>Working Balance</b>	<b>10.620</b>	<b>0.032</b>	<b>10.652</b>

- 6.2 A working balance of £10.652m equates to approximately 5.7% of the net revenue budget for 2016/17 of £186.702m. Our approved Medium Term Financial Strategy (MTFS) requires us to maintain a Working Balance of at least 5%. This position has been reviewed and has been adjusted as part of the budget setting process for 2016/17.

### Earmarked Reserves and Provisions

**Table 4** Movement in Reserves 2015/16

Movement in Reserves	Balance as at 31/03/2015 £m	Transfers to Reserves 15/16 £m	Transfers from Reserves 15/16 £m	Balance as at 31/03/2016 £m
Trading Account and Other Statutory Reserves	(0.564)	(4.491)	4.365	(0.690)
Education/Schools Earmarked reserves	(8.856)	(6.099)	7.654	(7.301)
Commuted Maintenance	(3.059)	(0.279)	0.360	(3.302)
Earmarked General Reserves	(11.190)	(11.061)	7.849	(14.401)
Other Ring-fenced Reserves	(3.698)	(0.511)	0.304	(3.905)
Other Reserves	(1.116)	(0.196)	0.324	(0.988)
<b>Total</b>	<b>(28.482)</b>	<b>(22.637)</b>	<b>20.532</b>	<b>(30.587)</b>

- 6.3 In addition to the Working Balance, the Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans. Assuming the Corporate Adjustments outlined above are approved, the Council's earmarked reserves will stand at £30.587m at 31 March 2016 (up from £28.482m at 31 March 2015). This includes schools balances and reserves of £7.301m (down from £8.856m). At this point the details of the Tamar Bridge and Torpoint Ferry accounts have not been received from Cornwall Council who prepare them. As such, any balances relating to this activity cannot be updated.

- 6.4 These figures are subject to change as the final statement of accounts is produced over the next month but any changes should be minimal. Appendix B shows the provisional movement in the reserves over the year, together with the main purpose of the reserve.
- 6.5 The Council has a number of budget provisions set up to meet known liabilities. Provisions are compulsory and required to comply with accounting standards. The balance on the provisions at year end together with movement in the year is outlined in Appendix C.

#### Schools Balances

- 6.6 At the end of the year there was a total of £7.301m unspent monies against schools' delegated budgets and other reserves. The main reasons why schools hold balances are:
- Anticipation of future budget pressures usually arising from pupil number variations
  - To provide for the balance of Government grants paid during the financial year (April–March) which cover expenditure occurring across the academic year (September – August)
  - Schools are also holding extra funds whilst they put together proposals for Early Help and the Council will be working with schools in 2016/17 to bring joint commissioning of such services to a reality

#### **Recommendations**

That Full Council:-

1. Note the provisional outturn position as at 31 March 2016
2. Note the adjusted revenue surplus for the year of £0.032m and that this will be transferred to the General Fund Working Balance
3. Note the additional transfers to and from reserves reflected within the outturn figures:
 

▪ Creation of a Modernisation Enabler Reserve	£1.100m
▪ Transfer to Redundancy Reserve	£1.000m
▪ Release from Insurance Provision and Reserve	£(0.962)m
▪ Transfer to Business Rates Reserve	£1.000m
▪ Transfer to Pensions Reserve	£0.400m
▪ Release from General Fund Bad Debt Provision	£(0.158)m
▪ Transfer to provision for Housing Benefit Overpayments	£0.500m

## SECTION B: CAPITAL PROGRAMME OUTTURN 2015/16

### 7. Capital Programme Outturn 2015/16

7.1 The final capital programme outturn position for 2015/16 is £62.224m. This is shown by Directorate in Table 5 below. This is within the approved Capital programme budget of £287m reported to Full Council in November 2015, and £419m budget approved in February 2016.

**Table 5** Capital Outturn 2015/16

Directorate	Latest Forecast October 2015	Re-Profiling	Approvals post Oct	Variations and Virements	2015/16 Outturn	Change	%
	£m	£m	£m	£m	£m	£m	
Place	45.293	(11.818)	8.116	(5.111)	<b>36.480</b>	(8.813)	81
People	19.507	(2.380)	0.978	(0.175)	<b>17.930</b>	(1.577)	92
Transformation and Change	12.180	(1.194)	0.104	(3.277)	<b>7.814</b>	(4.366)	64
Public Health	0	0	0	0	0	0	-
<b>TOTAL</b>	<b>76.980</b>	<b>(15.392)</b>	<b>9.198</b>	<b>(8.562)</b>	<b>62.224</b>	<b>(14.756)</b>	<b>81</b>

7.2 Details of all new 2015/16 approvals secured during the period November 2015 - March 2016 are provided in Appendix D

7.3 The 2015/16 **£62.224m** programme outturn has enabled investment in some notable schemes, including:

7.3.1 **£9.6m** in Basic Need improvements to local schools:

- £4.4m St Matthews
- £2m Woodford Primary
- £1.8m Holy Cross
- £0.7m Stoke Damerel Primary
- £0.7m Pilgrim

7.3.2 **£7.8m** of capitalised carriageway resurfacing

7.3.3 **£4.3m** towards the cost of acquisition and redevelopment of the former Quality Hotel site

7.3.4 **£4m** Accommodation transformation, including the separation of the Council House and Guildhall

- 7.3.5 **£3.7m** to commence major infrastructure projects to support growth along the Northern Corridor:
- £0.800m Derriford Hospital Interchange
  - £1.700m Derriford Transport Scheme (Derriford Roundabout and Tavistock Road / William Prance Road junction (£1.7m))
  - £1.200m completion of Marjons Link Road
- 7.3.6 **£3.3m** Knowle Primary school rebuild
- 7.3.7 **£3m** of works to enable the redevelopment of South Yard as a Marine Industries Production Campus:
- £2.000m Area East industrial business units
  - £1.000m MOD separation works
- 7.3.8 **£2.1m** for the on-going replacement of street lighting to provide energy and carbon savings
- 7.3.9 **£2.2m** of dilapidated fleet replacements ensuring reliability and effectiveness for service delivery
- 7.3.10 **£1.8m** for upgrade of the Material Recycling Facility
- 7.3.11 **£1.5m** New Central Library
- 7.3.12 **£1.4m** progress on development of a new Coach Station at Mayflower West, to enable the redevelopment of a leisure complex at the existing Bretonside Bus Station site
- 7.3.13 **£1.3m** of Green Deal grant awards to Plymouth private households, for solid wall insulation
- 7.3.14 **£1.3m** to complete the construction of the Langage employment units
- 7.4 The year-end position highlights **£15m** of re-profiling of schemes into 2016/17. This is spend which was scheduled to be delivered in 2015/16, but is now forecast to be delivered in 2016/17. Explanations for the most significant project re-profiling are given below:
- 7.4.1 The delivery of the Mayflower Coach Station project was delayed in 2015/16 due to contract negotiations, changes in design (value engineering process) and a Member request to keep the temporary Mayflower West Car Park open over Christmas. £1.427m of un-ring-fenced funded spend was incurred in 2015/16 compared to the £2.503m as cash-flowed for 2015/16 delivery in October 2015. This project will complete in summer 2016/17, at a total scheme cost of £4.856m. **(£1.1m)**

- 7.4.2 At the time of the approval of the acquisition of the Quality Hotel site in January 2016, it was expected that demolition would be undertaken upon completion of the purchase in early 2016. Demolition works were however delayed into 2016/17 when asbestos was discovered. These borrowing funded costs are now being incurred on-site, with an estimated completion date of September 2016. **(£1.1m)**
- 7.4.3 £4.715m of the total £7.990m Street Lighting LED replacement programme had already been delivered pre 2015/16. A further £3.125m of spend was scheduled to be delivered in 2015/16, as at October 2015. However following a supplier issue, which has now been resolved, a reduced value of £2.065m was delivered in 2015/16. The programme is due to finish as scheduled in 2017, fully funded from service area funded borrowing. **(£1.1m)**
- 7.4.4 As at October 2015, £2.601m of vehicles were expected to be ordered to meet 2015/16 PCC service client requirements. The actual value of vehicles delivered was £1.865m for 12 refuse trucks and a camera car. The ordering of £0.900m of planned vehicles including tippers, vans and loaders has been delayed into 2016/17 to enable a review that will ensure that vehicles ordered continue to meet the requirements of the end users. This project is fully funded from service area borrowing. **(£0.9m)**
- 7.4.5 PCC have agreed to provide £2.903m of HCA ring-fenced dowry and S106 to support the £4m redevelopment by R.I.O (Real Ideas Organisation) of Devonport Market as a High Tech 'Play Market'. As at October 2015, it was anticipated that R.I.O would reach milestones that would result in the payment of £0.836m in 2015/16. However, as the planning application stage was not reached in 2015/16 as expected, only £0.144m was paid. The main reason for this is that the legal negotiations over the funding agreement and the lease took longer to conclude than anticipated. **(£0.7m)**
- 7.4.6 On site works began in February 2016 to deliver the £2.24m Derriford Hospital Interchange transport project. As at October 2015, it was reported that £1.499m would be incurred in 2015/16. However, additional time was involved than first envisaged in procuring a contractor for the construction of the scheme; financial negotiations caused further project delay and there was a need to secure agreement for the final tree clearance details which restricted the progression of the start of the main works. This resulted in £0.830m of works actually being delivered. Grant funders have confirmed that 2015/16 funding will be rolled over to support 2016/17 spend. Works are currently scheduled to complete in October 2016. **(£0.7m)**

- 7.4.7 As at October 2015, the programme 2015 - 19 contained £20.500m to support the redevelopment of South Yard into a Marine Industries Production Campus. This was initially programmed to meet £15m of remediation/separation works and £5.500m for direct development of Area East. £1.600m of un-ring-fenced funded remediation works were planned for delivery in 2015/16. However, consideration and approval in April 2016 of a revised overall delivery strategy for the South Yard site concluded that £2.100m of resources should be vired for prioritised use on the Area East Development phase. This resulted in a delay in 2015/16 of the remediation works of £0.700m. Further demolition and site services works will now most likely commence from October 2016. **(£0.7m)**
- 7.4.8 Design and advanced works commenced in 2015/16 for Outland Road Phase I of the £3.392m Northern Corridor Junction Improvements, which are planned for 2015-20. At the time of approval (December 2015) it was anticipated that 2015/16 spend would be £0.7m. However, a change in the scope of the scheme has resulted in additional time being required for design and costing, resulting in slippage of £0.6m into 2016/17. Authority has been secured to roll the Growth Deal grant of £700k into 2016/17. Main works for phase I are currently scheduled for delivery in July – December 2016. **(£0.6m)**
- 7.4.9 £0.071m of the total £0.862m of S106 funded highways for the Millbay School of Creative Arts had already been delivered pre 2015/16. A further £0.791m of spend was scheduled to be delivered in 2015/16, as at October 2015. However, these planned works were later slipped into 2016/17 due to Phase 3-5 delivery being delayed at Councillors request. Works incomplete relate to street lighting, 20mph zone and traffic management works. **(£0.6m)**
- 7.4.10 £0.940m of un-ring-fenced resources were expected to be required to meet 2015/16 costs for the delivery of the Whitleigh HQ for the Four Greens Community Trust. Project delays arising due to tenders being received later than originally anticipated resulted in the re-profiling of £0.5m into 2016/17. The total scheme cost of £1.275m is due to be financially complete in 2016/17. **(£0.5m)**



## 8 Capital Financing 2015/16

8.1 The table below shows the final financing of the 2015/16 programme.

**Table 6** Financing of 2015/16 Capital Programme

Method of Financing	Un ring-fenced £m	Ring-fenced £m	Total £m
Capital receipts	10.533	0.149	10.682
Grants (e.g. gov't, HLF, LEP, Environment Agency)	15.135	18.973	34.108
Internal PCC Balance Sheet Funds	0.275	0.070	0.345
Contributions, S106 and CIL (neighbourhood element)	1.205	3.264	4.469
Direct Revenue Funding from service areas		1.343	1.343
Borrowing:			
- Corporately funded	6.414		6.414
- Service revenue budget funded	4.863		4.863
<b>Total Capital Financing 2015/16</b>	<b>38.425</b>	<b>23.799</b>	<b>62.224</b>

- 8.2 Individual services will make a revenue contribution for their borrowing based on repayment of capital and interest over the life of the individual assets. The interest cost is calculated on the prevailing Public Works Loan Board (PWLB) interest rate at the time of project approval. During 2016/17, services will make a revenue contribution to meet loan repayments of £0.577m. This is a broad estimate based upon an indicative average life of 10 years, and at a rate of 3.24%. Business cases prepared at the time of agreement indicated that the cost of borrowing charged to services would be covered from the benefits accrued once the scheme is completed and commissioned. There should therefore be no additional cost to service budgets as the budgets will receive both the benefits derived and cost of debt financing.
- 8.3 The financing of the schemes will be managed through the Council's Corporate Treasury Management Team who seek to minimise the cost of borrowing through the daily cash management process. This may result in a slightly reduced cost to the Council as the team maximise opportunities to borrow at rates which may be more competitive than the estimates provided in the business case.
- 8.4 Corporately funded schemes are charged to the corporate items budget. Over recent years the cost of such schemes has been absorbed into that cost centre. No budget provision exists for these debt charges. Historically the funding has been offset against surpluses generated on Treasury Management activities. However, this is unsustainable going forward.

## 9 Revised Capital Programme 2015 – 2020

9.1 The table below sets out the revised capital programme for the 2015 – 20 period now updated for 2015/16 outturn This is within the £419.000m capital budget approved at Council in February 2016.

**Table 7** Revised Capital Programme for 2015-2020

Directorate	2015/16 Outturn	2016/17 Forecast	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	Total
	£m	£m	£m	£m	£m	£m
Place	36.480	65.836	23.470	5.531	2.880	134.197
People	17.930	15.588	2.263	0.475	0.475	36.731
Transformation and Change	7.814	5.127	0.080	-	-	13.021
Public Health	-	-	-	-	-	-
<b>TOTAL</b>	<b>62.224</b>	<b>86.551</b>	<b>25.813</b>	<b>6.006</b>	<b>3.355</b>	<b>183.949</b>

### Recommendations

That Full Council:-

4. Note the Capital Financing Requirement of £62.224m and the borrowing requirement of £11.277m for 2015/16.
5. Note the re-profiling changes to the Capital Programme identified during the outturn process.
6. Note the additions to the Capital Programme, which total £9.198m for the period November 2015 – March 2016.

**SECTION C: TREASURY MANAGEMENT OUTTURN 2015/16****10 Introduction**

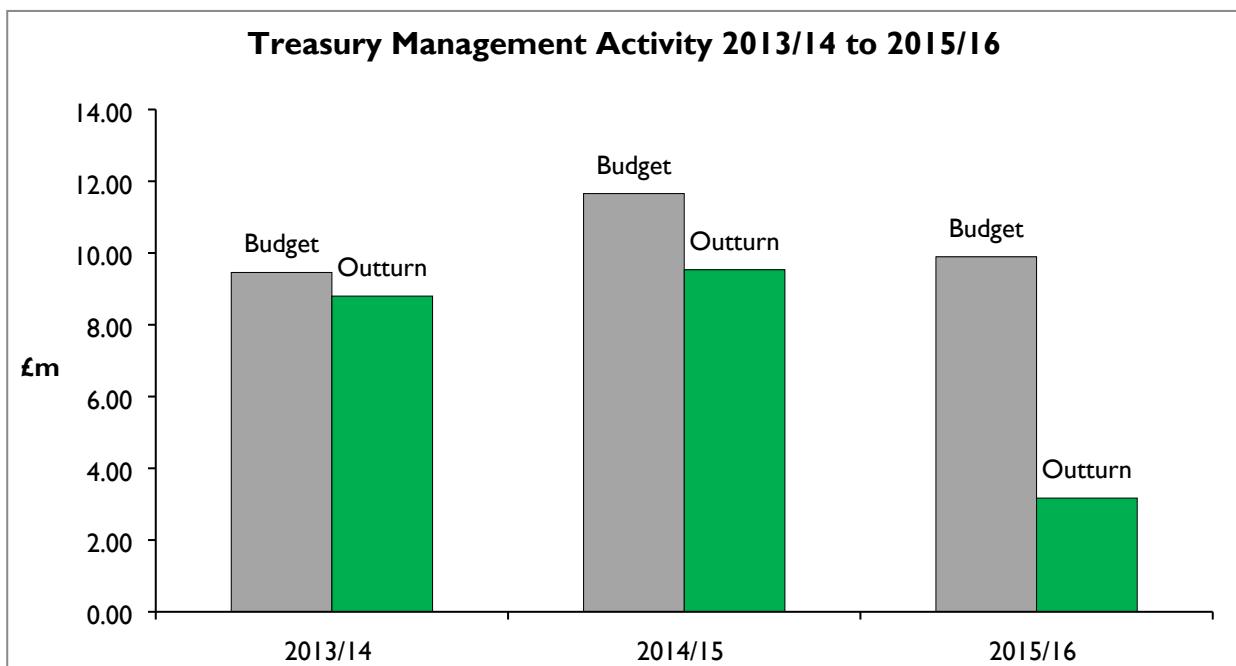
10.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end). This section covers treasury management activity and the associated monitoring and control of risk.

**11 Budgeted Income and Expenditure****Table 8** Treasury Management Outturn Position 2015/16

	2015/16 Budget	2015/16 Outturn	Year End Variance
	£m	£m	£m
Interest Payable			
LOBO (Lender Option, Borrower Option)		4.381	
PWLB (Public Works Loan Board)		2.550	
Temporary loans		0.242	
Recharge to Departments for Unsupported Borrowing		(4.436)	
<b>Total Interest Payable</b>	<b>3.727</b>	<b>2.737</b>	<b>(0.990)</b>
Interest Receivable			
CCLA Property Fund		(0.951)	
Money Market Fund		(0.084)	
Other Funds		(0.015)	
Deposits		(0.107)	
Other Accounts		(0.090)	
Other External Interest		(0.107)	
<b>Total Interest Receivable</b>	<b>(1.257)</b>	<b>(1.354)</b>	<b>(0.097)</b>
Other Charges			
Debt Management	0.126	0.250	0.124
Amortised Premiums	(0.096)	0.105	0.201
<b>Total Other Charges</b>	<b>0.030</b>	<b>0.355</b>	<b>0.325</b>
<b>Minimum Revenue Provision</b>	<b>7.395</b>	<b>1.431</b>	<b>(5.964)</b>
<b>TOTAL</b>	<b>9.895</b>	<b>3.169</b>	<b>(6.726)</b>

- 11.1 The average cash balances were £14.6m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels. New deposits were made at an average rate of 0.05%. Investments in Money Market Funds generated an average rate of 0.5%.
- 11.2 The Authority’s budgeted investment income for the year was £1.26m. The Authority’s investment outturn for the year was £1.35m.
- 11.3 The table below shows the savings made over the last three years and the saving made in 2015/16 is broken down in detail in Table 8 above.

**Figure I Treasury Management Activity 2013/14 to 2015/16**



**12 Local Context**

- 12.1 At 31 March 2016, the Authority’s underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £422m, while usable reserves and working capital which are the underlying resources available for investment were £58m.
- 12.2 At 31 March 2016, the Authority had £240m of borrowing and £66m of investments. The Authority’s current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £15m.
- 12.3 The Authority has an increasing CFR over the next three years due to the capital programme, with minimal investments and will therefore be required to borrow up to £110m over the forecast period.

**13 Minimum Revenue Provision**

Change of Minimum Revenue Provision (MRP) Policy

- 13.1 Under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/3146, as amended, local authorities are required to charge to their revenue account, for each financial year, MRP to account for the cost of their unfinanced capital expenditure.
- 13.2 Prior to its amendment by the 2008 Regulations, regulation 28 (as amended by regulation 3(1), and read with regulation 3(2) and (3), of the 2007 Regulations) sets out the method authorities were required to follow in calculating MRP.
- 13.3 There has also been a recent change of advice from CIPFA on MRP calculations and the use of the annuity method. Prior years involved detailed calculations which were very prescriptive but these have been replaced with a requirement that local authorities calculate an amount of MRP which they consider to be prudent.
- 13.4 During 2015/16 the Council has undertaken a review of its MRP calculation method and accounting assumptions. The Council's calculations were driven by a very complex methodology that needed a full overhaul. The Council therefore engaged its TM advisors, Arlingclose to review and advise best practice. The main conclusions were that, due to the way we were calculating our annual MRP charge has resulted in an over-provision for many years and it also recommended a change in the calculation method.
- 13.5 The Council wants to match the economic benefits from its assets with the life of those assets. Therefore the Council wants to use the annuity method which not only spreads the cost of the borrowing over the life of the assets but it also takes into account the time value of money.
- 13.6 The Council's previous method of calculating MRP was to spread the cost of borrowing in a straight line over a maximum of 25 years. The current council tax payers would therefore pay a relative higher charge than council tax payers in the future. For example, if an asset cost £20m to build and has a life of 20 years then there would have been a £1m charged each year on the straight line basis. The annuity method takes into account the time value because £1m today has a higher value (NPV) than £1m in 20 years' time.
- 13.7 The resulting change from the over provision of MRP in prior years will be to reduce the MRP charge in 2015/16 by £5.96m in each year. The change of calculation method to the annuity method will reduce the MRP charge for the following years as follows; 2016/17 £4.70m; 2017/18 £0.89m; 2018/19 £0.73m; 2019/20 £0.57m (these figures would be subject to additional MRP charges for assets added during these periods).

## 14 Borrowing Strategy

- 14.1 At 31 March 2016, the Authority held £240m of loans, (an increase of £28m on 31 March 2015) as part of its strategy for funding previous years' capital programmes.
- 14.2 The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis. Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, also remained affordable and attractive.

**Table 9** Borrowing Activity in 2015/16

	Balance on 01/04/2015 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2016 £m	Avg Rate %
Capital Financing Requirement (CFR)	267.65				251.72	
Short Term Borrowing <sup>1</sup>	68.20	(197.50)	-	225.36	96.06	0.01%
Long Term Borrowing	144.37	-	-	-	144.37	5.76%
<b>TOTAL BORROWING</b>	212.57	(197.50)	-	225.36	240.43	3.51%
Other Long Term Liabilities	39.15	-	-	93.15	132.30	-
<b>TOTAL EXTERNAL DEBT</b>	251.72	(197.50)	-	318.51	372.73	-
Increase/ (Decrease) in Borrowing £m					121.01	

### LOBOs

- 14.3 The Authority holds £100m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £58m of these LOBOS had options during the year, none of which were exercised by the lender.

### LGA Bond Agency

- 14.4 UK Municipal Bonds Agency (MBA) plc. was established in 2014 by the Local Government Association as an alternative to the PWLB. The Authority has signed the Municipal Bond Agencies framework agreement which sets out the terms upon which local authorities will borrow, including details of the joint and several guarantee.

### Energy from Waste PFI

<sup>1</sup> Loans with maturities less than 1 year.

- 14.5 During the year the Council has opened a new waste plant in Plymouth. The investment of £195m (Plymouth's share is £93m) has been funded by a private finance initiative over the life of the asset of 50 years. The PFI is reflected within "other Long Term Liabilities".
- 14.6 The Council has obtained professional accountancy advice regarding the treatment of the assets. The final decision has recently been obtained and the Energy from Waste Plant will be treated as an asset in the Council accounts with a corresponding liability for the PFI scheme. The Councils in the Energy from Waste Partnership (Plymouth City Council, Devon County Council and Torbay Council) will bring a proportion of the value of the plant onto their balance sheet based on the contract agreed split of waste.

## 15 Investment Activity

- 15.1 The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2015/16 the Authority's investment balances have ranged between £79m and £65m.

**Table 10** Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities / Investments Sold £m	Balance on 30/03/2016 £m	Average Rate / Yield %
Short Term Investments (Call Accounts, Deposits)	45.10	38.20	(56.30)	27.00	0.76%
Other Pooled Funds	23.00	431.90	(410.60)	44.30	6.80%
Bonds issued	6.00	2.00	(8.00)	-	0.74%
<b>TOTAL INVESTMENTS</b>	<b>74.10</b>	<b>472.10</b>	<b>(474.90)</b>	<b>71.30</b>	
Increase / (Decrease) in Investments £m				(2.80)	

Update on Investments with Icelandic Banks

15.2 The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

**Table 11** Icelandic Bank Position

Bank	Original Deposit £m	Balance March 2016 £m
Heritable Bank	3.00	0.06
Glitnir	6.00	1.40
Landsbanki	4.00	0.00
<b>TOTAL</b>	<b>13.00</b>	<b>1.46</b>

15.3 The Council continues to pursue recovery of the outstanding monies in partnership with the LGA and continues to earn interest on these investments.

**16 Compliance with Prudential Indicators**

16.1 The Authority confirms compliance with its Prudential Indicators for 2015/16, which were set in February 2015.

16.2 The following indicators are set and monitored each year:

- Estimates of Capital Expenditure
- Estimates of Capital Financing Requirement
- Gross Debt and the Capital Financing Requirement
- Operation Boundary for External Debt
- Authorised Limit for External Debt
- Ratio of Financing Costs to Net Revenue Stream
- Incremental Impact of Capital Investment Decisions

16.3 Due to the PFI changes effective 31 March 2016, it is necessary to increase both our Operational Boundary and Authorised Borrowing limits for 2015/16 to 2017/18.

16.4 **Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

**Table 12** Revised Operational Boundaries

Operational Boundary	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	260.00	350.00	380.00
Other Long-Term Liabilities	140.00	140.00	140.00
<b>Total Debt</b>	<b>400.00</b>	<b>490.00</b>	<b>520.00</b>



- 16.5 **Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003
- 16.6 It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

**Table 13** Revised Authorised Limit

Authorised Limit	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	280.00	400.00	430.00
Other Long-Term Liabilities	160.00	160.00	160.00
<b>Total Debt</b>	<b>440.00</b>	<b>560.00</b>	<b>590.00</b>

- 16.7 Further details of the Prudential Indicators will be included in the Treasury Management Report that will go to Audit Committee on the 30 June 2016.

## 17 Treasury Management Indicators

- 17.1 The Council measures and manages its exposure to treasury management risks using the following indicators:
- Interest Rate Exposures
  - Maturity Structure of Borrowing
  - Principal Sums Invested for Periods Longer than 364 days
  - Security
  - Liquidity
- 17.2 Further details of the Treasury Management Indicators will be included in the Treasury Management Report that will be considered by the Audit Committee on the 30 June 2016.

### Recommendations

That Full Council:-

7. Note the Treasury Management Outturn Position and approve the new operational and authorised limits for 2015/16 to 2017/18.

## REVENUE OUTTURN VARIANCES MARCH 2016

## APPENDIX A

DEPARTMENTS	2015/16 Gross Expendit ure	2015/16 Gross Income	Latest Approved Final	Outturn	Outturn Variation	Variance
	£m	£m	£m	£m	£m	%
Chief Executive Office	3.138	(0.145)	2.993	2.900	(0.093)	-3%
Departmental Management	0.969	(0.063)	0.906	1.053	0.147	16%
<b>Total Executive Office</b>	<b>4.107</b>	<b>(0.208)</b>	<b>3.899</b>	<b>3.953</b>	<b>0.054</b>	<b>1%</b>
Capital Financing	11.154	(1.257)	9.897	3.170	(6.727)	-68%
Other Corporate Items	7.312	(9.336)	(2.024)	2.016	4.040	200%
<b>Total Corporate Items</b>	<b>18.466</b>	<b>(10.593)</b>	<b>7.873</b>	<b>5.186</b>	<b>(2.687)</b>	<b>-34%</b>
Finance	20.065	(3.769)	16.296	16.334	0.038	0%
Legal	4.041	(1.075)	2.966	2.944	(0.022)	-1%
Customer Services	113.044	(110.723)	2.321	2.879	0.558	24%
Human Resources and OD	2.932	(0.428)	2.504	2.391	(0.113)	-5%
Management and Support	(0.933)	(0.100)	(1.033)	0.162	1.195	116%
Transformation	5.181	(0.076)	5.105	4.528	(0.577)	-11%
ICT	4.915	0.000	4.915	6.258	1.343	27%
<b>Total Transformation and Change</b>	<b>149.245</b>	<b>(116.171)</b>	<b>33.074</b>	<b>35.496</b>	<b>2.422</b>	<b>7%</b>
Children's Social Care	38.880	(4.194)	34.686	35.338	0.652	2%
Co-operative Commissioning and Adult Social Care	93.172	(22.437)	70.735	70.265	(0.470)	-1%
Education, Learning and Family Support Services	145.880	(130.566)	15.314	15.309	(0.005)	0%
Homes and Communities	3.567	(1.280)	2.287	2.275	(0.012)	-1%
Management and Support	0.211	0.000	0.211	0.206	(0.005)	-2%
<b>Total People Directorate</b>	<b>281.710</b>	<b>(158.477)</b>	<b>123.233</b>	<b>123.393</b>	<b>0.160</b>	<b>0%</b>
Economic Development	9.406	(8.942)	0.464	0.491	0.027	6%
Strategic Planning	14.077	(4.196)	9.881	9.405	(0.476)	-5%
Street Services	37.747	(19.920)	17.827	17.653	(0.174)	-1%
Management and Support	0.178	(4.427)	(4.249)	(3.289)	0.960	23%
<b>Total Place Directorate</b>	<b>61.408</b>	<b>(37.485)</b>	<b>23.923</b>	<b>24.260</b>	<b>0.337</b>	<b>1%</b>
Public Health (100% Grant Funded)	16.042	(15.298)	0.744	0.744	(0.000)	0%
Public Protection Services	3.486	(3.389)	0.097	(0.200)	(0.297)	-306%
Civil Protection Unit	0.175	(0.009)	0.166	0.145	(0.021)	-13%
<b>Total Office of Director of Public Health (ODPH)</b>	<b>19.703</b>	<b>(18.696)</b>	<b>1.007</b>	<b>0.689</b>	<b>(0.318)</b>	<b>-32%</b>
<b>Total General Fund budget</b>	<b>534.639</b>	<b>(341.630)</b>	<b>193.009</b>	<b>192.977</b>	<b>(0.032)</b>	<b>0%</b>

## MOVEMENT IN RESERVES SUMMARY 2015/16

## APPENDIX B

Summary Group	Balance as at 31/03/2015 £m	Transfers to Reserves 15/16 £m	Transfers from Reserves 15/16 £m	Balance as at 31/03/2016 £m
<b>Trading Account and Other Statutory Reserves</b>				
Off Street Parking	(0.684)	(2.238)	2.238	(0.684)
On Street Parking	0.684	(1.807)	1.807	0.684
City Market	(0.142)	(0.420)	0.320	(0.242)
Taxis	(0.335)	0.000	0.000	(0.335)
Land Charges Development Fund	(0.087)	(0.026)	0.000	(0.113)
<b>Education/Schools Earmarked Reserves</b>				
School Budget Share	(7.365)	(6.093)	7.382	(6.076)
PFI Reserves	(1.391)	(0.006)	0.272	(1.125)
Plymouth Adult and Community Learning	(0.100)	0.000	0.000	(0.100)
<b>Commuted Maintenance</b>	(3.059)	(0.279)	0.036	(3.302)
<b>Earmarked General Reserves</b>				
Insurance and Risk Management Reserve	(1.179)	0.000	0.903	(0.276)
Pensions	(0.566)	(0.400)	0.566	(0.400)
CEDT Reserve	(0.034)	(0.122)	0.000	(0.156)
Carefirst IT Reserve	(0.140)	0.000	0.000	(0.140)
Carry Forwards and Corporate Health	(0.753)	(0.838)	0.753	(0.838)
Plymouth Safeguarding Children Board	(0.052)	(0.100)	0.052	(0.100)
Redundancies Reserve	(0.700)	(1.000)	0.700	(1.000)
Modernisation Enabler	0.000	(1.100)	0.000	(1.100)
Life Centre Dowry	(0.600)	(0.150)	0.000	(0.750)
Waste Reserve	(0.750)	0.000	0.750	0.000
Plan for Jobs	(0.390)	0.000	0.353	(0.037)
Transformational Change Reserve	(0.135)	(0.548)	0.505	(0.178)
Job Evaluation/Equal Pay	(0.200)	0.000	0.000	(0.200)
Stock Transfer Residual Liabilities	(1.005)	0.000	0.000	(1.005)
Grants Carry Forward	(2.499)	(2.307)	2.499	(2.307)
Investment Fund	(1.578)	(0.552)	0.525	(1.605)
Business Rates Reserve	0.000	(1.000)	0.000	(1.000)
Care Act	(0.500)	(1.943)	0.243	(2.200)
Integrated Finance Reserve	0.000	(1.000)	0.000	(1.000)

## APPENDIX B Cont.

Summary Group	Balance as at 31/03/2015 £m	Transfers to Reserves 15/16 £m	Transfers from Reserves 15/16 £m	Balance as at 31/03/2016 £m
<b>Other Ring-fenced Reserves</b>				
CATERed Ltd Reserve	0.000	(0.300)	0.000	(0.300)
A386 Park and Ride Leased Spaces	(0.400)	0.000	0.044	(0.356)
Commercial Property Client Account	(0.723)	(0.211)	0.260	(0.674)
Tamar Bridge and Torpoint Ferry	(2.575)	0.000	0.000	(2.575)
Other Reserves	(1.225)	(0.196)	0.324	(1.097)
<b>Sub Total Earmarked Reserves</b>	<b>(28.482)</b>	<b>(22.637)</b>	<b>20.532</b>	<b>(30.587)</b>
Working Balance	(10.620)	(0.032)	0.000	(10.652)
<b>Total Reserves</b>	<b>(39.102)</b>	<b>(22.669)</b>	<b>20.532</b>	<b>(41.239)</b>

## MOVEMENT IN PROVISIONS

## APPENDIX C

Description	Balance as at 31/03/2015 £m	Provisions Made in Year £m	Provisions Used in Year £m	Balance as at 31/03/2016 £m
Landfill Site Provision	(8.612)	0.000	0.764	(7.848)
Backdated equal pay	(0.239)	0.000	0.101	(0.138)
Business Rate Appeals	(0.657)	(0.684)	0.000	(1.341)
Personal Search Fees	(0.250)	0.000	0.250	0.000
<b>Other Provision Total</b>	<b>(9.758)</b>	<b>(0.684)</b>	<b>1.115</b>	<b>(9.327)</b>
Insurance Provision Total	(4.145)	(2.426)	2.829	(3.742)
GF Bad Debts Total	(1.466)	(0.339)	0.431	(1.375)
Other Bad Debt Provisions Total	(7.105)	(2.804)	1.925	(7.984)
<b>Grand Total</b>	<b>(22.474)</b>	<b>(6.253)</b>	<b>6.300</b>	<b>(22.428)</b>

## CAPITAL PROGRAMME ADDITIONS

## APPENDIX D

## New Approvals for 2015/16 secured November 2015 – March 2016

Year of Programme Addition						
Scheme Name	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	£m	£m	£m	£m	£m	£m
<b>Place Directorate</b>						
Acquisition of Quality Inn Hotel	5.439	0.050	0.100			<b>5.589</b>
Northern Corridor Traffic Signals	0.700	1.192	0.500	0.500	0.500	<b>3.392</b>
History Centre – spend ahead of April 2016 approval	0.650					<b>0.650</b>
Marjons Link Road cost increase - CCIB recommended – approval pending	0.359					<b>0.359</b>
Mt Edgcumbe Sea Wall	0.300					<b>0.300</b>
Laira Rail Bridge Pedestrian and Cycle Scheme – cost increase	0.180					<b>0.180</b>
Forder Valley Link Road - Development Costs	0.174	0.934				<b>1.108</b>
Mayflower 400 - "Pilgrim Fathers Walk" public realm imp	0.091	0.909	0.500			<b>1.500</b>
Eastern Corridor Strategic Cycle Network	0.055	1.725	1.720	0.650	0.380	<b>4.530</b>
Flood defence works at Honicknowle Lane	0.055					<b>0.055</b>
Former Whitleigh Community Centre – site preparation to deliver starter homes	0.055	0.367				<b>0.422</b>
Maple Walk Affordable Housing	0.030					<b>0.030</b>
Mount Edgcumbe Cremyll Lodge holiday let and shop – cost increase	0.016					<b>0.016</b>
Mount Edgcumbe Orangery Roof repairs	0.012					<b>0.012</b>
<b>Total Place Directorate</b>	<b>8.116</b>	<b>5.177</b>	<b>2.820</b>	<b>1.150</b>	<b>0.880</b>	<b>18.143</b>
<b>People Directorate</b>						
Salisbury Road Primary School - roof works	0.623					<b>0.623</b>
Compton School - Roof Replacement	0.106					<b>0.106</b>
Cann Bridge - 2 classroom extension	0.100	0.530				<b>0.630</b>
Mount Tamar School - health and safety works	0.050	0.961				<b>1.011</b>
Mount Wise School – roof works	0.034	0.034				<b>0.068</b>
Plymouth Life Centre – ICT costs	0.027					<b>0.027</b>
Blockhouse Park Playground Refurbishment	0.026					<b>0.026</b>
Manadon Play Pitches	0.012	0.196	0.478			<b>0.686</b>
<b>Total People Directorate</b>	<b>0.978</b>	<b>1.721</b>	<b>0.478</b>	<b>0.000</b>	<b>0.000</b>	<b>3.177</b>

## APPENDIX D Cont.

<b>Year of Programme Addition</b>						
<b>Scheme Name</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>TOTAL</b>
<b>Transformation and Change Directorate</b>						
Mount Batten Tower Feasibility Study	0.050					<b>0.050</b>
Redevelopment of Tinside East	0.050					<b>0.050</b>
Southway Telecom Mast	0.004	0.176				<b>0.180</b>
<b>Total Transformation and Change Directorate</b>	<b>0.104</b>	<b>0.176</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.280</b>
<b>Total New Approvals</b>	<b>9.198</b>	<b>7.074</b>	<b>3.298</b>	<b>1.150</b>	<b>0.880</b>	<b>21.600</b>

**CITY OF PLYMOUTH**

<b>Subject:</b>	Annual Report on Treasury Management Activities for 2015/16
<b>Committee:</b>	Full Council
<b>Date:</b>	11 July 2016
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Assistant Director for Finance)
<b>Author:</b>	Chris Flower Lead Accountant for Capital and Treasury Management
<b>Contact:</b>	Tel: 01752 304212 Email: <a href="mailto:chris.flower@plymouth.gov.uk">chris.flower@plymouth.gov.uk</a>
<b>Ref:</b>	Fin/CF
<b>Key Decision</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the treasury management activities for financial year 2015/16 including the final position on the statutory Prudential Indicators.

This report:

- a) is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- b) confirms capital financing, borrowing, debt rescheduling and investment transactions for the year 2015/16 and confirms the borrowing limits for 2015/16 to 2017/18;
- c) provides an update on the risk inherent in the portfolio and outlines actions taken by the authority during the year to minimise risk;
- d) gives details of the outturn position on Treasury Management transactions in 2015/16;
- e) confirms compliance with treasury limits and Prudential Indicators (PIs) and the outlines the final position on the PI's for the year

In line with the recommendations in the Code of Practice, this report is submitted to Audit Committee as the committee responsible for scrutiny of the treasury management function.

In accordance with Treasury Management Practices note 6, this report is required to be submitted to Full Council.

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**The Brilliant Co-operative Council Corporate Plan 2016 - 19:**

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

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

Into the medium and longer term the Council is facing significant pressures due to the national economic situation, which has led to a reduction in resources for local authorities over the Government's latest spending period. Effective Treasury Management will be essential in ensuring the Council's cash flows are used to effectively support the challenges ahead.

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

There is an inherent risk to any Treasury Management activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved investment strategy, and keeping the counterparty list under constant review.

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**Recommendations & Reasons for recommended action:**

- I. Council to note the Treasury Management Annual Report for 2015/16.

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**Alternative options considered and reasons for recommended action:**

None - it is requirement to report to Council on the treasury management activities for the year.

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**Background papers:**

- Treasury Management Strategy report to Audit Committee 16 February 2015
- Mid-Year Review report to Audit Committee 17 December 2015

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**Sign off:**

Fin	djn161 7.12	Leg/ Dem& Gov	It2598 6	HR	n/a	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Andrew Hardingham, Assistant Director for Finance											
Has the Cabinet Member(s) agreed the content of the report? Yes											



## **Annual Report on Treasury Management Activities for 2015/16**

### **Introduction**

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Authority's Treasury Management Strategy for 2015/16 was approved by full Council on 16 February 2015.

The Authority has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury management activity and the associated monitoring and control of risk.

### **External Context**

**Growth, Inflation, Employment:** The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

**Global influences:** The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

### **UK Monetary Policy:**

The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest

rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

### **Market reaction:**

From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

### **Local Context**

At 31/03/2016 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £422m, while usable reserves and working capital which are the underlying resources available for investment were £58m.

At 31/03/2016, the Authority had £240m of borrowing and £66m of investments. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £15m.

The Authority has an increasing CFR over the next 3 years due to the capital programme, with minimal investments and will therefore be required to borrow up to £110m over the forecast period.

## Minimum Revenue Provision

### Change of Minimum Revenue Provision (MRP) Policy

Under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/146, as amended, local authorities are required to charge to their revenue account, for each financial year, MRP to account for the cost of their unfinanced capital expenditure.

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

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

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

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

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

The resulting change from the over provision of MRP in prior years will be to reduce the MRP charge in 2015/16 by £5.96m in each year. The change of calculation method to the annuity method will reduce the MRP charge for the following years as follows; 2016/17 £4.70m; 2017/18 £0.89m; 2018/19 £0.73m; 2019/20 £0.57m (these figures would be subject to additional MRP charges for assets added during these periods).

### Borrowing Strategy

At 31/03/2016 the Authority held £240m of loans, (an increase of £24m on 31/03/2015) as part of its strategy for funding previous years' capital programmes.

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to borrow short-term loans instead.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis. Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, also remained affordable and attractive.

### Borrowing Activity in 2015/16

	Balance on 01/04/2015 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2016 £m	Avg Rate % and Avg Life (yrs)
Capital Financing Requirement (CFR)	267.65				251.72	
Short Term Borrowing <sup>1</sup>	68.2	-197.5	-	225.36	96.06	0.01%
Long Term Borrowing	144.37	-	-	-	144.37	5.76%
<b>TOTAL BORROWING</b>	212.57	-197.5	-	225.36	240.43	3.51%
Other Long Term Liabilities	39.15	-	-	93.15	132.30	-
<b>TOTAL EXTERNAL DEBT</b>	251.72	-197.5	-	318.51	372.73	-
Increase/ (Decrease) in Borrowing £m					121.01	

<sup>1</sup> Loans with maturities less than 1 year.

**LOBOs:** The Authority holds £100m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £58m of these LOBOS had options during the year, none of which were exercised by the lender.

**LGA Bond Agency:** UK Municipal Bonds Agency (MBA) plc. was established in 2014 by the Local Government Association as an alternative to the PWLB with plans to issue bonds on the capital markets and lend the proceeds to local authorities. In early 2016 the Agency declared itself open for business, initially only to English local authorities. The Authority has analysed the potential rewards and risks of borrowing from the MBA and has approved and signed the Municipal Bond Agencies framework agreement which sets out the terms upon which local authorities will borrow, including details of the joint and several guarantee.

### **Debt Rescheduling:**

The PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

### **Energy from Waste PFI**

During the year the Council has opened a new waste plant in Plymouth. The investment of £195m (Plymouth's Share is £93m) has been funded by a private finance initiative over the life of the asset of 50 years. The PFI is reflected within "other Long Term Liabilities".

The Council has obtained professional accountancy advice to regarding the treatment of the assets. The final decision has recently been obtained and the Energy from Waste Plant will be treated as an asset in the council accounts with a corresponding liability for the PFI scheme. The Councils in the Energy from Waste Partnership (Plymouth City Council, Devon County Council and Torbay Council) will bring a proportion of the value of the plant onto their balance sheet based on the contract agreed split of waste.

The liability for the PFI scheme has increased our requirement for finance and therefore we have increased our Operational Boundary and Authorised limit as set out on page 14 of this report.

### **Investment Activity**

The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2015/16 the Authority's investment balances have ranged between £79 and £65 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

**Investment Activity in 2015/16**

<b>Investments</b>	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/03/2016 £m	Avg Rate/Yield (%)
Short term Investments (call accounts, deposits)	45.1	38.2	(56.3)	27.0	0.76%
Other Pooled Funds	23.0	431.9	(410.6)	44.3	6.8%
Bonds issued	6.0	2.0	(8.0)	0.0	0.74%
<b>TOTAL INVESTMENTS</b>	<b>74.1</b>	<b>472.1</b>	<b>(474.9)</b>	<b>71.3</b>	
Increase/ (Decrease) in Investments £m				(2.8)	

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A across rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

The authority will also considered the use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

**Counterparty Update**

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Authority therefore increasingly favoured secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits.

The Authority has invested in shares in the Local Capital Finance Company (UK Municipal Bonds Agency Plc) which has been created to enable local authority bond issues. The UK Municipal Bonds Agency Plc helps local councils' to finance their investment in projects, including infrastructure and housing, efficiently and cost effectively.

The UK Municipal Bonds Agency Plc is a first for the sector. It issues bonds to finance local authority projects at a lower cost than the Debt Management Office. This lowers council's finance cost, which means more can be invested into local economies, infrastructure and housing projects. The UK Municipal Bonds Agency Plc helps councils borrow from one another, thereby reducing borrowing costs. It helps councils negotiate better rates from banks, pension funds and insurance companies. The agency also acts as a centre of expertise, offering tailored lending services.

## Budgeted Income and Outturn

The average cash balances were £14.6m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table I in Appendix I). New deposits were made at an average rate of 0.05%. Investments in Money Market Funds generated an average rate of 0.5%.

The Authority's budgeted investment income for the year was £1.26m. The Authority's investment outturn for the year was £1.35m.

## Budget Income and Expenditure

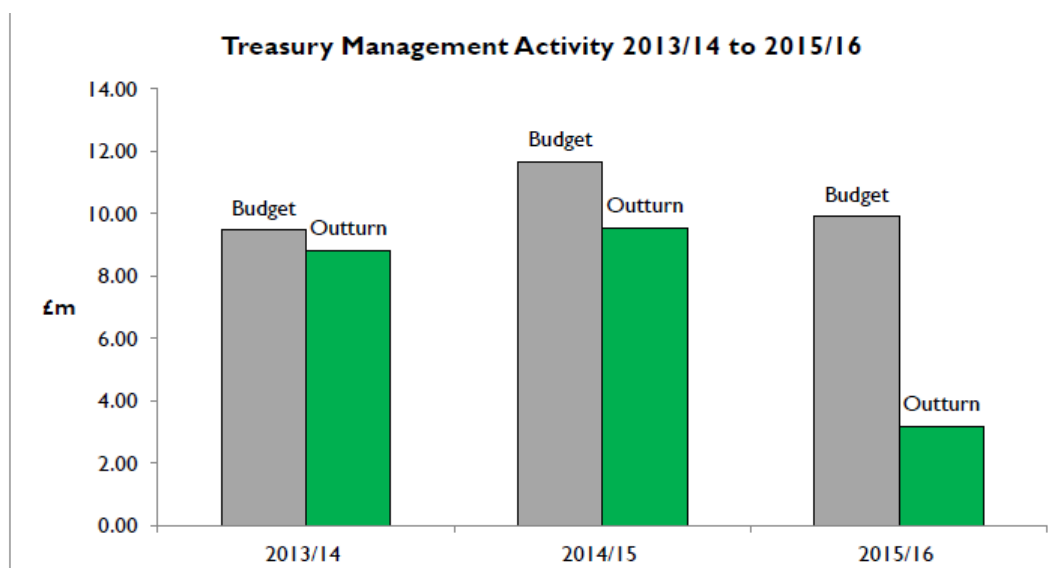
### Treasury Management Outturn Position 2015/16

	2015/16 Budget	2015/16 Outturn	Year End Variance
	£m	£m	£m
Interest Payable			
LOBO (Lender Option, Borrower Option)		4.381	
PWLB (Public Works Loan Board)		2.550	
Temporary loans		0.242	
Recharge to Departments for Unsupported Borrowing		(4.436)	
<b>Total Interest Payable</b>	<b>3.727</b>	<b>2.737</b>	<b>(0.990)</b>
Interest Receivable			
CCLA Property Fund		(0.951)	
Money Market Fund		(0.084)	
Other Funds		(0.015)	
Deposits		(0.107)	
Other Accounts		(0.090)	
Other External Interest		(0.107)	
<b>Total Interest Receivable</b>	<b>(1.257)</b>	<b>(1.354)</b>	<b>(0.097)</b>
Other Charges			
Debt Management	0.126	0.250	0.124
Amortised Premiums	(0.096)	0.105	0.201
<b>Total Other Charges</b>	<b>0.030</b>	<b>0.355</b>	<b>0.325</b>
<b>Minimum Revenue Provision</b>	<b>7.395</b>	<b>1.431</b>	<b>(5.964)</b>
<b>TOTAL</b>	<b>9.895</b>	<b>3.169</b>	<b>(6.726)</b>

The table below shows the savings made over the last three years.

### Treasury Management Activity 2013/14 to 2015/16





### Externally Managed Funds:

The Authority also has investments in cash plus bond and property funds which allow the Authority to diversify into asset classes other than cash with the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short-term. All of the Authority's pooled fund investments are in the respective fund's distributing share class which pay out the income generated.

Although money can be redeemed from the pooled funds at short notice, the Authority's intention is to hold them for the medium-term. Their performance and suitability in meeting the Authority's investment objectives are monitored regularly and discussed with Arlingclose.

### Update on Investments with Icelandic Banks

The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

Bank	Original Deposit £m	Balance March 2016 £m
Heritable Bank	3.00	0.06
Glitnir	6.00	1.40
Landsbanki	4.00	0.00
<b>Total</b>	<b>13.00</b>	<b>1.46</b>

### Further recoveries

The Council continues to pursue recovery of the outstanding monies in partnership with the LGA.

### **Compliance with Prudential Indicators**

The Authority confirms compliance with its Prudential Indicators for 2015/16, which were set in February 2015.

The Following indicators are set and monitored each year:

- Estimates of Capital Expenditure
- Estimates of Capital Financing Requirement
- Gross Debt and the Capital Financing Requirement
- Operation Boundary for External Debt
- Authorised Limit for External Debt
- Ratio of Financing Costs to Net Revenue Stream
- Incremental Impact of Capital Investment Decisions

Due to PFI changes effective 31 March 2016, it is necessary to increase both our Operational Boundary Authorised Borrowing limits for 2015/16 to 2017/18.

#### **Operational Boundary for External Debt:**

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

Revised Operational Boundaries

Operational Boundary	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	260.00	350.00	380.00
Other Long-Term Liabilities	140.00	140.00	140.00
<b>Total Debt</b>	<b>400.00</b>	<b>490.00</b>	<b>520.00</b>

#### **Treasury Management Indicators**

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

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003.

It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

## Revised Authorised Limit

Authorised Limit	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	280.00	400.00	430.00
Other Long-Term Liabilities	160.00	160.00	160.00
<b>Total Debt</b>	<b>440.00</b>	<b>560.00</b>	<b>590.00</b>

Further details of the Prudential Indicators will be included in the Treasury Management Report that will go to Audit Committee on the 30 June 2016.

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

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	210%	210%	210%
Actual	143%		
Upper limit on variable interest rate exposure	80%	80%	80%
Actual	30%		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

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

	Upper	Lower	Actual
Under 12 months	100%	0%	40.00%
12 months and within 24 months	100%	0%	0%
24 months and within 5 years	100%	0%	1.55%
5 years and within 10 years	100%	0%	0%
10 years and above	100%	0%	58.45%

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

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£40m	£35m	£35m
Actual	£3m		

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average [credit rating] or [credit score] of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit rating	A	A

**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months	£15 m	£15.6m

**Investment Training**

Officers have undergone the following training during the year:

CIPFA - Treasury Management Accounting Special.

Arlingclose – Review of Minimum Revenue Provision.

Arlingclose – Principles of Treasury Management Workshop.

Arlingclose – Review of Borrowing and Investments.

Logotech – Treasury Management Workshop.

Arlingclose - Accounts closedown 2015/16.

### Prudential Indicators 2015/16

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

**Estimates of Capital Expenditure:** The Authority's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
General Fund	62.22	108.20	49.22
<b>Total Expenditure</b>	<b>62.22</b>	<b>108.20</b>	<b>49.22</b>
Capital Receipts	10.68	0.72	-1.81
Grants	34.10	15.94	20.11
Contributions	4.47	11.51	6.38
Reserves	0.34	0	0
Revenue		0.52	0.53
Borrowing	11.28	86.04	24.02
Leasing and PFI	93.00	0	0
<b>Total Financing</b>	<b>155.22</b>	<b>108.20</b>	<b>49.22</b>

**Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
General Fund	155.22	108.20	49.22
<b>Total CFR</b>	<b>155.22</b>	<b>108.2</b>	<b>49.22</b>

The CFR is forecast to rise by £110.06m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

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

<b>Debt</b>	<b>31.03.16 Actual £m</b>	<b>31.03.17 Estimate £m</b>	<b>31.03.18 Estimate £m</b>
Borrowing	240.00	326.04	350.07
Finance leases	1.72	1.60	1.50
PFI liabilities	131.00	131.00	131.00
<b>Total Debt</b>	<b>372.72</b>	<b>458.64</b>	<b>482.57</b>

Total debt is expected to remain below the CFR during the forecast period. The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

**Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

<b>Operational Boundary</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>
Borrowing	260.00	350.00	380.00
Other long-term liabilities	140.00	140.00	140.00
<b>Total Debt</b>	<b>400.00</b>	<b>490.00</b>	<b>520.00</b>

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003

It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

<b>Authorised Limit</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>
Borrowing	280.00	400.00	430.00
Other long-term liabilities	160.00	160.00	160.00
<b>Total Debt</b>	<b>440.00</b>	<b>560.00</b>	<b>590.00</b>

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2015/16 Actual %	2016/17 Estimate %	2017/18 Estimate %
General Fund	5.13%	4.95%	4.88%

**Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed earlier in this report.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
General Fund - increase in annual Band D Council Tax	5.8	10.2	16.4

**Adoption of the CIPFA Treasury Management Code:** The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition*.

## Recommendations

That Cabinet:-

Note the Treasury Management Outturn Position and approve the new operational and authorised limits for 2015/16 to 2017/18.



**Money Market Data and PWLB Rates**

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.

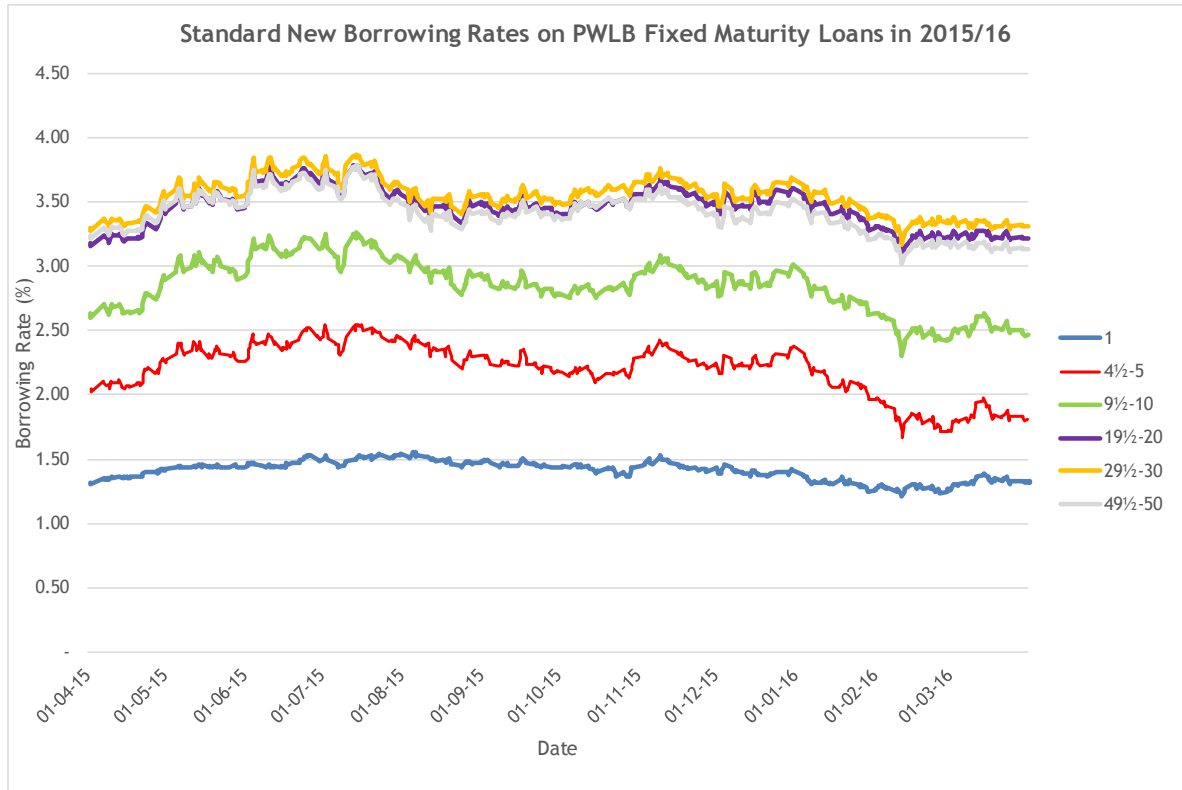
**Table 1: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2015	0.50	0.35	0.46	0.43	0.51	0.76	0.97	0.87	1.05	1.32
30/04/2015	0.50	0.35	0.48	0.43	0.52	0.74	0.98	1.00	1.21	1.51
31/05/2015	0.50	0.43	0.50	0.43	0.52	0.75	0.98	0.97	1.18	1.49
30/06/2015	0.50	0.35	0.45	0.43	0.52	0.79	0.99	1.09	1.35	1.68
31/07/2015	0.50	0.32	0.43	0.43	0.53	0.79	1.01	1.10	1.33	1.66
31/08/2015	0.50	0.42	0.40	0.43	0.54	0.82	1.02	1.03	1.24	1.61
30/09/2015	0.50	0.37	0.41	0.43	0.54	0.74	1.00	0.93	1.11	1.41
31/10/2015	0.50	0.36	0.41	0.43	0.54	0.77	1.00	0.97	1.16	1.49
30/11/2015	0.50	0.30	0.42	0.43	0.54	0.88	1.00	0.93	1.10	1.39
31/12/2015	0.50	0.43	0.35	0.43	0.54	0.76	1.01	1.09	1.30	1.58
31/01/2016	0.50	0.43	0.42	0.43	0.54	0.71	0.99	0.77	0.89	1.14
29/02/2016	0.50	0.25	0.43	0.43	0.54	0.73	0.99	0.71	0.74	0.85
31/03/2016	0.50	0.30	0.44	0.52	0.62	0.71	0.93	0.79	0.84	1.00
<b>Average</b>	<b>0.50</b>	<b>0.38</b>	<b>0.45</b>	<b>0.43</b>	<b>0.54</b>	<b>0.76</b>	<b>0.99</b>	<b>0.96</b>	<b>1.14</b>	<b>1.43</b>
<b>Maximum</b>	<b>0.50</b>	<b>0.48</b>	<b>0.58</b>	<b>0.57</b>	<b>0.66</b>	<b>0.92</b>	<b>1.02</b>	<b>1.17</b>	<b>1.44</b>	<b>1.81</b>
<b>Minimum</b>	<b>0.50</b>	<b>0.17</b>	<b>0.35</b>	<b>0.43</b>	<b>0.51</b>	<b>0.55</b>	<b>0.84</b>	<b>0.68</b>	<b>0.73</b>	<b>0.85</b>
<b>Spread</b>	--	<b>0.31</b>	<b>0.23</b>	<b>0.14</b>	<b>0.15</b>	<b>0.37</b>	<b>0.18</b>	<b>0.49</b>	<b>0.71</b>	<b>0.96</b>

**Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans**

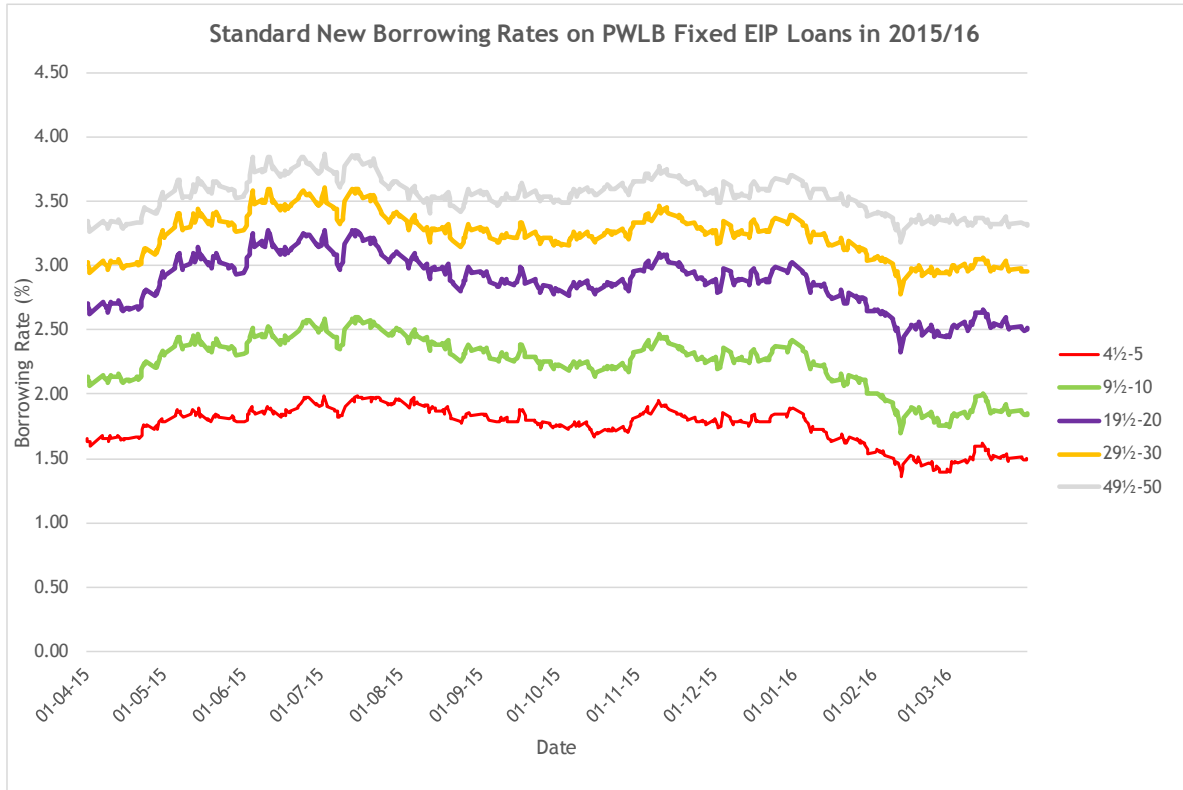
Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	127/15	1.33	2.10	2.69	3.24	3.37	3.32	3.31
30/04/2015	166/15	1.41	2.27	2.90	3.44	3.55	3.50	3.48
31/05/2015	204/15	1.44	2.26	2.90	3.44	3.54	3.48	3.45
30/06/2015	248/15	1.48	2.44	3.13	3.65	3.72	3.64	3.60
31/07/2015	294/15	1.54	2.45	3.07	3.56	3.62	3.54	3.49
31/08/2015	334/15	1.47	2.30	2.92	3.47	3.54	3.44	3.40
30/09/2015	379/15	1.44	2.19	2.79	3.42	3.50	3.42	3.39
31/10/2015	423/15	1.44	2.38	2.93	3.56	3.65	3.56	3.53
30/11/2015	465/15	1.42	2.23	2.85	3.48	3.54	3.42	3.39
31/12/2015	505/15	1.41	2.38	3.01	3.61	3.68	3.56	3.53
31/01/2016	040/16	1.24	1.96	2.62	3.28	3.37	3.23	3.20
29/02/2016	082/16	1.27	1.73	2.43	3.23	3.36	3.24	3.19
31/03/2016	124/16	1.33	1.81	2.48	3.21	3.30	3.16	3.12

	<b>Low</b>	1.21	1.67	2.30	3.06	3.17	3.05	3.01
	<b>Average</b>	1.41	2.20	2.85	3.46	3.54	3.45	3.42
	<b>High</b>	1.55	2.55	3.26	3.79	3.87	3.80	3.78



**Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans**

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	127/15	1.66	2.14	2.71	3.03	3.24	3.35
30/04/2015	166/15	1.79	2.31	2.92	3.24	3.45	3.54
31/05/2015	204/15	1.78	2.30	2.93	3.26	3.45	3.53
30/06/2015	248/15	1.90	2.49	3.15	3.47	3.65	3.72
31/07/2015	294/15	1.96	2.50	3.09	3.39	3.57	3.63
31/08/2015	334/15	1.83	2.34	2.94	3.27	3.48	3.55
30/09/2015	379/15	1.76	2.23	2.82	3.19	3.43	3.51
31/10/2015	423/15	1.81	2.32	2.96	3.33	3.57	3.66
30/11/2015	465/15	1.79	2.27	2.87	3.25	3.49	3.56
31/12/2015	505/15	1.89	2.42	3.03	3.39	3.62	3.70
31/01/2016	040/15	1.54	2.00	2.65	3.04	3.29	3.38
29/02/2016	082/16	1.42	1.77	2.46	2.95	3.24	3.36
31/03/2016	124/16	1.50	1.85	2.51	2.96	3.22	3.31
	<b>Low</b>	1.36	1.70	2.33	2.78	3.07	3.18
	<b>Average</b>	1.76	2.25	2.88	3.24	3.47	3.55
	<b>High</b>	1.99	2.60	3.28	3.61	3.79	3.87



**Table 4: PWLB Variable Rates**

	<b>1-M Rate</b>	<b>3-M Rate</b>	<b>6-M Rate</b>	<b>1-M Rate</b>	<b>3-M Rate</b>	<b>6-M Rate</b>
	<b>Pre-CSR</b>	<b>Pre-CSR</b>	<b>Pre-CSR</b>	<b>Post-CSR</b>	<b>Post-CSR</b>	<b>Post-CSR</b>
01/04/2015	0.62	0.63	0.66	1.52	1.53	1.56
30/04/2015	0.62	0.64	0.67	1.52	1.54	1.57
31/05/2015	0.62	0.65	0.68	1.52	1.55	1.58
30/06/2015	0.62	0.66	0.70	1.52	1.56	1.60
31/07/2015	0.62	0.66	0.72	1.52	1.56	1.62
31/08/2015	0.62	0.66	0.70	1.52	1.56	1.60
30/09/2015	0.66	0.67	0.76	1.56	1.57	1.66
31/10/2015	0.66	0.67	0.76	1.46	1.56	1.57
30/11/2015	0.64	0.67	0.72	1.54	1.57	1.62
31/12/2015	0.63	0.65	0.72	1.53	1.55	1.62
31/01/2016	0.64	0.66	0.69	1.54	1.56	1.59
29/02/2016	0.63	0.65	0.68	1.53	1.55	1.58
31/03/2016	0.61	0.65	0.67	1.51	1.55	1.57
<b>Low</b>	0.61	0.61	0.66	1.51	1.51	1.56
<b>Average</b>	0.63	0.66	0.71	1.53	1.56	1.61
<b>High</b>	0.67	0.69	0.78	1.57	1.59	1.68

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Revision to the Leader's Scheme of Delegation
<b>Committee:</b>	Full Council
<b>Date:</b>	11 July 2016
<b>Cabinet Member:</b>	Councillor Bowyer, Leader
<b>CMT Member:</b>	David Shepperd (Head of Legal Services and Monitoring Officer)
<b>Author:</b>	Judith Shore, Democratic and Member Support Officer
<b>Contact details:</b>	Tel: 01752 304494 Email: Judith.shore@plymouth.gov.uk
<b>Key Decision:</b>	No
<b>Part:</b>	1

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**Purpose of the report**

The purpose of this report is to inform Council of the Leader's decision to make changes to his Scheme of Delegation for Executive Functions.

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**The Corporate Plan 2016 -2019**

This report reflects the ethos of open government and clarity on decision making as set out in the Council's Corporate Plan. It also complies with the Council's constitutional requirements.

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

No implications.

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

No implications.

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**Equality and Diversity**

No implications.

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**Recommendations and Reasons for recommended action**

That Council notes the Leader's decision to amend his Scheme of Delegation for Executive Functions as set out in paragraph 2.3 of the report.

The reason for the recommendations is to inform Council of the changes to the Leader's Scheme of Delegation.

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**Alternative options considered and rejected**

Not to implement the Leader's decision which would be contrary to the law and to the Council's constitutional requirement.

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**Published work / information**

None

**Background papers**

None

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**Sign off:**

Fin		Leg		Mon Off	DVS/259	HR		Assets		IT		Strat Proc	
Originating SMT Member: David Shepperd													
Has the Cabinet Member(s) agreed the content of the report? Yes													

## **1.0 Introduction**

1.1 The Leader made his Scheme of Delegation on 23 May 2016 which was subsequently published and circulated to all Members of the Council.

## **2.0 The Leader's Scheme of Delegation for Executive Functions**

2.1 The Council's Constitution says that the scheme of delegation relating to executive functions may be amended by the Leader at any time during the year. To do so, the Leader must give written notice to the Monitoring Officer and to the person, body or committee concerned. The notice must set out the extent of the amendment to the scheme of delegation, and whether it entails the withdrawal of delegation from any person, body, committee or the Cabinet as a whole.

2.2 The proper officer will present a report to the next ordinary meeting of the Council setting out the changes made by the Leader.

2.3 To comply with the above, this report advises that the Leader's scheme of delegation has been revised as follows -

- 'Assurance Services', to be included under the responsibilities of the portfolio of the Cabinet member for Finance/ICT. This will include risk management, insurance, corporate fraud, information governance and statutory complaints in adult social care
- Responsibility for the Bereavement Service has been moved from the Cabinet member for Safer and Stronger Communities to the Cabinet member for Strategic Street Scene/Environment
- Responsibility for decisions concerning the Social Enterprise Investment Fund has been given to the Cabinet member for Safer and Stronger Communities

2.4 The revised Scheme of Delegation was agreed by the Leader on 1 July 2016 and was subsequently published and circulated to all Members.

2.5 Here is a link to the Leader's Scheme of Delegation:

<http://www.plymouth.gov.uk/homepage/councilanddemocracy/aboutus/constitution.htm>

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