

PLYMOUTH CITY COUNCIL

Subject: Revenue and Capital Budget 2018/19

Committee: City Council

Date: 26 February 2018

Cabinet Member: Councillor Darcy

CMT Member Andrew Hardingham (Interim Joint Strategic Director for Transformation and Change)

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Ref:

Key Decision: No

Part: I

Purpose of the report:

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

The Corporate Plan 2016/19:

The 2018/19 Budget sets out the revenue and capital resources available to deliver the Corporate Plan.

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

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

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

The proposed 2018/19 Budget provides the maximum resources achievable to address key policy areas.

Equality and Diversity:

A full equalities impact assessment is available at;
<http://democracy.plymouth.gov.uk/documents/s86083/EIA%20form%20Budget%20Cabinet%2013.02.2018.pdf>.

Recommendations and Reasons for recommended action:

The City Council is recommended:

1. To approve the proposed net revenue budget requirement for 2018/19 of £185.556m;
2. To approve the total capital budget of £674.640m to 2021/22 (Appendix 5);
3. To consider an Adult Social Care council tax precept and council tax levels for 2018/19;
4. To note that the Office of the Devon and Cornwall and Isles of Scilly Police Commissioner has issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area, reflecting twelve pound or a six point eight one per cent (£12.00 or 6.81%) increase for 2018/19;
5. To note that the Devon and Somerset Fire and Rescue Authority precepts will be confirmed for 2018/19 at the meeting;
6. To note the Section 151 Officer's statement on the Budget Robustness Statement as set out in section 2 of this report;
7. To approve the 2018/19 Flexible use of capital receipts strategy.
8. To approve the annual Treasury Management Strategy and Annual Investment Strategy 2018/19 (incorporating the authorised limits, operational boundaries and prudential indicators) as submitted (Appendix 7);
9. To note the Revenue and Capital Monitoring Report Quarter Three 2017/18 (Appendix 8);
10. To note the response to the recommendations made by the Budget Scrutiny Select Committee (Appendix 9);
11. To delegate responsibility for any technical accounting changes which may arise after the budget to the Section 151 Officer in consultation with the Leader and Portfolio Holder for Finance and IT.

Alternative options considered and rejected:

There are no alternative options.

Published work / information:

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Medium Financial Strategy 2018/19 to 2020/21	X									
Corporate Fees and Charges Policy	X									
Annual Report	X									
Treasury Management Strategy	X									
Council Tax Base	X									

Sign off:

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Originating CMT Member Andrew Hardingham												
Has the Cabinet Member(s) agreed the content of the report? yes												

I. Background

- I.1 This report sets out the decisions of Cabinet of 13 February 2018 to recommend a Revenue Budget for 2018/19 and Capital Budget for the five years to 2022/23. In addition, Council is recommended to approve the Treasury Management Strategy Statement and Annual Investment Strategy 2018/19 (as required by the CIPFA Code of Practice), including changes to the prudential indicators. Council is also asked to note the latest Revenue and Capital Monitoring Reports for 2017/18 as at the end of quarter three.
- I.2 The report to Cabinet set out in detail the latest budget position and budget gap and set out the impact of new and emerging pressures offset by savings and efficiencies to reach a revised budget gap.
- I.3 Council is required to set the Council Tax amounts for 2018/19. The precept notification from the office of the Police and Crime Commissioner for Devon, Cornwall and the Isles of Scilly, and the precept for the Devon and Somerset Fire and Rescue Service have been received and will be included as part of the Council Tax Resolution for 2018/19.
- I.4 The final 2018/19 Local Government Finance Settlement was announced on 6 February 2018. This confirmed the previously announced figures and the ten business rates retention pilots which included the Devon Pool. The Government announced a further £150m for Adult Social Care. Plymouth's allocation is £0.803m and will be used to support Adult Social Care.
- I.5 The Section 151 Officer is required to make an assessment as to the robustness of the budget and adequacy of the council's reserves. A detailed assessment is set out in section 2 of this report.
- I.6 The following appendices are included with this report:
 - Appendix 1 Updated MTFS Risk Register;
 - Appendix 2 Budget Build by Directorate and Department;
 - Appendix 3 Funding Forecast;
 - Appendix 4 Council Tax Resolution (to be tabled at the meeting);
 - Appendix 5 Capital Budget;
 - Appendix 6 Revenue and Capital Budget 2018/19 report;
 - Appendix 7 Treasury Management Strategy Statement and Annual Investment Strategy 2018/19;
 - Appendix 8 Capital and Revenue Monitoring Report 2017/18 Quarter 3;
 - Appendix 9 Cabinet's response to the scrutiny recommendations and the scrutiny report.

2. Joint Interim Strategic Director for Transformation and Change (S151 Officer) – Budget Robustness Statement

- 2.1 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Interim Director for Transformation and Change) to formally report to Council as part of the tax setting report their view on the minimum level of reserves available to the general fund and on the robustness of estimates used on the budget setting process. The Council is required to take these views into account when setting the Council Tax at its meeting on 26 February 2018.

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

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

2.3 In coming to a view as to the robustness of the 2018/19 budget, the Section 151 Officer has taken account of the following issues:-

- Preparation has been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council;
- Significant financial pressures experienced in 2017/18 including the application of one off use of reserves and other financing solutions have, where appropriate, been recognised in preparing the 2018/19 budget, or are subject to further actions to enable them to be delivered;
- Since the draft MTFS was approved in November 2017 and the initial Budget proposals were approved in January 2018, work has been undertaken to reduce some of the risks in the budget and to place less reliance on the use of “one off” financing solutions. The need to balance resource requirements against efficiency targets whilst ensuring front line service provision is not compromised continues to remain a concern;
- I have taken a risk-based assessment of the areas which could have a major impact on the Council’s finances. This approach has taken into account the type of risk, the potential magnitude of the financial risk and a judgement as to how likely the issue is to arise;
- In addition to specific directorate risks, the collection of Council Tax and generation of Business Rates yields are two key risks which need to be closely monitored;
- The Section 151 Officer is satisfied that the risks set out in the MTFS adequately reflect the fiscal challenges facing the Council.

2.4 It is important to note that 2017/18 has been and continues to be a challenging year. Demand for services, particularly children’s and adults has continued to increase and exceeded the cost forecasts used when preparing the budget with children’s services seeing an unprecedented 16% increase in costs in-year. In addition opportunities to realise some

savings targets have not materialised as forecast. It was important therefore to reassess these targets during the year in order to create a more robust budget going forward into 2018/19. Referring to the risks mentioned above the S151 Officer will be monitoring closely the revised and new savings targets.

- 2.5 The Section 151 Officer is able to confirm the contractual arrangement with Torbay to manage their children's services will not have any detrimental impact on Plymouth City Council's finances. I am satisfied that the contract will reflect that the budget the joint Director of Children's Services will be responsible for in delivering the service will be subject to a comprehensive and regular monitoring process and that all budget responsibilities and liabilities rest solely with Torbay.
- 2.6 The proposed strengthening of the Senior Management Team, as set out in the Chief Executive's Organisational Design, will ensure the delivery of Children's Services in Plymouth remain a key priority.
- 2.7 The budget proposed for 2018/19 includes the disaggregation of the central Transformation department. This reflects the maturity of Plymouth's ability to manage major transformational projects and delivery the required savings. Although there is a risk associated with this move, as S151 Officer I am assured by the discussions with the Corporate Management Team that there will be no adverse impact on the delivery of savings. Where previous transformation/efficiency savings have not been achieved the 2018/19 budget has been rebased. The Council has set challenging vacancy management savings. These will be managed within departments to meet the target set corporately with an understanding of the need to deliver departmental priorities. These reflect the profile of turnover across the Council but need to be closely monitored and actively managed throughout the year as to meet such an extended target will have an impact upon service delivery.
- 2.8 I have undertaken a comprehensive review of reserves and balances and consider these to be adequate. However, it should be noted that an overspend of 1% in any year, unless alternatively funded, would reduce general balances by 20%.
- 2.9 The Council's financial controls are set out in the Council's Financial Regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate, corporate and cabinet levels. Given the scale of the budget challenges and the number of actions that need to be implemented to ensure the budget is on track, Cabinet will continue to monitor budget performance on a quarterly basis with monthly reports being provided to Portfolio holders.
- 2.10 In the context of the above, the Section 151 Officer considers the proposed budget which has been developed following input and reviews with Directors and other officers and Members, including Cabinet, for 2018/19 as robust and that the level of reserves are adequate given a clear understanding of the following:-
 - Both the revenue budget and capital programme have been formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans have been formulated having regard to Council priorities and assessed against an agreed set of impact criteria and equality assessments;

- Budget monitoring and scrutiny arrangements are in place which include arrangements for the identification of remedial action, reporting and any remedial action required is supported by a clear action plan and regularly monitored;
 - The budget contains a number of challenging targets and other actions which will be subject to specific monitoring by the Council's Corporate Leadership Team, and as such, are at this time considered reasonable and achievable;
 - Monthly budget reporting to Cabinet members will continue;
 - There is a clear understanding of the duties of the Council's statutory Financial Officer and that the service implications of them being exercised are fully understood by members and senior management alike.
- 2.11 The Section 151 Officer is aware that the ongoing reduction to both general and specific government grant for local government will continue to have an impact upon Plymouth's finances. The MTFS will be reviewed on and updated on a quarterly basis to identify and address future funding, service and operational pressures. The delivery of future transformational savings by Directorates (as set out in the MTFS) is essential to ensure future year's budgets can be declared as robust.
- 2.12 An updated MTFS risk register has been included as appendix I.

3. Resources

- 3.1 The budget report presented to Cabinet on 13 February 2018 set out the national context for large reductions in local government funding and the impact of the Local Government Finance Settlement. The Final Local Government Finance Settlement was announced on 6 February 2018.
- 3.2. The headline position for Plymouth is the Government has assumed Plymouth's core spending power will be £194.1 in 2018/19.
- 3.3 As part of the Settlement the Government assumes that Plymouth will generate an additional £7.5m in council tax, which includes an assumed 3% Adult Social Care Precept.
- 3.4 As a successful pilot for 100% business rates retention in 2018/19, the main funding sources for Plymouth are business rates and council tax. Assuming the pilot is for only one year, Plymouth will revert back to the existing funding arrangements and receive revenue support grant from 2019/20.
- 3.5 The Council has assumed an additional pool gain of £1m in 2018/19 as a result of the 100% business rates pilot. The gain has been included in the Revenue Resources Available. The gain is dependent on overall growth of the pool.
- 3.6. There are also a number of specific grants that are already included in service budgets. Grant reductions have to be borne by those services. These include:

- A £1.3m reduction in the education services grant;
- A reduction of £0.405m in the Public Health grant;
- A reduction of £0.129m in the subsidy for the cost of administering housing benefit.

3.7 Table I below sets out a summary of Plymouth's resource assumptions through to 2020/21 based on the Local Government Finance Settlement. The detailed calculation is shown in appendix 3.

Table I – Revenue Resource Assumptions

	2018/19 Settlement £m	2019/20 Forecast £m	2020/21 Forecast £m
Revenue Support Grant (RSG)		9.533	5.567
Council Tax (Including 3% ASC Precept 2018/19)	104.792	105.310	108.478
Business Rates			
RSG moved to Business Rates as part of 100% Rates retention pilot	16.323		
Business Rates before 100% retention	62.954		
Total Business Rates	79.277	63.895	65.377
Total Revenue	184.069	178.738	179.422

(see Appendix 3 for details).

4. Cost Pressures

4.1 The City Council has to plan for a number of unavoidable costs pressures which form part of the base budget. The Medium Term Financial Strategy (MTFS) set out these costs and set out the principle that wherever possible services have to absorb the increased cost of service demand and inflation. Table 2 below sets out the increased costs that have been included in the budget for 2018/19 through to 2020/21.

Table 2 – Increased Costs

Directorate	Increased costs	2018/19	Total by Directorate
		£m	£m
People	Adult social care – Care Packages and volume	2.813	9.617
	Children’s social care – cost and volume	3.200	
	National Living Wage in adult social care contracts	2.054	
People	Homelessness	0.250	
People	Education Services Grant – Legacy Costs	1.300	(0.510)
Place	Plymouth Plan (one-off)	(0.210)	
Place	Major investments	(0.550)	
Place	Street Services Operations	0.250	
Transformation & Change	Housing Benefit Subsidy	0.250	0.650
Transformation & Change	ICT re-provisioning	0.300	
Transformation & Change	Elections	0.100	
Corporate Items	Salary and pension inflation	1.800	3.450
Corporate Items	Pension actuarial review	0.900	
Corporate Items	EVRS/Redundancy	0.500	
Corporate Items	Revenue costs arising from capital investment decisions	0.250	
	Total	13.207	13.207

5. Budget Savings

- 5.1 Cabinet Portfolio Members and Officers have worked to identify savings proposals to offset these increased budget pressures. These were outlined in the budget report to Cabinet on 13 February 2018 and are summarised below in table 3.

Table 3 – Summary of Budget Savings

	2018/19 £m
Additional Grant income	
- Adult Social Care Support Grant (one off)	(1.300)
- Better Care Fund Gain	4.579
Use of S106 contributions	2.850
Reduction in Working Balances	0.050
Flexible Use of Capital Receipts	(1.500)
Government Grant Changes	
- Reduction in New Homes Bonus	(1.659)
Transformation savings	8.441
Total	11.461

6. Budget

- 6.1 As set out in the report to Cabinet on 13 February 2018 a summary of the MTFs and budget Gap of £1.560m in 2018/19 is shown in table 4.

Table 4 – Budget Gap

	2018/19 £m	2019/20 £m	2020/21 £m
	FORECAST		
REVENUE RESOURCES AVAILABLE	184.069	178.738	179.422
Baseline spend requirement	183.883	184.069	178.738
Plus identified additional costs	13.207	11.216	11.118
Overall spend requirement	197.090	195.285	189.856
In-year shortfall to be found	13.021	16.547	10.434
Cumulative shortfall	31.252	47.799	58.233
Transformation savings	11.461	7.490	-0.596
REVISED SPENDING FOR YEAR	185.629	187.795	190.452
Budget Gap 13 February 2018	1.560	9.057	11.030

- 6.2 The budget by Directorate is shown in appendix I and compares the 2017/18 budget to the proposed 2018/19 budget with increased costs and savings for each service.

7. Closing the Budget Gap 2018/19

- 7.1 As identified in table 4 above, after taking into account the resources available to the Council and unavoidable costs pressures there is a budget gap of £1.560m in 2018/19. This gap has been reduced to £1.560m through a combination of measures.

Recommendation and Options to Close the Budget Gap

- 7.2 The options to close the gap include:

- Use of additional provisions or reserves. This option is not recommended by the Section 151 Officer. A planned reduction in the working balance has already been assumed in the planned savings and the use of balances in any year is a one-off saving.
- Further efficiencies could be sought. Due to the high value of efficiencies already identified and the existing service pressures this is not a recommended approach at this stage of the financial year.
- The referendum limit for a council tax increase is 2.99%. Each additional 1% of Council Tax (including the Adult Social Care precept) will generate £1.0m. The Adult Social Care Precept of 3% already built into the resource assumptions is ring-fenced and the Council will devote any precept to this purpose

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

8. Dedicated Schools Grant (DSG)

8.1 The Dedicated Schools Grant (DSG) is a specific grant received by the Council and predominantly funds schools to undertake their work. From benchmarking data available it appears that schools in Plymouth are currently funded between £7m and £7.5m lower than nationally. The Government have been consulting on the National Funding Formula and the final formula will start to be implemented in 2018/19. Plymouth's schools block funding will increase under the National Funding Formula. It is currently circa £143m and due to increase to circa £148m in 2018/19 and circa £152m in 2019/20 (based on 2017/18 pupil numbers).

8.2 Plymouth's schools benefit from the National Funding Formula from 2018/19. However, Plymouth schools have experienced years of underfunding and will not see the total impact of the National Funding Formula until it is fully implemented in 2020/21.

8.3 In relation to the High Needs Block, again part of the DSG this is currently at £29.1m; funding individual children. Plymouth will get an increase of £0.3m in 2018/19. However, this is a budget under pressure due to a significant increase in the need for special school places, children requiring a higher level of support and an increase in the cost of independent school places.

9. Flexible Use of Capital Receipts Policy

9.1 The policy set out below is the statutory requirement to put this savings into operation.

9.2 For 2018/19 £2.000m of capital receipts will be used for transformation projects. The projects for 2018/19 are set out in the table below with the anticipated savings.

Table 5 - Flexible Use of Capital Receipts Policy

		2018/19 £m	2018/19 £m	2019/20 £m	2020/21 £m
		Cost of project	Will assist in achievement of savings:		
1	Project support costs do deliver shared services and ICT infrastructure investment (part of £2.600m total revenue cost).	0.600	3.076	0.446	0.025
The project cost is part of the 2018/19 revenue budget for delivering shared service and the Way We Word programme. These savings will assist in achieving the MTFs planned savings across the Council as a whole.					

Impact on prudential indicators					
	Financing costs of capital programme		0.000	0.000	0.000
	Affordability		0.000	0.000	0.000
	Planned capital expenditure		0.300	0.000	0.000
	Planned use of receipts		-0.300	0.000	0.000
	Borrowing requirement		0.000	0.000	0.000
2	Integrated Commissioning Team (part)	1.400	4.039	3.656	0.000
<p>The project cost is part of the 2018/19 revenue budget for the Integrated Commissioning Team. The savings the project will assist in achieving are the MTFs planned One System One Aim savings</p>					
Impact on prudential indicators					
	Financing costs of capital programme		0.000	0.000	0.000
	Affordability		0.000	0.000	0.000
	Planned capital expenditure		0.700	0.000	0.000
	Planned use of receipts		-0.700	0.000	0.000
	Borrowing requirement		0.000	0.000	0.000

10. Capital Programme

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

10.4 The Council's Capital Programme consists of the approved capital projects the Council intends to deliver over a five year period. In recent years the Programme has been running at an average of £60m per year, although it has shown a rising trend. Details for the capital programme are set out in the Cabinet report of 13 February and is attached to this report.

Revised MTFS Risk Register

MTFS Risk Register – February 2018 Update

Risk	Mitigation	Likelihood	Impact	Score
National and local economic situation - impact on New Homes Bonus.	Proactive approach to new development.	3	3	9
Change to economic outlook (nationally, locally and impact of Brexit) –impact on Business Rates income.	Proactive approach to new development and promoting business investment in PCC.	3	4	12
Economic outlook (including Brexit) - impact upon investment returns.	Ongoing review of investment policy and use of property fund to maintain returns.	3	4	12
Change of Government - 4-year RSG settlement at risk.	Work with partners and local government bodies to protect the settlement.	2	2	4
Fair funding review disadvantages PCC.	Work proactively to lobby for increased PCC resources that recognise the particular needs of the City.	4	5	20
100% business rates retention does not direct a fair share of resources to PCC or does not allow the benefits of rates growth to be fully retained.	Work proactively to lobby for increased PCC resources and promote a system that is not unduly favourable to authorities with a higher business rates base.	2	5	10
Volume of demand and demographics beyond MTFS assumptions- adults.	Although provision has been made in the MTFS for additional costs in this area, the position will need careful monitoring.	4	5	20
Volume of demand beyond MTFS assumptions – children.	Although provision has been made in the MTFS for additional costs in this area, the position will need careful monitoring.	4	5	20
Volume of demand beyond MTFS assumptions – homelessness.	Although provision has been made in the MTFS for additional costs in this area, the position will need careful monitoring.	3	3	9
Risk to Council tax collection rates following the roll out of Universal Credit.	The MTFS is based on realistic collection assumptions, but the position will need to be carefully monitored and additional resources allocated for collection activity as necessary.	3	3	9

Risk of additional costs through pension fund deficits beyond MTFS assumptions.	Some provision has been made in the MTFS for additional pension costs, but the position will need to be carefully monitored. The Government Actuary is to have a new role in signing off deficit reduction timescales.	3	3	9
Delivery of planned savings.	The achieved value of Transformation Stretch savings is part of regular budget monitoring. Corrective management action is taken where adverse variations are identified.	3	4	12
Commercialisation Debt Risk.	Borrowing to invest in commercial projects exposes PCC to additional credit risk, as the revenues that flow from these projects are inherently uncertain.	2	4	8

APPENDICES

Plymouth City Council General Fund Budget 2018/19

Appendix 2

Directorate	Department	Division	Budget 2017/18			Budget 2018/19				
			Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget	
Corporate Finance	Other Corporate Items	Other Corporate Items	10.573	(10.722)	(0.149)	0.850	0.000	(0.228)	0.473	
		Corporate Items Budget Savings	(1.881)	(0.041)	(1.923)	0.000	0.000	0.000	(1.923)	
	Total Corporate Finance	Total Corporate Finance	8.692	(10.763)	(2.071)	0.850	0.000	(0.228)	(1.449)	
Executive Office	Chief Executives Office	Performance & Intelligence	0.413	0.000	0.413	0.007	(0.008)	0.000	0.413	
		Communications and Engagement	0.556	(0.059)	0.497	0.009	(0.010)	0.000	0.496	
		Civic Events	0.172	(0.014)	0.157	0.002	(0.002)	0.000	0.157	
		Oversight and Governance	0.520	0.000	0.520	0.009	(0.045)	0.000	0.484	
		Members	1.287	0.000	1.287	0.000	0.000	0.000	1.287	
	Business Support	Departmental Support	0.808	(0.053)	0.755	0.013	(0.015)	0.000	0.754	
		Total Executive Office	Total Executive Office	3.755	(0.127)	3.629	0.041	(0.080)	0.000	3.590
People	Children, Young People, Families	QA Safeguarding and Bus Suppt	3.557	0.094	3.650	0.047	(0.049)	0.000	3.649	
		Permanency	8.835	(0.110)	8.725	0.038	(0.040)	0.000	8.724	
		CAMHS Specialist Services	0.642	(0.033)	0.609	0.001	(0.001)	0.000	0.609	
		Childrens Social Work	4.462	0.000	4.462	0.049	(0.050)	0.000	4.461	
		Plymouth Referral and Assmnt	2.951	(0.484)	2.467	0.049	(0.051)	0.000	2.465	
		Adoption	3.323	(0.135)	3.188	0.012	(0.012)	0.000	3.188	
		Children in Care	7.806	(1.102)	6.704	3.205	(1.268)	0.000	8.641	
		Targeted	5.098	(1.669)	3.429	0.066	(0.068)	0.000	3.427	
	Strategic Commissioning & Adult Social Care	Service Delivery	75.605	(20.588)	55.016	4.922	(2.161)	1.300	59.077	
		Commissioning	16.335	(5.671)	10.663	0.026	(0.026)	0.000	10.663	
		Leisure Management	2.643	(0.096)	2.547	0.001	(0.001)	0.000	2.547	
		Management and Transformation	(1.524)	(2.464)	(3.988)	0.003	(0.003)	(4.579)	(8.567)	
		Social Care Contract	6.919	0.000	6.919	0.000	0.000	0.000	6.919	
	Education Participation Skills	Childrens Commissioning	5.287	(0.373)	4.915	0.004	(0.004)	0.000	4.914	
		Schools*	65.425	(65.425)	0.000	0.000	0.000	0.000	0.000	
		SEND	24.078	(19.974)	4.103	0.086	(0.089)	0.000	4.101	
		School Improvement	2.539	(1.467)	1.072	0.030	(0.031)	0.000	1.071	
		School Support	3.387	(4.587)	(1.201)	1.302	(0.002)	0.000	0.099	
		External	1.995	(1.995)	0.000	0.000	0.000	0.000	0.000	
		Skills and Employability	0.338	(0.060)	0.278	0.004	(0.425)	0.000	(0.143)	
		Schools Access Planning	6.361	(1.156)	5.205	0.055	(0.056)	0.000	5.203	
	Community connections	Sports Development	0.308	(0.083)	0.224	0.004	(0.004)	0.000	0.224	
		Community Access	2.522	(1.222)	1.300	0.266	(0.065)	0.000	1.501	
		Community Localities	0.971	(0.282)	0.689	0.014	(0.016)	0.000	0.687	
		Community Youth	0.563	(0.040)	0.523	0.008	(0.008)	0.000	0.523	
	Management and Support People	Management and Support People	0.214	0.000	0.214	0.003	(0.203)	0.000	0.014	
		Total People	Total People	250.636	(128.922)	121.714	10.195	(4.635)	(3.279)	123.996

*This £65m represents the DSG for the local authority maintained schools only; the gross DSG including Academies is £199m

Plymouth City Council General Fund Budget 2018/19

Directorate	Department	Division	Budget 2017/18			Budget 2018/19			
			Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget
Place	Economic Development	Management & Support	0.610	(0.390)	0.220	0.006	(0.064)	0.000	0.163
		Business Parks	0.381	(0.847)	(0.466)	0.005	(0.000)	0.000	(0.461)
		Mount Edgumbe	0.780	(0.666)	0.113	0.011	(0.009)	0.000	0.115
		Museum Services	2.559	(1.271)	1.288	0.049	(0.042)	0.000	1.295
		Land and Property	3.878	(6.918)	(3.040)	0.015	(0.650)	0.000	(3.675)
		Events & Tourist Information	2.395	(1.826)	0.569	0.013	(0.150)	0.000	0.432
		Enterprise and employment	0.973	(0.441)	0.532	0.020	0.000	0.000	0.552
		Theatre and Entertainments	0.415	0.000	0.415	0.000	0.000	0.000	0.415
		Arts & Cultural Development	0.050	0.000	0.050	0.000	0.000	0.000	0.050
		Strategic Projects Development	0.798	(0.488)	0.311	0.006	(0.000)	0.000	0.317
		City Deal	0.336	(0.321)	0.015	0.008	0.000	0.000	0.024
	Strategic Planning	Strategic Planning & Infrastructure Core Budgets	7.413	(3.012)	4.401	(0.049)	(0.213)	0.000	4.139
		Strategic Planning & Infrastructure Core Budgets Projects	0.295	(0.294)	0.001	0.000	0.000	0.000	0.001
		Strategic Planning & Infrastructure Core Budgets Transport Revenue	5.715	(0.230)	5.485	0.000	(0.150)	0.000	5.335
	Street Services	Highways Parking and Marine Sv	8.830	(6.394)	2.436	0.044	(0.038)	0.000	2.443
		Street Scene & Waste Services	34.315	(18.429)	15.886	0.475	(0.194)	0.000	16.167
		Fleet & Garage	2.375	(3.889)	(1.515)	0.016	0.586	0.000	(0.912)
	Management and Support - Place	Management and Support	0.234	0.000	0.234	0.004	(0.202)	0.000	0.037
		Business Support	0.284	0.000	0.284	0.009	(0.007)	0.000	0.285
		GAME Transformation	0.000	(5.146)	(5.146)	0.000	0.000	1.659	(3.487)
	Total Place		Total Place	72.637	(50.562)	22.075	0.634	(1.132)	1.659
Public Health	Public Health	Prescribed Functions	8.033	0.000	8.033	0.000	0.000	0.000	8.033
		Non-Prescribed Functions	7.996	(0.294)	7.702	0.000	0.000	0.000	7.702
		Funding Reduction (Allocation TBC)	0.000	0.000	0.000	0.000	0.000	(0.405)	(0.405)
		ODPH Funding Streams	0.000	(15.735)	(15.735)	0.000	0.000	0.405	(15.330)
	Operational and Development	PPS Management	0.099	(0.040)	0.059	0.001	(0.003)	0.000	0.057
		PPS Technical Support	0.142	0.000	0.142	0.005	(0.002)	0.000	0.145
	Trading Standards	Trading Standards	0.428	(0.017)	0.411	0.013	(0.006)	0.000	0.418
	Environ Health (Food & Safety)	Environmental Health (Food & Safety)	0.432	(0.034)	0.398	0.013	(0.006)	0.000	0.405
	Bereavement Services	Contracts Cemeteries & Crematoriums	0.992	(2.681)	(1.689)	0.017	(0.078)	0.000	(1.750)
		Cemeteries & Crematoriums Improvements	0.130	(0.130)	0.000	0.001	(0.000)	0.000	0.001
	Licensing	Licensing	0.306	(0.408)	(0.102)	0.010	(0.005)	0.000	(0.097)
	Environmental Protection	Neighbourhood & Enviro Quality	0.573	(0.160)	0.413	0.016	(0.009)	0.000	0.421
		Environmental Protection & Monitoring	0.000	(0.005)	(0.005)	0.000	0.000	0.000	(0.005)
	Civil Protection Unit	Civil Protection Unit	0.189	(0.026)	0.163	0.005	(0.004)	0.000	0.165
	Total Public Health		Total Public Health	19.322	(19.531)	(0.209)	0.080	(0.113)	0.000

Plymouth City Council General Fund Budget 2018/19

			Budget 2017/18			Budget 2018/19			
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget
Transformation & Change	Finance	Assistant Director for Finance	(0.186)	(0.031)	(0.217)	0.006	(0.310)	0.000	(0.522)
		Head of Integrated Finance	0.748	0.000	0.748	0.017	(0.016)	0.000	0.749
		External Audit	0.158	0.000	0.158	0.000	0.000	0.000	0.158
		Assurance Services	0.912	(0.305)	0.607	0.018	(0.017)	0.000	0.607
		Procurement	0.467	(0.041)	0.426	0.010	(0.010)	0.000	0.426
		Financial Planning and Reporting	1.198	(0.233)	0.964	0.025	(0.024)	0.000	0.965
		Internal Audit	0.335	(0.024)	0.311	0.000	(0.050)	0.000	0.261
		Soft Facilities Management	3.605	(1.142)	2.463	0.060	(0.157)	0.000	2.365
		Hard Facilities Management	9.563	(1.029)	8.534	0.015	(0.015)	0.000	8.534
		Commercialisation	0.209	0.000	0.209	0.004	(0.004)	0.000	0.209
		Treasury Management	9.016	(1.969)	7.047	0.250	(0.786)	0.000	6.511
		Legal	Legal	2.174	(0.879)	1.295	0.043	(0.041)	0.000
	Coroner	0.679	(0.053)	0.626	0.004	(0.004)	0.000	0.626	
	Customer Services	Customer Services	4.279	(3.425)	0.854	0.073	0.241	0.000	1.168
		Library Service	2.410	(0.524)	1.887	0.044	(0.076)	0.000	1.854
		Revenues & Benefits	105.511	(106.201)	(0.690)	0.250	0.000	0.000	(0.440)
		Service Centre	3.200	(0.976)	2.223	0.069	(0.566)	0.000	1.726
		Registration Service	0.651	(0.504)	0.147	0.014	(0.013)	0.000	0.148
	Human Resources (HR) & Organisational Development (OD)	OD & Talent	0.771	(0.035)	0.737	0.013	(0.062)	0.000	0.687
		HR & OD Management	0.222	0.000	0.222	0.003	(0.002)	0.000	0.222
		HR Specialist Services	0.698	(0.007)	0.691	0.014	(0.014)	0.000	0.692
		Health, Safety & Wellbeing	0.360	(0.016)	0.344	0.007	(0.007)	0.000	0.344
	Departmental Management	Director for Corporate Service	(0.304)	0.000	(0.304)	0.003	(0.337)	0.000	(0.638)
		Business Support	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Transformation	Transformation	2.792	(0.445)	2.347	0.058	(1.373)	0.000	1.031
	ICT	ICT	6.898	(0.425)	6.473	0.300	0.000	0.000	6.773
Electoral Function	Electoral Function	0.647	(0.002)	0.645	0.106	(0.006)	0.000	0.746	
	Total Transformation & Change	Total Transformation & Change	157.013	(118.267)	38.746	1.406	(3.653)	0.000	36.499
	Total General Fund	Total General Fund	512.055	(328.172)	183.883	13.207	(9.613)	(1.848)	185.629

NB: Other Changes are a combination of changes to specific grants, income generation efficiency savings and contributions from capital receipts and balances. The allocation of budgets in the above table is subject to change as a result of Virements and structure changes.

Funding Forecast 2018/19

Core Funding Forecast	2018/19 £m
Council Tax (Including 3% ASC Precept Increase)	104.792
RSG	0.000
NNDR (Including Devon Rates Pool)	79.277
Total Resources	184.069

Core Funding Forecast	2018/19 £m
Tax base after estimated local council tax support reductions	72,167
Multiplied by: Collection Rate	98.50%
Plus: Tax base adjustment (contributions in lieu Ministry of Defence)	848
Equals: Tax base after estimated collection rate adjustment	71,932
Initial Band D Rates - Prior Year Base	1,407.47
Initial Council Tax Yield	101,242,273
Council Tax increase (up to 1.99%) – subject to change	0.00%
Addition Council Tax Yield - due to referendum increase	0
Subtotal Council Tax Base including Referendum Increase	101,242,273
Council Tax increase (ASC precept 2%)	3.00%
Addition Council Tax Yield - due to ASC precept	3,037,268
Total Council Tax Yield	104,279,541
Indicative Band D Rate £	1,449.69
Council Tax income	104.280
Council Tax Surplus	0.512
Total Revenue from Council Tax	104.792

NNDR I	2018/19 £m
Business Rates Income	80.349
Multiplied by: Base growth Change %	0.52%
Increase in base due to assumed growth £	0.413
Increase in RPI % (OBR Forecasts)	3.00%
Increase in base due to RPI £	2.423
Subtotal NNDR Base	83.185
Plus Top up / (Tariff)	(11.882)
Plus Forecast Actual S3I Payments (as per NNDR I)	7.280
Cost of Collection	0.311
Surplus/(Deficit) to be charged to the General Fund	(1.467)
Plus Pooling Gains / Losses	1.650
Plus Renewable Energy income	0.200
NNDR	79.277

Appendix 4

Council Tax Resolution

To follow

Appendix 5

Capital Budget to 2017 - 2022

Funding Source	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m	£m
Un-ringfenced Grants	6.830	4.736	5.749	4.686	4.686	26.687
Ringfenced Grants	25.637	43.905	28.473	20.334	0.225	118.574
Developer Contributions	25.365	13.122	7.511	11.265	11.355	68.618
External Contributions	0.500	0.500	0.500	0.500	0.500	2.500
Capital Receipts	5.059	1.479	1.775	0.000	0.000	8.313
Loans Repaid	0.205	0.346	0.955	0.448	0.449	2.403
Plan for Homes	0.538	14.953	15.000	24.712	24.713	79.916
Borrowing (incl Priority List)	81.362	115.754	92.956	46.962	27.700	364.734
Revenue/Funds	0.827	1.768	0.100	0.100	0.100	2.895
Total	146.323	196.563	153.019	109.007	69.728	674.640

Details of the Capital Programme to 2021/22

Approved Capital Programme	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000	£000
Celebrating Mayflower						
Mayflower 400 - Public Realm Improvements	50	784	280			1,114
Mayflower 400 - Public Realm Enabling	50	450	500			1,000
Mayflower 400 - Trails	50	931	985			1,966
Mayflower 400 - Merchants House	25					25
Mayflower 400 - Elizabethan House	250					250
Mayflower 400 - Monument	50					50
Mayflower 400 - Waterfront Event Infrastructure	10					10
Total Celebrating Mayflower	485	2,165	1,765	0	0	4,415
Connecting the City						
Mayflower Coach Station	47	-	-	-	-	47
Creation of Non-Scheduled Coach Drop Off Points	72	-	-	-	-	72
Total Connecting the City	119	0	0	0	0	119
Delivering More/Better Housing						
Self Build Housing Sites	73	115				188
Former Whitleigh Community Centre	92	88				180
Empty Homes / Enabling						0
North Prospect Phase 5		500	450			950
Prince Maurice Road	359					359
Bath Street	730	977	937			2,644
Plan for Homes	262	301	200	300		1,063
Homes for Veterans (Nelson Project)	225					225
Extra Care Housing Support Millbay		450				450
How Street Specialist Housing Programme	238	38				276
Bournemouth Churches Housing Association	80					80
Total Delivering More/Better Housing	2,059	2,469	1,587	300	0	6,415

Details of the Capital Programme to 2021/22

Approved Capital Programme	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000	£000
Delivering Oceansgate						
South Yard Remediation/separation works	1,726	7,729				9,455
South Yard Area I East Direct Development	5,173	1,001				6,174
Total Delivering Oceansgate	6,899	8,730	0	0	0	15,629
Delivering The Box						
The Box	8,605	11,856	9,123	148		29,732
Total Delivering The Box	8,605	11,856	9,123	148	0	29,732
Ensuring Essential City Infrastructure						
Clean Vehicle Technology Improvements	81					81
Bus Punctuality improvement plan (BPIP)	220	41				261
Access Road to Housing Site in Estover	112					112
SI06 Transport Projects	186	838				1,024
Derriford Community Park	71	28				99
European Marine Sites - Recreational Behaviour Changing Measures	28	28	55			111
Home Energy	34	46				80
Millbay Boulevard	25					25
Development Funding	75	400				475
Capitalised Maintenance Schemes	8,755	6,483	5,042	2,000	2,000	24,280
Flood defence Works	53					53
Container Provision	672					672
West Hoe Pier	30	75				105
Mount Edgcombe Sea Wall Repairs	569					569
Mount Edgcombe Commercialisation	180	84				264
Total Ensuring Essential City Infrastructure	11,091	8,023	5,097	2,000	2,000	28,211
Ensuring Good Quality School Places						
Stoke Damerel Basic Need	22					22
Pennycross Basic Need	2,000					2,000
Pomphlett Basic Need	395	2,093				2,488
Oreston Academy Basic Need	226					226
Yealmpstone Farm Primary School Basic Need	1,546	1,004				2,550
Woodford Primary School - Decking	59					59
Total Ensuring Good Quality School Places	4,248	3,097	0	0	0	7,345
Growing the Economy						
Social Enterprise Fund	575	277				852
Langage Development Phase 2	1,771	1,400				3,171
STEM Provision at City College	481					481
39 Tavistock Place	202	15		33		250
Total Growing the Economy	3,029	1,692	0	33	0	4,754

Details of the Capital Programme to 2021/22

Approved Capital Programme	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000	£000
Improving neighbourhoods and delivering community infrastructure / facilities						
Barne Barton general amenity improvement	19	164				183
Active Neighbourhoods	41	47	25			113
Infrastructure Works at Honicknowle		26				26
Derriford Community Park - Phase 3	100	421	22	4	4	551
Bond Street Playing fields (Southway Community Football Facility)	6	507				513
Staddiscombe Sports Improvements	1	58				59
Higher Efford Play Pitch Enhancements	16	422	66			504
Central Park Sports Plateau	15	365	52			432
Central Park Improvements	625	2,179	1,725	976		5,505
Improving Outdoor Play	611	264				875
Central Park Wooded Valley	23					23
Dunstone Woods		13				13
Blockhouse Park Playground Refurbishment	2					2
Manadon Play Pitches	677	1,356				2,033
St Budeaux Tennis Courts	3					3
MAP Early Years Capital Fund	300					300
Children Centres	13	238				251
Total Improving neighbourhoods and delivering community inf	2,452	6,060	1,890	980	4	11,386
Securing Growth in Derriford and Northern Corridor						
Forder Valley Link Road- Development Costs	1,390	1,000				2,390
Derriford Transport scheme - Derriford Roundabout / William Prance I	12,215	50				12,265
Derriford Hospital interchange scheme	37					37
N Corridor Junction Imps - PI Outland Rd	238	1,180				1,418
Purchase of 444 Tavistock Road	32					32
Purchase of 422 Tavistock Road	196	79				275
Purchase of Properties in the North of Plymouth	380	1,658				2,038
Northern Corridor Strategic Cycle Network	550	1,750	840			3,140
Woolwell to The George	233	187				420
Total Securing Growth in Derriford and Northern Corridor	15,271	5,904	840	0	0	22,015
Securing Growth in the City Centre and Waterfront						
Devonport Market High Tech 'Play Market'	713	1,318				2,031
Charles Cross	750					750
City Centre Public Realm	526		923			1,449
Market Way Public Realm	215					215
Sutton Harbour Public Realm Improvements	32					32
Visitor signage	86					86
Cobourg House	3,323					3,323
Quality Hotel	70	266				336
Colin Campbell Court Phase 1	221		743			964
Colin Campbell Court Phase 2	1,164	516				1,680
Plymouth City Market Major Refurbishment	1,287	2				1,289
City Centre Shop Fronts Grant Scheme	176	114				290
Improved Waterfront Cycle Routes	5					5
West End Public Realm		74				74
Total Securing Growth in the City Centre and Waterfront	8,568	2,290	1,666	0	0	12,524

Details of the Capital Programme to 2021/22

Approved Capital Programme	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000	£000
Securing Growth in the Eastern Corridor						
Eastern Corridor Junction Improvements	200	3,158				3,358
Eastern Corridor Strategic Cycle Network	930	2,230	380	380		3,920
Total Securing Growth in the Eastern Corridor	1,130	5,388	380	380	0	7,278
Transforming Services						
Street lighting bulb replacement	79	40				119
Highways Information Management System	342					342
Fleet Replacement Programme	1,478					1,478
Weston Mill Recycling Centre	204					204
Chelson Meadow Closure & Leachate Plant Upgrade		259				259
Bell Park Industrial Estate	34	302				336
Friary Retail Park	50					50
Next	7,875	7,178				15,053
10 New George Street	1,779					1,779
Purchase of St Catherine's House	2,416					2,416
Royal Mail	20,303					20,303
Strategic Property Investment	100	13,060				13,160
Ocean Studios	200					200
Highway Works At The Former Seaton Barracks Site		661				661
Barbican Footbridge	10	170				180
LGA Transforming Social Care	49					49
Disabled Facilities (incl Care & Repair works)	2,337					2,337
Schools Condition Works	392					392
CaterED						0
SEN Access and Safeguarding	35					35
Schools Devolved Formula & Projects	525	420	225	225	225	1,620
Plan for Libraries	121					121
ICT	1,108	4,431	984	984		7,507
Corporate Asset Lifecycle Maintenance	414	488				902
Corporate Heritage Maintenance	166					166
Other Corporate Property	1,489	32				1,521
Transformation Accommodation	795	449				1,244
Boiler Replacement Programme for Council Properties		145				145
Total Transforming Services	42,301	27,635	1,209	1,209	225	72,579
TOTAL CAPITAL PROGRAMME	106,257	85,309	23,557	5,050	2,229	222,402
Forecast future income streams	27,758	55,492	54,204	66,041	46,799	250,294
Priority List	12,308	55,762	75,258	37,916	20,700	201,944
GRAND TOTAL	146,323	196,563	153,019	109,007	69,728	674,640

PLYMOUTH CITY COUNCIL

Subject: Budget 2018/19

Committee: Cabinet

Date: 13 February 2018

Cabinet Member: Cllr Darcy

CMT Member: **Andrew Hardingham** (Interim Joint Strategic Director for Transformation and Change)

Author: Paul Looby (Head of Financial Planning and Reporting)

Contact details: Tel 01752 3307271
paul.looby@plymouth.gov.uk

Ref:

Key Decision: Yes

Part: I

Purpose of the report:

Under the Council's Constitution, Cabinet is required to recommend the 2018/19 Budget to Council.

The Corporate Plan 2016/19:

The 2018/19 Budget sets out the resources available to deliver the Corporate Plan.

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

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

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

The 2018/19 Draft Budget provides the maximum resources achievable to address key policy areas.

Equality and Diversity:

A full equalities impact assessment has been submitted with this Budget paper.

RECOMMENDATIONS AND REASONS FOR RECOMMENDED ACTION:

It is recommended that:

1. Cabinet recommends the 2018/19 Budget to Council;
 2. Cabinet recommends the 2018/19 Flexible Use of Capital Receipts Strategy to Council;
 3. Cabinet recommends the Capital Budget of £674.640m to Council.
-

Alternative options considered and rejected:

There are no alternative options.

Published work / information:

Background papers:

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

Sign off:

Fin	djn1718.188	Leg	t/29843/010218	Mon Off	It/dvs/29843	HR		Assets		IT		Strat Proc	
Originating SMT Member Andrew Hardingham													
Has the Cabinet Member(s) agreed the content of the report?													

Section A - Revenue budget

I. National Context

- I.1 The ongoing impact of the Government's Austerity measures have been widely reported and documented since the 2010 Spending Review. Despite the introduction of the Adult Social Care Precept and greater flexibility to use capital receipts to fund revenue expenditure, these measures have not provided sufficient revenue resources to mitigate against the large reductions in local government funding and increased demands across all council services.
- I.2 The introduction of 50% business rates retention in 2013 was a fundamental change to how councils receive their funding. Further changes are expected with the Government announcing in the Provisional Local Government Finance Settlement in December 2018, the introduction of 75% business rates retention from 2020/21.
- I.3 As part of the move to 100% business rates retention, the Government invited all local authorities to bid to become a pilot. On behalf of the Devon business rates pool, Plymouth submitted a pilot application and was successful and will be one of 10 pilots nationally who will pilot 100% business rates retention in 2018/19. The pilot is initially for one year. This will mean for 2018/19 the main funding sources for Plymouth are business rates and council tax. Assuming the pilot is for one year, Plymouth will revert back to the existing funding arrangements and receive revenue support grant from 2019/20.
- I.4 The Council has assumed an additional pool gain of £1.0m in 2018/19 as a result of the 100% business rates pilot. The gain has been included in the Revenue Resources Available. The gain is dependent on overall growth of the pool. The pilot application included a number of benefits that Devon authorities would invest the gain in, including economic development and social care. Devon has a number of initiatives in place such as Heart of the south West LEP to promote economic development across the county.
- I.5 As a pilot the Government have confirmed there will be a no detriment clause whereby all authorities within a pilot cannot be worse off than if they had remained under the current funding regime. For the purposes of this report, the overall funding as announced as part of the Provisional Local Finance Settlement on 19 December 2017 is shown in this report due to the impact on overall council resources in future years.
- I.6 Since 2013, the Government has not significantly changed the formula to calculate Plymouth's spending need. The Government has announced that it will implement the Fair Funding Review by 2020. This is an important exercise and will focus specifically on potential approaches to measure the relative needs of local authorities e.g.:
- Presents the idea of using a simple foundation formula to measure the relative needs of local authorities, based on a small number of common cost drivers;
 - Consider a number of service areas where in addition, a more sophisticated approach to measuring relative needs may potentially be required;
 - Outlines the statistical techniques that could be used to construct relative needs.
- I.7 Plymouth has stressed the unfairness of calculating spending need on past expenditure. Plymouth has argued that spending need should be identified by direct measures for services. Plymouth has

also argued that the long term funding of adult social care must be addressed. If implemented these approaches would radically improve Plymouth's funding position.

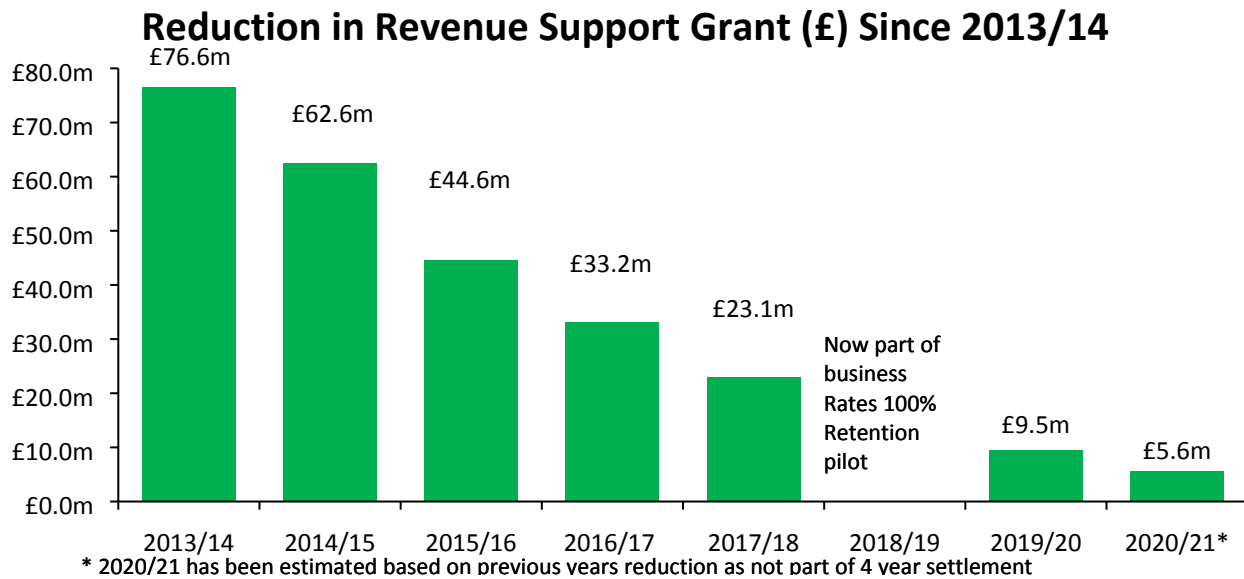
- I.8 In 2018/19, Government has assessed Plymouth's core spending power will be £193.2m. Core spending power is the Government's assumption of the total resources available to local government. It includes assumptions for the maximum amount of income that can be raised from council tax including assumptions for growth in the taxbase and other income sources such as New Homes Bonus and the Better Care Fund.
- I.9 As part of the core spending power, the Government has already assumed that Plymouth will generate an additional £7.5m in council tax which includes an assumed 3% Adult Social Care Precept.
- I.10 Core Spending Power, in relation to Business Rates, includes an assumed Settlement Funding Assessment as set out in the table below. For Plymouth the 2018/19 settlement is based on the 100% business rates pilot. As a result of retaining 99% of the business rates in 2018/19 (1% goes to Devon and Somerset Fire authority) the Council will pay a tariff of £11.9m.

Key Information for Local Authorities (£m)				
Plymouth				
	2016-17	2017-18	2018-19	2019-20
Settlement Funding Assessment	86.60	77.54	72.44	66.89
of which:				
Revenue Support Grant	33.21	23.06	0.00	9.53
Baseline Funding Level	53.39	54.48	72.44	57.36
Tariff/Top-Up	9.24	13.77	-11.88	14.63
Tariff/Top-Up adjustment				0.00
Safety Net Threshold	49.38	50.39	70.26	53.06
Levy Rate (p in £)	0.00	0.00	0.00	0.00

- I.11 2018/19 is the third year of the 4-year local government finance settlement that began in 2016/17. The 4-year settlement offers more certainty for the MTFs period, albeit guaranteeing reduced financial support.
- I.12 There are also a number of specific grants that are already included in Directorate budgets. Grant reductions have to be borne by those directorates. These reductions are over and above the loss of overall resources. Examples are given below:
- In 2018/19 the Government subsidy for the cost of administering housing benefit has fallen by £0.129m;
 - The Public Health grant has fallen by £0.405m to £15.330m.
- I.13 The context for 2018/19 budget decisions is therefore:
- Continued reduction in resources;
 - Loss and reduction of specific grants;

- It is already assumed councils will generate much higher income local through council tax, precepts and business rates.

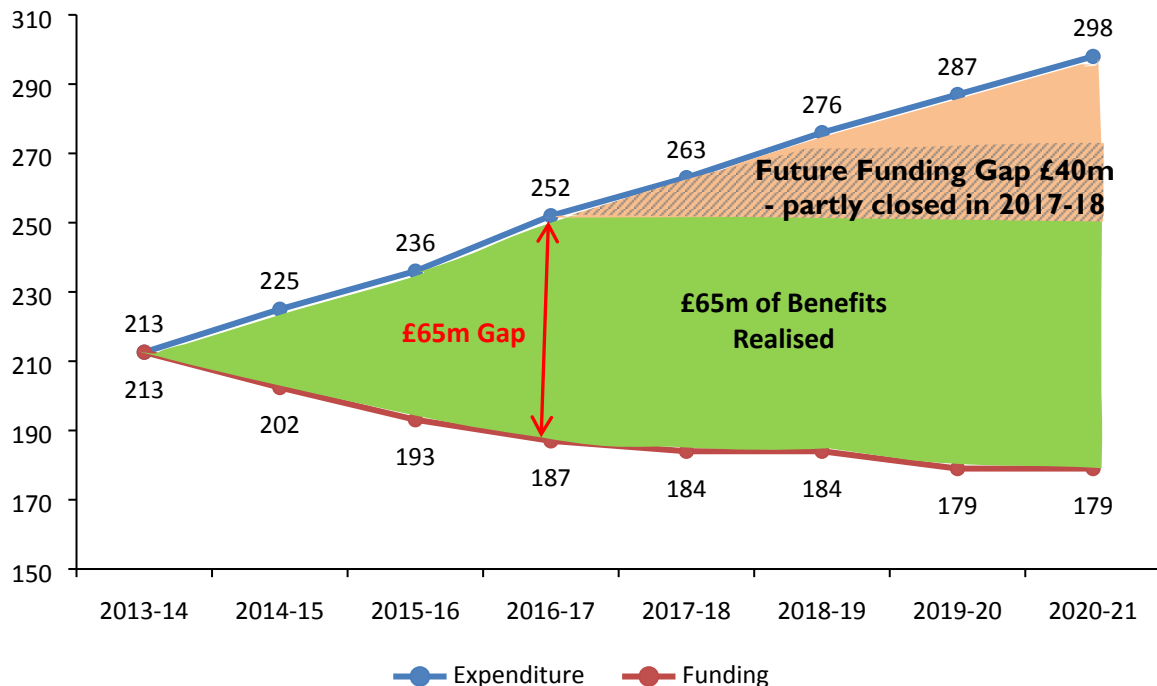
1.14 The chart below shows how Plymouth's Revenue Support grant has fallen since 2013/14.



2. Budget Decisions

2.1 The Medium Term Financial Strategy was recommended by Cabinet on 31 October 2017 and subsequently approved by Council on 20 November 2017. The Strategy addressed the funding gap for the following three financial years. It builds on the significant benefits achieved over recent financial years. This is the budget gap before the efficiency savings in this report.

Transformation Programme



- 2.2 The budget gap reported to Council in November 2017 was £4.766m. Cabinet received an updated report on the budget at its meeting on 16 January 2018. This report set out a number of changes to forecast funding and expenditure for 2018/19.
- 2.3 The revised budget gap reported to Cabinet on 16 January 2018 decreased to £2.640m. This updated position reflected new savings and efficiencies identified at this time, new and emerging pressures, the latest information arising from the Chancellor's Autumn Statement and the impact of the Provisional Local Government Finance Settlement. The overall budget position is set out in the table below.

	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
	BUDGET	FORECAST		
REVENUE RESOURCES AVAILABLE	183.883	184.069	178.738	179.422
Baseline spend requirement	186.702	183.883	184.069	178.738
One off savings brought forward	4.876			
Plus identified additional costs	10.536	13.207	11.216	11.118
Overall spend requirement	202.114	197.090	195.285	189.856
In-year shortfall to be found	18.231	13.021	16.547	10.434
Cumulative shortfall	18.231	31.252	47.799	58.233
Savings	18.231	10.381	7.490	-0.596
REVISED SPENDING FOR YEAR	183.883	186.709	187.795	190.452
Budget Gap as at 16 January 2018	0.000	2.640	9.057	11.030

- 2.4 The proposed budget by Directorate is shown in appendix A.
- 2.5 The table below sets out the increased costs that have had to be included in the budget for 2018/19.

Directorate	Increased costs	2018/19	Total by Directorate
		£m	£m
People	Adult social care – Care Packages and volume	2.813	9.617
	Children’s social care – cost and volume	3.200	
	National Living Wage in adult social care contracts	2.054	
	Homelessness	0.250	
	Education Services Grant – Legacy Costs	1.300	
Place	Plymouth Plan (one-off)	(0.210)	(0.510)
	Major investments	(0.550)	
	Street Services Operations	0.250	
Transformation & Change	Housing Benefit Subsidy	0.250	0.650
	ICT re-provisioning	0.300	
	Elections	0.100	
Corporate Items	Salary and pension inflation	1.800	3.450
	Pension actuarial review	0.900	
	EVRS/Redundancy	0.500	
	Revenue costs arising from capital investment decisions	0.250	
	Total	13.207	13.207

- 2.6 The impact of pressures within Social Care continues to have a significant impact upon the Council’s resources. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. Plymouth has an ageing population with more complex needs and higher levels of young children requiring our services.
- 2.7 Increased Social Care costs amount to £4.867m in 2018/19, with further increases built into future year’s budgets. The National Living Wage was increased to £7.85 per hour from April 2018. This increasing cost is shown separately in our additional costs analysis but in reality is a key driver in the increasing costs of providing our adult social care packages and services.
- 2.8 Within Children’s Services cost and volume analysis is refreshed on a quarterly basis. The latest trend suggest a levelling out in the trend of the number of children coming into care but an increase in the cost of the care packages and placements. The numbers reflected for 2019/20 and 2020/21 are based on trend analysis at this stage and will be refined and updated going forward.
- 2.9 The 2018/19 3% ASC Precept already assumed in the MTFS will generate £3.037m additional funding for 2018/19. This represents 62% of the predicted increased cost of demographic

pressures - £2.813m and the further impact of the increase in the National Living Wage on our adult care packages of £2.054m totaling £4.867m.

- 2.10 Other additional pressures include an increased provision for the pay award and increased provision within Community Connections to reflect increased demand within the homelessness budget.
- 2.11 A 1% provision for the pay award was included within the Council's MTFs. At the time this was based on the assumption the public sector cap on salary increases would continue into 2018/19. Subsequently there has been a considerable amount of media attention on public sector pay and the Government removed the pay cap. At the time of writing this report two of three main trade unions have rejected the 2% offer. Following consultation with their members a final decision as to whether the pay award will be accepted will be announced in the middle of March 2018.
- 2.12 The table below lists the savings that have now been identified for the next three financial years. Further details are provided in Appendix B. These reflect the difficult service decisions that have had to be made given the Council's reducing available funding. The £10.381m to be delivered in 2018/19 represents 5.6% of the Council's net budget.

Savings (£m)	2018/19	2019/20	2020/21
New Homes Bonus	-1.659	-0.204	-0.921
Better Care Fund Gain	4.579	4.111	
Adult Social Care Support Grant (one off)	-1.300		
Public Health Directorate			
Efficiency Savings	0.075	0.099	0.050
Vacancy Management Target	0.038		
Chief Executive Office			
Efficiency savings	0.035	0.022	
Vacancy Management Target	0.045		
Place Directorate including GAME 2			
Real time passenger information	0.150	-0.150	
Commercial Events	0.150	0.050	
Energy-Related Initiatives: Low Carbon Team Additional Income	0.023		
Energy-Related Initiatives: Additional Capitalisation of Low Carbon Team Posts	0.053	-0.053	
Additional Efficiencies	0.198	0.126	
Asset Investment Fund	0.650		
Fleet Modernisation budget rebased	-0.600		
Fees & Charges in accordance with Policy	0.003	0.003	
Vacancy Management Target	0.505		
People - One System One Aim			

Savings (£m)	2018/19	2019/20	2020/21
Integrated delivery & Commissioning	2.105	1.650	
Community Connections	0.050		
Children, Young People, and Families	1.263	0.750	
Education, Participation, Skills	0.421	0.250	
People directorate review	0.200	0.250	
Efficiencies People Directorate		0.756	
Vacancy Management Target	0.596		
Transformation & Change			
Transformation Review	0.500		
Systems Review - Community Facilities	0.033		
Further Transformation Savings	0.294	0.187	
Service Centre	0.500		
Smart working	0.043	0.234	
Revision to office cleaning arrangements	0.100		
Anti-Fraud Partnership with Devon Audit Partnership	0.050	0.025	0.025
Review of Coroners arrangements	0.040		
Human Resources & Organisational Development	0.050		
Treasury Management/MRP/LOBO	0.500	1.000	
Treasury Management Savings	-0.114	-0.118	
Increase in Investment Diversification	0.400	0.200	
Fees & Charges in accordance with Policy	0.002	0.002	
Fees & Charges in accordance with Policy - Court Costs	-0.311		
Vacancy Management Target	0.486		
Corporate Items			
Fees & Charges in accordance with Policy - Additional Income	0.250	0.250	0.250
Revised staff travel target	-0.344		
Revised Procurement contract savings target	-0.678		
Revised customer services programme target	-0.400		
Reduction in Working balances	0.050	0.050	
Flexible use of capital receipts	-1.500	-2.000	
Use of S106 contributions	2.850		
Total Savings	10.381	7.490	-0.596

3. Options to close the Budget Gap

3.1 Cabinet Portfolio holders and Officers have been considering further options to close the £2.640m budget gap in 2018/19. The budget gap can be further reduced following a review of the structure of the Transformation Service.

Our Transformation Evolution

3.2 In April 2018 we move into the fifth year of our successful transformation journey that has delivered over £65m of budget savings and a further £15m in 2017/18 giving a total of £80m of efficiencies for Plymouth City Council in the last four years.

a. In addition to savings, the transformation work has driven innovation and improvement across both the Council and the city. There has been a significant increase in the city's economic growth. Ground breaking integration between the Council and health partners has achieved a step change in the city's health and wellbeing services.

b. Modernisation of Council services has created a number of profitable arms-length companies to support the Council and partners in the city such as Delt and CaterEd, introduced new technology to provide staff with more efficient ways of working and delivered a fit for purpose library service.

3.5 We are now moving into the next stage of our journey, which allows us to respond to drivers for change including:

- Delivery of the Plymouth Plan and Corporate Plan (JLP);
- Promoting democratic engagement and the role of Councillors;
- Meeting our financial challenges and transforming the way we work;
- An ambitious economic growth agenda;
- Performing at our best – strong and effective service performance;
- Changing expectations from residents – citizen focus and customer experience;
- Integration with partners and the Plymouth family;
- New contract to manage Children's Services in Torbay;
- Strategic Transformation Plan (STP) and development of Local Delivery
- Partnership for the Western System;
- Changes in Education Services;
- Sharing back office services;
- Direct delivery of services.
- Responding to our regional and sub-regional agenda.

3.6 We will continue to focus on three roles in delivering the vision for the city:

1. Community leadership, advocating for the city;
2. Facilitating partnerships at all levels and connecting communities;
3. Commissioning services and delivering them through the most appropriate means.

3.7 We will ensure that the basic fundamentals such as an excellent performance management are in place, working well and adding value. We will use data and insight to drive decision-making and work closely with our communities to develop innovative models for how services are delivered.

- 3.8 We will be placing the customer and citizen at the heart of how we deliver services and focusing on better outcomes for them.
- 3.9 Many of the staff currently working on transformation programmes will transfer from a centralised service within the Transformation and Change Directorate to the People and Place directorates from March 2018 based on the major programmes of change. The responsibility to deliver the savings of £1.080m from the new organisational arrangements will lie with the Strategic and Service Directors.
- 3.10 Retained within the Transformation and Change Directorate will be a small flexible resource to respond quickly to critical service improvement needs, as prioritised by the Corporate Management Team.
- 3.11 A small core hub of three posts will be retained to ensure we keep corporate oversight of the performance, costs, benefits and resource plans for our transformation programmes, along with maintaining essential expertise in managing a portfolio of programmes, business models and IT client management.
- 3.12 By agreeing to the proposed change for Transformation the budget gap is reduced to £1.560m.

Other Options

- 3.13 A planned reduction in the working balance has already been assumed. Use of balances in any year is a one-off saving and increases the savings tariff in the next financial year. As part of the annual review of the budget all reserves and provisions have been reviewed to assess if any one off resources are available in 2018/19.
- 3.14 The Council can review its reserves and provisions to establish if any can be credited to the General Fund. A saving of this nature is a one off and could leave the Council exposed to risk, depending on the nature of the provision used.
- 3.15 There is always the option to undertake further reviews within Directorates to ascertain if further efficiencies or reduction can be delivered. This needs to be considered in the context of savings already identified. All Directorates are expected to spend within their approved budget in 2017/18 and are managing a range of new and legacy pressures due to increased demand and increased costs. New plans need to be developed to deliver the further efficiencies required after 2019/20 and beyond and therefore it is not recommended new efficiencies and savings are developed at this stage.
- 3.16 As part of the Provisional Local Government Finance Settlement the Government announced the referendum limit for a council tax increase will be increased by 1% compared to the current year to 2.99%. Based upon the approved council base, each additional 1% of Council Tax will generate £1.012m of additional resources.
- 3.17 The 2018/19 Provisional Local Government Finance Settlement, and the Council's MTFS assume a 3% Adult Social Care Precept increase. The 3% increase has already been built in into the council's resource assumptions and will be ring-fenced for Adult Social Care expenditure.

4. Flexible use of capital receipts policy

4.1 For 2018/19 £2.000m of capital receipts will be used for transformation projects. The projects for 2018/19 are set out in the table below with the anticipated savings.

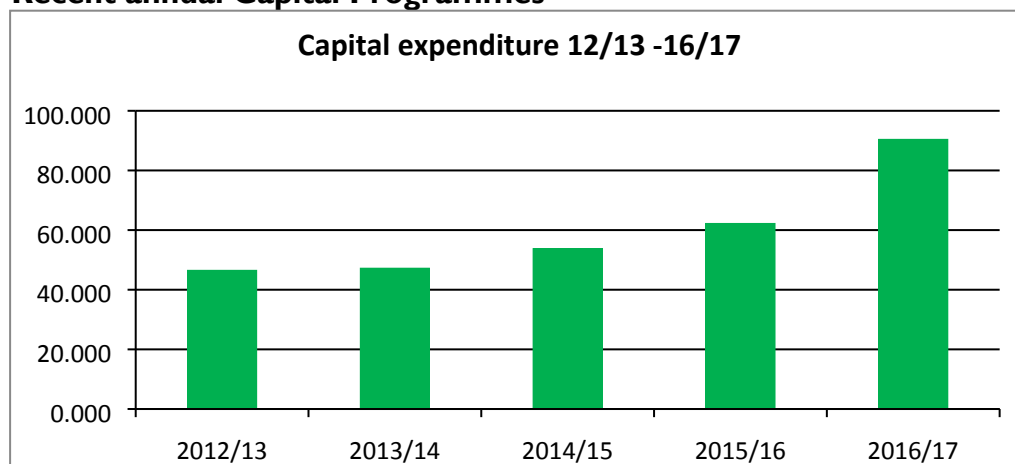
		2018/19 £m	2018/19 £m	2019/20 £m	2020/21 £m
		Cost of project	Will assist in achievement of savings:		
I	Transformation team (part of £2.600m total revenue cost)	0.600	1.996	0.446	0.025
<p>The project cost is part of the 2018/19 revenue budget for the Transformation Team. These savings will assist in achieving the MTFS planned savings across the Council as a whole.</p>					
Impact on prudential indicators					
	Financing costs of capital programme		0.000	0.000	0.000
	Affordability		0.000	0.000	0.000
	Planned capital expenditure		0.600	0.000	0.000
	Planned use of receipts		-0.600	0.000	0.000
	Borrowing requirement		0.000	0.000	0.000
	Integrated Commissioning Team (part)	1.400	4.039	3.656	0.000
<p>The project cost is part of the 2018/19 revenue budget for the Integrated Commissioning Team. The savings the project will assist in achieving are the MTFS planned One System One Aim savings</p>					
Impact on prudential indicators					
	Financing costs of capital programme		0.000	0.000	0.000
	Affordability		0.000	0.000	0.000
	Planned capital expenditure		1.400	0.000	0.000
	Planned use of receipts		-1.400	0.000	0.000
	Borrowing requirement		0.000	0.000	0.000

Section B - Capital budget

5. Capital

- 5.1 The Plymouth Plan remains the principal driver for the Council's capital programme. It contains the most ambitious set of proposals this City has ever seen. Primarily through its planning vehicle, the Plymouth and South West Devon Joint Local Plan, there are proposals to build 26,700 new homes across the area, create 13,200 new jobs, and to undertake an unprecedented major investment programme in modernising infrastructure including transport, schools and green spaces.
- 5.2 This investment will enable Plymouth to become the key economic driver for the far South West; will prepare the Council to show the world how to celebrate for Mayflower 2020; and will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment will enable growth within the economy as well as a significant level of new housebuilding and will therefore assist in generating additional business rates, Council Tax, New Homes Bonus and Community Infrastructure Levy.
- 5.3 The Council continues to take a strategic approach to the capital programme, having established 15 strategic outcomes within which individual projects sit. Increasingly the programme will need to be aligned with the strategic outcomes set out in the Plymouth Plan and Plymouth and South West Devon Joint Local Plan as well as the investment and business planning programmes of other organisations to maximise delivery on the ground.
- 5.4 The Council's Capital Programme consists of the approved capital projects the Council intends to deliver over a five year period. In recent years the Programme has been running at an average of £60m per year, although it has shown a rising trend. The scale of the last 5 years annual programmes is shown in the graph below.

Recent annual Capital Programmes



- 5.5 During this current year (2017/18) the following projects are due to complete:
- Major refurbishment of the City Market (£3m);

- Derriford Transport Scheme, due for completion by March 2018 (£16m);
- Further improvements to the condition of our highways and footpaths;
- Property investments as part of the Asset Investment Fund (£28m);
- Expansion of Pennycross Primary School (£3m);
- First phase of outdoor play area improvements;
- Purchase of new grass cutting equipment (£0.5m);
- Further acquisitions to secure the regeneration of Colin Campbell Court;
- Foreshore repairs (£1m);
- Oceansgate Phase One.

5.6 The capital programme covers the five years from 2017 to 2022. It consists of £222.402m of projects. The current year's programme (2017/18) is expected to total £106.255m. Future years are also expected to exceed the recent average. This is primarily for three reasons: the establishment of the Asset Investment Fund, investment in a series of key economic development projects, and the programme of investment in city infrastructure to support the Plymouth Plan.

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

- The Box;
- Further improvements to the northern corridor, including Morlaix Drive, and Mannamead junction improvements;
- The Eastern Corridor junction improvement scheme and cycle network;
- Pomphlett to The Ride;
- Further Asset Investments;
- Improvements to Charles Cross;
- Forder Valley Link Road;
- Further development at Oceansgate;
- Central Park improvements;
- Playing pitch improvements including Manadon;
- Pomphlett and Yealmpstone Farm school expansions;
- Investment in ICT.

5.8 The breakdown of the current five year Programme across the Directorates is shown below.

Five year Capital Programme by Directorate

Directorate	Latest Forecast					
	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
People	9.601	5.599	0.225	0.225	0.225	15.875
Place	92.559	74.167	22.349	3.841	2.004	194.920
Transformation & Change	4.095	5.544	0.984	0.984	-	11.607
Public Health	-	-	-	-	-	-
Total	106.255	85.310	23.558	5.050	2.229	222.402

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

Five year Capital Programme by outcome

Primary Outcome of Project	£m
Securing Growth in the City Centre/Waterfront	12.525
Securing Growth in Derriford and the Northern Corridor	22.014
Securing Growth in the Eastern Corridor	7.278
Delivering More/Better Housing	6.414
Ensuring Essential City Infrastructure	28.210
Improving Neighbourhoods and Community Infrastructure	11.386
Ensuring Good Quality School Places	7.345
Growing the Economy	4.754
Delivering the Railway Station Office Quarter	-
Delivering Oceansgate	15.629
Connecting the City	0.118
Celebrating Mayflower	4.416
Delivering The Box	29.733
Transforming Services	19.484
Asset Investment Fund	53.096
Total	222.402

5.10 In February 2017, the City Council approved a significant level of investment in some key priority projects. Much of this is to be funded by borrowing, acknowledging that the benefits of these investments would be seen over many years. So far, £64m of the allocated amount has been drawn down enabling the following priority projects to be approved and included in the capital programme:

- £3.3m investment in the Mayflower 2020 programme;
- £37.7m as part of the asset investment fund;
- £4.6m to fund the first phases of improvements to Central Park;

- £2.6m investment in the city's schools, principally to enable expansion at Yealmpstone Farm;
- £2.7m to fund advanced preparation for the Woolwell to the George improvement scheme;
- £6.9m for highway maintenance;
- £0.5m for the improvement of play facilities across the city;
- £0.7m to improve the toilets on the Hoe and Foreshore;
- £7m to fund improvements and redevelopments at the Central Railway Station.

5.11 Delivering the new homes that local people need remains central to achieving a successful future for the city and the wider housing market area. £80m was set aside for the Plan for Homes originally launched in November 2013 and refreshed in 2016. To date this has delivered a total of 2,980 homes, with a further 1,424 under construction. The Plan for Homes has enabled the release of 33 Council-owned sites and over 55 hectares of mainly brownfield land that is delivering 1,680 homes of which 51% are affordable.

5.12 However, the scale of the housing crisis is such that there is a need to take the delivery of housing onto another level, potentially in partnership with others. Accordingly, future investment for 2017-2022 makes provision for an ambitious long-term programme of accelerated housing delivery and investment called "Homes for Plymouth".

5.13 Funding for the capital programme comes from a variety of sources with the highest proportion from service borrowing (34%). This is an effective strategy to fund capital investment as the borrowing repayments are covered by income or savings being made within the Service Department.

5.14 The Council will continue to fund a number of priority projects from Corporate Borrowing (30%). This is largely for projects that are considered to be overall strategic priorities (such as those agreed at Council in February 2017 and updated by this report) and where the borrowing repayments are covered by making revenue provision in the annual budget. The revenue implications of the current programme and the agreed priorities have been addressed in developing the 2018/19 to 2020/21 Medium Term Financial Strategy.

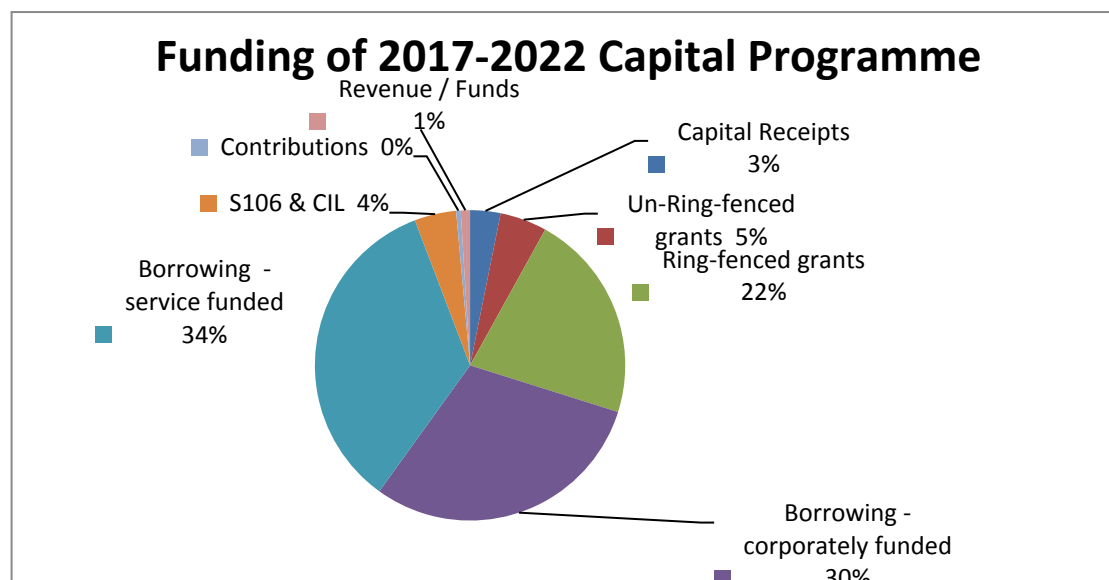
5.15 The council will endeavour to ensure a significant proportion of the funding for the Programme comes from external sources – grants from other organisations and Government departments and agencies (27%). Capital receipts make up about 3% of the programme with S106 contributions and CIL constituting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

Some of the grant awarded in 2017/18:

- | | |
|---|----------|
| • NPIF - Morlaix Drive | £ 3.314m |
| • NPIF - Forder Valley Interchange | £ 5.000m |
| • LEP Funding - Charles Cross | £ 2.100m |
| • LEP Funding - FVLR | £22.558m |
| • Highways England Growth & Housing Fund - FVLR | £ 4.470m |
| • LEP Funding - Plymouth Central Station | £ 5.000m |
| • Manadon Play Pitches | |

- Sport England £ 0.315m
- Football Foundation £ 0.421m
- England & Wales Cricket Board £ 0.135m

Funding of the Capital Programme



6. Changes to the Prudential Code

- 6.1 CIPFA has made changes to the Prudential Code that will require the Council to produce a Capital Strategy covering capital expenditure and financing, treasury management and non-treasury investments.
- 6.2 DCLG has issued separate “Guidance on Local Authority Investments” that requires certain items to be included in the Capital Strategy.
- 6.3 The main reason for these changes is to incorporate the decision of many Local Authorities to invest in commercial assets to generate additional revenue income.

7. Finance Capital Budget 2017/18-2021/22

- 7.1 The latest forecast for the Capital Budget 2017-2022 is £674.640m.

Capital Budget 2017-2022

Capital Budget for 2017-2022	£m
Capital Programme Approved by CCIB	222.404
Income Assumptions	250.292
Priority List (Outstanding Allocations)	201.944
Total	674.640

8. Income Assumptions

- 8.1 The current forecast for the five year programme 2017-2022 is £250.292m.
- 8.2 External funding currently contributes approximately towards 67% of resources within the capital resource envelope; this is included within the income assumptions and included both ring-fenced and un-ringfenced grants, S106 and contributions.
- 8.3 Bidding for further external funding is strongly encouraged during the preparation of business cases for new projects.

9. Priority List

- 9.1 The current forecast for the five year programme 2017-2022 is £201.944m and this has not been allocated to the capital programme.
- 9.2 The table below shows the capital projects that are priorities for delivery over the next 5 years (2017-22) approved at Full Council in February 2017.

Priority Projects	Total cost	PCC ask	Corporate Borrowing – so far drawn down into Capital Programme
Woolwell to The George widening	£15.7m	£15.7m	Property purchases in North of Plymouth £2.313m
Northern and Eastern corridor transport schemes	£43.6m	£24.6m	-
Forder Valley Link Road	£3.9m	£3.9m	-
Schools	£26.0m	£5.0m	Yealmpstone Farm £2.346m Early years £0.250m
Derriford Park	£12.0m	£6.0m	-
City Centre Public Realm improvements	£49.0m	£27.0m	Development funding £0.526m Market Way £0.215m Bretonside leisure £0.923m
Cruise Terminal	£8.0m	£5.0m	-
Mayflower 2020 celebration	£10.0m	£5.0m	£3.335m
Plymouth Central Station	£40.0m	£5.0m	-
Oceansgate	£4.0m	£4.0m	-
Millbay Boulevard	£10.0m	£3.0m	-
To deliver the Plymouth Plan	222.2	104.2	£9.908m
Investment in new land and property assets	£100.0m	£100.0m	4 investments £37.657m
To generate income	£100.0m	£100.0m	£37.657m

Maintaining the highway network	£50.0m	£20.0m	Highway capital maintenance £4.191m A386 Resurfacing £2.753m
Maintenance of other city assets	£15.0m	£15.0m	Weston Mill recycling £0.204m Chels. Meadow leachate £0.259m Schools maintenance £0.158m Improving outdoor play £0.500m Foreshore Repairs £0.086m Barbican Footbridge£0.060m
Central Park masterplan	£9.0m	£6.0m	£4.6m
Development Funding	-	-	£0.035m various projects
To maintain city assets	£74.0m	£41.0m	£12.811m
Extra care facilities	£4.0m	£4.0m	-
IT infrastructure	£11.0m	£11.0m	£3.846m
Bereavement service improvements	£6.0m	£6.0m	-
To transform service delivery	£21.0m	£21.0m	£3.846m
Total	£417.2m	£266.2m	£64.256m

Draft Budget by Directorate Service

Plymouth City Council General Fund Budget 2018/19

Directorate	Department	Division	Budget 2017/18			Budget 2018/19			
			Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget
Corporate Finance	Other Corporate Items	Other Corporate Items	10.380	(10.529)	(0.149)	0.850	0.000	(0.228)	0.473
		Corporate Items Budget Savings	(1.881)	(0.041)	(1.923)	0.000	0.000	0.000	(1.923)
		Total Corporate Finance	8.499	(10.571)	(2.071)	0.850	0.000	(0.228)	(1.449)
Executive Office	Chief Executives Office	Performance & Intelligence	0.407	0.000	0.407	0.007	(0.008)	0.000	0.407
		Communications and Engagement	0.554	(0.059)	0.495	0.009	(0.010)	0.000	0.494
		Civic Events	0.170	(0.014)	0.156	0.002	(0.002)	0.000	0.156
		Oversight and Governance	0.500	0.000	0.500	0.009	(0.045)	0.000	0.464
		Members	1.300	0.000	1.300	0.000	0.000	0.000	1.300
		Business Support	Departmental Support	0.825	(0.053)	0.772	0.013	(0.015)	0.000
	Total Executive Office	Total Executive Office	3.755	(0.127)	3.629	0.041	(0.080)	0.000	3.590
People	Children, Young People, Families	QA Safeguarding and Bus Suppt	3.677	(0.027)	3.650	0.047	(0.049)	0.000	3.649
		Permanency	8.835	(0.110)	8.725	0.038	(0.040)	0.000	8.724
		CAMHS Specialist Services	0.642	(0.033)	0.609	0.001	(0.001)	0.000	0.609
		Childrens Social Work	4.462	0.000	4.462	0.049	(0.050)	0.000	4.461
		Plymouth Referral and Assmnt	2.951	(0.484)	2.467	0.049	(0.051)	0.000	2.465
		Adoption	3.323	(0.135)	3.188	0.012	(0.012)	0.000	3.188
		Children in Care	7.806	(1.102)	6.704	3.205	(1.268)	0.000	8.641
		Targeted	5.162	(1.733)	3.429	0.066	(0.068)	0.000	3.427
	Strategic Commissioning & Adult Social Care	Service Delivery	75.562	(20.158)	55.403	4.922	(2.161)	1.300	59.464
		Commissioning	16.378	(5.671)	10.706	0.026	(0.026)	0.000	10.705
		Leisure Management	2.643	(0.096)	2.547	0.001	(0.001)	0.000	2.547
		Management and Transformation	(1.524)	(2.894)	(4.418)	0.003	(0.003)	(4.579)	(8.997)
		Social Care Contract	6.919	0.000	6.919	0.000	0.000	0.000	6.919
		Childrens Commissioning	5.287	(0.373)	4.915	0.004	(0.004)	0.000	4.914
	Education Participation Skills	Schools*	65.425	(65.425)	0.000	0.000	0.000	0.000	0.000
		SEND	24.078	(19.974)	4.103	0.086	(0.089)	0.000	4.101
		School Improvement	2.539	(1.467)	1.072	0.030	(0.031)	0.000	1.071
		School Support	3.387	(4.587)	(1.201)	1.302	(0.002)	0.000	0.099
		External	1.995	(1.995)	0.000	0.000	0.000	0.000	0.000
		Skills and Employability	0.338	(0.060)	0.278	0.004	(0.425)	0.000	(0.143)
		Schools Access Planning	6.361	(1.156)	5.205	0.055	(0.056)	0.000	5.203
		Sports Development	0.307	(0.082)	0.224	0.004	(0.004)	0.000	0.224
	Community connections	Community Access	2.522	(1.222)	1.300	0.266	(0.065)	0.000	1.501
		Community Localities	0.971	(0.282)	0.689	0.014	(0.016)	0.000	0.687
		Community Youth	0.563	(0.040)	0.523	0.008	(0.008)	0.000	0.523
	Management and Support People	Management and Support People	0.214	0.000	0.214	0.003	(0.203)	0.000	0.014
	Total People	Total People	250.820	(129.106)	121.714	10.195	(4.635)	(3.279)	123.996

*This £65m represents the DSG for the local authority maintained schools only; the gross DSG including Academies is £199m

Directorate	Department	Division	Budget 2017/18			Budget 2018/19			
			Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget
Place	Economic Development	Management & Support	0.610	(0.390)	0.220	0.006	(0.064)	0.000	0.163
		Business Parks	0.381	(0.847)	(0.466)	0.005	(0.000)	0.000	(0.461)
		Mount Edgcumbe	0.780	(0.666)	0.113	0.011	(0.009)	0.000	0.115
		Museum Services	2.559	(1.271)	1.288	0.049	(0.042)	0.000	1.295
		Land and Property	3.878	(6.918)	(3.040)	0.015	(0.650)	0.000	(3.675)
		Events & Tourist Information	2.395	(1.826)	0.569	0.013	(0.150)	0.000	0.432
		Enterprise and employment	0.973	(0.441)	0.532	0.020	0.000	0.000	0.552
		Theatre and Entertainments	0.415	0.000	0.415	0.000	0.000	0.000	0.415
		Arts & Cultural Development	0.050	0.000	0.050	0.000	0.000	0.000	0.050
		Strategic Projects Development	0.798	(0.488)	0.311	0.006	(0.000)	0.000	0.317
		City Deal	0.336	(0.321)	0.015	0.008	0.000	0.000	0.024
	Strategic Planning	Strategic Planning & Infrastructure Core Budgets	7.424	(3.012)	4.412	(0.049)	(0.213)	0.000	4.150
		Strategic Planning & Infrastructure Core Budgets Projects	0.295	(0.294)	0.001	0.000	0.000	0.000	0.001
		Strategic Planning & Infrastructure Core Budgets Transport Revenue	5.704	(0.230)	5.475	0.000	(0.150)	0.000	5.325
	Street Services	Highways Parking and Marine Sv	8.901	(6.464)	2.436	0.044	(0.038)	0.000	2.443
		Street Scene & Waste Services	34.380	(18.494)	15.886	0.475	(0.194)	0.000	16.167
		Fleet & Garage	2.375	(3.889)	(1.515)	0.016	0.586	0.000	(0.912)
	Management and Support - Place	Management and Support	0.234	0.000	0.234	0.004	(0.202)	0.000	0.037
		Business Support	0.284	0.000	0.284	0.009	(0.007)	0.000	0.285
		GAME Transformation	0.000	(5.146)	(5.146)	0.000	0.000	1.659	(3.487)
	Total Place	Total Place	72.773	(50.698)	22.075	0.634	(1.132)	1.659	23.236
Public Health	Public Health	Prescribed Functions	8.033	0.000	8.033	0.000	0.000	0.000	8.033
		Non-Prescribed Functions	7.996	(0.294)	7.702	0.000	0.000	0.000	7.702
		Funding Reduction (Allocation TBC)	0.000	0.000	0.000	0.000	0.000	(0.405)	(0.405)
		ODPH Funding Streams	0.000	(15.735)	(15.735)	0.000	0.000	0.405	(15.330)
	Operational and Development	PPS Management	0.099	(0.040)	0.059	0.001	(0.003)	0.000	0.057
		PPS Technical Support	0.142	0.000	0.142	0.005	(0.002)	0.000	0.145
	Trading Standards	Trading Standards	0.428	(0.017)	0.411	0.013	(0.006)	0.000	0.418
	Environ Health (Food & Safety)	Environmental Health (Food & Safety)	0.432	(0.034)	0.398	0.013	(0.006)	0.000	0.405
	Bereavement Services	Contracts Cemeteries & Crematoriums	0.992	(2.681)	(1.689)	0.017	(0.078)	0.000	(1.750)
		Cemeteries & Crematoriums Improvements	0.130	(0.130)	0.000	0.001	(0.000)	0.000	0.001
		Licensing	Licensing	0.306	(0.408)	(0.102)	0.010	(0.005)	0.000
	Environmental Protection	Neighbourhood & Enviro Quality	0.573	(0.160)	0.413	0.016	(0.009)	0.000	0.421
		Environmental Protection & Monitoring	0.000	(0.005)	(0.005)	0.000	0.000	0.000	(0.005)
	Civil Protection Unit	Civil Protection Unit	0.189	(0.026)	0.163	0.005	(0.004)	0.000	0.165
	Total Public Health	Total Public Health	19.322	(19.531)	(0.209)	0.080	(0.113)	0.000	(0.242)

Plymouth City Council General Fund Budget 2018/19

			Budget 2017/18			Budget 2018/19				
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget	
Transformation & Change	Finance	Assistant Director for Finance	(0.186)	(0.031)	(0.217)	0.006	(0.310)	0.000	(0.522)	
		Head of Integrated Finance	0.748	0.000	0.748	0.017	(0.016)	0.000	0.749	
		External Audit	0.158	0.000	0.158	0.000	0.000	0.000	0.158	
		Assurance Services	0.912	(0.305)	0.607	0.018	(0.017)	0.000	0.607	
		Procurement	0.475	(0.049)	0.426	0.010	(0.010)	0.000	0.426	
		Financial Planning and Reporting	1.198	(0.233)	0.964	0.025	(0.024)	0.000	0.965	
		Internal Audit	0.335	(0.024)	0.311	0.000	(0.050)	0.000	0.261	
		Soft Facilities Management	3.605	(1.142)	2.463	0.060	(0.157)	0.000	2.365	
		Hard Facilities Management	9.563	(1.029)	8.534	0.015	(0.015)	0.000	8.534	
		Commercialisation	0.209	0.000	0.209	0.004	(0.004)	0.000	0.209	
		Treasury Management	9.016	(1.969)	7.047	0.250	(0.786)	0.000	6.511	
		Legal	Legal	2.274	(0.879)	1.395	0.043	(0.041)	0.000	1.396
		Coroner	0.679	(0.053)	0.626	0.004	(0.004)	0.000	0.626	
		Customer Services	Customer Services	4.279	(3.425)	0.854	0.073	0.241	0.000	1.168
			Library Service	2.410	(0.524)	1.887	0.044	(0.076)	0.000	1.854
			Revenues & Benefits	105.511	(106.201)	(0.690)	0.250	0.000	0.000	(0.440)
			Service Centre	3.200	(0.976)	2.223	0.069	(0.566)	0.000	1.726
			Registration Service	0.651	(0.504)	0.147	0.014	(0.013)	0.000	0.148
		Human Resources (HR) & Organisational Development (OD)	OD & Talent	0.771	(0.035)	0.737	0.013	(0.062)	0.000	0.687
			HR & OD Management	0.222	0.000	0.222	0.003	(0.002)	0.000	0.222
			HR Specialist Services	0.698	(0.007)	0.691	0.014	(0.014)	0.000	0.692
			Health, Safety & Wellbeing	0.360	(0.016)	0.344	0.007	(0.007)	0.000	0.344
		Departmental Management	Director for Corporate Service	(0.304)	0.000	(0.304)	0.003	(0.337)	0.000	(0.638)
			Business Support	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		Transformation	Transformation	2.792	(0.445)	2.347	0.058	(0.293)	0.000	2.111
		ICT	ICT	6.898	(0.425)	6.473	0.300	0.000	0.000	6.773
		Electoral Function	Electoral Function	0.547	(0.002)	0.545	0.106	(0.006)	0.000	0.646
	Total Transformation & Change	Total Transformation & Change	157.021	(118.275)	38.746	1.406	(2.573)	0.000	37.579	
	Total General Fund	Total General Fund	512.190	(328.306)	183.883	13.207	(8.533)	(1.848)	186.709	

APPENDIX B

MTFS Delivery Plan

PEOPLE		
Children's Young People & Family Services		
<u>Overview of Plans</u>		
<p>The Delivery Plan builds on the work of the Integrated Health and Wellbeing Programme and is centred around deriving benefits from Children, Young People & Family Services.</p> <ul style="list-style-type: none"> ▪ Extend the Gateway to deliver an integrated single access offer ▪ Focus on Early Intervention & prevention to minimise escalation of need ▪ Revise Transitions offer to ensure seamless transfer of support ▪ Refine Looked After Children offer including Permanency 		
<u>Risk Assessment</u>		
<p>Overall plans are presently assessed as Amber. Detailed planning is presently underway and projects are being mobilised. Risks have been identified of sufficient capacity to deliver projects and complexities of integrating services. In mitigation work is being prioritised to focus on key projects and early conversations with system partners are taking place.</p>		
2018/19	2019/20	2020/21
£1.263	£0.750	
Strategic Commissioning		
<u>Overview of Plans</u>		
<p>The Delivery Plan builds on the work of the Integrated Health and Wellbeing Programme and is centred around deriving benefits from Integrated Commissioning and Integrated Delivery.</p>		
<p>Integrated Delivery</p> <ul style="list-style-type: none"> ▪ Livewell SouthWest Contract Savings ▪ Retained Provision Savings through enhanced management action and development of service ▪ Package of Care Savings- Integrated Reviews and Assistive Technology savings 		
<p>Integrated Commissioning</p> <ul style="list-style-type: none"> ▪ Savings from Supported Living Contract ▪ Greater Integration with NEW Devon CCG including further joint posts ▪ Roll out of Health and Wellbeing Hubs ▪ Contract Negotiation 		
<u>Risk Assessment</u>		
<p>Overall plans are presently assessed as Amber. Detailed planning is presently underway and projects are being mobilised. Risks have been identified of sufficient capacity to deliver projects and complexities of integrating organisations. In mitigation work is being prioritised to focus on key projects and early conversations with system partners are</p>		

taking place.		
2018/19	2019/20	2020/21
£2.105	£1.650	
Education, Participation and Skills		
<u>Overview of Plans</u>		
<p>The Delivery Plan builds on the work of the Integrated Health and Wellbeing Programme and is centred around deriving benefits from working in partnership with Schools.</p> <ul style="list-style-type: none"> ▪ Remodel SEND services ▪ Develop new operating model for Education, Participation and Skills to work in partnership with Schools across the City 		
<u>Risk Assessment</u>		
<p>Overall plans are presently assessed as Green. Detailed planning is complete and projects are mobilised. Risks have been identified of sufficient capacity to deliver projects and complexities of integrating offers. In mitigation work is being prioritised to focus on key areas and early conversations and engagement with key system partners have taken place.</p>		
2018/19	2019/20	2020/21
£0.421	£0.250	
Community Connections		
<u>Overview of Plans</u>		
<p>The Delivery Plan builds on the work of the Integrated Health and Wellbeing Programme and is centred around deriving benefits from working in partnership with Schools.</p> <ul style="list-style-type: none"> ▪ Increased efficiencies through new ways of working and system upgrades 		
<u>Risk Assessment</u>		
<p>Overall plans are presently assessed as Green. Detailed planning is complete and projects are mobilised. Risks have been identified of sufficient capacity to deliver projects. In mitigation work is being prioritised to focus on key areas.</p>		
2018/19	2019/20	2020/21
£0.050		
PLACE		
Real Time Passenger Information		
<u>Impact of Proposal</u>		
<p>Plymouth's Real Time Passenger Information system provides live electronic bus timetable information at 88 displays located at bus stops around the city. The previous contract ended in late 2016 and following a very robust tender process a new system has recently been launched provided by 21st Century Passenger Solutions Limited. The previous contract had relied upon outdated technology which required significantly more infrastructure, whereas the new state of the art system converts GPS location signals direct from the bus ticket machines. The new more efficient system has already delivered an on-going annual saving of £24,000 which was included as part of the</p>		

<p>2017/2018 budget setting process. With the roll out of the new display infrastructure, the Public Transport Team in Strategic Planning & Infrastructure have identified that provisional sums set aside to cover projected future maintenance costs are no longer required. Therefore a one off saving of £150,000 can be delivered in 2018/19. Provision has however been made to support the on-going revenue maintenance for the new displays.</p>		
<p><u>Risk Assessment</u></p> <p>That the monies set aside for future maintenance costs will be required and not available as one off savings in 18/19.</p>		
2018/19	2019/20	2020/21
£0.150	(£0.150)	
<p>Additional Efficiencies</p>		
<p><u>Impact of Proposal</u></p> <p>This is a corporately given target distributed to all Directorates as an additional efficiencies line.</p>		
<p><u>Risk Assessment</u></p> <p>Previous year's target has been met with a series of one off savings. The targets for 18/19 and 19/20 are currently without recurring action plans.</p>		
2018/19	2019/20	2020/21
£0.198	£0.126	
<p>Fees & Charges in Accordance with Policy</p>		
<p><u>Impact of Proposal</u></p> <p>Increase in fees & charges in line with CPI across the Directorate.</p>		
<p><u>Risk Assessment</u></p> <p>That there is an appetite from the public to warrant an increase in all fees & charges.</p>		
2018/19	2019/20	2020/21
£0.03	£0.03	
<p>Asset Investment Fund Step Up</p>		
<p><u>Impact of Proposal</u></p> <p>The Asset Investment Fund has an existing MTFs income target of £0.950m for 2018/19. A further step up in net projected income of £0.650m to £1.600m for 2018/2019 whilst extremely challenging is potentially deliverable in the event that current pipeline investment opportunities complete and new acquisitions are identified and purchased in the tight timeframe required. Projects enable the use of capital resources to deliver economic and employment growth and regeneration in the city and income generation to the Council (via rental receipts) with potential to also benefit from long term capital appreciation.</p>		
<p><u>Risk Assessment</u></p> <p>Market conditions are uncertain, so the projected income streams from the Asset Investment Fund are not without risks. Risks include limited supply of potential new</p>		

investment opportunities and slippage in projects currently under negotiation or development. The impact of 'Brexit' could also cause interim turmoil within the economy and markets, leading to a fall in investment stock and capital values as well as weakening occupational demand, resulting in falling rents and an increased voids and associated property holding costs.		
2018/19	2019/20	2020/21
£0.650	£0.00	£0.000
Commercial Events		
<u>Impact of Proposal</u>		
Net nil budgets previously set, upon the expectation that Summer Concert (MTV) costs would equal income, are now revised to a £0.150m profit for 2018/19, rising to £0.2m profit ongoing.		
A re-procurement exercise is currently underway, which will assist with a thorough cost/income review and re-modelling of the summer concert budgets.		
<u>Risk Assessment</u>		
Additional costs associated with the increased terror threat as a result of the Manchester bombing and driving lorries into crowds of people. Counter terrorism and civil protection measures required to comply with additional security measures.		
2018/19	2019/20	2020/21
£0.150	£0.050	£0.000
Energy-Related Initiatives – Low Carbon Team Additional Capitalisation (One-Off for 2018/2019)		
<u>Impact of Proposal</u>		
As part of the 2017/2018 budget setting process, £25,000 of additional capitalisation was built into the base budgets of the Low Carbon Team, increasing capitalisation from 46% to 60%. Given the success of the team in securing various capital funding from various European and Government dedicated carbon reduction initiatives, one-off additional capitalisation opportunities for 2018/2019 exist. This would increase capitalisation within the Low Carbon Team to around 75%.		
<u>Risk Assessment</u>		
The risk of further capitalisation increases beyond 2018/2019 due to the lack of certainty regarding future European and Government funding programmes, and is therefore not recommended for 2019/2020 or 2020/2021.		
2018/19	2019/20	2020/21
£0.053	(£0.053)	£0.000
Energy-Related Initiatives – Energy-Related Initiatives - Low Carbon Team Additional Income		
<u>Impact of Proposal</u>		
The Low Carbon Team leads on the city's low carbon agenda and is delivering low carbon initiatives worth over £5.2 Million including the Green Deal, the ECO partnership, solar panels on schools and other public buildings, the Healthy Homes initiative, fuel debt advice and driving forward the Plymouth Energy Community suite of		

projects including district heat networks and social investment opportunities. The team generates substantial grant and external income for projects, with a very strong track record of delivery. As part of the 2017/2018 budget setting process income targets for the team were increased by £58,000. This additional income target for 2018/2019 will result in a 22% increase in Plymouth Energy Community income to the core Low Carbon Team costs. This has already been secured through in-year revisions to the current Service Level Agreement to ensure the City Council is getting value for money from this activity which supports the low carbon policy commitments made in the Plymouth and South West Devon Joint Local Plan.

Risk Assessment

That the level of income required is not feasible.

2018/19	2019/20	2020/21
£0.023	£0.000	£0.000

TRANSFORMATION & CHANGE

Chief Executive Office

Impact of Proposal

Agreed as a 10% saving rolling forward on Community Grants but now grants are to be increased and no revised proposal has been submitted but one is being considered.

Risk Assessment

N/A

2018/19	2019/20	2020/21
£0.035	£0.022	£0.000

Transformation Review

Impact of Proposal

Reduction in staffing structure but now paused and this target will show as a pressure at start of 2018/19.

Risk Assessment

N/A

2018/19	2019/20	2020/21
£0.500	£0.000	£0.000

Smart Working

Impact of Proposal

Discussions are underway to cleanse the budget of this efficiency target for 18/19 and beyond.

Risk Assessment

N/A

2018/19	2019/20	2020/21
£0.043	£0.234	£0.000

Systems Review – Community Facilities		
<u>Impact of Proposal</u>		
Final step up of a delivery plan set in 17/18. So far delivered in full and service area are confident that this last requirement will be met following system investment.		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
£0.033	£0.000	£0.000
T&C Further Efficiency Savings		
<u>Impact of Proposal</u>		
Operational efficiencies to be delivered across the whole Directorate.		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
£0.294	£0.187	£0.000
Service Centre		
<u>Impact of Proposal</u>		
To be achieved through the consolidation of the back office function within the Council. <ul style="list-style-type: none"> ▪ Phase 1 – the review will encompass all transaction based processes across all services and seek to generate efficiency savings by consolidating these processes within the Service Centre. ▪ Phase 2 – generate further efficiencies via the business case for the transfer of back office services to Delt following Cabinet decision 		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
£0.500	£0.000	£0.000
Fees and Charges (T&C)		
<u>Impact of Proposal</u>		
As set in the Fees and Charges policy all fees and charges have been increased in line with CPI where applicable.		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
£0.002	£0.002	£0.000
Treasury Management/MRP/LOBO		
<u>Impact of Proposal</u>		

The Council has taken on more corporate borrowing to pay for capital expenditure in the priority list so this requires an increase in the MRP budget to repay the borrowing. Please see Treasury Management Strategy.

Risk Assessment

N/A

2018/19	2019/20	2020/21
£0.500	£1.000	£0.000

Treasury Management Savings

Impact of Proposal

Dependant on market conditions and opportunities to reschedule debt. Please see Treasury Management Strategy

Risk Assessment

N/A

2018/19	2019/20	2020/21
(£0.114)	(£0.118)	£0.000

Increase in Investment Diversification

Impact of Proposal

Pursuing new investments opportunities in line with the Treasury Management Strategy. Please see Treasury Management Strategy.

Risk Assessment

N/A

2018/19	2019/20	2020/21
£0.400	£0.200	£0.000

Section 106

Impact of Proposal

In accordance with Section 106 of the Town and Country Planning Act 1990 Plymouth City Council enters into agreements with developers designed to meet the concerns a Local Planning Authority (LPA) may have about mitigating impacts of development for an area. As and when money is received it is held in a ring fenced fund and released for appropriate infrastructure improvements as development proceeds.

In essence contributions received under S106 Agreements are treated as revenue income and applied to finance capital expenditure projects in accordance with the relevant agreement.

It is proposed that the Council discharges its obligations under the terms of the S106 agreements to finance these developments by making use of a loan facility in accordance with the terms of **CIPFA's Prudential Code** for Capital Finance in Local Authorities (2011) (Prudential Code), making an annual provision for the repayment of the debt (MRP) in its revenue account and drawing the cash contribution from the developer into its revenue budget. The obligation referenced in the S106 agreement will have been met but the cash applied in a different way.

Risk Assessment		
<p>Government introduces legislative changes to Section 106 of the Town and Country Planning Act 19, changes to local government accounting rules and procedures.</p> <p>SI06 agreements don't materialise in the future.</p> <p>Perceptions regarding the use of SI06 not compliant with legal guidance.</p> <p>Financing changes including interest rate changes.</p>		
2018/19	2019/20	2020/21
£2.850		
Flexible use of Capital Receipts		
<u>Impact of Proposal</u>		
Agreed at Cabinet that during 17/18 PCC would make use of this scheme on the understanding funds would be found reoccurring from elsewhere.		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
(£1.500)	(£2.000)	£0.000
Reduction in Working Balances		
<u>Impact of Proposal</u>		
Council decision to hold working balances at 5% of net revenue expenditure.		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
£0.050	£0.050	£0.000
Soft FM		
<u>Impact of Proposal</u>		
To capture savings by reviewing the cleaning arrangements in place, thus reducing the need of temporary staff.		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
£0.100	£0.000	£0.000

Anti-Fraud Partnership		
<u>Impact of Proposal</u>		
Partnering with Devon Audit Partnership (DAP); which is growing and provides opportunities by transferring the service to enable a more robust commercial approach.		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
£0.050	£0.025	£0.025
Review of Coroners Arrangements		
<u>Impact of Proposal</u>		
Finalising shared arrangements with Torbay Council savings are anticipated but subject to consultation.		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
£0.040	£0.000	£0.000
Reorganisation of HR Leadership		
<u>Impact of Proposal</u>		
Following other changes made to this service a Senior Management review can be considered. Confidential and subject to consultation.		
<u>Risk Assessment</u>		
N/A		
2018/19	2019/20	2020/21
£0.050	£0.000	£0.000



TREASURY MANAGEMENT STRATEGY

2018/19



Foreword



Councillor Ian Darcy

Cabinet Member for Finance and ICT

“This Strategy demonstrates our commitment to sound management of the Council’s finances. It shows how the Council’s ambitious capital programme will be funded.

It also demonstrates the network of controls that are in place to ensure our investments are secure.

These are important decisions and this year’s Strategy offers much greater openness and transparency to residents and stakeholders”



Andrew Hardingham

Assistant Director for Finance

“This Strategy is designed to underpin the Council’s ambition to invest in the future of Plymouth. It offers a series of opportunities to manage the Council’s finances to maximise returns, reduce risk, diversify investments and minimise the cost of borrowing. The strategy will keep us within our prescribed limits under the Prudential Code. The Council is seeking at all times to deliver good investment returns that are secure and affordable.”

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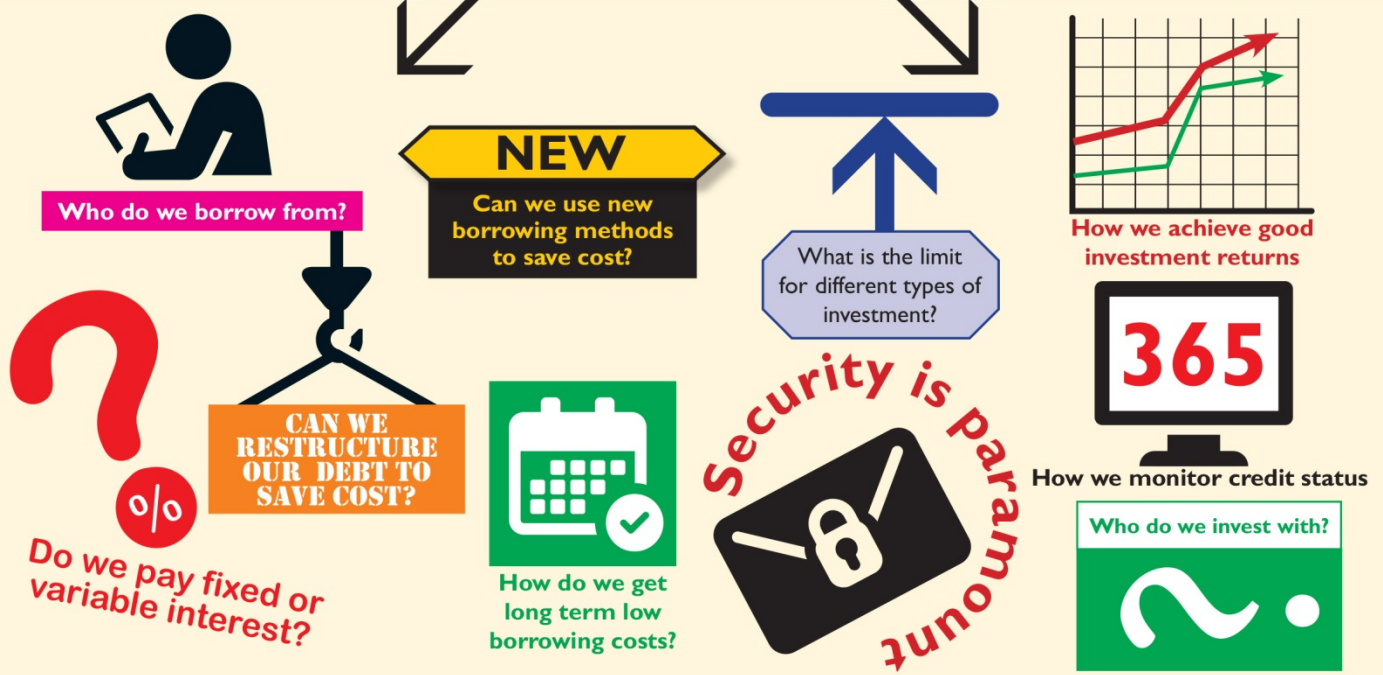
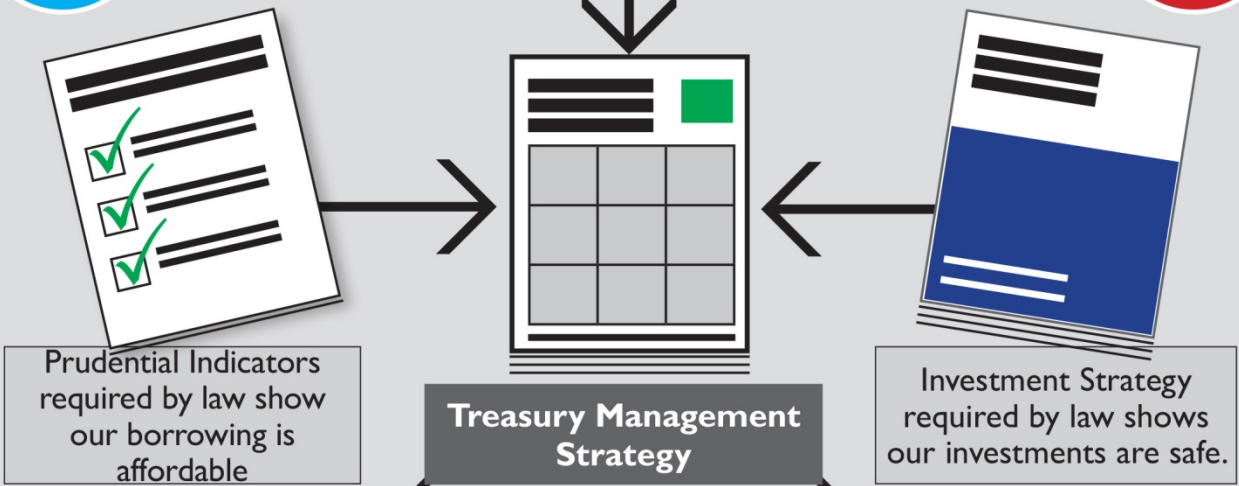
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How the Treasury Management System works



Infrastructure and capital investment needs to deliver the Plymouth Plan



This section explains how we invest and borrow

Introduction

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

CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised Code so the Council has adopted some of the proposed changes in advance of publication.

INVESTMENTS – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

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

Market Intelligence

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

Statutory and Performance Framework <i>Rules that guide us</i>	<p>Specified Investments</p> <ul style="list-style-type: none"> • Sterling only • Repayable in 12 months • Can use UK Government, Local Authority or a body of high credit quality
	<p>Counterparties and Limits (see table on page 19)</p>
	<p>Non-specified investments</p> <ul style="list-style-type: none"> • £40m max long-term • £20m max below A-
	<p>Investment Limits – subject to credit ratings table on page 20</p> <ul style="list-style-type: none"> • No limit UK Government • £20m any single organisation • £40m any group of organisations • £25m per pooled fund • £40m negotiable instruments per broker • £10m per foreign country • £25m per registered provider • £10m unsecured with Building Societies • £25m unrated corporates • £55m money market funds
	<p>Key Council Budget Assumption for 2018/19</p> <ul style="list-style-type: none"> • Investments make an average rate of return of 1.49%

Approach <i>Choices made within the framework</i>	<p>Objective Security first, yield second, liquidity</p> <p>Strategy To maximise returns, reduce risk and diversify investments</p> <p>Risk Assessment and credit ratio Our advisors monitor credit ratings daily so no new investment will be made if they do not meet our ratings</p> <p>Other information on security of Investments Market intelligence from our advisors may give warnings before credit warning changes e.g. credit default swaps information</p>
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BORROWING – FACTS AT A GLANCE

- Principles and Objectives of the Treasury Management Strategy**
- To achieve the best secure investment returns
 - To minimise the cost of borrowing
 - To achieve a balanced spread of maturities and commitments
 - To achieve the right mix of borrowing vehicles

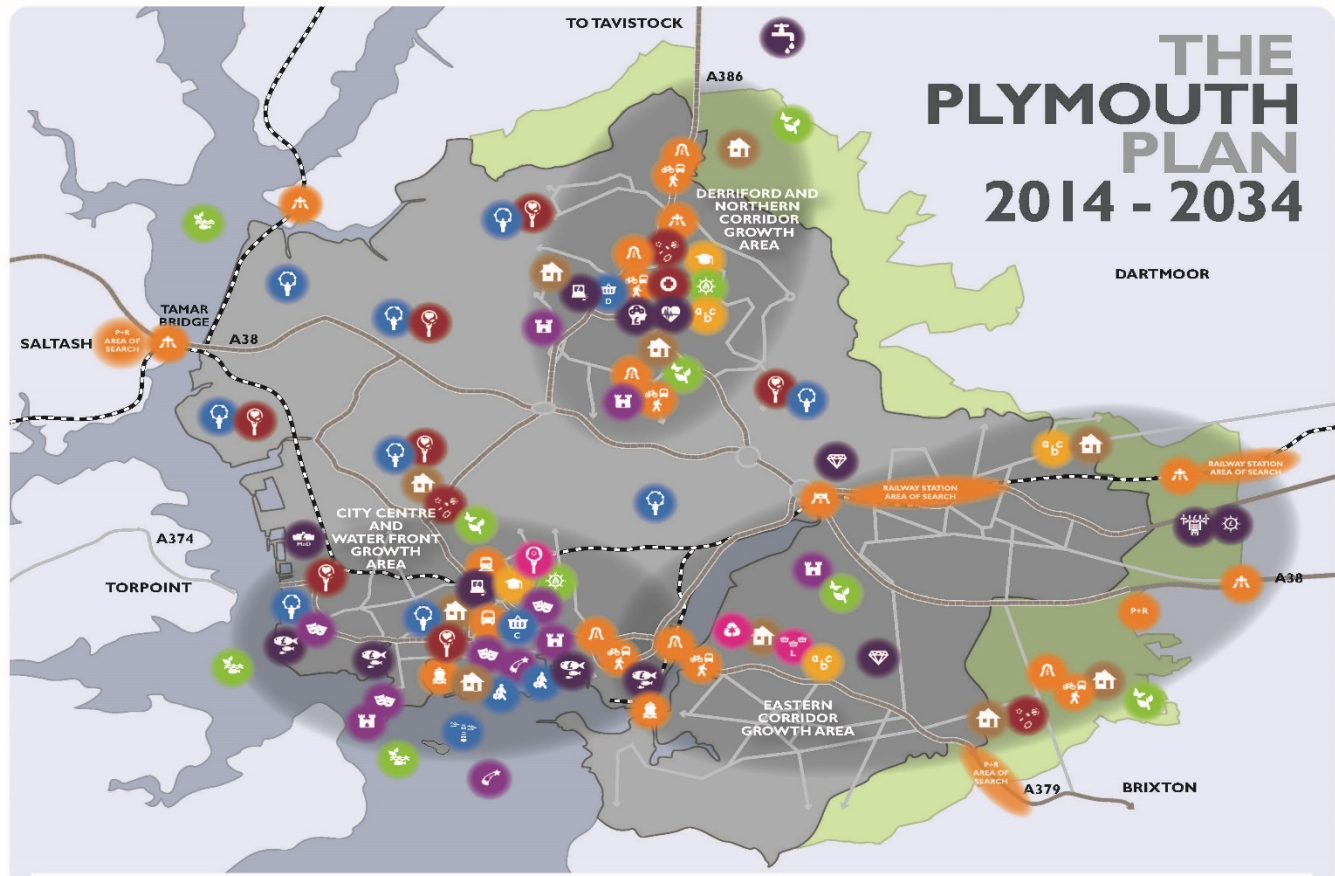
- Market Intelligence**
- Bank of England reports
 - Market Outlook by the Council’s advisers Arlingclose

Statutory and Performance Framework <i>Rules that guide us</i>	<p>Borrowing</p> <ul style="list-style-type: none"> • £215m Total Capital Expenditure • £583m Capital Finance Requirement (need to borrow) • £642m Total Debt (loans and private finance initiatives) • £680m Operational Boundary (practical ceiling on borrowing) • £835m The Authorised limit (absolute maximum debt approved)
	<p>Prudential Indicators</p> <ul style="list-style-type: none"> • 4.88% Ratio of finance costs to net revenue stream (borrowing costs as a proportion of total budget) • £9.45 Hypothetical increase in Council Tax affordability. This is a CIPFA prescribed technical measure; the Council has made no future years tax decisions
	<p>Treasury Management Indicators</p> <ul style="list-style-type: none"> • 100% Limit on Fixed Interest Exposure • 30% Limit on Variable Interest Rate • 0% to 95% Maturity Structure of Borrowing, exposure in any duration • 2.37% average interest rate on loans
	<p>Minimum Revenue Provision Policy</p> <ul style="list-style-type: none"> • Annuity Method • 50 year repayment for capitalisation directions • PFI/Leases determined by the specific agreement

Delivering the Plymouth plans explains why we are borrowing and investing

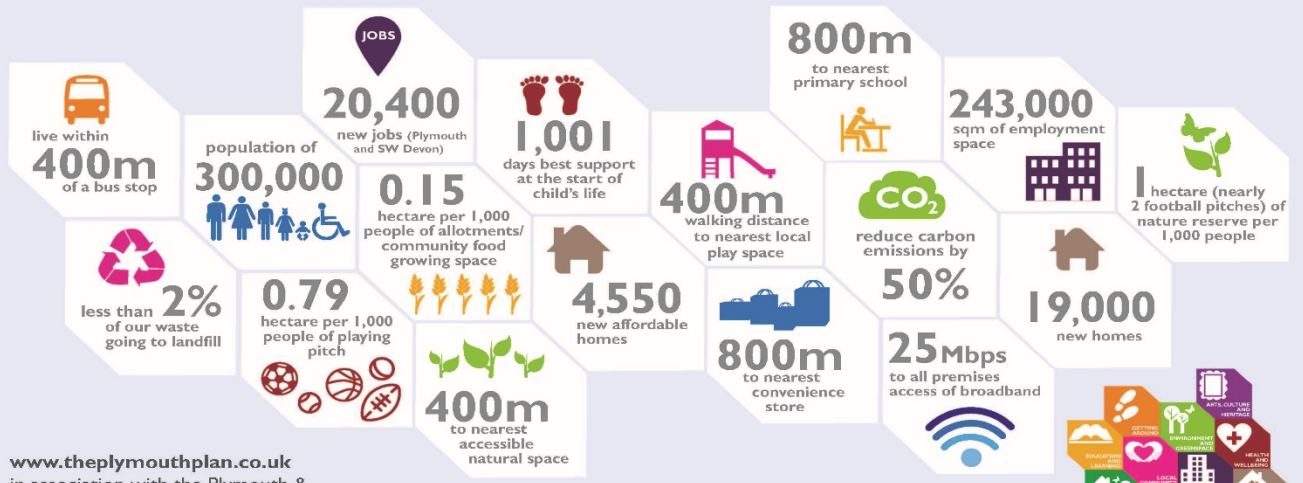
	<ul style="list-style-type: none"> • No MRP on capital loans or investments • Option for capital receipts to be used towards MRP
<p>Approach</p> <p><i>Choices made within the framework</i></p>	<p>Key Council Budget Assumption for 2018/19</p> <ul style="list-style-type: none"> • Long-term loans will cost an average rate of 2.37% <p>Objective - Balance low interest rates with long term certainty</p> <p>Strategy – to borrow short term now and lock in long term when appropriate</p> <p>Sources Approved by Arlingclose - Banks or Building Society, Public Works Loan Board, Pension Funds, Capital Market Bonds, Municipal Bonds Agency, anyone with whom we would invest. Also, Leasing, PFI, Sale & Lease back</p> <p>LOBOs will be repaid if there is a NPV saving and if there is agreement with the lenders</p> <p>Municipal Bonds Agency Council will use where appropriate</p> <p>Debt Restructuring A present value calculation based on current rates for the same period of loan may result in a discount or premium.</p> <p>Council will re-schedule if it reduces cost or risk</p>

THE PLYMOUTH PLAN 2014 - 2034



KEY				

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



Our Corporate Plan includes themes of infrastructure and investment

Corporate Plan

The Corporate Plan 2016 to 2019 sets out our vision to be ‘one team serving our city’ and retains our ambition to be a Pioneering, Growing, Caring and Confident City.

OUR PLAN ONE CITY COUNCIL



CITY VISION Britain's Ocean City

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

OUR VALUES

WE ARE DEMOCRATIC

Plymouth is a place where people can have a say about what is important to them and where they can change what happens in their area.

WE ARE RESPONSIBLE

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

WE ARE FAIR

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

WE ARE PARTNERS

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

OUR VISION One team serving our city

PIONEERING PLYMOUTH

We will be innovative by design, and deliver services that are more accountable, flexible and efficient.

GROWING PLYMOUTH

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

CARING PLYMOUTH

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

CONFIDENT PLYMOUTH

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

OUR THEMES

- Quality services focused on customers' needs
- Balancing the books
- New ways of working
- Best use of Council assets
- Working constructively with everyone

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

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

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

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

Economic update from Treasury Management advisors Arlingclose

The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remains relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

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

Credit Outlook

High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

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

Interest Rate Forecast

The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

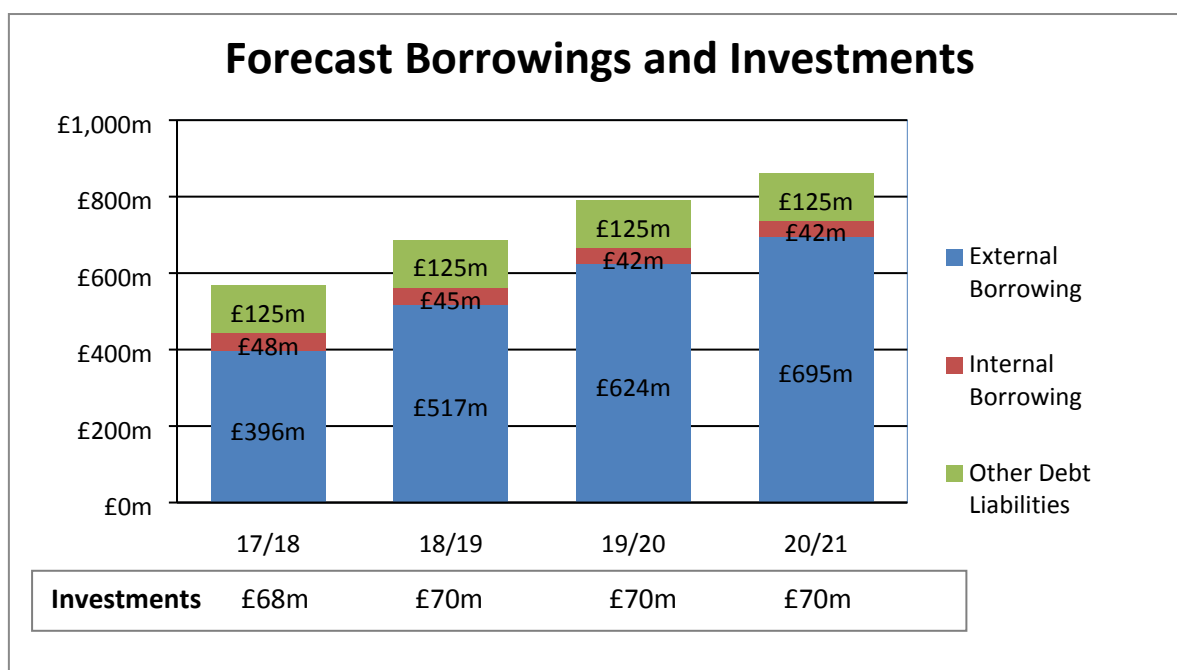
Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

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

Part 2 – Detailed Analysis

Borrowing

This is how much we debt we expect to have next year and in the years ahead.



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 expects to comply with this recommendation during 2018/19.

The Council held £311 million of loans in September 2017. This was an increase of £23 million on the previous year. The increase in loans is because of funding previous years' capital programmes. The Council expects to hold borrowing up to £517m in 2018/19.

The Council can bring forward planned external borrowing into an earlier financial year. This might be done to take advantage of favourable long term interest rates. The total borrowing must not exceed the authorised limit set by the Council of £575 million.

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

Prudential Indicators 2018/19

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

Estimates of Capital Expenditure

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

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

Capital Expenditure and Financing	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
General Fund	199.987	215.224	153.414	76.642
Total Expenditure	199.987	215.224	153.414	76.642
Capital Receipts	9.504	3.172	4.275	0.300
Grants and Contributions	81.294	88.984	41.080	27.321
Reserves	-	-	-	-
Revenue	1.165	1.768	0.100	0.100
Borrowing	108.024	121.300	107.959	48.921
Leasing and PFI	-	-	-	-
Total Financing	199.987	215.224	153.414	76.642

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 18 Revised £m	31 Mar 19 Estimate £m	31 Mar 20 Estimate £m	31 Mar 21 Estimate £m
General Fund	461.938	583.238	691.197	740.118
Total CFR	461.938	583.238	691.197	740.118

The CFR is forecast to rise by £278m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the 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 18 Estimate £m	31 Mar 19 Estimate £m	31 Mar 20 Estimate £m
Borrowing	396.000	517.000	624.000
PFI liabilities & Finance Leases	125.000	125.000	125.000
Total Debt	521.000	642.000	749.000

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

Operational Boundary for External Debt

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

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

Operational Boundary	2017/18 £m	2018/19 £m	2019/20 £m
Borrowing	425.000	540.000	625.000
Other long-term liabilities	130.000	140.000	140.000
Total Debt	555.000	680.000	765.000

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	2017/18 £m	2018/19 £m	2019/20 £m
Borrowing	450.000	675.000	650.000
Other long-term liabilities	160.000	160.000	160.000
Total Debt	610.000	835.000	810.000

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	2017/18	2018/19	2019/20
--	----------------	----------------	----------------

Stream	Revised	Estimate	Estimate
General Fund	4.32%	4.88%	6.03%

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	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund - increase in annual band D Council Tax	£4.75	£9.45	£20.02

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 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:

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

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

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

Maturity Structure of Borrowing

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

	Upper	Lower
Under 12 months	90%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	25%	0%
10 years and above	95%	0%

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:

	2018/19	2019/20	2020/21
Limit on principal invested beyond one year	£45m	£50m	£50m

Objectives of Borrowing Decisions

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

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

Strategy

Short term interest rates are currently much lower than longer-term rates. It is likely to be more cost effective to use internal resources, or to borrow short-term. This will reduce net borrowing costs in the short term but long term borrowing rates are forecast to rise modestly. The benefits of deferring long term borrowing will be monitored regularly.

Alternatively, the Council may arrange forward starting loans. In a forward starting loan the interest rate is fixed in advance but is drawn later. Such loans give certainty of cost without suffering a cost of carry.

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

In addition, the Council may borrow short-term loans to cover unexpected cash flow shortages. The Council will take the option to repay LOBO loans if there is a NPV saving and if there is agreement with the lenders.

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

The Council will only borrow from approved sources.

These are the lenders we are able to use.

Sources of Borrowing

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

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

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

- Operating and finance leases
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

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

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

Lender's Option Borrower's Option (LOBOs)

During 2016/17 Barclays Bank transferred the Council's Barclays Bank LOBOs (Lender's Option Borrower's Option) to fixed term borrowing and therefore this has reduced the authorities total LOBOs by £18m.

The Council holds £82m of LOBO loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

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

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

This allows the flexibility to borrow from the Municipal Bonds Agency

Municipal Bond Agency

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; 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 the Treasury Management Board.

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 limit on the net exposure to variable interest rates in the treasury management indicators below.

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

Debt Rescheduling

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

Annual Minimum Revenue Provision Statement 2018/19

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG 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

MRP will be determined by charging the expenditure over the expected useful life of the asset on an annuity method, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years.

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

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 since 1 April 2008 MRP will be made using the annuity method over 50 years.

PFI/Leases

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

Any loan or investment to an organisation defined as capital expenditure will not attract MRP. The original capital expenditure will be met from the capital receipt on the maturity of the loan/investment.

MRP will commence in the financial year following the one in which the expenditure is incurred, except for expenditure funded by borrowing where the project is not complete at 31st March 2018 (classified as under construction). MRP will be deferred until the construction is complete and operational with the charge to be made in the year following completion.

Investments

These are the ways Government allows us to invest surplus funds.

Specified Investments

The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

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.

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

Approved investment counterparties and limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£6m 5 years	£12m 20 years	£20m 50 years	£6m 20 years	£6m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 25 years	£6m 10 years	£6m 10 years
AA	£6m 4 years	£12m 5 years	£12m 15 years	£6m 5 years	£6m 10 years
AA-	£5m 3 years	£12m 4 years	£12m 10 years	£6m 4 years	£6m 10 years
A+	£5m 2 years	£12m 3 years	£6m 5 years	£6m 3 years	£6m 5 years
A	£4m 13 months	£12m 2 years	£6m 5 years	£6m 2 years	£6m 5 years
A-	£4m 6 months	£12m 13 months	£6m 5 years	£6m 13 months	£6m 5 years
Pooled funds	£25m per fund				

Non-specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£40m
Total investments without credit ratings or rated below A-	£20m
Total investments with institutions domiciled in foreign countries rated below AA+	£0m
Total non-specified investments	£40m

Investment Limits

The Council's revenue reserves available to cover investment losses are forecast to be £48 million on March 31 2018. No more than 60% of available reserves will be put at risk in the case of a single organisation (other than the UK Government). When considering investment limits in the chart below you must also refer to the credit ratings of the individual organisations (as shown in the chart on page 19) to make the final assessment.

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

Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£20m
UK Central Government	Unlimited
Any group of organisations under the same ownership	£40m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country
Registered Providers	£25m in total
Unsecured investments with Building Societies	£10m in total

Loans to unrated corporates	£25m in total
Money Market Funds	£60m in total

Liquidity Management

The Council uses a cash flow forecasting spreadsheet 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 2018/19

- Investments will make an average rate of 1.49%
- Long-term loans will cost an average rate of 2.37%

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

Investment Strategy

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £60 and £80 million, and is expected to remain about the same in the forthcoming year.

Objectives

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

Negative Interest Rates

If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries.

In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

Given the increased risk and very low returns from short-term unsecured bank investments, the Council continues to hold its investments in more secure, lower yielding asset classes. The Council holds £25m as a longer-term investment (£20m in the CCLA Property Fund and £5m in the CCLA Diversified Fund) and these give a higher return than the short term investments.

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

Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Credit Rating

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's

or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all relevant factors including external advice will be taken into account.

Banks Unsecured

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

Banks Secured

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

Government

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

Corporates

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

Registered Providers

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

Pooled Funds

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

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

Operational Bank Accounts

The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- 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 will therefore be kept below £100,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk Assessment and Credit Ratings

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

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

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

Other Information on the Security of Investments

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

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

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

Other Items

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

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

Investment Training

The needs of the Authority'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.

Investment Advisers

The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by quarterly review meetings and periodically tendering for the provision of Treasury Management Consultancy services.

Investment of Money Borrowed in Advance of Need

The Authority 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 Authority 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 Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £575 million. The maximum period between borrowing and expenditure is expected to be one year, although the Authority is not required to link particular loans with particular items of expenditure.

Other options considered

The CLG 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.

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 October 2017

Underlying assumptions

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.

- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Appendix B - Existing Investment and Debt Portfolio Position

	30 Sept 2017 Actual Portfolio £m	30 Sept 2017 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	44.3	5.76
Local Authorities	167.0	0.35
LOBO Loans	82.0	4.38
Long Term Borrowing	18.0	4.37
Total External Borrowing	311.3	2.42
Other Long Term Liabilities:		
PFI	123.2	n/a
Finance Leases	1.6	n/a
Total Gross External Debt	436.1	
Investments:		
<i>Managed in-house</i>		
Short-term Money Market Funds	14.5	0.21
Other Short Term investments	16.4	0.92
<i>Managed externally</i>		
Pooled Funds	27.0	3.90
Other Funds	11.0	1.35
Total Investments	68.9	1.49
Net Debt	367.2	

Treasury Management Strategy 2018-19

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PLYMOUTH CITY COUNCIL

Subject:	Capital & Revenue Monitoring Report 2017/18– Quarter 3
Committee:	Cabinet
Date:	13 February 2018
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham – Interim Joint Strategic Director for Transformation and Change
Author:	Paul Looby – Head of Financial Planning and Reporting
Contact details	Tel: 01752 307271 email: paul.looby@plymouth.gov.uk
Ref:	
Key Decision:	No
Part:	I

Purpose of the report

This report outlines the finance monitoring position of the Council as at the end of December 2017.

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

As shown in Table I of the report, the forecast revenue overspend is £1.494m. The overall forecast net spend equates to £185.377m against a budget of £183.883m, which is a variance of 0.8%.

The latest position shows a reduction in the projected forecast overspend compared to quarter two and compares to a £1.272m forecast overspend at the same time last year. The latest position needs to be read within the context of needing to deliver in excess of £18.000m of savings in 2017/18 on the back of balancing the 2016/17 revenue budget where £24.000m of net revenue reductions were successfully delivered.

Whilst the improved position is welcomed the challenge of delivering a balanced budget at year end should not be underestimated. Portfolio Cabinet Members and Officers have been managing in year pressures which have been highlighted within the monitoring reports throughout the year.

The latest position must be set in the context of continuing reduction in resources from government and ever increasing pressures, particularly within Social Care due to increasing demands and complexity of needs.

All options for further savings and additional resources are being explored. Where applicable costs pressures identified and highlighted in the current year have been built into future years within the Medium Term Financial Strategy e.g. the increasing costs for placements within Children's Services.

Table 1: End of year revenue forecast

	Budget £m	Forecast Outturn £m	Variance £m
Total General Fund Budget	183.883	185.377	1.494

Capital Budget

The capital budget was agreed at Council on 27th February 2017. This report details a revised capital budget of £674.700m, covering the period 2017/18 – 2021/22.

The Corporate Plan 2016/17 – 2018/19:

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

Implications for Medium Term Financial Strategy and Resource Implications:

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

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

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

Equality and Diversity

This report monitors our performance against our approved budget 2017/18. As part of the budget setting process, EIA were undertaken for all areas.

RECOMMENDATIONS AND REASONS FOR RECOMMENDED ACTION:

It is recommended that:

1. Cabinet note the current monitoring position.
 2. Cabinet approve the non-delegated virements which have occurred since 1st October 2017.
 3. Cabinet recommends Council approve that the Capital Budget 2017 -2022 is revised to £674.7m (as shown in Table 6).
-

Alternative options considered and rejected:

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

Published work / information:

2017/18 Annual Budget: [2017 Budget Report](#)

Background papers:

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

Sign off:

Fin	djn1718.184	Leg	lt/29803/240 118	Mon Off	lt/dvs/29803	HR		Assets		IT		Strat Proc
Originating SMT Member: Andrew Hardingham, AD for Finance												
Has the Cabinet Member(s) agreed the contents of the report? Yes												

DECEMBER 2017 FINANCE MONITORING

Table 2: Revenue Monitoring Position

Directorate	Gross Expenditure	Gross Income	2017/18 Latest Approved Budget	Forecast Outturn	Forecast Year End Variation	Movement from previous month
	£m	£m	£m	£m	£m	£m
Executive Office	3.752	(0.126)	3.626	3.647	0.021	0.014
Corporate Items	14.324	(12.835)	1.489	0.789	(0.700)	(1.000)
Transformation and Change	149.123	(116.436)	32.687	33.782	1.095	0.000
People Directorate	254.132	(131.822)	122.310	123.198	0.888	(1.307)
Office of the Director of Public Health	19.731	(19.531)	0.200	0.200	0.000	0.000
Place Directorate	74.092	(50.521)	23.571	23.761	0.190	(0.046)
TOTAL	515.154	(331.271)	183.883	185.377	1.494	(2.339)

Please note there is a pressure of £1.300m with the ESG grant that is not reflected in the table above.

Table 3: Plymouth Integrated Fund

Plymouth Integrated Fund	Section 75 2017/18 Latest Budget	Forecast Outturn	Forecast Year End Overspend / (Underspend)
	£m	£m	£m
New Devon CCG – Plymouth locality	332.926	333.805	0.879
Plymouth City Council	*253.112	254.000	0.888
TOTAL	586.038	587.805	1.767

The financial position above for the Plymouth Integrated Fund is at December 2017. *This represents the gross People Directorate budget plus the gross Public Health Commissioning budget (which is financed by a ring fenced Department of Health Grant).

Table 4: Key Issues and Corrective Actions

Issue	Variation £M	Management Corrective Action
EXECUTIVE OFFICE	0.021	Shortfall on income target. This pressure will be addressed before the end of the year.
CORPORATE ITEMS	(0.700)	<p>Due to the significant budget pressures and demands placed upon services, all options have been considered to further reduce the projected forecast overspend. It has been recommended within the 2018/19 budget proposals that section 106 monies are used to support the revenue budget. This option is also recommended to be used in the current financial year and has been accounted for within Corporate Items (£1.0m).</p> <p>Procurement step up of £0.300m has been previously reported. Discussions are continuing to agree an action plan to meet this pressure and where possible reduce projected overspend.</p> <p>Legacy pressures (Procurement £0.343m, CST £0.549m, Commercialisation £0.136m and Strategic Asset Review £0.070m) and Pension deficit (£0.600m) have been identified and will be managed in 2017/18.</p>
TRANSFORMATION and CHANGE – Finance	0.220	Following a review of Facilities Management Services a pressure has been identified with utility costs. This is linked to market forces and the service area is looking to manage this down. The department is continuing to hold vacancies to manage demand led services. There is also a pressure with decontaminating the files incorrectly stored in the Guildhall.
TRANSFORMATION and CHANGE – Legal	0.000	There is currently a nil variance to report.

TRANSFORMATION and CHANGE – Elections	0.030	There is a pressure of £0.030m within this service area which is being actively managed.
TRANSFORMATION and CHANGE – Customer Services	0.585	The forecast shortfall of £0.311m remains despite reviewing the costs of debt recovery through the court system but is currently being off-set by other in year savings. Following the mid-year review to assess recovery of overpayments from historic council tax benefit the shortfall in rent allowance and rent rebate subsidy is totals £0.585m.
TRANSFORMATION and CHANGE – Human Resources & OD	(0.168)	There is currently an underspend due to in year vacancy savings.
TRANSFORMATION and CHANGE – All Departments	0.369	Reallocation of Commercialisation and CST programme targets totalling £0.467m less (£0.098m) staffing budget savings.
TRANSFORMATION and CHANGE – Transformation and Portfolio	0.059	Departmental pressure remains and is being managed through vacant posts.
TRANSFORMATION and CHANGE – ICT Commissioned Service	0.000	There is currently a nil variance to report.
PEOPLE – Children Young People and Families The Children Young People and Families Service are reporting a budget pressure of £0.458m. `	0.458	The CYP+F department have achieved all savings targets against the £1.500m delivery plans in place, although some are from one-off savings.

The overall CYPF overspend can be attributed to the increased cost and volume of looked after children's placements. Despite these increased costs, the department has made significant off setting savings in year with good progress through the management-challenge sessions and budget containment meetings.

Early in-year monitoring identified the increasing costs of placements, with increases effective during 2017/18 showing 16.59% uplifts. The department has been working throughout the year to contain and cover from other savings; however as we have reached the third quarter additional resources have been agreed of £1.000m. This cost pressure has been identified going forward into future years and as such the MTFS additional funding has been increased from the original £2.000m to £3.200m.

The national and local context for children's placements is extremely challenging, with increasing difficulties in securing appropriate, good quality placements. High demand and limited supply of placements, a tightening of Ofsted requirements, as well as initiatives such as the introduction of the National Living Wage, have all led to an increase in the unit costs of placements

A region wide lack of placements has meant that some children have been placed in residential rather than the preferred fostering placements at a much higher cost. We are on track to achieve savings against the £1.500m delivery plans in place.

There are risks that continue to require close monitoring and management:

- Increased cost and volume of young people's placements

A piece of work has been undertaken to ensure a systematic review of all young people in supported living and new arrangements for plans for them are in place. This will ensure appropriate plans are in place for young people improving timeliness and reducing cost pressure.

Extensive work is underway to review all placements in order to reduce the pressure on cost and volume where appropriate.

The level of response following the fostering campaign has been very positive and exceeded our expectations. Part of the strategy to increase the number of children subject to a Special Guardianship Order has been successful; we have seen an increase in SGO and a corresponding reduction in IFA/ In House Foster Care.

Commissioners continue to work with colleagues in the peninsula to increase the sufficiency and quality of placements available. Since 2012 when there were 2 residential placements available in the city we now have 12 placements, and we expect this to continue to increase. At the same time work continues to contain costs, with additional activity through block contracts for the year ahead. Work here includes:

- **Peninsula Fostering tender** – cabinet January, new contracts April 2018:
- **Residential block contract**

A tender has been carried out to secure local children's homes either in Plymouth or within 20 miles. The tender will put in place a block contract for existing homes, but also select providers who will develop new provision in partnership with the Council over the next three years. The aim is to prevent children and young people in care from being placed at distance from home, and facilitating positive step-down into family based placements or independence. The tender requires a discount on market prices for placements.

Five providers have submitted bids which cover 14 local beds. 2 beds will be

<p>since budget setting autumn 2016.</p> <ul style="list-style-type: none"> • Lack of immediate availability of the right in-house foster care placements creating overuse of IFA's. • There are still a number of individual packages of care at considerably higher cost due to the needs of the young person. • Regional wide commissioning activity did not bring about the anticipated holding and reduction of placement costs in both the residential and IFA sectors. • There are currently 39 Residential Placements with budget for only 25. • There are currently 117 Independent Foster Care (IFA's) placements with budget for only 92. We are aiming to achieve savings from the transformation of our In House Foster Care Service. • A region wide lack of placements due to an increase in demand for placements, both national and regionally continues to impact negatively on sufficiency. 		<p>discounted on affordability grounds, leaving 12 local beds. 4 of the 5 providers submitted bids to be able to establish new homes during the lifetime of the contract. Contracted providers will be supported to work collaboratively with one another and with key partners to drive up the quality of the provision in the city.</p> <p>Key dates: Contract award report due at Cabinet January 2018, contract start 1st March 2018</p> <ul style="list-style-type: none"> • Peninsula – Alternative provision for high risk children <p>The Peninsula local authorities are jointly funding a scoping exercise in relation to meeting the needs of children and young people with high risk behaviours, who don't meet the threshold for Tier 4 or Welfare Secure, but are beyond the capability of a traditional children's home.</p> <p>Devon is leading this work on behalf of the Peninsula, and this includes a consideration of establishing a new provision, able to offer crisis/emergency care with highly skilled staff able to manage significant risk.</p> <p>Key dates: Scoping report due spring 2018</p>
<p>PEOPLE – Strategic Commissioning</p> <p>The Strategic Commissioning service is forecasting a year end overspend against budget of £0.430m at month 9, no change from month 8.</p>	<p>0.430</p>	<p>Strategic Commissioning will need to make over £5.2m of savings in 2017/18 as part of the overall People Directorate target of £7.117m, which are assumed to be achieved in the year end figure above. It is, however, noted that plans are still being developed for approx. £2 million of this.</p>
<p>PEOPLE – Education Participation and Skills</p> <p>Education, Participation and Skills are reporting a balanced budget position at Month 9, no change from Month 8. The previously reported pressure of £1.370m regarding the on-going legacy liabilities from the 1998 transfer to Unitary status is now being considered as an overall council issue with options to be worked through during the year.</p>	<p>0.000</p>	<p>A plan is being written to scope all of the education-related services within Education, Participation and Skills and recommend an approach and plan for transforming in order to realise savings.</p>

<p>At this stage it is not being reported as a budget pressure as plans are in place to resolve prior to the financial year end.</p> <p>A plan is being written to scope all of the education related services within Education, Participation and Skills and recommend an approach and plan for transforming in order to realise savings.</p>		
<p>PEOPLE – Community Connections</p> <p>Community Connections is now reporting a balanced budget with a reduction of (£0.212m) from month 8. Average Bed & Breakfast numbers for April to December have been 56 placements per night with nightly costs increasing, as demand has increased use of national accommodation providers together with increasing accommodation needs for families.</p> <p>Focused action is being taken to target the budgetary pressure of £0.692m arising from use of emergency accommodation with plans to reduce average placements by 17 from 56 to 39. This includes use of alternative properties provided through existing contracts as well as use of additional contracted staff to target single occupancy stays. As part of the MTFs for 2017/18, Community Connections are expected to make savings of £0.500m to contribute to the £7.117m Directorate target.</p>	<p>0.000</p>	<p>Action is ongoing to limit the overall cost pressure through lower placements and prevention work, with particular focus on lower number of single homelessness in B & B.</p>
<p>PEOPLE – Management & Support</p> <p>This budget is projecting to balance for 2017/18.</p>	<p>0.000</p>	

<p>PUBLIC HEALTH</p> <p>Although the 2017/18 Public Health ring-fenced grant was cut by a further £0.398m for Plymouth City Council, the Directorate is on track to achieve a balanced budget. However, there are pressures with achieving some income targets and there is increasing demand for activity led services.</p>	<p>0.000</p>	<p>ODPH is working towards achieving a balanced budget.</p>
<p>PLACE - Strategic Planning and Infrastructure (SP&I)</p> <p>The SP&I projected outturn has remained stable resulting in a forecasted underspend of over £0.259m for year-end. Major planning application and pre-application income activities have weakened significantly this month, however, building control fees are performing well. The projected concessionary fares savings and delayed recruitment has also contributed to off-setting the planning application fee downturn.</p> <p>Key risks remain the potential for increased costs in relation to concessionary fares in the last quarter of the year, and a further drop off of planning application and building control fees related to the wider economy.</p> <p>Additionally, costs still remain unknown in relation to the forthcoming public examination into the Plymouth and South West Devon Joint Local Plan, and there is a potential for a shortfall in project-based income that is particularly important for the Engineering Design and Natural Infrastructure teams.</p>	<p>(0.259)</p>	<p>Risks are being closely monitored on a monthly basis by the SP&I Management Team to ensure early corrective action is taken. At present this includes positive actions to maintain and drive planning and building control income, reviewing the level of legal representation for the joint local plan public examination and ensuring full cost recovery from South Hams & West Devon, as well as a review of SP&I capital projects.</p>

<p>PLACE - Management Support (Director's budget) There is a £0.405m savings target which has accumulated as a result of step ups in year on year efficiency targets.</p>	0.338	Of the £0.405m target, £0.368m had been declared as not achievable but this month a further one off saving of £0.030m has been found in management and support to reduce the variance to £0.338m.
<p>PLACE - Economic Development</p> <p>Forecast income generation, including income from Asset Investment Fund acquisitions, have enabled a number of expected spend pressures within Economic Development to be met. This includes enabling the removal of the Corporate Landlord budget savings target for Museums "mothballing", and containing an overall MTV net cost.</p>	(0.514)	Efforts continue to be taken to maximise income and reasonably contain costs.
<p>PLACE - GAME</p> <p>The New Homes Bonus target has already been achieved.</p>	0.000	Target has been met.
<p>PLACE - Street Services</p> <p>Street Scene & Waste services: Street Scene & Waste are currently reporting a balanced budget. The street scene and waste service has delivered significant savings within year via an extensive street cleansing and waste modernisation programme.</p> <p>However, a drop in the value of recyclates have led to an increase in the gate fee at the MRF which has added additional pressures to the budget as well some additional cost pressures linked to reduced income and the realignment of Waste and Street Services.</p>	0.000	The implementation of AWC has enabled future income streams to be explored such as Trade Waste. Monthly work is being undertaken to review the AWC additional arrangements.

<p>Fleet and Garage: Currently there is a cost pressure which is a gap from the 2017/18 budget setting to the sum of £0.775m. This includes legacy savings targets which have been undelivered of £0.607m.</p> <p>Highways and Car Parking: Currently reporting a favourable variation of (£0.150m). £0.050m of this is due to capitalisation of the SSIMS project costs, the balance being made up of additional income from the Car Parking trading account.</p>	<p>0.775</p> <p>(0.150)</p>	<p>Work is being done to identify potential savings, increase stock controls, and do a full service review.</p>
<p>TOTAL</p>	<p>1.494</p>	

Overall Comments Finance AD

The latest position has seen a reduction in the projected forecast overspend as at the end of quarter three to £1.494m. This compares to a £1.272m forecast overspend at the same time last year.

Whilst the improved position is welcomed it must be set in the context of continuing reduction in resources from government and ever increasing pressures, particularly within Social Care due to increasing demands and complexity of needs. In addition, Portfolio Cabinet Members and Officers have been managing a number of in year pressures within their areas of responsibility. These have been highlighted within the monitoring reports throughout the year and will need a financial solution to ensure a balanced budget can be achieved at year without having to use the council's working balance.

In addition to the reported forecast position, the council has been reporting the ESG pressure of £1.3m which will need to be managed before the end of the year.

Due to the significant budget pressures and demands placed upon services, all options have been considered to further reduce the projected forecast overspend. As part of the 2018/19 budget proposals, an innovative approach to generate new resources and support the revenue budget has been identified through the use of section 106 monies. The Council will discharge its obligations under the terms of the S106 agreements to finance these developments by making use of a loan facility in accordance with the terms of CIPFA's Prudential Code for Capital Finance in Local Authorities (2011) (Prudential Code). The council will make an annual provision for the repayment of the debt (MRP) in its revenue account and draw down the cash contribution from the developer into its revenue budget.

To manage the current forecast overspend, it is now recommended this option is also used to support the 2017/18 budget and this has been reflected within Corporate Items. The Council holds approximately £19m of section 106 monies on its balance sheet.

Whilst all services must contain their expenditure and look for measures to reduce costs wherever possible, there is limited time available to reduce the forecast overspend at this late stage of the financial year. Further options to mitigate the forecast overspend will continue to be explored in the final 2 months of the year so further reductions can be made to the forecast overspend

Recommendation

It is recommended that Cabinet note the current monitoring position.

VIREMENTS

Table 5 below includes a number of virements between specific directorate budgets. All virements in excess of £0.100m are required to be approved by Cabinet and are shown below.

Table 5 Virements detail

Directorate	Agreed team movements	Transfer of Grant Carry forward budgets from 16/17 to 17/18	Realignment of Delivery Plan coming out of People Mgmt and Support	GCOCD Budget Cleanse following meeting with AH, HW and HM - to ensure budget agrees to MTFS increase of £500k	Totals
	£'000	£'000	£'000	£'000	£'000
Executive Office	(10)				(10)
Corporate Items		(350)			(350)
Transformation and Change	10	58		0	68
People Directorate		66	0	0	66
Public Health		41			41
Place Directorate	0	185			185
	0	0	0	0	0

Recommendation

It is recommended that Cabinet approve the non-delegated virements which have occurred since 1st October 2017.

Capital Programme 2017-2022

The latest approved capital budget was reported to Council on 20 November 2017, as £691.3m.

The five year capital budget 2017-2022 is currently forecasted at £674.7m. This is set out in Table 6 below.

Table 6: Current Capital Resources

The Capital budget consists of the following elements:

Description	£m
Capital Programme	222.4
Priority List (outstanding allocations)	202.0
Income Assumptions **	250.3
Total Revised Capital Budget for Approval (2017-2022)	674.7

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

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

Table 7 below shows the revised annual programme for the period 2017-22, as at the end of December 2017. Appendix I shows a detailed breakdown of the Capital Programme.

Table 7: Revised Capital Programme

Capital Programme by Delivery Outcome

Primary Outcome of Projects	£m
Securing Growth in the City Centre/Waterfront	12.524
Securing Growth in Derriford and the Northern Corridor	22.015
Securing Growth in the Eastern Corridor	7.278
Delivering More/Better Housing	6.415
Ensuring Essential City Infrastructure	28.211
Improving Neighbourhoods and Community Infrastructure	11.386
Ensuring Good Quality School Places	7.345
Growing the Economy	4.754
Delivering Oceansgate	15.629
Connecting the City	0.119
Celebrating Mayflower	4.415
Delivering The Box	29.732
Transforming Services	72.579
Total	222.402

Capital Programme by Directorate

Directorate	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m	£m
Transformation & change	4.095	5.544	0.984	0.984	-	11.607
People	9.601	5.599	0.225	0.225	0.225	15.875
Place	92.559	74.167	22.349	3.841	2.004	194.920
Total	106.225	85.310	23.558	5.050	2.229	222.402

Recommendation

Council approve that the Capital Budget 2017 -2022 is revised to £674.7m (as shown in Table 6)

Appendix I: Detailed Breakdown of the Capital Programme

Approved Capital Programme	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000	£000
Celebrating Mayflower						
Mayflower 400 - Public Realm Improvements	50	784	280	-	-	1,114
Mayflower 400 – Public Realm Enabling	50	450	500	-	-	1,000
Mayflower 400 - Trails	50	931	985	-	-	1,966
Mayflower 400 - Merchants House	25	-	-	-	-	25
Mayflower 400 - Elizabethan House	250	-	-	-	-	250
Mayflower 400 - Monument	50	-	-	-	-	50
Mayflower 400 - Waterfront Event Infrastructure	10	-	-	-	-	10
Total Celebrating Mayflower	485	2,165	1,765	-	-	4,415
Connecting the City						
Mayflower Coach Station	47	-	-	-	-	47
Creation of Non-Scheduled Coach Drop Off Points	72	-	-	-	-	72
Total Connecting the City	119	-	-	-	-	119
Delivering More/Better Housing						
Self Build Housing Sites	73	115	-	-	-	188
Former Whitleigh Community Centre	92	88	-	-	-	180
Empty Homes / Enabling	-	-	-	-	-	-
North Prospect Phase 5	-	500	450	-	-	950
Prince Maurice Road	359	-	-	-	-	359
Bath Street	730	977	937	-	-	2,644
Plan for Homes	262	301	200	300	-	1,063

Homes for Veterans (Nelson Project)	225	-	-	-	-	225
Extra Care Housing Support Millbay	-	450	-	-	-	450
How Street Specialist Housing Programme	238	38	-	-	-	276
Bournemouth Churches Housing Association	80	-	-	-	-	80
Total Delivering More/Better Housing	2,059	2,469	1,587	300	-	6,415
Delivering Oceansgate						
South Yard Remediation/separation works	1,726	7,729	-	-	-	9,455
South Yard Area 1 East Direct Development	5,173	1,001	-	-	-	6,174
Total Delivering Oceansgate	6,899	8,730	-	-	-	15,629
Delivering The Box						
The Box	8,605	11,856	9,123	148	-	29,732
Total Delivering The Box	8,605	11,856	9,123	148	-	29,732
Ensuring Essential City Infrastructure						
Clean Vehicle Technology Improvements	81	-	-	-	-	81
Bus Punctuality improvement plan (BPIP)	220	41	-	-	-	261
Access Road to Housing Site in Estover	112	-	-	-	-	112
SI06 Transport Projects	186	838	-	-	-	1,024
Derriford Community Park	71	28	-	-	-	99
European Marine Sites - Recreational Behaviour Changing Measures	28	28	55	-	-	111
Home Energy	34	46	-	-	-	80
Millbay Boulevard	25	-	-	-	-	25
Development Funding	75	400	-	-	-	475
Capitalised Maintenance Schemes	8,755	6,483	5,042	2,000	2,000	24,280
Flood defence Works	53	-	-	-	-	53
Container Provision	672	-	-	-	-	672
West Hoe Pier	30	75	-	-	-	105
Mount Edgcumbe Sea Wall Repairs	569	-	-	-	-	569
Mount Edgcumbe Commercialisation	180	84	-	-	-	264
Total Ensuring Essential City Infrastructure	11,091	8,023	5,097	2,000	2,000	28,211
Ensuring Good Quality School Places						
Stoke Damerel Basic Need	22	-	-	-	-	22
Pennycross Basic Need	2,000	-	-	-	-	2,000
Pomphlett Basic Need	395	2,093	-	-	-	2,488
Oreston Academy Basic Need	226	-	-	-	-	226
Yealmpstone Farm Primary School Basic Need	1,546	1,004	-	-	-	2,550

Woodford Primary School - Decking	59	-	-	-	-	59
Total Ensuring Good Quality School Places	4,248	3,097	-	-	-	7,345
Growing the Economy						
Social Enterprise Fund	575	277	-	-	-	852
Langage Development Phase 2	1,771	1,400	-	-	-	3,171
STEM Provision at City College	481	-	-	-	-	481
39 Tavistock Place	202	15	-	33	-	250
Total Growing the Economy	3,029	1,692	0	33	0	4,754
Improving neighbourhoods and delivering community infrastructure / facilities						
Barne Barton general amenity improvements	19	164	-	-	-	183
Active Neighbourhoods	41	47	25	-	-	113
Infrastructure Works at Honicknowle	-	26	-	-	-	26
Derriford Community Park – Phase 3	100	421	22	4	4	551
Bond Street Playing fields (Southway Community Football Facility)	6	507	-	-	-	513
Staddiscombe Sports Improvements	1	58	-	-	-	59
Higher Efford Play Pitch Enhancements	16	422	66	-	-	504
Central Park Sports Plateau	15	365	52	-	-	432
Central Park Improvements	625	2,179	1,725	976	-	5,505
Improving Outdoor Play	611	264	-	-	-	875
Central Park Wooded Valley	23	-	-	-	-	23
Dunstone Woods	-	13	-	-	-	13
Blockhouse Park Playground Refurbishment	2	-	-	-	-	2
Manadon Play Pitches	677	1,356	-	-	-	2,033
St Budeaux Tennis Courts	3	-	-	-	-	3
MAP Early Years Capital Fund	300	-	-	-	-	300
Children Centres	13	238	-	-	-	251
Total Improving neighbourhoods and delivering community infrastructure / facilities	2,452	6,060	1,890	980	4	11,386
Securing Growth in Derriford and Northern Corridor						
Forder Valley Link Road- Development Costs	1,390	1,000	-	-	-	2,390
Derriford Transport scheme - Derriford Roundabout / William Prance Road	12,215	50	-	-	-	12,265
Derriford Hospital interchange scheme	37	-	-	-	-	37
N Corridor Junction Imps - PI Outland Rd	238	1,180	-	-	-	1,418

Purchase of 444 Tavistock Road	32	-	-	-	-	32
Purchase of 422 Tavistock Road	196	79	-	-	-	275
Purchase of Properties in the North of Plymouth	380	1,658	-	-	-	2,038
Northern Corridor Strategic Cycle Network	550	1,750	840	-	-	3,140
Woolwell to the George	233	187	-	-	-	420
Total Securing Growth in Derriford and Northern Corridor	15,271	5,904	840	-	-	22,015
Securing Growth in the City Centre and Waterfront						
Devonport Market High Tech 'Play Market'	713	1,318	-	-	-	2,031
Charles Cross	750	-	-	-	-	750
City Centre Public Realm	526	-	923	-	-	1,449
Market Way Public Realm	215	-	-	-	-	215
Sutton Harbour Public Realm Improvements	32	-	-	-	-	32
Visitor signage	86	-	-	-	-	86
Cobourg House	3,323	-	-	-	-	3,323
Quality Hotel	70	266	-	-	-	336
Colin Campbell Court Phase 1	221	-	743	-	-	964
Colin Campbell Court Phase 2	1,164	516	-	-	-	1,680
Plymouth City Market Major Refurbishment	1,287	2	-	-	-	1,289
City Centre Shop Fronts Grant Scheme	176	114	-	-	-	290
Improved Waterfront Cycle Routes	5	-	-	-	-	5
West End Public Realm	-	74	-	-	-	74
Total Securing Growth in the City Centre and Waterfront	8,568	2,290	1,666	-	-	12,524
Securing Growth in the Eastern Corridor						
Eastern Corridor Junction Improvements	200	3,158	-	-	-	3,358
Eastern Corridor Strategic Cycle Network	930	2,230	380	380	-	3,920
Total Securing Growth in the Eastern Corridor	1,130	5,388	380	380	-	7,278
Transforming Services						
Street lighting bulb replacement	79	40	-	-	-	119
Highways Information Management System	342	-	-	-	-	342
Fleet Replacement Programme	1,478	-	-	-	-	1,478
Weston Mill Recycling Centre	204	-	-	-	-	204
Chelson Meadow Closure & Leachate Plant Upgrade	-	259	-	-	-	259
Bell Park Industrial Estate	34	302	-	-	-	336

Friary Retail Park	50	-	-	-	-	50
Next	7,875	7,178	-	-	-	15,053
10 New George Street	1,779	-	-	-	-	1,779
Purchase of St Catherine's House	2,416	-	-	-	-	2,416
Royal Mail	20,303	-	-	-	-	20,303
Strategic Property Investment	100	13,060	-	-	-	13,160
Ocean Studio	200	-	-	-	-	200
Highway Works at the Former Seaton Barrack site	-	661	-	-	-	661
Barbican Footbridge	10	170	-	-	-	180
LGA Transforming Social Care	49	-	-	-	-	49
Disabled Facilities (incl Care & Repair works)	2,337	-	-	-	-	2,337
Schools Condition Works	392	-	-	-	-	392
SEN Access and Safeguarding	35	-	-	-	-	35
Schools Devolved Formula & Projects	525	420	225	225	225	1,620
Plans for Libraries	121	-	-	-	-	121
ICT	1,108	4,431	984	984	-	7,507
Corporate Asset Lifecycle Maintenance	414	488	-	-	-	902
Corporate Heritage Maintenance	166	-	-	-	-	166
Other Corporate Property	1,489	32	-	-	-	1,521
Transformation Accommodation	795	449	-	-	-	1,244
Boiler Replacement Programme for Council Properties	-	145	-	-	-	145
Total Transforming Services	42,301	27,635	1,209	1,209	225	72,579
TOTAL CAPITAL PROGRAMME	106,257	85,309	23,557	5,050	2,229	222,402
Forecast future income streams	27,758	55,490	54,202	66,040	46,799	250,289
Priority List	12,342	55,762	75,258	37,916	20,700	201,978
GRAND TOTAL	146,357	196,561	153,017	109,006	69,728	674,669

Appendix 9

Budget Scrutiny Recommendations on the Indicative 2018/19 Revenue Budget

Draft Cabinet Response

	Recommendations	To	Draft Response
1	That the final budget report should explicitly state in plain language how and where the transformation of services is taking place and where services are being reduced or removed.	Cabinet	The report will be explicit about any reduction or removal of services, and Members will be kept informed of future efficiency, modernisation or transformation plans which affect service standards.
2	That future budget reports should highlight the cost of budget engagement undertaken with the public and other stakeholders.	Cabinet	Agreed
3	<p>Business Rates Retention –</p> <p>a). Highlight within the budget how £1m of additional monies gained through the Business Rates Retention Pilot will be used to support the delivery of the further growth of business rates</p> <p>b). Within the budget or revised MTFS – confirm how authorities within the pool will be stimulating growth in business rates, highlighting the role of the South West Devon Joint Local Plan and the Heart of the South West Local Enterprise Partnership</p>	Cabinet	<p>The Council has already set out its plans for growth and how they will be supported in detail.</p> <p>Agreed.</p>
4	<p>Section 106 funding –</p> <p>a). The Committee notes the current financial difficulties of the local authority and request that Cabinet review the Section 106 monies in support of the revenue budget</p> <p>b). The budget report should include –</p> <p>i). a revised risk register which highlights the level of risk this action represents for the council</p> <p>ii). a statement on how this flexibility is</p>	Cabinet	<p>Agreed</p> <p>Agreed.</p> <p>The Council has developed this approach</p>

	Recommendations	To	Draft Response
	being exploited across comparator authorities across the UK.		with appropriate legal and financial advice, and will be working with other local authorities to share best practice.
5	That the Council lobby the government for additional financial support to assist with the education pension legacy.	Cabinet	Agreed
6	That a system wide review of the environmental impact of the council is undertaken.	Cabinet	Agreed and underway. In addition the Council agreed an approach to the reduction of single use plastics at the meeting of 29/11/17.
7	Collection of council tax – a). The Council should adopt a flexible approach, offering residents in financial difficulty payment arrangements as an alternative to imposing a summons or referring a case to Bailiffs where a vulnerable person defaults. b). The use of Bailiffs should be approved on a case by case basis by the Portfolio Holder responsible, and that this approval be granted on the basis of evidence that a debtor can pay but is unwilling to.	Cabinet	Agreed and already in place. Not agreed. Any city the size of Plymouth deals with thousands of referrals of this nature, so individual referrals are not appropriate, or in keeping with the Council's scheme of delegation, which broadly requires policy to be set by Members, and influenced by officers.
8	That the total amount of investment in the Hoe Foreshore and surrounding area should be explicit within the budget report.	Cabinet	Agreed
9	That additional capacity should be built into Capital Programme Schemes to provide flexibility if further work in support of the scheme is required.	Cabinet	Agreed
10	That the Cabinet should consider building a level of contingency into the budget to anticipate the results of the gully survey. We believe that there is sufficient capacity within the Council's capital programme, revenue budget and reserves to address this issue if needed.	Cabinet	Agreed. The Council's existing contingencies and reserves are considered adequate for this eventuality, but the Cabinet is happy to revisit this issue.

	Recommendations	To	Draft Response
11	That all service directors have and maintain a service plan which should at a minimum include the resource requirements of the service, staff requirements, discretionary and non-discretionary activities, risks to delivery, savings, dependencies, performance indicators, policy changes, cost and volume data where applicable. Scrutiny will not be undertaken without service plans in place.	Cabinet	Agreed. Service Directors to produce business plans from April 2018.
12	That the council lobby for a change to the Education National Funding Formula to ensure a fair share for Plymouth.	Cabinet	The Education National Funding Formula has now been finalised. The council will continue to lobby for a fairer approach to schools funding for Plymouth
13	Performance indicators should be developed to measure the impact of collaborative working in support of the plan for education.	Cabinet	Agreed
14	That the Plymouth Education Board should review how to support Children and Young People with lower level behavioural and attendance problems to prevent exclusion and the limiting of life chances.	Cabinet	This will be referred to the Plymouth Education Board.
15	That the Cabinet Member for Children and Young People undertakes a review of external spending within her budget with a view to realise further savings.	Cabinet	Agreed
16	That the Cabinet should consider an enhanced capital programme which supports the development of further capacity in extra care and supported living for vulnerable clients with dementia and/or autism.	Cabinet	Agreed
17	That the committee expresses its concern on the long term use and level of agency staff.	Cabinet	Noted.