# REVENUE BUDGET 2023/24

Cabinet – 9 February 2023

PLYMOUTH CITY COUNCIL

## 1. Introduction

1.1 This report sets out a balanced position on the Council's budget for 2023/24.

1.2 The Council continues to manage a challenging financial environment where service demands continue to increase, the longer-term legacy impact of COVID-19 continues and where uncertain and unpredictable funding and cost levels remain.

1.3 Together with all authorities the Council is in a serious and unprecedented position due to additional national and international factors largely beyond its control, including rapidly rising energy costs, broader inflation related cost increases and demand pressures and costs in both adults' and children's social care.

1.4 The Council's administration remains ambitious in its vision and objectives for the city and is committed in particular to ensuring that services to children, vulnerable adults and the provision of high value jobs continue to be key priorities.

1.5 This budget is not just about savings and budget reductions. It sets out a recovery programme to address the pressures we are facing and focuses on modernising and investing, generating income, reviewing the efficiency and effectiveness of everything we do and making difficult decisions to change, pause or stop services or activities, whilst also protecting the statutory services that we provide.

1.6 The Council delivers more than 300 services – as diverse as bin collections, protecting vulnerable children, providing libraries, making planning decisions, attracting investment and jobs in the city, providing leisure facilities, providing parking, maintaining roads and pavements and looking after Plymouth's parks and green spaces. Every part of the Council has been involved in the response to the budget situation and many employees and services will need to work in new ways. A significant amount of work continues to support the city's economy, which has been severely affected by the recent pandemic and cost of living crisis: high value jobs remain a priority. It should be noted that options are limited by the fact that the Council needs to deliver a large number of services as a statutory requirement and has limited scope to influence how these services are delivered. Examples of this include supporting vulnerable children and adults in the city.

1.7 Setting the budget does not mean the work is over as financial pressures will continue to provide a challenge and we will need to deliver our savings plans that are being proposed.

1.8 Despite these challenges, the City Council is ambitious for Plymouth and its residents and is keen to pursue its vision of making Plymouth a great place to live, work and visit. In doing so, listening to the views of city residents is a key part of the budget setting process and decision making.

## 2. Final Local Government Finance Settlement

2.1 On 19 December 2022, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), Rt. Hon. Michael Gove MP, released a written statement to Parliament on the provisional local government finance settlement 2023/24.

2.2 The Settlement held few surprises as the main areas had been trailed in both the Autumn Statement and a subsequent DLUHC briefing note. The Settlement is still provisional but no major amendments are anticipated. It is recommended to Cabinet that any final adjustments are delegated to the Section 151 Officer working with the Deputy Leader.

2.3 The impact of the Provisional Settlement on the available resources combine to yield a net additional £10.087m compared to the resource assumptions in the 10 November 2022 Draft Budget Report. Details are set out in the report.

2.4 On confirmation of the final Settlement, the only change was an additional allocation of £93,000 to the Services Grant for 2023/24, giving a final value of £2.359m.

## 3. Budget Engagement

3.1. A public engagement to support the 2023/24 budget setting process took place between Friday 11 November and Sunday 04 December 2022. A questionnaire was developed which asked respondents to give their views on a range of budget savings / income proposals being put forward by the Administration to help inform the Council's budget setting for the 2023/24 fiscal year.

3.2. The questionnaire was available online through Plymouth City Council's consultation portal and available in other formats upon request. A communications plan was developed which set out the required materials, branding and opportunities for advertising and promoting the engagement and the engagement exercise was promoted in the local media and through the Council's own channels; social media, Plymouth Newsroom, resident e-newsletter and direct messaging to stakeholders.

3.3. A budget engagement event on the 07 December 2022 with Plymouth's Youth Parliament explored the current situation and the savings and income options proposed. Young people were offered the opportunity to put forward suggestions for alternative savings and potential income generation and a wide range of topics were discussed, from the electrification of fleet vehicles to bringing back commissioned services into Council control. Some of the group had already responded to the online budget engagement.

3.4. A meeting was held on 21 December 2022 with several of the City's key business group representatives. Groups and organisations represented include:

- Devon and Plymouth Chamber
- Destination Plymouth
- Plymouth Growth Board
- Plymouth Business Improvement Districts (BIDs)
- Plymouth Federation of Small Businesses (FSB)

- Plymouth Social Enterprise Network

3.5 The budget issues were outlined and, with recognition of these, representatives shared their thinking on the way forward regarding economic development in the city. This was well received, and the Chair of the FSB wrote to Plymouth City Council in response to this session to recognise the achievements of the Economic Development Team to date, despite some of the challenges currently being faced.

## SECTION ONE: Revenue Budget

### Council Tax

4.1. The Council Tax base for 2023/24 has been calculated at 74,891 properties, an increase of 1,061 on 2022/23. The Council Tax Base report was approved at Full Council 30th January 2023.

4.2. The rise in the tax base for 2023/24 primarily reflects the increase in the number of properties within the City. The assumed collection rate continues at 97.5%; this is realistic and prudent due to the current economic climate.

4.3. The Provisional Settlement set the Council Tax referendum limit at 2.99% (i.e., this is the highest level of increase permissible without a referendum) and an adult social care precept (ASC) of 2.00%. For Plymouth, every quarter percent (0.25%) increase in the Council Tax would yield an additional £0.312m.

4.4. As part of developing the 2023/24 budget, Cabinet have agreed to recommend to Council the adoption of a 2.99% increase for Council Tax and a 2.00% level of ASC precept in order to present a balanced budget. These increases if approved would provide an additional £3.740m in council tax and £2.500m adult social care precept; a total of £6.240m. The Government have assumed we will maximise this when referencing Council's Core Spending Power

4.5. The final decision on these matters will be taken at Full Council on 27 February 2023.

### Business Rates

4.6 The CSR22 stated the multiplier for the calculation of Business Rates would be set at 0%, but with a Section 31 Grant to compensate for the resultant impact. As a result, the business rates grant income will increase by £4.347m in 2023/24.

4.7 The final calculation of resources from Business Rates is determined by the completion of the Government return NNDR1 (National Non Domestic Rates). The timing of this report sits outside of the budget setting timetable, and the final outcome has now been confirmed with our external advisors. This year was particularly difficult to predict due to the uncertainty of inflation on the multiplier, the impact of the three-year business rates revaluation exercise and the first year without the complexities of Covid grant payments to business rate payers. As a result, the business rates resources have increased by a further £4.777m.

4.8 Taken together with £0.999m of growth in the base, this equates to a total increase of £10.123m from the current £65.130m to a revised £75.253m.

### Revenue Support Grant (RSG)

4.9 The Provisional Settlement announced a RSG of £11.562m. The increase includes rolled in grants totalling £0.497m. Excluding this the increase represents a CPI increase of 10.1% (£1.020m).

### New Homes Bonus (NHB)

4.10 The allocation for New Homes Bonus payment in 2023/24 is £0.022m. This is £0.822m less than the forecast figure included in the budget report to Cabinet in November 2022. It reflects the Government changes which is now simply a one-year retrospective payment and is also due to the number of new homes being less than previously forecast. It should be noted this allocation settlement is for one year only and there is still no indication of what the replacement will be.

### 2022/23 Services Grant and Social Care Grant

4.11 The Government has extended the grant to 2023/24 and Plymouth's allocation is £2.359m, a reduction of £1.662m. This reduction is due to the cancellation of the increase in National Insurance Contributions; to move funding to the Supporting Families programme and top-sliced to support the RSG growth.

4.12 The Council also receives a Social Care Grant. The additional payment is £8.199m in 2023/24 but includes rolled in grants worth £0.582m so the net increase is £7.617m.

4.13 Plymouth City Council has been allocated a net £2.140m from the Government's Adult Social Care Market Sustainability and Improvement Fund. The Market Sustainability and Fair Cost of Care Fund created in 2022/23 has been rolled into this new grant. This is a ring-fenced grant intended for local authorities to make tangible improvements to adult social care, and, in particular, to address discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector.

4.14 There is a new Adult Social Care Discharge Fund with a 2023/24 £0.734m grant allocation for Plymouth, to form part of Better Care Fund plans, and is aimed at reducing delayed transfers of care.

### Lower Tier Services Grant

4.15 The Government has announced the discontinuation of this grant (worth £0.416m in 2022/23).

### Public Health Grant

4.16 The Public Health grant is another key source of income and is used to improve the health of the population, and in particular to tackle large differences in health outcomes that we see between local areas. At the time of writing this report the 2023/24 grant has yet to be advised. The grant for 2022/23 is £15.940m and was announced in early Feb 2022.

## Resources (Funding)

4.17 The total core resources available, incorporating the Settlement, and with and without a Council Tax increase and an Adult Social Care precept, are set out in the table below.

| Resources (Funding) | 2023/24 No Council Tax increase and no ASC Precept £m | 2023/24 with 2.99% increase in Council Tax / 2% Precept £m |
|---|---|---|
| Council Tax | (124.385) | (130.625) |
| Business Rates | (75.253) | (75.253) |
| Revenue Support Grant | (11.562) | (11.562) |
| **Total Resources** | **(211.200)** | **(217.440)** |
| Resources Required | 217.440 | 217.440 |
| **Budget Balance** | **6.240** | **0.000** |

4.18 If Council do not approve the proposed maximum increase to the council tax and precept, a drawdown of £6.240m from un-earmarked reserves will be required. This will leave the already low reserves in a weaken position and result in the income being lost in 2023/24 and all future years.

## Additional Costs

4.19 The additional budget costs for 2023/24 are set out in Appendix 2 and include cost and volume increases for Adults' and Children's Services; net cost and volume increased allocation for Homelessness; and cover the Council's commitment to the National Living Wage for our adult social care providers, and ensuring they receive the necessary funding. The National Living Wage additional costs reflect the increase from the current £9.50 to the revised £10.42 from April 2023.

4.20 Under the heading of Right Sizing the Budget there is an allocation of £2.267m for costs to be consolidated into the 2023/24 budget base costs. This sum includes an allocation of £0.247m for the Electoral Services department to ensure they have the necessary resources to reflect the legislative changes being implemented in the election process.

4.21 As part of the final adjustments to close the budget gap of £0.617m, a series of amendments have been made to the proposed additional cost allocations. This includes the additional £93,000 allocation of Services Grant, as described above.

4.22 The baseline budget includes an annual £0.100m allocation to the South Yard project reserve. Given recent developments and spend profiles, this allocation will be removed from the base budget, commencing 2023/24.

4.23 The budget proposed to Cabinet in November 2022 included, under corporate costs, an additional energy allocation of £4.765m. This was based on the estimates for the 2022/23 financial year and projected for the full-year effect in 2023/24. Subsequent to this, we are in receipt of more accounting assumptions, allowing a reduction in the allocation of £0.210m.

4.24 In addition, it is the correct course of action to charge the additional energy costs associated with the Bereavement Service against the income generated, rather than the charge being covered in the overall council budget. This results in a reduction of £0.300m.

4.25 Given the associated risks within the social care budget allocations, an additional sum of £1.000m has been added within the corporate budget, to be held as a contingency against possible future demand pressures.

4.26 The result of the triannual pensions valuation undertaken for the Local Government Pension Scheme (LGPS), means the Primary Contribution Rate will increase from the current 16.6% to a revised 19%, with effect from April 2024. This adds an annual additional £1.500m to the pension costs.

4.27 The net result of these changes is an increase in the additional cost allocations totalling £1.797m.

**Savings Plans**

4.28 Savings plans totalling £26.166m were presented in detail at Cabinet on 10 November 2022. This comprised directorate savings of £21.413m and corporate, or council wide savings of a further £4.753m. This corporate figure included a fees and charges estimate of £0.760m which was adjusted downwards by £0.367m following detailed analysis. This resulted in an overall revised savings total of £25.799m.

4.29 As part of the work to close the budget gap, adjustments have been made to the savings resulting in a net reduction of £2.363m to a revised total of £23.436.

4.30 The previous budget proposals included an item described as one off savings, totalling £2.493m. Given the financial position in 2022/23 these savings have been brought forward and used in the current financial year.

4.31 There is a proposal to reverse a previous year's top-up of the Minimum Revenue Provision (MRP) in the sum of £1.000m. This sees a re-balancing of the MRP reserve.

4.32 The original savings proposals included a reduction in Community Grants of £0.213m. Following further discussion, it is proposed to reduce this saving by £0.120m to a revised £0.093m.

4.33 The original savings proposed, under a reduction in corporate budgets, to delete the staff exit costs budget of £1.500m. This has been refined by fifty percent to a saving of £0.750m to support savings plans in 2023/24 where departments are undertaking a restructure.

4.34 The final proposals for each Directorate (including those not requiring further decisions) are shown in Appendix 3.

**Closing the Budget Gap**

4.35 A budget gap of £11.394m was presented to Cabinet on 10 November 2022. As a result of the provisional finance settlement and other updates to the budget and the proposed council tax and precept increase, the gap presented to Cabinet 17 January 2023 had been revised to £0.617m.

4.36 This report sets out a final balanced budget to be recommended to Full Council at the end of February 2023.

4.37 The impact of these final amendments are set out in the table below, and full details of the movement from the January budget update report are set out in Appendix 1.

| Area | 2023/24 Draft Budget Cabinet Jan 2023 £m | 2023/24 Final Revisions £m | 2023/24 Proposed Budget £m |
|---|---|---|---|
| Additional Resources | (14.913) | (4.777) | (19.690) |
| Right Sizing the Budget | 16.180 | 0.000 | 16.180 |
| Additional Costs – Corporate | 9.110 | 2.097 | 11.207 |
| Additional Costs - Directorates | 16.039 | (0.300) | 15.739 |
| Savings – Corporate | (3.993) | 2.243 | (1.750) |
| Savings - Directorate | (21.806) | 0.120 | (21.686) |
| **Budget Gap** | **0.617** | **(0.617)** | **0.000** |

## 5. Conclusion

5.1. This report sets out a balanced budget after the application of a council tax and precept increase which is proposed to be approved at Full Council on 27 February 2023.

5.2. To get to this position, Cabinet Members and Officers have incorporated the impact of the Final Settlement.

5.3. Cabinet are therefore being asked to recommend to Council to approve a budget position that will require it to adopt:

- A Council Tax increase of two point nine nine percent (2.99%)
- An Adult Social Care Precept increase of two percent (2.00%)

## 6. Medium Term Financial Plan (MTFP)

6.1 As part of developing the 2023/24 budget future years have been considered and modelled in the following table.

6.2 For purposes of modelling only, for 2024/25 Council Tax has been shown at the current referendum threshold limits. Attention is drawn to the ongoing forecast shortfalls in resources and the Council is already considering means of achieving balance in those years.

| General Fund Budget | 2023/24 £m | 2024/25 £m |
|---|---|---|

| | | |
|---|---|---|
| Resources | **(217.440)** | **(221.544)** |
| 2022/23 Base Budget Costs | 197.750 | |
| 2023/24 Base Budget Costs | | 217.440 |
| Additional Costs | 43.126 | 12.562 |
| Savings | (23.436) | |
| **Shortfall** | **0.000** | **8.458** |

6.3 Moving forward the MTFP will be closely monitored to take account of proposals emerging from Government policy and Council initiatives as they become available to mitigate the shortfall. The full impact of the 2023/24 additional costs and savings, plus estimates of grant funding need full analysis.

## 7. Equality & Diversity

7.1 Plymouth City Council is committed to equality and diversity and to ensuring that the decisions we take promote equality. To help inform the development of the Council's budget and to ensure that we give 'due regard' to equality during this process, we are considering the equality implications of our budget decisions. A completed equality impact assessment will be presented with the final budget paper.

7.2 Alongside the overarching budget EIA (Equality Impact Assessment), separate assessments will be completed on individual decisions as they go through the decision-making cycle.

**Section 2: Capital Budget**

2.1. The Plymouth Plan is the principal driver for the capital programme. Primarily through its planning vehicle, the Plymouth and South West Devon Joint Local Plan, there are proposals to build new homes across the area, create new jobs, and to continue a major investment programme in modernising infrastructure including transport, schools and green spaces.

2.2. This investment is assisting Plymouth in becoming the key economic driver for the far South West; it will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment supports growth within the local economy, and is generating additional business rates, Council Tax, and Community Infrastructure Levy (CIL).

2.3. The Council continues to take a strategic approach to the Capital Programme, having established 10 outcomes aligned to the Plymouth Plan and the Plymouth and South West Devon Joint Local Plan; together with the investment and business planning programmes of other organisations to maximise delivery in the city and surrounding areas.

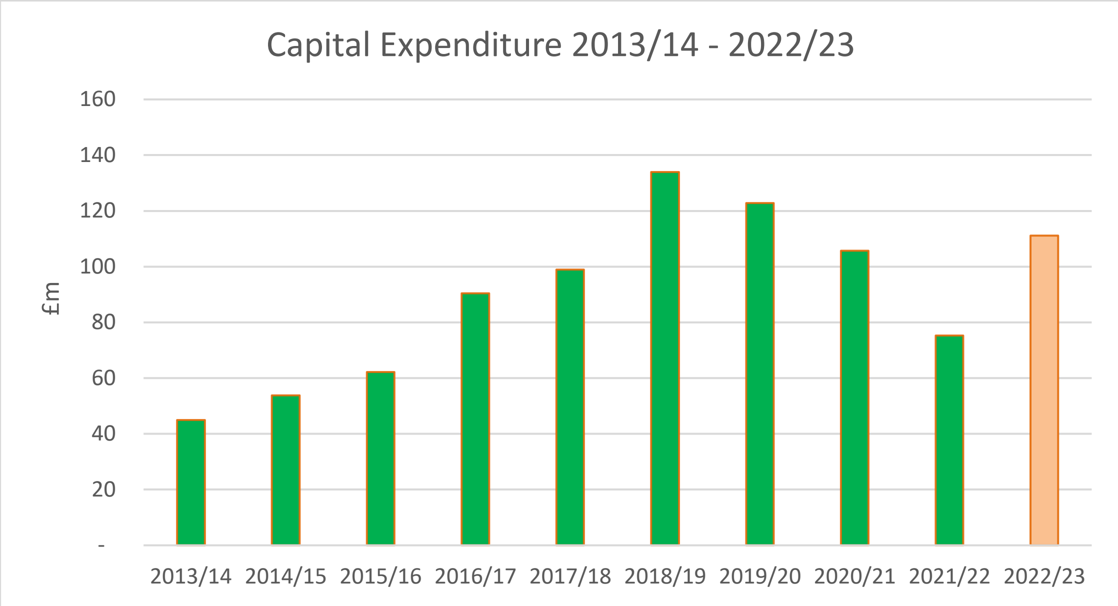
2.4. The Council must ensure sufficient funding is available to meet the requirements of the agreed projects within its Treasury Management Strategy, which is reviewed annually and updated to reflect projects as they are reviewed and developed for delivery. The Treasury Management Strategy is set out later in this report.

2.5. As a result of the increasing Bank of England interest rate there is a higher cost of borrowing externally through Public Loans Work Board and other short term borrowing arrangements which will require ongoing monitoring and capital programme review to ensure affordability of the programme is maintained.

2.6. The impact of current inflationary pressures on costs already assumed in the capital programme and on future schemes is likely to be material and to have a significant impact on what can be delivered within the existing funding boundary. Furthermore, the Council faces the risks of supply chain issues, insufficient supply of materials, increasing labour costs and skills shortage. However a range of mitigations and responses to manage this inflationary risks are available to the Council, dependant on the detail and stage of scheme delivery. Sourcing external funding and containing cost pressures through re-engineering the project within existing sources of finance remains a priority given that there is limited scope to borrow to fund these pressures

2.7. The Capital Programme consists of the approved capital projects the Council intends to deliver over a five-year period. During recent years, the programme has grown substantially, however throughout 2020/21 and 2021/22 due to the COVID-19 pandemic some projects have been delayed or slowed. Current forecast expenditure for 2022/23 is £111m at quarter 3 reflecting higher forecast spend by project officers, than the previous two years.

**Capital Expenditure 2013/14 - 2022/23**




2.8. The capital programme includes the following major projects:

- Transforming Cities Fund - £39.781m
- Woolwell to the George - £33.763m
- Bereavement Instructure - £23.175m
- Highway maintenance, drainage and essential engineering - £19.953m
- Derriford District Centre - £17.756m
- Brunel Plaza redevelopment of the Train Station - £16.730m
- Forder Valley Link Road/Interchange - £15.537m
- Future High Streets Fund - £14.424m
- Armada Way improvement £12.592m
- Plymouth & South Devon Community Forest - £8.649m

2.9. The table below shows the breakdown of the current five-year Capital Programme forecast across the Directorates. A full breakdown of the Capital Programme is available in Appendix 1.

**Five-Year Capital Programme by Directorate**

| Directorate | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | Total £m |
|---|---|---|---|---|---|---|
| People & Children's Services | 8.604 | 8.390 | 3.668 | 0.132 | 0 | **20.794** |
| Place - Economic Development | 12.814 | 85.201 | 11.957 | 5.367 | 2.888 | **118.227** |
| Place - Strategic Planning & Infrastructure | 54.620 | 77.269 | 20.168 | 2.560 | 0 | **154.617** |
| Place - Street Services | 17.835 | 11.353 | 2.700 | 0 | 0 | **31.888** |
| Customer & Corporate Services | 6.979 | 7.672 | 0.605 | 0 | 0 | **15.256** |
| Director for Public Health | 9.823 | 10.682 | 2.670 | 0 | 0 | **23.175** |
| **Total** | **110.675** | **200.567** | **41.768** | **8.059** | **2.888** | **363.957** |

| Financed by: | | | | | | |
|---|---|---|---|---|---|---|
| Capital Receipts | 2.951 | 7.484 | 0.530 | 0.831 | 0.046 | 11.842 |
| Grant Funding | 47.074 | 65.808 | 3.742 | 1.803 | - | 118.427 |
| Corporate Funded borrowing | 27.760 | 42.109 | 22.665 | 5.254 | 0.243 | 98.031 |
| Service dept. supported borrowing | 22.290 | 81.457 | 8.607 | 0.071 | 2.599 | 115.023 |
| Developer contributions | 9.086 | 3.596 | 6.091 | 0.058 | - | 18.830 |
| Other Contributions | 1.514 | 0.113 | 0.133 | 0.043 | - | 1.804 |
| **Total Financing** | **110.675** | **200.567** | **41.768** | **8.059** | **2.888** | **363.957** |

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

**Five-Year Capital Programme by Outcome**

| Primary Outcome of Projects | £m |
|---|---|
| Delivering a Net Zero Plymouth | 63.917 |
| Delivering a sustainable City Centre and Waterfront | 40.474 |
| Delivering a sustainable Derriford / Northern Corridor | 59.286 |
| Delivering a sustainable Eastern Corridor | 1.584 |
| Delivering sustainable homes for the City | 30.705 |
| Delivering essential City infrastructure / Improving neighbourhoods | 26.842 |
| Ensuring sufficient good quality school places | 0.997 |
| Delivering a sustainable economy | 76.055 |
| Connecting the City | 18.359 |
| Commercialisation of services (including property) | 45.738 |
| **Total** | **363.957** |

2.11. The table below includes both existing programming and programming where funding may become available looking forward the forecast five year capital programme, 2022/23-2026/27, is £591.504m as at 31 December 2022. The Capital Budget has been adjusted to take into account new approvals and changes to the capital programme and adjustments to the future funding assumptions.

| **Description** | **£m** |
|---|---|
| Approved Capital Programme 2022/23-2026/27 | 363.957 |
| Future Funding Assumptions (Capital Pipeline)* | 227.547 |
| **Total Revised Capital Budget for Approval (2022/23-2026/27)** | **591.504** |

* Estimate of funding required to finance future capital projects

2.12. 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 32%. Capital receipts make up about 4% of the programme with S106 contributions and CIL constituting about 5%. Every effort is being made to secure funding from grant programmes and other external sources.

**New Capital Approvals**

2.13. Provision has been made within the 2023/24 proposed revenue budget for £0.471m to fund priority pipeline projects which will be added to the Plan once a full business case has been completed and all legal and financial implications considered. At that stage, a decision will be taken by the Executive which will be reflected in the quarterly report to Council. The required corporate borrowing has been funded within the revenue budget proposals for 2023/24.

**Funding of the Capital Programme**

2.14. The current estimate of future capital funding for the five years 2022/23-2026/27 is £228m. A full breakdown of the future funding assumptions is available in Appendix 6. This figure changes from time to time and comprises both ring-fenced and un-ringfenced grants, S106 resources and other external contributions. The revenue implications of the current programme and the agreed priorities have been addressed in developing the 2023/24 Medium Term Financial Plan.

2.15. The Council takes an organised and proactive approach to identifying, bidding for and then securing external grants which reduces the pressure on the revenue budget. To ensure the capital programme remains sustainable in the long term the level of borrowing continues to be regularly monitored.

**Flexible use of Capital Receipts**

2.16. In line with the existing Flexible Use of Capital Receipts Policy approved in 2018, the Council wishes to employ capital receipts as part of this policy in 2022/23 which can be used to fund revenue costs for transformation projects. This report includes a recommendation asking Council to endorse this approach.

| Flexible use of Capital Receipts | £m |
|---|---|
| 2022/23 Latest Forecast | 1.728 |
| 2023/24 Latest Forecast | 0.290 |
| **Total forecast (2022/23-2026/27)** | **2.018** |

**Prudential Code**

2.17. The Prudential Code for capital finance in local authorities 2021 edition was published in December 2021 and changes were primarily in respect of commercial investments and associated risks. The key change is a local authority must not borrow to invest primarily for financial return. Investment is permissible for projects that are for regeneration purposes within a local authority area. These changes involve additional financial implications for the revenue account and all projects have been reviewed accordingly. No new projects are included in the programme at this time.

2.18. Commercial property and development activities in the Council operate under robust and effective governance arrangements as set out in the Constitution. The Council has a small team of experienced in-house chartered surveyors including an Asset Manager recruited specifically for the Regeneration Investment Fund who has significant experience in property fund management obtained in the private sector.

2.19. The Capital Finance Strategy gives an overview of how the associated risks are managed and the implications for future financial sustainability. The Capital Strategy and Treasury Management Strategy are attached in Section 4. Both of these reports were approved by the Audit and Governance Committee on 28 November 2022.

**Climate Emergency Investment Fund**

2.20. In order to work towards the 2030 net zero target significant investment will be required. A Climate Emergency Investment Fund has been created in 2022/23 and projects continue to come forward for approval.

**Conclusion**

2.21. The Capital Programme sets out a scheme of investment with all financial implications included in the revenue budget. This investment is supporting the growth agenda, within the City, including regeneration and contributing to the local economy and creation of jobs.

## Section 3 – Delivering the Corporate Plan Priorities

3.1. The Council agreed a revised Corporate Plan at its meeting of 14 June 2021, which reflected the new Administration's vision for the city and the Council and reframed the Council's mission, values and priorities to support this. In addition and following fifteen months of unprecedented challenges created both nationally and locally by the COVID-19 pandemic the opportunity was taken to reintegrate response and recovery activities into the Corporate Plan and the Council's associated delivery plans.

3.2. Below are key examples of how the proposed budget for 2023/24 is supporting our Corporate Plan priorities of unlocking the city's potential and caring for people and communities.

**Unlocking the City's potential**

3.3. Delivering the day-to-day Council services that Plymouth resident's value and which affect their daily experiences of living in the city to a better standard. This means prioritising our services that tackle litter, graffiti and dog fouling and that are responsible for clearing weeds, cutting grass and repairing potholes. We are investing in these services while driving greater efficiency through new ways of working.

3.4. We will aim to look after the condition of the city's roads and pavements and ensure potholes are addressed as quickly as possible. The proposed capital programme for next year includes £1.180m on road resurfacing and £1.410m on road surface improvements.

3.5. We are tackling the climate emergency and working to deliver our ambition to make Plymouth a carbon neutral city by 2030 through a wide range of measures, including securing funding for further infrastructure in the city for electric vehicles, working more closely with our local communities and businesses to create innovative ways to reduce waste, avoiding single use plastic and increasing recycling rates.

3.6. The Capital Programme for next year includes £3.845m for the planting of new trees under Plymouth & South Devon community forest. We will continue to work with local businesses to help them reduce their use of plastics, as well as with a wide range of partners in the city committed to making Plymouth a plastic free city. We will continue to reduce our own carbon footprint through a range of initiatives, including introducing further electric vehicles.

3.7. We are driving the City's growth agenda through delivery of a package of measures which make Plymouth a great place to live, do business in, invest in and visit. This includes levering investment, business development and support, spatial planning and strategy, a strong cultural and events offer, housing delivery and our own capital delivery programme which includes major sustainable transport improvements.

3.8. Delivering the ambitious economic recovery programme will continue to be a key priority for 2023/24 alongside helping businesses to navigate both the challenges and opportunities posed by Brexit, addressing the challenges set by the Levelling Up agenda and the envisaged long term impact of COVID-19 on employment and the wider economy.

3.9. We will also be working with partners on innovative projects and initiatives that will provide significant benefits to the city's economy and secure jobs or provide income to support the delivery of Council services. This includes working with partners to develop the Plymouth and South Devon Freeport and Freezone.

**Caring for people and communities**

3.10. Supporting our ambition to raise standards in Plymouth schools, we will be progressing the place based trailblazer programme to deliver the five priorities that have been identified. We will be delivering the new Bright Future service plan and will continue to work to secure further Government resources for this work.

3.11. Our aim is to continue improving the experiences of both adults and children in our community who need social care, while addressing the ongoing national challenges caused by the rising demand and cost of social care.

## Section 4 – Capital Financing Strategy and Treasury Management Strategy

### Capital Financing Strategy 2023/24

## INTRODUCTION AND CONTEXT

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas. It is a requirement of the amendments implemented in the 2018 Treasury Management Code of Practice Guidance that all Local Authority's will need to produce a Capital Strategy each year.

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

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

## CAPITAL FRAMEWORK

The Council updated the Plymouth Plan 2014-2034 on 25 January 2021 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 2022 the Council approved a budget which contained an uplift to the revenue budget of £0.811m to meet some of the increased costs associated with borrowing requirements to fund the capital programme. The current MTFP contains proposals to further increase this sum in 2023/24. The MTFP sets out a summary of schemes that the Council wishes to support and an indicative level of Council financial support which will assist in the delivery of those schemes which all deliver towards the city's outcomes

## GOVERNANCE

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

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

Each scheme will need to detail:

- the aim of the project and any other ways of achieving it
- how it will be funded
- if there are any future revenue implications from the project e.g. building maintenance
- 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.

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.

As part of Finance department restructure an updated governance process to establish projects onto the capital programme is being developed to support the programme approval process. This will provide members with further confidence that the schemes meet the expected requirements in line with the strategic direction of the city.

The Capital Financing Strategy is agreed annually with the Capital programme as part of the annual budget setting process. Variations to the Capital programme or in-year additions, subject to delegation, will be agreed by Cabinet through the presentation of quarterly Capital programme monitoring.

## CAPITAL PLAN

The Capital Plan is the collective term which defines two key elements; the Capital Programme as approved by the Leader or S151 Officer and the Capital Pipeline which refer to possible future funding that may be available for future projects yet to be approved.

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

"The Capital Pipeline" is the term used to refer to funding that the Council hopes to receive in the future but has not yet been approved. These consist of both ringfence 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.

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 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.

## PROPERTY AND REGENERATION FUND

The Property and Regeneration Fund's strategic objectives are to deliver regeneration, economic and employment growth with associated income benefits in the Plymouth Functional Economic Area.

This will enable the Council to invest in direct developments and forward funding opportunities to promote regeneration, safeguarding and creating new jobs as well as encouraging economic growth in Plymouth Functional Economic Area.

The investment fund helps deliver the Plymouth Plan and assists in the redevelopment of brown field sites in the Plymouth area where it is difficult to attract external investment. Any regenerated areas encourage other private companies to invest in the locality as well as attracting external investment from inward investment by companies moving into the area.

## EXISTING INVESTMENT PROPERTIES

The Property and Regeneration Fund (previously known as the Asset Investment Fund) has approved investment of over £250 million in commercial property including direct development and forward funding commercial property schemes to deliver:

- Stimulation of economic and employment growth and regeneration in Plymouth Functional Economic Area.
- Associated long-term income generation (via rental revenues) to support the wider financial position of the Council.

All investment decisions have been fully accountable and followed a sequence of internal reporting and sign-offs. In addition, verification of purchase price by external suitably qualified RICS Approved Valuers were obtained prior to any investment.

In terms of on-going governance arrangements, the fund's properties are managed alongside the Council's existing commercial property portfolio in accordance with delegated land and property procedures as set out in the Council's Constitution. In addition, the team undertake regular analysis at both a portfolio and property-level to benchmark performance and manage risk. To improve transparency and disclosure, a regular fund managers' report is produced and a Management Group of key stakeholders meet regularly to review outputs.

## 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.

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 2023/24.

## RISK MANAGEMENT

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, and 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.

# Treasury Management Strategy 2023/24

## Councillor Mark Shayer

**Deputy Leader of the Council and Cabinet Member for Finance and Economy**

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

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

## David Northey

**Service Director for Finance (Interim)**

This Strategy is designed to underpin the Council's ambition to invest in the future of Plymouth. The strategy sets out a framework within which the Council's treasury management needs and risks can be managed successfully.

The recent turbulence with the financial markets and world economy has had an impact upon borrowing and investment rates of interest. This Strategy will help support the council in responding to this volatility in the short to medium term.

The strategy will keep us within our prescribed limits under the Prudential Code.

**This section explains how we invest and borrow**

# Contents



# Introduction

Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. Of necessity, the Council borrows and invests substantial sums of money and is therefore exposed to financial risks including the effects of changing interest rates.

This Treasury Management Strategy sets out how the Council will invest to meet future Infrastructure needs in an affordable way.

## INVESTMENTS – FACTS AT A GLANCE

### Principles and Objectives of the Treasury Management Strategy

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

### Market Intelligence

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

### Statutory and Performance Framework

*Rules that guide us*

**Investments**

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

**Counterparties and Limits** (see table on page 20)

**Investment Limits – subject to Counterparty table on page 20**

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

**Key Council Budget Assumption for 2023/24**

- Investments make an average rate of return of 2%

### Approach

*Choices made within the framework*

**Objective** - Security first, Liquidity second and then Yield

**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 minimise the cost of borrowing
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

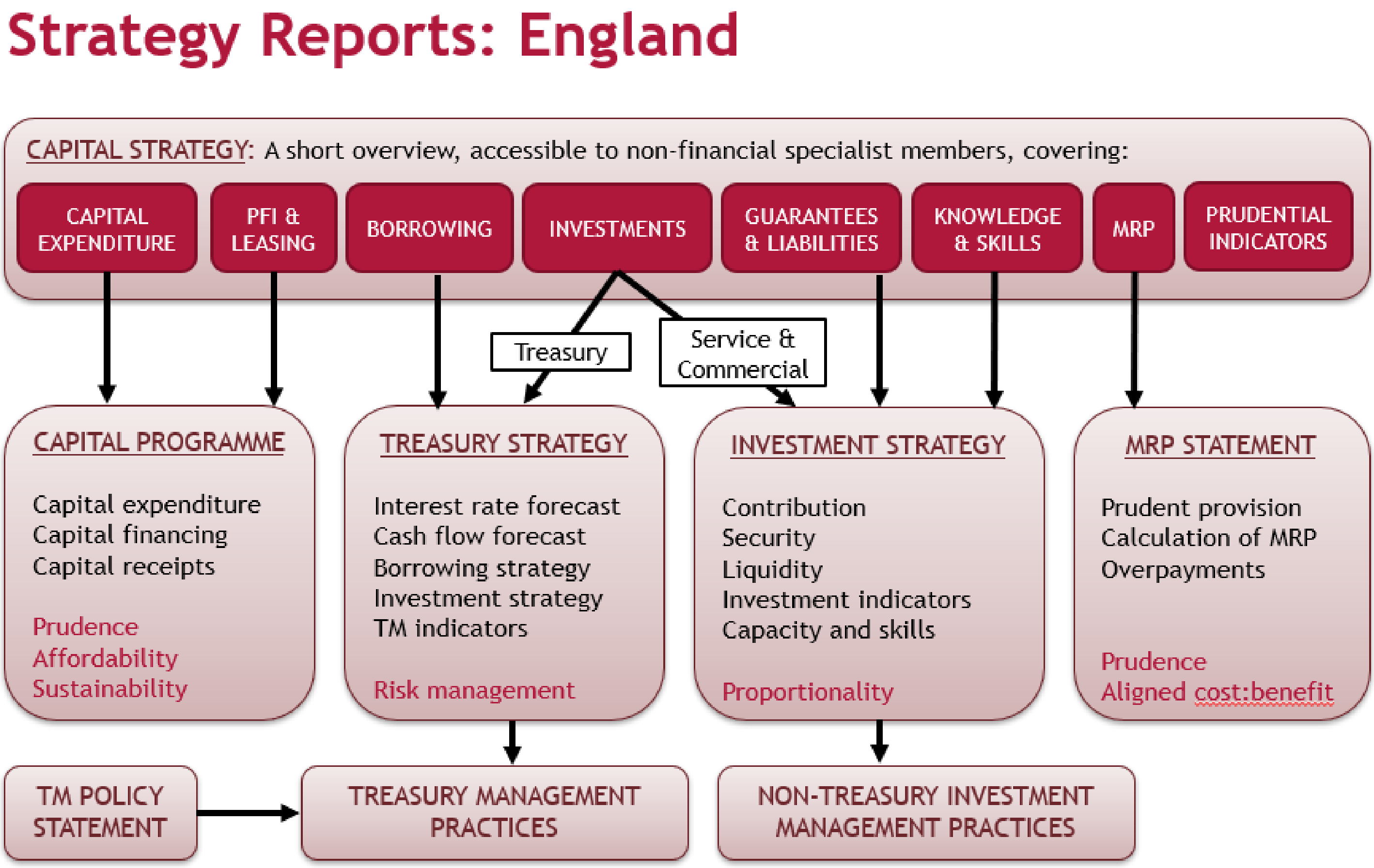
**Market Intelligence**

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

| | |
|---|---|
| **Statutory and Performance Framework**<br><br>*Rules that guide us* | **Borrowing**<br>• **£211m** Total Capital Expenditure<br>• **£1076m** Capital Finance Requirement (need to borrow)<br>• **£1082m** Total Debt (loans and private finance initiative)<br>• **£1095m** Operational Boundary (practical ceiling on borrowing)<br>• **£1130m** The Authorised Limit (absolute maximum debt approved) |
| | **Prudential Indicators**<br>• **12.1%** Ratio of finance costs to net revenue stream (borrowing costs as a proportion of net revenue budget)<br>• **£12.20** Hypothetical increase in Council Tax affordability. (this is technical measure; the Council has made no future years tax decisions) |
| | **Treasury Management Indicators**<br>• **80%** Limit on Fixed Interest Exposure<br>• **50%** Limit on Variable Interest Rate<br>• **0% to 80%** Maturity Structure of Borrowing, exposure in any duration |
| | **Minimum Revenue Provision Policy (MRP)**<br>• Annuity Method<br>• PFI/Leases charged on an annuity method over the life of the asset<br>• Option for capital receipts to be used towards repaying debt |
| | **Key Council Budget Assumption for 2023/24**<br>• New long-term loans will cost an average rate of 4.0% |

| | |
|---|---|
| **Approach**<br><br>*Choices made within the framework* | **Objective -** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. In addition to ensure required short term borrowing is held to maximise benefit from hedging arrangement.<br><br>**Strategy** Given the significant cuts to public expenditure and in particular to local government funding, the Authority'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, or to borrow short-term loans instead.<br><br>**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<br><br>**LOBOs** With interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years<br><br>**Municipal Bonds Agency** Council will use where appropriate as this is a more complicated source of finance. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.<br><br>**Debt Restructuring** A present value calculation based on current rates for the same period of loan may result in a discount or premium.<br>• Council will re-schedule if it reduces cost or risk |

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




The diagram above shows how the requirements of the Department of Levelling Up Housing and Communities (DLUHC) 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 background as at November 2022:** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

The Bank of England (BoE) increased Bank Rate by 0.75% to 3.0% in November 2022, the largest single rate hike since 1989 and the eighth successive rise since December 2021. The decision was voted for by a 7-2 majority of the Monetary Policy Committee (MPC), with one of the two dissenters voting for a 0.50% rise and the other for just a 0.25% rise.

CPI inflation is expected to peak at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets with a peak of 5.25%. However the BoE has stated it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target.

The labour market remains tight for now, with the most recent statistics showing the unemployment rate fell to 3.5%, driven mostly by a shrinking labour force. Earnings were up strongly in nominal terms by 6% for total pay and 5.4% for regular pay but factoring in inflation means real total pay was -2.4% and regular pay -2.9%. Looking forward, the MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.

Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.75% in November 2022 to 3.75%-4.0%. This was the fourth successive 0.75% rise in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 8%. GDP grew at an annualised rate of 2.6% between July and September 2022, a better-than-expected rise, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

Inflation has been rising consistently in the Euro Zone since the start of the year, hitting an annual rate of 10.7% in October 2022. Economic growth has been weakening with an expansion of just 0.2% in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.75% in October, the third major increase in a row, taking its main refinancing rate to 2% and deposit facility rate to 1.5%.

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

## Credit Outlook

Credit default swap (CDS) prices have followed an upward trend throughout the year, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

CDS price volatility has been higher in 2022 compared to 2021 and this year has seen a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.

There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

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

**Interest Rate Forecast**

The Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

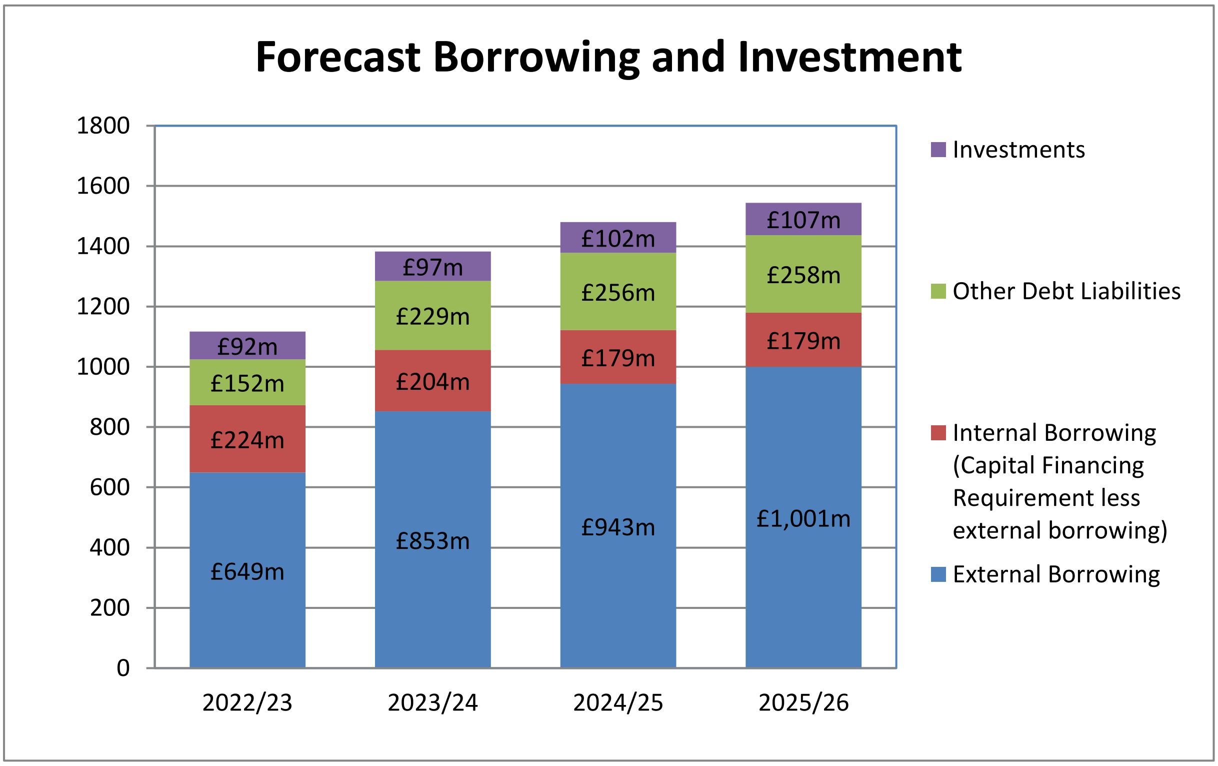
Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.6%, 3.7%, and 3.9% respectively over the 3-year period to September 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

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

## Part 2 – Technical Detail for Analysis

## Borrowing

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




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

### Maximum Total Debt

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

CIPFA's *Prudential Code for Capital Finance in Local Authorities* sets a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years.
The Council held £554 million of loans in as at 31 March 2022. This was a decrease of £46 million on the previous year. The decrease in loans is because many of the capital project were slowed down by Covid and the Council received grants for capital and revenue purposes and will be used in 2022/23 and future years.
The Council expects to hold borrowing up to £ 853m in 2023/24. The total borrowing must not exceed the authorised limit set by the Council of £1130m which includes long term liabilities of £145m.

**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 fixed borrowing to obtain certainty of costs.
- Flexibility to renegotiate loans or to reschedule debt should the Council's long-term plans change.

**It is much cheaper to borrow for a short period now we will look for opportunity to fix borrowing over long term where affordable.**

### Borrowing Strategy

Given the significant cuts to public expenditure and in particular to local government funding, the Authority'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, or to borrow short-term loans instead.
By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) 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. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
The Council has taken the opportunity to refinance some of it short term borrowing with long term fixed rate borrowing from PWLB. This has reduced the Council's short term borrowing and therefore reduced the interest rate risk (risk of interest rates rising).

There will be additional costs for taking the additional PWLB borrowing but it give the Council certainty over more of it fixed costs. Long-term fixed rate loans remove the interest rate risk by fixing the rate for the term of the loan. These are popular among local authorities but are relatively expensive.

The Council will continue to review its portfolio of borrowing and may refinance its debt dependant on the market conditions. The benefits of short-term borrowing will continue to 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).

The Council has taken additional long term fixed rate borrowing from the PWLB - £50m in November to provide interest rate certainty and have funds available should lenders exercise right to call in LOBO loans with 4 working days notice.

The Council also has an Interest Rate Swap to mitigate part of this risk by a contract that fixes the rate of interest on £75m for 20 years.

The Council will reschedule or repay loans where this is expected to lead to an overall cost saving or a reduction in risk to reduce the overall long term costs of the loan portfolio.
The Council will only borrow from approved sources.

**These are the lenders we are able to use.**

**Sources of Borrowing**
The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- The UK Infrastructure Bank
- 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 and short term borrowing
- Any other counterparty that is recommended by the Council's TM advisors
- A Plymouth City Council bond or similar instruments
- Interest Rate Swaps – although not actual borrowing they can be used to reduce the interest rate risk

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

The Council continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

**The LOBO 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 Authority holds £64m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.
One loan of £5m is expected to be called in during 2022/23.
A further £44m of these LOBOs have options during 2023/24, and with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years.

## The Municipal Bonds Agency may offer an alternative for short term borrowing

### Municipal Bond Agency (MBA)

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities.

This is 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. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

### 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

The PWLB allows authorities 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 Authority 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.

The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

# Prudential Indicators 2023/24

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 forecast at October 2022 may be summarised as follows.

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

| Capital Expenditure and Financing | 2022/23 Forecast £m | 2023/24 Forecast £m | 2024/25 Forecast £m | 2025/26 Forecast £m |
|---|---|---|---|---|
| General Fund | 170.585 | 211.107 | 79.027 | 37.146 |
| **Total Expenditure** | **170.585** | **211.107** | **79.027** | **37.146** |
| Capital Receipts | 5.481 | 5.640 | 0.443 | 3.000 |
| Grants and Contributions | 93.598 | 31.775 | 8.013 | 1.861 |
| Revenue | 1.524 | 0.000 | 0.000 | 0.000 |
| Borrowing | 69.982 | 173.692 | 70.571 | 32.285 |
| Leasing and PFI | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total Financing** | **170.585** | **211.107** | **79.027** | **37.146** |

### 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 22 Actual £m | 31 Mar 23 Forecast £m | 31 Mar 24 Forecast £m | 31 Mar 25 Forecast £m |
|---|---|---|---|---|
| General Fund | 832.728 | 902.710 | 1076.402 | 1146.973 |
| **Total CFR** | **832.728** | **902.710** | **1076.402** | **1146.973** |

The Council has an increasing CFR and is forecast to rise by £314m over the next three years for the capital programme and therefore will require additional borrowing.

**Gross Debt and the Capital Financing Requirement**

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

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

| Debt | 31 Mar 23 Forecast £m | 31 Mar 24 Forecast £m | 31 Mar 25 Forecast £m | 31 Mar 26 Forecast £m |
|---|---|---|---|---|
| Borrowing | 673.982 | 952.674 | 968.245 | 1025.530 |
| PFI liabilities & Finance Leases* | 127.000 | 129.000 | 231.000 | 233.000 |
| **Total Debt** | **800.982** | **1081.674** | **1199.245** | **1258.530** |

* A provision has been made for IFRS 16 to allow for operating leases being brought onto the balance sheet as a debt liability with effect from 1 April 2024.

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 | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m |
|---|---|---|---|---|
| Borrowing | 750.000 | 950.000 | 1000.000 | 1050.000 |
| Other long-term liabilities | 144.000 | 145.000 | 250.000 | 255.000 |
| **Total Debt** | **894.000** | **1095.000** | **1250.000** | **1305.000** |

**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 | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m |
|---|---|---|---|---|
| Borrowing | 775.000 | 985.000 | 1020.000 | 1050.000 |
| Other long-term liabilities | 140.000 | 145.000 | 255.000 | 260.000 |
| **Total Debt** | **915.000** | **1130.000** | **1275.000** | **1310.000** |

### 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 | 2021/22 Actual | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
|---|---|---|---|---|
| General Fund | 10.0% | 11.5% | 12.1% | 12.6% |

### 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 | 2021/22 Actual | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
|---|---|---|---|---|
| General Fund - increase in annual band D Council Tax | £10.10 | £18.30 | £12.20 | £12.30 |

## 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 Authority 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 for cash management**

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 grants received in advance of future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from CIPFA. The balance of treasury investments is expected to fluctuate between £20m and £60m during the financial year.

## Objectives

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing its treasury management funds is to have the monies available at short notice for unexpected payments.

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.

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

## Investment Limits

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

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

**Treasury Investment Counterparty Limits**

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

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

**Liquidity Management**

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

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

**Council Budget Assumptions for 2023/24**

- Investments will make an average rate of 2.0%
- New long-term loans will cost an average rate of 4.0%

**Strategy**

Given the increased risk and very low returns from short-term unsecured bank investments, the Council holds non-treasury management investment in diversified managed funds which offer a higher yielding. The Council holds £53m as a long-term investment (CCLA Property Fund, CCLA Diversified Fund, Schroder's

Income Maximiser and Fidelity Enhanced Income Fund) and these give a higher return than the short term investments. Although there is a higher return there is an increased risk that of capital values falling. The purpose of having medium to long-term investments is to generate income that supports the revenue budget and the provision of local services.
The majority of the Council's surplus cash is currently invested in short-term money market funds which offer very low rates but allows immediate withdrawal. The Council will continue to look for investment opportunities that give a good return whilst being a secure investment.

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

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

**Credit Rating**
Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

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

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

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

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

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

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

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

### Operational Bank Accounts

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

### Risk Assessment and Credit Ratings

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

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

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

### Other Information on the Security of Investments

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

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

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

## Treasury Management Indicators

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

**This is how we measure our performance.**

**Security**

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

| | Target |
|---|---|
| Portfolio average credit rating | A |

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

**Liquidity:**

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

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

**Interest Rate Exposures**

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

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| Upper limit on fixed interest rate exposure | 75% | 75% | 80% | 80% |
| Upper limit on variable interest rate exposure | 50% | 40% | 30% | 30% |

Fixed rate investments and borrowings are those where the rate of interest is fixed for more than 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 | 50% | 20% |
| 12 months and within 24 months | 25% | 0% |
| 24 months and within 5 years | 25% | 0% |
| 5 years and within 10 years | 25% | 0% |
| 10 years and above | 80% | 50% |

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

**Principal Sums Invested for Periods Longer than 365 days**

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

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

# Non-Treasury Management Investments

## Introduction

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

The Council invests its money for three broad purposes:

1. **Non-Treasury Management Investments** – to invest surplus cash from reserves and other funds that are not required for the day-to-day cash flow activities.

2. **Service Investments -** to support local public services by lending to or buying shares in other organisations; and

3. **Commercial Investments -** to regenerate areas within the City or immediate economic area to encourage private investment and to create or retain local jobs (known as commercial investments where these are the main purpose).

## Non-Treasury Management Investments

The Council holds reserves that are not required for the day-to-day treasury management cash flow activities so can be invested in non-treasury management investments.

The surplus cash reserves can be invested in accordance with the CIPFA guidance. The balance reserve available for non-treasury investments is expected to fluctuate between £60m and £80m during the financial year.

### Objectives

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

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

**Contribution:** The contribution that these investments make helps support the Council's budget to enable it to delivery its essential services.

## 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. 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. Therefore the Council will take security against assets to mitigate the risk of default.

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. the rate of interest charged on any loan will reflect the risk of the project and potential for default;
7. subsidy controls rules are taken into account before a loan can be considered.

**<u>Shares</u>**

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.

**Property and Regeneration Fund**

Commercial Investment Strategy: From 1 April 2021 the Council does not invest in commercial property if it is held primarily to generate income.

From the 1 April 2021 the Council will invest in the commercial property only where the main purposes are to regenerate areas of the City, encourage private investment and to create or retain local jobs.

**The Property and Regeneration Fund**

The Property and Regeneration Fund invests in commercial property for the purposes of regenerating areas of the city that the council wants to improve, encourage private investment and to create or retain local jobs.

The Council has historical commercial investment portfolio that it had built up over many years. The local and regional, commercial and residential property provides a return to the council, after paying the borrowing costs and this can be spent on local public services.

Property and Regeneration Fund

| Property and Regeneration Fund | Actual 2021/22 | Estimate 2022/23 | Forecast 2023/24 |
|---|---|---|---|
| Commercial Property Net Income | £2.492m | £3.203m | £2.635m |
| Net Return | 1.19% | 1.53% | 1.26% |

**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 development 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. The following table summarises the movement in the fair value of investment properties over the year 2021/22:

| Analysis of Movement in Investment Properties | 2020/21 | 2021/22 |
|---|---|---|
| | £000 | £000 |
| **Balance at 1 April** | **254,440** | **275,442** |
| Additions | 26,558 | 113 |
| Disposals | (160) | 0 |
| Net gains/(losses) from fair value adjustments | (8,300) | (2,587) |
| **Transfers:** | | |
| (to)/from Property, Plant and Equipment | 2.904 | (1,903) |
| **Balance at 31 March** | **275.442** | **271.065** |

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 uses the profit generated by the commercial investment to provide services for the city and 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: Property Regeneration Fund

| | **2021/22 Actual** |
|---|---:|
| Gross expenditure on provision of services | £635.924m |
| Gross Investment income | £2.492m |
| Proportion | 0.39% |

### Borrowing in Advance of Need

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

### Investment Evaluation Process for the Property and Regeneration Fund

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

1. Proposed development opportunities are reviewed by Land and Property in areas of the City which require redevelopment or regeneration of brown and green field sites or areas where the Council want to stimulate inward private investment and to create or retain local jobs. A report is prepared 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 development 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 development 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 Capital Finance 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 development, by including items such as future demand, yield, cash flows; rental movement, optimal holding periods for the property and data to support the regeneration and job creation to cover the cost 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 is produced, as part of the proposed development, 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 and Regeneration Governance**

Clear, robust and transparent governance is critical to the Capital Finance Strategy and 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 to changes in the market. For example if there is a commercial company failure in the city the officers would be able to respond quickly to help retain local jobs and look for alternative purchasers.

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 Property and Regeneration Fund a proposal is presented to the Officers and Members with 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 25 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:**

Property and Regeneration Fund commercial property developments are funded by borrowing and repaid by the service from rental income from the development. The borrowing is not directly taken out against each property but is managed through our Treasury Management function.

The rental income generated from the development of commercial property is used to repay the borrowing before any 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 2023/24

Where the Authority 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 Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

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

### Minimum Revenue Position Policy

The 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.

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.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years.

For capital expenditure loans to third parties that are repaid in annual or more frequent 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 on the loan is fully funded over the life of the assets.

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.

**Recommendation updated to Minimum Revenue Statement for 2023/24**

**Overpayments:** In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is planned to make a £1m drawdown in 2023/24.

| MRP Overpayments | £m |
|---|---|
| Actual balance 31.03.2022 | 1.381 |
| Approved 2022/23 | 0.000 |
| Expected balance 31.03.2023 | 1.381 |
| Planned 2023/24 | (1.000) |
| Forecast balance 31.03.2024 | 0.381 |

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

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

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

## Other Items

There are a number of additional items that the Council is obliged by CIPFA or DLUHC 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 has no plans to make use of derivative instruments at the present time but does not discount the possible use of these in the future dependent on the existence of appropriate operating conditions, the acquisition and analysis of specialist advice and thorough consultation with stakeholders.

This approach is in line with the CIPFA Code, which encourages the Council to seek external advice and to consider such 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 DLUHC Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

### The Treasury Management Practices, Principles and Schedules

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

**Investment of Money Borrowed in Advance of Need**

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

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

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

## Appendix A – Arlingclose Economic and Interest Rate Forecast November 2022

**Underlying assumptions:**

- UK interest rate expectations have eased following the explosive mini-budget, with a growing expectation that UK fiscal policy will now tighten to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower although the path for interest rates and gilt yields remain highly uncertain.
- Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates and tighten economies into recession.
- The new Chancellor dismantled the mini-budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.
- The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short- to medium-term outlook for the UK economy is bleak, with the BoE projecting a protracted recession.
- Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on MPC decisions. It is difficult to see labour market strength remaining given the current economic outlook.

- Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.
- However, in a departure from Fed and ECB policy, in November the BoE attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.

Forecast:

- The MPC remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.
- Following the exceptional 75bp rise in November, Arlingclose believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.
- The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC will cut Bank Rate.
- Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales will maintain yields at a higher level than would otherwise be the case.

## Extract from Arlingclose Economic and Interest Forecast issued 7 November 2022

| | Current | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Official Bank Rate** | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.25 | 0.50 | 0.75 | 1.00 | 1.00 | 1.00 | 1.25 | 1.50 | 1.75 | 1.50 | 1.25 | 1.25 |
| Arlingclose Central Case | 3.00 | 3.50 | 4.00 | 4.25 | 4.25 | 4.25 | 4.25 | 4.00 | 3.75 | 3.50 | 3.50 | 3.50 | 3.50 |
| Downside risk | 0.00 | 0.25 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | | | | | | | | | | | | | |
| **3-month money market rate** | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.25 | 0.50 | 0.75 | 1.00 | 1.00 | 1.00 | 1.25 | 1.50 | 1.75 | 1.50 | 1.25 | 1.25 |
| Arlingclose Central Case | 3.00 | 3.90 | 4.40 | 4.40 | 4.40 | 4.35 | 4.30 | 4.25 | 4.00 | 3.75 | 3.75 | 3.75 | 3.75 |
| Downside risk | 0.00 | 0.25 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | | | | | | | | | | | | | |
| **5yr gilt yield** | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.60 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arlingclose Central Case | 3.36 | 3.65 | 3.90 | 3.90 | 3.90 | 3.90 | 3.80 | 3.70 | 3.60 | 3.50 | 3.40 | 3.30 | 3.20 |
| Downside risk | 0.00 | 0.70 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | | | | | | | | | | | | | |
| **10yr gilt yield** | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.60 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arlingclose Central Case | 3.46 | 3.70 | 3.75 | 3.75 | 3.75 | 3.70 | 3.70 | 3.70 | 3.70 | 3.70 | 3.70 | 3.70 | 3.70 |
| Downside risk | 0.00 | 0.70 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | | | | | | | | | | | | | |
| **20yr gilt yield** | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.60 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arlingclose Central Case | 3.88 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 3.90 | 3.90 | 3.90 | 3.90 | 3.90 | 3.90 | 3.90 |
| Downside risk | 0.00 | 0.70 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| | | | | | | | | | | | | | |
| **50yr gilt yield** | | | | | | | | | | | | | |
| Upside risk | 0.00 | 0.60 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Arlingclose Central Case | 3.24 | 3.40 | 3.40 | 3.40 | 3.40 | 3.40 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 |
| Downside risk | 0.00 | 0.70 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

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

## Appendix B - Existing Investment and Debt Portfolio Position

| | 30 Sept 2022 Actual Portfolio £m | 30 Sept 2022 Average Rate % |
|---|---|---|
| **External Borrowing:** | | |
| PWLB – Fixed Rate | 305.5 | 2.35 |
| Short Term Borrowing | 135.0 | 0.88 |
| LOBO Loans | 64.0 | 4.34 |
| Long Term Borrowing | 18.0 | 4.37 |
| **Total External Borrowing** | **522.5** | **2.28** |
| **Other Long Term Liabilities:** | | |
| PFI, Finance Leases and other liabilities | 94.3 | n/a |
| Other loans | 19.3 | n/a |
| **Total Gross External Debt** | **636.1** | |
| **Investments:** | | |
| *Managed in-house* | | |
| Short-term Money Market Funds | 10.2 | 1.39 |
| Other Short Term investments | 1.6 | 1.66 |
| *Managed externally* | | |
| CCLA Pooled Funds | 26.8 | 2.50 |
| Other Pooled Funds | 25.0 | 1.01 |
| **Total Investments** | **63.6** | 1.72 |
| **Net Debt** | **572.5** | |

**Treasury Management Strategy 2023-24**

Published by:

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Ballard House
West Hoe Road
Plymouth PL1 3BJ

**Appendix 1 (1)**

| | 2023/24<br>£m |
|---|---|
| **November Cabinet Report – gap** | **11.394** |
| Business Rates multiplier | (4.347) |
| Revenue Support Grant (RSG) | (1.517) |
| Local Council Tax Support Grant (subsumed into RSG) | 0.395 |
| Additional Social Care Grant | (8.199) |
| Independent Living Fund (subsumed into Social Care Grant) | 0.582 |
| Lower Tier Grant - Abolished | 0.416 |
| Services Grant – reduction | 1.755 |
| New Homes Bonus (allocation = £22k v forecast £0.850m) | 0.828 |
| National Living Wage further increase to revised £10.42 | 3.300 |
| Cost and income assumptions adjustments – income | 0.367 |
| Cost and income assumptions adjustments - costs | 0.633 |
| **Revised post Settlement** | **5.607** |
| | |
| Additional 1% ASC Precept * | (1.250) |
| Additional Council Tax 2.99% | (3.740) |
| | |
| Revised post Council Tax increase | **0.617** |

**Appendix I (2)**

| Directorate | 2023/24 £m | 2023/24 £m |
|---|---|---|
| **Revised post Council Tax increase / January Cabinet** | | **0.617** |
| **Amended Resources :-** Business Rates 2023/24 | | (4.777) |
| **Amended Costs :-** | | |
| Delete South Yard additional allocation | (0.100) | |
| Reduce energy cost allocation corporate allocation | (0.210) | |
| Reduce additional energy cost – recharge Bereavement Service | (0.300) | |
| Pension costs as a result of Tri-Annual valuation | 1.500 | |
| Additional Social Care Provision | 1.000 | |
| Final Settlement adjustment to Services Grant reduction | (0.093) | |
| Total amended costs | | 1.797 |
| **Amended Savings :-** | | |
| One off used in 2022/23 – reverse of assumption to carry over | 2.493 | |
| Reduce saving Staff Exit Costs from £1.5m – to cover savings plans in 2023/24 | 0.750 | |
| MRP one-off adjustment – reverse prior year's over provision | (1.000) | |
| Reduce Community Grants saving to revised £0.093m | 0.120 | |
| Total amended savings | | 2.363 |
| **Final Balance** | | **0.000** |

**Appendix 2**

**Net additional cost pressures and adjustments**

| **Right Sizing the Budget** | **£m** |
|---|---:|
| Additional 2022/23 pay award consolidated into the 2023/24 budget | 2.900 |
| One off in 2022/23 COVID 19 Additional Grant Income | 4.890 |
| One Offs in 2022/23 budget | 6.123 |
| Electoral Services | 0.247 |
| Other Budgets funded from one off' allocations in 22/23 consolidated into the base for 23/24 | 0.720 |
| 2022/23 Budget Amendments | 0.730 |
| Additional Children's Social Workers funded from reserves in 2022/23 | 0.570 |
| **Total Right Sizing the Budget Costs *** | **16.180** |

* Includes cost that will be allocated to Directorates

| **Corporate Items** | **£m** |
|---|---:|
| Energy pressures Hard FM (Facilities Management) | 2.755 |
| Energy pressures - Street Lighting | 1.000 |
| Energy pressures – Leisure facilities | 0.500 |
| Salary Increases 2023/24 | 3.800 |
| Financing the Capital Programme (new projects (0.471m – existing £1.199m) | 1.670 |
| Additional pension costs | 1.500 |
| Interest and other TM pressures | 2.550 |
| PFI (Private Finance Initiative) contract | 0.273 |
| Lower Tier Grant | 0.416 |
| Services Grant | 1.662 |
| Local Council Tax Support Grant (rolled into Revenue Support Grant) | 0.395 |
| Social Care provision | 1.000 |
| Street Services additional resources – held as a contingency | 0.300 |
| South Yard additional allocation | (0.100) |
| New Homes Bonus (NHB) | 1.685 |
| Social Care Grant | (8.199) |
| **Total Corporate Costs** | **11.207** |

| **Children** | **£m** |
|---|---:|
| Social care provision – Additional cost and volume of placements | 3.053 |
| Short breaks | 0.370 |
| Home to school Transport | 1.000 |
| | **4.423** |

| **People** | |
|---|---|

| | £m |
|---|---|
| Adult Social Care – Care Packages | 1.700 |
| National Living Wage | 5.300 |
| Homelessness Cost and volume | 1.000 |
| Independent Living Fund (Now in Social Care Grant) | 0.582 |
| | **8.582** |

| Place | £m |
|---|---|
| Staffing - Streets | 0.327 |
| Vehicle fuel | 0.446 |
| Parking - 50% of legacy shortfall | 0.450 |
| Reversing one off income in 22/23 | 0.183 |
| Waste tonnage and additional costs | 0.628 |
| Grounds maintenance | 0.700 |
| | **2.734** |

| | |
|---|---|
| **Total net Directorate Costs** | **15.739** |

**Savings Proposals** **Appendix 3**

| Corporate | 2023/24 |
|---|---|

| | £m |
|---|---|
| MRP | (1.000) |
| Reduction in Corporate Budgets | (0.750) |
| | **(1.750)** |

| Summary of Savings by Directorate | 2023/24 £m |
|---|---|
| Children | (4.575) |
| People | (6.030) |
| ODPH (Office of the Director of Public Health) | (0.292) |
| Place | (7.290) |
| Chief Executives and Customer and Corporate Services | (3.499) |
| | **(21.686)** |

| Children | 2023/24 £m |
|---|---|
| Work with families to keep more children at home | (1.627) |
| Reduce the use of residential care, increase the use of foster care and work to ensure children in care can return to their families or a connected person in their lives | (2.275) |
| Review our workforce / organisational structure. Realigning services in Targeted Support and Social Care will reduce the need for agency workers and costs associated with external assessments | (0.673) |
| | **(4.575)** |

| **People** | **2023/24 £m** |
|---|---|
| Managing demand in homelessness | (0.500) |
| Managing and reducing cost pressures across care provider market | (1.000) |
| 18-64 Review Programme and Reducing Transition Packages | (0.430) |
| Managing and Reducing Demand of ASC Packages (65plus) | (1.000) |
| Review Reablement Service, realising efficiencies through improved ways of working. | (0.250) |
| Review Early Help provision and Children's centres in partnership with Children's Directorate and partners across the city | (0.600) |
| Review Sports Development service and align function to Plymouth Active Leisure | (0.043) |
| Review Youth Services working in partnership with local providers to reduce costs. | (0.100) |
| Transfer funding for Health and Wellbeing Hubs to Public Health Grant removing cost from People Directorate budget | (0.119) |
| Maximise Grants to support wellbeing services | (0.508) |
| Review contracts to deliver efficiencies in partnership with Providers | (0.205) |
| Maximise Disabled Facilities Grant to support the provision of community equipment and adaptations in peoples' homes. | (0.500) |
| Develop a new operating model across the directorate | (0.200) |
| Increase Houses of Multiple Occupation licensing fee | (0.075) |
| Use £250k reserve to support range of children's services | (0.250) |
| Reduce Council subsidy associated with Leisure facilities.<br>Tinside Lido: broaden offer including new events<br>Plympton Pool: review operating costs and income<br>Mount Wise Pools: Implement entry charge to contribute to costs of running<br>Brickfields: develop community sports and wellbeing hub with partners | (0.250) |
| | **(6.030)** |

| **ODPH** | **2023/24 £m** |
|---|---|
| Maximisation of grants across ODPH | (0.250) |
| Increased Fees & Charges income | (0.042) |
| | **(0.292)** |

| Place | 2023/24 £m |
|---|---|
| Reduce Concessionary Fares Budget | (0.500) |
| Increase car parking charges as per Cabinet decision of 10 November 2022 | (0.934) |
| Charging for collection of garden waste (councils are not required to provide garden waste collections as it is a non-statutory service) As per Cabinet decision on 10 November 2022 | (0.530) |
| Re-instate charging for non-household waste at Household Waste Recycling Centres (Asbestos, soil, rubble, plasterboard) | (0.177) |
| Re-instate charging for bin delivery | (0.032) |
| Reduce budget for supporting non-commercial bus routes and implement charges at Park and Ride sites to support the city's bus network | (0.229) |
| Generate savings/ income from the commercial estate (lease renewals/ re-gearing/ new income) | (0.343) |
| Capitalisation of Strategic Project Teams costs | (0.050) |
| Review costs of the Economic Development Team through capitalisation of costs, efficiencies, income and sponsorship targets | (0.077) |
| Secure new and additional income and grants from cultural trusts and foundations | (0.125) |
| Ensure Tourist Information Centre is cost neutral | (0.025) |
| Seek sponsor for Bonfire Night on The Hoe or stop the event. | (0.030) |
| Review of Community Transport provision including release of bike hire underspend, consideration of funding underspends, the optimisation of services and identifying alternative funding models. | (0.070) |
| Withdraw from Devon and Cornwall Rail Partnership | (0.010) |
| Withdraw from South Hams/Plymouth Urban Fringe Team | (0.066) |
| Reduce/re-align financial contributions to environment/marine bodies | (0.010) |
| Increase Allotment income | (0.011) |
| Undertake a full-service re-structure of Strategic Planning & Infrastructure | (0.300) |
| Annual increase in parking fees and identify new forms of income | (0.423) |
| Highways Engineering Client Fees through capitalisation of back-office support | (0.128) |
| Re-profile Highways Maintenance in areas such as white-lining, gulley work, barriers and ironworks as well as rationalising staffing and seeking capitalisation of back-office costs | (0.500) |
| Route optimisation savings of refuse collection service | (0.290) |
| Increase fees and charges in Street Services in line with fees and charges policy – areas include commercial, trade and bulky waste, MOTs, marine, playing pitches and beach huts | (0.234) |
| Reduce street lighting costs by investing in a new computer management system that helps reduce energy costs | (0.500) |
| Strategic Contract Optimisation | (0.430) |
| Introduce new Chelson Meadow Solar Farm to support energy savings | (0.050) |
| In line with national government policy, create a habitat banking scheme to generate income from developments to improve biodiversity and offset environmental impact | (0.029) |
| Maximise nature-based solutions to create additional income | (0.020) |
| One off saving – Reduce Foreshore Reserve | (0.129) |
| One off saving – Reduce Park and Ride Reserve | (0.100) |
| One off saving – Reduce Bad Debt Provision | (0.343) |
| One off saving - Strategic Projects License Fee | (0.048) |
| Utilise funding allocated for food waste collection service pending Government guidance on next steps for introduction | (0.200) |
| Recovery of owed land receipts | (0.050) |
| Increased Fees & Charges income | (0.296) |
| | **(7.290)** |

| Customer & Corporate Services | 2023/24 £m |
|---|---|
| Review Contact Centres/Customer Services operating within the Council to look at broader efficiencies, bringing services together and focusing on those who are not able to use digital services and the most vulnerable communities we serve | (0.188) |
| Reduce purchasing of library books as eBook loans are increasing | (0.050) |
| Cease Local Government Information Unit (LGIU) and Key Cities subscriptions | (0.021) |
| Swap revenue budget funding for Community Grants programme with capital funding which is available | (0.093) |
| Share policy and performance functions across the Council | (0.084) |
| Bring together marketing, design and communications functions across the Council | (0.080) |
| Reduce external legal advice | (0.020) |
| Review Lord Mayor's events and streamline resources | (0.030) |
| Review senior management resource across the Council | (0.200) |
| One-off proposal to freeze the Head of Policy and Regional Partnerships role for 23/24 | (0.070) |
| Improve processes and implement automation technology to reduce manual work in Business Support | (0.200) |
| Consult residents on how the Council re-provisions its Library Service alongside a review of other community buildings and services. | Subject to consultation – likely to be 24/25 saving |
| Introduce a plan to save money on IT as part of review of how services are best delivered across the Council | (0.600) |
| Freeze vacancies from Transformation and Digital teams and identify funding sources | (0.300) |
| Reduce spending on agency staff used in managing council buildings | (0.060) |
| Adjust security provision in council buildings | (0.123) |
| Reduce posts within the Human Resources Organisational Development (HROD) service | (0.220) |
| Review learning and development spend across the Council | (0.025) |
| Review of audit requirements from the Devon Audit Partnership | (0.050) |
| Review budget for the Finance team | (0.250) |
| Reduce external financial advice | (0.050) |
| Vacate Windsor House earlier than planned | (0.500) |
| Accelerate transfer of Children, Young People and Families service from Midland House and sell the building | (0.230) |
| Increased Fees & Charges income | (0.055) |
| | **(3.499)** |

| | |
|---|---|
| | **(21.686** |

## Indicative 2023/24 Directorate Budget

## Appendix 4

| | Budget 22/23 | | | Budget 2023/24 | | | |
|---|---|---|---|---|---|---|---|
| Directorate | Expenditure | Income | Net Budget | Cost Increases | Right Sizing the Budget | Savings/ Income | Net Budget |
| Corporate | 11.783 | (50.891) | (39.108) | 11.207 | 13.913 | (1.750) | (15.738) |
| Children | 151.478 | (89.316) | 62.162 | 4.423 | 0.570 | (4.575) | 62.580 |
| People | 132.561 | (37.403) | 95.158 | 8.582 | 0.000 | (6.030) | 97.710 |
| ODPH | 20.553 | (20.861) | (0.308) | 0.000 | 0.000 | (0.292) | (0.600) |
| Place | 92.162 | (64.884) | 27.278 | 2.734 | 0.950 | (7.290) | 23.672 |
| Chief Executives and Customer and Corporate Services | 121.971 | (69.403) | 52.568 | 0.000 | 0.747 | (3.499) | 49.816 |
| | **530.508** | **(332.758)** | **197.750** | **26.946** | **16.180** | **(23.436)** | **217.440** |
| | | | | Total Resources available | | | **(217.440)** |
| | | | | **Budget** | | | **0.000** |

**APPENDIX 5 Capital Programme**

| Details | 2022-23 Latest Forecast | 2023-24 Latest Forecast | 2024-25 Latest Forecast | 2025-26 Latest Forecast | 2026-27 Latest Forecast | Total |
|---|---|---|---|---|---|---|
| **Delivering a Net Zero Plymouth** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Transforming Cities Fund (TCF)Tranche 2 Grant | 1.777 | 19.156 | | | | **20.933** |
| Heat Sourcing in Corporate Buildings (Big 4 Decarbonisation) | 3.547 | | | | | **3.547** |
| Home Energy | 0.088 | 0.060 | | | | **0.148** |
| Warm Homes | 0.428 | | | | | **0.428** |
| Green Homes | 1.882 | | | | | **1.882** |
| TCF T2 Mobility Hubs | 2.065 | 2.787 | | | | **4.852** |
| TCF T2 Signal Optimisation / ITS (citywide) and Traffic Control Centre | 2.491 | | | | | **2.491** |
| TCF T2 Workplace Travel Package | 0.576 | | | | | **0.576** |
| TCF T2 St Budeaux to Dockyard | 0.196 | 0.881 | | | | **1.077** |
| TCF T2 St Budeaux Station Interchange | 0.399 | 0.586 | | | | **0.985** |
| TCF T2 Royal Parade Bus Infrastructure | 0.176 | 0.243 | | | | **0.419** |
| TCF T2 Mayflower Street Bus Stops | 0.303 | 0.207 | | | | **0.510** |
| TCF T2 Crownhill Sustainable Transport Corridor | 0.576 | 0.190 | | | | **0.766** |
| TCF T2 Dockyard to City Centre Walking & Cycling | 0.165 | 0.880 | | | | **1.045** |
| Northern Corridor Strategic Cycle Network | 2.050 | 0.150 | | | | **2.200** |
| Eastern Corridor Strategic Cycle Network | 1.164 | 0.150 | | | | **1.314** |
| Derriford Community Park Biodiversity / Access Networks | 0.267 | 0.056 | 0.058 | 0.058 | | **0.439** |

| | | | | | | |
|---|---|---|---|---|---|---|
| National Marine Park | 0.166 | | | | | **0.166** |
| National Marine Park- New Horizons | 0.525 | 0.080 | | | | **0.605** |
| Plan for Trees | 0.228 | 0.226 | 0.216 | | | **0.670** |
| Billacombe / Barbican Footbridges | | 0.590 | | | | **0.590** |
| Plymouth's Natural Grid | 0.173 | | | | | **0.173** |
| Civic Centre District Energy | 0.216 | | | | | **0.216** |
| Civic Centre District Energy- Phase 2 | | 0.475 | 2.422 | 0.076 | | **2.973** |
| Chelson Meadow Solar Farm | 0.060 | 0.357 | | | | **0.417** |
| Solar Roof Tops | 0.172 | | | | | **0.172** |
| PCC LED Lighting Replacement Programme | 0.120 | 0.507 | | | | **0.627** |
| Longbrook Street Flood Defence | 0.139 | | | | | **0.139** |
| Electric Vehicles | 0.180 | 0.221 | | | | **0.401** |
| Social Housing Decarbonisation | 0.967 | | | | | **0.967** |
| Home Upgrade Grant HUG | 2.254 | | | | | **2.254** |
| Plymouth & South Devon Community Forest | 0.640 | 3.845 | 2.493 | 1.671 | | **8.649** |
| Fleet Decarbonisation Programme | | 0.568 | 0.323 | | | **0.891** |
| Container Provision | 0.115 | | | | | **0.115** |
| Various Projects under £0.1m | 0.272 | 0.008 | | | | **0.280** |
| **Total Delivering a Net Zero Plymouth** | **24.377** | **32.223** | **5.512** | **1.805** | **-** | **63.917** |

| Details | 2022-23 Latest Forecast | 2023-24 Latest Forecast | 2024-25 Latest Forecast | 2025-26 Latest Forecast | 2026-27 Latest Forecast | Total |
|---|---|---|---|---|---|---|
| **Delivering a sustainable City Centre and Waterfront** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Future High Streets Fund - Civic Centre | 1.500 | 8.964 | | | | **10.464** |
| Future High Streets Fund - Guildhall | 0.212 | 1.436 | 2.312 | | | **3.960** |
| Civic Square | 0.756 | | | | | **0.756** |
| Armada Way | 2.755 | 9.836 | | | | **12.591** |
| Royal Parade | 0.150 | 0.500 | | | | **0.650** |
| Quality Hotel | 0.046 | 0.020 | 0.107 | | | **0.173** |
| HSHAZ Façade Restoration | 0.145 | 0.145 | | | | **0.290** |
| Charles Cross | 0.012 | 0.185 | | | | **0.197** |
| Colin Campbell Court | 0.030 | 0.157 | | | | **0.187** |
| 3-19 Raleigh St & 91-95 New George St | 0.900 | 0.300 | 0.100 | | | **1.300** |
| Colin Campbell Court Demolitions | 0.420 | 0.565 | | | | **0.985** |
| Plymouth Health and Wellbeing Hub at Colin Campbell Court | 1.361 | 1.458 | 0.023 | | | **2.842** |
| Retail Development | 0.025 | 0.075 | 1.171 | | | **1.271** |
| Stonehouse Creek Community Centre | 0.098 | 0.198 | 0.051 | | | **0.347** |
| City Centre Public Realm Old Town St/ New George St | 3.462 | 0.769 | | | | **4.231** |
| Various Projects under £0.1m | 0.150 | 0.080 | | | | **0.230** |
| **Total Delivering a sustainable City Centre and Waterfront** | **12.022** | **24.688** | **3.764** | **-** | **-** | **40.474** |

| Details | 2022-23 Latest Forecast | 2023-24 Latest Forecast | 2024-25 Latest Forecast | 2025-26 Latest Forecast | 2026-27 Latest Forecast | Total |
|---|---|---|---|---|---|---|
| **Delivering a sustainable Derriford / Northern Corridor** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Woolwell to The George (Widening & Park & Ride) | 3.664 | 21.100 | 13.111 | 0.755 | | **38.630** |
| Forder Valley Link Road | 9.150 | 2.160 | | | | **11.310** |
| Forder Valley Interchange | 3.954 | 0.274 | | | | **4.228** |
| Morlaix Drive Access Improvements | 3.795 | | | | | **3.795** |
| Charlton Road | 0.060 | 0.645 | 0.564 | | | **1.269** |
| Various Projects Under £0.1m | 0.040 | 0.014 | - | | | **0.054** |
| **Total Delivering a sustainable Derriford / Northern Corridor** | **20.663** | **24.193** | **13.675** | **0.755** | **-** | **59.286** |
| **Details** | **2022-23 Latest Forecast** | **2023-24 Latest Forecast** | **2024-25 Latest Forecast** | **2025-26 Latest Forecast** | **2026-27 Latest Forecast** | **Total** |
| **Delivering a sustainable Eastern Corridor** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| E Corridor Junction Improvements | 0.227 | 0.061 | | | | **0.288** |
| A38 Manadon Junction | 0.696 | 0.208 | | | | **0.904** |
| Plymouth Major Road Network | 0.314 | | | | | **0.314** |
| Various projects Under £0.1m | | 0.078 | | | | **0.078** |
| **Total Delivering a sustainable Eastern Corridor** | **1.237** | **0.347** | **-** | **-** | **-** | **1.584** |

| Details | 2022-23 Latest Forecast | 2023-24 Latest Forecast | 2024-25 Latest Forecast | 2025-26 Latest Forecast | 2026-27 Latest Forecast | Total |
|---|---|---|---|---|---|---|
| **Delivering sustainable homes** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Re-provision of Vines and Colwill Lodge | 0.281 | 6.492 | 3.535 | | | **10.308** |
| Plan for Homes (PfH) Bath Street | 0.050 | 1.460 | | | | **1.510** |
| PfH Self Build Housing Sites - Lancaster Gardens | 0.003 | 0.179 | | | | **0.182** |
| PfH Plan for Homes Phase 3 | | 0.578 | | | | **0.578** |
| PfH Colebrook Road, Plympton | 0.002 | 0.150 | | | | **0.152** |
| PfH P3 Healy Place, Morice Town Dev. | 0.003 | 0.225 | 0.225 | | | **0.453** |
| PfH Empty Homes Financial Assistance | 0.511 | 0.245 | 0.244 | | | **1.000** |
| PfH Broadland Gardens (Development) | 0.945 | 2.050 | | | | **2.995** |
| PfH Extra Care Housing Support Millbay | | 0.450 | | | | **0.450** |
| Douglass House Site Development | 0.522 | | | | | **0.522** |
| Disabled Facilities (incl Care & Repair works) | 4.720 | | | | | **4.720** |
| Integrated Health Hub - Colin Campbell Court | 0.811 | | | | | **0.811** |
| Eclipse Project | 0.640 | 0.971 | | | | **1.611** |
| 6 Victoria Place | 0.011 | 0.170 | | | | **0.181** |
| Coombe Way, Kings Tamerton | 0.013 | 0.600 | 0.330 | | | **0.943** |
| Elgin Crescent | 0.055 | 0.045 | | | | **0.100** |
| Windmill Carpark | 0.057 | 0.052 | | | | **0.109** |
| Broadland Gardens Brownfiled Land Release Fund | | 0.100 | | | | **0.100** |
| Short Term Care Centre | 0.336 | | | | | **0.336** |
| Asbestos Claims by Plymouth Community Homes (PCH) | 0.662 | 0.500 | | | | **1.162** |

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|---|---|---|---|---|---|---|
| PfH Self Build Housing Sites – Clowance Street | 0.004 | 0.100 | | | | **0.104** |
| PfH PCH Partnership Agreements | 0.338 | 0.702 | | | | **1.040** |
| PfH Livewest Partnership Agreement | | 0.500 | 0.500 | | | **1.000** |
| Various Projects under £0.1m | 0.216 | 0.122 | | | | **0.338** |
| **Total Delivering sustainable homes** | **10.180** | **15.691** | **4.834** | **-** | **-** | **30.705** |
| **Details** | **2022-23 Latest Forecast** | **2023-24 Latest Forecast** | **2024-25 Latest Forecast** | **2025-26 Latest Forecast** | **2026-27 Latest Forecast** | **Total** |
| **Delivering essential city infrastructure / Improving Neighbourhoods** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Minor Structure Repairs (Reactive) | 0.500 | 0.240 | | | | **0.740** |
| Minor Structure Repairs (Preventative) | 0.742 | 0.020 | | | | **0.762** |
| Carriageway Permanent Repairs | 0.525 | | | | | **0.525** |
| Carriageway Resurfacing | 2.870 | 1.180 | | | | **4.050** |
| Carriageway Micro Asphalt | 0.860 | 1.410 | | | | **2.270** |
| Carriageway Lining | 0.362 | | | | | **0.362** |
| Footway Permanent Repair | 0.985 | | | | | **0.985** |
| Footway Resurfacing | 0.139 | | | | | **0.139** |
| Kerb Replacements | 0.236 | | | | | **0.236** |
| Capitalised drainage schemes | 0.291 | 0.418 | | | | **0.709** |
| Vehicle Restraint System | 0.237 | 0.110 | | | | **0.347** |
| Street Furniture Replacements | 0.175 | | | | | **0.175** |
| Street Lighting Columns Replacement | 1.765 | 2.123 | 2.377 | | | **6.265** |
| Traffic signal replacement | 0.506 | | | | | **0.506** |

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|---|---|---|---|---|---|---|
| Minor Traffic Schemes | 0.148 | | | | | **0.148** |
| Collision Reviews (Millbay Roundabout) | 0.131 | 0.010 | | | | **0.141** |
| Car Parks - Maintenance & Payment System | 0.300 | 1.293 | | | | **1.593** |
| Plymouth Life Centre - Building Management System | 0.175 | | | | | **0.175** |
| Little Deers - Morley Centre | | 0.120 | | | | **0.120** |
| Visual Impact Mitigation Scheme (VIMS) | 0.080 | 0.250 | | | | **0.330** |
| Central Park Improvements | 0.941 | 2.959 | | | | **3.900** |
| Bond Street Playing fields (Southway Community Football Facility) | 0.044 | 0.250 | | | | **0.294** |
| Improving Outdoor Play Phase 3 | 0.297 | 0.173 | | | | **0.470** |
| Variable Message Systems CCTV | | 0.179 | | | | **0.179** |
| Living Streets Coordination of Cllr Schemes | 0.136 | 0.149 | | | | **0.285** |
| Various Projects under £0.1m | 0.811 | 0.320 | 0.005 | | | **1.136** |
| **Total Delivering essential city infrastructure / Improving Neighbourhoods** | **13.256** | **11.204** | **2.382** | **-** | **-** | **26.842** |

| Details | 2022-23 Latest Forecast | 2023-24 Latest Forecast | 2024-25 Latest Forecast | 2025-26 Latest Forecast | 2026-27 Latest Forecast | Total |
|---|---|---|---|---|---|---|
| **Ensuring sufficient good quality school places** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Pomphlett Basic Need | 0.043 | | | | | **0.043** |
| Plymstock School Expansion | 0.154 | | | | | **0.154** |
| SEN Access and Safeguarding | 0.010 | | | | | **0.010** |
| Schools - Devolved Capital Formula | 0.268 | 0.132 | 0.132 | 0.132 | | **0.664** |
| Schools - Devolved Capital Projects | 0.126 | | | | | **0.126** |
| **Total Ensuring sufficient good quality school places** | **0.601** | **0.132** | **0.132** | **0.132** | **-** | **0.997** |
| **Details** | **2022-23 Latest Forecast** | **2023-24 Latest Forecast** | **2024-25 Latest Forecast** | **2025-26 Latest Forecast** | **2026-27 Latest Forecast** | **Total** |
| **Delivering a sustainable economy** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Commercial / Office Development | 2.486 | 43.774 | 2.398 | | | **48.658** |
| Retail Development | 0.085 | 22.525 | | | | **22.610** |
| Oceansgate Remediation/separation works | 0.307 | 0.922 | | | | **1.229** |
| Oceansgate – Smart Sound Connect | 0.127 | | | | | **0.127** |
| Oceansgate Phase 2 | 0.001 | 0.118 | | | | **0.119** |
| Oceansgate Phase 3.1 – Innovation Area | 0.893 | | | | | **0.893** |
| Langage Development Phase 2 | 0.261 | | | | | **0.261** |
| Langage Development Phase 3 | 0.011 | 0.120 | | | | **0.131** |
| The Box | 0.247 | | | | | **0.247** |
| City Business Park - Redevelopment | 0.345 | | | | | **0.345** |
| Inclusive Economy Fund | 0.530 | 0.199 | 0.110 | 0.076 | 0.046 | **0.961** |

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|---|---|---|---|---|---|---|
| Mayflower 400 – Waterfront Event Infrastructure | 0.106 | | | | | **0.106** |
| Mayflower 400- Plymouth Signage | 0.125 | | | | | **0.125** |
| Various Projects under £0.1m | 0.221 | 0.022 | | | | **0.243** |
| **Total Delivering a sustainable economy** | **5.745** | **67.680** | **2.508** | **0.076** | **0.046** | **76.055** |
| **Details** | **2022-23 Latest Forecast** | **2023-24 Latest Forecast** | **2024-25 Latest Forecast** | **2025-26 Latest Forecast** | **2026-27 Latest Forecast** | **Total** |
| **Connecting the City** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Plymouth Rail Station Regeneration | 0.219 | | | | | **0.219** |
| Plymouth Rail Station Forecourt | 1.262 | 1.754 | 3.063 | 2.296 | | **8.375** |
| Plymouth Rail Station MSCP | 0.074 | 0.031 | 0.044 | 0.038 | 2.599 | **2.786** |
| Plymouth Railway Station Concourse | 0.127 | 0.531 | 0.521 | 1.010 | 0.243 | **2.432** |
| Rail Station Accommodation Block | 0.081 | 0.313 | 2.058 | 1.948 | | **4.400** |
| Mayflower Coach Station | 0.008 | | | | | **0.008** |
| Cot Hill Bridge | 0.139 | | | | | **0.139** |
| **Total Connecting the City** | **1.910** | **2.629** | **5.686** | **5.292** | **2.842** | **18.359** |

| Details | 2022-23 Latest Forecast | 2023-24 Latest Forecast | 2024-25 Latest Forecast | 2025-26 Latest Forecast | 2026-27 Latest Forecast | Total |
|---|---|---|---|---|---|---|
| **Transforming Services** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Bereavement Infrastructure | 9.823 | 10.682 | 2.670 | | | **23.175** |
| Schools - ICT Projects | 0.439 | | | | | **0.439** |
| Ballard House Roof Replacement & Insulation | 0.397 | | | | | **0.397** |
| Crownhill Court Fit Out | 0.687 | | | | | **0.687** |
| Street lighting Energy Savings | 1.245 | | | | | **1.245** |
| Challenge Fund | 0.500 | 1.000 | | | | **1.500** |
| Car Parks - Replacement Payment System | 0.099 | 0.300 | | | | **0.399** |
| Replacement of Hire Vehicles | 0.220 | 1.461 | | | | **1.681** |
| Street Scene & Waste Vehicles | 0.251 | 0.144 | | | | **0.395** |
| Chelson Meadow  Push Walls | 0.629 | | | | | **0.629** |
| Transformation/Modernisation Technology Projects | | 0.599 | | | | **0.599** |
| New Data Centre Migration | 0.221 | | | | | **0.221** |
| Repairs to Plymouth Guildhall | 0.118 | | | | | **0.118** |
| Pounds House Repairs | 0.085 | 1.702 | | | | **1.787** |
| Accommodation Strategy | 0.162 | | | | | **0.162** |
| Mount Edgcumbe Commercialisation | | 0.180 | | | | **0.180** |
| MOVA Marsh Mills – Upgraded Traffic Signals | | 0.341 | | | | **0.341** |
| Western Approach Car Park | 0.253 | | | | | **0.253** |
| Continuation of Transformation/ Modernisation Projects | | 0.418 | 0.100 | | | **0.518** |
| Data Centre Infrastructure | 0.482 | 0.482 | 0.482 | | | **1.446** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Replacement of Current Laptop Estate | | 1.700 | | | | **1.700** |
| Highways Management System | | 0.100 | | | | **0.100** |
| Alloy Phase 2 | 0.034 | 0.215 | | | | **0.249** |
| Development of PCC Website | 0.192 | | | | | **0.192** |
| Data Intelligence | | 0.200 | | | | **0.200** |
| EDRMS Data Storage and Management Solution | | 0.200 | | | | **0.200** |
| Sensors and Monitors | | 0.100 | | | | **0.100** |
| AI Solutions | 0.120 | 0.380 | | | | **0.500** |
| cWAN Project | 0.281 | | | | | **0.281** |
| Western Approach LED | 0.374 | | | | | **0.374** |
| Plymouth Life Centre Light Replacements | 0.030 | 0.140 | | | | **0.170** |
| Toilet Demolition | 0.101 | | | | | **0.101** |
| Business Park development | 1.992 | 0.800 | | | | **2.792** |
| Relocation of Midland House Staff and Services to Ballard House | 0.350 | 0.500 | | | | **0.850** |
| Refit of 4 Haxter Court Close for Delt Shared Services | 0.200 | | | | | **0.200** |
| Various projects under £0.1m | 1.398 | 0.136 | 0.023 | | | **1.557** |
| **Total Transforming Services** | **20.683** | **21.780** | **3.275** | **-** | **-** | **45.738** |
| **Total** | **110.674** | **200.567** | **41.768** | **8.060** | **2.888** | **363.957** |

**APPENDIX 6 Future Funding Assumptions**

| Project Income Assumptions: | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| Plymouth Ports | 0.682 | 7.473 | 1.585 | | | 9.740 |
| Schools Contributions | 0.018 | 0.020 | 0.020 | | | 0.058 |
| Civic Centre District Energy | | 0.086 | | | | |
| Major Road Network – Department for Transport (DfT) | 4.293 | 10.695 | 15.250 | 16.253 | | 46.491 |
| Manadon Interchange | 1.785 | 3.198 | 3.198 | | | |
| Embankment Cycle/ Pedestrian | | 1.900 | 1.900 | | | |
| Mannamead Road/ Meavy Way | 0.303 | 0.519 | 0.519 | | | |
| DfT Highways Maintenance | 0.323 | 0.323 | 0.323 | | | |
| Potholes Action Fund | 1.290 | 1.290 | 1.290 | | | |
| Oceansgate | 2.385 | 11.071 | 14.235 | | | 27.691 |
| National Marine Park | 0.065 | 5.189 | 2.908 | | | 8.162 |
| Home Improvement – HUG | | 1.500 | 1.500 | | | |
| Social Housing – Decarb fund | | 3.350 | 3.350 | | | |
| Lipson Vale Trefusis Park – Environment Agency (EA) fund | | 2.700 | | | | 2.700 |
| St Levan Road – EA fund | 0.070 | 0.680 | | | | |
| Lawn Tennis Association | 0.020 | | | | | |
| Central Park – EA fund | | 0.040 | | | | |
| Plymouth Natural Grid | | 0.378 | | | | |
| Better Care Fund | | 2.814 | 2.814 | | | |
| Connect the Classroom | 0.238 | | | | | |
| Schools Basic Needs | 0.742 | 0.050 | | | | |
| High Needs Pupils | 6.693 | 4.957 | | | | |
| Condition fund | 2.503 | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Local Transport Plan/Highway Maintenance | 0.294 | 1.777 | 3.249 | | | 5.320 |
| Seagull Bridge | | 0.025 | | | | |
| Fleet Replacement | | 4.050 | 4.086 | | | |
| Street Lighting | | 1.000 | | | | |
| ICT Business Case | | | 0.625 | | | |
| Community Connection Loan | 0.210 | | | | | |
| Service Efficiency Borrowing | 2.814 | 0.950 | 0.769 | 5.441 | 3.001 | 12.975 |
| Developer Contributions | 4.452 | 4.088 | 3.736 | | | |
| | | | | | | |
| **TOTAL** | **29.180** | **70.123** | **61.357** | **33.014** | **33.872** | **227.547** |

| **Total Revised Capital Budget** | **2022/23** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **Total** |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Total | 139.798 | 270.747 | 103.125 | 41.074 | 36.760 | 591.504 |