MEDIUM TERM FINANCIAL STRATEGY

2019/20 to 2021/22

The Medium Term Financial Strategy (MTFS) covers the financial years 2019/20 to 2021/22. The Plan sets out how the Council will finance the priorities for the Council, having regard to the Plymouth Plan and the Corporate Plan.

Foreword

Councillor Tudor Evans OBE
Leader of Plymouth City Council

"As part of our Manifesto commitment we made 100 Pledges for Plymouth. These cover the things that are important to the residents of Plymouth including Jobs and Prosperity, Keeping Plymouth on the Move, Housing, Marine and Maritime, Children and Young People, Health and Adult Social Care, a Safe and Green City, a Cleaner City and Sports and Leisure. The MTFS will provide the financial framework to deliver our pledges."

Councillor Mark Lowry
Cabinet Member for Finance

"The Council provides a wide range of diverse and complex services. High quality services are essential to meet the needs of our local residents. The financial outlook has never been tougher due to the ongoing reductions of financial support from Government. However despite these challenges Plymouth will maximise the limited resources it has through providing value for money across all services and maximising income from growing the City "

Tracey Lee
Chief Executive of Plymouth City Council

"The journey for improved services and ongoing efficiencies continues with over £11.5m of savings delivered in 2018/19 and a further £36m of efficiencies required over the next three years. This programme of continued improvement is supported by the Council's Transformation Agenda. The Medium Term Financial Strategy shows how our improvements link to the City; people's jobs, homes, health and how we will pay for the services we provide."

Andrew Hardingham
Strategic Director for Transformation and Change

"The expectation of residents for high quality services in the context of reducing financial resources highlights the importance of a well developed and implemented Medium Term Financial Strategy, which forms the core part of the Council's strategic framework. By ensuring the Council is able to plan and manage its finances, this will enable the priorities of the Corporate Plan to be put into action."

Contents

Introduction

The Medium Term Financial Strategy (MTFS) links the revenue budget, capital programme and treasury management strategy and;

- Is a central document for our financial planning;
- Plays a key role in the budget setting process;
- Ensures the budget is prepared in line with Plymouth priorities;
- Covers a 3 year period and is updated and reviewed regularly and approved annually by Council;
- Identifies sustainable, alternative and increased sources of income;
- Delivers the Asset Management Plan and maximise the community value of our assets.

The MTFS is based on a set of financial principles and objectives. These are set out below.

Financial Principles

1. Managers must contain their expenditure within their approved budget.
2. The Council will achieve a balanced budget year on year.
3. Services will be charged for under the Council's agreed Fees and Charges Policy. Charges will be increased for inflation.
4. Provision for pay inflation will be made centrally. Available resources will be allocated to service budgets following the local government pay settlement.
5. Specific grants will be included in service budgets. Any later reduction in a grant must be absorbed by the service budget, except in exceptional circumstances.
6. If appropriate cross cutting savings may be held centrally. In-year savings will be reported separately. Savings will be deducted from service budgets the year after implementation.
7. Service departments are expected to meet the capital financing costs of projects. Corporate or cross cutting schemes may be funded centrally.
8. ICT expenditure is financed by service departments. Corporate or cross cutting schemes will be funded centrally.

Financial Objectives

1. Generate the maximum possible funding towards delivering the priorities as set out in the Plymouth Plan and our Corporate Plan.
2. Prioritise capital schemes based on deliverability of tangible outcomes whilst considering the context of the overall capital and revenue affordability.
3. Support the local Plymouth economy working in partnership with local businesses.
4. Council Tax increases will be below the level to trigger a referendum.
5. Maximise income opportunities primarily through structured growth of the City and proactive partnership working.
6. Continue to maximise savings from transforming services and seek new opportunities where possible.
7. Achieve a return on investment of 1.3% in 2018/198, and 1.4% in later years.
8. Borrowing not to exceed £650m in 2018/19 and £675m in 2019/20.
9. Provide for borrowing costs in the MTFS.
10. Retain a general fund revenue balance of at least 5% of net expenditure.

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

THE PLYMOUTH PLAN 2014 - 2034

WHAT WE WANT TO ACHIEVE...

LEADING CITY
A city fulfilling its strategic role as a major economic driver for the heart of the South West

HEALTHY CITY
People live in happy, healthy, safe and aspiring communities

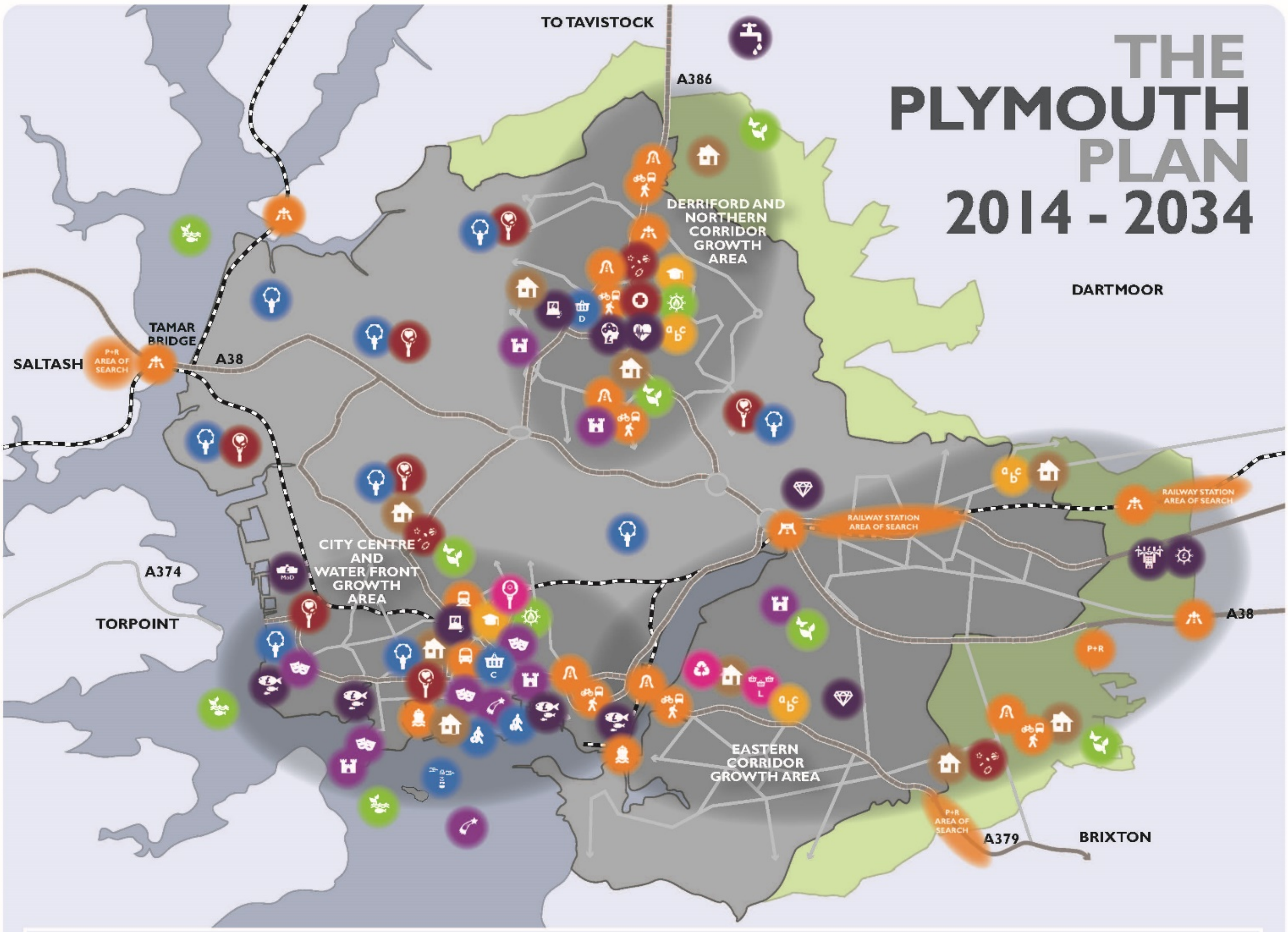
GROWING CITY
A city which has used its strengths to deliver quality and sustainable growth

INTERNATIONAL CITY
Plymouth is internationally renowned as the UK's premier marine city, and famous for its waterfront, maritime heritage and culture.

HOW WILL WE KNOW WE'RE SUCCESSFUL?

Plymouth is recognised as a **key regional economic** driver	People get the **best start to life,** enjoy a better quality of life and increased life expectancy	Plymouth's population has grown to more than **300,000**	Plymouth offers a diverse **cultural experience** with a major events programme
Plymouth has **high quality strategic** services and facilities	More people are taking care of themselves or **finding care** within their community	Plymouth continues to be recognised as a **leading Green City**	Plymouth is internationally renowned as a leading UK **tourist destination**
The quality and resilience of Plymouth's **transport and digital connectivity** has improved	More residents are contributing to and **involved in their community**	Plymouth has more vibrant, productive and **innovative businesses**	Plymouth is recognised internationally for **marine science** and high technology manufacturing
Plymouth's strategic **defence role** has been safeguarded and strengthened	There is **good quality health** and social care for people who need it	People have the skills to be **school ready and work ready** to meet the needs of the city	Plymouth has a reputation for **world class universities** and research institutions
Plymouth's stunning setting and **natural assets** have been enhanced	Plymouth has good quality neighbourhoods where people feel **safe and happy**	Plymouth has the right environment for **growth and investment**	Plymouth has a reputation as a **welcoming and multicultural city** with diverse communities

WHAT PRINCIPLES WILL GUIDE US?



KEY

- Hospital
- Sports hub
- Improving health inequalities
- Port
- Transport capacity
- Sustainable transport
- Train Station
- Coach Station
- Park and Ride
- Transport quality gateway
- Transport connectivity
- University
- Primary school
- Countryside/Community Park
- European Marine Site
- District heating
- Housing
- Ocean City
- City Centre
- District Centre
- Strengthening communities
- Visitor economy
- Minerals
- Distribution
- Business/energy park
- Marine industries
- Dockyard
- Offices
- Knowledge industries
- Medical sector
- Utilities infrastructure
- Heritage assets
- Cultural hub
- Events
- Waste recycling
- Local Centre
- Community safety
- Urban fringe

live within **400m** of a bus stop

population of **300,000**

JOBS **20,400** new jobs (Plymouth and SW Devon)

0.15 hectare per 1,000 people of allotments/ community food growing space

1,001 days best support at the start of child's life

400m walking distance to nearest local play space

800m to nearest primary school

243,000 sqm of employment space

CO_2 reduce carbon emissions by **50%**

1 hectare (nearly 2 football pitches) of nature reserve per 1,000 people

less than **2%** of our waste going to landfill

0.79 hectare per 1,000 people of playing pitch

400m to nearest accessible natural space

4,550 new affordable homes

800m to nearest convenience store

25Mbps to all premises access of broadband

19,000 new homes

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

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
A CITY TO BE PROUD OF

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

OUR VALUES

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

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

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

WE ARE CO-OPERATIVE
We will work together with partners to serve the best interests of our city and its communities.

OUR PRIORITIES

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

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

HOW WE WILL DELIVER

- Listening to our customers and communities.
- Providing quality public services.
- Motivated, skilled and engaged staff.
- Spending money wisely.
- A strong voice for Plymouth regionally and nationally.

Plymouth
Britain's Ocean City

www.plymouth.gov.uk/ourplan

National Context

Reform of local Government funding

In July 2016 the Government began a fundamental review of how local authorities are funded. Two consultation papers were issued on Fair Funding and 100% Business Rates Retention (BRR). These were two of the biggest changes to local Government finance in decades. The purpose of fair funding is to design a fairer, transparent and less complex methodology for allocating resources to local government and BRR was to meet the government's commitment to allow local government to retain 100% of business rates collected locally. The changes proposed will inevitably have a significant impact on the Council's budgets and creates further complexity and financial risk to the Council in terms of its medium term financial planning.

With respect to Business Rates a further consultation paper was issued in February 2017 and it was planned for the new system to be in place by April 2019. As part of the planned changes from April there was the first tranche of 100% BRR pilots to enable the Government to assess the impact of the new system.

Following the May 2017 General Election the Government omitted the Local Government Finance Bill from its legislative programme which meant 100% BRR could not be implemented as previously planned. At this time, the Department of Communities and Local Government (DCLG) have said they were committed to deliver the manifesto pledge to help local authorities to control more of the money they raise locally and will work closely with local government to agree the best way to achieve this. The delay has created further uncertainty for the future of local government funding.

The Government announced in the summer of 2017 that they proposed to move to 75% BRR from April 2020 and this was followed by the announcement of a further tranche of pilots for 100% BRR from April 2018. As the lead administrator for the Devon Business Rates Pool, Plymouth submitted a successful pilot submission and the Devon Pool have been operating as a 100% pilot in 2018/19.

With the move to 75% BRR in April 2020 the Devon Pool were expecting to continue as a pilot, however the Government have invited all local authorities to make a new bid to become a Pilot from April 2019 for the 75% BRR scheme. If the Devon bid is unsuccessful the Devon Pool with revert back to the 50% BRR scheme.

In addition to the changes set out above the Government will be resetting baseline funding levels for all local authorities which sets the minimum funding a local authority receives as part of BRR and there will be a business rates revaluation in April 2021.

Due to the forthcoming funding changes and uncertainty as to whether the Devon Pool will continue beyond March 2019, it is extremely difficult to develop a robust financial strategy from 2020/21 onwards. The government will be issuing further consultation papers over the next year however due to the complexity and magnitude of the changes expected it is unlikely the financial outlook for local government will be set out until late 2019.

Working together to grow the wider economy

Plymouth City Council, together with all the councils across Devon and Somerset and Torbay Council have been working with the Heart of the South West Local Strategic Partnership, three Clinical Commissioning Groups and the two National Parks for a number of years to create a strong partnership of local leaders. In March 2018, the partnership moved to a more formalised structure and established the Heart of the South West Joint Committee, and at the same time they published their Productivity Strategy.

The Joint Committee and Local Enterprise Partnership are now developing the Delivery Plan and Investment Framework to implement the Strategy. The area has recently been selected as one of only a handful nationally to co-design a Local Industrial Strategy (LIS) with Government. The LIS will identify and promote the key industries where the Heart of the South West has significant national or global potential, and will build on these to benefit the regional economy as well as the UK as a whole.

Four Year Local Government Finance Settlement

2019/20 will be the fourth and final year of the four year Settlement offered by government. The City Council supported the move to longer funding Settlements on the grounds of reducing financial risk and uncertainty. However an early indication as to whether longer Settlements are to continue and clarity on the timetable for Business Rates Retention would be welcomed.

The Government will consult on the 2019/20 funding Settlement in the autumn of 2018 with final figures announced in 2019.

Flexible use of Capital Receipts

A Flexible Use of Capital Receipts Strategy was submitted to Council as part of the 2018/19 budget process. This supports local authorities to deliver more efficient and sustainable services by allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of transformation projects.

New Homes Bonus and Better Care Fund

The Government announced changes in the autumn 2016 budget to New Homes Bonus. Entitlements has been reduced from 6 years to 4 years and a 0.4% threshold has been introduced where no new homes bonus is paid on new property growth below this percentage.

The Government is considering increasing the threshold for 2019/20 and changing the scheme from 2020/21 to incentivise more growth. Any changes to the threshold will have a negative impact upon Plymouth with every 0.1% increase in the threshold resulting in loss income of £0.160m. Nationally, the reduction in New Homes Bonus has been re-directed to the Better Care Fund. Provisional Better Care Fund allocations are assumed in the savings table in the Medium Term Financial Strategy. Student accommodation – whilst not subject to Council tax – attracts new Homes Bonus.

Brexit

The Government anticipates a negotiated withdrawal will be agreed with EU by autumn 2018, however a 'No Deal' outcome cannot be ruled out. We are currently scoping the potential additional impacts that might arise in these circumstances which could not be adequately mitigated from council reserves.

- We are likely to see upward wage pressure in the social care sector (as a result of declining numbers of EU migrants in the labour force once freedom of movement ends) this could significantly increase the cost of providing statutory adult social care.

- A downturn in the housing market and new starts could impact on New Homes Bonus.

- Changes to interest rates would impact the Council's investment income.

- Reduced development of business premises could impact on PCC business rates income.

- The Council has significant industrial and commercial holdings and any fall in rental levels or demand for premises could have an adverse impact on income budgets.

- We may see a reduced level of structural and investment funding after December 2020 when the current EU funding rounds ends.

- Impacts from Brexit on the wider economy will depend to a large extent on the precise terms on which we leave in broad terms the looser our economic ties with the EU after Brexit the greater the economic impact.

Responding with Innovation

The Council continues to explore innovative solutions to the resourcing challenges presented by the shift in financing local government. One such strategy is the use of Alternative Service Delivery Vehicles, such as joint venture companies or wholly owned companies, where they can improve service delivery and drive efficiency and innovation. At the same time as resolving the challenges to improve service delivery and maximise capital investment we are also taking a longer term strategic view to make sure our tax planning is also adding value.

Local Economy

With a population of 263,100 (2017), Plymouth is the most significant economic centre in the south west peninsula and the largest urban area in the Heart of the South West Local Enterprise Partnership, making it a key location for growth. Since the 2009 recession the city's economic performance has improved with Plymouth demonstrating increased and sustained output growth. The city has an annual total Gross Value Added (GVA) of £4.99bn (2016), an increase from £4.95bn in 2015.

Plymouth currently has a higher employment rate than nationally (75.2 per cent compared to 75 per cent) and an economic activity rate also slightly higher than the national figure (78.7 per cent compared to 78.4 per cent). Since employment reached near full-employment levels during the post-recession recovery, employment growth has slowed and it is productivity led growth that will further drive output growth. Plymouth's future growth potential is likely to lie in productivity led growth with a focus on the 'quality' of jobs created. This means increased private sector jobs over public sector jobs and the creation of more high-productivity jobs with opportunities to progress into these jobs through career and wage progression. Plymouth's role in the HotSW LEP and our Productivity Strategy sets out how this will be achieved.
Key city economic data:

- Plymouth's total GVA annual total value now exceeds £4.99 Billion (2016). (Revised ONS "Balanced" measure (includes income and production):

- 78.7% of economically active people are in work, compared to 80.9% for the South West and 78.4% nationally:

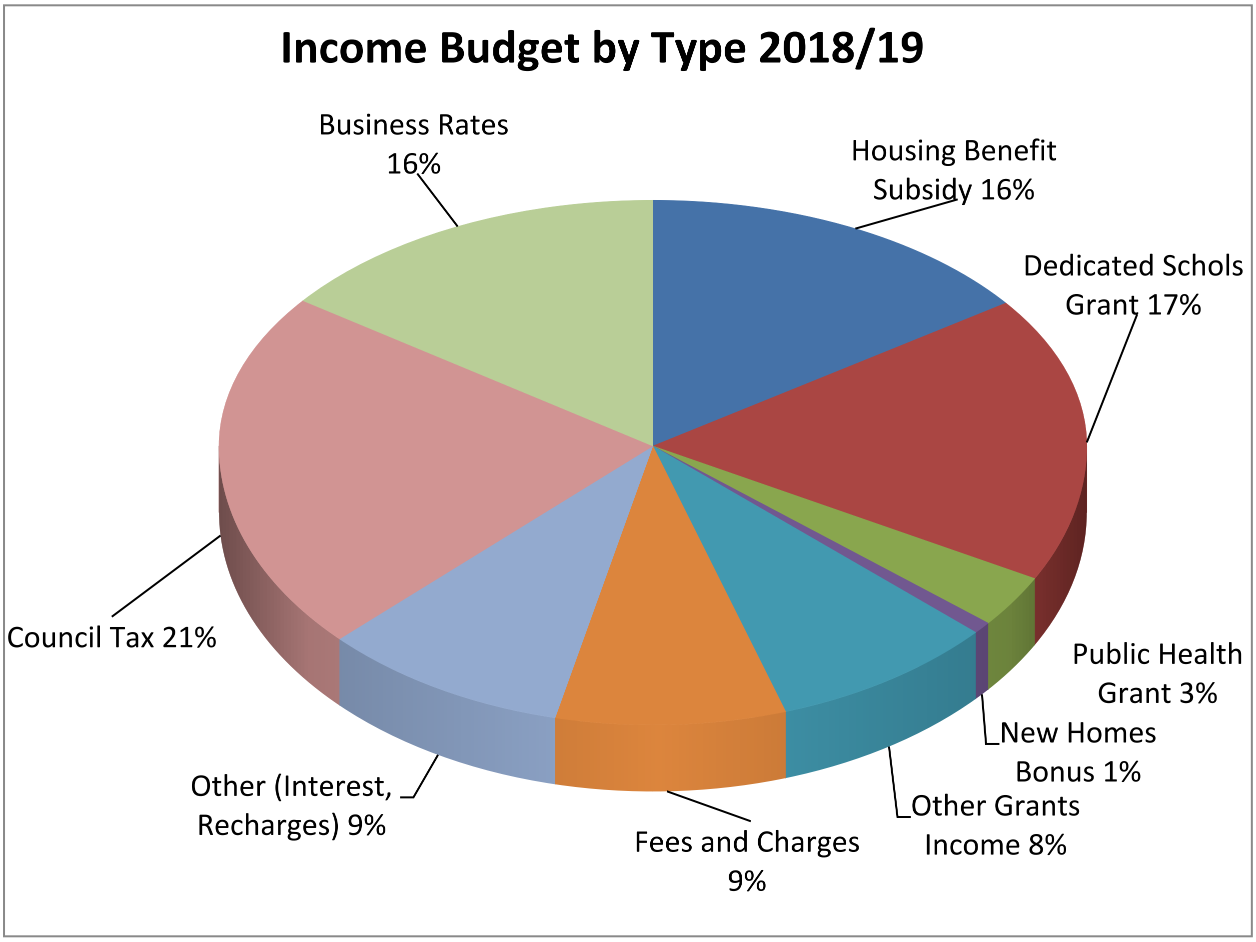
- Plymouth's (2016) Gross disposable household income is £15,147, a reduction of 1.7%:

- The gap in pay between Plymouth & the South West (Annual-Resident full-time) is -2.29% and nationally -8.0% (2017):

- Total employment increased from 130,000 to 130,900 (2017).

Resources available

Although our 2018/19 budget is expressed in net terms of £186m, the actual gross spend for the Council is £500m per annum. This reflects a number of significant income streams which the Council either manage, or passport on to third parties.



Medium Term Financial Forecast

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
	BUDGET	FORECAST		
REVENUE RESOURCES AVAILABLE	**185.556**	**183.624**	**183.970**	**182.393**
Baseline spend requirement	183.883	185.556	183.624	183.970
Plus identified additional costs	13.207	13.501	11.118	9.380
Overall spend requirement	**197.090**	**199.057**	**194.742**	**193.350**
In-year shortfall to be found	**11.534**	**15.433**	**10.772**	**10.957**
Cumulative shortfall	**11.534**	**26.967**	**37.739**	**48.696**
Savings	**11.534**	**14.044**	**3.536**	**(0.822)**
REVISED SPENDING FOR YEAR	**185.556**	**185.013**	**191.206**	**194.172**
Budget Gap	**0.000**	**1.389**	**7.236**	**11.779**

- Funding is reducing year on year from £186m in 2018/19 to £182m in 2021/22.
- Most of the increasing costs are outside of the control of the Council such as the National Minimum Wage and the cost of Adult and Children's Social Care.
- The gap is reduced by delivering savings of £16m over the next 3 years.

Savings Summary

Savings	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
New Homes Bonus	(1.659)	0.076	(0.734)	(1.022)
Better Care Fund Gain	4.579	4.111		
Adult Social Care Support Grant	(1.300)	1.000	1.000	
Chief Executive Office	0.080	0.044		
Place Directorate including GAME 2	1.132	0.563	0.100	0.200
Federated Directorates (People, Children's & ODPH) "One System, One Aim"	4.748	7.148	2.550	
Transformation & Change Directorate (Transformation of Corporate Centre)	3.653	2.552	0.570	
Corporate items	0.301	(1.450)	0.050	
Total Savings	**11.534**	**14.044**	**3.536**	**(0.822)**

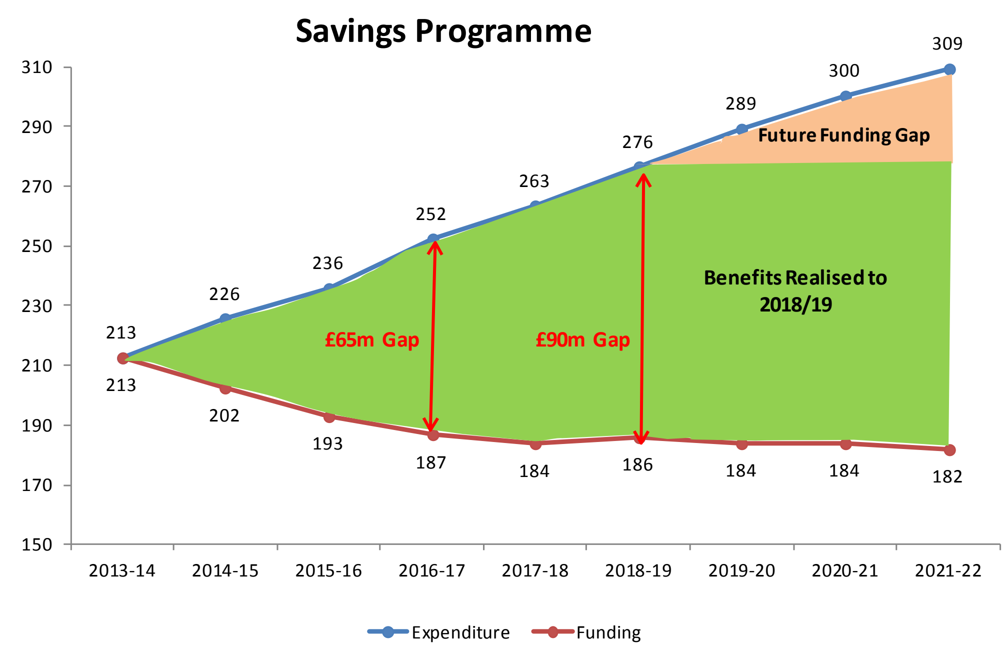
Savings Detail

Savings	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
New Homes bonus	(1.659)	0.076	(0.734)	(1.022)
Better Care Fund Gain	4.579	4.111		
Adult Social Care Support Grant	(1.300)	1.000	1.000	
Chief Executive Office	0.080	0.044	0.000	
Place Directorate including GAME 2				
Real time passenger information	0.150	(0.150)		
Commercial Events	0.150	0.050		
Energy-Related Initiatives: Dividend from Ernesettle Solar Farm	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	0.200	0.100	0.200
GAME 2 - Fleet Modernisation	(0.600)			
Fees & Charges in accordance with Policy	0.003	0.003		
Additional Savings Target		0.387		
Vacancy Management Target	0.505			
Federated Directorates (People, Children's & ODPH) "One System, One Aim"				
ODPH Directorate	0.113	0.178	0.050	
Integrated Commissioning	2.105	2.310	1.555	
Integrated Delivery		1.905		
Community Connections	0.050	0.030	0.015	
Children, young people, youth and families	1.263	1.415	0.700	
Education, Participation, Skills	0.421	0.460	0.230	
People directorate review	0.200			
Additional Savings Target		0.850		
Vacancy Management Target	0.596			
Transformation and Change Directorate (Transformation of Corporate Centre)				
Transformation Review	1.580			
Systems Review - Community Facilities	0.033			
Further Efficiency Savings	0.294	0.187		
Service Centre	0.500	0.100		
Smart working	0.043	0.234		
Revision to office cleaning arrangements (Soft FM)	0.100			
Anti-Fraud Partnership with Devon Audit Partnership	0.050	0.025	0.025	
Review of Coroners arrangements	0.040			
Human Resources and Organisation Development	0.050			
Treasury Management Savings	0.786	1.522		

Savings	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Fraud Detection		0.070	0.095	
Hotel Development		0.250	0.450	
Fees & Charges in accordance with Policy	0.002	0.002		
Fees & Charges in accordance with Policy - Court Costs	(0.311)			
Additional Savings Target		0.162		
Vacancy Management Target	0.486			
Corporate Items				
Staff Travel	(0.344)			
Fees & Charges in accordance with Policy - Additional Income	0.250			
Procurement	(0.678)			
CST & Cross Cutting	(0.400)			
Capitalisation		0.550	0.050	
Reduction in Reserve	0.073			
Reduction in Working balances	0.050			
Flexible use of capital receipts	(1.500)	(2.000)		
Use of S106 contributions (into base going forward)	2.850			
Total Savings	**11.534**	**14.044**	**3.536**	**(0.822)**

Our Financial Position – what we projected

In 2013 we worked out what the estimated gap by 2016 would be if we did nothing and this was £65m.



- In 2013 the gap was estimated to be £65m by 2016
- By 2018 £90m of savings have been identified
- From 2019 to 2021 the funding gap is £37m
- Savings of £16m have so far been identified to cover the future gap

Due to transformation savings the Council has overcome the £65m gap identified in 2013. Forecasting further ahead the future funding gap from 2020/21 is £37m and to date £16m of savings have been identified.

Financing the Council

Financial Planning Assumptions

The Medium Term Financial Strategy is based on the national and local economic context and local strategic direction.

Key Financial Planning Considerations
The four-year Revenue Support Grant settlement.

Uncertainty to future funding due to the delay in 100% Business Rates Retention. Reductions in other Government grant funding without matching reductions and responsibility for related services provision.

Uncertainty about impact of Fair Funding Review.

A continuing range of increasing costs in order to meet the demands on the Council and maintain key services, particularly in Adult Social Care, Children's Social Care and Waste.

Increased costs of meeting new initiatives.

An expected increase in annual pay inflation and the LGA's national review of spinal points.

A continued increase in employer pension contributions.

General inflation relating to external spend and contracts have not been accounted for on the understanding that smarter procurement practices will continue to contain significantly increased spending

Key Assumptions
Benefit from the Devon-wide Business Rates Pool continues into future years however there is uncertainty as to whether Plymouth will remain a Pilot authority in 2019/20.

Build on the strong relationship with key partners such as the NHS N.E.W Devon Clinical Commissioning Group through the S75 Agreement implemented April 2015 and the Integrated Fund.

Maintain a minimum 5% Working Balance. This reserve has been steadily built up over the years and stands at £9.4 million as at March 2017. This equates to approximately 5.0% of the Council's net revenue budget which is about the average for Unitary Councils.

Revenue Resources

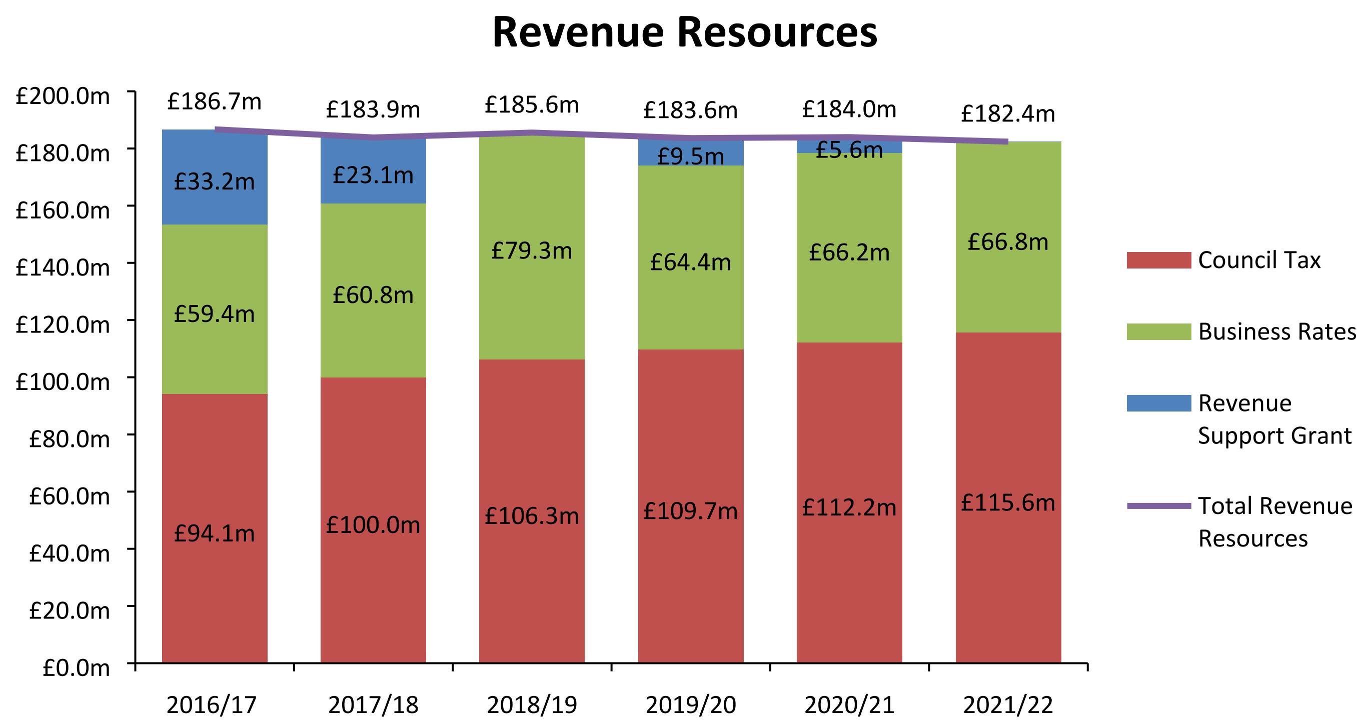
Plymouth City Council, in line with all other Local Authorities, continues to face diminishing resources and increasing demand and costs.

Our Council tax assumptions reflect a steadily increasing tax base, and the levying of an additional 2% Council Tax increase in 2019/20 as allowed by Government. The Business Rates forecast assumes a full growth dividend. It is expected that Devon Business Rates pooling gains will continue. A moderate RPI increase has been assumed.

	2018/19	2019/20	2020/21	2021/22
	Budget	Forecast		
	£m	£m	£m	£m
Revenue Support Grant*		9.533	5.567	0
Council Tax	106.279	109.700	112.227	115.603
Business Rates	79.277	64.391	66.176	66.790
Total	**185.556**	**183.624**	**183.970**	**182.393**

*In 2018/19 the RSG has been replaced by the 100 business rate retention pilot.

The scale of the funding reductions is the financial challenge facing the Council over the next four years. The Council faces a continuing reduction in core central funding from the Revenue Support Grant with the expectation this will be zero in the medium term.



Treatment of Specific Grant Funding

Housing Benefit Subsidy

Normal housing benefit payments are subsidised at 100%. Housing Benefit Subsidy Grant is estimated to be £79m in 2018/19. However overpayments attract only a 40% subsidy rate.

Increased levels of claimant error are being notified to Councils by DWP under Real Time Information. An additional £0.250m has been provided in 2018/19 to address the subsidy implications.

Dedicated Schools Grant

The largest specific grant that the Council receives is the Dedicated Schools Grant (DSG) which is a net £77m for 2018/19 and £192m gross including monies allocated for academies. The funding is spent either directly by Schools, (Primary, Secondary and Special), through their formula allocations, or by the authority on their behalf. The Schools Forum, (a representative group of Head Teachers and relevant stakeholders), are consulted on the local authority's formula distribution and the amounts administered centrally.

Any over or under spends on the DSG are carried forward to the following financial year with a neutral impact on the Council's general fund. However, accumulated school balances do form part of the Council's overall reserves and provisions.

Pupil Premium

In addition to the Dedicated Schools Grant the Council also receives additional schools funding through the Pupil Premium. This allocates additional funding to schools that have pupils who are:

- Eligible for free school meals;
- Looked after by the City Council;
- Have parents who are currently serving in the armed forces.

Public Health Grant

This Government Grant supports the Council's public health responsibilities. Grant conditions apply including responsibilities for 0-5 children services.

For 2018/19 the Public Health ring-fenced grant is £15.735m which is a reduction of £0.405m from 2017/18. Not yet confirmed but a similar reduction for 2019/20 would give a further reduction in the grant to £14.925m.

Since 2014/15, Plymouth's allocation will have seen a cumulative reduction of more than £2.0m, nearly 12%.

Grant funds may only be spent on activities whose main purpose is to improve the public health of our local population. This includes some specific requirements around health improvement, sexual health, drug and alcohol services, children and young people's PH services, NHS Healthchecks and health protection, as well as providing healthcare public health advice to support the commissioning of health and wellbeing services.

New Homes Bonus/Better Care Fund

The New Homes Bonus (NHB) is a Government scheme which is aimed at encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. Local authorities are not obliged to use the NHB funding for housing development. The scheme was introduced in April 2011 and to date the Council has received in excess of £26m up to 2018/19. The amount of NHB that each authority receives is dependent upon these elements;

- The Council tax band of each additional property built, multiplied by the national average Council tax level from the preceding year i.e. 2018/19 allocations are based upon the average Band D Council tax set in 2018/19 at £1,591
- A payment of £350 for each affordable home
- Empty homes coming back into use
- No payment is made on growth in new homes of less than 0.4% as this is deemed to be 'normal' growth
- Each years bonus is payable for 4 years

The New Homes Bonus allocation for 2018/19 is £3.487m. The estimate for 2019/20 to 2021/22 is based on the current calculation. The Government has recently announced a consultation which is likely to see the threshold at which homes are included increase from 0.4% and changes to the scheme from 2020/21 to further incentivise growth in new homes. To reflect this an assumption that the threshold will increase to 0.6% and the forecast has been adjusted to reflect this.

New Homes Bonus	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Year 1	0.602	1.319	1.168	0.398
Year 2	1.319	1.168	0.398	0.678
Year 3	1.168	0.398	0.678	0.585
Year 4	0.398	0.678	0.585	0.146
Total Payable	**3.487**	**3.563**	**2.829**	**1.807**

Improved Better Care Fund

Referred to as iBCF, the Improved Better Care Fund was first announced in the 2015 Spending Review. This is paid as a Specific Grant to us as the local authority with a condition that it is pooled into the existing local BCF plan with the Clinical Commissioning Group (CCG). The grant allocations were announced as part of the 2017 Spring Budget.

The grant is time-limited for three years with the additional funding totalling £11.275m; it is front-loaded with the allocations:

2017/18 £5.800m;

2018/19 £3.663m;

2019/20 £1.815m.

This is additional funding for the provision of adult social care and this is therefore not an on-going revenue stream and cannot be subsumed into "business as usual" to close the funding gap for adult social care. There are clear ministerial guidelines on the areas this money can be used for and Plymouth City Council, working in partnership with key stakeholders such as NEW Devon CCG will ensure the funds are invested in transforming the social care system and reducing delayed transfers of care.

The Plymouth Integrated Fund

As part of a collaborative transformation programme, Plymouth City Council and NHS Northern, Eastern and Western (NEW) Devon Clinical Commissioning Group (CCG) continue to draw on the Plymouth Integrated Fund. This has been created by pooling or aligning the vast majority of the People Directorate budget and the Public Health commissioned services budget to form a fully integrated health and social care commissioning budget. Implemented via a Section 75 Agreement under the Health and Social Care Act 2012, the Plymouth Integrated Fund has a combined net budget of £490m and was established specifically to create an integrated population based system of health and wellbeing for Plymouth.

Our four integrated commissioning strategies, developed in conjunction with the NEW Devon CCG, continue to provide the direction and guidance for a place-based, whole system approach to health and well being outcomes in Plymouth and help identify how the Plymouth Integrated Fund will be used to optimum effect. The Integrated Fund for 2018/19 is £677m. Each of the two partners contributes to the fund as follows:

- NHS N.E.W. Devon Clinical Commissioning Group: £425m;
- Plymouth City Council: £252m.

The Plymouth Integrated Fund also incorporates the Better Care Fund, which is a national programme aimed at accelerating integration between the NHS and Local Government. It creates a local single integrated budget to incentivise the NHS and Local Government to work more closely, placing wellbeing as the focus of the health and social care services. For 2018/19 the total combined BCF and iBCF is £29.345m (2017/18 £26.4m) made up of the Better Care Fund (BCF) £20.342m for both partners plus Plymouth City Council's Improved Better Care Fund (iBCF) allocations of £5.343m and £3.660m. The Plymouth Integrated Fund is supported based on a 72% Clinical Commissioning Group 28% Council share of financial benefits and risks. This agreement limits the transfer of any over or under spends between the partners to a defined prudent maximum. The development of the Plymouth Integrated Fund has created greater opportunity to deliver improved outcomes and financial savings, recognising the existing budget pressures in both organisations, which have developed plans to address underlying overspends in the Plymouth Integrated Fund. Livewell Southwest – a Community Interest Company (CIC) – deliver community health and social care to people living in Plymouth, South Hams and West Devon and is an example of how the transfer of the adult social care staff enabled a fully integrated approach to both health and social care assessments for the people of Plymouth.

Sustainability and Transformation Plan (STP)

The Wider Devon Sustainability and Transformation Plan sets out ambitious plans to improve health and care services for people across Devon in a way that is clinically and financially sustainable.

Health and care organisations as well as Plymouth City Council and the other local authorities across Devon have been working together to create the shared five-year vision to meet the increasing health and care needs of the population – while ensuring services are sustainable and affordable.

The STP provides the framework within which detailed proposals for how services across Devon will develop – between now and 2020/21.

A key theme throughout the STP is an increased focus on preventing ill health and promoting people's independence through the provision of more joined up services in or closer to people's homes.

Seven priority areas have been identified as key programmes of work:

- Ill health prevention and early intervention
- Integrated care model
- Primary care
- Mental health and learning disabilities
- Acute hospital and specialist services
- Increasing service productivity
- Children and young people

Plymouth is a key contributor to the STP and we ensure our transformation programme for Integrated Health & Wellbeing dovetails with the programme.

Council Tax

The Council increased Council Tax for 2018/19 by 1.47%. The Council Tax increase is assumed to be 2% each year through to 2021/22 in the MTFS. A 0% increase for Adult Social Care precept has been assumed from 2019/20 through to 2021/22. In the table below we have set out the implications on our overall resources for 2019/20 to 2021/22 of three alternative options on future changes:

- A general Council tax freeze in each year;
- A general Council tax increase of 1% year-on-year;
- An increase up to the referendum limit of 2.99% in each year.

Every 1% movement in the Council Tax base equates to £1.000m.

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
No Adult social care precept assumed	106.279	106.279	106.279	106.279
		1.068	1.079	1.089
Based on 1.00% increase 2018/19 only	106.279	107.347	108.426	109.515
		1.068	1.079	1.089
Based on 2.00% increase 2018/19 only	106.279	108.415	109.505	110.604

Income Collection

The 2018/19 revenue budget and MTFS assumptions are based on achieving the collection targets. Bad debt provisions are kept under regular review by the Section 151 Officer.

Type of debt	Target % 2017/18	Target % 2018/19	Target % 2019/20	Target % 2020/21	Target % 2021/22
Council Tax	98.6	98.7	98.8	98.8	98.8
Business Rates	98.6	98.7	98.8	98.8	98.8
Commercial Rents	98.5	98.5	98.5	98.5	98.5
Sundry Debt	98.0	98.0	98.0	98.0	98.0

The targets for Council tax collection and business rates are stretched for 2018/19 onwards. These are ambitious targets and the increase is not currently assumed in the MTFS. The average in-year Council tax collection rate for unitary authorities was 96.9% in 2017/18. The average in-year business rates collection for unitary authorities was 98.2% in 2017/18.

Additional costs

Additional costs accepted within the MTFS are exceptional in nature with the inherent assumption that spending departments will absorb the increased cost of service demand and inflation through proactive management action and efficiencies through "business as usual" operations. A clear business case must be approved through the Corporate Management Team (CMT) in order to incorporate future year funding allocations.

Utilities have been a significant additional cost in recent years. However, through office rationalisation, carbon reduction investment and falling prices, we have not incorporated such pressures within our MTFS at this stage. Likewise, general inflation relating to external spend and contracts has not been accounted for on the understanding that smarter procurement practices will continue to contain significantly increased spending. The additional costs within the 2019/20 MTFS are detailed below. Additional costs are kept under constant review as part of on-going budget monitoring.

Item / area	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Salary and Pension Inflation	1.800	2.321	1.600	1.600
Increase Working balance in line with General Fund Balance		0.294		
Pension actuarial review	0.900	0.250	0.250	
Adult Social Care – Care Packages cost and volume	2.813	3.506	1.861	1.860
National Living Wage – Adult Social Care	2.054	3.393	3.364	3.360
Children's Social Care - cost and volume	3.200	1.806	1.960	1.960
Homelessness	0.250			
Education Services Grant – Legacy Costs	1.300			

Item / area	2018/19	2019/20	2020/21	2021/22
Major Investments – South Marine Yard/Mayflower Celebration	(0.550)	0.371	0.483	
Plymouth Plan (one-off)	(0.210)			
Loss of Rental Income		0.160		
Street Services Operations	0.250			
ICT re-provisioning	0.300	0.300	0.300	
Revenue costs arising from capital investment decisions	0.250	0.450	0.800	0.600
Organisational Development	0.500	0.500	0.500	
Elections	0.100			
Housing Benefit Subsidy	0.250			
Customer Experience		0.150		
Total	**13.207**	**13.501**	**11.118**	**9.380**

Salary and Pension / Inflation

Pay awards have been significantly reduced over recent years, including a prolonged period of staff pay freeze. A one per cent increase in our payroll roughly equates to £0.8m added revenue spend within our base budget. Looking forward, we have assumed a two per cent award 2019/20, 2020/21 and 2020/21. In addition to the annual pay award the LGA are currently reviewing the national 'spinal points'. Modelling work has commenced and the MTFS will be updated to reflect local and national modelling. At this stage it is estimated that there could be up to a 3% uplift required to reflect the outcome of the spinal point review. £0.721m has been included for pay scale changes. Additional funding has been allocated towards our pension deficit.

With the move towards alternative service delivery vehicles such as DELT (www.deltservices.co.uk) and CaterEd (www.plymouth.gov.uk/catered), future one off costs will need to be quantified in terms of ensuring that there is no pension deficit at the point of transfer.

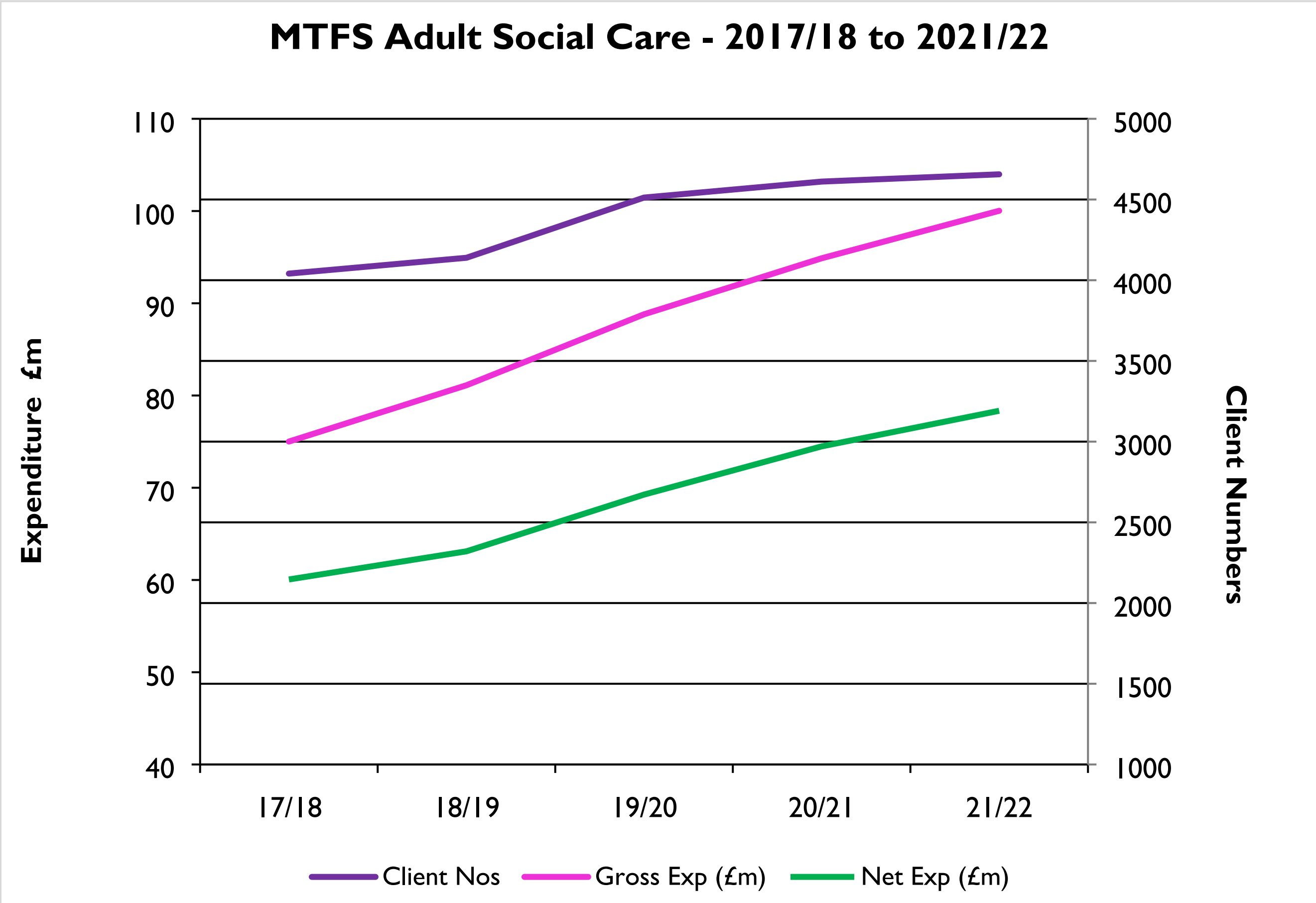
Adult and Children Social Care, plus National Living Wage

A significant proportion of our revenue budget is spent on two main areas; adult care services and children's social care provision. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. We have an ageing population with more complex needs and higher levels of young children requiring our services.

The National Living Wage was increased to £7.83 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.

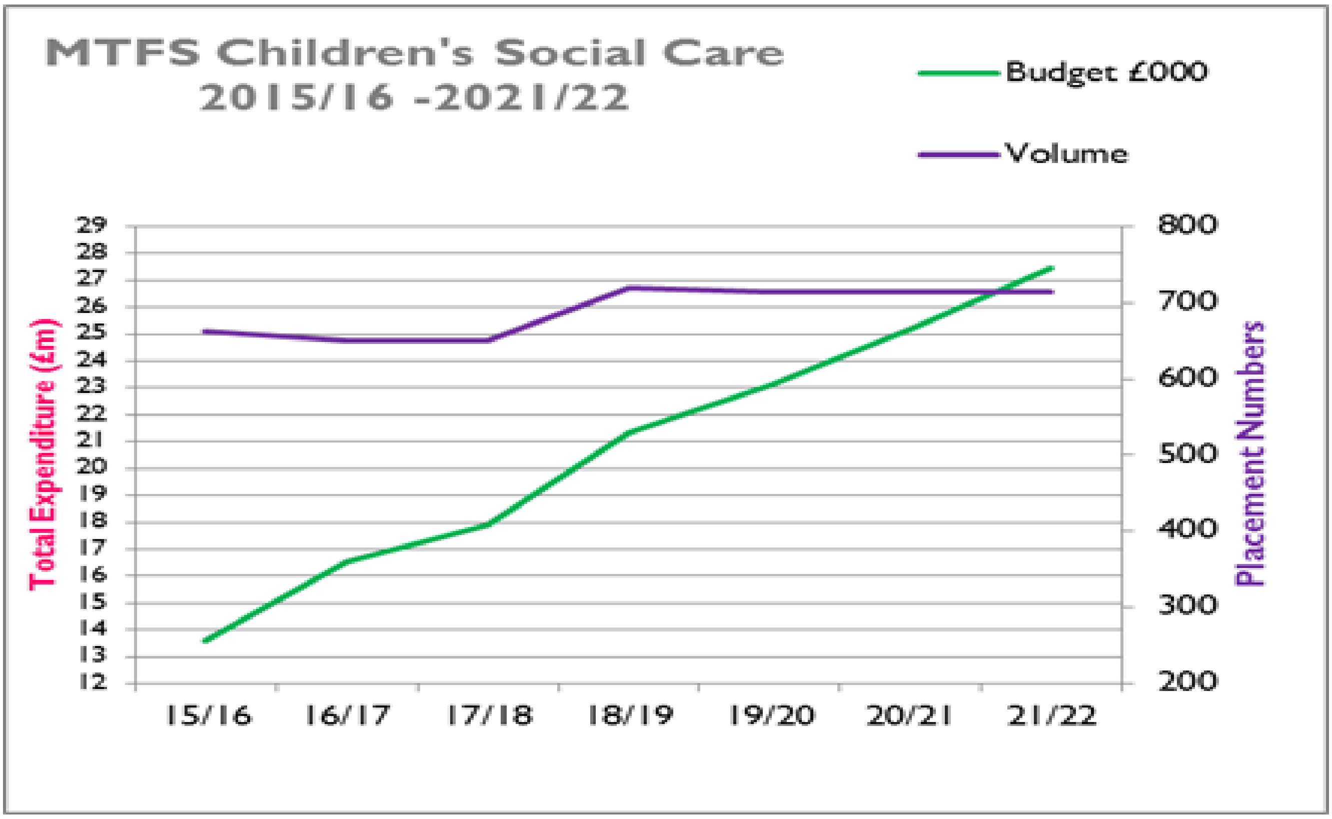
The MTFS has provided £3.393m in 2019/20 and increases in each year as we move towards the Government's pledge of £9 per hour by 2020/21. Reflecting this year-on-year increase sees additional allocations of £3.364m in 2020/21 and a further £3.360m in 2021/22 on the basis the increases will continue into this year.

For our own workforce, the Council pays the Foundation Living Wage (currently at £8.75) and this will be reviewed or capped for affordability in future years whilst the new National Living Wage catches up.



Adult Social Care Cost + Volume analysis – 2017/18 – 2021/22

	2017/18 Outturn £m	2018/19 Budget £m	2019/20 MTFS £m	2020/21 MTFS £m	2021/22 MTFS £m
Net budget for ASC care packages (before savings)	57.492	62.359	69.258	74.483	79.704
Additional MTFS provision		4.867	6.899	5.225	5.220
Split between:					
Cost and Volume		2.813	3.506	1.861	1.560
National Living Wage		2.054	3.393	3.364	3.660



Children's Care Cost + Volume analysis

	2017/18 Outturn £m	2018/19 Budget £m	2019/20 MTFS £m	2020/21 MTFS £m	2021/22 MTFS £m
Net budget for children's care packages (before savings)	18.093	21.293	23.099	25.059	27.019
Additional MTFS provision		3.200	1.806	1.960	1.960

The additional funding allocated in future years reflects a levelling out in the trend of the number of children coming into care and an increase in the cost of the care packages and placements. The numbers reflected for 2019/20 and 2020/21 and 2021/22 are based on trend analysis at this stage and will be refined going forward.

Major Investments

We are creating the South Yard Marine Industries Production Campus site. This is a long term investment project which will create employment opportunities and generate commercial income in future years.

Plymouth City Council is working towards the 400th celebration of the sailing of the Mayflower from Plymouth and has set out ambitious plans to ensure the occasion is marked nationally as well as locally. This allocation is to cover the revenue associated costs of planning and hosting events up to and including 2021.

The MTFS phases the budgets based on their annual spend. The budgets are forecast to conclude by 20/21 for Mayflower and 21/22 for South Yard.

ICT re-provisioning

The MTFS provides £0.300m in 2019/20 and 2020/21 for ICT re-provisioning. The cost of replacing our current stock of ICT equipment, covering desktop and laptop equipment and printers etc. will fall on revenue resources rather than the capital programme.

Revenue costs arising from capital investment decisions

£0.250m was included for the revenue costs arising from capital investment decisions in 2018/19 with a step up of a further £0.450m in 2019/20 and £0.800m in 2020/21 and £0.600m in 2021/22. Borrowing costs associated with investment projects follow the "Invest to save" principle and are repaid by the project. There will be other cases where investment is required, such as Transport projects, Schools and Health and Safety, where there is no financial payback. The loan repayments will be funded corporately.

Organisation Development Costs (including EVRS/Redundancy)

Our workforce has reduced significantly in the last three years as a result of transformational changes that have impacted on the shape and size of the organisation. Staffing reductions have been delivered through a mix of natural turnover of staff, transfers out to alternative service delivery mechanisms (e.g. Delt shared services, Livewell SW and CaterEd) and as a direct result of Service Reviews where we have looked to realign services in line with our Council target operation model ('blueprint') and in line with budgetary savings required within the relevant financial period. £0.500m was included in 2018/19 MTFS period as a prudent provision for future costs associated with EVRS and redundancy of staff, £0.500m in 2019/20 and £0.500m in 2020/21.

Housing Benefit Subsidy

As mentioned on page 18, normal housing benefit payments are subsidised by DWP at 100%. Claimant error is subsidised at 40%, but is recoverable from the claimant. If the claimant is still in receipt of housing benefit there is a regulatory limit to the amount that can be recovered of £10.95 per week.

Since 2014 DWP has compared its database of payroll and family credit information with monthly extracts of Local Authority housing benefit records. Benefits authorities are notified of any claimant error by DWP. Given the increased scale of claimant error and the difficulties of recovering overpayments in many cases, it is prudent to provide £0.250m in the revised MTFS for loss of housing benefit subsidy.

Transformation Programmes

Local Government is changing rapidly as traditional sources of funding are reducing and the demand for our services is increasing. Our transformation programmes are designed to enable us to meet the £37m funding gap by continuing to transform the way we do things at pace. We know we cannot continue to deliver services in the same way we have done in the past and our transformation portfolio is taking a pioneering and ambitious approach to addressing these challenges while seeking to improve outcomes for Plymouth citizens.

This means providing services in new ways, joining up with partners wherever possible, investing in ways of doing things more efficiently, making the most of our assets, raising income by taking a more commercial approach and a focus and clarity on our organisational purpose.

There are three transformation programmes that involve a wide range of projects touching every area of our work. The transformation programme comprises:

1. Growth, Assets and Municipal Enterprise (GAME 2 Programme)

This programme is investing in accelerating Plymouth's economic growth, which will raise income through business rates, New Homes Bonus and Council tax. It includes a wide range of initiatives to create more jobs and deliver more homes in Plymouth, guided by the Plymouth Plan and the Plan for Homes.

We are also maximising the opportunities to increase income by making best use of our assets and taking a more commercial approach to the way we commission and run services.

Street Services

A Street Services Modernisation Board has been set up to drive the next phase of the modernisation of waste management and street scene services to create a seamless, sustainable system in partnership with our residents.

A plan has been produced to ensure frontline services are efficient, effective and ultimately deliver good outcomes for customers. The plan aligns with the new Corporate Plan by helping to create a city to be proud of and focusing on delivery of the following priorities: a clean and tidy city; a green, sustainable city that cares about the environment; and a welcoming city. The Plan tackles three key themes of Service Improvement, Culture and Systems all feeding the objective of better customer outcomes. These themes also reflect the Corporate Plan by delivering improvements through: listening to our customers and communities; providing quality public spaces; and motivated, skilled and engaged staff. A key deliverable will be the Street Services Information Management System (SSIMS) which through a combination of technology, handheld devices and better data management will help transform how frontline teams work; digitising processes including task management.

Asset Investment Fund

In 2015/16, against a backdrop of local authorities increasingly investing in property as an asset class, we drew on our in-house property expertise, proven track record in managing the Council's existing £88 million property portfolio and its access to historically low borrowing costs to establish an Asset Investment Fund. In the three years to 2018/19 over £3m of income has been generated from the fund.

The Asset Investment Fund has a mandate to invest up to £155 million (subject to approvals) in income-producing, direct development and forward funding commercial property schemes to deliver:-

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

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

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

Growth Dividend
We will continue to be proactive in securing greater value from our assets and driving projects that deliver growth which brings long term economic and financial benefits for the city such as through securing New Homes Bonus, new Council tax and business rate revenues and additional Community Infrastructure Levy.

These measures include:

- The Plan for Homes which provides a comprehensive delivery framework to respond to need to increase the supply and quality of new housing in the city. The Plan for Homes extends to 2021, with an £80m commitment to housing investment to support the deliver over 1,000 new homes per year – 5,000 homes over the next five years. The plan will deliver 2453 jobs and generate £102.7m GVA benefits to the Plymouth economy. The plan is on track with 4,461 homes delivered in first 4 years with further 1,108 under construction. The plan is currently in its second iteration with a 3rd version to be developed in early 2019.
- Focusing the delivery of major projects that will have the greatest impact on revenue such as Drake Circus Leisure, Civic Centre, Seaton Neighbourhood, Railway Station, Colin Campbell Court, Bath Street, 1620 Hotel and Millbay;
- Continuing the programme of Direct Development to drive rental income and NNDR across the Land Property portfolio;
- Continuing to drive housing developments on Council land.

One Public Estate
This initiative involves working with public sector partners to deliver savings by better, more efficient and joined up use of public sector land and property. This includes regeneration of the railway station and surrounding area; creating a programme of Health and Wellbeing hubs across the city; master planning the Mount Gould Hospital site and demolishing unused buildings for housing. Since its launch, Plymouth City's OPE Partnership have secured c£1.2m of revenue funding over the phases of OPE 3-5 inclusive, to progress the schemes mentioned above.

In OPE phase 6 we submitted a successful bid and were awarded c£3.9m capital funding, to facilitate unlocking local authority land for development. The funding was known as Land Release Fund, granted by Ministry of Housing, Communities and Local Government (MHCLG). We were successful in our bid, and were awarded funding for 6 schemes (namely Colin Campbell Court, Bath Street; Stirling House, Corporate Asset Release Programme, Prince Maurice Road, Effort Youth Centre).

2. Integration of Health and Wellbeing programme

With a significant proportion of our revenue budget continuing to be spent on delivering care to adults, children and young people the programme continues to work alongside the business to provide the necessary structure, capacity and challenge for Service improvement to reduce cost pressures and deliver MTFS efficiencies. The cost of providing health and wellbeing services has risen with volume increases, growing demand and increases in care costs. The programme has already reduced costs to our adult social care services by integrating them with health and wellbeing services, it has redesigned our offer in Children's Social Care to deliver improved outcomes for children and young people. Nevertheless, we continue to innovate around preventative and early intervention services to reduce demand for crisis services and to develop a more sustainable system. Our focus remains on delivering the "right care, at the right time, in the right place". Outcomes are consistent with the NHS 5 Year Forward View, which sets out the wider challenges facing the health and care system, characterised by three gaps which must be closed if the system is to continue to be sustainable and meet expectations:

- **The Health and Wellbeing gap**: if prevention is not taken seriously then recent progress in healthy life expectancies will stall and health inequalities will widen.

- **The care and quality gap**: unless we reshape care delivery, harness technology, and drive down variations in quality and safety of care, then patients' changing needs will go unmet.

- **The funding and efficiency gap**: if we fail to match reasonable funding levels with wide-ranging and sometimes controversial system efficiencies, the result will be some combination of worse services, fewer staff, deficits and restrictions on new treatments.

Adopting a commissioning-led approach, Programme resource is now embedded within Strategic Commissioning and will support the development of Commissioning Plans to realise the outcomes in Plymouth's Health and Wellbeing System's Strategic Commissioning Intentions 2018-20; across the four integrated strategies, with the following priorities:

- Developing Integrated Commissioning as a System Enabler;
- Commissioning for Wellbeing and Prevention;
- Transformed and Sustainable Primary Care;
- Integrated Children's Young People and Families Services;
- Commissioning an Integrated Care Partnership;
- Local, Integrated and Responsive Mental Health Services;
- Enhanced Care and Support.

Our focus in the next three years will see a shift of support for more people in Plymouth to live happy, healthy lives at home. Innovation sits at the heart of our next phase and we will continue to work collaboratively with our local communities and partner organisations.

The People, Children's and Public Health Directorates have adopted a federated approach and will continue a review of all areas to remodel services within the Directorate whilst seeking to maximise all available grant funding and additional income opportunities.

3. Transformation of the Corporate Centre (TCC) Programme

This programme has been established to deliver a vision of making things more efficient and simpler for staff and customers by focusing on the delivery of two key outcomes:

- **Create New Ways of Working;**
- **Grow Shared Services.**

The programme is supporting the delivery of the following agreed outcomes:

- Supporting cost effective, easy to use and highly accessible services;
- Enabling informed decision making by joining up systems within PCC to create integrated views of Citizens, Costs, Services and outcomes and Performance;

- Automating manual/paper tasks to reduce costs and improve quality;
- Enabling smart/mobile working to allow services to be delivered where they are needed and reducing accommodation costs; Commercialising PCC services that have proven their efficiency by transferring them to Delt or seeking to trade these services directly with other local partners;
- Delivering modern, high productivity technical tools to staff meeting the needs of a professional workforce and helping to attract and retain talent to the authority.

In supporting the programme delivering its three outcomes the following projects have been mobilised:

- ## Create New Ways of Working

The Way We Work Project
The way we work programme has developed a vision "to deliver a flexible workforce with access to the right technology, information and workspaces to work seamlessly and securely across locations and partners" and created a set of projects to change our:

- Technology - equipping our staff and work places with standardised devices and ICT equipment for mobility and collaboration;
- Accommodation - actively pursuing opportunities in the creation of an accommodation strategy and deliver standard, modern and efficient working spaces as well as
  - Rationalise: the need for office space and reduce the premises costs,
  - Modernise: A flexible and mobile workforce served by a flexible and technology enabled corporate office estate with minimum welfare standards and
  - Grow: Use the space no longer required by PCC to support Plymouth's economic growth
- Information management - Equipping our staff with ways to store and access information in an accessible, secure and compliant way

As the Council continues to change in shape and our workforce continues to reduce in size, it is essential that we change the way we work to enable our people to deliver or commission services in the most efficient and effective ways possible.

The benefits will be measured in:

- Lower operating costs;
- Higher productivity;
- Enhanced staff wellbeing;
- Better service delivery;
- Lower risks;
- Better collaboration;
- Increased security and compliance.

An important part of this project will be focusing on our organisational culture and the behaviours and mind-sets of our people, to ensure that we place the customer and citizen at the heart of all that we do to be at our best. 'How we work', a separate workstream within the way we work programme, is directly aligned to the People Strategy 2016-2020 vision for a motivated, engaged and skilled workforce, through a focus on TLC – Talent, Leadership and Culture.

- ## Grow Shared Services

Service Centre – this will support all Council departments who manage customer (including internal customer) requests and enquiries. The highest volume of customer contacts are the least complex and it is these transactions that will be managed by the Service Centre. Customer interactions will be simplified and standardised and will provide clear and transparent performance metrics. The Service Centre's capacity to support will increase as System Reviews are completed when suitable high volume, low complexity processes will be migrated and deliver economies of scale. Where services are not moved into the Service Centre it also provides advice and best practise to Council departments to manage customer contact and other transactional services more efficiently.

Future Shared Services – following the creation of an internal service centre, this project supports the Council's objectives of delivering better value for money services and reducing the revenue budget through sharing. Sharing can be achieved through transferring IT based services to a shared services provider (Delt) and/or creating direct relationships between PCC and other partners to trade services in order to:

- Improve customer experience;
- Provide a lower net cost per transaction / service;
- Increase resilience for services;
- Provide a lower annual cost per service;
- Retain jobs and investment in the local economy;
- Grow relations and networks with public sector service providers;
- Increase opportunities for income generation.

Other Transformation Activity

Systems Reviews
A key element of our transformation is breaking down service silos and joining up the way we work both internally and with partners to deliver better and more efficient services.

Reviewing and restructuring services in the context of the bigger organisational picture against our Blueprint framework helps to identify opportunities to:

- Standardise, simplify and share our service provision for the city
- Design changes that reinforce each other that result in sustainable change
- Align with our vision and purpose
- Deliver our Customer Service Strategy
- Focus on our People, Organisation and Culture to deliver our People Strategy
- Underpin any organisational change with strong Communications, Planning and Performance management
- Support our service delivery and commissioning strategies
- Standardise and simplify our processes and transactions
- Strengthen our infrastructure informed by information management and in alignment with our ICT Strategy

The Future of Transformation

Our transformation programmes will be aligned to our organisational Purpose:

- Everything we do is about:
    - Facilitating relationships so that everyone can help develop Plymouth.
- We do this by:
    - Being relentless in placing digital at the heart of all that we do;
    - Focusing on building networks and partnerships and supporting them to thrive;
    - Being straightforward with people about the challenges we face so they can help solve them;
    - Co-ordinating our activity effectively.

We will ensure that the basic fundamentals such as an excellent performance management are in place, working well and adding value.

We will be clear how we manage demand for better outcomes through working to breakdown departmental silos in order to meet customer needs. Our work will also set clear service standards, empower staff and provide digital service offerings

The future shape of Plymouth City Council will reflect an intelligent organisation making effective use of the data available to us, working closely with our communities, developing models for alternative service delivery vehicles, supported by streamlined services and placing the customer at the heart of our culture.

Capital Budget and Programme

Over recent years the Council has reviewed its management of the capital programme based on specific funding streams, to produce a more strategic capital budget. The capital budget now represents the approved capital programme that is in delivery and an estimate of future income resources for capital.

The level of capital resource available has also been diminishing and will continue to do so for some time. Less is now available through direct capital allocation with increased need to bid for specific pots of funding linked to specific outcomes, for example, major road infrastructure projects and large cultural projects such as The Box etc. The Council's ability to maximise investment into the city through vehicles such as the Growth Fund and the Heart of the South West Local Enterprise Partnership has become an increasing priority.

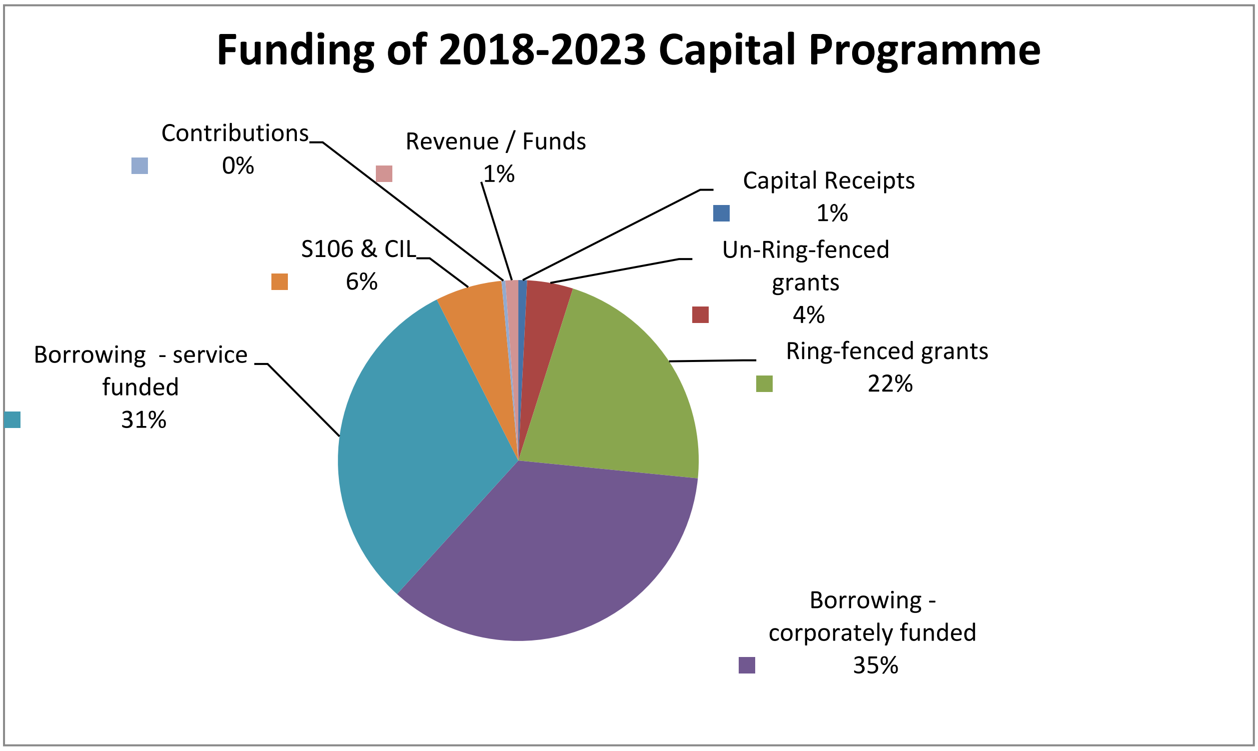
The Council has decided to provide direct investment into the Plymouth Plan increasing by its long term borrowing to help fund the capital expenditure. In February 2017 the Council agreed a Priority List of projects that they would like to develop over five years to the value of £417m which includes £266m of borrowing.

We continually challenge and update all capital income streams in order to estimate the total resources at our disposal. Maximising developer contributions, under Section 106 (S106) of the Town and Country Planning Act 1990, and forecasting for the future generation of capital receipts through planned and structured asset disposals, remain vital income streams. There are a number of risks inherent within the calculation of forecast resources, the majority of which are reflected by the use of an appropriate RAG rating.

The Capital budget for 2018 to 2023 as at 30 June 2018 consists of the following elements:

Description	£m	
Capital Programme	199.1	
Priority List (outstanding allocations)	169.4	
Income Assumptions *	212.6	
Total Revised Capital Budget for Approval (2018-2023)	**581.1**	

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



Funding Assumptions

Capital Receipts

Capital receipts arise from the sale of an asset. Usually the sale of an asset cannot be used to fund ongoing revenue purposes, without exceptional rules in place (i.e. capitalisation directions, or for one off transformational purposes), thus the sale of assets is used to re-invest in capital investment. Furthermore capital receipts can be ring-fenced or un-ring-fenced subject to specific circumstances or agreed decisions to earmark a specific capital receipt.

The current methodology for predicting capital receipts is obtained from the Capital Receipts working group which tracks progress against scheduled sales of capital receipts. This results in a relatively straight forward forecast of known assets for sale which is then RAG rated based on expected timing and value.

Non Ring-fenced Grants

Un-ring-fenced Grants are best described as the "block allocation" of capital grants awarded to the Council by Central Government, based on a needs assessment. The blocks typically cover education and transport. Historically, the Council allocated the blocks to the applicable services and the services have drawn down against these funds with projects, in essence there has been a ring-fencing of sorts internally. The position is now changed with the Council deciding that all un-ring-fenced resources should first be available to the relevant service area, and if unused be held in a central pool with all priorities being considered. This may mean that funds passed to the Council by the Government for transport may be used for anything else.

The method of prediction is aligned to the spending reviews and settlements. In immediate years the block allocations tend to be announced as confirmed. This is often accompanied by indicative future year announcements (based on an assessment of need). As we move into the future we are using the information provided within these settlements and from central Government announcements.

Ring-fenced Grants

These grants are paid to PCC to deliver schemes, or outcomes, which will be defined in the terms and conditions from the funder, and may include time barring and future obligations for the Council. There will be penalties for the terms and conditions not being met.

Our income assumptions include mandated projects in our pipeline.

Borrowing

Loans are taken out to fund capital expenditure from approved lenders based on the treasury management knowledge on interest rates and borrowing. The repayment of the loan principle and interest is paid for from revenue.

Service Borrowing is where a service area has a capital project and the capital spending will improve the service or change the way the service is being delivered which makes savings. The savings are used to pay for the borrowing e.g. The Asset Investment Fund has taken out borrowing to purchase commercial properties that deliver an income to the Council above the cost of paying the service borrowing.

Corporate borrowing is used to pay for some or part of the capital projects in the Priority List and the cost of borrowing should be provided in the revenue budget.

Developer Contributions

Our Planning department forward forecast is based on known future developments. This is then RAG rated based on expected timing and value.

Community Infrastructure Levy (which replaced the S106 Tariff). The levy is used to support new developments by funding infrastructure needs – for example, new road schemes, park improvements or improvements to local school capacity. This is charged on a £ per square metre rate of the proposed new development.

Section 106 – Negotiated Obligations and tariff

Negotiated Element - this is negotiated with the developer and is used to fund specific works, normally linked to the development.

Planning Development Tariff - pooled into categories to be used in such areas such as Transport, Education and Libraries. The Regime has been replaced by CIL but resources continue to be collected.

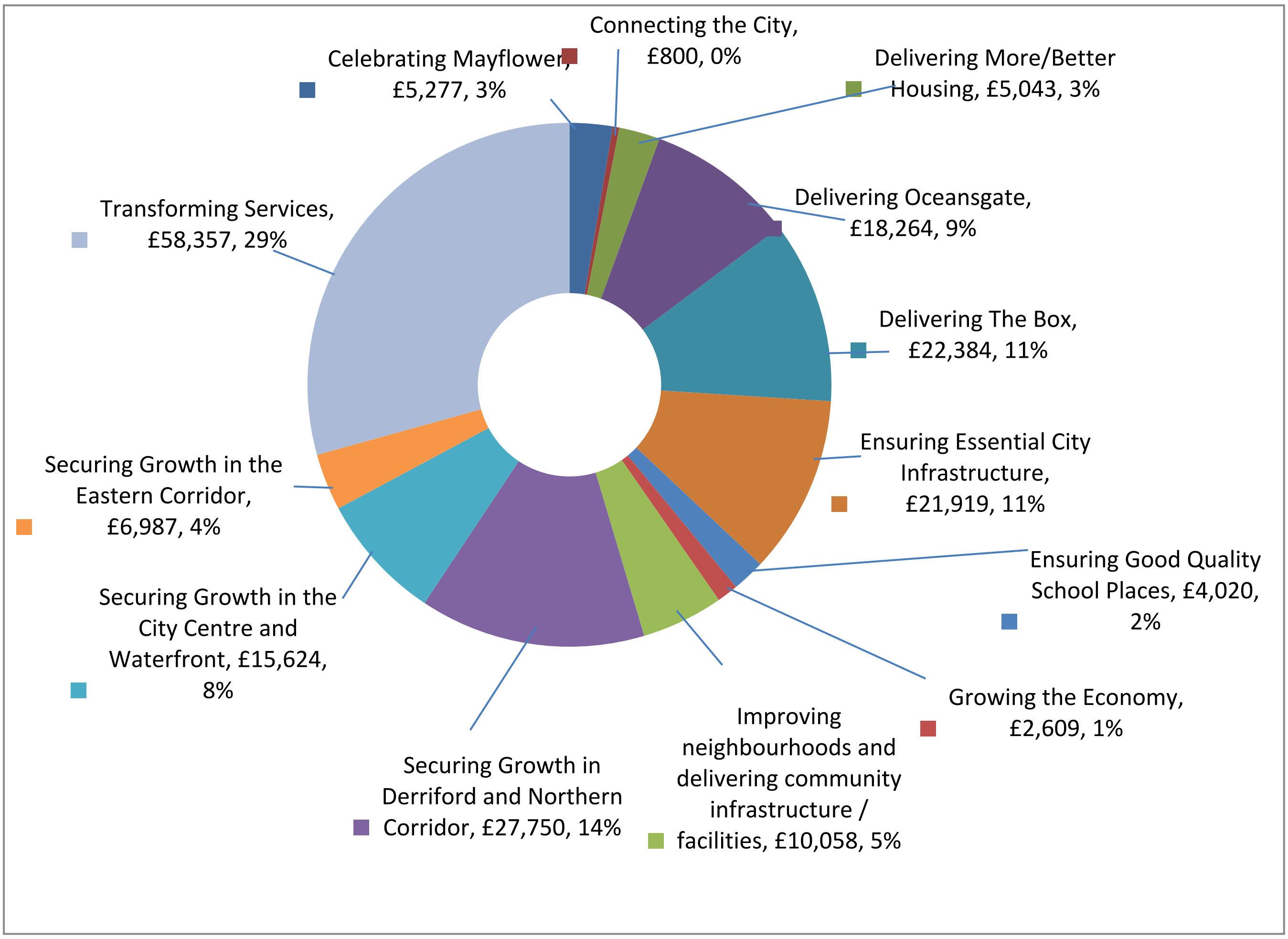
External Contributions

A sum provided by a funder, but not specifically as a grant. This is a direct award of resources for a specified purpose, for example the £2.1m contribution from British Land towards the new Mayflower Coach Station.

Revenue

The use of the revenue budget to directly fund capital spend: This is known as a Revenue Contribution to Capital Outlay (RCCO).

Capital Programme by Outcomes



Capital Programme

Officers will remain proactive at securing external grant funding wherever possible in order to continue to deliver significant, ambitious capital investment in the city. The budget will be continually updated as further details of funding are made available. Projects utilising funding are submitted and considered by our City Council Investment Board (CCIB) who make recommendations to the Leader of the Council.

The Council is currently investing up to £417m in the city as part of the Priority List which was approved in February 2017 and aims to meet the objectives of the Plan for Plymouth over the next five years. The Council is investing up to £145m in Corporate Borrowing as part of its contribution to the capital schemes.

Projects seeking to fund proposals from service borrowing will be required to meet the principle of "Invest to save". Business cases will evidence that a loan to fund capital spend can be repaid from the net revenue benefits achieved from the investment, as evidenced in a discounted cash flow. This ensures a net present value of a capital project over the life of the asset. The repayment of the loan principle and interest is paid for annually from the revenue account. The repayment of loans taken out based on approved capital projects is reported through regular revenue monitoring, until the loan is repaid. Proposed projects will continue to have to meet this "Invest To Save" criteria, and that the revenue impact of this will continue to be met from the relevant service revenue accounts.

We remain committed to a significant capital investment programme. The Council will engage with partners in major regeneration of the city, not only contributing towards improvements, but also to sustain local work opportunities, for example, the construction industry. We will ensure that we maximise the outcomes and revenue savings generated through capital investment. For example, we will grow businesses in the city and build more houses to generate business rate income, New Homes Bonus and Council tax.

Our Capital Budget for 2018/19 to 2022/23 is £581m and our Capital Programme includes some of the following projects:

Investment in Road infrastructure

We will continue with our £20m capital investment in our road infrastructure with planned carriageway resurfacing to repair pot holes and improve road junctions and traffic flows.

Investment in schools

We will continue to invest in providing improved schools and additional capacity for the increasing number of school age children in the city, ensuring there is a school place for every child and education opportunities which will improve their quality of life. We are investing £2.346m in Yealmpstone Farm Primary school.

Plan for Homes

£80m investment will be available to assist house building across the city. Individual draw down against this scheme will be subject to due diligence and outcomes delivered in terms of number and types of dwellings to be built.

Forder Valley Link Road

The FVLR is a new one-kilometre road linking Forder Valley Road and Novorossiysk Road to William Prance Road in Derriford, providing a direct route between Derriford and all traffic from the east.

Asset Investment Fund

Up to £100m is being invested into strategic property investments that will help grow local businesses and will create additional income to support the Council's revenue budget.

Railway Station

£40m will be invested to improve the area in and around Plymouth Station This will deliver a new car park and other developments and improved access for both vehicles and pedestrians.

The Box

Over £34m is being invested to transform the museum into a cutting–edge cultural centre, three times its existing size, providing 86% more exhibition space and 100% more flexible learning space. Construction is underway ahead of an anticipated opening in 2020 for the Mayflower celebrations.

Central Park Improvements

Investment of £9m is underway in central park to deliver the Central Park Masterplan.

Oceansgate

£22.6m is being invested into the former Royal Navy dockyard to provide industrial units and office space for the marine industry. The site will eventually have access to former naval dry docks. The first phase has been completed and has 1,300 square metres of new and converted marine based workspaces. The second phase is underway to provide additional 3,112 square metres of marine based workspace.

Treasury Management

Changes to the Treasury Management Code:

CIPFA published its new 2017 editions of Treasury Management in the Public Services Code of Practice and Guidance Notes and in the Prudential Code for Capital Finance in Local Authorities. The Ministry of Housing, Communities and Local Government (MHCLG) also published revised statutory guidance on Local Authority Investments for England in February 2018.

There has been a change to the definition of treasury management "Investments" so that it now covers all the financial assets of the organisation, and "other non-financial assets" which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework under this Code."

The Council will produce a new Capital Strategy and an Investment Strategy stating the specific policies and arrangements for non-treasury investments. It will also give the Council's risk appetite and it will recognise that the risk appetite for these activities may differ from that for treasury management.

The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority. Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.

The Council's approach to Treasury Management has been significantly revised due to the global economic environment and by the recent decision to leave the European Market. These events have led to the Bank of England start increasing the bank rate from its all-time low of 0.25%.

Despite being risk adverse, we continue to explore opportunities for generating significant revenue returns through close management of the business's working capital and associated cash flows.

The Asset Investment Fund has been investing in local property by borrowing at unprecedented low interest rates. This will enable the Council to increase its investment income as well as supporting its revenue budget.

With falling interest rates on the Council's main bank and call accounts, we have also been proactive in seeking alternative investment vehicles for money that we are able to put aside for a longer time period. For example, our £20m investment in property funds generated a return of more than 3.5% in 2017/18.

The Council's published Treasury Management Strategy details our borrowing limits and specifies approved institutes for investment, (with maximum limits), based on credit ratings and other pertinent factors. We also publish Prudential Indicators which set investment and borrowing performance indicators to ensure that we stay within these guidelines. We maintain regular engagement with our Treasury Management advisors, Arlingclose, and constantly seek their advice on our strategic direction and key operational decisions.

Borrowing Limits

The Council is required to set out its annual Borrowing and Investment Strategy recognising its implications on the Council's revenue budget. It is a statutory duty under the Local Government Act 2003 for the Council to determine and keep under review how much it can afford to borrow. The Council must have regard to the Prudential Code when setting its Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council Tax and Council rent levels is acceptable.

The Council approved its revised Treasury Management and Investment Strategy for 2018/19 in February 2018. In this Strategy we have approved the authorised borrowing limits as:

- 2018/19 £650m
- 2019/20 £675m

The Council will consider the use of borrowing if evidenced by a robust business case which clearly details financial and non-financial outcomes achievable through the proposed capital investment. Such cases require approval through the City Council Investment Board (CCIB) with the associated revenue cost of borrowing the money charged against the relevant service department to which the investment relates.

Minimum Revenue Provision (MRP) Policy

The Council is required to put aside cash each year from its revenue budget to provide for the repayment of loans taken out to finance capitalised expenditure. The Government's Capital Financing Regulations place the duty for an authority to make an amount of Minimum Revenue Provision which it considers to be "prudent". The prudent provision is to ensure that debt is repaid over a period reasonably in line with that over which the assets provides benefits. The charge starting

The guidance requires the Council to approve an annual MRP Statement each year in which it states the method of calculating a prudent amount of MRP. The MRP payment is funded from revenue with an option that part or all of the payment could be funded from capital receipts.

The Council's MRP policy uses the annuity method and commences the year after the assets comes into operation. This, not only spreads the cost of the borrowing over the life of the assets, but also takes into account the time value of money.

The Council does not use the straight line method over 25 years because the current council tax payers would pay a relative higher charge than council tax payers in the future. For example, if an asset cost £20m to build and has a life of 20 years then there would have been a £1m charged each year on the straight line basis. The annuity method takes into account the time value because £1m today has a higher value (Net Present Value) than £1m in 20 years' time.

Financial Governance, Performance and Risk Management

The Council continues to improve its financial and governance arrangements. Financial Management has improved, performance management has improved, scrutiny has developed and an independent audit committee is operating well.

Finance Business Partners are an integral part of Department Management Teams. They offer financial advice and challenge to Senior Management as part of the process.

The Council's medium term strategy focuses on joining up the individual elements to ensure effective, integrated monitoring and management of:

- Corporate Plan and Priorities
- Benchmarking spend and key performance indicator information
- Revenue budget and spending linked to priorities
- Delivery against revenue delivery plans
- Cost and Volume analysis for Children's and Adult Social Care expenditure
- Delivery of the capital programme

We will continue to build upon the existing reporting template which joins up these core elements. We have an embedded reporting process with quarterly integrated reports (supplemented by monthly scorecards) which will continue to be presented and challenged by:

- Corporate Management Team
- Cabinet
- Scrutiny Committees

In addition, we produce a joint Plymouth City Council and Clinical Commissioning Group monthly finance report to monitor our performance against our aligned net budget for health and wellbeing of circa £495m for 2017/18. This report is a management tool for Cabinet and the Clinical Commissioning Group Board and also the Integrated Commissioning Board.

The Audit Committee will continue to provide an essential role in ensuring that we provide effective governance. In particular, their quarterly meetings will challenge progress made against the annual governance statement, internal and external audit plan, reports and recommendations. In addition, the audit committee has a lead member role in challenging and placing assurance on the Council's Treasury Management arrangements. To ensure that our financial procedures and practices are reviewed, up to date and reflect the operational business requirements and risks that the Council faces, Financial Regulations and levels of Delegated Authority will be submitted to, and approved by our audit committee on an annual basis.

Our internal audit service continues to be provided through the Devon Audit Partnership, a shared service arrangement with Devon County and Torbay Councils. The core objective of this arrangement is to improve the quality and efficiency of audit services.

The Council has created a number of specific reserves and provisions in order to plan in advance for known and anticipated future revenue costs. We will regularly review the appropriateness and use of these reserves throughout each financial year. As a minimum, all specific reserves will be reviewed on an annual basis in as part of the end of year accounting closedown.

A brief description of the purpose of each of our significant reserves and provisions is as follows:

Redundancy Costs

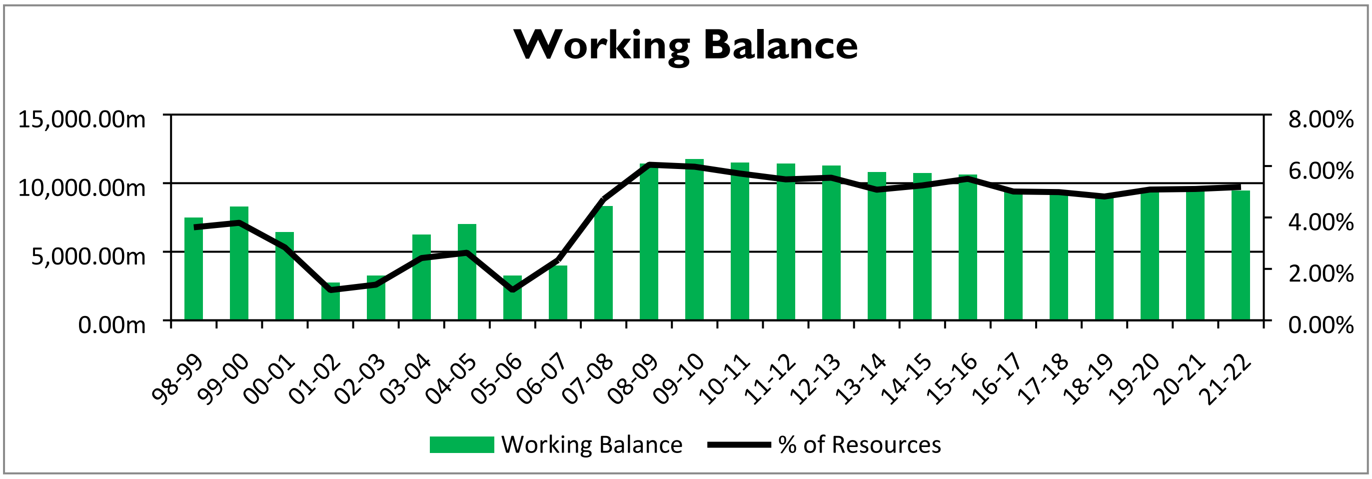
Over recent years, a number of management actions and budget delivery plans have relied on restructuring staffing and/or rationalising management. Whereas the Council is committed to minimising the number of compulsory redundancies unfortunately, on occasions, they are necessary. This specific reserve is set aside to meet with the Council's corporate redundancy costs.

Insurance Fund Reserve

A provision that has been set up to meet the cost of anticipated future insurance claims based on existing known liabilities and estimated future liabilities. It enables the Council to reduce its payments to external insurance providers by transferring some of the risks of small claims to the authority.

Working Balance

The Council's Working Balance is the revenue reserve that is put aside to cover any significant business risks that might arise. This reserve has been steadily built up over the years and was £9.168m as at March 2018. Given the significant constraints that will be placed on public sector spending for the foreseeable future, the Council's reserves should be adequate to cover potential risks. Plymouth has significantly improved its approach to risk management over recent years. Our strategic and operational risk registers are comprehensive and are regularly reported to, discussed and challenged by senior officers and members. Given the size of the financial challenges in 2018/19and beyond it is even more appropriate that we are maintaining this value in our working balance.



For the MTFS period to 2021/22 The MTFS includes movements to ensure the working balance is maintained at 5% of the General fund balance for the period 2019/20 to 2021/22.

The Councils Reserves

The Council holds a number of reserves in the Balance Sheet. The following table outlines the main reserves held at the end of the 2017/18 financial year.

Analysis of Reserves	31 March 2017	31 March 2018
	£000	£000
Usable Reserves		
General Fund Balance	9,352	9,168
Earmarked General Fund Reserves	21,056	25,742
Capital Receipts Reserve	18,600	18,253
Capital Grants and Contributions Unapplied	5,201	6,573
Total Usable Reserves	**54,209**	**59,736**
Unusable Reserves		
Revaluation Reserve	157,167	158,115
Capital Adjustment Account	222,247	218,752
Financial Instruments Adjustment Account	(18,985)	(18,446)
Pensions Reserve	(613,855)	(576,385)
Collection Fund Adjustment Account	(2,336)	(5,756)
Accumulating Compensated Absences Adjustment Account	(2,792)	(2,302)
Deferred Capital Receipts	1,928	227
Available for Sale Financial Instruments Reserve	2,025	2,656
Total Unusable Reserves	**(254,601)**	**(223,139)**
Total Reserves	**(200,392)**	**(163,403)**

General Fund Balance

See note on Working Balance on page 42.

Earmarked General Fund Reserves
Provide financing for future expenditure plans and policy initiatives.

Capital Receipts Reserve
Capital receipts are received by the Council for the sale of assets and the repayment of mortgage loans. 75 per cent of receipts relating to former HRA Right to Buy sales, including mortgage repayments, are paid over to Central Government.

Capital Grants and Contributions Unapplied
The Council receives various grants (mainly from Central Government) and contributions towards the financing of its capital programme each year.

Revaluation Reserve
The revaluation reserve covers gains and losses arising for the revaluation of assets.

Capital Adjustment Account
The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions:

- To finance capital expenditure:
- To be set aside to finance future repayment of debt.

Pensions Reserve
The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

MTFS Risk Register

Risk	Mitigation	Likelihood	Impact	Score
National and local economic situation including revision to scheme - impact on New Homes Bonus	Proactive approach to new development	4	3	12
Change to economic oulook (nationally and locally) –impact on Business Rates income	Proactive approach to new development and promoting business investment in PCC	3	3	9
Economic outlook - impact upon investment returns	Ongoing review of investment policy and use of property fund to maintain returns	3	3	9
Change of Government - 4-year RSG settlement at risk	Work with partners and local governemnt 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	3	5	15
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	3	5	15
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
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	3	9
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
Bank of England interest rate rises	There is a reserve to paritally cover a bank interest rate rise	5	3	15

Medium Term Financial Strategy

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