

Date of meeting: 24 February 2020
Title of Report: **Revenue and Capital Budget 2020/21**
Lead Member: Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director: Andrew Hardingham (Service Director for Finance)
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Your Reference: PL/Bud/202021
Key Decision: No
Confidentiality: Part I - Official

Purpose of Report

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

Recommendations and Reasons

The City Council is recommended:

1. To approve the proposed net revenue budget requirement for 2020/21 of £193.677m;
2. To consider council tax levels for 2020/21;
3. To approve the capital budget of £892.911m for 2019/20 to 2023/24 (Appendix 3);
4. To note that the Office of the Devon and Cornwall and Isles of Scilly Police Commissioner precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area, will be confirmed at the meeting;
5. To note that the Devon and Somerset Fire and Rescue Authority precepts will be confirmed for 2020/21 at the meeting;
6. To note the Section 151 Officer's statement on the Budget Robustness Statement as set out in section 2 of this report;
7. To approve the annual Treasury Management Strategy and Capital Financing Strategy 2020/21 (incorporating the authorised limits, operational boundaries and prudential indicators) as submitted (Appendix 5);
8. To note the Revenue and Capital Monitoring Report Quarter Three 2019/20 (Appendix 6);
9. To note the response to the recommendations made by the Budget Scrutiny Select Committee and the Cabinet response to those recommendations (Appendix 7);
10. If required approve the use of flexible capital receipts to fund The Way We Work Programme.

11. To delegate responsibility for any technical accounting changes which may arise after the budget to the Section 151 Officer in consultation with the Leader and Portfolio Holder for Finance.

Alternative options considered and rejected

The Council has a statutory responsibility to set a budget each year.

Relevance to the Corporate Plan and/or the Plymouth Plan

The 2020/21 Budget sets out the resources available to deliver the Corporate Plan

Implications for the Medium Term Financial Plan and Resource Implications:

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

Carbon Footprint (Environmental) Implications:

The budget proposals are cognisance of the key implications and issues as set out within the Corporate Carbon Reduction Plan and the Climate Emergency Declaration as approved by Council on 16 December 2019. Budget provision has been made as part of the proposals for 2020/21 and future years.

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

The reducing revenue and capital resources across the public sector has been identified as a key risk within our Strategic Risk register. The ability to deliver spending plans is paramount to ensuring the Council can achieve its objectives to be a Pioneering, Growing, Caring and Confident City.

The proposed 2020/21 Budget provides the maximum resources achievable to address key policy areas.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		<i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
1	Budget Build by Directorate and Department							
2	Council Tax Resolution (to be tabled at the meeting)							
3	Capital Budget							
4	Revenue and Capital Budget 2020/21 report							
5	Treasury Management Strategy Statement and Capital Finance Strategy 2020/21							
6	Capital and Revenue Monitoring Report							

7	Cabinet's response to the scrutiny recommendations and the scrutiny report.								
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Background papers:

*Add rows as required to box below

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

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

Published work / information:**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
	X								
Treasury Management Strategy (Audit Committee 9 December 2019).	X								
Capital Finance Strategy (Audit Committee 9 December 2019).	X								
Corporate Plan.	X								
Council Tax Base Setting (27 January 2020).	X								
Scrutiny Select Committee (29 and 30 January 2020).	X								

Sign off:

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Originating CMT Member Andrew Hardingham

Has the Cabinet Member(s) agreed the content of the report? Yes

1. Background

- 1.1 This report sets out the decisions of Cabinet of 11 February 2020 to recommend a Revenue Budget for 2020/21 and Capital Budget through to 2023/24. In addition, Council is recommended to approve the Treasury Management Strategy Statement and Capital Finance Strategy 2020/21 (as required by the CIPFA Code of Practice), including changes to the prudential indicators. Council is also asked to note the latest Revenue and Capital Monitoring Reports for 2019/20 as at the end of quarter three.
- 1.2 The report to Cabinet set out in detail the latest budget position and budget gap and the key issues facing the council and achievements challenges that will be faced in the future.
- 1.3 Council is required to set the Council Tax amounts for 2020/21. The precept notification from the office of the Police and Crime Commissioner for Devon, Cornwall and the Isles of Scilly, and the precept for the Devon and Somerset Fire and Rescue Service will be included as part of the Council Tax Resolution for 2020/21.
- 1.4 The final 2020/21 Local Government Finance Settlement was announced on 6 February 2020 and confirmed the previously announced figures.
- 1.5 The Section 151 Officer is required to make an assessment as to the robustness of the budget and adequacy of the council's reserves. A detailed assessment is set out in section 2 of this report.
- 1.6 The following appendices are included with this report:
- Appendix 1 Budget Build by Directorate and Department;
 - Appendix 2 Council Tax Resolution (to be tabled at the meeting);
 - Appendix 3 Capital Budget;
 - Appendix 4 Revenue and Capital Budget report 2020/21;
 - Appendix 5 Treasury Management Strategy Statement and Capital Finance Strategy 2020/21;
 - Appendix 6 Capital and Revenue Monitoring Report 2019/20 Quarter 3;
 - Appendix 7 Cabinet's response to the scrutiny recommendations and the scrutiny report.

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

- 2.1 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Service Director for Finance) to formally report to Council as part of the tax setting report their view on the minimum level of reserves available to the general fund and on the robustness of estimates used on the budget setting process. The Council is required to take these views into account when setting the Council Tax at its meeting on 24 February 2020.
- 2.2 In addition our auditors, Grant Thornton UK LLP will be asking me, in my capacity as the Council's S151 officer, to provide an assurance statement at the time the audit opinion is issued declaring that Plymouth City Council is a "going concern"¹ for the twelve month period from the date of the audit opinion being issued.

¹ A going concern opinion is a particular type of audit opinion issued by auditors providing assurance services over financial statements. A going concern opinion is an unqualified audit opinion with required explanatory language, where the explanatory language pertains to the entity's ability to continue as a going concern. Auditors should issue a "going concern opinion" when the entity's financial condition is such that there is doubt as to the firm's ability to continue as a going concern.

2.3 In considering the robustness of any estimates, the following criteria need to be considered:-

- The reasonableness of the underlying budget assumptions such as the:
 - Reasonableness of provisions to meet liabilities;
 - Extent to which known trends and pressures have been provided for;
 - Achievability of changes built into the budget;
 - Realism of income targets;
 - Alignment of resources with the Council service and organisational priorities;
- A review of the major risks associated with the budget;
- The availability of un-earmarked reserves to meet unforeseen cost pressures;
- The strength of the financial management and reporting arrangements.

2.4 In coming to a view as to the robustness of the 2020/21 budget, the Section 151 Officer has taken account of the following:-

- Preparation has been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council. The Cabinet have also been actively involved in reviewing all options for income generation and cost savings.
 - Significant financial pressures experienced in 2019/20 and in the previous year (2018/19) including the application of one off use of reserves and other financing solutions have, where appropriate, been recognised in preparing the 2020/21 budget, or are subject to further actions to enable them to be delivered.
 - The council has in previous years reported overspends against budgets. An overspend of £1.1m was reported for 2018/19 requiring a drawdown from working balances. In addition it should also be noted that without the use of one off year end financing facilities overspends would have occurred in both (2016/17 £1.3m and 2017/18 £2.4m.) At the time of writing an overspend is forecast for 2019/20. The Council must seek to control costs within agreed budgets. The rate of withdrawal from reserves is unsustainable.
 - The need to balance resource requirements against efficiency targets whilst ensuring front line service provision is not compromised continues to remain a concern.
 - I have taken a risk-based assessment of the areas which could have a major impact on the Council's finances. This approach has taken into account the type of risk, the potential magnitude of the financial risk and a judgement as to how likely the issue is to arise. I have set out below key risks that the council needs to be aware of and monitor closely during the years to ensure appropriate mitigations are in place
 - In addition to specific directorate risks, the collection of Council Tax and generation of Business Rates yields are two key risks which need to be closely monitored.
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Financial Risks to be Addressed

- 2.5 It is important to note that 2019/20 has been and continues to be a challenging year. Although demand for children's services has stabilised the council has been subject to continued cost increases as care cases become more complex. In addition opportunities to realise some savings targets have not materialised as forecast. Central government have recognised the pressure that the sector is under and have provided an additional grant in excess of £5m which has been applied to funding children's services in 2020/21.
- 2.6 With regards to Adult Services demand and cost continues to grow at a rate that outstrips income received. For 2020/21 continuing demographic growth pressures plus the rise in the National Living Wage rate adds £4.1m of additional costs to the service. A 1.99% adult social care precept generates £2.2m of additional income.
- 2.7 The Asset Investment Fund continues to deliver a positive yield. Whilst the current strategy delivers, borrowing costs did increase in 2019/20 whilst market investment returns are not forecast to grow beyond current levels.
- 2.8 Crucially, some savings targets from previous years have still not been fully delivered whilst others (vacancy savings £3.9m) have rolled forward and need to be delivered again. This continues to place a strain on the effective delivery of services. The proposed budget for 2020/21 contains in the region of £14m of savings of this nature plus £3.9m of vacancy turnover savings.
- 2.9 The Way We Work transformation is targeted to deliver £3m of savings in 2020/21. Work is in progress to quantify benefits and finalise the delivery plans. There is considerable risk associated with this programme. Together with a Balance Sheet restructure and a review of the growth options The savings required should be delivered enabling the budget to be balanced at the end of the year.
- 2.10 The Council has sustained significant revenue losses through not maximising council tax income in previous years. The Council cannot afford not to increase council tax to the maximum allowable. As a consequence of previous council tax decisions the Council has reduced spending power to the sum of £9m that would otherwise have been available to fund core services.
- 2.11 The Council has an ambitious capital programme which has in previous years contributed to the growth of council tax base and helped to stabilise the business rates base. Whilst the programme is strongly supported through external grants the programme is heavily reliant on prudential borrowing. Extra provision for increased costs has been included in the budget for 2020/21 but the Council cannot afford to extend beyond the borrowing envelop (as set out in the Treasury Management Strategy) without putting pressure on balances and or other service budgets.. The agreed programme will still require budget uplifts in future years which must be considered alongside other service demand pressures.
- 2.12 I have undertaken a comprehensive review of reserves and balances and consider these to be at the minimum required to cover risks as long as the Council remains within the proposed budget. However, it should be noted that an overspend of 1% (£1.85m) would reduce general

balances by 25% unless alternatively funded. At the end of 2018/19 the General Balances available are £8.0m. An overspend at the end of 2019/20 could reduce this to £6m. The Council should look to restore balances to the previously agreed level of 5% of net budget as a matter of urgency.

2.13 The Council's financial controls are set out in the Council's Financial Regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate, corporate and Cabinet levels. Given the scale of the budget challenges and the number of actions that need to be implemented to ensure the budget is on track, Cabinet will continue to monitor budget performance on a quarterly basis with monthly reports being provided to Portfolio holders and Scrutiny Committee Members.

2.14 In the context of the above, the Section 151 Officer considers the proposed budget which has been developed following input and reviews with Directors and other officers and Members, including Cabinet, for 2020/21 as sound and that the level of reserves are at a minimum for the next financial year given a clear understanding of the following:-

- Both the revenue budget and capital programme have been formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans have been formulated having regard to Council priorities and assessed against an agreed set of impact criteria and equality assessments;
- Budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action, reporting and any remedial action required is supported by a clear action plan and regularly monitored;
- The budget contains a number of challenging targets and other actions which will be subject to specific monitoring by the Council's Corporate Leadership Team, and as such, are at this time considered reasonable and achievable, although it must be noted that services subject to demand outside of the Council's control are at risk of not achieving the savings or overspending resource budgets;
- Monthly budget reporting to Cabinet members will continue;
- There is a clear understanding of the duties of the Council's statutory Financial Officer and that the service implications of them being exercised are fully understood by members and senior management alike.

2.15 The Section 151 Officer is aware that the ongoing reduction to general grants and the increasing dependency and the announcements of one-off specific government grants for local government will continue to have an impact upon Plymouth's finances. The MTFP will be updated to reflect planning assumptions for consideration by Cabinet in early spring and reviewed thereafter on a quarterly basis to identify and address future funding, service and operational pressures. The delivery of future transformational savings through the Way We Work programme is essential to ensure future years' budgets can be declared as robust.

2.16 Key challenges and areas of focus:

- Demand for care services with particular focus on Children's services;
- Legacy savings targets that remain undelivered that are built into the budget;
- Delivery of the vacancy saving target;
- Delivery of the savings plans, as set out by directorates as sustainable and not delivered by one-off means;
- The exposure to interest rate increase risks;
- The use of one off financing options to in the short term mitigate against long term sustainable delivery plans under development;
- An overspend at the end of 2019/20;
- The "do everything" rather than "focus on" approach to service delivery;
- National and local economic factors translating into increased demand for unfunded services e.g. homelessness, welfare benefit support, unrecoverable debt and levels of tax collection;
- The uncertainty caused as a consequence of the governments review of local government funding;
- The uncertainty concerning the fiscal impact of UK's exit arrangements from Europe.

2.17 The Section 151 Officer is concerned that the challenges contained within the 2020/21 budget caused by the year on year reduction in central government funding and the significant increase in demand for some statutory services are such that the fiscal challenges facing the Council are significant. The S151 Officer will be monitoring closely the revised and new savings targets.

3. Budget Report 2020/21

3.1 The detailed Budget report was presented to Cabinet on 11 February 2020 and attached as Appendix 3 to this report.

Flexible Use of Capital Receipts Policy

3.2 The council approved a Flexible Use of Capital Receipts Policy in 2018. Members are asked to approve the policy from 2020/21 onwards as the Council are required to approve the use of capital receipts to support the revenue costs for eligible transformation work..

3.3 Any capital receipts that are realised may be used to support the revenue costs for The Way We Work Programme and deliver ongoing revenue savings which from part of the budget proposals

4. Cost Pressures and Budget Savings

- 4.1 The City Council has to plan for a number of unavoidable costs pressures which form part of the base budget. These are set out below:

Item / area	2020/21	2021/22	2022/23
	£m	£m	£m
Climate Change Contingency	0.250		
Salary and pension inflation	2.630	1.750	1.750
ASC care & volume (including national living wage)	4.124	4.120	4.120
Children's social care	4.960	1.960	1.960
Oceansgate and Mayflower	0.483	-0.317	-0.978
ICT re-provisioning and requirements	1.300	0.800	0.300
Financing capital programme & capitalisation rebase	1.771	1.499	1.688
Organisation development	0.500		
Retain working balances at 5%.	0.350	0.350	
Schools PFI	0.483	0.048	0.049
Oceansgate borrowing	0.100		
The Box Corporate Landlord	0.375		
Street Scene and Waste Investment	0.200		
TWWW Programme Resource	1.023		
Interest and other Treasury Management pressures	1.500	0.250	0.250
Health & Safety Capital Financing (to provide for £5m of corporately funded borrowing)	0.350		
Asbestos & Repairs and Maintenance	0.500		
Insurance Provision Contribution	0.100		
Fraud Detection rebasing budget	0.070		
Total	21.069	10.460	9.139

- 4.2 Cabinet Portfolio Members and Officers have worked to identify savings proposals to offset these increased budget pressures.
- 4.3 A summary of the proposed plans for savings, income generation and grant income is set out below.

Total Savings, Income Generation and Grant Income	2020/21 £m	2021/22 £m	2022/23 £m
Savings			
Chief Executive	0.050		
Place Directorate including GAME 2	0.030		0.250
Federated Directorates (People, Children's & ODPH) "One System, One Aim"	2.650	0.030	0.929
Customer & Corporate Services	0.313	0.450	0.166
Corporate items	4.931	(1.100)	(1.000)
Total Savings	7.974	(0.620)	0.345
Income Generation			
Place Directorate including GAME 2	0.817	1.082	0.295
Federated Directorates (People, Children's & ODPH) "One System, One Aim"	0.008	0.008	0.008
Customer & Corporate Services	(0.100)		
Total Income Generation	0.725	1.090	0.303
Grant Income			
Place Directorate including GAME 2	(0.603)	(1.168)	(0.398)
Corporate items	4.778	-5.659	
Total Grant Income	4.175	(6.827)	(0.398)
Total	12.874	(6.357)	0.250

5 Summary Budget Position

5.1 A summary of the budget position for the council is set out below.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
	BUDGET	FORECAST		
REVENUE RESOURCES AVAILABLE	185.482	189.181	184.451	191.231
Baseline spend requirement	185.556	185.482	189.181	184.451
Plus identified additional costs	17.395	21.069	10.460	9.139
Overall spend requirement	202.951	206.551	199.641	193.590
Total funding Gap Before Savings	(17.469)	(17.370)	(15.190)	(2.359)
Savings	9.798	7.974	(0.620)	0.345
Income Generation	1.946	0.725	1.090	0.303
Grant Income	5.725	4.175	(6.827)	(0.398)
Total Savings	17.469	12.874	(6.357)	0.250
REVISED SPENDING FOR YEAR	185.482	193.677	205.998	193.340
Budget Gap	0.000	4.496	21.547	2.109

5.2 After taking into account the resources available to the Council and unavoidable costs pressures there is a budget gap of £4.496m in 2020/21.

Recommendation and Options to Close the Budget Gap

6.3 The options to close the gap include:

- Use of additional provisions or reserves. This option is not recommended by the Section 151 Officer as the use of balances in any year is a one-off saving and these concerns have been set out in section 2 of the report;
- Further efficiencies could be sought. Due to the high value of efficiencies already identified and the existing service pressures and legacy savings this is not a recommended approach at this stage of the financial year.
- The referendum limit for a council tax increase is 1.99%. Each additional 1% of Council Tax will generate approximately £1.0m.

6.4 Taking into account the budget pressures faced by the Council, Members will need to consider what measures should be taken to reduce the budget gap.

7. Dedicated Schools Grant (DSG)

- 7.1 The Dedicated Schools Grant (DSG) is a specific grant received by the Council and predominantly funds schools to undertake their work. In 2017/18, schools in Plymouth were funded between £7m and £7.5m lower than the national average, based on benchmarking data. Central Government commenced implementation of the National Funding Formula in 2018/19. Plymouth Schools Block funding has increased under the National Funding Formula. Plymouth's Schools Block allocation was £154m in 2019/20 and will be £164m in 2020/21.
- 7.2 Plymouth's schools benefitted from the National Funding Formula from 2018/19. However, Plymouth schools have experienced years of underfunding and will not see the total impact of the National Funding Formula until it is fully implemented in 2020/21.
- 7.3 In relation to the High Needs Block, again part of the DSG, Plymouth received £30m in 2019/20 and are due to receive £34m in 2020/21. However, this is a budget under pressure due to a significant increase in the need for special school places, children requiring a higher level of support, an increase in the cost of independent school places and the increasing demand for post 16 provision. Plans are being made through Schools Forum regarding how the additional £4m funding will be allocated in 2020/21.

8. Capital Programme

- 8.1 The Plymouth Plan remains the principal driver for the Council's capital programme. It contains the most ambitious set of proposals this City has ever seen. Primarily through its planning vehicle, the Plymouth and South West Devon Joint Local Plan, there are proposals to build 26,700 new homes across the area, create 13,200 new jobs, and to undertake an unprecedented major investment programme in modernising infrastructure including transport, schools and green spaces.
- 8.2 This investment will enable Plymouth to become the key economic driver for the far South West; will prepare the Council to show the world how to celebrate for Mayflower 2020; and will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment will enable growth within the economy as well as a significant level of new housebuilding and will therefore assist in generating additional business rates, Council Tax, New Homes Bonus and Community Infrastructure Levy.
- 8.3 The Council continues to take a strategic approach to the capital programme, having established 15 strategic outcomes within which individual projects sit. Increasingly the programme will need to be aligned with the strategic outcomes set out in the Plymouth Plan and Plymouth and South West Devon Joint Local Plan as well as the investment and business planning programmes of other organisations to maximise delivery on the ground.
- 8.4 The Council's Capital Programme consists of the approved capital projects the Council intends to deliver over a five year period. In recent years, the Programme has been running at an average of £60m per year. During the last four years, the programme has exceeded this average and continued a significant growth up to £150m per year for 2019/20.

Proposed Revenue Budget 2020/21

Appendix I

Plymouth City Council General Fund Budget 2020/21			Budget 19/20			Budget 2020/21						
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Income Generation	Grant Income	Total Expenditure	Total Income	Net Budget
Executive Office	Chief Executives Office	Policy & Intelligence	0.397	0.000	0.397	0.013	(0.000)	0.000	0.000	0.410	0.000	0.410
		Communications and Engagement	0.557	(0.049)	0.508	0.018	(0.000)	0.000	0.000	0.574	(0.049)	0.525
		Civic Events	0.176	(0.018)	0.158	0.004	(0.000)	0.000	0.000	0.180	(0.018)	0.162
		Performance	0.541	(0.090)	0.451	0.016	(0.000)	0.000	0.000	0.557	(0.090)	0.467
		Total Chief Executives Office	1.670	(0.156)	1.514	0.051	(0.000)	0.000	0.000	1.721	(0.156)	1.565
	Business Support	Departmental Support	0.866	(0.010)	0.856	0.025	(0.051)	0.000	0.000	0.841	(0.010)	0.831
	Electoral Function	Electoral Function	0.678	(0.002)	0.677	0.018	(0.000)	0.000	0.000	0.696	(0.002)	0.694
	Members	Members	1.046	0.000	1.046	0.049	(0.000)	0.000	0.000	1.095	0.000	1.095
		Neighbourhood Inits and Comm Grants	0.300	0.000	0.300	0.000	0.000	0.000	0.000	0.300	0.000	0.300
		Total Members	2.890	(0.011)	2.879	0.092	(0.051)	0.000	0.000	2.931	(0.011)	2.920
	Legal	Legal	1.880	(0.422)	1.458	0.059	(0.000)	0.000	0.000	1.939	(0.422)	1.516
	Total Executive Office			6.440	(0.590)	5.850	0.202	(0.051)	0.000	0.000	6.591	(0.590)
People	Children,Young People,Families	QA Safeguarding and Bus Suppt	4.059	(0.267)	3.792	0.101	(0.015)	0.000	0.000	4.146	(0.267)	3.879
		Permanency	10.057	(0.245)	9.812	0.081	(0.003)	0.000	0.000	10.135	(0.245)	9.890
		CAMHS Specialist Services	0.654	(0.045)	0.609	0.001	(0.000)	0.000	0.000	0.656	(0.045)	0.610
		Childrens Social Work	3.472	0.000	3.472	0.104	(0.003)	0.000	0.000	3.573	0.000	3.573
		Plymouth Referral and Assmnt	3.536	(0.476)	3.060	0.113	(0.001)	0.000	0.000	3.647	(0.476)	3.171
		Adoption	3.464	0.000	3.464	0.005	0.000	0.000	0.000	3.469	0.000	3.469
		Children in Care	13.571	(3.918)	9.653	4.970	(0.590)	0.000	0.000	17.951	(3.918)	14.033
		Targeted	5.010	(1.839)	3.171	0.120	(0.004)	0.000	0.000	5.126	(1.839)	3.288
		Total Children,Young People,Families	43.824	(6.790)	37.034	5.496	(0.616)	0.000	0.000	48.704	(6.790)	41.913
		Strategic Commissioning	Service Delivery	91.412	(28.221)	63.191	4.280	(0.008)	0.000	0.000	95.684	(28.221)
	Commissioning		15.051	(3.500)	11.551	0.047	(1.570)	0.000	0.000	13.528	(3.500)	10.028
	Leisure Management		2.745	(0.101)	2.644	0.002	(0.000)	0.000	0.000	2.746	(0.101)	2.645
	Management and Transformation		(1.899)	(3.521)	(5.420)	0.026	(0.000)	0.000	0.000	(1.873)	(3.521)	(5.394)
	Social Care contract		6.910	0.000	6.910	0.000	0.000	0.000	0.000	6.910	0.000	6.910
	Childrens Commissioning		4.984	(0.159)	4.825	0.009	(0.000)	0.000	0.000	4.993	(0.159)	4.834
	Total Strategic Commissioning		119.203	(35.502)	83.701	4.364	(1.578)	0.000	0.000	121.989	(35.502)	86.487
	Education Participation Skills	SEND	25.987	(21.677)	4.309	0.179	(0.003)	0.000	0.000	26.162	(21.677)	4.485
		School Improvement	2.181	(1.505)	0.676	0.060	(0.001)	0.000	0.000	2.240	(1.505)	0.734
		School Support	3.812	(2.876)	0.936	0.005	(0.000)	0.000	0.000	3.817	(2.876)	0.941
		Schools	56.393	(56.393)	0.000	0.000	0.000	0.000	0.000	56.393	(56.393)	0.000
		External	2.704	(2.704)	0.000	0.007	0.000	0.000	0.000	2.711	(2.704)	0.007
		Skills and Employability	0.400	(0.171)	0.229	0.010	(0.000)	0.000	0.000	0.410	(0.171)	0.239
		Schools Access Planning	5.777	(0.737)	5.040	0.083	(0.319)	0.000	0.000	5.541	(0.737)	4.804
		EP&S Delivery Plans	(1.533)	0.000	(1.533)	0.000	(0.030)	0.000	0.000	(1.563)	0.000	(1.563)
		Total Education Participation Skills	95.722	(86.064)	9.658	0.343	(0.354)	0.000	0.000	95.710	(86.064)	9.647
	Community Connections	Community Connections Access	2.771	(0.886)	1.886	0.036	(0.000)	0.000	0.000	2.807	(0.886)	1.922
		Community Connections Localities	1.545	(1.067)	0.478	0.041	(0.001)	0.000	0.000	1.585	(1.067)	0.518
		Communities Connections Youth	0.547	(0.080)	0.467	0.017	(0.000)	0.000	0.000	0.564	(0.080)	0.484
		Management	(0.003)	0.000	(0.003)	0.003	(0.000)	0.000	0.000	(0.000)	0.000	(0.000)
		Sports Development	0.903	(0.671)	0.232	0.008	(0.100)	0.000	0.000	0.811	(0.671)	0.140
		Total Community Connections	5.762	(2.704)	3.059	0.106	(0.101)	0.000	0.000	5.767	(2.704)	3.063
	Management and Support People	Management and Support People	0.404	(0.187)	0.217	0.011	(0.000)	0.000	0.000	0.415	(0.187)	0.227
	Total People			264.915	(131.247)	133.668	10.320	(2.650)	0.000	0.000	272.585	(131.247)

Plymouth City Council General Fund Budget 2020/21			Budget 19/20			Budget 2020/21							
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Income Generation	Grant Income	Other Savings	Other Savings	Net Budget	
Place	Economic Development	Management & Support	1.665	(1.465)	0.201	(0.101)	(0.036)	0.000	0.000	1.529	(1.465)	0.064	
		Business Parks	0.365	(0.822)	(0.456)	0.007	0.000	0.000	0.000	0.373	(0.822)	(0.449)	
		Mount Edgcombe	0.885	(0.784)	0.101	0.000	(0.004)	0.000	0.000	0.881	(0.784)	0.097	
		Museum Services	3.759	(2.411)	1.348	0.092	0.004	0.000	0.000	3.855	(2.411)	1.444	
		Land and Property	7.879	(11.586)	(3.707)	0.020	0.001	(0.250)	0.000	7.901	(11.836)	(3.935)	
		Events & Tourist Information	1.589	(0.791)	0.798	0.020	0.002	0.000	0.000	1.611	(0.791)	0.820	
		Enterprise and employment	1.011	(0.354)	0.657	0.029	0.001	0.000	0.000	1.041	(0.354)	0.686	
		Theatre and Entertainments	0.415	0.000	0.415	0.000	0.000	0.000	0.000	0.415	0.000	0.415	
		Arts & Cultural Development	0.050	0.000	0.050	0.000	0.000	0.000	0.000	0.050	0.000	0.050	
		Strategic Projects Development	0.712	(0.445)	0.267	0.009	0.000	0.000	0.000	0.720	(0.445)	0.276	
		City Deal	1.681	(1.327)	0.354	0.014	0.000	0.000	0.000	1.695	(1.327)	0.368	
	Total Economic Development	20.012	(19.985)	0.028	0.090	(0.031)	(0.250)	0.000	20.071	(20.235)	(0.164)		
	Strategic Planning	SP&I Core Budgets	8.704	(4.338)	4.365	0.237	(0.003)	(0.107)	0.000	8.938	(4.445)	4.492	
		SP&I Projects	1.190	(1.186)	0.004	0.000	0.000	0.000	0.000	1.190	(1.186)	0.004	
		SP&I Transport Revenue	5.682	(0.164)	5.518	0.000	0.000	0.000	0.000	5.682	(0.164)	5.518	
		Total Strategic Planning	15.575	(5.688)	9.887	0.237	(0.003)	(0.107)	0.000	15.809	(5.795)	10.014	
	Street Services	Highways Parking and Marine Sv	8.585	(6.230)	2.355	0.056	(0.000)	(0.183)	0.000	8.641	(6.413)	2.228	
		Street Scene & Waste Services	34.696	(18.928)	15.768	0.526	(0.000)	(0.277)	0.000	35.223	(19.205)	16.017	
		Garage	1.639	(1.701)	(0.062)	0.016	0.000	0.000	0.000	1.656	(1.701)	(0.045)	
		Fleet Hire	1.623	(1.447)	0.175	0.007	0.000	0.000	0.000	1.630	(1.447)	0.182	
		Street Services Overhead	(0.150)	0.000	(0.150)	0.000	0.000	0.000	0.000	(0.150)	0.000	(0.150)	
		Total Street Services	46.393	(28.306)	18.087	0.606	(0.000)	(0.460)	0.000	46.999	(28.766)	18.232	
	Management and Support - Place	Management and Support	(0.087)	0.000	(0.087)	0.006	(0.000)	0.000	0.000	(0.081)	0.000	(0.081)	
		Business Support	0.328	(0.068)	0.260	0.014	0.000	0.000	0.000	0.342	(0.068)	0.274	
		GAME Transformation	0.000	(4.026)	(4.026)	0.000	0.000	0.000	0.603	0.000	(3.423)	(3.423)	
		Total Management and Support - Place	0.241	(4.095)	(3.854)	0.020	(0.000)	0.000	0.603	0.262	(3.492)	(3.230)	
	Total Place	82.222	(58.074)	24.148	0.953	(0.034)	(0.817)	0.603	83.140	(58.288)	24.852		
	Public Health	Public Health	Prescribed Functions	7.440	0.000	7.440	0.000	0.000	0.000	0.000	7.440	0.000	7.440
			Non-Prescribed Functions	7.748	(0.288)	7.460	0.049	(0.001)	0.000	0.000	7.796	(0.288)	7.508
			ODPH Funding Streams	0.000	(14.925)	(14.925)	0.000	0.000	0.000	0.000	0.000	(14.925)	(14.925)
			Total Public Health	15.188	(15.213)	(0.025)	0.049	(0.001)	0.000	0.000	15.236	(15.213)	0.023
		Operational and Development	PPS Management	(0.066)	0.000	(0.066)	0.000	(0.050)	0.000	0.000	(0.116)	0.000	(0.116)
PPS Technical Support			0.177	(0.009)	0.168	0.005	(0.000)	0.000	0.000	0.182	(0.009)	0.174	
Total Operational and Development			0.111	(0.009)	0.103	0.005	(0.050)	0.000	0.000	0.067	(0.009)	0.058	
Trading Standards		Trading Standards	0.439	(0.019)	0.420	0.014	(0.000)	0.000	0.000	0.453	(0.019)	0.434	
Environ Health (Food & Safety)		Environ Health (Food & Safety)	0.431	(0.037)	0.394	0.014	(0.000)	0.000	0.000	0.445	(0.037)	0.407	
		Contracts Cems & Crems	1.017	(2.844)	(1.827)	0.019	(0.000)	0.000	0.000	1.035	(2.844)	(1.808)	
Bereavement Services		Cems & Crems Improvements	0.132	(0.132)	0.000	0.001	0.000	0.000	0.000	0.133	(0.132)	0.001	
		Total Bereavement Services	2.018	(3.031)	(1.013)	0.048	(0.001)	0.000	0.000	2.065	(3.031)	(0.966)	
Licensing		Licensing	0.328	(0.401)	(0.072)	0.011	(0.000)	0.000	0.000	0.339	(0.401)	(0.062)	
Environmental Protection		Neighbourhood & Enviro Quality	0.723	(0.326)	0.398	0.021	(0.000)	0.000	0.000	0.744	(0.326)	0.418	
		Enviro Protection & Monitoring	0.000	(0.006)	(0.006)	0.000	0.000	(0.008)	0.000	0.000	(0.014)	(0.014)	
		Total Environmental Protection	1.052	(0.732)	0.319	0.032	(0.000)	(0.008)	0.000	1.083	(0.740)	0.343	
Civil Protection Unit		Civil Protection Unit	0.203	(0.034)	0.169	0.006	(0.000)	0.000	0.000	0.209	(0.034)	0.175	
Total Public Health			18.572	(19.019)	(0.447)	0.140	(0.052)	(0.008)	0.000	18.660	(19.027)	(0.367)	

Plymouth City Council General Fund Budget 2020/21			Budget 19/20			Budget 2020/21						
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Income Generation	Grant Income	Other Savings	Other Savings	Net Budget
Finance	Finance	Service Director for Finance	(0.589)	0.000	(0.589)	0.003	(0.000)	0.000	0.000	(0.586)	0.000	(0.586)
		Head of Integrated Finance	0.787	(0.058)	0.729	0.029	(0.000)	0.000	0.000	0.815	(0.058)	0.757
		External Audit	0.128	0.000	0.128	0.000	0.000	0.000	0.000	0.128	0.000	0.128
		Treasury Management	6.735	(1.745)	4.989	2.721	0.000	0.000	0.000	9.456	(1.745)	7.710
		Head of Commercial Finance	0.792	(0.113)	0.679	0.028	(0.000)	0.000	0.000	0.820	(0.113)	0.707
		Financial Planning and Rpting	1.396	(0.494)	0.902	0.049	(0.000)	0.000	0.000	1.446	(0.494)	0.951
		Internal Audit	0.592	(0.036)	0.556	0.000	0.000	0.000	0.000	0.592	(0.036)	0.556
		Soft FM	2.200	(0.783)	1.417	0.077	(0.000)	0.000	0.000	2.277	(0.783)	1.493
		Hard FM	9.084	(1.184)	7.900	0.024	(0.000)	0.000	0.000	9.108	(1.184)	7.924
		Project and Contract Services	0.763	(0.637)	0.126	0.025	(0.000)	0.000	0.000	0.788	(0.637)	0.151
Total Finance			21.889	(5.051)	16.837	2.957	(0.001)	0.000	0.000	24.844	(5.051)	19.793
Customer and Corporate Service	Customer Services	Customer Services	3.743	(2.453)	1.290	0.178	(0.200)	0.000	0.000	3.721	(2.453)	1.268
		Library Service	2.536	(0.581)	1.955	0.069	(0.000)	0.000	0.000	2.605	(0.581)	2.024
		Revenues & Benefits	75.173	(75.614)	(0.440)	0.000	0.000	0.000	0.000	75.173	(75.614)	(0.440)
		Registration Service	0.604	(0.525)	0.079	0.021	(0.000)	0.000	0.000	0.625	(0.525)	0.100
		Service Centre	1.964	(0.940)	1.025	0.074	(0.000)	0.000	0.000	2.038	(0.940)	1.098
		Coroner	1.144	(0.475)	0.669	0.007	(0.000)	0.000	0.000	1.151	(0.475)	0.676
		Total Customer Services	85.165	(80.588)	4.576	0.350	(0.201)	0.000	0.000	85.314	(80.588)	4.726
	Human Resources & OD	OD & Talent	0.720	(0.052)	0.668	0.020	(0.000)	0.000	0.000	0.740	(0.052)	0.688
		HR & OD Management	0.176	0.000	0.176	0.004	(0.113)	(0.060)	0.000	0.067	(0.060)	0.007
		HR Specialist Services	0.749	(0.001)	0.748	0.023	(0.000)	0.000	0.000	0.772	(0.001)	0.771
		Health, Safety & Wellbeing	0.405	(0.055)	0.349	0.013	(0.000)	0.000	0.000	0.418	(0.055)	0.363
		Total Human Resources & OD	2.050	(0.109)	1.942	0.060	(0.113)	(0.060)	0.000	1.997	(0.169)	1.828
	Departmental Management	Director for Corporate Service	7.547	(0.475)	7.071	1.300	0.000	0.160	0.000	8.847	(0.315)	8.531
	ICT	ICT	0.960	(0.076)	0.884	0.000	0.000	0.000	0.000	0.960	(0.076)	0.884
		Migrations to DELT	(0.260)	0.000	(0.260)	0.006	(0.000)	0.000	0.000	(0.254)	0.000	(0.254)
	Transformation	Total ICT	8.247	(0.551)	7.695	1.306	(0.000)	0.160	0.000	9.552	(0.391)	9.161
		Transformation	1.079	0.000	1.079	0.037	(0.000)	0.000	0.000	1.116	0.000	1.116
Total Customer and Corporate Service			96.541	(81.248)	15.292	1.753	(0.314)	0.100	0.000	97.979	(81.148)	16.831
Corporate Finance	Corporate Items	Pensions, PFI, IBCF and Other	10.716	(20.383)	(9.667)	4.745	(4.871)	0.000	(4.778)	10.590	(25.161)	(14.571)
		Corporate Items Budget Savings	(0.200)	0.000	(0.200)	0.000	0.000	0.000	0.000	(0.200)	0.000	(0.200)
Total Corporate Finance			10.516	(20.383)	(9.867)	4.745	(4.871)	0.000	(4.778)	10.390	(25.161)	(14.771)
Total General Fund			501.095	(315.612)	185.482	21.069	(7.974)	(0.725)	(4.175)	514.190	(320.512)	193.677

Appendix 2

Council Tax Resolution

To be distributed separately.

Appendix 3

Capital Budget

Financing the Capital Programme

Source of Funding	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	1.430	5.458	2.990	2.137	0.581	12.596
Grants	40.260	33.554	0.672	0.872	-	75.358
Corporate Borrowing	140.862	33.973	19.536	4.991	2.004	201.366
Service Borrowing	91.455	29.432	0.288	10.460	4.080	135.655
SI06 & CIL	9.741	8.151	5.635	0.860	1.250	25.637
External contributions	0.829	0.952	-	-	-	1.781
Revenue	1.962	0.398	0.091	-	-	2.451
Total	286.539	111.918	29.212	19.320	7.855	454.844

Detailed Breakdown of the Capital Programme 2019-2024

Approved Capital Programme	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£000	£000	£000	£000	£000	£000
Celebrating Mayflower						
Mayflower 400 - Public Realm Improvements	924	-	-	-	-	924
Mayflower 400 - A38 Signage	925	-	-	-	-	925
Mayflower 400 – Plymouth Signage	500	-	-	-	-	500
Mayflower 400 – Public Realm Enabling	2,102	512	-	-	-	2,614
Mayflower 400 - Elizabethan House	796	468	-	-	-	1,264
Mayflower 400 - Monument	450	-	-	-	-	450
Mayflower 400 IT and CRM Systems	310	-	-	-	-	310
Mayflower 400 - Waterfront Event Infrastructure	197	-	-	-	-	197
Total Celebrating Mayflower	6,205	980	0	0	0	7,185
Connecting the City						
Mayflower Coach Station	20	-	-	-	-	20
Electric Car Charge Points	2	-	-	-	-	2
On Street electric Vehicle Charging	50	500	-	-	-	550
Cot Hill Bridge	0	763	-	-	-	764

Plymouth Rail Station Regeneration	2,277	2,558	4,793	13,014	4,020	26,662
Ply Railway Station Concourse (TCF)	1,238	-	-	-	-	1,238
Total Connecting the City	3,587	3,821	4,793	13,014	4,020	29,236
Delivering More/Better Housing						
Self Build Housing Sites	38	115	-	-	-	153
North Prospect Phase 4	-	1,000	-	-	-	1,000
North Prospect Phase 5	950	-	-	-	-	950
Bath Street	170	1,663	-	-	-	1,832
Plan for Homes	398	1,140	-	-	-	1,538
Plan for Homes 3	-	2,450	2,250	2,250	1,250	8,200
Demolitions for Housing	214	-	-	-	-	214
Asbestos Claims by PCH	500	696	500	400	400	2,496
Extra Care Housing Support Millbay	-	450	-	-	-	450
How Street Specialist Housing Programme	238	-	-	-	-	238
Four Greens Wellbeing Hub	7	-	-	-	-	7
Total Delivering More/Better Housing	2,515	7,514	2,750	2,650	1,650	17,079
Delivering Oceansgate						
Oceansgate Remediation/separation works	1,297	-	-	-	-	1,297
Oceansgate Phase 1 Direct Development	182	-	-	-	-	182
Oceansgate Phase 2 Direct Development	4,518	3,085	-	-	-	7,602
Oceansgate Phase 2 Infrastructure	988	-	-	-	-	988
Oceansgate Phase 2 Offsite Drainage	3,119	-	-	-	-	3,119
Oceansgate – Phase 2 Building 1.8	2,247	-	-	-	-	2,247
Total Delivering Oceansgate	12,352	3,085	-	-	-	15,437
Delivering The Box						
The Box	16,770	58	-	-	-	16,828
Total Delivering The Box	16,770	58	-	-	-	16,828
Ensuring Essential City Infrastructure						
King George V Pedestrian and Walking Cycle Route	262	-	-	-	-	262
Mount Wise - Charge Point and Ticket Machine	11	-	-	-	-	11
Bus Punctuality improvement plan (BPIP)	14	-	-	-	-	14
Prince Maurice Road Junction Improvements	45	-	-	-	-	45
TCF Tranche Phase 1	6,415	-	-	-	-	6,415
TCF Phase 2	230	-	-	-	-	230
SI06 Transport Projects	36	590	-	-	-	626

Derriford Community Park	39	48	-	-	-	87
Ham Lane – flood Alleviation	120	-	-	-	-	120
European Marine Sites - Recreational Behaviour Changing Measures	45	55	-	-	-	100
Home Energy	264	-	-	-	-	264
Warm Homes	405	212	-	-	-	617
Civic Centre District Energy	669	48	-	-	-	717
Development Funding	0	-	115	125	-	240
Capitalised Maintenance Schemes	6,882	2,253	2,000	2,000	2,000	15,135
Local Safety Schemes	321	-	-	-	-	321
Living Streets	247	-	-	-	-	247
Keep Plymouth Moving	235	-	-	-	-	235
Visitor Signage	-	-	-	-	-	-
Flood defence Works	36	-	-	-	-	36
West Hoe Pier	80	-	-	-	-	80
Co-operative & Mutuels Development Fund	60	280	240	237	181	999
Public Conveniences	711					711
Mount Edgcumbe Projects	534	-	-	-	-	334
Total Ensuring Essential City Infrastructure	17,615	3,532	2,355	2,362	2,181	28,045
Ensuring Good Quality School Places						
Pennycross Basic Need	1	-	-	-	-	1
Pomphlett Basic Need	1,147	-	-	-	-	1,147
Yealmpstone Farm Primary School Basic Need	112	-	-	-	-	112
Plymstock School Expansion	2,370	-	-	-	-	2,370
Total Ensuring Good Quality School Places	3,631	-	-	-	-	3,631
Growing the Economy						
Social Enterprise Fund	211	44	-	-	-	255
Langage Development Phase 2	29	-	-	-	-	29
Langage Development Phase 3	565	2,187	10	-	-	2,762
39 Tavistock Place	-	30	-	-	-	30
ED Loans	1,686	1,060	-	-	-	2,746
Total Growing the Economy	2,491	3,321	10	-	-	5,822
Improving neighbourhoods and delivering community infrastructure / facilities						
Barne Barton general amenity improvements	-	164	-	-	-	164
Active Neighbourhoods	6	-	-	-	-	6
Infrastructure Works at Honicknowle	26	-	-	-	-	26

Derriford Community Park	73	396	-	-	-	469
Play Pitch Projects	415	289	-	-	-	704
Central Park Improvements & Sports Plateau	1,515	1,027	-	-	-	2,542
Improving Outdoor Play	826	-	-	-	-	826
Dunstone Woods	13	-	-	-	-	13
Blockhouse Park Playground	2	-	-	-	-	2
Manadon Play Pitches	246	-	-	-	-	246
Plympton Swimming Pool	4	-	-	-	-	4
Pool View	96	-	-	-	-	96
Children Centres	250	-	-	-	-	250
Re-provision of Vines and Colwill Lodge	30	-	-	-	-	30
Total Improving neighbourhoods and delivering community infrastructure / facilities	3,502	1,876	0	0	0	5,378
Securing Growth in Derriford and Northern Corridor						
Forder Valley Link Road	6,103	29,038	10,873	-	-	46,014
Forder Valley Interchange	1,415	5,785	1,210	-	-	8,410
Derriford Transport scheme	23	-	-	-	-	23
Charlton Road	49	497	-	-	-	546
Northern Corridor Junction Improvements	95	33	-	-	-	128
Woolwell to the George	115	400	40	-	-	555
Purchase of Properties in the North of Plymouth	920	631	-	-	-	1,551
Morlaix Drive Access Improvements	406	4,191	-	-	-	4,597
Northern Corridor Strategic Cycle Network	-	1,777	150	700	-	2,627
Manadon Junction	290	2,530	-	-	-	2,820
Total Securing Growth in Derriford and Northern Corridor	9,415	44,883	12,273	700	0	67,271
Securing Growth in the City Centre and Waterfront						
Devonport Market High Tech 'Play Market'	1,498	-	-	-	-	1,498
Charles Cross	5,173	-	-	-	-	5,173
Public Realm Schemes	2,270	3,634	6,452	418	-	12,774
Millbay Boulevard & Associated Works	1,389	1,913	4	4	4	3,312
Cobourg House	217	-	-	-	-	217
Quality Hotel	1	307	-	-	-	308
Colin Campbell Court	10	626	-	-	-	636
Toys 'R Us	-	1,273	-	-	-	1,273
Contribution to Drake Leisure Public Realm	923	-	-	-	-	923
Contribution to Civic Centre Public Realm	-	2,500	-	-	-	2,500

Re-development of Old Town Street / New George Street East	100	2,500	-	-	-	2,600
City Centre Shop Fronts Grant Scheme	59	-	-	-	-	59
Plymouth Major Road Network	50	250	275	-	-	575
West End Public Realm	181	-	-	-	-	181
Total Securing Growth in the City Centre and Waterfront	11,872	13,002	6,730	422	4	32,030
Securing Growth in the Eastern Corridor						
Eastern Corridor Junction Improvements	1,850	2,378	-	-	-	4,229
Eastern Corridor Strategic Cycle Network	550	2,221	-	-	-	2,771
A379 Pomphlett to The Ride	55	335	120	-	-	510
Total Securing Growth in the Eastern Corridor	2,455	4,935	120	0	0	7,510
Transforming Services						
Barbican Footbridge	46	-	-	-	-	46
Street Services Information Management System	164	-	-	-	-	164
Fleet Replacement	-	5,509	-	-	-	5,509
Grass Cutting Equipment	253	-	-	-	-	253
Container Provision	832	-	-	-	-	832
Chelson Meadow Closure & Leachate Plant Upgrade	163	-	-	-	-	163
Asset Investment Fund	70,598	11,511	8	-	-	82,117
Highway Works at the Former Seaton Barrack site	305	-	-	-	-	305
Disabled Facilities Grant	2,481	-	-	-	-	2,481
Bayview Electrical Safety Works	4	-	-	-	-	4
Schools Condition Works	53	-	-	-	-	53
SEN Access and Safeguarding	108	12	-	-	-	119
Schools Devolved Formula & Projects	700	175	172	172	-	1,220
St Budeaux Library	719	-	-	-	-	719
ICT	6,424	2,442	-	-	-	8,866
Corporate Asset Maintenance	153	120	-	-	-	273
Corporate Heritage Maintenance	47	-	-	-	-	47
Other Corporate Property	1,845	301	-	-	-	2,146
Transformation Accommodation	383	-	-	-	-	383
Boiler Replacement Programme for Council Properties	52	-	-	-	-	52
Bereavement Infrastructure	6,423	4,844	-	-	-	11,267
Miel Solutions Ltd Shares	102,375	-	-	-	-	102,375

Total Transforming Services	194,128	24,914	180	172	0	219,394
TOTAL CAPITAL PROGRAMME						
TOTAL CAPITAL PROGRAMME	286,539	111,918	29,212	19,320	7,855	454,844
Forecast future income streams	34,842	70,357	103,365	69,530	159,973	438,067
GRAND TOTAL	321,381	182,275	132,577	88,850	167,828	892,911

Cabinet



Date of meeting: 11 February 2020
Title of Report: **Budget 2020/21**
Lead Member: Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director: Andrew Hardingham (Service Director for Finance)
Author: Paul Looby and Stephen Coker
Contact Email: Paul.looby@plymouth.gov.uk
Stephen.coker@plymouth.gov.uk
Your Reference: PL/Bud/202021
Key Decision: No
Confidentiality: Part 1 - Official

Purpose of Report

Under the Council's Constitution, Cabinet is required to recommend the 2020/21 Budget to Council.

Recommendations and Reasons

1. Cabinet recommends the 2020/21 Budget to Council (as shown in appendix 2) to ensure the delivery of the Council's Corporate Plan;
2. Cabinet recommends the Capital Budget of £892.91m to Council to continue the investment within the City and Growth agenda.

Alternative options considered and rejected

The budget proposals have been considered at the Select Committee Scrutiny meetings. The Council must set a robust budget to deliver its statutory obligations.

Relevance to the Corporate Plan and/or the Plymouth Plan

The 2020/21 Budget sets out the resources available to deliver the Corporate Plan.

Implications for the Medium Term Financial Plan and Resource Implications:

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

Carbon Footprint (Environmental) Implications:

The budget proposals are cognisant of the key implications and issues as set out within the Corporate Carbon Reduction Plan and the Climate Emergency Declaration as approved by Council on 16 December 2019. Budget provision has been made as part of the proposals for 2020/21 and future years.

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

The reducing revenue and capital resources across the public sector has been identified as a key risk within our Strategic Risk register. The ability to deliver spending plans is paramount to ensuring the Council can achieve its objectives to be a Pioneering, Growing, Caring and Confident City.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
1	Savings Proposals by Directorate							
2	Draft Budget by Directorate							

Background papers:

*Add rows as required to box below

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

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

Sign off:

Fin	djn.1 9.20. 217	Leg	It/341 31/2 901	Mon Off		HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Andrew Hardingham, Service Director for Finance											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 06/02/20											
Cabinet Member approval: Councillor Mark Lowry, Cabinet Member for Finance											
Date approved: 06/02/20											

I. Summary of Directorate responsibilities in delivering the plan

I.1 The Plymouth City Corporate Plan 2018-2022 sets out the Council’s mission of “making Plymouth a fairer City, where everyone does their bit.” The plan outlines the strategic direction of the Council for the next three years. The Budget proposals are essential to support the strategic direction and will enable Plymouth to be “A City to Be Proud Of” and deliver the City’s Vision. A copy of the summary of the Plymouth City Corporate Plan is shown below.

OUR PLAN

A CITY TO BE PROUD OF



CITY VISION
Britain’s Ocean City

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

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

OUR VALUES

WE ARE DEMOCRATIC

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

WE ARE RESPONSIBLE

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

WE ARE FAIR

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

WE ARE CO-OPERATIVE

We will work together with partners to serve the best interests of our city and its communities.

OUR PRIORITIES

A GROWING CITY

- A clean and tidy city
- An efficient transport network
- A broad range of homes
- Economic growth that benefits as many people as possible
- Quality jobs and valuable skills
- A vibrant cultural offer
- A green, sustainable city that cares about the environment.

A CARING COUNCIL

- Improved schools where pupils achieve better outcomes
- Keep children, young people and adults protected
- Focus on prevention and early intervention
- People feel safe in Plymouth
- Reduced health inequalities
- A welcoming city.

HOW WE WILL DELIVER

Listening to our customers and communities.

Providing quality public services.

Motivated, skilled and engaged staff.

Spending money wisely.

A strong voice for Plymouth regionally and nationally.

2 Growth Agenda - Place Directorate

- 2.1 The Place Directorate for 2019/20 has a net budget of £24.149m, this consists of a gross expenditure budget of £82.222m and a gross income budget of £58.074m. This equates to 13% of the Council's overall net budget.
- 2.2 Income targets have been exceeded within Economic Development, bringing in additional benefit to the Directorate, and to help offset other pressures being felt, either due to income targets not being met or to cost pressures being incurred.
- 2.3 Historically, the department has driven growth income over a number of years, the New Homes Bonus (NHB) element of the Growth Dividend, circa £30.7m (cumulative) of NHB alone has been brought into the city since its inception. The projection to 2022/23 is circa £38.0m. This would be in excess of £49.0m had government not introduced the deadweight factor (i.e. taking out what would happen naturally) and reduced NHB payment benefits from 6 to 4 years. In parallel to this, there will be Council Tax uplift reflecting occupation of the built homes.
- 2.4 With respect to business rates (NNDR), the new growth in the rateable value this year in the city is in excess £3.5m of which £3.2m can be directly attributed to the growth agenda driven by the Place directorate. However, there are deletions (circa £1.0m) and appeal reductions (circa £0.750m) that have an impact on collectable. So, without the £3.2m that can be directly attributed to growth activity, we would have a significant NNDR problem.
- 2.5 In 2017/18 there was successful RV appeal by Devonport Dockyard resulting in a significant backdated NNDR reduction which created an NNDR deficit position, therefore without the £3.194m growth that can be directly attributed to growth activity this position would exacerbate. The areas of largest rates growth can be found at the Range HQ, Barcode and Marsh Mills developments
- 2.6 It should be noted that the Place budget also levers in very significant external funding and investment that would not happen otherwise. In 2019/20 £300m of projects were completed or underway with a further investment pipeline of £900m. In addition, significant levels of external grant funding was secured across many areas including economic development, transport, Green infrastructure and housing in particular
- 2.7 The Growth Agenda is intrinsically linked to the capital programme with details set out later in this report. The council is investing in a range of capital projects including the Box which is a major scheme creating a museum of national importance and making Plymouth a cultural centre in the south west. The Box is a flagship project which will support Plymouth's Mayflower 400 commemorations and a range of further activities and events.
- 2.8 Continued investment within the council's infrastructure is a priority with major works including the Forder Valley Link Road and Forder Valley Interchange, improvements to Charles Cross and further improvements to the condition of the Cities highways and footpaths.

- 2.9 House building is a key priority. Plan for Homes 3 which was launched in March 2019 will support the delivery of 1,000 new homes per year for the next five years. In its first five years, Plan for Homes has supported the delivery of 5,563 homes. The Plan for Homes has enabled the release of 33 Council-owned sites and over 55 hectares of mainly brownfield land that is planned to deliver 1,680 homes of which 51% are affordable.
- 2.10 The council continues perform strongly against regional and national measures with respect to the growth agenda:
- Jobs created and facilitated by the Council include 3,271 directly and 1,737 indirectly;
 - There are 3,080 new jobs in the pipeline;
 - The council has facilitated £273.6m of inward investment supporting job creation;
 - The Range has opened their Head Office in Plymouth creating 500 Jobs.
- 2.11 Despite these successes pressures remain, particularly within Street Scene and Waste, where the delivery of cost-effective frontline services to a safe and consistent standard remains a priority. The service provides a front line operational service to all residents across the city and its base budget has largely remained unchanged in recent years, even with an increase of over 5,000 households in past 5 years with income from across the Place directorate being used to offset year on year pressures.

3. Climate Change

- 3.1 The City Council recognises that it has a significant part to play in tackling climate change. On 18 March 2019 Plymouth City Councilors voted unanimously to declare a climate emergency and pledged to make Plymouth carbon neutral by 2030. Delivering on this pledge is a significant challenge and we do not underestimate the changes that will need to be made. In order to explore these changes we have produced a Climate Emergency Action Plan
- 3.2 The Climate Emergency Action Plan sets out how we intend to respond to the city-wide climate emergency. It outlines Plymouth's current carbon emissions, the challenges associated with becoming carbon neutral and why the 2030 target is so important to tackling climate change. It sets this against the timescale of current national policy, recognising that not all the solutions to tackling climate change currently exist.
- 3.3 This Action Plan has been produced under the leadership of Plymouth City Council, but its successful delivery requires collective action across the city, from organisations and individuals. A city-wide collaborative effort is required if we are going to meet this enormous challenge head on and leave a positive legacy for our city.
- 3.4 The City Council recognises its responsibility and has developed a Corporate Carbon Reduction Plan to sit alongside this city-wide Climate Emergency Action Plan. As an organisation, the City Council's emissions account for approximately 1% of the city's overall greenhouse gas emissions. Whilst these emissions have been reducing year-on-year, the pledge to make Plymouth carbon neutral by 2030 has accelerated the work to do more, more quickly, to reduce the Council's

own emissions. The Corporate Carbon Reduction Plan sets out actions that will be taken focusing upon the activities that are under the direct influence of Plymouth City Council as part of our business, such as buildings and vehicle fleet. The document also outlines actions that relate to policies, governance and behavioural changes that contribute to the City Council's carbon emissions that need to be addressed.

3.5 The Council is already undertaking a number of projects which will support the delivery of its targets. These include:

- Installing PV solar panels at Ballard House, the materials recovery facility at Chelson Meadow, roofs at Prince Rock Depot and the Box;
- Installing renewable ground source heat solutions to support the low carbon regeneration of the city centre and Millbay;
- Installation of 24 electric vehicle charge points across the City and 100 new charging points in work places and 6 new charging points in public car parks before April 2020;
- The purchase of electric vehicles as part of the council's fleet replacement programme;
- Increasing the number of recycling bins in high footfall areas;
- The boiler replacement programme;
- Launch a campaign to reduce waste generation by 25% by 2025;
- Work with stakeholders to continue the expansion of district energy networks;
- Work with stakeholders to identify land and roof space for new renewable energy installations;
- Review opportunities within the Plan for Homes 3 Programme to develop flagship zero carbon developments;
- Investment of £2.771m into the Cycle network for the City.

4. Caring Plymouth

4.1 Plymouth is experiencing unprecedented demands within Social Care and these are set out within the report. The People Federation provides a range of services which have to manage these challenges, service pressures and financial pressures.

4.2 The People Federation continues to face significant external challenges from welfare reform, the Care Act, the economy and the changing structure of the population. We are now facing further financial challenges as a result of changes to our Education Services grant (ESG) and the introduction of a national Funding Formula (NFF) for all schools from 2018/19.

4.3 A significant proportion of our revenue budget is spent on adult care services and the costs of providing health and wellbeing services are rising as demand increases. We have an ageing population with more complex needs and higher levels of young children requiring our services. We have been lobbying for more funding for both adult social care and funding for schools and school services and for our Fair Share allocation of NHS funding.

- 4.4 A particularly acute pressure is felt within Children's Social Care, where the cost of care is particularly high due to the level of support needed to keep young people safe, such as specialist residential care placements with high levels of staffing and the need to place young people with complex needs in wraparound support as no suitable placement is available. This increasing financial demand on Children's Services is not just a local issue, but is seen nationally and is a culmination of rising demand, complexity of care, rising costs and the availability of suitable placements.
- 4.5 In terms of Adult Social Care, The National Audit Office (NAO) has estimated that, between 2010 and 2017, the number of people in need of care aged 65 and over increased by 14.3%, fuelling greater demand for services. In addition rising disability among working-age adults has seen the proportion of working-age adults approaching local authorities for support has risen by 4 per cent – over 23,000 people – since 2015/16. At the same time, England's increasing older population is fuelling greater demand for services. Together, this has led to over 1.8 million requests for adult social care, up 2 per cent since 2015/16. However, nearly 13,000 fewer people are receiving support and in real-terms local authority spending on social care is £700 million below what it was in 2010/11.
- 4.6 The single commissioning function is focusing on developing joined-up population based, public health, preventative and early intervention strategies and adopting an asset based approach to providing an integrated system of health and wellbeing, focusing on increasing the capacity and assets of people and place. Health and Wellbeing Commissioning is being delivered through four interconnected strategies:
- Wellbeing;
 - Children and Young people;
 - Community Based Care;
 - Enhanced and Specialist Care.
- 4.7 Integrated commissioning provides the opportunity to commission an integrated provider function stretching across health and social care providing the right care at the right time in the right place. Integrated commissioning also has a key role in ensuring that every Child in the City achieves the Best Start to Life. All these changes are underpinned by high quality statutory services aimed at protecting the most vulnerable in society from harm and neglect and ensuring services are focused on delivering better outcomes for individuals.
- 4.8 In response to the pressures facing Adult Social Care we have developed a three year plan-Caring for Plymouth. This outlines a series of system-wide transformations across social care and communities designed to improve the experience of our citizens and deliver improvements to the Plymouth care system. As outlined within the Corporate Plan, one of the Council's priorities is to be a Caring Council and this proposal supports that ambition. There will be a strong focus on working with individuals at the earliest point on the pathway to understand what they feel are their strengths and challenges in order to enable professionals and the community to better understand how they can prevent the situation from worsening. This in turn will lead to reducing health inequalities and keeping those we are responsible for safe.
- 4.9 At the heart of the new model will be the principle of "promoting independence", recognising the assets and strengths of people and enabling people to live independent and fulfilled lives as part of their communities. The revised system will operate as a whole but with four key elements:
- Plymouth Independent Living Service;

- Gateway to Social Care;
- Short Term Care (Recovery, Reablement, Rehabilitation);
- Long Term Care.

A Bright Future

- 4.10 In response to the demand and cost pressures facing children's services nationally and locally, and Children's Social Care in particular, a three year plan is in development – A Bright Future. This plan will build on the Children and Young People's Commissioning Strategy and describe the next steps to be taken to support all children and young people in Plymouth to have the best start to life, leading to a fulfilling childhood and building aspiration and resilience into adulthood.
- 4.11 We recognise that we are not always responding early enough to emerging need, leading to system resource and energy being drawn towards meeting the most complex needs and providing a crisis response. We need to address this by making sure that we have the right support available at the right time and in the right place to support our families as soon as need emerges, to reduce the need for more intrusive and higher cost interventions.
- 4.12 Our approach will be underpinned by trauma informed practice, recognising the experiences and needs of the whole family. We will also take a proactive approach to managing risk and resilience, taking into account the full context of the child's environment.
- 4.13 Key areas of focus for 2020/21 will be:
- A transformed education system including review of school transport
 - Redesign of the early help system with partners, including improving the effectiveness of our front door and advice offer
 - Driving improved placement sufficiency, with a particular focus on availability of local foster placements
 - Robust review of existing placement cost and volume, to inform changes to practice and strategic approaches to the provider market

Office of the Director of Public Health

- 4.14 Our goal is to reduce health inequalities through impacting on health and on the social, economic and environmental determinants of health.
- 4.15 The City Vision refers to everyone enjoying an outstanding quality of life; this requires the reduction of inequalities, and improvements in health and wellbeing which impact considerably on our quality of life. Much of our work relates to these wider determinants, and we influence health and wellbeing through:
- Developing health-promoting environments;
 - Changing the context of choice;
 - Improving the quality of services across the city;
 - Protecting the public from harm.
- 4.16 The Office of the Director of Public Health (ODPH) within Plymouth City Council covers the functions of:

- Public Health
 - Public Protection Services;
 - Environmental Health (Food Safety);
 - Environmental Health (Environmental Protection);
 - Trading Standards;
 - Licensing;
 - Civil Protection;
 - Bereavement Services.
- 4.17 Plymouth's grant at £14.925m in 2019/20 is 22% below the level which our population requires based on the Advisory Committee on Resources (ACRA) formula. Despite this being recognised by the government, after a small increase towards "fair shares", reductions have been made year on year at a flat percentage (around 2.6%) therefore continuing the inequality.
- 4.18 The grant for 2020/21 has not yet been confirmed; there has been a suggestion of an increase in funding but with additional responsibilities that are likely to also increase costs.
- 4.19 As well as the specific grant, the directorate generates income. The directorate has a number of income streams; most notably from Bereavement Services, and other teams within the directorate also contribute significant income. Some income such as Licensing, is ring-fenced to cover the costs of the licensing process.

Key priorities

- Improving health and wellbeing overall and reducing inequalities by working with partners to develop an integrated population health and wellbeing system that enables positive choices for better health in a growing city.
- Continue to deliver environmental health and protection services.
- Continue to deliver an intelligence-led trading standards service, protecting the public from harm.
- Continuing to use licensing to promote high standards and support health and wellbeing as well as economic growth.
- Continue to ensure that Plymouth City Council can fulfil its requirements as a "Category 1" Responder as defined within the Civil Contingencies Act 2004, and maintain resilience.
- Development of new "fit for the future" crematorium facilities for our population

5. Corporate Services

Finance

- 5.1 The Department continues to support the Council both directly in delivering essential services and through the support activity undertaken. The Facilities team will contribute to delivering solutions as part of the Corporate Climate Emergency plan. A small provision (£0.250m) has been set aside to pump prime initiatives to be held by the Senior Responsible Officer (SRO). The department is responsible for delivering the Treasury Management Strategy (attached elsewhere on this agenda), seeking to maximise income returns and minimise debt cost.

6 Customer and Corporate Services

- 6.1 The Customer and Corporate Services Directorate delivers a number of key frontline and support services including Libraries, the Contact Centre, the Service Centre, the Coroner, the Registration Service, the Transformation function including the client function for DELT, Human Resources, Health Safety and Wellbeing. The total budget for 2020/21 is £16.8m, however the service has a forecast budget pressure of £2.0m which will be addressed through the Council's Modernisation Programme and a Directorate restructure
- 6.2 The key priority for the directorate in 2020/21 will be to lead the Council's Modernisation Programme, "The Way We Work". This programme will bring improvements to the way we deliver our services, as well as deliver long term sustainable savings in excess of £3.0m which includes the cost for delivering the programme. In order to achieve these outcomes a number of service reviews are being undertaken, with the initial focus on Adult Social Care, Children's Services and Street Scene & Waste. Alongside the service reviews there are a number of other significant projects focusing on Digital, Accommodation, Community Empowerment and Workforce Modernisation.
- 6.3 Customer Services will start to develop a new plan for Libraries to replace the one that expires at the end of 2020. This will give us the opportunity to further develop the first class service it provides to local communities, as well as support those who require help with online services.
- 6.4 The Digital Service Team will be supporting the roll out of LFFN (Local Full Fibre Network) across the City in 2020/21. This will enhance broadband connectivity across the public sector estate circa to 200 premises. Once complete this will enhance future capabilities for "5G" deployment and greater choice for consumers.

7 Introduction To Budget Report

- 7.1 Cabinet received an update on the development of the 2020/21 budget at its meeting on 14 January 2020. This report provided an update on the latest budget gap which was £4.386m.

- 7.2 The report set out the main budget planning assumptions including resources for council tax, business rates and revenue support grant and other grant income including New Homes Bonus and the Public Health Grant. Changes to the cost base were summarised as were the plans proposed to address the budget gap through the Council's ongoing savings and income generation programme.
- 7.3 The Council would normally have received a Medium Term Financial Plan (MTFP) in the autumn. However due to a number of national political events including political uncertainty with regard to the Conservative Party Leadership, the Brexit debate and the December General Election, the grant announcements from government were delayed.
- 7.4 Furthermore the Provisional Settlement only announced a one year funding allocation. As a result of this uncertainty the MTFP will be presented to Members in the Spring of 2020.

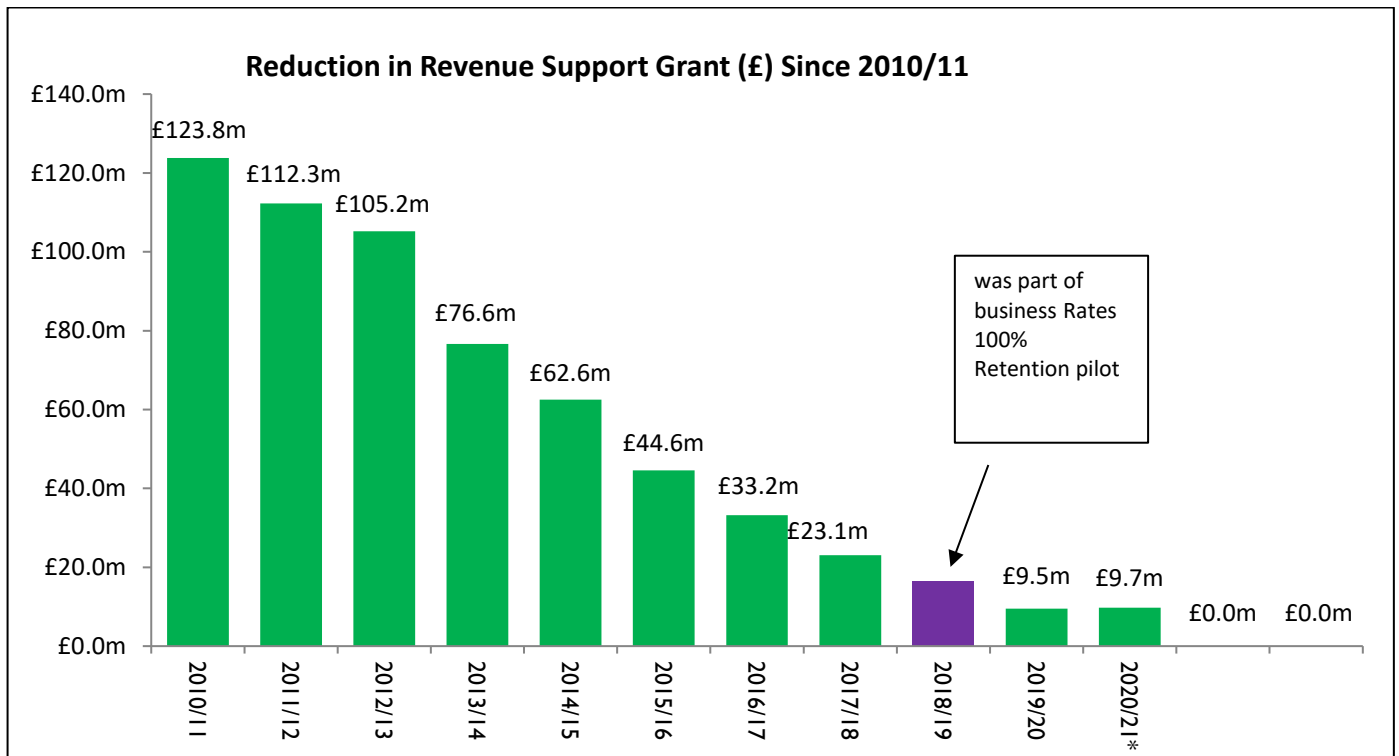
8 Provisional Local Government Finance Settlement

- 8.1 The report to Cabinet on 14 January 2020 was written before all of details from the Provisional Local Government Finance Settlement had been received. The initial details were not received until late afternoon on 20 December 2019. At the time of writing this report the Final Settlement had not been confirmed.
- 8.2 The main changes from the Settlement are summarised below which resulted in an additional £0.497m.

	Estimate Allocation £m	Actual Allocation £m	Variance £m
Revenue Support Grant	9.703	9.688	0.015
Business Rates	65.414	65.403	0.011
New Homes Bonus	3.259	3.423	(0.164)
Social Care Grant	5.300	5.659	(0.359)
Total	83.676	84.173	(0.497)

Revenue Support Grant

- 8.3 The impact of the Government's austerity measures over the last decade will continue to have a major impact upon all council services. This is highlighted by the significant reduction in Plymouth's Revenue Support Grant (RSG).



Council Tax

8.4 As part of the Spending Review in September 2019, it was proposed the council tax referendum limit would be amended to 1.99% and an adult social care precept of 1.99%. This was confirmed by the Settlement.

8.4.1 The Government has allowed local authorities to raise additional income through the Adult Social Care Precept and greater flexibility to use capital receipts to fund revenue expenditure, however these measures have not provided sufficient revenue resources to mitigate against the large reductions in local government funding and increased demands across all Council services.

Business Rates

8.5 Plymouth is the lead administrator for the Devon-wide Business Rates pool. During 2018/19, under Plymouth's leadership the Devon Pool was a pilot for 100% Business Rates Retention. Unfortunately despite a successful pilot year the Government decided that the Devon Pool would not continue as a pilot in 2019/20. Due to forecast growth across Devon, the Council estimated an additional £1m of business rate income which was built into the 2018/19 budget

8.6 The budget for 2020/21 reflects the increase for business rates over the base figure of 2017/18 and represents a combination of growth in the rates base and the annual CPI uplift applied to the business rates multiplier. The annual multiplier has increased from 49.1 pence in 2019/20 to 49.9 pence in 2020/21. It has been assumed that business rates will continue to grow both in 2020/21 and future years, however there is volatility for the tax base for business rates due to the economic uncertainty particularly within the retail sector. In 2020/21 £1.028m of business rates growth was due to an increase in the multiplier and the forecast growth in the tax base.

- 8.7 The Government intends to move to 75% Business Rates Retention. The assumption is that this will be for 2021/22 for all authorities. Plymouth and the Devon Pool are currently operating a 50% scheme in 2020/21.

Grant Funding Announced As Part of Settlement

- 8.8 As part of the Settlement the government confirmed a number of grants. This included Social Care Grants which were previously announced as part of the Spending Review in 2019.
- 8.9 Nationally there has been significant pressures within Children's Services. A combination of increased numbers and increasingly complex cases has meant costs have been rising beyond the existing budget provision. The additional funding for Social Care has not been ring fenced, therefore Plymouth has used this funding to increase the base budget for Children's by £5m in 2020/21.
- 8.10 The Public Health Grant is a key source of funding used to improve the health of the population, and in particular to tackle large differences in health that we see between local areas. Although the Public Health Grant is showing a growth of £0.507m, we are still awaiting confirmation of the additional initiatives which will have to be funded from this increase. As a minimum, we are expecting the additional costs to equate fully to this increased grant allocation

9 Fair Funding Review

- 9.1 Since 2013, the Government has not significantly changed the formula to calculate Plymouth's spending need. The Government has announced that it will implement a new methodology for allocating resources to local authorities – initially this was planned for 2020. At this stage officers are waiting for announcements as to the timetable for this review.
- 9.2 Detailed exemplifications are needed so Plymouth can fully assess the financial impact and these are not expected until later in the year, however, any move away from the weighting applied to deprivation for allocating resources would be a fundamental change to the principal of ensuring fairness within the system and will not be supported by Plymouth.

10. Resources Summary

- 10.1 A summary of the budget position for the council is set out below.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
	BUDGET	FORECAST		
REVENUE RESOURCES AVAILABLE	185.482	189.181	184.451	191.231
Baseline spend requirement	185.556	185.482	189.181	184.451
Plus identified additional costs	17.395	21.069	10.460	9.139
Overall spend requirement	202.951	206.551	199.641	193.590
Total funding Gap Before Savings	(17.469)	(17.370)	(15.190)	(2.359)
Savings	9.798	7.974	(0.620)	0.345
Income Generation	1.946	0.725	1.090	0.303
Grant Income	5.725	4.175	(6.827)	(0.398)
Total Savings	17.469	12.874	(6.357)	0.250
REVISED SPENDING FOR YEAR	185.482	193.677	205.998	193.340
Budget Gap	0.000	4.496	21.547	2.109

10.2 The budget gap considered by Cabinet on the 14th January was prior to calculating adjustments arising from the Draft Settlement announced on the 20th December. Other adjustments have also been made in light of updated workings. These are all presented below.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
	BUDGET	FORECAST		
Budget Gap Reported to Cabinet 14/1/2020	0.000	4.386	20.788	2.109
Settlement Changes				
RSG		(0.015)	0.015	
Business rates changes		(0.011)		
Social Care Grant		0.359	(0.359)	
New Homes Bonus		0.164		
Total Settlement Changes	0.000	0.497	(0.344)	0.000
Other Changes				
Collection Fund		0.415	(0.415)	
TWWWW Programme Resource		(1.022)		
Total Other Changes	0.000	(0.607)	(0.415)	0.000
Revised Budget Gap	0.000	4.496	21.547	2.109

10.3 As previously considered by Cabinet the table below sets out the increased costs that have had to be included in the budget for 2020/21.

Item / area	2020/21	2021/22	2022/23
	£m	£m	£m
Climate Change Contingency	0.250		
Salary and pension inflation	2.630	1.750	1.750
ASC care & volume (including national living wage)	4.124	4.120	4.120
Children's social care	4.960	1.960	1.960
Oceansgate and Mayflower	0.483	-0.317	-0.978
ICT re-provisioning and requirements	1.300	0.800	0.300
Financing capital programme & capitalisation rebase	1.771	1.499	1.688
Organisation development	0.500		
Retain working balances at 5%.	0.350	0.350	
Schools PFI	0.483	0.048	0.049
Oceansgate borrowing	0.100		
The Box Corporate Landlord	0.375		
Street Scene and Waste Investment	0.200		
TWWWW Programme Resource	1.023		
Interest and other Treasury Management pressures	1.500	0.250	0.250
Health & Safety Capital Financing (to provide for £5m of corporately funded borrowing)	0.350		
Asbestos & Repairs and Maintenance	0.500		
Insurance Provision Contribution	0.100		
Fraud Detection rebasing budget	0.070		
Total	21.069	10.460	9.139

10.4 The impact of pressures within Social Care continues to have a significant impact upon the Council's resources. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. Plymouth has an ageing population with more complex needs and higher levels of young children requiring our services.

10.5 Budget provision of over £9m has been added to the base budget to fund the costs of Social Care in 2020/21 and over £20m added to the base budget over the next three years.

The National Living Wage was increased to £8.67 per hour from April 20120. This increasing cost is a key driver in the increasing costs of providing our adult social care packages and services.

10.6 Within Children's Services cost and volume analysis is refreshed on a quarterly basis. The increase in the cost of the care packages and placements and the in-year pressures within the service have been recognised with the allocation of new funding.

10.7 A summary of the proposed plans for savings, income generation and grant income is summarised below. The detail by service is shown in Appendix one.

Total Savings, Income Generation and Grant Income	2020/21	2021/22	2022/23
	£m	£m	£m
Savings			
Chief Executive	0.050		
Place Directorate including GAME 2	0.030		0.250
Federated Directorates (People, Children's & ODPH) "One System, One Aim"	2.650	0.030	0.929
Customer & Corporate Services	0.313	0.450	0.166
Corporate items	4.931	(1.100)	(1.000)
Total Savings	7.974	(0.620)	0.345
Income Generation			
Place Directorate including GAME 2	0.817	1.082	0.295
Federated Directorates (People, Children's & ODPH) "One System, One Aim"	0.008	0.008	0.008
Customer & Corporate Services	(0.100)		
Total Income Generation	0.725	1.090	0.303
Grant Income			
Place Directorate including GAME 2	(0.603)	(1.168)	(0.398)
Corporate items	4.778	-5.659	
Total Grant Income	4.175	(6.827)	(0.398)
Total	12.874	(6.357)	0.250

10.8 The proposed budget by Directorate is shown in appendix 2.

11. Options to close the Budget Gap

11.1 As part of the budget development, a number of assumptions have been made. In particular for planning purposes and after taking into account the council tax base changes.

11.2. Members will be aware the referendum limit for council tax increases is 1.99% and there is an option to charge a 1.99% Adult Social Care precept. The tax base for 2020/21 will be 74,603 and after taking into account adjustments for discounts £114.090m of council tax income will be generated. This is based on no council tax increase.

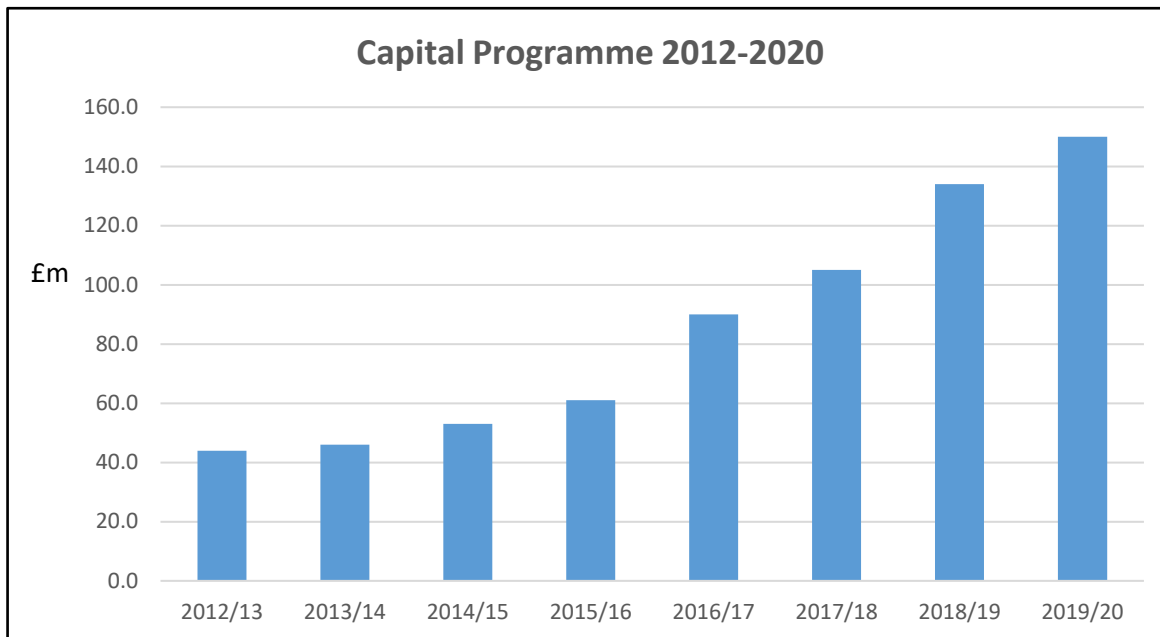
- 11.3 Increasing council tax income is an essential component of the Council's resources and is an option available to Council to reduce the budget gap. Each 1% increase in council tax will generate £1.1m in income.
- 11.4 Use of balances in any year is a one-off saving and increases the savings tariff in the next financial year. As part of the annual review of the budget all reserves and provisions have been reviewed to assess if any one off resources are available in 2019/20.
- 11.5 The Council can review its reserves and provisions to establish if any can be credited to the General Fund. A saving of this nature is a one off and could leave the Council exposed to risk, depending on the nature of the provision used.
- 11.6 There is always the option to undertake further reviews within Directorates to ascertain if further efficiencies or reduction can be delivered. This needs to be considered in the context of savings already identified. All Directorates are expected to spend within their approved budget in 2019/20 and are managing a range of new and legacy pressures due to increased demand and increased costs.

12 Capital budget

- 12.1 The Plymouth Plan remains the principal driver for the Council's capital programme. It contains the most ambitious set of proposals this City has ever seen. Primarily through its planning vehicle, the Plymouth and South West Devon Joint Local Plan, there are proposals to build 26,700 new homes across the area, create 13,200 new jobs, and to undertake an unprecedented major investment programme in modernising infrastructure including transport, schools and green spaces.
- 12.2 This investment will enable Plymouth to become the key economic driver for the far South West; will prepare the Council to show the world how to celebrate for Mayflower 2020; and will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment will enable growth within the economy as well as a significant level of new housebuilding and will therefore assist in generating additional business rates, Council Tax, New Homes Bonus and Community Infrastructure Levy.
- 12.3 The Council continues to take a strategic approach to the capital programme, having established 15 strategic outcomes within which individual projects sit. Increasingly the programme will need to be aligned with the strategic outcomes set out in the Plymouth Plan and Plymouth and South West Devon Joint Local Plan as well as the investment and business planning programmes of other organisations to maximise delivery on the ground.
- 12.4 The Council's Capital Programme consists of the approved capital projects the Council intends to deliver over a five year period. In recent years, the Programme has been running at an average of £60m per year. During the last four years, the programme has exceeded this average and

continued a significant growth up to £150m per year for 2019/20. The scale of the last 5 years annual programmes is shown in the graph below.

Recent annual Capital Programmes



12.5 The capital programme covers the five years from 2019 to 2024. It consists of £314.450m of projects. The current year's programme (2019/20) is expected to exceed £150.0m. Future years are also expected to exceed the recent average. This is primarily for three reasons: the establishment of the Asset Investment Fund, investment in a series of key economic development projects, and the programme of investment in city infrastructure to support the Plymouth Plan.

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

- The Box (£40m);
- Oceansgate phase two (£6m);
- The Eastern Corridor junction improvement scheme and cycle network (£5m);
- Further Asset Investments (£60m);
- Forder Valley Link Road (£53m);
- Forder Valley Interchange (£9m);
- Brunel Plaza (Plymouth Railway Station) (£29m);
- Improvements to Charles Cross (£7.4m);
- Expansion of Pennycross Primary School (£3m);
- Outdoor play area improvements (£1.8m);
- Transforming Cities Fund (£7.8m);
- Plan for Homes 3 (£13m)
- Central Park improvements (£5.7m);
- Further improvements to the condition of our highways and footpaths;
- Investment in ICT;

- Morlaix Drive (£4.5).

12.7 Building on our Plan for Homes programme, Plan for Homes 3 was launched in March 2019 with the vision to deliver the homes that Plymouth people need. It establishes a Housing Investment Fund with a first funding programme of £13.485m and dedicates agreed Council owned sites to support the delivery of 1,000 new homes per year for the next five years. It supports a range of housing delivery and service initiatives, helping to tackle housing needs, homelessness and poor housing conditions. In its first five years, Plan for Homes has supported the delivery of 5,563 homes. The Plan for Homes has enabled the release of 33 Council-owned sites and over 55 hectares of mainly brownfield land that is planned to deliver 1,680 homes of which 51% are affordable.

12.8 Plan for Homes 3 responds to the scale of the housing crisis, recognising there is a need to take a more interventionist approach to market failure and the delivery of and improvements to the homes the people of Plymouth need. Working in partnership to deliver the Plan to meet identified housing and maximising investment whilst seeking to generate future capital and revenue receipts back into Plan for Homes to support future investment and actions.

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

Five year Capital Programme by Directorate

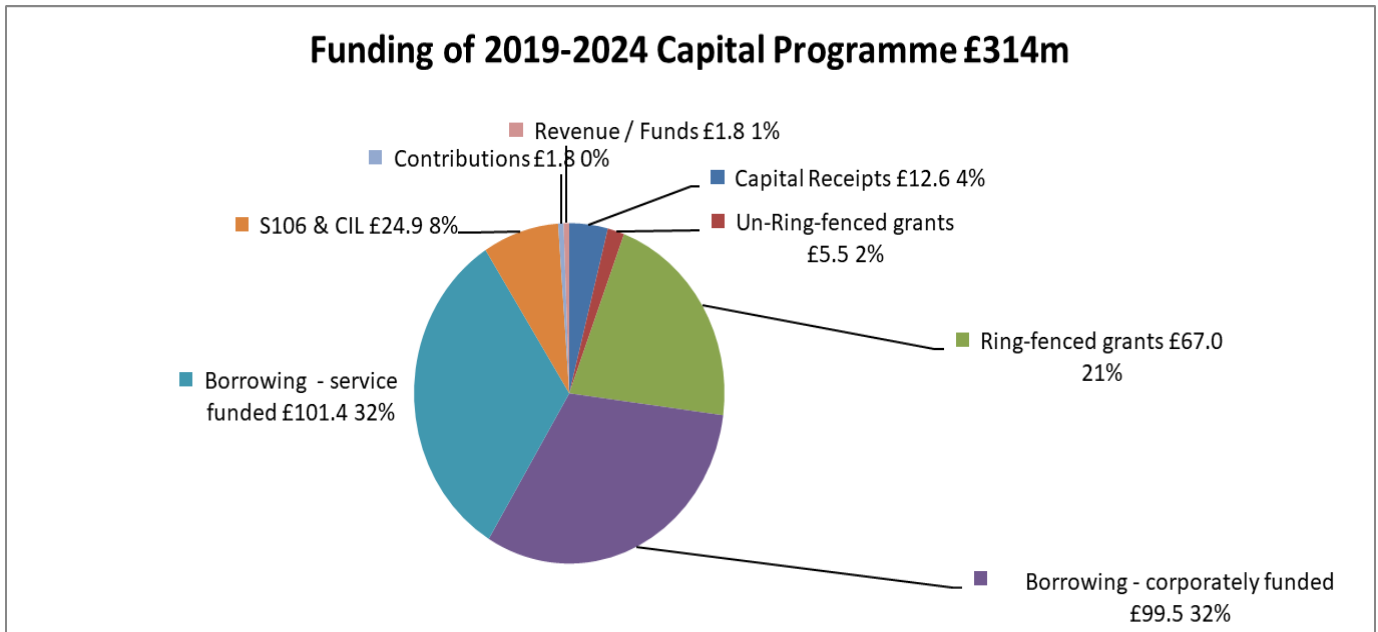
Directorate	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m	£m
People	8.274	0.187	0.172	0.172	-	8.805
Place	141.407	85.511	28.273	18.836	7.851	281.878
Transformation & change	9.935	2.565	-	-	-	12.500
Public Health	6.423	4.844	-	-	-	11.267
Total	166.039	93.107	28.445	19.008	7.851	314.450

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

Five year Capital Programme by outcome

Primary Outcome of Projects	£m
Securing Growth in the City Centre/Waterfront	26.703
Securing Growth in Derriford and the Northern Corridor	64.335
Securing Growth in the Eastern Corridor	7.510
Delivering More/Better Housing	17.078
Ensuring Essential City Infrastructure	27.092
Improving Neighbourhoods and Community Infrastructure	5.347
Ensuring Good Quality School Places	3.631
Growing the Economy	19.150
Delivering Oceansgate	15.437
Connecting the City	31.263
Celebrating Mayflower	5.635
Delivering The Box	14.442
Asset Investment Fund	44.721
Transforming Services	32.105
Total	314.450

13. Funding of the Capital Programme



13.1 Funding for the capital programme comes from a variety of sources with the highest proportion from borrowing 64%. Service borrowing accounts for 32% of the capital programme. It is an effective strategy to fund capital investment as the borrowing repayments are covered by income or savings being made within the Service Department.

13.2 The Council will continue to fund a number of projects from Corporate Borrowing (32%). This is largely for projects that are considered to be overall strategic priorities and where the borrowing repayments are covered by making revenue provision in the annual budget. The revenue implications of the current programme and the agreed priorities has been addressed in developing the 2020/21 to 2023/24 Medium Term Financial Plan.

13.3 To ensure the capital programme remains sustainable in the long term the level of borrowing needs to be carefully monitored. The external funding environment is rapidly changing and new opportunities are constantly arising. By continuing to take an organised and proactive approach to identifying, bidding for and then securing, external grants will make the budget sustainable and reduce the pressure on the revenue budget.

13.4 Other options to prevent a funding gap in the future include:

- Additional capital receipts to fund the projects in place of borrowing;
- Increasing Corporate Borrowing and provided increase revenue budget to pay for the loan repayments;
- Generating additional revenue savings from Council wide budgets;
- Increasing the Council Tax;
- Review the scope of the Capital Programme.

14 Forecast Corporate Borrowing

- 14.1 There is provision in the MTFP to cover the financing cost of additional Corporate Borrowing. This provides a budget for Treasury Management to cover the interest and MRP (loan repayments) costs for future corporate borrowing. This does not give approval for any new project and each project will be considered on its own merit when a full business case is submitted to officers and members.

Forecast borrowing	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Corporate Borrowing	12.150	19.600	21.800	53.550

15. Capital Budget 2019/20-2023/24

- 15.1 The latest forecast for the Capital Budget 2019-2024 is £892.911m.

Capital Budget 2019-2024

Capital Budget for 2018-2023	£m
Capital Programme Approved by CCIB	454.844
Income Assumptions	438.067
Total	892.911

16 Income Assumptions

- 16.1 The current income assumptions forecast for the five year capital budget 2019-2024 is £530.904m is based on future grants and external contributions.
- 16.2 External funding currently contributes approximately towards 39% of resources within the capital resource envelope; this is included within the income assumptions and included both ring-fenced and un-ring-fenced grants, S106 and contributions.
- 16.3 The council will endeavour to ensure a significant proportion of the funding for the Programme comes from external sources – grants from other organisations and Government departments and agencies (27%). Capital receipts make up about 3% of the programme with S106 contributions and CIL constituting about 4%. Every effort is being made to secure funding from grant programmes and other external sources.

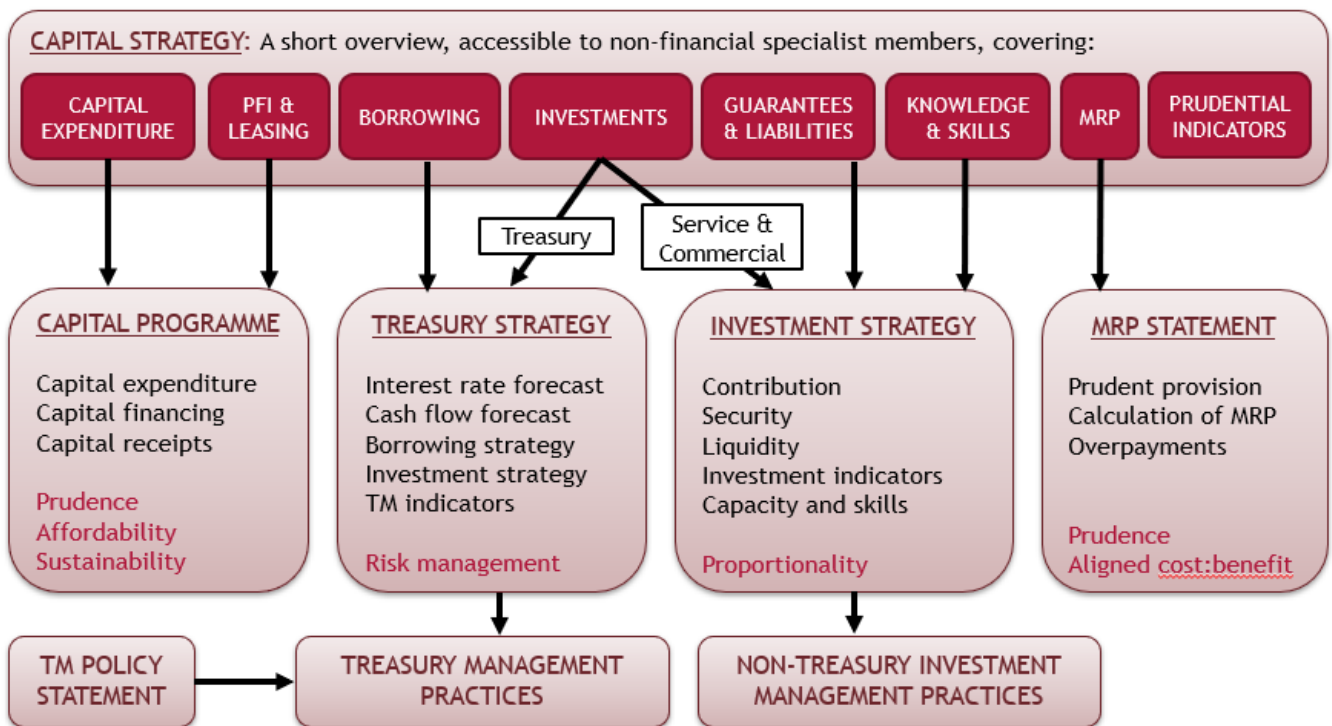
Some of the grant recently awarded:

- NPIF - Forder Valley Interchange £ 5.000m
- LEP Funding - Charles Cross £ 2.100m
- LEP Funding – Forder Valley Link Road £22.558m
- Highways England Growth & Housing Fund - FVLR £ 4.470m
- LEP Funding - Plymouth Central Station £ 5.000m
- Transforming Cities Fund tranche I £ 7.800m

16.4 Bidding for further external funding is strongly encouraged during the preparation of business cases for new projects

17. Statutory Guidance

Strategy Reports: England



17.1 The above diagram shows how the requirements of the January 2018 Ministry of Housing, Communities and Local Government (MHCLG) Guidance and The CIPFA Code interacts with the Capital and Treasury Management. There is a requirement for the Council to produce a Capital Financing Strategy and a Non-Treasury Management Investment Strategy.

17.2 The main reason for the guidance changes is because local authorities have been investing in commercial properties to increase their income. There are obviously risks in these investments and new strategies are to ensure that local authorities have the correct safeguards and due diligence in place to mitigate these risks.

- 17.3 Plymouth City Council's commercial property and development activities operate under robust and effective governance arrangements as set out in the Council's constitution. The Council has a small team of experienced in-house chartered surveyors including an Asset Manager recruited specifically for the Asset Investment Fund who has significant experience in property fund management obtained in the private sector.
- 17.4 The Capital Strategy gives an overview of how the associated risks are managed and the implications for future financial sustainability.

Savings Proposals by Directorate

Savings	2020/21 £m	2021/22 £m	2022/23 £m
Chief Executive Office	0.050		
Place Directorate			
Economic Development Efficiency and Income	0.030		0.250
Federated Directorates (People, Children's & ODPH) "One System, One Aim"			
ODPH efficiencies	0.050		
Adults - Caring for Plymouth	1.570		
Children's Delivery Plans	0.930	0.030	0.030
Sports development efficiencies	0.100		
Review of contracts			0.899
Customer & Corporate Services			
Self Funding Star Awards	0.013		
Reduce / stop mobile phones - BYOD			0.166
Introduction of Robotics		0.250	
Streamline Financial and Benefit Assessments	0.200		
Transformation Savings		0.200	
New Temporary Labour Contract	0.100		
Corporate Items			
Council Wide Transformation Savings - TWWW	3.000		
Reduction in Overtime	0.221		
Flexible benefits up to 5 days unpaid annual leave	0.050		
Travel & Subsistence	0.060		
Transfer from Reserves	0.100	(0.100)	
Section 106 Income reversal		(0.500)	(0.500)
Impact of Pension Fund revaluation	1.500	(0.500)	(0.500)
Total Savings	7.974	(0.620)	0.345

Income Generation	2020/21	2021/22	2022/23
	£m	£m	£m
Place Directorate			
Commercialisation of Strategic Planning and Infrastructure functions	0.107		
Street Services – increased income	0.177		
Asset Investment Fund	0.250	0.850	0.250
Advertising revenue from highways	0.063	0.187	
Fees & Charges in accordance with Policy	0.120		
Green Estate	0.100		
Mount Edgumbe holiday lettings		0.045	0.045
Federated Directorates (People, Children’s & ODPH) “One System, One Aim”			
ODPH Directorate	0.008	0.008	0.008
Customer & Corporate Services			
Dividend reduction	(0.160)		
Officer Travel Plan	0.060		
Total Income Generation	0.725	1.090	0.303

Grant Income	2020/21	2021/22	2022/23
	£m	£m	£m
Place Directorate			
New Homes Bonus	(0.603)	(1.168)	(0.398)
Federated Directorates (People, Children’s & ODPH) “One System, One Aim”			
Social Care Grant	5.659	(5.659)	
Corporate Items			
Levy Account Surplus	(0.881)		
Total Grant Income	4.175	(6.827)	(0.398)

APPENDIX 2

Draft Budget by Directorate

Plymouth City Council General Fund Budget 2020/21			Budget 19/20			Budget 2020/21						
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Income Generation	Grant Income	Total Expenditure	Total Income	Net Budget
Executive Office	Chief Executives Office	Policy & Intelligence	0.397	0.000	0.397	0.013	(0.000)	0.000	0.000	0.410	0.000	0.410
		Communications and Engagement	0.557	(0.049)	0.508	0.018	(0.000)	0.000	0.000	0.574	(0.049)	0.525
		Civic Events	0.176	(0.018)	0.158	0.004	(0.000)	0.000	0.000	0.180	(0.018)	0.162
		Performance	0.541	(0.090)	0.451	0.016	(0.000)	0.000	0.000	0.557	(0.090)	0.467
		Total Chief Executives Office	1.670	(0.156)	1.514	0.051	(0.000)	0.000	0.000	1.721	(0.156)	1.565
	Business Support	Departmental Support	0.866	(0.010)	0.856	0.025	(0.051)	0.000	0.000	0.841	(0.010)	0.831
	Electoral Function	Electoral Function	0.678	(0.002)	0.677	0.018	(0.000)	0.000	0.000	0.696	(0.002)	0.694
	Members	Members	1.046	0.000	1.046	0.049	(0.000)	0.000	0.000	1.095	0.000	1.095
		Neighbourhood inits and Comm Grants	0.300	0.000	0.300	0.000	0.000	0.000	0.000	0.300	0.000	0.300
	Total Members	2.890	(0.011)	2.879	0.092	(0.051)	0.000	0.000	2.931	(0.011)	2.920	
	Legal	Legal	1.880	(0.422)	1.458	0.059	(0.000)	0.000	0.000	1.939	(0.422)	1.516
Total Executive Office			6.440	(0.590)	5.850	0.202	(0.051)	0.000	0.000	6.591	(0.590)	6.001
People	Children, Young People, Families	QA Safeguarding and Bus Suppt	4.059	(0.267)	3.792	0.101	(0.015)	0.000	0.000	4.146	(0.267)	3.879
		Permanency	10.057	(0.245)	9.812	0.081	(0.003)	0.000	0.000	10.135	(0.245)	9.890
		CAMHS Specialist Services	0.654	(0.045)	0.609	0.001	(0.000)	0.000	0.000	0.656	(0.045)	0.610
		Childrens Social Work	3.472	0.000	3.472	0.104	(0.003)	0.000	0.000	3.573	0.000	3.573
		Plymouth Referral and Assmnt	3.536	(0.476)	3.060	0.113	(0.001)	0.000	0.000	3.647	(0.476)	3.171
		Adoption	3.464	0.000	3.464	0.005	0.000	0.000	0.000	3.469	0.000	3.469
		Children in Care	13.571	(3.918)	9.653	4.970	(0.590)	0.000	0.000	17.951	(3.918)	14.033
		Targeted	5.010	(1.839)	3.171	0.120	(0.004)	0.000	0.000	5.126	(1.839)	3.288
		Total Children, Young People, Families	43.824	(6.790)	37.034	5.496	(0.616)	0.000	0.000	48.704	(6.790)	41.913
	Strategic Commissioning	Service Delivery	91.412	(28.221)	63.191	4.280	(0.008)	0.000	0.000	95.684	(28.221)	67.463
		Commissioning	15.051	(3.500)	11.551	0.047	(1.570)	0.000	0.000	13.528	(3.500)	10.028
		Leisure Management	2.745	(0.101)	2.644	0.002	(0.000)	0.000	0.000	2.746	(0.101)	2.645
		Management and Transformation	(1.899)	(3.521)	(5.420)	0.026	(0.000)	0.000	0.000	(1.873)	(3.521)	(5.394)
		Social Care contract	6.910	0.000	6.910	0.000	0.000	0.000	0.000	6.910	0.000	6.910
		Childrens Commissioning	4.984	(0.159)	4.825	0.009	(0.000)	0.000	0.000	4.993	(0.159)	4.834
		Total Strategic Commissioning	119.203	(35.502)	83.701	4.364	(1.578)	0.000	0.000	121.989	(35.502)	86.487
	Education Participation Skills	SEND	25.987	(21.677)	4.309	0.179	(0.003)	0.000	0.000	26.162	(21.677)	4.485
		School Improvement	2.181	(1.505)	0.676	0.060	(0.001)	0.000	0.000	2.240	(1.505)	0.734
		School Support	3.812	(2.876)	0.936	0.005	(0.000)	0.000	0.000	3.817	(2.876)	0.941
		Schools	56.393	(56.393)	0.000	0.000	0.000	0.000	0.000	56.393	(56.393)	0.000
		External	2.704	(2.704)	0.000	0.007	0.000	0.000	0.000	2.711	(2.704)	0.007
		Skills and Employability	0.400	(0.171)	0.229	0.010	(0.000)	0.000	0.000	0.410	(0.171)	0.239
		Schools Access Planning	5.777	(0.737)	5.040	0.083	(0.319)	0.000	0.000	5.541	(0.737)	4.804
		EP&S Delivery Plans	(1.533)	0.000	(1.533)	0.000	(0.030)	0.000	0.000	(1.563)	0.000	(1.563)
	Total Education Participation Skills	95.722	(86.064)	9.658	0.343	(0.354)	0.000	0.000	95.710	(86.064)	9.647	
	Community Connections	Community Connections Access	2.771	(0.886)	1.886	0.036	(0.000)	0.000	0.000	2.807	(0.886)	1.922
		Community Connections Localities	1.545	(1.067)	0.478	0.041	(0.001)	0.000	0.000	1.585	(1.067)	0.518
		Communities Connections Youth	0.547	(0.080)	0.467	0.017	(0.000)	0.000	0.000	0.564	(0.080)	0.484
		Management	(0.003)	0.000	(0.003)	0.003	(0.000)	0.000	0.000	(0.000)	0.000	(0.000)
		Sports Development	0.903	(0.671)	0.232	0.008	(0.100)	0.000	0.000	0.811	(0.671)	0.140
	Total Community Connections	5.762	(2.704)	3.059	0.106	(0.101)	0.000	0.000	5.767	(2.704)	3.063	
	Management and Support People	Management and Support People	0.404	(0.187)	0.217	0.011	(0.000)	0.000	0.000	0.415	(0.187)	0.227
	Total People			264.915	(131.247)	133.668	10.320	(2.650)	0.000	0.000	272.585	(131.247)

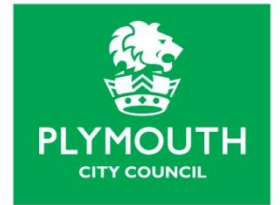
Plymouth City Council General Fund Budget 2020/21

Plymouth City Council General Fund Budget 2020/21			Budget 19/20			Budget 2020/21							
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Income Generation	Grant Income	Other Savings	Other Savings	Net Budget	
Place	Economic Development	Management & Support	1.665	(1.465)	0.201	(0.101)	(0.036)	0.000	0.000	1.529	(1.465)	0.064	
		Business Parks	0.365	(0.822)	(0.456)	0.007	0.000	0.000	0.000	0.373	(0.822)	(0.449)	
		Mount Edgcombe	0.885	(0.784)	0.101	0.000	(0.004)	0.000	0.000	0.881	(0.784)	0.097	
		Museum Services	3.759	(2.411)	1.348	0.092	0.004	0.000	0.000	3.855	(2.411)	1.444	
		Land and Property	7.879	(11.586)	(3.707)	0.020	0.001	(0.250)	0.000	7.901	(11.836)	(3.935)	
		Events & Tourist Information	1.589	(0.791)	0.798	0.020	0.002	0.000	0.000	1.611	(0.791)	0.820	
		Enterprise and employment	1.011	(0.354)	0.657	0.029	0.001	0.000	0.000	1.041	(0.354)	0.686	
		Theatre and Entertainments	0.415	0.000	0.415	0.000	0.000	0.000	0.000	0.415	0.000	0.415	
		Arts & Cultural Development	0.050	0.000	0.050	0.000	0.000	0.000	0.000	0.050	0.000	0.050	
		Strategic Projects Development	0.712	(0.445)	0.267	0.009	0.000	0.000	0.000	0.720	(0.445)	0.276	
	City Deal	1.681	(1.327)	0.354	0.014	0.000	0.000	0.000	1.695	(1.327)	0.368		
	Total Economic Development	20.012	(19.985)	0.028	0.090	(0.031)	(0.250)	0.000	20.071	(20.235)	(0.164)		
	Strategic Planning	SP&I Core Budgets	8.704	(4.338)	4.365	0.237	(0.003)	(0.107)	0.000	8.938	(4.445)	4.492	
		SP&I Projects	1.190	(1.186)	0.004	0.000	0.000	0.000	0.000	1.190	(1.186)	0.004	
		SP&I Transport Revenue	5.682	(0.164)	5.518	0.000	0.000	0.000	0.000	5.682	(0.164)	5.518	
		Total Strategic Planning	15.575	(5.688)	9.887	0.237	(0.003)	(0.107)	0.000	15.809	(5.795)	10.014	
	Street Services	Highways Parking and Marine Sv	8.585	(6.230)	2.355	0.056	(0.000)	(0.183)	0.000	8.641	(6.413)	2.228	
		Street Scene & Waste Services	34.696	(18.928)	15.768	0.526	(0.000)	(0.277)	0.000	35.223	(19.205)	16.017	
		Garage	1.639	(1.701)	(0.062)	0.016	0.000	0.000	0.000	1.656	(1.701)	(0.045)	
		Fleet Hire	1.623	(1.447)	0.175	0.007	0.000	0.000	0.000	1.630	(1.447)	0.182	
		Street Services Overhead	(0.150)	0.000	(0.150)	0.000	0.000	0.000	0.000	(0.150)	0.000	(0.150)	
	Total Street Services	46.393	(28.306)	18.087	0.606	(0.000)	(0.460)	0.000	46.999	(28.766)	18.232		
	Management and Support - Place	Management and Support	(0.087)	0.000	(0.087)	0.006	(0.000)	0.000	0.000	(0.081)	0.000	(0.081)	
		Business Support	0.328	(0.068)	0.260	0.014	0.000	0.000	0.000	0.342	(0.068)	0.274	
		GAMÉ Transformation	0.000	(4.026)	(4.026)	0.000	0.000	0.000	0.603	0.000	(3.423)	(3.423)	
		Total Management and Support - Place	0.241	(4.095)	(3.854)	0.020	(0.000)	0.000	0.603	0.262	(3.492)	(3.230)	
	Total Place	82.222	(58.074)	24.148	0.953	(0.034)	(0.817)	0.603	83.140	(58.288)	24.852		
	Public Health	Public Health	Prescribed Functions	7.440	0.000	7.440	0.000	0.000	0.000	0.000	7.440	0.000	7.440
			Non-Prescribed Functions	7.748	(0.288)	7.460	0.049	(0.001)	0.000	0.000	7.796	(0.288)	7.508
			ODPH Funding Streams	0.000	(14.925)	(14.925)	0.000	0.000	0.000	0.000	0.000	(14.925)	(14.925)
Total Public Health			15.188	(15.213)	(0.025)	0.049	(0.001)	0.000	0.000	15.236	(15.213)	0.023	
Operational and Development		PPS Management	(0.066)	0.000	(0.066)	0.000	(0.050)	0.000	0.000	(0.116)	0.000	(0.116)	
		PPS Technical Support	0.177	(0.009)	0.168	0.005	(0.000)	0.000	0.000	0.182	(0.009)	0.174	
Total Operational and Development		0.111	(0.009)	0.103	0.005	(0.050)	0.000	0.000	0.067	(0.009)	0.058		
Trading Standards		Trading Standards	0.439	(0.019)	0.420	0.014	(0.000)	0.000	0.000	0.453	(0.019)	0.434	
Environ Health (Food & Safety)		Environ Health (Food & Safety)	0.431	(0.037)	0.394	0.014	(0.000)	0.000	0.000	0.445	(0.037)	0.407	
Bereavement Services		Contracts Cems & Cems	1.017	(2.844)	(1.827)	0.019	(0.000)	0.000	0.000	1.035	(2.844)	(1.808)	
		Cems & Cems Improvements	0.132	(0.132)	0.000	0.001	0.000	0.000	0.000	0.133	(0.132)	0.001	
Total Bereavement Services		2.018	(3.031)	(1.013)	0.048	(0.001)	0.000	0.000	2.065	(3.031)	(0.966)		
Licensing		Licensing	0.328	(0.401)	(0.072)	0.011	(0.000)	0.000	0.000	0.339	(0.401)	(0.062)	
Environmental Protection		Neighbourhood & Enviro Quality	0.723	(0.326)	0.398	0.021	(0.000)	0.000	0.000	0.744	(0.326)	0.418	
		Enviro Protection & Monitoring	0.000	(0.006)	(0.006)	0.000	0.000	(0.008)	0.000	0.000	(0.014)	(0.014)	
Total Environmental Protection		1.052	(0.732)	0.319	0.032	(0.000)	(0.008)	0.000	1.083	(0.740)	0.343		
Civil Protection Unit		Civil Protection Unit	0.203	(0.034)	0.169	0.006	(0.000)	0.000	0.000	0.209	(0.034)	0.175	
Total Public Health		18.572	(19.019)	(0.447)	0.140	(0.052)	(0.008)	0.000	18.660	(19.027)	(0.367)		

Plymouth City Council General Fund Budget 2020/21

Plymouth City Council General Fund Budget 2020/21			Budget 19/20			Budget 2020/21						
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Income Generation	Grant Income	Other Savings	Other Savings	Net Budget
Finance	Finance	Service Director for Finance	(0.589)	0.000	(0.589)	0.003	(0.000)	0.000	0.000	(0.586)	0.000	(0.586)
		Head of Integrated Finance	0.787	(0.058)	0.729	0.029	(0.000)	0.000	0.000	0.815	(0.058)	0.757
		External Audit	0.128	0.000	0.128	0.000	0.000	0.000	0.000	0.128	0.000	0.128
		Treasury Management	6.735	(1.745)	4.989	2.721	0.000	0.000	0.000	9.456	(1.745)	7.710
		Head of Commercial Finance	0.792	(0.113)	0.679	0.028	(0.000)	0.000	0.000	0.820	(0.113)	0.707
		Financial Planning and Rpting	1.396	(0.494)	0.902	0.049	(0.000)	0.000	0.000	1.446	(0.494)	0.951
		Internal Audit	0.592	(0.036)	0.556	0.000	0.000	0.000	0.000	0.592	(0.036)	0.556
		Soft FM	2.200	(0.783)	1.417	0.077	(0.000)	0.000	0.000	2.277	(0.783)	1.493
		Hard FM	9.084	(1.184)	7.900	0.024	(0.000)	0.000	0.000	9.108	(1.184)	7.924
		Project and Contract Services	0.763	(0.637)	0.126	0.025	(0.000)	0.000	0.000	0.788	(0.637)	0.151
Total Finance			21.889	(5.051)	16.837	2.957	(0.001)	0.000	0.000	24.844	(5.051)	19.793
Customer and Corporate Service	Customer Services	Customer Services	3.743	(2.453)	1.290	0.178	(0.200)	0.000	0.000	3.721	(2.453)	1.268
		Library Service	2.536	(0.581)	1.955	0.069	(0.000)	0.000	0.000	2.605	(0.581)	2.024
		Revenues & Benefits	75.173	(75.614)	(0.440)	0.000	0.000	0.000	0.000	75.173	(75.614)	(0.440)
		Registration Service	0.604	(0.525)	0.079	0.021	(0.000)	0.000	0.000	0.625	(0.525)	0.100
		Service Centre	1.964	(0.940)	1.025	0.074	(0.000)	0.000	0.000	2.038	(0.940)	1.098
		Coroner	1.144	(0.475)	0.669	0.007	(0.000)	0.000	0.000	1.151	(0.475)	0.676
		Total Customer Services	85.165	(80.588)	4.576	0.350	(0.201)	0.000	0.000	85.314	(80.588)	4.726
	Human Resources & OD	OD & Talent	0.720	(0.052)	0.668	0.020	(0.000)	0.000	0.000	0.740	(0.052)	0.688
		HR & OD Management	0.176	0.000	0.176	0.004	(0.113)	(0.060)	0.000	0.067	(0.060)	0.007
		HR Specialist Services	0.749	(0.001)	0.748	0.023	(0.000)	0.000	0.000	0.772	(0.001)	0.771
		Health, Safety & Wellbeing	0.405	(0.055)	0.349	0.013	(0.000)	0.000	0.000	0.418	(0.055)	0.363
	Total Human Resources & OD	2.050	(0.109)	1.942	0.060	(0.113)	(0.060)	0.000	1.997	(0.169)	1.828	
	Departmental Management	Director for Corporate Service	7.547	(0.475)	7.071	1.300	0.000	0.160	0.000	8.847	(0.315)	8.531
	ICT	ICT	0.960	(0.076)	0.884	0.000	0.000	0.000	0.000	0.960	(0.076)	0.884
		Migrations to DELT	(0.260)	0.000	(0.260)	0.006	(0.000)	0.000	0.000	(0.254)	0.000	(0.254)
		Total ICT	8.247	(0.551)	7.695	1.306	(0.000)	0.160	0.000	9.552	(0.391)	9.161
Transformation	Transformation	1.079	0.000	1.079	0.037	(0.000)	0.000	0.000	1.116	0.000	1.116	
Total Customer and Corporate Service			96.541	(81.248)	15.292	1.753	(0.314)	0.100	0.000	97.979	(81.148)	16.831
Corporate Finance	Corporate Items	Pensions, PFI, IBCF and Other	10.716	(20.383)	(9.667)	4.745	(4.871)	0.000	(4.778)	10.590	(25.161)	(14.571)
		Corporate Items Budget Savings	(0.200)	0.000	(0.200)	0.000	0.000	0.000	0.000	(0.200)	0.000	(0.200)
Total Corporate Finance			10.516	(20.383)	(9.867)	4.745	(4.871)	0.000	(4.778)	10.390	(25.161)	(14.771)
Total General Fund			501.095	(315.612)	185.482	21.069	(7.974)	(0.725)	(4.175)	514.190	(320.512)	193.677

TREASURY MANAGEMENT STRATEGY 2020/21



How Plymouth will invest to grow and meet future Infrastructure needs

Foreword



Councillor Mark Lowry **Cabinet Member for Finance**

“This Strategy demonstrates the network of controls that are in place to ensure our investments are secure.

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

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



Andrew Hardingham **Assistant Director for Finance**

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

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

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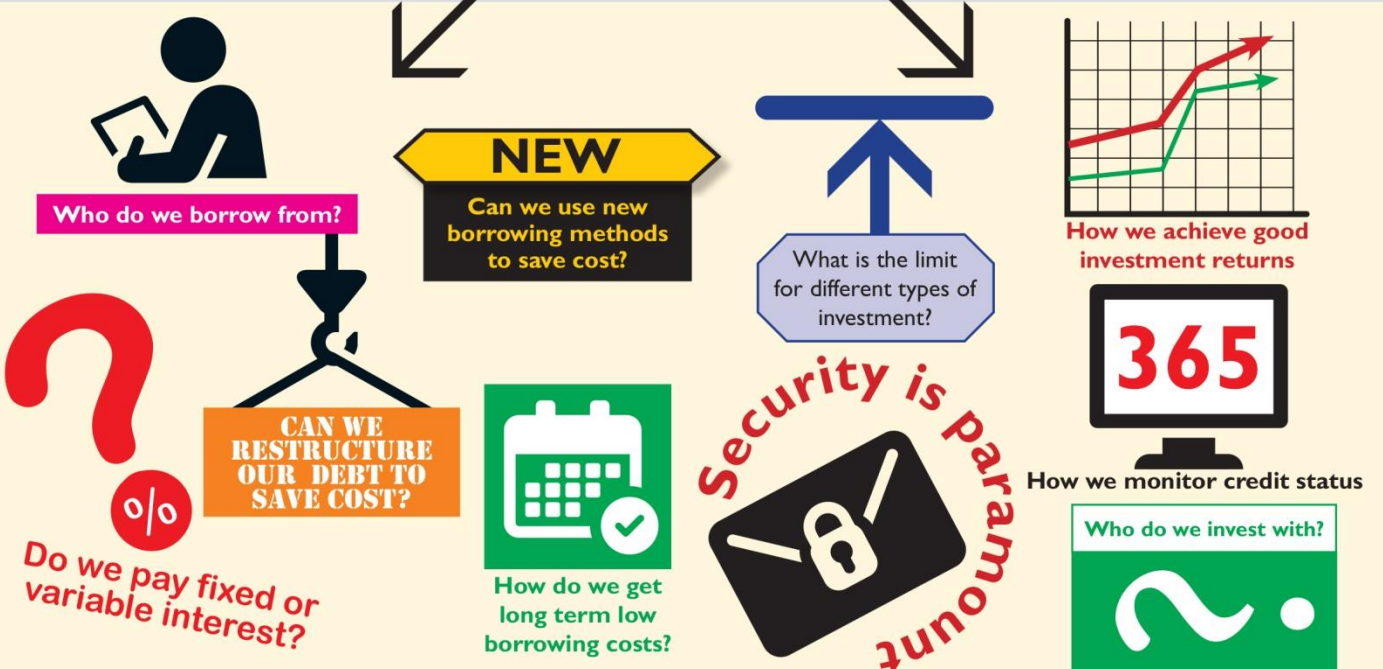
How the Treasury Management System works



Infrastructure and capital investment needs to deliver the Plymouth Plan



Borrowing to fund the investment. Investing surplus funds



Introduction

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

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

This report fulfils the Council’s legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code which was updated in 2018.

INVESTMENTS – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

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

Market Intelligence

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

Statutory and Performance Framework <i>Rules that guide us</i>	Investments <ul style="list-style-type: none"> • Sterling only • Can use UK Government, Local Authority or a body of high credit quality • The Council defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher and domiciled in UK
	Counterparties and Limits (see table on page 20)
	Investment Limits – subject to credit ratings table on page 21 <ul style="list-style-type: none"> • No limit UK Government • £25m any single organisation • £45m any group of organisations • £30m per pooled fund manager • £25m negotiable instruments per broker • £25m per registered provider • £20m unrated corporates and pooled funds • £60m money market funds
	Key Council Budget Assumption for 2019/20 <ul style="list-style-type: none"> • Investments make an average rate of return of 1.49%
Approach <i>Choices made within the framework</i>	Objective - Security first, Yield second and then Liquidity Strategy - to maximise returns, reduce risk and diversify investments Risk Assessment and credit ratio - Our advisors monitor credit ratings daily so any new investments will be made using the latest credit information Other information on security of Investments - Market intelligence from our advisors may give warnings before credit warning changes e.g. credit default swaps information

BORROWING – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

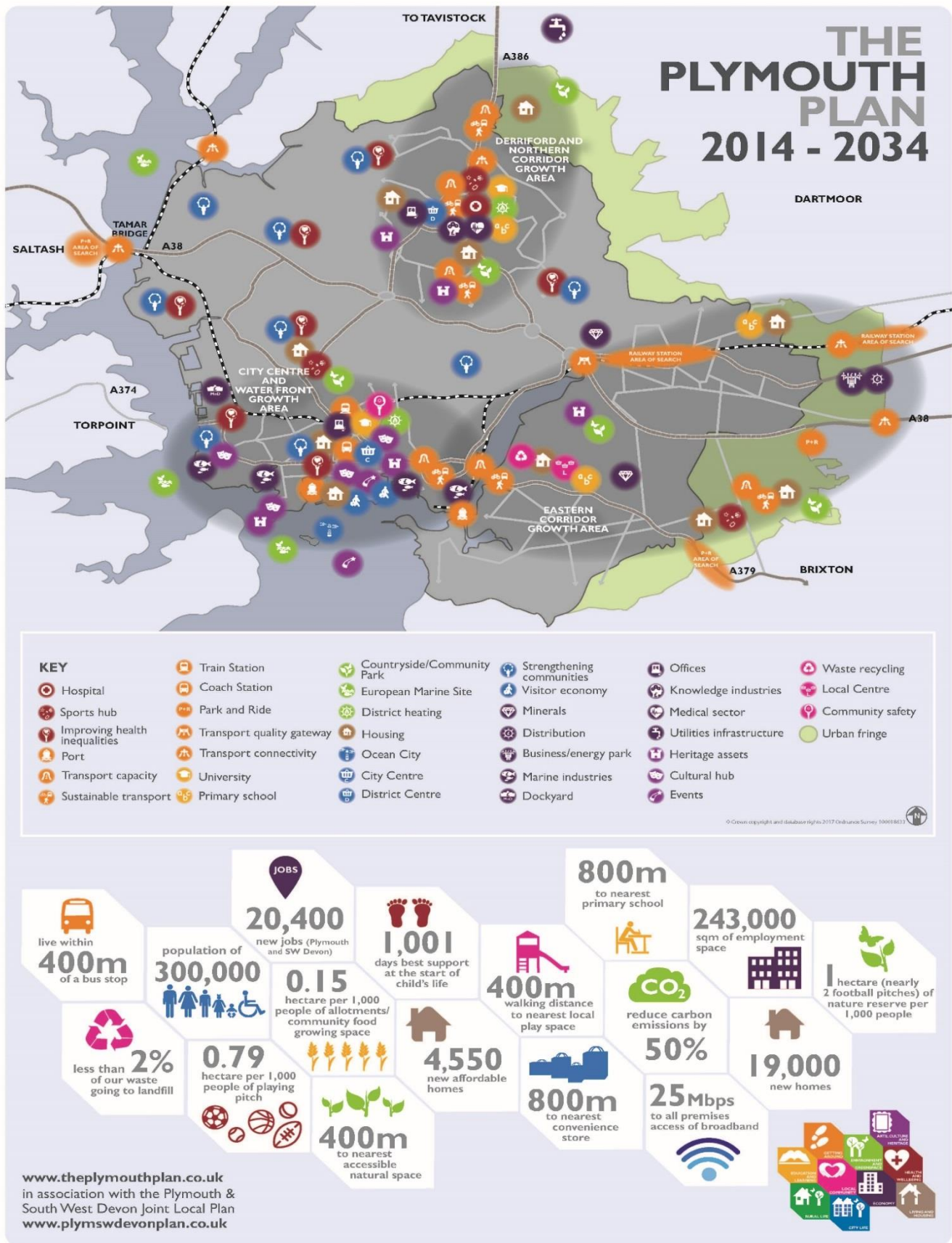
- To achieve the best secure investment returns
- To minimise the cost of borrowing
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

Market Intelligence

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

<p style="text-align: center;">Statutory and Performance Framework</p> <p style="text-align: center;"><i>Rules that guide us</i></p>	<p>Borrowing</p> <ul style="list-style-type: none"> • £220m Total Capital Expenditure • £962m Capital Finance Requirement (need to borrow) • £990m Total Debt (loans and private finance initiative) • £1010m Operational Boundary (practical ceiling on borrowing) • £1095m The Authorised Limit (absolute maximum debt approved)
	<p>Prudential Indicators</p> <ul style="list-style-type: none"> • 9.3% Ratio of finance costs to net revenue stream (borrowing costs as a proportion of net revenue budget) • £19.50 Hypothetical increase in Council Tax affordability. (this is technical measure; the Council has made no future years tax decisions)
	<p>Treasury Management Indicators</p> <ul style="list-style-type: none"> • 100% Limit on Fixed Interest Exposure • 100% Limit on Variable Interest Rate • 0% to 90% Maturity Structure of Borrowing, exposure in any duration
	<p>Minimum Revenue Provision Policy</p> <ul style="list-style-type: none"> • Annuity Method • 50 year repayment for capitalisation directives • PFI/Leases determined by the specific agreement • No MRP on capital loans or investments • Option for capital receipts to be used towards repaying debt
	<p>Key Council Budget Assumption for 2019/20</p> <ul style="list-style-type: none"> • New long-term loans will cost an average rate of 3.25%
<p style="text-align: center;">Approach</p> <p style="text-align: center;"><i>Choices made within the framework</i></p>	<p>Objective - Balance low interest rates with long term certainty</p> <p>Strategy – to borrow short term now and lock in long term when appropriate</p> <p>Sources of Finance - Banks or Building Society, Public Works Loan Board, Pension Funds, Capital Market Bonds, Municipal Bonds Agency, anyone with whom we would invest. Also, Leasing, PFI, Sale & Lease back</p> <p>LOBOs will be repaid if there is a NPV saving and if there is agreement with the lenders</p> <p>Municipal Bonds Agency Council will use where appropriate</p> <p>Debt Restructuring A present value calculation based on current rates for the same period of loan may result in a discount or premium.</p> <ul style="list-style-type: none"> • Council will re-schedule if it reduces cost or risk

Delivering the Plymouth plans explains why we are borrowing and investing



Our Corporate Plan includes themes of infrastructure and investment

Corporate Plan

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

OUR PLAN A CITY TO BE PROUD OF



CITY VISION Britain’s Ocean City

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

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

OUR VALUES

WE ARE DEMOCRATIC

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

WE ARE RESPONSIBLE

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

WE ARE FAIR

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

WE ARE CO-OPERATIVE

We will work together with partners to serve the best interests of our city and its communities.

OUR PRIORITIES

A GROWING CITY

- A clean and tidy city
- An efficient transport network
- A broad range of homes
- Economic growth that benefits as many people as possible
- Quality jobs and valuable skills
- A vibrant cultural offer
- A green, sustainable city that cares about the environment.

A CARING COUNCIL

- Improved schools where pupils achieve better outcomes
- Keep children, young people and adults protected
- Focus on prevention and early intervention
- People feel safe in Plymouth
- Reduced health inequalities
- A welcoming city.

HOW WE WILL DELIVER

Listening to our customers and communities.

Providing quality public services.

Motivated, skilled and engaged staff.

Spending money wisely.

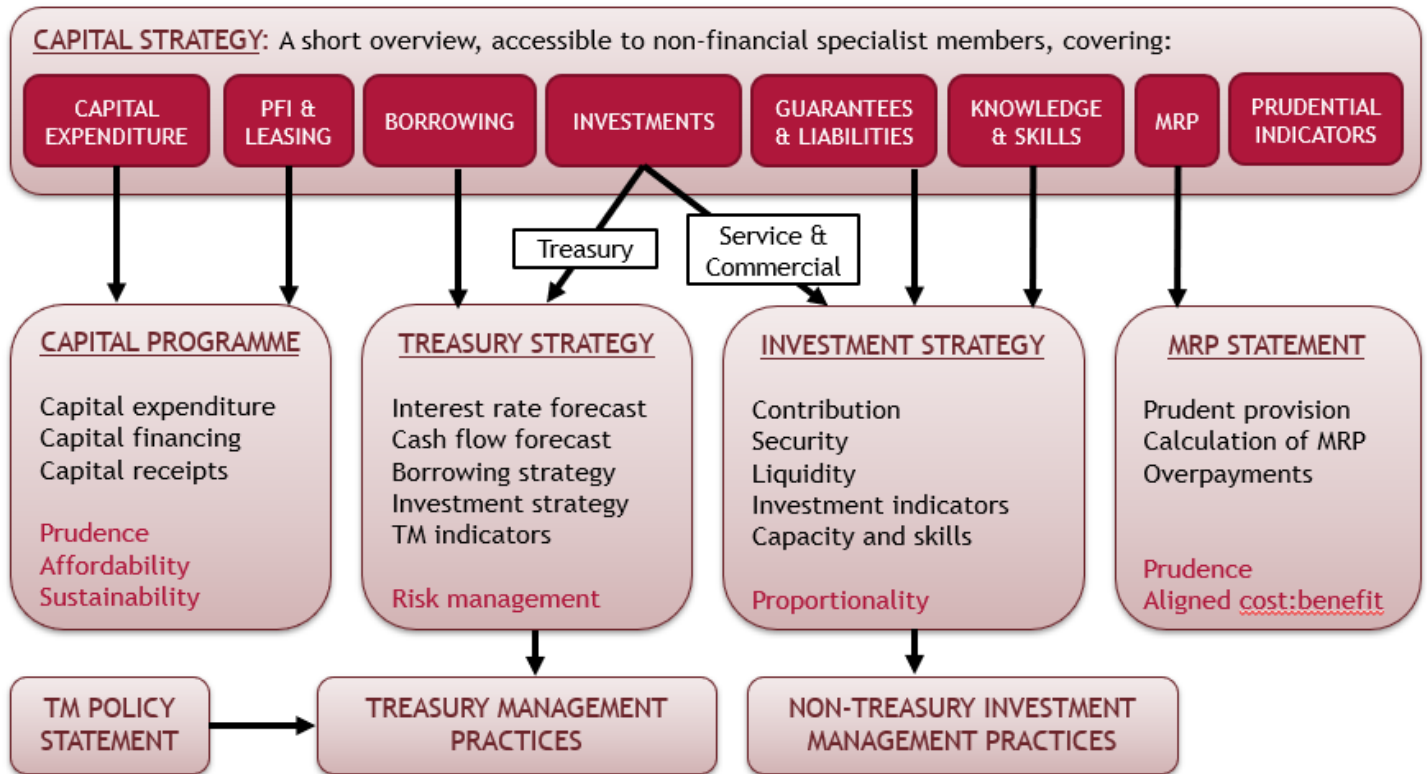
A strong voice for Plymouth regionally and nationally.

Plymouth
Britain’s Ocean City

www.plymouth.gov.uk/ourplan

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

Strategy Reports:



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

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

Economic update from Treasury Management advisors Arlingclose as at November 2019

The UK’s progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council’s treasury management strategy for 2020/21.

UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August.

The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

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

Credit Outlook

Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

This is Arlingclose's view of the risks of bank failures in the period ahead.

Interest Rate Forecast

The Council's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

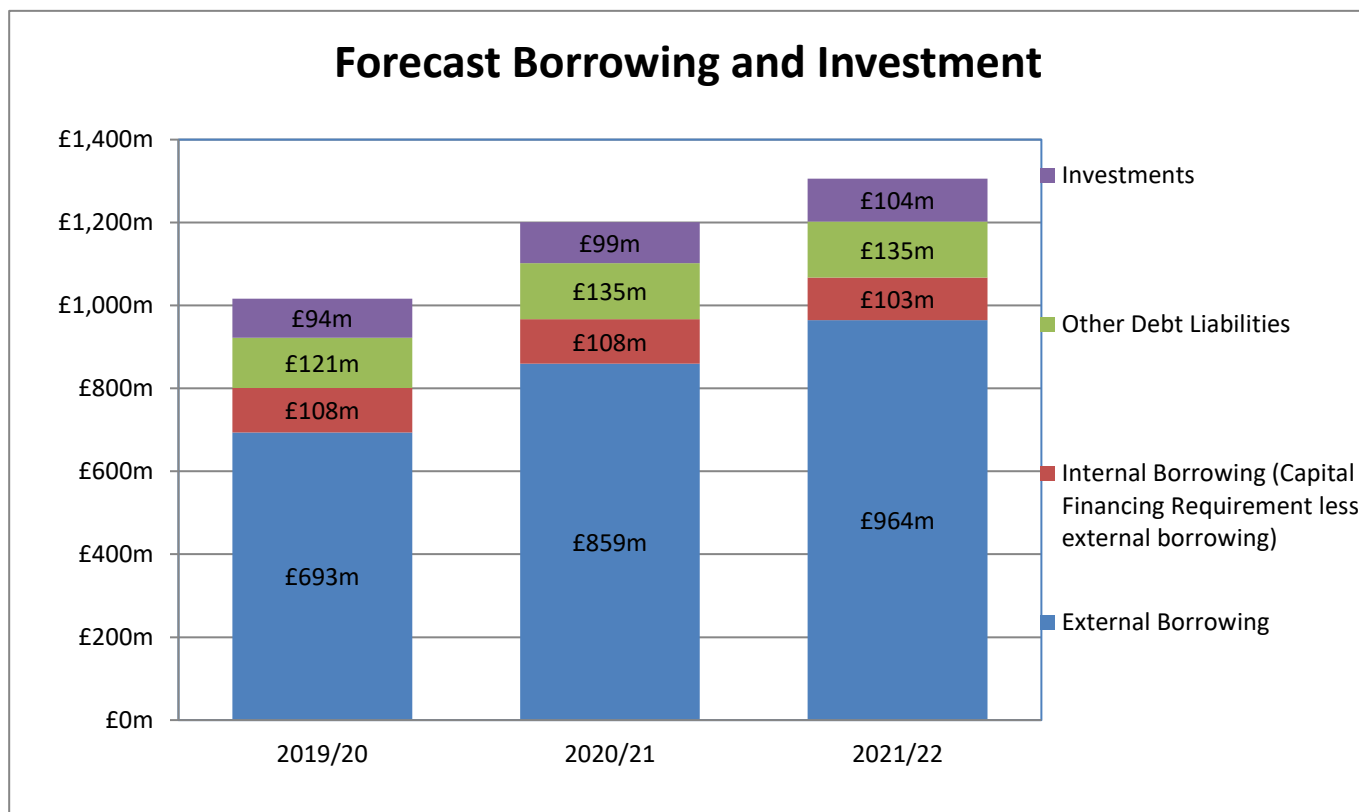
A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 3.0%, and that new long-term loans will be borrowed at an average rate of 3.25%.

Part 2 – Technical Detail for Analysis

Borrowing

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



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

Maximum Total Debt

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

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

The Council held £465 million of loans in as at 31 March 2019. This was an increase of £98 million on the previous year. The increase in loans is because of funding previous years' capital programmes.

The Council expects to hold borrowing up to £855m in 2020/21. The total borrowing must not exceed the authorised limit set by the Council of £950 million.

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

Objectives of Borrowing Decisions

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

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

Borrowing Strategy

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

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

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

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

The Council is looking to continue rolling short-term borrowing and to look at taking interest rate swaps. This combines the main benefit of short-term borrowing (the low margin) with the main benefit of the long-term fixed rate borrowing (the fixed rate).

The government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Council will continue to borrow short term but if it decides to take long-term loans, it will look at other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

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

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

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

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

The Council will only borrow from approved sources.

These are the lenders we are able to use.

Sources of Borrowing

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

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

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

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

The Authority has previously raised some of its long-term borrowing from the PWLB and through

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

Lender's Option Borrower's Option (LOBOs)

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

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

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

This allows the flexibility to borrow from the Municipal Bonds Agency

Municipal Bond Agency

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

Short-term and Variable Rate loans

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

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

Debt Rescheduling

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

Prudential Indicators 2020/21

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

Estimates of Capital Expenditure

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

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

Capital Expenditure and Financing	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
General Fund	134.005	285.955	219.830	158.500
Total Expenditure	134.005	285.955	219.830	158.500
Capital Receipts	2.325	2.330	2.330	2.000
Grants and Contributions	32.078	55.000	88.000	55.000
Reserves	-	-	-	-
Revenue	0.885	1.500	1.500	1.500
Borrowing	98.717	228.567	161.000	100.000
Leasing and PFI	-	-	-	-
Total Financing	134.005	285.955	219.830	158.500

Estimates of Capital Financing Requirement

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

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

Capital Financing Requirement	31 Mar 19 Actual £m	31 Mar 20 Estimate £m	31 Mar 21 Estimate £m	31 Mar 22 Estimate £m
General Fund	572.620	801.187	962.187	1062.187
Total CFR	572.620	801.187	962.187	1062.187

The CFR is forecast to rise by £261m over the next two 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 Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

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

Debt	31 Mar 20 Estimate £m	31 Mar 21 Estimate £m	31 Mar 22 Estimate £m
Borrowing	695.000	855.000	955.000
PFI liabilities & Finance Leases	121.000	135.000	135.000
Total Debt	816.000	990.000	1090.000

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

Operational Boundary for External Debt

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

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

Operational Boundary	2019/20 £m	2020/21 £m	2021/22 £m
Borrowing	750.000	875.000	975.000
Other long-term liabilities	125.000	135.000	140.000
Total Debt	875.000	1010.000	1115.000

Authorised Limit for External Debt

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

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

Authorised Limit	2019/20 £m	2020/21 £m	2021/22 £m
Borrowing	795.000	950.000	1025.000
Other long-term liabilities	130.000	145.000	145.000
Total Debt	925.000	1095.000	1170.000

Ratio of Financing Costs to Net Revenue Stream

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

This measure demonstrates that our proposed borrowing is affordable.

Ratio of Financing Costs to Net Revenue Stream	2018/19 Actual	2019/20 Estimate	2020/21 Estimate
General Fund	7.3%	8.4%	9.3%

Incremental Impact of Capital Investment Decisions

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

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

Incremental Impact of Capital Investment Decisions	2018/19 Actual	2019/20 Estimate	2020/21 Estimate
General Fund - increase in annual band D Council Tax	£18.10	£20.30	£19.50

Adoption of the CIPFA Treasury Management Code

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

Treasury Management Investment Strategy

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

Introduction

The Council invests its money for three broad purposes:

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

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

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

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £70m and £95m million, and is expected to remain about the same in the forthcoming year.

Objectives

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

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from CIPFA. The balance of treasury management investments is expected to fluctuate between £60m and £110m during the 2020/21 financial year.

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

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

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

Approved investment counterparties and limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£6m 5 years	£12m 20 years	£20m 50 years	£6m 20 years	£6m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 25 years	£6m 10 years	£6m 10 years
AA	£6m 4 years	£12m 5 years	£12m 15 years	£6m 5 years	£6m 10 years
AA-	£6m 3 years	£12m 4 years	£12m 10 years	£6m 4 years	£6m 10 years
A+	£6m 2 years	£12m 3 years	£6m 5 years	£6m 3 years	£6m 5 years
A	£6m 13 months	£12m 2 years	£6m 5 years	£6m 2 years	£6m 5 years
A-	£6m 6 months	£12m 13 months	£6m 5 years	£6m 13 months	£6m 5 years
Unrated pooled funds, corporates and real estate investment trusts	£20m per fund or trust				
Unrated investments in equity, quasi-equity, debt or otherwise	£5m per investment for 10 years				

This table must be read in conjunction with the notes below

Investment Limits

The Council's revenue reserves available to cover investment losses were £60 million on 31 March 2018. No more than 60% of available reserves will be put at risk in the case of a single organisation (other than the UK Government). When considering investment limits in the chart below you must also refer to the credit ratings of the individual organisations (see table above) to make the final assessment.

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

Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£25m
UK Central Government	Unlimited
Any group of organisations under the same ownership	£45m per group
Any group of pooled funds under the same management	£30m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country
Registered Providers	£25m in total
Unsecured investments with Building Societies	£10m in total
Loans and investments to unrated corporates and pooled funds	£25m in total
Money Market Funds	£60m in total
Real estate investments trusts	£10m in total
Unrated investments in equity, quasi-equity, debt or otherwise	£5m in total

Liquidity Management

The Council uses a cash flow forecasting spreadsheet to determine the amount of cash required on a day to day basis to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

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

Council Budget Assumptions for 2020/21

- Investments will make an average rate of 1.49%
- New long-term loans will cost an average rate of 3.25%

Negative Interest Rates

If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

Given the increased risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and higher yielding asset classes during 2019/20. The Council holds

£35m as a longer-term investment (CCLA Property Fund, CCLA Diversified Fund and Schroder's Income Maximiser) and these give a higher return than the short term investments.

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

Business models:

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

Approved Counterparties

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

Credit Rating

Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all relevant factors including external advice will be taken into account.

Banks Unsecured

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

Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be issued following finance due diligence, loan agreement and security assessment.

Registered Providers

Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing and registered social landlords, formerly known as Housing Associations. These bodies are tightly regulated by the Regulator of Social Housing and, as providers of public services; they retain the likelihood of receiving government support if needed.

Pooled Funds

Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

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

Real estate investment trusts

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

Operational Bank Accounts

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

Risk Assessment and Credit Ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

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

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

Other Information on the Security of Investments

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

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.

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

Treasury Management Indicators

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

This is how we measure our performance.

Security

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

	Target
Portfolio average credit rating	A

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

Liquidity:

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

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

Interest Rate Exposures

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

	2020/21	2021/22	2022/23

Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

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

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

Maturity Structure of Borrowing

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

	Upper	Lower
Under 12 months	90%	10%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	50%	0%
10 years and above	80%	10%

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

Principal Sums Invested for Periods Longer than 365 days

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

	2020/21	2021/22	2022/23
Limit on principal invested beyond one year	£40m	£50m	£50m

Non-Treasury Management Investments

Introduction

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

The Council invests its money for three broad purposes:

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

Treasury Management Investments

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

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

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

Service Investments

Loans

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

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

Loans are treated as capital expenditure for accounting treatment.

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

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

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

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

Shares

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

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

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

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

Commercial Investments: Property

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

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

Property held for investment purposes

Asset Investment Fund	Actual 2018/19	Estimate 2019/20	Forecast 2020/21
Commercial Property	£129.137m	£200.000m	£240,000m
Net Income	£2.794m	£4.000	£4.800m
Net Return	2.2%	2.2%	2.2%

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

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

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

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

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

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

Proportionality

The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan.

Table 4: Proportionality of Investments

	2018/19 Actual
Gross expenditure on provision of services	£531.681
Gross Investment income	£2.794m
Proportion	0.53%

Borrowing in Advance of Need

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

Investment Evaluation Process

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

- I. Proposed investment opportunities are reported by suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals.

2. This assessment provides analysis of a set of key criteria against which every prospective purchase is evaluated. The presentation of information highlights fundamental matters such as tenant covenant strength, lease length and location, in a transparent and consistent format, to support clear scrutiny and decisions.
3. The assessment provides a basis for scoring and weighting risk, to support the analysis of potential acquisitions and qualify overall suitability for inclusion in the portfolio.
4. The score threshold is not an absolute, but helps guide decisions.
5. To ensure arms-length objectivity, external agents provide professional market analysis, data and advice, in the context of the Property Investment Strategy, to support the evaluation and internal reporting process.
6. Since tenant default is a significant threat to the performance of the property investment financial checks are made on the proposed tenants. This is augmented by additional internal assessment of tenants' covenant and likely future performance.
7. With all the additional information a detailed model is produced. The model is tailored for each prospective investment, by including items such as future demand, yield, cash flows; rental movement, optimal holding periods for the property and data to support profitability modelling.
8. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms.
 - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, issued by RICS as part of their commitment to promoting and support high standards in valuation delivery worldwide. The publication details mandatory practices for RICS members undertaking valuation services.
 - A Building Survey report, as part of the proposed purchase for investment purpose, including preparation of a Site Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.
9. The above is reviewed by the Asset Portfolio Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Land and Property on whether to proceed.
10. Head of Land and Property Projects receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

Property Investment Governance

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

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

Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director of Finance is a qualified accountant with over 20 years' experience.

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

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

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

How investments are funded:

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

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

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

Loan Commitments and Financial Guarantees

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

Annual Minimum Revenue Provision Statement 2020/21

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

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

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

Minimum Revenue Position Policy

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

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

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

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

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

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

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

External Loans

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

In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

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

PFI/Leases - For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Other Items

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

Policy on use of Financial Derivatives

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

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

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Investment Training

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

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

Markets in Financial Instruments Directive

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

Other options considered

The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Investment of Money Borrowed in Advance of Need

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

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

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

Appendix A – Arlingclose Economic and Interest Rate Forecast November 2019

Underlying assumptions

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.
- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.
- Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitional period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.
- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.
- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.
- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.
- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on General Election outcomes and the evolution of the global economy.
- Arlingclose judges that the risks are weighted to the downside.
- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.
- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.60
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	0.37
Arlingclose Central Case	0.50	0.50	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.56
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.00	1.00	0.88
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.45
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45

Appendix B - Existing Investment and Debt Portfolio Position

	31 Oct 2019 Actual Portfolio £m	31 Oct 2019 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	44.3	5.76
Local Authorities	442.0	0.91
LOBO Loans	64.0	4.34
Long Term Borrowing	18.0	4.37
Total External Borrowing	415.8	1.78
Other Long Term Liabilities:		
PFI, Finance Leases and other liabilities	120.5	n/a
Other loans	11.7	n/a
Total Gross External Debt	647.0	
Investments:		
<i>Managed in-house</i>		
Short-term Money Market Funds	40.0	0.68
Other Short Term investments	19.8	0.92
<i>Managed externally</i>		
CCLA Pooled Funds	25.0	3.80
Other Pooled Funds	25.0	2.75
Total Investments	109.8	1.88
Net Debt	537.0	

Treasury Management Strategy 2020-21

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INTRODUCTION AND CONTEXT

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

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

It is now a requirement as part of the amendments implemented in the 2017/18 Treasury Management Code of Practice Guidance that all Local Authority's will need to produce a Capital Strategy each year.

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

CAPITAL FRAMEWORK

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

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

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

In February 2019 the Council approved a budget which contained an uplift to the revenue budget of £0.450m to meet the increased costs associated with borrowing requirements to fund the capital programme. The MTFS approved by Council on 19 November contained proposals to further increase this sum by £0.800m in 2020/21 and £0.600m in 2021/22. The MTFS sets out a summary of schemes that the Council wishes to support and an indicative level of Council financial support which will assist in the delivery of those schemes which all deliver towards the city's outcomes.

GOVERNANCE

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

All new schemes must be fully financed and receive relevant approval by Responsible Finance Officer; up to £0.200m, or by the Leader, on the recommendation of the City Council Investment Board (CCIB), when above this threshold. Each scheme will need to detail:

- the aim of the project and any other ways of achieving it
- effects on staffing

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

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

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

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

CAPITAL BUDGET

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

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

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

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

CAPITAL PROGRAMME

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

The table below details the Capital Programme as reported to Cabinet in November 2019, including, amongst others, the following schemes:

- Derriford Transport Scheme
- Forder Valley Link Road
- Northern and Eastern Corridor Improvements
- The Box
- Oceansgate
- Asset Investment Fund
- Central Park Improvements
- Bereavement Service

➤ Schools Basic Need

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

Capital Programme by Directorate

Directorate	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m	£m
People	8.274	0.187	0.172	0.172	-	8.805
Place	141.407	85.511	28.273	18.836	7.851	281.878
Transformation & change	9.935	2.565	-	-	-	12.500
Public Health	6.423	4.844	-	-	-	11.267
Total	166.039	93.107	28.445	19.008	7.851	314.450

CAPITAL EXPENDITURE AND FINANCING

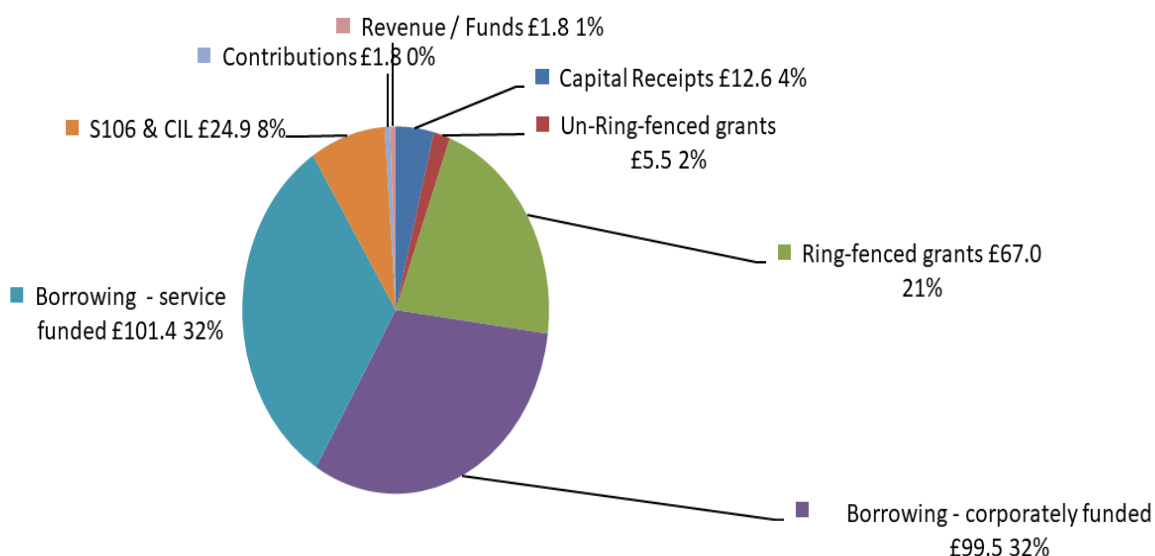
Capital expenditure is defined as money spent on assets, such as property or vehicles, which will provide a service benefit for more than one year. In local government, this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council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

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

- Capital Receipts;
- Grants and contributions;
- S106 and Community Infrastructure Levy (CIL);
- Revenue Contribution to Capital Outlay (RCCO);
- Borrowing – both funded corporately, or where schemes deliver a saving, this is offset against the project and repaid by service.

The Council has approved medium-term capital expenditure of £314.450m as summarised below by funding source.

Funding of 2019-2024 Capital Programme £314m



ASSET INVESTMENT FUND

The Asset Investment Fund has invested £167 million in income-producing, direct development and forward funding commercial property schemes to deliver:

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

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

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

AFFORDABILITY

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

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

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

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

As much of the capital programme is funded by borrowing, assumptions and decisions on the cost and affordability of the Council's borrowing is linked to the Public Works Loan Board (PWLB) interest rates, prudential indicators and the approved borrowing strategy as set out in the Treasury Management Strategy 2020/21.

RISK MANAGEMENT

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

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

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

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

KNOWLEDGE AND SKILLS

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director of Finance is a qualified accountant with over 20 years' experience.

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

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

Cabinet



Date of meeting: 11 February 2020
 Title of Report: Capital & Revenue Monitoring Report 2019/20– Quarter 3
 Lead Member: Councillor Mark Lowry (Cabinet Member for Finance)
 Lead Strategic Director: Andrew Hardingham (Service Director for Finance)
 Authors: Paul Looby – Head of Financial Planning and Reporting
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 email: hannah.west@plymouth.gov.uk
 Your Reference:
 Key Decision: No
 Confidentiality: Part 1

Purpose of Report

This report outlines the finance monitoring position of the Council as at the end of December 2019.

The primary purpose of this report is to detail how the Council is delivering against its financial measures using its capital and revenue resources, to approve relevant budget variations and virements, and report new schemes approved in the capital programme.

As shown in Table 1 below, the estimated revenue overspend is £2.283m. The overall forecast net spend equates to £187.266m against a budget of £185.483m, which is a variance of 1.23%. This needs to be read within the context of needing to deliver in excess of £17.000m of savings in 2019/20 on the back of balancing the 2018/19 revenue budget where £11.000m of net revenue reductions were successfully delivered.

Additional management solutions and escalated action to deliver further savings from the council's transformation programme will be brought to the table over the coming months in order to address the in year forecasted overspend.

Table 1: End of year revenue forecast

	Budget £m	Forecast Outturn £m	Variance £m
Total General Fund Budget	185.483	187.266	2.283

The latest approved capital budget as at 30 September 2019 for the five years from 2019/20 to 2023/24 was £845.354m. It has been adjusted to take into account some of the changes to the capital programme and adjustments to the income assumptions shown in table 5.

Recommendations and Reasons

1. Note the current revenue monitoring position and action plans in place to reduce/mitigate shortfalls;
2. Note there are no virements that need approval since 1st October 2019;
3. Council approve the Capital Budget 2019-2024 is revised to £892.911 (as shown in Table 5)

Alternative options considered and rejected

None – our Financial Regulations require us to produce regular monitoring of our finance resources

Relevance to the Corporate Plan and/or the Plymouth Plan

This quarterly report is fundamentally linked to delivering the priorities within the Council's Corporate Plan. Allocating limited resources to key priorities will maximise the benefits to the residents of Plymouth.

Implications for the Medium Term Financial Plan and Resource Implications:

Robust and accurate financial monitoring underpins the Council's Medium Term Financial Plan (MTFP). The Council's Medium Term Financial Forecast is updated regularly based on on-going monitoring information, both on a local and national context. Any adverse variations from the annual budget will place pressure on the MTFP going forward and require additional savings to be generated in future years.

Carbon Footprint (Environmental) Implications:

No impacts directly arising from this report.

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

** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

The reducing revenue and capital resources across the public sector has been identified as a key risk within our Strategic Risk register. The ability to deliver spending plans is paramount to ensuring the Council can achieve its objectives to be a Pioneering, Growing, Caring and Confident City

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
I	Detailed Breakdown of the Capital Programme							

Background papers:

*Add rows as required to box below

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

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

Sign off:

Fin	akh.1 9.20. 214	Leg	lt/341 41/3 101	Mon Off		HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Andrew Hardingham											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 28/01/2020											
Cabinet Member approval: Councillor Lowry, Cabinet Member for Finance											
Date approved: 05 Feb 2020											

DECEMBER 2019 FINANCE MONITORING**Table 2: Revenue Monitoring Position**

Directorate	Gross Expenditure	Gross Income	2019/20 Latest Approved Budget	Forecast Outturn	Forecast Year End Variation	Movement from previous Month
	£m	£m	£m	£m	£m	£m
Executive Office	6.450	(0.590)	5.860	6.181	0.321	0.168
Finance	21.889	(5.051)	16.838	17.338	0.500	(0.250)
Customer and Corporate	96.541	(81.248)	15.293	16.653	1.360	0.212
Children's Directorate	139.546	(92.854)	46.692	49.188	2.496	0.154
People Directorate	125.355	(38.389)	86.966	86.066	(0.900)	(0.200)
Office of the Director of Public Health	18.572	(19.019)	(0.447)	(0.447)	0.000	0.000
Place Directorate	82.148	(57.999)	24.149	24.499	0.350	0.000
Corporate Items	10.516	(20.383)	(9.867)	(11.711)	(1.844)	(0.500)
TOTAL	501.017	(315.533)	185.483	187.266	2.283	(0.446)

Table 3: Plymouth Integrated Fund

Plymouth Integrated Fund	2019/20 Budget	2019/20 Forecast	Year End Overspend / (Underspend)
	£m	£m	£m
New Devon CCG – Plymouth locality	376.982	379.570	2.388
Plymouth City Council *	254.859	256.501	1.642
TOTAL	631.841	635.871	4.030

The financial position above for the Plymouth Integrated Fund is for the 2019/20 month 8 position, and before any risk share.

*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).

Table 4: Key Issues and Corrective Actions

Issue	Variation £m	Management Corrective Action
<p>EXECUTIVE OFFICE</p> <p>There are pressures held within the Legal budget which are being closely monitored; £0.189m, which is carry forward from 2018/19. £0.100m was to be met from a Service review as indicated in the MTFP and £0.089m is apportioned Transformation legacy savings.</p> <p>In addition to this, there is pressure on income targets not achieved of £0.072m and missed vacancy savings target of £0.088m. Partly offset by salary saving within Chief Executive Office (£0.028m).</p>	0.321	<p>Within the elections budget, management is undertaking all possible actions to maximise logistics efficiencies and generate in-year savings above and beyond what is set out to meet in service pressures covering a 5 year window. The department is using vacancy management to off-set some of the pressure and as a result is carefully managing demand in terms of impact on capacity.</p> <p>Income generation is also being proactively sought with some success</p> <p>All efforts are being made to help offset this current position.</p>

<p>FINANCE</p> <p>The main budget pressures continue to be legacy savings, which are in excess of £0.400m. The target savings of £2.000m for Treasury Management are at risk, and pressures of approximately £0.800m have been identified within Facilities Management due to Asbestos, R&M and unachieved efficiency savings.</p>	0.500	<p>All opportunities are being explored to meet the Treasury Management savings target. This includes working with our Treasury Management Advisors to explore new and innovative opportunities e.g. rescheduling LOBOSs if market conditions are favourable.</p> <p>Further technical adjustments to the method of providing debt repayment should result in the majority of these savings being realised by year-end.</p>
<p>CUSTOMER and CORPORATE – Customer Services</p>	0.533	<p>Budget savings for staff vacancies £0.192m and efficiency savings £0.268m are continuing on being managed through salary savings and other savings. Despite this, pressure is showing within Housing Benefit which remains closely monitored but highly volatile.</p>
<p>CUSTOMER and CORPORATE – Service Centre</p> <p>The budget pressure of £0.600m includes a £0.500m legacy saving.</p>	0.600	<p>CMT previously agreed to the transfer of other transactional services into the Service Centre. Benefits will be quantified in 2019/20. These can only be delivered by working in partnership and with co-operation from all service business areas.</p>
<p>CUSTOMER and CORPORATE – Human Resources & Organisational Development</p>	(0.107)	<p>There is a legacy savings target of £0.050m that has been met in-year as a one off through salary savings.</p>
<p>CUSTOMER and CORPORATE – Departmental</p> <p>The budget includes legacy savings of £0.879m which are being reported as at risk of delivery.</p>	0.483	<p>Plans are continuing to be developed e.g. a review of management overheads across the directorate and other challenging decisions which will need further discussion. Therefore at this stage it is prudent to declare a pressure of £0.483m.</p>

<p>CUSTOMER and CORPORATE – Transformation</p>	<p>(0.149)</p>	<p>£0.149m of savings has been achieved mainly due to vacancies within the salaries budget within the Project Management Team.</p>
<p>CUSTOMER and CORPORATE – ICT Commissioned Service</p> <p>There are a number of budget pressures being reported. Several budgets are lower than required; Unitary Charge £0.720m, PADS £0.066m and Payroll £0.074m. Savings of £0.129m are shown against the financing charges for the way we work. Included in the £0.720m are identified additional savings of £0.184m. The DELT dividend is being forecast at £0.160m which is £0.270m lower than budget</p>	<p>0.000</p>	<p>A financing solution is currently being negotiated to mitigate these pressures as referenced below within Corporate Items.</p>
<p>CHILDREN'S DIRECTORATE</p> <p>The Children Young People and Families Service are reporting a net budget pressure of £2.496m at Month 9. The reported pressure is due to the following:</p> <p>The net delivery (savings) plans at risk £0.859m Following a robust challenge by finance to the services, this is highlighting the risk against the overall delivery plan for the Children's Directorate £4.630.</p> <p>Business As Usual (£0.094m) – Is forecasting a favourable position with a further reduction of (£0.200m) in the month. The Service have reduced expenditure wherever possible through the quarterly budget review exercise in order to offset non budgeted resource costs and overheating budgets such as borrowing, legal agent costs and specialist assessments.</p>	<p>2.496</p>	<p>The following actions are being taken to try to mitigate the risk in the Children's budget.</p> <ul style="list-style-type: none"> • Fortnightly placement review to ensure step down all placements where appropriate with particular attention to high cost placements. • Review of staying put arrangements and financial remuneration. • Maximize contribution from partners - Health and Education Action Complete required Health tool for all Residential placements. Review elements of contracts to ensure Education element is recharged correctly. • Service Director persistently raising matter of budgetary pressures at all staff meetings to ensure only essential expenditure and actions taken in a timely manner. • Maximise local residential placements to avoid higher out of area associated costs.

<p>Children & Young Peoples Placements £1.731m - The increased pressure of £0.712m identified at month 9 is as a combination of the increased numbers of looked after children and the additional and extended arrangements of 4 high cost unregulated / unregistered arrangements for young people with complex needs. Young people placed in residential placements have also increased by 2 placements in the month. All placements continue to be reviewed with a view to step down where appropriate for mitigation.</p>		<ul style="list-style-type: none"> • Director & Finance Review all Financial Assumptions, monthly all placements and hot spots and quarterly line by line review • The residential block contract “Caring in Partnership” is being maximized to keep children local at reasonable weekly rates. The contract has enabled 22 placements of Plymouth children and young people in the last year, including bringing children who had been placed out of area back to the city and supporting other children to step down to fostering, into independence or to return home. The block contract continues to offer value for money in comparative weekly fees. The void rate has declined over recent months but this is due to two two-bedded homes needing to be blocked by one child in each home to meet their complex needs. These situations are regularly reviewed with the aim of matching children alongside as soon as possible. • Programme Lead and additional resource has been put into the directorate to ensure we keep on track against the original target. • Fortnightly Programme Boards now in place plus additional resources within the directorate to ensure we maximize the savings.
<p>PEOPLE - Strategic Cooperative Commissioning</p> <p>The Strategic Commissioning service is working across the People Federation to reduce costs and improve efficiencies with any resultant savings being offered as offsetting part of the pressure on the Children’s Directorate.</p> <p>ASC client numbers have continued to drop, which is as a direct result of the work undertaken over the last year to deliver improvements in the management of the ASC front door, the implementation of a robust scheme of delegation and the close working arrangement with LWSW through</p>	<p>0.000</p>	

<p>budget containment meetings to address system pressures. This has resulted in a current underspend in expenditure, partly offset by a reduction of client contributions, as would be expected.</p> <p>Due to pressures across the rest of the Council, a full review of clients sitting in intermediate health placements that are expected to move into ASC placements has been completed this month and we have revised our full year forecast accordingly. However, there is currently significant capacity pressures across the Dom Care market and work continues to explore options to increase capacity to support the urgent care system through the rest of this winter.</p>		
<p>PEOPLE – Community Connections</p> <p>Community Connections is reporting a (£0.900m) favourable variation at month 9, a change of (£0.200m) from month 8. Additional movement in month has come from further maximisation of grant income. Meanwhile B&B numbers remain lower than those reported during 2018/19 through the use of alternative placements secured in existing contracts. This is being achieved and maximised through partnership working with the Alliance.</p>	(0.900)	
<p>PEOPLE - Management & Support</p> <p>The People Management & Support budget is currently forecast to balance to budget at year end.</p>	0.000	

<p>Office of the Director of Public Health</p> <p>The budget for the Office of the Director of Public Health (ODPH) is forecasting to balance to budget at year end, but acknowledging that there is risk within the forecast of savings to make that do not have any plans against them and there is an additional high risk due to the fire at Efford Crematorium at New Year. The financial implications of this are not yet fully understood but we anticipate considerable additional costs; these will be quantified more fully in next month's report. There have also been extra costs which have been incurred, and more are anticipated, due to Brexit.</p> <p>The ODPH budget is made up of:</p> <ul style="list-style-type: none"> • Public Health, which is grant funded and forms part of the Integrated Fund, • Public Protection Service and • Bereavement Services. <p>There has been a reduction in the Public Health grant received in 2019/20 of £0.405m from the previous year, which is being contained by holding staff vacancies and through reducing the value of contracts held within the department.</p> <p>The Public Protection service, funded from RSG and other income streams, are forecasting to spend to budget, however there are reviews of spending across the service during the year to be able to achieve this.</p> <p>The Bereavement Service is forecasting slightly more cremations than were budgeted for at this point in the year,</p>	0.000	<p>The departments will be working to cover the current risk to bring it to zero at year end.</p>
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<p>however additional income and less expenditure on other areas means that there is still a small surpluses being forecast which is ring-fenced and cannot be counted towards any favourable variations for the Directorate. However, since the recent incident at Efford Crematorium, this may change the year end projections and will be shown as part of the month 10 figures.</p>		
<p>PLACE - Strategic Planning and Infrastructure (SP&I)</p> <p>The forecast SP&I budget position shows a net £104k positive variation to budget. This is a positive change since last month's budget monitoring report of £18k. There continues to be concern about a significant shortfall in planning application and development enquiry service fees and risks associated with building control income, which can be attributed to the wider economic uncertainty affecting investment decisions. However, this is currently forecast to be more than compensated by an increased vacancy saving forecast (partly related to recruitment difficulties, especially in the transport teams). The in-month positive variation is a result of spend on concessionary fares and improved salary-related forecasts and underspends elsewhere within the department.</p>	<p>(0.104)</p>	<p>The SP&I Senior Management Team will continue to monitor the department's vacancy management arrangements, reduced spending and increased income measures. To maintain this position, areas of departmental activity will be stopped for the remaining part of the year if that becomes necessary.</p>
<p>PLACE - Management Support (Director's budget)</p> <p>The opening (£0.451m) efficiency target, plus the (£0.067m) Game Team staff cost pressure has been reduced by a permanent virement of £0.150m to Street Services and a one off ED income generation of £0.241m. There are no</p>	<p>0.241</p>	<p>Overall Place monitoring will continue to seek one off efficiencies by reducing costs and potential income opportunities to reduce this pressure.</p>

<p>specific actions in place to meet this remaining (£0.127m) currently.</p>		
<p>PLACE - Economic Development</p> <p>£1.100m of forecast income generation from Asset Investment Fund acquisitions in excess of target, have enabled £0.700m of spend pressures within Economic Development to be met.</p> <p>Spend pressures include earmarking £0.300m resources to meet a loss arising from the discovery of asbestos at the City Business Park, containing £0.200m unavoidable commercial estate pressures, and delivering on £0.200m pledges.</p>	<p>(0.396)</p>	<p>£0.241m of the one-off ED AIF income has been used to offset part of the overall Place efficiency target.</p> <p>Efforts will continue to be taken to maximise income and reasonably contain costs.</p>
<p>PLACE – GAME</p>	<p>0.000</p>	<p>Nil variance to report</p>
<p>PLACE - Street Services</p> <p>Street Scene & Waste services: SSW are reporting an adverse variation. This can be attributed to the RTS fire and closure of the facility for 9 weeks, increased costs linked to health and safety, increased maintenance costs of an aging fleet and overall pressures to deliver clean and tidy streets.</p> <p>Through tight financial management and increased efforts to maximise commercial income, the pressure is expected to</p>	<p>0.609</p>	<p>A detailed review of all Street Scene & Waste budgets, including a coding/budget realignment is on-going, which will aid management of these budgets going forward.</p>

<p>be in the order of £0.609m. Areas being focused on include staffing costs, fuel and maintenance costs of vehicles and some operational costs.</p> <p>Fleet and Garage: Fleet are reporting to budget but have a risk of £0.034m. This relates to a £0.026m gap against a previous savings target, and a £0.008m pressure due to the requirement for a new fuel system. There is also a risk around their £0.050m additional savings target, although delivery plans are being worked on to help meet this that rely on client account savings.</p> <p>Garage are forecasting to come in on budget. The Garage also has a £0.050m savings target that is being picked up in the aforementioned delivery plan.</p> <p>Highways and Car Parking: Highways are currently forecasting to come in on budget, although there are risks around 19/20's additional car parking income target.</p>	<p>0.000</p> <p>0.000</p>	<p>Detailed analysis is ongoing within the Garage to meet the budget position.</p>
<p>CORPORATE ITEMS</p> <p>Following a review of the Collection Fund at month 8 there is an improved position which has enabled £0.994m to be released from the collection fund to support the revenue budget.</p> <p>Following a review of the provision to support the costs for restructuring services £0.350m has been released to support the revenue budget.</p>	<p>(1.844)</p>	

Following a review of the Pension deficit solution and impact upon the council's borrowing a further £0.500m has been released to support the revenue budget.		
TOTAL	2.283	

Recommendation

It is recommended that Cabinet note the current monitoring position.

VIREMENTS

There are no virements that need approval.

Recommendation

It is recommended that Cabinet note there are no virements that need approval since 1st October 2019.

Capital Report

The latest approved capital budget as at 30 September 2019 for the five years from 2019/20 to 2023/24 was £845.354m.

The capital budget has been adjusted to take into account some of the changes to the capital programme and adjustments to the income assumptions shown in table 5.

The five year capital budget 2019-2024 is currently forecasted at £892.911m as at 31 December 2019. This is set out in Table 1.

Current Capital Resources

Table 5 The Capital budget consists of the following elements:

Description	£m
Capital Programme approved by CCIB	454.844
Income Assumptions *	438.067
Total Revised Capital Budget for Approval (2019-2024)	892.911

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

Within the approved budget (representing forecast resources), the Capital Programme represents projects that have been approved by the City Council Investment Board (CCIB). Project officers prepare detailed business cases and present them to the board and if approved the CCIB recommends them to the Leader for approval. Once the executive decision has been signed by the leader the projects are added to the Capital Programme for delivery.

Tables 6 and 7 below shows the revised capital programme for the period 2019-2024, as at the end of December 2019. Appendix 1 shows a detailed breakdown of the Capital Programme.

Revised Capital Programme

Table 6 Capital Programme by Directorate

Directorate	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m	£m
People	7.847	0.637	0.172	0.172	-	8.828
Place	159.560	103.574	29.039	19.148	7.855	319.175
Transformation & change	112.711	2.863	-	-	-	115.573
Public Health	6.423	4.844	-	-	-	11.267
Total	286.541	111.918	29.212	19.320	7.855	454.844

Table 7: Capital Programme by Delivery Outcome

Primary Outcome of Projects	£m
Securing Growth in the City Centre/Waterfront	26.973
Securing Growth in Derriford and the Northern Corridor	64.451
Securing Growth in the Eastern Corridor	10.905
Delivering More/Better Housing	17.108
Ensuring Essential City Infrastructure	26.732
Improving Neighbourhoods and Community Infrastructure	5.347
Ensuring Good Quality School Places	3.631
Growing the Economy	45.838
Delivering Oceansgate	15.437
Connecting the City	28.712
Celebrating Mayflower	7.185
Delivering The Box	16.828
Transforming Services	185.697
Total	454.844

Recommendation

That Council approve the Capital Budget 2019-2024 is revised to £892.911 (as shown in Table 5)

Appendix I: Detailed Breakdown of the Capital Programme

Approved Capital Programme	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£000	£000	£000	£000	£000	£000
Celebrating Mayflower						
Mayflower 400 - Public Realm Improvements	924	-	-	-	-	924
Mayflower 400 - A38 Signage	925	-	-	-	-	925
Mayflower 400 – Plymouth Signage	500	-	-	-	-	500
Mayflower 400 – Public Realm Enabling	2,102	512	-	-	-	2,614
Mayflower 400 - Elizabethan House	796	468	-	-	-	1,264
Mayflower 400 - Monument	450	-	-	-	-	450
Mayflower 400 IT and CRM Systems	310	-	-	-	-	310
Mayflower 400 - Waterfront Event Infrastructure	197	-	-	-	-	197
Total Celebrating Mayflower	6,205	980	0	0	0	7,185
Connecting the City						
Mayflower Coach Station	20	-	-	-	-	20
Electric Car Charge Points	2	-	-	-	-	2
On Street electric Vehicle Charging	50	500	-	-	-	550
Cot Hill Bridge	0	763	-	-	-	764
Plymouth Rail Station Regeneration	2,277	2,558	4,793	13,014	4,020	26,662
Ply Railway Station Concourse (TCF)	1,238	-	-	-	-	1,238
Total Connecting the City	3,587	3,821	4,793	13,014	4,020	29,236
Delivering More/Better Housing						
Self Build Housing Sites	38	115	-	-	-	153
North Prospect Phase 4	-	1,000	-	-	-	1,000
North Prospect Phase 5	950	-	-	-	-	950
Bath Street	170	1,663	-	-	-	1,832
Plan for Homes	398	1,140	-	-	-	1,538
Plan for Homes 3	-	2,450	2,250	2,250	1,250	8,200
Demolitions for Housing	214	-	-	-	-	214
Asbestos Claims by PCH	500	696	500	400	400	2,496
Extra Care Housing Support Millbay	-	450	-	-	-	450

How Street Specialist Housing Programme	238	-	-	-	-	238
Four Greens Wellbeing Hub	7	-	-	-	-	7
Total Delivering More/Better Housing	2,515	7,514	2,750	2,650	1,650	17,079
Delivering Oceansgate						
Oceansgate Remediation/separation works	1,297	-	-	-	-	1,297
Oceansgate Phase 1 Direct Development	182	-	-	-	-	182
Oceansgate Phase 2 Direct Development	4,518	3,085	-	-	-	7,602
Oceansgate Phase 2 Infrastructure	988	-	-	-	-	988
Oceansgate Phase 2 Offsite Drainage	3,119	-	-	-	-	3,119
Oceansgate – Phase 2 Building 1.8	2,247	-	-	-	-	2,247
Total Delivering Oceansgate	12,352	3,085	-	-	-	15,437
Delivering The Box						
The Box	16,770	58	-	-	-	16,828
Total Delivering The Box	16,770	58	-	-	-	16,828
Ensuring Essential City Infrastructure						
King George V Pedestrian and Walking Cycle Route	262	-	-	-	-	262
Mount Wise - Charge Point and Ticket Machine	11	-	-	-	-	11
Bus Punctuality improvement plan (BPIP)	14	-	-	-	-	14
Prince Maurice Road Junction Improvements	45	-	-	-	-	45
TCF Tranche Phase 1	6,415	-	-	-	-	6,415
TCF Phase 2	230	-	-	-	-	230
S106 Transport Projects	36	590	-	-	-	626
Derriford Community Park	39	48	-	-	-	87
Ham Lane – flood Alleviation	120	-	-	-	-	120
European Marine Sites - Recreational Behaviour Changing Measures	45	55	-	-	-	100
Home Energy	264	-	-	-	-	264
Warm Homes	405	212	-	-	-	617
Civic Centre District Energy	669	48	-	-	-	717
Development Funding	0	-	115	125	-	240
Capitalised Maintenance Schemes	6,882	2,253	2,000	2,000	2,000	15,135
Local Safety Schemes	321	-	-	-	-	321

Living Streets	247	-	-	-	-	247
Keep Plymouth Moving	235	-	-	-	-	235
Visitor Signage	-	-	-	-	-	-
Flood defence Works	36	-	-	-	-	36
West Hoe Pier	80	-	-	-	-	80
Co-operative & Mutuels Development Fund	60	280	240	237	181	999
Public Conveniences	711					711
Mount Edgcombe Projects	534	-	-	-	-	334
Total Ensuring Essential City Infrastructure	17,615	3,532	2,355	2,362	2,181	28,045
Ensuring Good Quality School Places						
Pennycross Basic Need	1	-	-	-	-	1
Pomphlett Basic Need	1,147	-	-	-	-	11,47
Yealmpstone Farm Primary School Basic Need	112	-	-	-	-	112
Plymstock School Expansion	2,370	-	-	-	-	2,370
Total Ensuring Good Quality School Places	3,631	-	-	-	-	3,631
Growing the Economy						
Social Enterprise Fund	211	44	-	-	-	255
Langage Development Phase 2	29	-	-	-	-	29
Langage Development Phase 3	565	2,187	10	-	-	2,762
39 Tavistock Place	-	30	-	-	-	30
ED Loans	1,686	1,060	-	-	-	2,746
Total Growing the Economy	2,491	3,321	10	-	-	5,822
Improving neighbourhoods and delivering community infrastructure / facilities						
Barne Barton general amenity improvements	-	164	-	-	-	164
Active Neighbourhoods	6	-	-	-	-	6
Infrastructure Works at Honicknowle	26	-	-	-	-	26
Derriford Community Park	73	396	-	-	-	469
Play Pitch Projects	415	289	-	-	-	704
Central Park Improvements & Sports Plateau	1,515	1,027	-	-	-	2,542
Improving Outdoor Play	826	-	-	-	-	826
Dunstone Woods	13	-	-	-	-	13

Blockhouse Park Playground	2	-	-	-	-	2
Manadon Play Pitches	246	-	-	-	-	246
Plympton Swimming Pool	4	-	-	-	-	4
Pool View	96	-	-	-	-	96
Children Centres	250	-	-	-	-	250
Re-provision of Vines and Colwill Lodge	30	-	-	-	-	30
Total Improving neighbourhoods and delivering community infrastructure / facilities	3,502	1,876	0	0	0	5,378
Securing Growth in Derriford and Northern Corridor						
Forder Valley Link Road	6,103	29,038	10,873	-	-	46,014
Forder Valley Interchange	1,415	5,785	1,210	-	-	8,410
Derriford Transport scheme	23	-	-	-	-	23
Charlton Road	49	497	-	-	-	546
Northern Corridor Junction Improvements	95	33	-	-	-	128
Woolwell to the George	115	400	40	-	-	555
Purchase of Properties in the North of Plymouth	920	631	-	-	-	1,551
Morlaix Drive Access Improvements	406	4,191	-	-	-	4,597
Northern Corridor Strategic Cycle Network	-	1,777	150	700	-	2,627
Manadon Junction	290	2,530	-	-	-	2,820
Total Securing Growth in Derriford and Northern Corridor	9,415	44,883	12,273	700	0	67,271

Securing Growth in the City Centre and Waterfront						
Devonport Market High Tech 'Play Market'	1,498	-	-	-	-	1,498
Charles Cross	5,173	-	-	-	-	5,173
Public Realm Schemes	2,270	3,634	6,452	418	-	12,774
Millbay Boulevard & Associated Works	1,389	1,913	4	4	4	3,312
Cobourg House	217	-	-	-	-	217
Quality Hotel	1	307	-	-	-	308
Colin Campbell Court	10	626	-	-	-	636
Toys 'R Us	-	1,273	-	-	-	1,273
Contribution to Drake Leisure Public Realm	923	-	-	-	-	923
Contribution to Civic Centre Public Realm	-	2,500	-	-	-	2,500
Re-development of Old Town Street / New George Street East	100	2,500	-	-	-	2,600
City Centre Shop Fronts Grant Scheme	59	-	-	-	-	59
Plymouth Major Road Network	50	250	275	-	-	575
West End Public Realm	181	-	-	-	-	181
Total Securing Growth in the City Centre and Waterfront	11,872	13,002	6,730	422	4	32,030
Securing Growth in the Eastern Corridor						
Eastern Corridor Junction Improvements	1,850	2,378	-	-	-	4,229
Eastern Corridor Strategic Cycle Network	550	2,221	-	-	-	2,771
A379 Pomphlett to The Ride	55	335	120	-	-	510
Total Securing Growth in the Eastern Corridor	2,455	4,935	120	0	0	7,510
Transforming Services						
Barbican Footbridge	46	-	-	-	-	46
Street Services Information Management System	164	-	-	-	-	164
Fleet Replacement	-	5,509	-	-	-	5,509
Grass Cutting Equipment	253	-	-	-	-	253
Container Provision	832	-	-	-	-	832
Chelson Meadow Closure & Leachate Plant Upgrade	163	-	-	-	-	163
Asset Investment Fund	70,598	11,511	8	-	-	82,117

Highway Works at the Former Seaton Barrack site	305	-	-	-	-	305
Disabled Facilities Grant	2,481	-	-	-	-	2,481
Bayview Electrical Safety Works	4	-	-	-	-	4
Schools Condition Works	53	-	-	-	-	53
SEN Access and Safeguarding	108	12	-	-	-	119
Schools Devolved Formula & Projects	700	175	172	172	-	1,220
St Budeaux Library	719	-	-	-	-	719
ICT	6,424	2,442	-	-	-	8,866
Corporate Asset Maintenance	153	120	-	-	-	273
Corporate Heritage Maintenance	47	-	-	-	-	47
Other Corporate Property	1,845	301	-	-	-	2,146
Transformation Accommodation	383	-	-	-	-	383
Boiler Replacement Programme for Council Properties	52	-	-	-	-	52
Bereavement Infrastructure	6,423	4,844	-	-	-	11,267
Miel Solutions Ltd Shares	102,375	-	-	-	-	102,375
Total Transforming Services	194,128	24,914	180	172	0	219,394
TOTAL CAPITAL PROGRAMME	286,542	111,929	29,212	19,320	7,855	454,844
Forecast future income streams	34,842	70,365	103,365	69,530	159,973	438,067
GRAND TOTAL	321,384	182,275	132,577	88,850	167,828	892,911

Cabinet



Date of meeting: 11 February 2020

Title of Report: **Budget Scrutiny Select Committee – recommendations to Cabinet on the 2020/21 Draft Budget**

Lead Member: Councillor Nick Kelly (Chair of Budget Scrutiny Select Committee)

Lead Strategic Director: Giles Perritt (Assistant Chief Executive)

Author: Claire Daniells, Senior Governance Advisor

Contact Email: Claire.daniells@plymouth.gov.uk

Your Reference:

Key Decision: No

Confidentiality: Part I - Official

Purpose of Report

The purpose of this report is to present the recommendations from Budget Scrutiny Select Committee on the draft 2020/21 budget, for consideration by Cabinet.

Recommendations and Reasons

That Cabinet consider and respond to the fifteen recommendations made by Budget Scrutiny Select Committee.

Alternative options considered and rejected

Not applicable – Budget Scrutiny Select Committee, the ensuing recommendations, is a standard part of the budget setting process, helping the council to set as robust a budget as possible.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Council budget is fundamental to the delivery of the Council's Corporate Plan.

Implications for the Medium Term Financial Plan and Resource Implications:

The budget for 2020/21 has a direct relationship to the Medium Term Financial Plan as one of the three years covered by the Plan.

Carbon Footprint (Environmental) Implications:

No direct impacts arising – though it is noted that a £250k provision has been made in the 2020/21 budget for initiatives relating to the Climate Emergency Action Plan.

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

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

None directly arising.

Appendices

*Add rows as required to box below

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

Background papers:

*Add rows as required to box below

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

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

Fin	pl.19. 20.22 0.	Leg	ALT/ 3050 8/03	Mon Off		HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Andrew Loton, Head of Governance, Performance and Risk											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 03/02/2020											
Cabinet Member approval: <i>Not applicable – this is a report from Budget Scrutiny Select Committee to Cabinet and it is therefore not appropriate for a Cabinet member to approve the contents of the report.</i> Date approved: <i>Not applicable</i>											

BUDGET SCRUTINY SELECT COMMITTEE – RECOMMENDATIONS TO CABINET ON THE DRAFT 2020/21 BUDGET



I. OVERVIEW AND APPROACH

Budget Scrutiny Select Committee met on 28 and 29 January 2020 to consider whether the Cabinet has an effective plan for setting the budget for the next financial year. This was with a view to establishing and maintaining resources that are fit for purpose, meet the council's obligations and priorities and address the needs and aspirations of the people of Plymouth.

The Committee membership was:

- Councillor Nick Kelly (Chair)
- Councillor Mary Aspinall (Vice-chair)
- Councillor Andrea Johnson
- Councillor Darren Winter
- Councillor Lynda Bowyer
- Councillor Pauline Murphy
- Councillor John Riley
- Councillor Sarah Allen
- Councillor Jeremy Goslin

The Committee considered over 390 pages of evidence (for full list of background documents see Annex I) and questioned over 40 witnesses over one and half days. The Committee extends its thanks to all Cabinet Members and officers who gave their time to prepare reports and/or attend the scrutiny sessions and answer questions.

The Committee took a different approach to previous years in departing from the traditional approach of seeing every single department, to focussing on those areas which present with the highest demand, highest risk and/or poorest performance. This approach was discussed and agreed by Scrutiny Management Board in December 2019 and was informed by the view of the Cabinet Member for Finance in terms of where the Committee could have most impact on the budget setting process.

The Committee concentrated on making recommendations that could be effected within the Council's sphere of influence. The Committee fully expects that Cabinet members and senior officers will continue to lobby central government on central policy issues and fighting for Plymouth's fair share of the funding pot wherever relevant.

2. RECOMMENDATIONS

Below, for Cabinet's consideration, are the recommendations from Budget Scrutiny Select Committee in relation to the draft 2020/21 budget:

No.	Recommendation
1.	<p>That Cabinet continue to make all efforts to build the working balances back up to 5% within two financial years to ensure an effective financial buffer for the organisation and therefore reduce financial risk.</p> <p>Budget Scrutiny also recommends that Audit and Governance Committee look at the methodology behind the setting of the 5% target and whether financial modelling of future risks and past performance could be used to recommend a more appropriate level in the future.</p>
2.	<p>That Cabinet reconsider the approach to legacy savings, particularly with regard the vacancy saving factor of 5%, and determine an alternate approach to addressing the challenge of meeting those savings in a more effective way.</p>
3.	<p>That the referendum threshold for setting Council Tax and the Adult Social Care precept is not breached</p>
4.	<p>That Cabinet seek ways to increase the Community Grant for each Councillor as per the December 2019 Motion on Notice and clarify the allocation within the 2020/21 budget. This should include a review of the Community Grants guidance and criteria by a small cross-party group to ensure the best value and greatest impact is achieved from the grants.</p>
5.	<p>Cabinet ensures that the Medium Term Financial Plan is made available to Finance and Performance Scrutiny as soon as available, following clarification from Government on funding allocation, including fairer funding formula.</p>
6.	<p>That Cabinet explore all avenues to promote caring careers within the city to support Adult Social Care (ASC), including mental health services, in order to support the workforce. This is with the intent of positively impacting both ASC service users and the ASC budget; acknowledging that both are interlinked</p> <p>That Cabinet consider identifying and focussing the budget on key preventative and/or early intervention activities, such as community youth, sports development and mental health services.</p>
7.	<p>That Cabinet consider identifying and focussing the budget on key preventative and/or early intervention activities, such as community youth, sports development and mental health services.</p>
8.	<p>That Cabinet identify which lessons learned from Adult Social Care, in terms of introducing new ways of working, could be transferred to Children's Social Care, recognising that key aspects of success included a long-term view, whole Council approach with cross-party support.</p>
9.	<p>That Cabinet enhance the approach to improving educational attainment by continuing to collaborate and engage with other local authorities with similar demographics to learn from and implement best practice.</p>
10.	<p>That the Cabinet Member seek clarity from Government on the funding for Troubled Families programme beyond 2021 in order to provide assurance of the sustainability of the service and update Full Council as and when required.</p>

11.	That Cabinet prioritise in house foster caring with a view to increasing in-house provision of foster homes through improved training, skills and support for foster carers in the city.
12.	That Cabinet consider how the carbon/environmental impact of the budget can be clarified and quantified in future budget reports.
13.	That Cabinet and the whole Council continue to communicate the tangible benefits of the impacts associated with carbon reduction/climate emergency actions, including clarification of the performance reporting framework, and the positive impacts for residents both environmentally and financially.
14.	That Cabinet continue to lobby central government in relation to the National Planning Policy Framework and Department for Transport guidelines to strengthen the climate/carbon emergency focus.
15.	That Cabinet commits to the setting up of a cross-party Group to review Climate/Carbon impact of proposals and progress.

Budget Scrutiny also recommended that the following be listed to the relevant Overview and Scrutiny Committees:

- The Accommodation Strategy (Performance, Finance and Customer Focus Overview and Scrutiny committee);
- Streamlining of the school transport system (Education and Children's Social Care Overview and Scrutiny Committee);
- An update from the Cabinet Member for Education, Transformation and Skills on work to continue to reduce the funding gap for maintained nursery schools to ensure the longevity of the provision (Education and Children's Social Care Overview and Scrutiny Committee);
- An update from the Cabinet Member for Education, Transformation and Skills highlighting the funding challenges and complexities in relation to Special Educational Needs and Disability (Education and Children's Social Care Overview and Scrutiny Committee);
- A report from HR exploring best practice in respect of tracking apprenticeship outcomes in order to maximise understanding of skills development (Education and Children's Social Care Overview and Scrutiny Committee);
- That the Cabinet Member for Children and Young People share the outcomes from the Ministry of Housing Community and Local Government and Department for Education round table on 28 January 2020 with Education and Children's Overview and Scrutiny Committee;
- That the Cabinet Member for Children and Young People refers a schedule of transformation reviews underway and associated timelines in Children's Services Overview and Scrutiny Committee;
- That Scrutiny Management Board review the level of financial detail provided to Budget Scrutiny to aid lines of questioning
- That the Cabinet Member for Strategic Planning and Infrastructure commits to review transport options and the transport network, especially in relation to the cycle network and how this can be future proofed for users (Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee).

Annex I: Background documents

- Strategic Risk Register
- Operational risks (red)
- Corporate plan
- Performance reports
- Service Business Plan progress updates/draft service budgets
- Capital Programme Summary
- Treasury Management Strategy
- Overarching Cabinet Paper
- Budget assumptions
- Technical briefing document on how the budget is constructed
- A chart showing the percentage of the total budget (by expenditure) that the areas being focussed on for budget scrutiny comprise
- A summary showing clearly by directorate and main department: o 2018/19 outturn o 2019/20 current projected outturn position o 2020/21 forecast budget
- A progress report on the 2019 Budget Scrutiny Recommendations
- General Fund Balances from 2013-2020

For copies of background documents, please refer to the Budget Scrutiny Select Committee Review Reports Pack of 28 and 29 January 2020, available at Plymouth.gov.uk

Cabinet



Date of meeting:	11 February 2020
Title of Report:	Cabinet Response to Budget Scrutiny Select Committee Recommendations
Lead Member:	Councillor Tudor Evans OBE (Leader)
Lead Strategic Director:	Andrew Hardingham (Service Director for Finance)
Author:	Giles Perritt (Assistant Chief Executive)
Contact Email:	Giles.Perritt@Plymouth.gov.uk
Your Reference:	2020/21BUD
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report sets out the proposed Cabinet response to the recommendations made by the Budget Scrutiny Select Committee following its review of the Council's budget preparations for 2020-2021.

Recommendations and Reasons

That the Cabinet response to each of the 15 recommendations made by the Budget Scrutiny Select Committee is agreed.

Reason: Cabinet is obliged by the Constitution to take account of recommendations made by the Budget Scrutiny Select Committee.

Alternative options considered and rejected

Cabinet is obliged by the Constitution to take account of recommendations made by the Budget Scrutiny Select Committee.

Relevance to the Corporate Plan and/or the Plymouth Plan

The Select Committee considered the themes within the Corporate Plan to ensure that proposals within the budget and business plans delivered against the council vision.

Implications for the Medium Term Financial Plan and Resource Implications:

Financial and resource implications relating to the responses to individual recommendations that are agreed will be considered as part of the Council's overall financial planning arrangements.

Carbon Footprint (Environmental) Implications:

Recommendations 12 to 15 relate directly to the Council's Climate Emergency Action Plan.

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

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

N/A None directly arising from these recommendations.

Appendices

*Add rows as required to box below

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

Background papers:

*Add rows as required to box below

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

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

Sign off:

Fin	akh.l 9.20.2 21	Leg	lt/622 25/07 02	Mon Off		HR		Asset s		Strat Proc	
Originating Senior Leadership Team member: Andrew Hardingham (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 05/02/2020											
Cabinet Member approval: Approved by Councillor Tudor Evans OBE (Leader)											
Date approved: 05/02/2020											

CABINET RESPONSE TO BUDGET SCRUTINY RECOMMENDATIONS



No.	Recommendation	Proposed Cabinet Response
1.	<p>That Cabinet continue to make all efforts to build the working balances back up to 5% within two financial years to ensure an effective financial buffer for the organisation and therefore reduce financial risk.</p> <p>Budget Scrutiny also recommends that Audit and Governance Committee look at the methodology behind the setting of the 5% target and whether financial modelling of future risks and past performance could be used to recommend a more appropriate level in the future.</p>	<p>Agree: Achieving and maintaining working balances to mitigate financial risk to the Council remains a priority for the Council. However, this is conditional on Plymouth not suffering further and damaging reductions in funding as a result of the government's Fairer Funding review. The Audit and Governance Committee will be asked to review the methodology for setting an appropriate level of balances.</p>
2.	<p>That Cabinet reconsider the approach to legacy savings, particularly with regard the vacancy saving factor of 5%, and determine an alternate approach to addressing the challenge of meeting those savings in a more effective way.</p>	<p>Agree: Measures will be considered for implementation to address the requirement to maintain a vacancy saving target of 5%, and directorates will report on further measures to address other 'legacy' savings targets</p>
3.	<p>That the referendum threshold for setting Council Tax and the Adult Social Care precept is not breached.</p>	<p>Agree: Subject to the Council's ability to set a balanced budget in line with statutory requirements</p>
4.	<p>That Cabinet seek ways to increase the Community Grant for each Councillor as per the December 2019 Motion on Notice and clarify the allocation within the 2020/21 budget. This should include a review of the Community Grants guidance and criteria by a small cross-party group to ensure the best value and greatest impact is achieved from the grants.</p>	<p>Agree: The Cabinet Member will consider this request in line with the December 2019 Council Motion on Notice, and commission a review of the Community Grants guidance and criteria.</p>

No.	Recommendation	Proposed Cabinet Response
5.	Cabinet ensures that the Medium Term Financial Plan is made available to Finance and Performance Scrutiny as soon as available, following clarification from Government on funding allocation, including fairer funding.	Agree: As soon as Government provides clarity about medium term funding allocations for local government, the implications for Plymouth will be analysed and shared.
6.	<p>That Cabinet explore all avenues to promote caring careers within the city to support Adult Social Care (ASC), including mental health services, in order to support the workforce. This is with the intent of positively impacting both ASC service users and the ASC budget; acknowledging that both are interlinked.</p> <p>That Cabinet consider identifying and focussing the budget on key preventative and/or early intervention activities, such as community youth, sports development and mental health services.</p>	Agree: A cross Council focus on promoting caring careers is prioritised, and prevention and early intervention remain a priority for the People Directorate, at the same time as balancing resources to meet acute demand.
7.	That Cabinet consider identifying and focussing the budget on key preventative and/or early intervention activities, such as community youth, sports development and mental health services.	As above
8.	That Cabinet identify which lessons learned from Adult Social Care, in terms of introducing new ways of working, could be transferred to Children's Social Care, recognising that key aspects of success included a long-term view, whole Council approach with cross-party support.	Agree: The current change programme in Children's Services is drawing on all the lessons learned from Adult Social Care, and is receiving support from across the Council's leadership, both from officers and politicians.
9.	That Cabinet enhance the approach to improving educational attainment by continuing to collaborate and engage with other local authorities	Agree: visits to and collaboration with other, high performing councils are underway.

No.	Recommendation	Proposed Cabinet Response
	with similar demographics to learn from and implement best practice.	
10.	That the Cabinet Member seek clarity from Government on the funding for Troubled Families programme beyond 2021 in order to provide assurance of the sustainability of the service and update Full Council as and when required.	Agree: The Cabinet will continue to press the Government for clarity about medium term funding for this important work, and will keep the Council updated
11.	That Cabinet prioritise in house foster caring with a view to increasing in-house provision of foster homes through improved training, skills and support for foster carers in the city.	Agree: Foster for Plymouth remains a key priority, and will be the focus of further support activity in the coming year for existing and new foster carers
12.	That Cabinet consider how the carbon/environmental impact of the budget can be clarified and quantified in future budget reports.	Agree: Following the adoption of the Council's Climate Emergency Action Plan, and Corporate Carbon Reduction Plan the environmental impact of all key decisions including financial decisions will be further developed, communicated and reported.
13.	That Cabinet and the whole Council continue to communicate the tangible benefits of the impacts associated with carbon reduction/climate emergency actions, including clarification of the performance reporting framework, and the positive impacts for residents both environmentally and financially.	Agree: As (12) above. The Climate Emergency Action Plan makes clear commitments to taking immediate action to address carbon reduction challenges as well as assessing longer term initiatives for effectiveness. Commitments extend to facilitating a city-wide conversation and inspiring rapid local action through effective leadership to ensure a Plymouth-wide, bottom up response to this emergency.
14.	That Cabinet continue to lobby central government in relation to the National Planning Policy Framework and Department for Transport guidelines to strengthen the climate/carbon emergency focus.	Agree: The Council will continue to use its relationship with the Ministry of Housing Communities and Local Government to push government to strengthen the emphasis on carbon reduction through planning and transport guidelines, and will use the opportunity of the publication of the Planning White Paper during 2020 as a focus for this.
15.	That Cabinet commits to the setting up of a cross-party Group to review Climate/Carbon impact of proposals and progress.	Agree: The Cabinet Member for Environment and Street Scene is developing proposals for appropriate governance to oversee the further development and delivery of the Climate Emergency Action Plan and the Corporate Carbon Reduction Plan

Audit and Governance Committee Minute No. 52
Capital Financing Strategy 2020/21
09 December 2019



Minute No. 52

Chris Flower (Finance Business Partner) presented the Capital Financing Strategy 2020/21 to the Committee –

The capital strategy report gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services along with an overview of how associated risk was managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management would have financial consequences for the Council for many years into the future. They were therefore subject to both a national regulatory framework and to local policy framework.

It was now a requirement as part of the amendments implemented in the 2017/18 Treasury Management Code of Practice Guidance that all Local Authority's would need to produce a Capital Strategy each year.

The strategy would provide an overarching policy framework for the Council's capital programme and planning, and would form part of a suite of strategies which provided a holistic view of the Council's financial planning framework.

This report was to be considered in conjunction with the Medium-Term Financial Strategy, Treasury Management Strategy and Investment Strategy.

The Audit and Governance Committee recommended the Capital Financing Strategy 2020/21 to the Council for approval.

Audit and Governance Committee Minute No. 51
Treasury Management Strategy 2020/21
09 December 2019



Minute No. 51

Chris Flower (Finance Business Partner) presented the Treasury Management Strategy 2020/21 to the Committee -

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

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

The report fulfilled the Council's legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code which was updated in 2018.

The Audit and Governance Committee recommended the Treasury Management Strategy 2020/21 (Incorporating the authorised limits, operational boundaries and prudential indicators) to the Council for approval.

Cabinet Minute No. 29A
Budget Scrutiny Recommendations



11 February 2020

Councillor Mrs Aspinall, as Vice-Chair of Budget Scrutiny introduced the paper to Cabinet on the Budget Scrutiny recommendations.

Cabinet members noted the sensible recommendations agreed by the Budget Scrutiny Select Committee. Cabinet agreed the responses to the recommendations as itemised in the report

Cabinet Minute No. 32
Capital and Revenue Monitoring Report Q3



11 February 2020

Councillor Lowry, Cabinet Member for Finance introduced the Capital and Revenue Monitoring Report Q3.

Following a discussion, Cabinet agreed to:

1. To note the current revenue monitoring position and action plans in place to reduce/mitigate shortfalls;
2. To note there are no virements that need approval since 1st October 2019;
3. Council approve the Capital Budget 2019-2024 is revised to £892.911 (as shown in Table 5)

Cabinet Minute No. 31
Revenue and Capital Budget 2020/21



11 February 2020

Councillor Lowry, Cabinet Member for Finance introduced the Revenue and Capital Budget 2020/21.

Following a discussion, Cabinet agreed to:

1. Recommend the 2020/21 Budget to Council (as shown in appendix 2) to ensure the delivery of the Council's Corporate Plan;
2. Recommend the Capital Budget of £892.911m to Council to continue the investment within the City and Growth agenda.