

PLYMOUTH CITY COUNCIL

Subject: Revenue and Capital Budget 2019/20

Committee: City Council

Date: 25 February 2019

Cabinet Member: Councillor Lowry

CMT Member Andrew Hardingham - Service Director Finance

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Ref:

Key Decision: No

Part: I

Purpose of the report:

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

The Corporate Plan 2018/22:

The 2019/20 Budget sets out the revenue and capital resources available to deliver the Corporate Plan.

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

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

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

The proposed 2019/20 Budget provides the maximum resources achievable to address key policy areas.

Equality and Diversity:

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

Recommendations and Reasons for recommended action:

The City Council is recommended:

1. To approve the proposed net revenue budget requirement for 2019/20 of £186.930m;
2. To consider council tax levels for 2019/20;
3. To approve the total capital budget of £870.007m to 2022/23 (Appendix 3);
4. To note that the Office of the Devon and Cornwall and Isles of Scilly Police Commissioner precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area, will be confirmed at the meeting;
5. To note that the Devon and Somerset Fire and Rescue Authority precepts will be confirmed for 2019/20 at the meeting;
6. To note the Section 151 Officer's statement on the Budget Robustness Statement as set out in section 2 of this report;
7. To approve the annual Treasury Management Strategy and Capital Strategy 2019/20 (incorporating the authorised limits, operational boundaries and prudential indicators) as submitted (Appendix 5);
8. To note the Revenue and Capital Monitoring Report Quarter Three 2018/19 (Appendix 6);
9. To note the response to the recommendations made by the Budget Scrutiny Select Committee (Appendix 7);
10. To delegate responsibility for any technical accounting changes which may arise after the budget to the Section 151 Officer in consultation with the Leader and Portfolio Holder for Finance and IT.

Alternative options considered and rejected:

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

Published work / information:

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Medium Financial Strategy 2018/19 to 2020/21 (Council Report 19 November 2018).	X								
Treasury Management Strategy (Audit Committee 10 December 2018).	X								
Capital Strategy (Audit Committee 10 December 2018).	X								
Corporate Plan.									
Council Tax Base Setting (28 January 2019).									
Budget Scrutiny Select Committee (30 and 31 January 2019).									

Sign off:

Fin	djn.18.19.213	Leg	lt/32033/3/1402	Mon Off		HR		Assets		IT		Strat Proc
Originating CMT Member Andrew Hardingham												
Has the Cabinet Member(s) agreed the content of the report? Yes												

I. Background

- 1.1 This report sets out the decisions of Cabinet of 12 February 2019 to recommend a Revenue Budget for 2019/20 and Capital Budget through to 2022/23. In addition, Council is recommended to approve the Treasury Management Strategy Statement and Capital Strategy 2019/20 (as required by the CIPFA Code of Practice), including changes to the prudential indicators. Council is also asked to note the latest Revenue and Capital Monitoring Reports for 2018/19 as at the end of quarter three.
- 1.2 The report to Cabinet set out in detail the latest budget position and budget gap and set out the impact of new and emerging pressures offset by savings and efficiencies to reach a revised budget gap.
- 1.3 Council is required to set the Council Tax amounts for 2019/20. The precept notification from the office of the Police and Crime Commissioner for Devon, Cornwall and the Isles of Scilly, and the precept for the Devon and Somerset Fire and Rescue Service will be included as part of the Council Tax Resolution for 2019/20.
- 1.4 The final 2019/20 Local Government Finance Settlement was announced on 29 January 2019 and confirmed the previously announced figures.
- 1.5 The Section 151 Officer is required to make an assessment as to the robustness of the budget and adequacy of the council's reserves. A detailed assessment is set out in section 2 of this report.
- 1.6 The following appendices are included with this report:
 - Appendix 1 Budget Build by Directorate and Department;
 - Appendix 2 Council Tax Resolution (to be tabled at the meeting);
 - Appendix 3 Capital Budget;
 - Appendix 4 Revenue and Capital Budget 2019/20 report;
 - Appendix 5 Treasury Management Strategy Statement and Capital Strategy 2018/19;
 - Appendix 6 Capital and Revenue Monitoring Report 2017/18 Quarter 3;
 - Appendix 7 Cabinet's response to the scrutiny recommendations and the scrutiny report.

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

- 2.1 Section 25 of the Local Government Act 2003 requires the Section 151 Officer (Service Director for Finance) to formally report to Council as part of the tax setting report their view on the minimum level of reserves available to the general fund and on the robustness of estimates used on the budget setting process. The Council is required to take these views into account when setting the Council Tax at its meeting on 25 February 2019.
- 2.2 In addition our auditors, Grant Thornton UK LLP will be asking me, in my capacity as the Council's S151 officer, to provide an assurance statement at the time the audit opinion is issued declaring that Plymouth City Council is a "going concern"¹ for the twelve month period from the date of the audit opinion being issued.

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

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

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

2.4 In coming to a view as to the robustness of the 2019/20 budget, the Section 151 Officer has taken account of the following:-

- Preparation has been subject to rigorous review throughout the budget process both in terms of reasonableness and adequacy. This process takes account of previous and current spending patterns in terms of base spending plans and the reasonableness and achievability of additional spending to meet increasing or new service pressures. This is a thorough process involving both financial and non-financial senior managers throughout the Council;
- Significant financial pressures experienced in 2018/19 and in the previous year (2017/18) including the application of one off use of reserves and other financing solutions have, where appropriate, been recognised in preparing the 2019/20 budget, or are subject to further actions to enable them to be delivered. It should be noted that without the use of one off year end financing facilities overspends would have occurred in both these years: 2016/17 £1.3m and 2017/18 £3.4m. At the time of writing the forecast outturn for 2018/19 is an overspend of £1.3m;
- Since the draft MTFS was approved in November 2018 and the initial Budget proposals were approved in January 2019, work has been undertaken to reduce some of the risks in the budget and to place less reliance on the use of “one off” financing solutions. The need to balance resource requirements against efficiency targets whilst ensuring front line service provision is not compromised continues to remain a concern;
- I have taken a risk-based assessment of the areas which could have a major impact on the Council’s finances. This approach has taken into account the type of risk, the potential magnitude of the financial risk and a judgement as to how likely the issue is to arise. I have set out below key risks that the council needs to be aware of and monitor closely during the years to ensure appropriate mitigations are in place;
- In addition to specific directorate risks, the collection of Council Tax and generation of Business Rates yields are two key risks which need to be closely monitored. The target collection rate as set in the council tax base for council tax (98%) has been downgraded by 0.5% based on evidence of prior year collection rates due to the impact of universal credit.

Financial Risks to be addressed

- 2.5 It is important to note that 2018/19 has been and continues to be a challenging year. Demand for services, particularly children's and adults' has continued to increase and in the case of Children's Services, exceeded the cost forecasts used when preparing the budget, seeing an unprecedented 16% increase in costs in-year. In addition opportunities to realise some savings targets have not materialised as forecast. It was important therefore to reassess these targets during the year in order to create a more robust budget going forward into 2019/20.
- 2.6 With regards to Adult Services the Council has, in 2018/19, already exercised its full powers to raise additional council tax through the precept. Demand and cost continues to grow at a rate that outstrips income received. For 2019/20 continuing demographic growth pressures plus the rise in the National Living Wage rate adds £20.2m of additional costs to the service. With additional funding from grants totalling £18.3m, this leaves a funding gap of £1.9m which is being met through other council resources.
- 2.7 As the S151 officer, in my opinion the current model for funding locally provided care services (both adults and children's) is fundamentally unsustainable. Whilst this is outside of the control of the council, the Council will need to address these issues in the next MTFs as the Fair Funding Review and Business Rates devolution is introduced as the new funding model for local government.
- 2.8 The Asset Investment Fund continues to deliver a positive yield. Whilst the current strategy delivers, borrowing costs are forecast to increase whilst market investment returns are not forecast to grow.
- 2.9 The council has sustained significant revenue losses through not maximising council tax income in previous years. The Council cannot afford not to increase council tax to the maximum allowable. As a consequence of previous council tax decisions the Council has reduced spending power to the sum of £9m that would otherwise have been available to fund core services.
- 2.10 Specific grants continue to fall and there is considerable uncertainty over the future funding model (devolution of rates).
- 2.11 I have undertaken a comprehensive review of reserves and balances and consider these to be adequate should the council deliver within the proposed budget. However, it should be noted that an overspend of 1% in any year would reduce general balances by 20% unless alternatively funded.
- 2.12 The Council's financial controls are set out in the Council's Financial Regulations. These provide a significant degree of assurance as to the strength of financial management and control arrangements throughout the Council. The Council has a well-established framework for financial reporting at directorate, corporate and Cabinet levels. Given the scale of the budget challenges and the number of actions that need to be implemented to ensure the budget is on track, Cabinet will continue to monitor budget performance on a quarterly basis with monthly reports being provided to Portfolio holders and Scrutiny Committee Members.

2.13 In the context of the above, the Section 151 Officer considers the proposed budget which has been developed following input and reviews with Directors and other officers and Members, including Cabinet, for 2019/20 as sound and that the level of reserves are adequate for the next financial year given a clear understanding of the following:

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

2.14 The Section 151 Officer is aware that the ongoing reduction to both general and specific government grant for local government will continue to have an impact upon Plymouth's finances. The MTFs will be reviewed and updated on a quarterly basis to identify and address future funding, service and operational pressures. The delivery of future transformational savings by Directorates (as set out in the MTFs) is essential to ensure future years' budgets can be declared as robust.

Key risk areas:

- Demand for care services with particular focus on Children's services;
- The exposure to interest rate increase risks;
- The use of one off financing options to in the short term mitigate against long term sustainable delivery plans under development;
- An overspend at the end of 2018/19;
- The "do everything" rather than "focus on" approach to service delivery;
- National and local economic factors translating into increased demand for unfunded services e.g. homelessness, welfare benefit support, unrecoverable debt and levels of tax collection;
- The uncertainty concerning the UK's exit arrangements from Europe.

2.15 The Section 151 Officer is satisfied that the risks set out in the MTFs and contained within the 2019/20 budget adequately reflect the fiscal challenges facing the Council. The S151 Officer will be monitoring closely the revised and new savings targets.

3 Resources

3.1 The Budget Development report presented to Cabinet on 15 January 2019 provided an update on the Medium Term Financial Plan and the Provisional Local Government Finance Settlement and the Budget Report presented to Cabinet on 12 February 2019 recommended the revenue and capital budgets to Council.

3.2 The Budget Report summarised the ongoing reduction to the Council's Revenue Support Grant and other pressures – in particular within Social Care where the Council has increased cost pressures of £12.599m but received additional resources of £6.305m leaving a gap of £6.294m.

3.3 There are also a number of specific grants that are already included in service budgets which were announced as part of the Provisional Settlement. Grant reductions have to be borne by those services. These include a reduction of £0.405m in the Public Health grant from £15.330m to £14.925m and a reduction of £0.097m in the grant subsidy for housing benefit.

3.4 In summary Plymouth has £13.586m of increased pressure in 2019/20 due to reductions or insufficient increases in Government grant funding. These are;

Revenue Support Grant	£6.790m
Public Health Grant	£0.405m
Housing Benefit Grant	£0.097m
Adult and Children's Social Care	
(Cost increases less additional grant funding)	£6.294m
Total	£13.586m

3.5 Table I below sets out a summary of Plymouth's resource assumptions through to 2021/22 based on the Local Government Finance Settlement.

Table I – Revenue Resource Assumptions

	2019/20 Settlement £m	2020/21 Forecast £m	2021/22 Forecast £m
Revenue Support Grant (RSG)	9.533	5.567	0.000
Council Tax	108.228	111.288	114.636
Business Rates	64.391	66.176	66.790
Total Revenue Resources Available	182.152	183.031	181.426
New Homes Bonus	4.026	3.292	2.270

4 Cost Pressures and Budget Savings

- 4.1 The City Council has to plan for a number of unavoidable costs pressures which form part of the base budget. The Medium Term Financial Strategy (MTFS) set out these costs and set out the principle that wherever possible services have to absorb the increased cost of service demand and inflation.
- 4.2 Cabinet Portfolio Members and Officers have worked to identify savings proposals to offset these increased budget pressures.
- 4.3 The cost pressures and budget savings were outlined in the budget report to Cabinet on 13 February 2018 – and are attached to this report.

5 Budget

- 5.1 As set out in the report to Cabinet on 12 February 2019 a summary of the MTFS and budget Gap of £4.778m in 2019/20 is shown in table 4.

Table 2 – Budget Gap

	2019/20	2020/21	2021/22
	£m	£m	£m
	FORECAST		
REVENUE RESOURCES AVAILABLE	182.152	183.031	181.426
Baseline spend requirement	185.556	182.152	183.031
Plus identified additional costs	17.395	11.218	9.380
Overall spend requirement	202.951	193.370	192.411
Savings	16.021	2.939	-0.822
REVISED SPENDING FOR YEAR	186.930	190.431	193.233
Budget Gap	4.778	7.400	11.807

5.2 The budget by Directorate is shown in appendix I and compares the 2018/19 budget to the proposed 2019/20 budget with increased costs and savings for each service.

6 Closing the Budget Gap 2018/19

6.1 As identified in table 4 above, after taking into account the resources available to the Council and unavoidable costs pressures there is a budget gap of £4.778m in 2019/20.

Recommendation and Options to Close the Budget Gap

6.2 The options to close the gap include:

- Use of additional provisions or reserves. This option is not recommended by the Section 151 Officer as the use of balances in any year is a one-off saving.
- Further efficiencies could be sought. Due to the high value of efficiencies already identified and the existing service pressures this is not a recommended approach at this stage of the financial year.
- The referendum limit for a council tax increase is 2.99%. Each additional 1% of Council Tax will generate approximately £1.0m.
- Savings arising from debt rescheduling opportunities including a reduction in the pension deficit charge of £1.448m

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

7. Dedicated Schools Grant (DSG)

- 7.1 The Dedicated Schools Grant (DSG) is a specific grant received by the Council and predominantly funds schools to undertake their work. In 2017/18, schools in Plymouth were funded between £7m and £7.5m lower than the national average, based on benchmarking data. Central Government commenced implementation of the National Funding Formula in 2018/19. Plymouth Schools Block funding has increased under the National Funding Formula. Plymouth's Schools Block allocation was £149m in 2018/19 and £154m in 2019/20.
- 7.2 Plymouth's schools benefit from the National Funding Formula from 2018/19. However, Plymouth schools have experienced years of underfunding and will not see the total impact of the National Funding Formula until it is fully implemented in 2020/21.
- 7.3 In relation to the High Needs Block, again part of the DSG, Plymouth received £29.8m in 2018/19, this includes an additional £0.55m high needs funding that was announced by Central Government in December 2018. Plymouth's initial allocation for 2019/20 is £30m. However, this is a budget under pressure due to a significant increase in the need for special school places, children requiring a higher level of support and an increase in the cost of independent school places.

8. Capital Programme

- 8.1 The Plymouth Plan remains the principal driver for the Council's capital programme. It contains the most ambitious set of proposals this City has ever seen. Primarily through its planning vehicle, the Plymouth and South West Devon Joint Local Plan, there are proposals to build 26,700 new homes across the area, create 13,200 new jobs, and to undertake an unprecedented major investment programme in modernising infrastructure including transport, schools and green spaces.
- 8.2 This investment will enable Plymouth to become the key economic driver for the far South West; will prepare the Council to show the world how to celebrate for Mayflower 2020 and develop a series of interventions as a legacy for Mayflower; and will ensure that communities and businesses have the facilities they need to continue to thrive and prosper. The investment will enable growth within the economy as well as a significant level of new housebuilding and will therefore assist in generating additional business rates, Council Tax, New Homes Bonus and Community Infrastructure Levy.
- 8.3 The Council's Capital Programme consists of the approved capital projects the Council intends to deliver over a five year period. Details of the Capital Programme are set out in the Budget Report to Cabinet on 12 February and is appended to this report.

Plymouth City Council General Fund Budget 2019/20

			Budget 18/19			Budget 2019/20				
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget	
Executive Office	Chief Executives Office	Policy & Intelligence	0.403	0.000	0.403	0.000	0.000	0.000	0.403	
		Communications and Engagement	0.555	(0.057)	0.499	0.000	0.000	0.000	0.499	
		Civic Events	0.175	(0.015)	0.160	0.000	0.000	0.000	0.160	
		Performance	0.563	0.000	0.563	0.000	0.000	0.000	0.563	
		Total Chief Executives Office	1.697	(0.071)	1.626	0.000	0.000	0.000	1.626	
	Business Support	Departmental Support	0.831	(0.068)	0.764	0.000	(0.044)	0.000	0.720	
	Electoral Function	Electoral Function	0.701	(0.002)	0.699	0.000	(0.031)	0.000	0.668	
	Members	Members	1.020	0.000	1.020	0.000	0.000	0.000	1.020	
		Neighbourhood Inits and Comm Grants	0.290	(0.019)	0.271	0.000	0.000	0.000	0.271	
		Total Members	2.841	(0.088)	2.753	0.000	(0.075)	0.000	2.678	
	Legal	Legal	2.004	(0.489)	1.515	0.000	(0.089)	0.000	1.426	
Total Executive Office			6.542	(0.648)	5.894	0.000	(0.164)	0.000	5.730	
People	Children,Young People,Families	QA Safeguarding and Bus Suppt	3.642	0.096	3.738	0.000	0.000	0.000	3.738	
		Permanency	7.902	(0.131)	7.771	0.000	0.000	0.000	7.771	
		CAMHS Specialist Services	0.653	(0.045)	0.609	0.000	0.000	0.000	0.609	
		Childrens Social Work	3.813	0.000	3.813	0.000	0.000	0.000	3.813	
		Plymouth Referral and Assmnt	3.325	(0.469)	2.857	0.000	0.000	0.000	2.857	
		Adoption	3.698	(0.335)	3.363	0.000	0.000	0.000	3.363	
		Children in Care	10.837	(1.217)	9.621	5.700	(3.609)	(0.300)	11.412	
		Targeted	4.563	(1.466)	3.097	0.000	0.000	0.000	3.097	
		Total Children,Young People,Families	38.434	(3.566)	34.868	5.700	(3.609)	(0.300)	36.659	
	Strategic Commissioning	Service Delivery	84.158	(21.400)	62.758	6.899	0.000	0.000	69.657	
		Commissioning	15.268	(6.543)	8.725	0.000	(4.215)	(0.550)	3.960	
		Leisure Management	2.649	(0.098)	2.551	0.000	0.000	0.000	2.551	
		Management and Transformation	2.503	(7.625)	(5.122)	0.000	0.000	0.000	(5.122)	
		Social Care contract	6.861	0.000	6.861	0.000	0.000	0.000	6.861	
		Childrens Commissioning	5.285	(0.419)	4.866	0.000	0.000	0.000	4.866	
	Total Strategic Commissioning	116.724	(36.085)	80.639	6.899	(4.215)	(0.550)	82.773		
	Education Participation Skills	SEND	24.162	(19.952)	4.210	0.000	0.000	0.000	4.210	
		School Improvement	2.371	(1.636)	0.735	0.000	0.000	0.000	0.735	
		School Support	3.381	(3.428)	(0.047)	0.000	0.000	0.000	(0.047)	
		Schools	65.230	(65.230)	0.000	0.000	0.000	0.000	0.000	
		External	1.808	(1.808)	0.000	0.000	0.000	0.000	0.000	
		Skills and Employability	0.287	0.000	0.287	0.000	0.000	0.000	0.287	
		Schools Access Planning	5.479	(0.729)	4.750	0.000	(0.460)	0.000	4.290	
		Sports Development	0.370	(0.142)	0.228	0.000	0.000	0.000	0.228	
	Total Education Participation Skills	103.089	(92.926)	10.164	0.000	(0.460)	0.000	9.704		
	Community Connections	Community Connections Access	2.637	(0.783)	1.855	0.000	0.000	0.000	1.855	
		Community Connections Localities	1.439	(0.819)	0.620	0.000	0.000	0.000	0.620	
		Communities Connections Youth	0.568	(0.055)	0.513	0.000	0.000	0.000	0.513	
		Management	(0.186)	0.000	(0.186)	0.000	(0.030)	0.000	(0.216)	
		Total Community Connections	4.459	(1.657)	2.802	0.000	(0.030)	0.000	2.772	
	Management and Support People	Management and Support People	0.217	0.000	0.217	0.000	0.000	0.000	0.217	
	Total People			262.923	(134.233)	128.689	12.599	(8.314)	(0.850)	132.124

Plymouth City Council General Fund Budget 2019/20

			Budget 18/19			Budget 2019/20				
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget	
Place	Economic Development	Management & Support	0.565	(0.406)	0.159	0.044	0.000	0.000	0.203	
		Business Parks	0.361	(0.823)	(0.462)	0.000	0.000	0.000	(0.462)	
		Mount Edgcombe	0.787	(0.705)	0.082	0.000	0.000	0.000	0.082	
		Museum Services	3.276	(1.983)	1.294	0.000	0.000	0.000	1.294	
		Land and Property	5.608	(9.293)	(3.685)	0.160	(0.200)	0.000	(3.725)	
		Events & Tourist Information	3.042	(2.210)	0.832	0.000	(0.050)	0.000	0.782	
		Enterprise and employment	0.955	(0.373)	0.582	0.000	0.000	0.000	0.582	
		Theatre and Entertainments	0.415	0.000	0.415	0.000	0.000	0.000	0.415	
		Arts & Cultural Development	0.050	0.000	0.050	0.000	0.000	0.000	0.050	
		Strategic Projects Development	0.639	(0.321)	0.318	0.000	0.000	0.000	0.318	
		City Deal	0.474	(0.456)	0.018	0.327	0.000	0.000	0.345	
	Total Economic Development			16.171	(16.569)	(0.398)	0.531	(0.250)	0.000	(0.117)
	Strategic Planning	SP&I Core Budgets	7.790	(3.644)	4.146	0.000	0.050	0.000	4.196	
		SP&I Projects	1.318	(1.318)	0.000	0.000	0.000	0.000	0.000	
		SP&I Transport Revenue	5.735	(0.330)	5.406	0.000	0.150	0.000	5.556	
		Total Strategic Planning	14.843	(5.292)	9.552	0.000	0.200	0.000	9.752	
	Street Services	Highways Parking and Marine Sv	8.841	(6.380)	2.461	0.000	(0.150)	0.000	2.311	
		Street Scene & Waste Services	34.371	(19.305)	15.066	0.000	(0.050)	0.000	15.016	
		Garage	0.996	(1.010)	(0.014)	0.000	(0.050)	0.000	(0.064)	
		Fleet Hire	2.800	(2.615)	0.185	0.000	(0.050)	0.000	0.135	
		Total Street Services	47.008	(29.310)	17.698	0.000	(0.300)	0.000	17.398	
	Management and Support - Place	Management and Support	0.213	(0.169)	0.044	0.000	(0.313)	0.000	(0.269)	
		Business Support	0.365	(0.088)	0.277	0.000	0.000	0.000	0.277	
		GAME Transformation	0.000	(3.487)	(3.487)	0.000	0.000	(0.539)	(4.026)	
		Suspense	0.001	0.000	0.001	0.000	0.000	0.000	0.001	
		Total Management and Support - Place	0.578	(3.744)	(3.166)	0.000	(0.313)	(0.539)	(4.018)	
	Total Place			78.601	(54.915)	23.686	0.531	(0.663)	(0.539)	23.015
Public Health	Public Health	Prescribed Functions	7.811	0.000	7.811	0.000	0.000	(0.368)	7.443	
		Non-Prescribed Functions	7.805	(0.286)	7.519	0.000	0.000	(0.037)	7.482	
		ODPH Funding Streams	0.000	(15.330)	(15.330)	0.000	0.000	0.405	(14.925)	
		Total Public Health	15.616	(15.616)	0.000	0.000	0.000	0.000	0.000	
	Operational and Development	PPS Management	0.099	(0.043)	0.056	0.000	(0.178)	0.000	(0.122)	
		PPS Technical Support	0.144	0.000	0.144	0.000	0.000	0.000	0.144	
		Total Operational and Development	0.242	(0.043)	0.199	0.000	(0.178)	0.000	0.021	
	Trading Standards	Trading Standards	0.436	(0.016)	0.420	0.000	0.000	0.000	0.420	
	Environ Health (Food & Safety)	Environ Health (Food & Safety)	0.432	(0.033)	0.399	0.000	0.000	0.000	0.399	
	Bereavement Services	Contracts Cems & Crems	0.984	(2.721)	(1.737)	0.000	(0.050)	0.000	(1.787)	
		Cems & Crems Improvements	0.130	(0.130)	0.000	0.000	0.000	0.000	0.000	
		Total Bereavement Services	1.981	(2.899)	(0.918)	0.000	(0.050)	0.000	(0.968)	
	Licensing	Licensing	0.310	(0.396)	(0.087)	0.000	0.000	0.000	(0.087)	
	Environmental Protection	Neighbourhood & Enviro Quality	0.566	(0.135)	0.431	0.000	0.000	0.000	0.431	
		Enviro Protection & Monitoring	0.000	(0.005)	(0.005)	0.000	0.000	0.000	(0.005)	
		Total Environmental Protection	0.876	(0.536)	0.339	0.000	0.000	0.000	0.339	
	Civil Protection Unit	Civil Protection Unit	0.184	(0.047)	0.138	0.000	0.000	0.000	0.138	
	Total Public Health			18.899	(19.141)	(0.242)	0.000	(0.228)	0.000	(0.470)

Plymouth City Council General Fund Budget 2019/20

Plymouth City Council General Fund Budget 2019/20			Budget 18/19			Budget 2019/20			
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget
Finance	Finance	Assistant Director for Finance	(0.950)	0.000	(0.950)	0.000	0.361	0.000	(0.589)
		Head of Integrated Finance	0.749	0.000	0.749	0.000	(0.037)	0.000	0.712
		External Audit	0.128	0.000	0.128	0.000	0.000	0.000	0.128
		Treasury Management	8.121	(1.609)	6.511	0.000	(1.522)	0.000	4.989
		Head of Commercial Finance	0.912	(0.142)	0.771	0.000	(0.044)	0.000	0.727
		Financial Planning and Rpting	1.454	(0.557)	0.896	0.000	(0.082)	0.000	0.814
		Internal Audit	0.620	(0.039)	0.581	0.000	(0.025)	0.000	0.556
		Soft FM	2.667	(0.894)	1.773	0.000	(0.132)	0.000	1.641
		Hard FM	9.220	(1.028)	8.192	0.000	(0.033)	0.000	8.159
		Project and Contract Services	0.614	(0.461)	0.153	0.000	(0.030)	0.000	0.123
Total Finance			23.534	(4.730)	18.804	0.000	(1.544)	0.000	17.260
Customer and Corporate Service	Customer Services	Customer Services	3.790	(2.657)	1.134	0.000	(0.159)	0.000	0.975
		Library Service	2.459	(0.604)	1.854	0.000	(0.092)	0.000	1.762
		Revenues & Benefits	84.568	(85.008)	(0.440)	0.000	0.000	0.000	(0.440)
		Registration Service	0.597	(0.502)	0.095	0.000	(0.031)	0.000	0.064
		Service Centre	2.197	(1.066)	1.131	0.000	(0.216)	0.000	0.915
		Coroner	0.696	(0.070)	0.626	0.000	(0.009)	0.000	0.617
		Total Customer Services	94.308	(89.907)	4.400	0.000	(0.507)	0.000	3.893
	Human Resources & OD	OD & Talent	0.727	(0.052)	0.675	0.000	(0.034)	0.000	0.641
		HR & OD Management	0.176	0.000	0.176	0.000	(0.006)	0.000	0.170
		HR Specialist Services	0.715	(0.001)	0.714	0.000	(0.032)	0.000	0.682
		Health, Safety & Wellbeing	0.355	(0.009)	0.346	0.000	(0.017)	0.000	0.329
	Total Human Resources & OD	1.974	(0.062)	1.911	0.000	(0.089)	0.000	1.822	
	Departmental Management	Director for Corporate Service	0.056	0.000	0.056	0.150	0.095	0.000	0.301
	ICT	ICT	7.226	(0.455)	6.771	0.300	0.000	0.000	7.071
		Migrations to DELT	0.936	(0.052)	0.884	0.000	0.000	0.000	0.884
	Total ICT	8.219	(0.507)	7.711	0.450	0.095	0.000	8.256	
	Transformation	Transformation	1.223	(0.003)	1.220	0.000	(0.137)	0.000	1.083
Total Customer and Corporate Service			105.723	(90.479)	15.243	0.450	(0.638)	0.000	15.055
Corporate Finance	Corporate Items	Pensions, PFI, iBCF and Other	(6.094)	0.000	(6.094)	3.815	(0.420)	(2.661)	(5.360)
		Corporate Items Budget Savings	(0.424)	0.000	(0.424)	0.000	0.000	0.000	(0.424)
Total Corporate Finance			(6.518)	0.000	(6.518)	3.815	(0.420)	(2.661)	(5.784)
Total General Fund			489.704	(304.147)	185.556	17.395	(11.971)	(4.050)	186.930

Council Tax Resolution

To be distributed separately.

Appendix 3

Capital Budget

Capital Budget 2018 - 2023

Funding Source	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts (Ring Fenced)	977	808	-	-	-	1,785
Un-ring-fenced Grants	2,516	4,003	2,750	-	-	9,269
Ring-fenced Grants	29,546	33,795	14,388	172	172	78,073
Borrowing	110,153	76,568	38,393	12,236	2,000	239,350
Section 106 - Negotiated Obligations and Tariff	2,889	9,887	6,144	60	-	18,980
Developer Contributions	10	2,149	2,704	-	-	4,863
External Contributions	218	792	-	-	-	1,010
Internal Funds / Revenue	406	2,014	30	-	-	2,450
Totals:	146,715	130,016	64,409	12,468	2,172	355,780

Capital Programme By Outcome 2018 - 2023

Approved Capital Programme	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	£000	£000	£000	£000	£000	£000
Celebrating Mayflower						
Mayflower 400 - Public Realm Improvements	120	964	-	-	-	1,084
Mayflower 400 - Public Realm Enabling	794	2,010	512	-	-	3,316
Mayflower 400 - Elizabethan House	250	814	398	-	-	1,462
Mayflower 400 - IT and CRM Systems	-	310	-	-	-	310
Mayflower 400 - Waterfront Event Infrastructure	10	190	-	-	-	200
Total Celebrating Mayflower	1,174	4,288	910	0	0	6,372
Connecting the City						
Mayflower Coach Station	-	20	-	-	-	20
Electric Car Charge Points	8	-	-	-	-	8
Cot Hill Bridge	20	735	25	-	-	780
Plymouth Rail Station Regeneration	821	14,925	10,982	22	-	26,750
Total Connecting the City	849	15,680	11,007	22	0	27,558
Delivering More/Better Housing						
Self Build Housing Sites - Maidstone Place	74	-	-	-	-	74
Self Build Housing Sites - Lancaster Gardens	-	115	-	-	-	115
Former Whitleigh Community Centre	154	-	-	-	-	154
North Prospect Phase 5	-	950	-	-	-	950
Bath Street	226	100	1,733	-	-	2,059
Plan for Homes	472	260	-	-	-	732
Demolitions for Housing	472	-	-	-	-	472
Extra Care Housing Support Millbay	-	450	-	-	-	450
How Street Specialist Housing Programme	-	238	-	-	-	238
Total Delivering More/Better Housing	1,398	2,113	1,733	0	0	5,244
Delivering Oceansgate						
Oceansgate Remediation/separation works	2,037	-	-	-	-	2,037
Oceansgate - Phase 1 Direct Development	502	141	-	-	-	643
Oceansgate - Phase 2 Direct Development	1,015	8,599	4,731	-	-	14,345
Oceansgate - Phase 2 Infrastructure	1,239	-	-	-	-	1,239
Total Delivering Oceansgate	4,793	8,740	4,731	0	0	18,264

Delivering The Box						
The Box	12,790	15,333	1,028	-	-	29,151
Total Delivering The Box	12,790	15,333	1,028	0	0	29,151
Ensuring Essential City Infrastructure						
King George V Pedestrian and Walking Cycle Route	40	250	-	-	-	290
Bus Punctuality improvement plan (BPIP)	14	-	-	-	-	14
Prince Maurice Road Junction Improvements	120	-	-	-	-	120
SI06 Transport Schemes	32	673	-	-	-	705
Derriford Community Park	82	91	-	-	-	173
European Marine Sites - Recreational Behaviour Changing Measures	10	40	55	-	-	105
Glenside GP Surgery	83	-	-	-	-	83
Home Energy	166	80	80	60	-	386
Warm Homes	250	388	-	-	-	638
Civic Centre District Energy	97	689	-	-	-	786
Development Funding	-	500	-	-	-	500
Capitalised Maintenance Schemes	6,350	5,394	2,000	2,000	2,000	17,744
Local Safety Schemes	190	103	-	-	-	293
Living Streets	177	19	-	-	-	196
Keep Plymouth Moving	145	370	-	-	-	515
Visitor Signage	86	-	-	-	-	86
Flood defence Works	39	-	-	-	-	39
West Hoe Pier	5	78	-	-	-	83
Mount Edgcumbe Capital Projects	805	522	-	-	-	1,327
Total Ensuring Essential City Infrastructure	8,691	9,197	2,135	2,060	2,000	24,083
Ensuring Good Quality School Places						
Pennycross Basic Need	22	-	-	-	-	22
Pomphlett Basic Need	1,657	700	-	-	-	2,357
Oreston Academy Basic Need	10	-	-	-	-	10
Yealmpstone Farm Primary School Basic Need	1,500	-	-	-	-	1,500
Woodford Primary School - Decking	49	-	-	-	-	49
Total Ensuring Good Quality School Places	3,238	700	0	0	0	3,938
Growing the Economy						
Social Enterprise Fund	338	239	-	-	-	577
Langage Development Phase 2	1,683	-	-	-	-	1,683
39 Tavistock Place	-	-	30	-	-	30
Total Growing the Economy	2,021	239	30	0	0	2,290
Improving neighbourhoods and delivering community infrastructure / facilities						
Barne Barton general amenity improvement	-	-	164	-	-	164
Active Neighbourhoods	64	25	-	-	-	89
Infrastructure Works at Honicknowle	-	26	-	-	-	26
Derriford Community Park	292	301	-	-	-	593
Play Pitch Projects	332	715	-	-	-	1,047
Central Park Improvements & Sports Plateau	2,810	2,246	-	-	-	5,056
Improving Outdoor Play	345	741	-	-	-	1,086
Dunstone Woods	-	13	-	-	-	13
Manadon Play Pitches	1,555	-	-	-	-	1,555
Plympton Swimming Pool	70	-	-	-	-	70
Children Centres	-	250	-	-	-	250
Total Improving neighbourhoods and delivering community inf	5,468	4,317	164	0	0	9,949

Securing Growth in Derriford and Northern Corridor						
Forder Valley Link Road	4,520	9,721	26,011	10,046	-	50,298
Forder Valley Interchange	512	5,647	2,648	-	-	8,807
Derriford Transport scheme	1,777	-	-	-	-	1,777
Sendalls Way Junction Improvements	300	-	-	-	-	300
Charlton Road	444	350	-	-	-	794
Northern Corridor Junction Improvements	1,580	-	-	-	-	1,580
Purchase of Properties in the North of Plymouth	1,100	875	-	40	-	2,015
Morlaix Drive Access Improvements	466	3,260	1,000	-	-	4,726
Northern Corridor Strategic Cycle Network	333	2,209	-	-	-	2,542
Woolwell to The George	218	32	-	-	-	250
Total Securing Growth in Derriford and Northern Corridor	11,250	22,094	29,659	10,086	0	73,089
Securing Growth in the City Centre and Waterfront						
Devonport Market High Tech 'Play Market'	200	1,775	-	-	-	1,975
Charles Cross	1,777	5,298	-	-	-	7,075
Public Realm Schemes	295	11,121	-	-	-	11,416
Millbay Boulevard & Associated Works	2,811	2,750	-	-	-	5,561
Cobourg House	248	-	-	-	-	248
Quality Hotel	10	308	-	-	-	318
Colin Campbell Court	234	369	371	-	-	974
Plymouth City Market Major Refurbishment	32	-	-	-	-	32
City Centre Shop Fronts Grant Scheme	64	176	-	-	-	240
Total Securing Growth in the City Centre and Waterfront	5,671	21,797	371	0	0	27,839
Securing Growth in the Eastern Corridor						
Eastern Corridor Junction Improvements	1,000	3,526	-	-	-	4,526
Eastern Corridor Strategic Cycle Network	727	1,057	1,435	-	-	3,219
A379 Pomphlett to the Ride	-	150	240	120	-	510
Total Securing Growth in the Eastern Corridor	1,727	4,733	1,675	120	0	8,255
Transforming Services						
Street lighting bulb replacement	86	-	-	-	-	86
Street Services Information Management System	380	10	-	-	-	390
Highways Information Management System	15	-	-	-	-	15
Fleet Replacement	420	352	-	-	-	772
Chelson Meadow Closure & Leachate Plant Upgrade	259	-	-	-	-	259
Asset Investment Fund	77,055	8,666	5,740	8	-	91,469
Highway Works At The Former Seaton Barracks Site	661	-	-	-	-	661
Barbican Footbridge	169	-	-	-	-	169
Disabled Facilities	2,299	-	-	-	-	2,299
Schools Condition Works	3	-	-	-	-	3
Bayview Electrical Safety Works	44	-	-	-	-	44
SEN Access and Safeguarding	12	-	-	-	-	12
Schools Devolved Formula & Projects	350	313	172	172	172	1,179
St Budeaux Library	241	304	-	-	-	545
ICT	2,103	4,255	210	-	-	6,568
Corporate Asset Lifecycle Maintenance	395	318	-	-	-	713
Corporate Heritage Maintenance	44	-	-	-	-	44
Other Corporate Property	1,225	749	-	-	-	1,974
Transformation Accommodation	611	-	-	-	-	611
Boiler Replacement Programme for Council Properties	100	45	-	-	-	145
Bereavement Infrastructure	1,173	5,773	4,844	-	-	11,790
Total Transforming Services	87,645	20,785	10,966	180	172	119,748
TOTAL CAPITAL PROGRAMME	146,715	130,016	64,409	12,468	2,172	355,780
Forecast future income streams	18,406	111,254	139,714	182,779	62,074	514,227
GRAND TOTAL	165,121	241,270	204,123	195,247	64,246	870,007

PLYMOUTH CITY COUNCIL

Subject: Budget 2019/20
Committee: Cabinet
Date: 12 February 2019
Cabinet Member: Councillor Lowry
CMT Member: Andrew Hardingham - Service Director Finance
Author: Paul Looby (Head of Financial Planning and Reporting)
Contact details: Tel 01752 3307271
paul.looby@plymouth.gov.uk
Ref:
Key Decision: Yes
Part: I

Purpose of the report:

Under the Council's Constitution, Cabinet is required to recommend the 2019/20 Budget to Council.

The Corporate Plan 2018/22:

The 2019/20 Budget sets out the resources available to deliver the Corporate Plan.

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

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

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

The 2019/20 Draft Budget provides the maximum resources achievable to address key policy areas.

Equality and Diversity:

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

RECOMMENDATIONS AND REASONS FOR RECOMMENDED ACTION:

It is recommended that:

1. Cabinet recommends the 2019/20 Budget to Council to ensure the delivery of the Council's Corporate Plan;
 2. Cabinet recommends the Capital Budget of £870.007m to Council to continue the investment within the City and Growth agenda.
-

Alternative options considered and rejected:

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

Published work / information:

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Medium Term Financial Strategy (Cabinet Report 13 November 2018)	X									
Treasury Management Strategy (Audit Committee 10 December 2018)	X									
Capital Strategy (Audit Committee 10 December 2018)	X									
Corporate Plan	X									
Scrutiny Select Committee 30 and 31 January 2019	X									

Sign off:

Fin	djn.18.19.204	Leg	lt/32033/0702	Mon Off		HR		Assets		IT		Strat Proc
Originating SMT Member Andrew Hardingham												
Has the Cabinet Member(s) agreed the content of the report?												

I. EXECUTIVE SUMMARY

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

OUR PLAN A CITY TO BE PROUD OF



CITY VISION Britain’s Ocean City

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

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

OUR VALUES

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

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

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

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

OUR PRIORITIES

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

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

HOW WE WILL DELIVER

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

- I.2 Plymouth is experiencing unprecedented demands within Social Care and these are set out within the report. This budget is a Budget for a Caring City - see Appendix B - and the journey Plymouth has been on towards an integrated system of Health and Social Services.
- I.3 The increased costs are set out within the report – paragraph 5.4. These amount to £12.599m due to cost and volume increases for Adults and Children’s and increased contract costs. These costs are being funded from within the Council’s limited resources. The resources allocated to Social Care ensure support the delivery of the Council’s priorities to keep children, young people and adults protected.
- I.4 Demand within the health system and hospitals impacts upon Adult Social Care. For 2019/20, we have provided £3.3m of growth which will fund the increases in costs to providers for the National Living Wage, which will increase from £7.83 (2018/19) to £8.21 (2019/20).
- I.5 An additional £3.5m is to cover the costs of increasing client numbers and the increasingly complex and, therefore, costly care packages that they need as well as new Extra Care Housing facilities that are due to be in place during 2019/20. For Residential & Nursing, depending on the home and the needs of the clients, this can range from £550 per week to in excess of £1,000 per week. For Supported Living, an average weekly cost of care is in the region of £450 per week but, dependent on the complexity of the clients can cost in excess of £1,000 per week.
- I.6 Last year Plymouth:
- Provided residential or nursing care to 1,313 people an increase of 33 on the previous year;
 - Provided long term adult social care packages to 3,515 people living in the community, an increase of 44 on the previous year;
 - Reduced the number of Delayed Transfers of Care that are the fault of Adult Social Care;
 - Had higher than average levels of satisfaction and a higher percentage of people who feel the services they receive make them feel safe.
- I.7 Increasing costs within Children’s Services is a national issue and reflects the culmination of rising demand, complexity of care and the rising costs of suitable placements. We are investing an additional £5.7m into ensuring our vulnerable children are kept safe and receive the care they require. Whilst some of this money is to cover increasing costs, we will also be able to provide additional residential placements, independent foster placements and almost £2m in supported accommodation for Care leavers. Some of the headlines for Children’s Services include:
- 414 Children in Care;
 - 35 Children in a Residential Placement;

- Reduced the number of Delayed Transfers of Care that are attributable to Adult Social Care;
- 159 Children with In House Foster Placements;
- 19 Children in Supported Living Placements.

- 1.8 With funding to support local government and its activities having been reduced year on year the Council is trying to address the funding gaps created. We are therefore focused on delivering growth and maximising income streams into the City. We have a choice: decline or grow and invest. We are pursuing the latter. We have put in place the Plymouth and South West Devon Joint Local Plan (JLP) to shape and focus investment. We will continue to modernise our infrastructure and maximise income.
- 1.9 The estimated value of development approved by planning committee in the past 5 years is £1.2 Billion of which 72% has already been delivered. The total estimated value of 2018 development is £215m.
- 1.10 During 2018 the Council has generated £163m of investment; 2018 direct jobs and 2,457 indirect jobs. We have engaged 114,000 people through our cultural programmes and 380,000 people attended our events. We have completed Oceansgate Phase 1, launched the Marine Business Technology Business Centre (MBTC) and Smart Sound Test Range. We completed 30,000 square feet of new employment space; played our part in enabling the retention of House of Fraser in the City and grew the City's construction workforce by 24% against a national figure of 11%. Our productivity growth at 2.5% has outstripped UK (1.9%) and southwest (1.1%) growth. Since the Plan for Homes was launched in 2013 average housing completions have risen from 653 to 1,115 per annum. A Plan for Homes 3 will be launched in 2019/20 supporting delivery of the 117 allocated housing sites in the JLP.
- 1.11 We will build on these achievements during 2019 aiming to create over 2,500 direct jobs and 3,000 indirect jobs. We will support the development of new workspace and the completion of projects including the Range HQ, Derrys Cross and Drakes Circus Leisure as well as directly delivering the Box - a centre piece for the Mayflower 400 commemoration year – and launch a new Visitor Plan to 2030 and move forward with the creation of the UK's first National Marine Park and develop further the City's Plan for Plastics. In terms of our natural infrastructure, we have delivered £1m of football pitch capital investment and have invested significant sums in the up-grade of Central Park. We will start a number of projects on site including Oceansgate Phase 2, the restoration of the Elizabethan House, and the redevelopment of the Plymouth station area; as well as dealing with major development sites at Coypool, North Prospect and all of the JLP allocated sites.
- 1.12 We are currently delivering an unprecedented transport programme of over £150m. We will start improvements on one of the City's most stressed junctions at Charles Cross and enabling works for the Forder Valley link road will commence in February 2019. We will be working up our detailed bid for our share of the £1.2 billion Transforming Cities Fund. Infrastructure provision will be essential to deliver the City's growth ambitions.

- I.13 Our focus on growth has through the Plymouth Growth Dividend (Council Tax, New Homes Bonus and business rates growth) brought in additional cumulative income to the City since 2011/12 to 2018/19 of over £38m. We will continue to push the growth agenda in 2019/20 to add to that income.
- I.14 Overall GVA growth for Plymouth was 2.5% between 2016 and 2017 in real terms (compared with UK +1.9%) and 3.7% in nominal terms. Elsewhere in the South West region, Somerset's GVA grew 0.3% in real terms whilst Devon's contracted -0.1%. Alongside a 1.9% growth in the number of employees from BRES, and a 1.4% growth in the number of enterprises in the City, indicates growth in productivity in real terms.
- I.15 The Council's Asset Investment Fund (AIF) has supported the economic growth agenda for the City and been an essential contribution to the Council's finances. Since the establishment of the AIF, 11 investment assets have been acquired which are forecast to deliver a net income of £2.9m in 2018/19.
- I.16 Through the modernisation of street services, we are making progress on our commitment to get the 'Basics Right'. All domestic waste lorries have been fitted with InCab technology helping to improve service delivery. We collect rubbish from 120,000 households with a collection rate of 99.9% in 2018. With respect to missed bins, the number not collected within 2 days has reduced from 432 in summer 2018 to just 17 in December 2018.
- I.17 The technology will now be rolled out to support maintenance of trees, streets, and assets that are cleansed or maintained by the council with electronic scheduling of planned maintenance. Significant progress has been made over the past 6 months in terms of developing a scheduled programme of emptying litter bins across the city with a continuous review of locations informed by hotspots. As part of our overall focus on cleanliness we have adopted the Association of Public Service Excellence (APSE) cleanliness index. The latest audit round (autumn 2018), 90.91% of street cleanliness audits were graded at an acceptable condition. This is higher than the APSE average of 88.17%. We will not rest on our laurels and will work to improve this further.
- I.18 To support improvements linked to the City's 44,000 gullies; we have completed a comprehensive survey of the majority of the City's gullies; have established a flooding hotspot programme and have installed smart sensors in the 20 most flood prone gullies.
- I.19 The Gaist survey has provided an up to date picture of the City's roads and footways. Our annual plan has seen over 48,000 square metres of new surfacing laid on 23 footway and 37 carriageway sites; with a further 25 sites to be treated by end March 2019. We have in addition focussed an additional £450,000 to deliver further footway and carriageway resurfacing. The 2018 National Highways and Transport survey shows that 97.6% of the City's principal A roads are in a good or acceptable condition compared the national percentage of 96%. We will build on this work in 2019.

I.20 Local residents rely on public services and local government is an essential part of citizens' day to day activities. They also expect high quality services which offer value for money. Plymouth is committed to this objective and spending money wisely is paramount to the services provided. However, the impact of ongoing reductions to the financial resources provided to local government, as set out within this report cannot be underestimated.

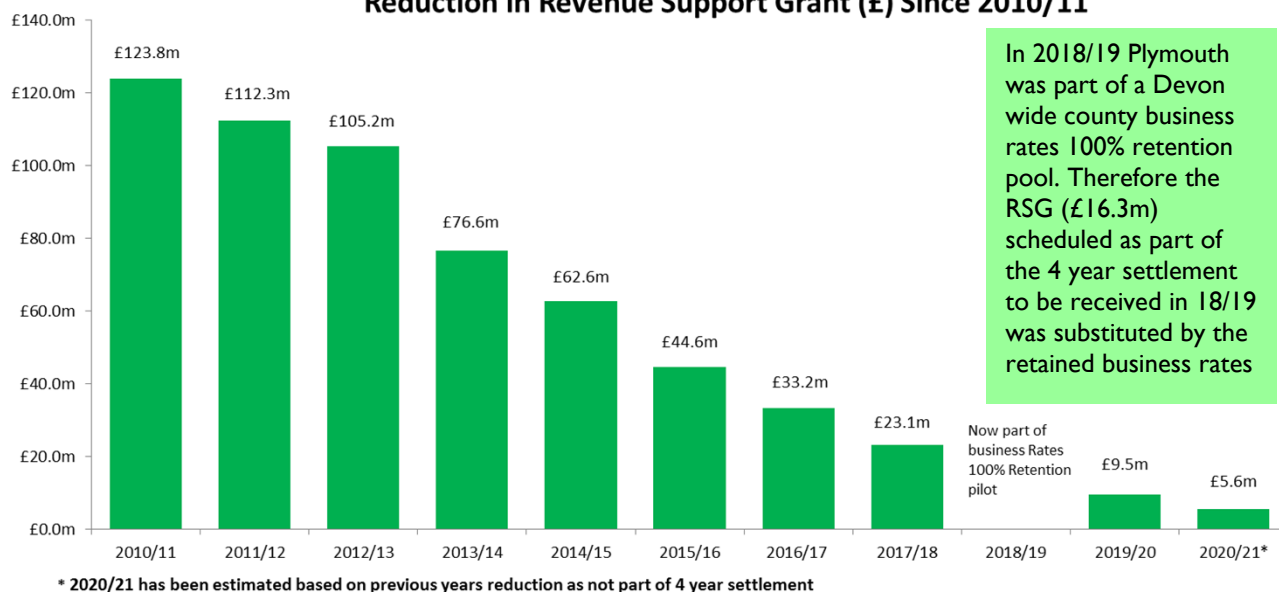
2. Introduction To Budget Report

- 2.1 Cabinet received an update on the development of the 2019/20 budget at its meeting on 15 January 2019. This report provided an update on the latest budget gap within the Medium Term Financial Strategy (MTFS) which was £4.778m.
- 2.2 The report also summarised the plans in place to address the budget gap through the Council's ongoing savings and income generation programme focusing on the key areas within the Growth, Assets, Municipal, Enterprise (GAME) programme through the delivery of new council tax and business rates income and associated income, the efficiencies and transformation of social care through the Integrated Health and Wellbeing Board by working with Health partners and the delivery of modernised services from the Transforming the Corporate Centre programme.

3. Provisional Local Government Finance Settlement

- 3.1 Details from the Provisional Local Government Finance Settlement were set out to Cabinet on 15 January. The Final Settlement was confirmed on 29th January 2019 with no changes that will affect the Council's budget for 2019/20.
- 3.2 The ongoing impact of the Government's Austerity measures has been confirmed by the continued reduction in Plymouth's Revenue Support Grant (RSG). The Government has allowed local authorities to raise additional income through Adult Social Care Precept and greater flexibility to use capital receipts to fund revenue expenditure, however these measures have not provided sufficient revenue resources to mitigate against the large reductions in local government funding and increased demands across all Council services.

Reduction in Revenue Support Grant (£) Since 2010/11



Total Reduction in Revenue Support Grant since 2010/11	£11.5m	£18.6m	£47.2m	£61.3m	£79.3m	£90.6m	£100.7m	£107.5m	£114.3m	£118.2m	£749.1m
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3.3 For Plymouth the 2019/20 settlement is based on the 50% business rates retention. As a result of retaining 50% of the business rates in 2019/20 (1% goes to Devon and Somerset Fire authority) the Council will receive a top up payment of £14.6m.

3.4 2019/20 is the final year of the 4-year local government finance settlement that began in 2016/17. The 4-year settlement offers more certainty for the MTFs period, albeit guaranteeing reduced financial support. Although the Council opted to accept the four year settlement this did not mean the Council accepted that its grant allocation was sufficient and will continue to make representations during the settlement consultation phase.

Grant Funding Announced As Part of Settlement

3.5 Cabinet have received details as to the impact of Government grant announcements. This included £2.190m for winter pressures which can be flexibly used to support Children's or Adult Social. It is recommended that these resources are used to support the pressures within Children's Services.

3.6 Despite this grant Plymouth has increased cost pressures within Social Care of £12.599m but received additional resources of £6.305m leaving a gap of £6.294m.

3.7 There are also a number of specific grants that are already included in service budgets which were announced as part of the Provisional Settlement. Grant reductions have to be borne by those

services. These include a reduction of £0.405m in the Public Health grant from £15.330m to £14.925m and a reduction of £0.097m in the grant subsidy for housing benefit.

3.8 Similar to previous years the context for 2019/20 budget decisions are:

- Continued reduction in resources.
- Loss and reduction of specific grants.
- Government assumptions on the level of income raised local through council tax and business rates.

3.9 In summary Plymouth has £13.586m of increased pressure in 2019/20 due to reductions or insufficient increases in Government grant funding. These are;

Revenue Support Grant	£6.790m
Public Health Grant	£0.405m
Housing Benefit Grant	£0.097m
Adult and Children’s Social Care	
(Cost increases less additional grant funding)	£6.294m
Total	£13.586m

Business Rates

3.10 Plymouth was able to maximise the amount of Business Rates income following a successful application on behalf of the Devon Wide Pool to be a 100% Business Rates Retention Pilot in 2018/19 but were disappointed that the pilot status did not continue for a second year. As a result of not being successful, the Devon Pool will not benefit from any additional Pooling gains in 2019/20. For the current year Plymouth budgeted for an additional £1m pooling gain which will not be available in 2019/20.

3.11 The Government intends to move to 75% Business Rates Retention in 2020/21 for all authorities. Plymouth and the Devon Pool will revert back to the 50% scheme in 2019/20.

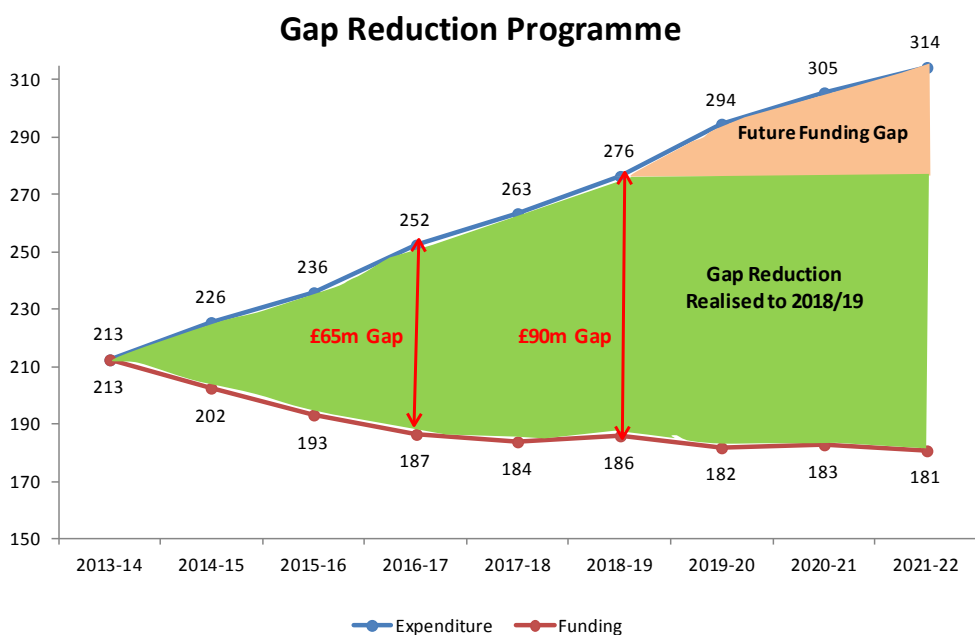
4. Fair Funding Review

4.1 Since 2013, the Government has not significantly changed the formula to calculate Plymouth’s spending need. The Government has announced that it will implement a new methodology for allocating resources to local authorities by 2020. As previously reported to Cabinet, the Government issued consultation papers as part of the Provisional Settlement on the future of local government funding. Officers have been reviewing the consultation and will be responding.

- 4.2 Detailed exemplifications are needed so Plymouth can fully assess the financial impact and these are not expected until later in the year, however, any move away from the weighting applied to deprivation for allocating resources would be a fundamental change to the principal of ensuring fairness within the system and will not be supported by Plymouth.
- 4.3 At this stage there is uncertainty about future funding levels until the Government make further announcements. This is not expected until the autumn of 2019. This makes medium term financial planning extremely difficult. The Council will continue to press for a better deal for the residents of Plymouth.

5. Budget Development

- 5.1 The Medium Term Financial Strategy was recommended by Cabinet on 13 November 2018 and subsequently approved by Council on 19 November 2018. The Strategy addressed the funding gap for the following three financial years. It builds on the significant benefits achieved over recent financial years. This is the budget gap before the efficiency savings in this report.



- In 2013 the gap was estimated to be £65m by 2016
- By 2018 the gap has been reduced by £90m
- From 2019 to 2021 the funding gap is £37m
- The future gap has been reduced by £18m so far

- 5.2 The budget gap reported to Council in November 2018 was £1.389m. Cabinet received an updated report on the budget at its meeting on 15 January 2019. This report set out the outcome of the Provisional Local Government Finance Settlement and the movement in the financial position since the Medium Term Financial Strategy was presented to Council in November.
- 5.3 The overall budget position is set out in the table below.

	2019/20	2020/21	2021/22
	£m	£m	£m
	FORECAST		
REVENUE RESOURCES AVAILABLE	182.152	183.031	181.426
Baseline spend requirement	185.556	182.152	183.031
Plus identified additional costs	17.395	11.218	9.380
Overall spend requirement	202.951	193.370	192.411
Savings	16.021	2.939	-0.822
REVISED SPENDING FOR YEAR	186.930	190.431	193.233
Budget Gap 16 January 2019	4.778	7.400	11.807

5.4 The table below sets out the increased costs that have had to be included in the budget for 2019/20.

Directorate	Increased costs	2019/20	Total by Directorate
		£m	£m
People	Adult social care – Care packages and volume	3.506	12.599
	Children’s social care – cost and volume	5.700	
	National Living Wage in adult social care contracts	3.393	
Place	Loss of commercial rental income –	0.160	0.531
	Major investments	0.371	
Customer and Corporate Services	Customer experience	0.150	0.450
	ICT re-provisioning	0.300	
Corporate Items	Salary inflation and pay scale changes	2.321	3.815
	Pension actuarial review	0.250	
	EVRS/Redundancy	0.500	
	Revenue costs arising from capital investment decisions	0.450	
	Increase working balance in line with General Fund	0.294	
	Total	17.395	17.395

- 5.5 The impact of pressures within Social Care continues to have a significant impact upon the Council’s resources. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. Plymouth has an ageing population with more complex needs and higher levels of young children requiring our services.
- 5.6 Increased Social Care costs amount to £12.599 in 2019/20, with further increases built into future year’s budgets. The National Living Wage was increased to £8.21 per hour from April 2019. 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.
- 5.7 Within Children’s Services cost and volume analysis is refreshed on a quarterly basis. The latest trend suggest a levelling out in the trend of the number of children coming into care but an increase in the cost of the care packages and placements. The numbers reflected for 2019/20 and 2020/21 are based on trend analysis at this stage and will be refined and updated going forward.
- 5.8 Other additional pressures include an increased provision of £2.321m for the pay award and increased provision for the pay scale changes being introduced in 2019/20.

5.9 The table below lists the savings, income generation and additional grant funding that have now been identified for the next three financial years. Further details are provided in documents considered by the Budget Select Committee held on 30 and 31 January 2019. These reflect the difficult service decisions that have had to be made given the Council's reducing available funding. Details of the meeting can be found [here](#).

Savings/Income Generation/Grant Funding	2019/20 £m
New Homes bonus	0.539
Better Care Fund Gain	4.111
Adult Social Care Support Grant	2.194
Chief Executive Office	0.044
Place Directorate including GAME 2	
Real time passenger information	(0.150)
Commercial Events	0.050
Energy-Related Initiatives: Dividend from Ernesettle Solar Farm	
Energy-Related Initiatives: Additional Capitalisation of Low Carbon Team Posts	(0.053)
Savings to be realised from fees and charges, and more efficient operational business processes	0.616
Asset Investment Fund	0.200
Federated Directorates (People, Children's & ODPH) "One System, One Aim"	
ODPH Directorate	0.228
Integrated Commissioning	2.310
Integrated Delivery	1.905
Community Connections	0.030
Children, Young People, and Families	1.415
Education, Participation, Skills	0.460
Savings to be realised from fees and charges, and more efficient operational business processes	0.850
Corporate Centre	
Savings to be realised from fees and charges, and more efficient operational business processes	0.351
Service Centre	0.100
Smart working	0.234
Anti-Fraud Partnership with Devon Audit Partnership	0.025

Savings/Income Generation/Grant Funding		2019/20
		£m
Treasury Management Savings		1.522
Fraud Detection		0.070
Corporate Items		
Capitalisation		0.550
Levy Account Surplus		0.881
At Risk Savings		(0.461)
Flexible use of capital receipts		(2.000)
Total Savings		16.021

5.10 The proposed budget by Directorate is shown in appendix A.

6. Options to close the Budget Gap

6.1 As part of the development of the MTFs a number of assumptions have been made. In particular for planning purposes and after taking into account the council tax base changes a 2% council tax increase had been assumed.

6.2 Members will be aware the referendum limit for council tax increases is 2.99%. The tax base for 2019/20 will be 73,172 and after taking into account adjustments for discounts £108.340m of council tax income will be generated. This is based on no council tax increase.

6.3 Increasing council tax income is an essential component of the Council's resources and is an option available to Council to reduce the budget gap. Each 1% increase in council tax will generate £1.1m in income. Plymouth has fully utilised its Adult Social Care Precept so this tax raising facility is not available in 2019/20.

6.4 Use of balances in any year is a one-off saving and increases the savings tariff in the next financial year. As part of the annual review of the budget all reserves and provisions have been reviewed to assess if any one off resources are available in 2019/20.

6.5 The Council can review its reserves and provisions to establish if any can be credited to the General Fund. A saving of this nature is a one off and could leave the Council exposed to risk, depending on the nature of the provision used.

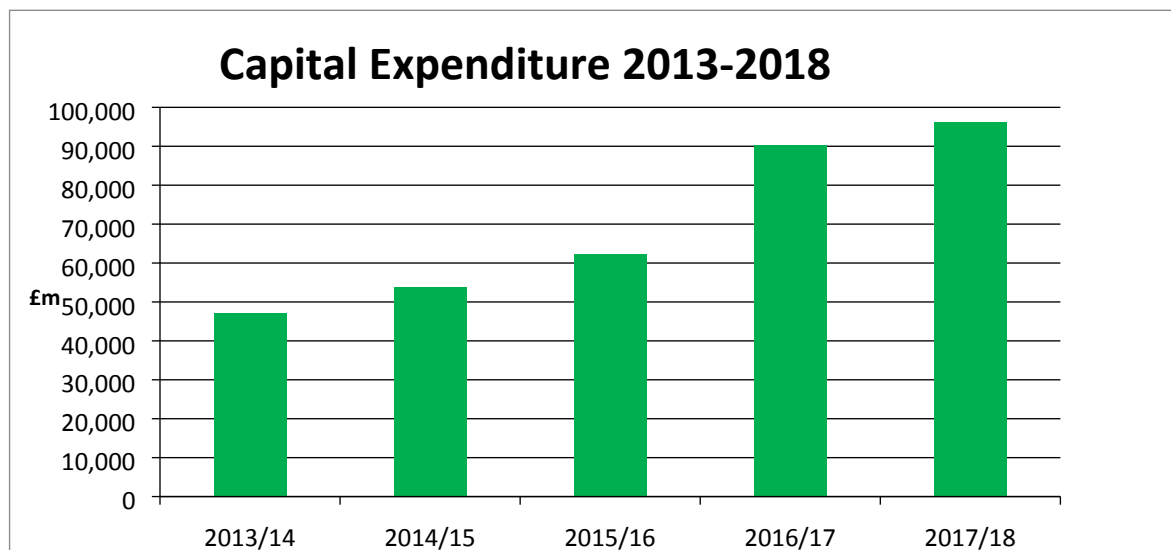
6.6 There is always the option to undertake further reviews within Directorates to ascertain if further efficiencies or reduction can be delivered. This needs to be considered in the context of savings already identified. All Directorates are expected to spend within their approved budget in 2018/19 and are managing a range of new and legacy pressures due to increased demand and increased costs.

7. Section B - Capital budget

Capital

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

Recent annual Capital Programmes



7.5 During this current year (2018/19) the following projects are due to complete:

- Manadon Sports Hub
- Yealmpstone Farm Primary Expansion
- Mannamead Road Junction Improvements
- Demolitions associated with development of Millbay Bouvelard
- Langage Development Phase 2
- Asset Investment Fund Acquisitions

7.6 The capital programme covers the five years from 2019 to 2023. It consists of £355.8m of projects. The current year's programme (2018/19) is expected to total £146.72m. The main reason the programme has increased in recent years is for the establishment of the Asset Investment Fund (AIF). The AIF is self – financing through the revenue income streams that are generated and makes a net contribution to the Council's budget. There has also been a smaller increase in investment in a series of key economic development projects and the programme of investment in City infrastructure to support the Plymouth Plan.

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

- The Box;
- Eastern Corridor junction improvement scheme;
- Millbay Boulevard;
- Plymouth Railway Station regeneration;
- Improvements to Charles Cross;
- Forder Valley Link Road;
- Further development at Oceansgate;
- Central Park improvements;
- Pomphlett Primary Expansion;
- Crematorium;
- Investment in ICT

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

Five year Capital Programme by Directorate

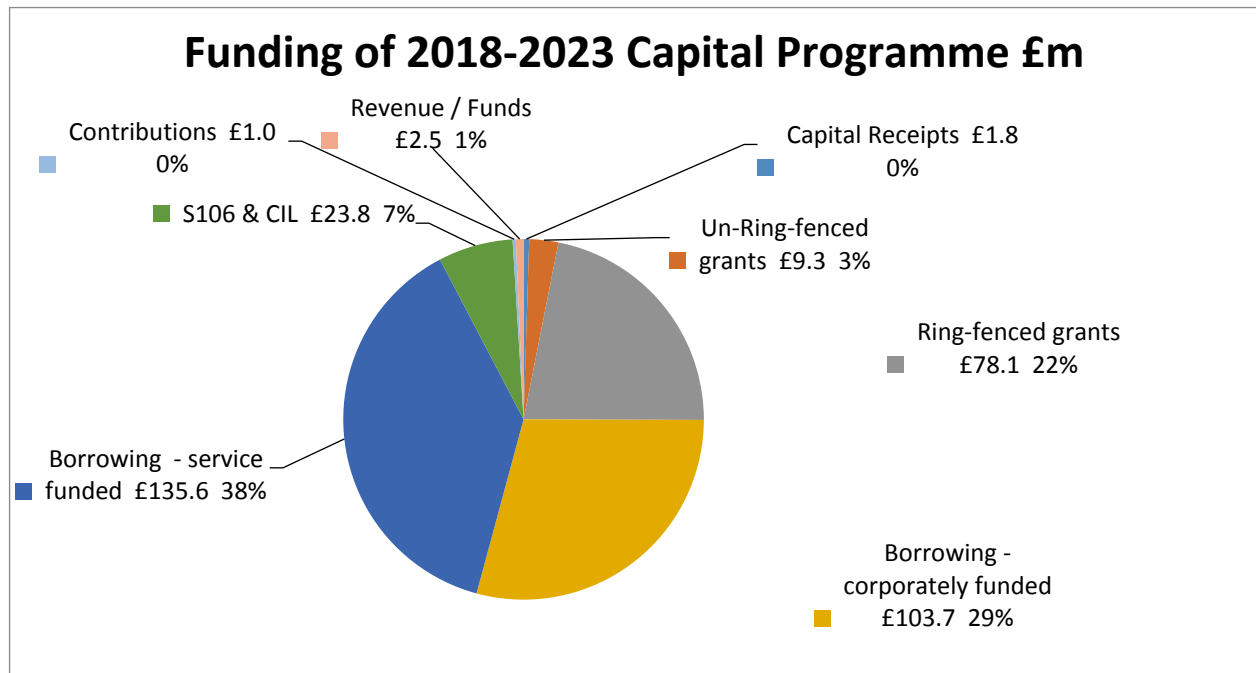
Directorate	Latest Forecast					Total £m
	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	
People	7.578	1.951	0.173	0.172	0.172	10.046
Place	133.253	116.621	59.182	12.296	2.000	323.352
Transformation & Change	4.711	5.671	0.210	-	-	10.592
Public Health	1.173	5.773	4.844	-	-	11.790
Total	146.715	130.016	64.409	12.468	2.172	355.780

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

Five year Capital Programme by outcome

Primary Outcome of Project	£m
Securing Growth in the City Centre/Waterfront	27.839
Securing Growth in Derriford and the Northern Corridor	73.089
Securing Growth in the Eastern Corridor	8.254
Delivering More/Better Housing	5.244
Ensuring Essential City Infrastructure	24.083
Improving Neighbourhoods and Community Infrastructure	9.949
Ensuring Good Quality School Places	3.938
Growing the Economy	2.290
Delivering Oceansgate	18.264
Connecting the City	27.558
Celebrating Mayflower	6.372
Delivering The Box	29.151
Transforming Services – including Asset Investment Fund	119.749
Total	355.780

8. Funding of the Capital Programme



- 8.1 Funding for the capital programme comes from a variety of sources with the highest proportion from borrowing (corporate borrowing (29%) and service borrowing (38%)). The corporate borrowing has a direct effect on the revenue budget because it has to pay for the interest and capital repayments (known as MRP). Service borrowing interest and repayments are covered by income or savings made within the Service Department.
- 8.2 The Council will endeavour to ensure a significant proportion of the funding for the programme comes from external sources – grants from other organisations and Government departments and agencies (26%). Capital receipts make up less than 1% of the programme with S106 contributions and CIL constituting about 7%. Every effort is being made to secure funding from grant programmes and other external sources.
- 8.3 To ensure the capital programme remains sustainable in the long term the level of borrowing needs to be carefully monitored. The external funding environment is rapidly changing and new opportunities are constantly arising. By continuing to take an organised and proactive approach to identifying, bidding for and then securing, external grants will make the budget sustainable and reduce the pressure on the revenue budget.
- 8.4 Other options to prevent a funding gap in the future include:
- Additional capital receipts to fund the projects in place of borrowing;
 - Generating additional revenue savings from Council wide budgets;
 - Increasing the Council Tax;
 - Review the scope of the Capital Programme.
- 8.5 The revenue implications of the programme will need to be continually reviewed and considered as part of the future development of the Medium Term Financial Strategy.

9. Financing the Capital Budget 2018/19-2022/23

9.1 The latest forecast for the Capital Budget 2018-2023 is £870.0m.

Capital Budget 2018-2023

Capital Budget for 2018-2023		£m
Capital Programme Approved by CCIB		355.780
Income Assumptions		514.227
Total		870.007

10. Income Assumptions

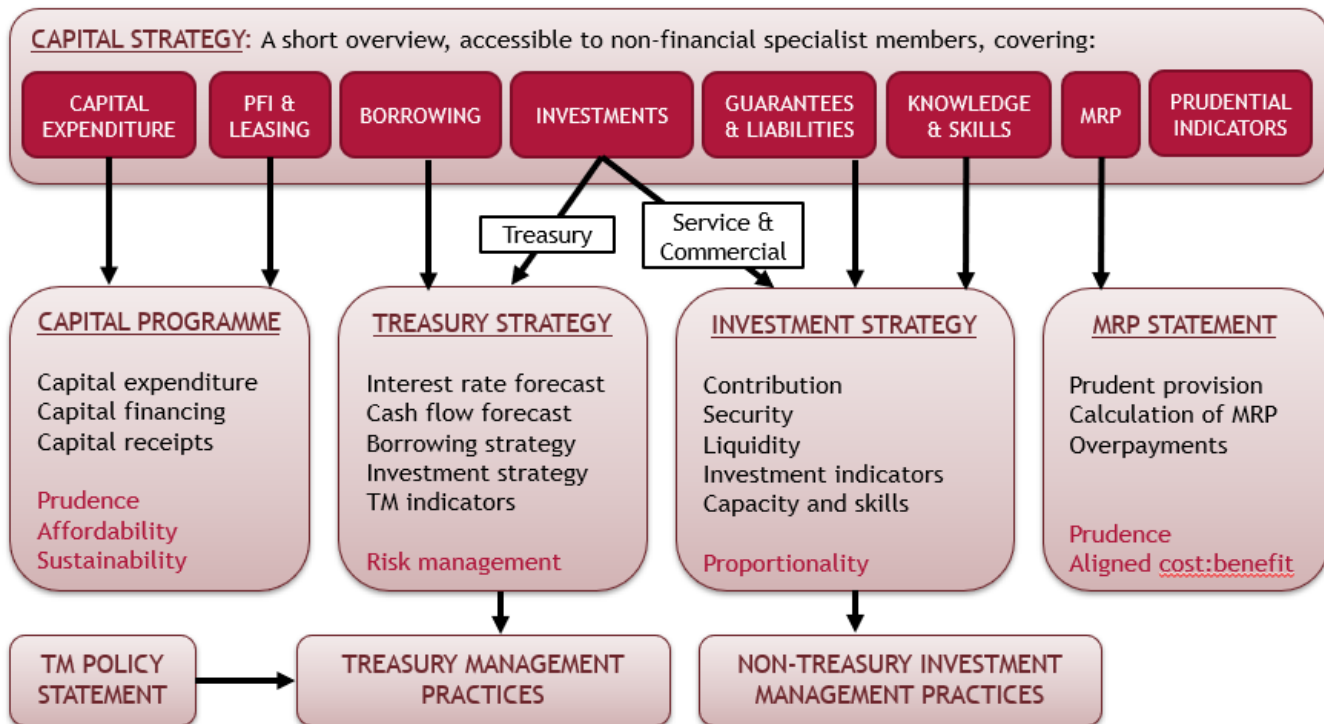
10.1 The current forecast for the five year programme 2018-2023 is £514.227.

10.2 External funding currently contributes approximately towards 32% of resources within the capital resource envelope; this is included within the income assumptions and included both ring-fenced and un-ringfenced grants, S106 and contributions.

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

11. Changes to the Statutory Guidance

Strategy Reports: England



- 11.1 The above diagram shows how the requirements of the January 2018 Ministry of Housing, Communities and Local Government (MHCLG) Guidance and The CIPFA Code interacts with the Capital and Treasury Management. There is a requirement for the Council to produce a new Capital Financing Strategy and a new Non-Treasury Management Investment Strategy.
- 11.2 The main reason for the guidance changes is because local authorities have been investing in commercial properties to increase their income. There are obviously risks in these investments and new strategies are to ensure that local authorities have the correct safeguards and due diligence in place to mitigate these risks.
- 11.3 Plymouth City Council's commercial property and development activities operate under robust and effective governance arrangements as set out in the Council's constitution. The Council has a small team of experienced in-house chartered surveyors including an Asset Manager recruited specifically for the Asset Investment Fund who has significant experience in property fund management obtained in the private sector.
- 11.4 The Capital Financing Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

DRAFT BUDGET BY DIRECTORATE

APPENDIX A

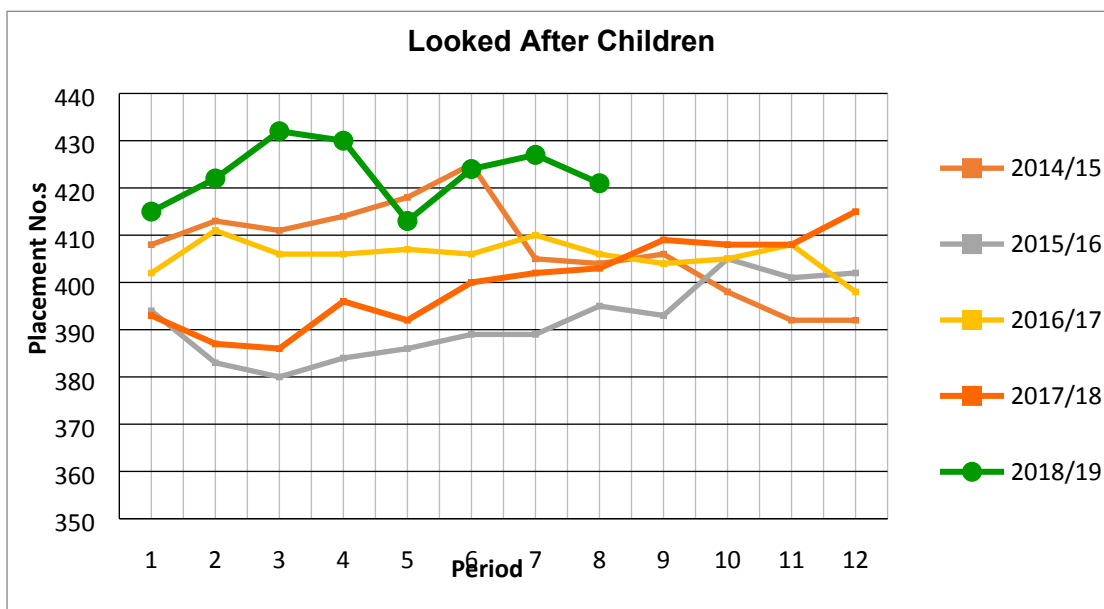
Plymouth City Council General Fund Budget 2019/20			Budget 18/19			Budget 2019/20				
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget	
Executive Office	Chief Executives Office	Policy & Intelligence	0.403	0.000	0.403	0.000	0.000	0.000	0.403	
		Communications and Engagement	0.555	(0.057)	0.499	0.000	0.000	0.000	0.499	
		Civic Events	0.175	(0.015)	0.160	0.000	0.000	0.000	0.160	
		Performance	0.563	0.000	0.563	0.000	0.000	0.000	0.563	
		Total Chief Executives Office	1.697	(0.071)	1.626	0.000	0.000	0.000	1.626	
	Business Support	Departmental Support	0.831	(0.068)	0.764	0.000	(0.044)	0.000	0.720	
	Electoral Function	Electoral Function	0.701	(0.002)	0.699	0.000	(0.031)	0.000	0.668	
	Members	Members	1.020	0.000	1.020	0.000	0.000	0.000	1.020	
		Neighbourhood Inits and Comm Grants	0.290	(0.019)	0.271	0.000	0.000	0.000	0.271	
		Total Members	2.841	(0.088)	2.753	0.000	(0.075)	0.000	2.678	
	Legal	Legal	2.004	(0.489)	1.515	0.000	(0.089)	0.000	1.426	
	Total Executive Office			6.542	(0.648)	5.894	0.000	(0.164)	0.000	5.730
People	Children,Young People,Families	QA Safeguarding and Bus Suppt	3.642	0.096	3.738	0.000	0.000	0.000	3.738	
		Permanency	7.902	(0.131)	7.771	0.000	0.000	0.000	7.771	
		CAMHS Specialist Services	0.653	(0.045)	0.609	0.000	0.000	0.000	0.609	
		Childrens Social Work	3.813	0.000	3.813	0.000	0.000	0.000	3.813	
		Plymouth Referral and Assmnt	3.325	(0.469)	2.857	0.000	0.000	0.000	2.857	
		Adoption	3.698	(0.335)	3.363	0.000	0.000	0.000	3.363	
		Children in Care	10.837	(1.217)	9.621	5.700	(3.609)	(0.300)	11.412	
		Targeted	4.563	(1.466)	3.097	0.000	0.000	0.000	3.097	
		Total Children,Young People,Families	38.434	(3.566)	34.868	5.700	(3.609)	(0.300)	36.659	
	Strategic Commissioning	Service Delivery	84.158	(21.400)	62.758	6.899	0.000	0.000	69.657	
		Commissioning	15.268	(6.543)	8.725	0.000	(4.215)	(0.550)	3.960	
		Leisure Management	2.649	(0.098)	2.551	0.000	0.000	0.000	2.551	
		Management and Transformation	2.503	(7.625)	(5.122)	0.000	0.000	0.000	(5.122)	
		Social Care contract	6.861	0.000	6.861	0.000	0.000	0.000	6.861	
		Childrens Commissioning	5.285	(0.419)	4.866	0.000	0.000	0.000	4.866	
	Total Strategic Commissioning	116.724	(36.085)	80.639	6.899	(4.215)	(0.550)	82.773		
	Education Participation Skills	SEND	24.162	(19.952)	4.210	0.000	0.000	0.000	4.210	
		School Improvement	2.371	(1.636)	0.735	0.000	0.000	0.000	0.735	
		School Support	3.381	(3.428)	(0.047)	0.000	0.000	0.000	(0.047)	
		Schools	65.230	(65.230)	0.000	0.000	0.000	0.000	0.000	
		External	1.808	(1.808)	0.000	0.000	0.000	0.000	0.000	
		Skills and Employability	0.287	0.000	0.287	0.000	0.000	0.000	0.287	
		Schools Access Planning	5.479	(0.729)	4.750	0.000	(0.460)	0.000	4.290	
		Sports Development	0.370	(0.142)	0.228	0.000	0.000	0.000	0.228	
	Total Education Participation Skills	103.089	(92.926)	10.164	0.000	(0.460)	0.000	9.704		
	Community Connections	Community Connections Access	2.637	(0.783)	1.855	0.000	0.000	0.000	1.855	
		Community Connections Localities	1.439	(0.819)	0.620	0.000	0.000	0.000	0.620	
		Communities Connections Youth	0.568	(0.055)	0.513	0.000	0.000	0.000	0.513	
		Management	(0.186)	0.000	(0.186)	0.000	(0.030)	0.000	(0.216)	
	Total Community Connections	4.459	(1.657)	2.802	0.000	(0.030)	0.000	2.772		
	Management and Support People	Management and Support People	0.217	0.000	0.217	0.000	0.000	0.000	0.217	
	Total People			262.923	(134.233)	128.689	12.599	(8.314)	(0.850)	132.124

Plymouth City Council General Fund Budget 2019/20			Budget 18/19			Budget 2019/20			
Plymouth City Council General Fund Budget 2019/20			Budget 18/19			Budget 2019/20			
Directorate	Department	Division	Expenditure	Income	Net Budget	Cost Increases	Savings	Other Savings	Net Budget
Finance	Finance	Assistant Director for Finance	(0.950)	0.000	(0.950)	0.000	0.361	0.000	(0.589)
		Head of Integrated Finance	0.749	0.000	0.749	0.000	(0.037)	0.000	0.712
		External Audit	0.128	0.000	0.128	0.000	0.000	0.000	0.128
		Treasury Management	8.121	(1.609)	6.511	0.000	(1.522)	0.000	4.989
		Head of Commercial Finance	0.912	(0.142)	0.771	0.000	(0.044)	0.000	0.727
		Financial Planning and Rptng	1.454	(0.557)	0.896	0.000	(0.082)	0.000	0.814
		Internal Audit	0.620	(0.039)	0.581	0.000	(0.025)	0.000	0.556
		Soft FM	2.667	(0.894)	1.773	0.000	(0.132)	0.000	1.641
		Hard FM	9.220	(1.028)	8.192	0.000	(0.033)	0.000	8.159
		Project and Contract Services	0.614	(0.461)	0.153	0.000	(0.030)	0.000	0.123
Total Finance			23.534	(4.730)	18.804	0.000	(1.544)	0.000	17.260
Customer and Corporate Service	Customer Services	Customer Services	3.790	(2.657)	1.134	0.000	(0.159)	0.000	0.975
		Library Service	2.459	(0.604)	1.854	0.000	(0.092)	0.000	1.762
		Revenues & Benefits	84.568	(85.008)	(0.440)	0.000	0.000	0.000	(0.440)
		Registration Service	0.597	(0.502)	0.095	0.000	(0.031)	0.000	0.064
		Service Centre	2.197	(1.066)	1.131	0.000	(0.216)	0.000	0.915
		Coroner	0.696	(0.070)	0.626	0.000	(0.009)	0.000	0.617
		Total Customer Services	94.308	(89.907)	4.400	0.000	(0.507)	0.000	3.893
	Human Resources & OD	OD & Talent	0.727	(0.052)	0.675	0.000	(0.034)	0.000	0.641
		HR & OD Management	0.176	0.000	0.176	0.000	(0.006)	0.000	0.170
		HR Specialist Services	0.715	(0.001)	0.714	0.000	(0.032)	0.000	0.682
		Health, Safety & Wellbeing	0.355	(0.009)	0.346	0.000	(0.017)	0.000	0.329
	Total Human Resources & OD	1.974	(0.062)	1.911	0.000	(0.089)	0.000	1.822	
	Departmental Management	Director for Corporate Service	0.056	0.000	0.056	0.150	0.095	0.000	0.301
	ICT	ICT	7.226	(0.455)	6.771	0.300	0.000	0.000	7.071
		Migrations to DELT	0.936	(0.052)	0.884	0.000	0.000	0.000	0.884
		Total ICT	8.219	(0.507)	7.711	0.450	0.095	0.000	8.256
Transformation	Transformation	1.223	(0.003)	1.220	0.000	(0.137)	0.000	1.083	
Total Customer and Corporate Service			105.723	(90.479)	15.243	0.450	(0.638)	0.000	15.055
Corporate Finance	Corporate Items	Pensions, PFI, iBCF and Other	(6.094)	0.000	(6.094)	3.815	(0.420)	(2.661)	(5.360)
		Corporate Items Budget Savings	(0.424)	0.000	(0.424)	0.000	0.000	0.000	(0.424)
Total Corporate Finance			(6.518)	0.000	(6.518)	3.815	(0.420)	(2.661)	(5.784)
Total General Fund			489.704	(304.147)	185.556	17.395	(11.971)	(4.050)	186.930
Public Health	Environ Health (Food & Safety)	Environ Health (Food & Safety)	0.432	(0.033)	0.399	0.000	0.000	0.000	0.399
		Contracts Cems & Crems	0.984	(2.721)	(1.737)	0.000	(0.050)	0.000	(1.787)
		Cems & Crems Improvements	0.130	(0.130)	0.000	0.000	0.000	0.000	0.000
		Total Bereavement Services	1.981	(2.899)	(0.918)	0.000	(0.050)	0.000	(0.968)
	Licensing	Licensing	0.310	(0.396)	(0.087)	0.000	0.000	0.000	(0.087)
		Neighbourhood & Enviro Quality	0.566	(0.135)	0.431	0.000	0.000	0.000	0.431
	Environmental Protection	Enviro Protection & Monitoring	0.000	(0.005)	(0.005)	0.000	0.000	0.000	(0.005)
		Total Environmental Protection	0.876	(0.536)	0.339	0.000	0.000	0.000	0.339
	Civil Protection Unit	Civil Protection Unit	0.184	(0.047)	0.138	0.000	0.000	0.000	0.138
	Total Public Health			18.899	(19.141)	(0.242)	0.000	(0.228)	0.000

Plymouth City Council – Budget for a Caring City

- I.1 Since 2012, Plymouth has been on a journey towards an integrated system of Health and Social services, providing a seamless offer between acute and community settings allowing professionals to provide the right care, at the right time, in the right place. As a system, we have been working towards the following aims laid down by the Health and Wellbeing Board:
- To improve health and wellbeing outcomes for the local population;
 - To reduce inequalities in health and wellbeing of the local population;
 - To improve people’s experience of care; and
 - To improve the sustainability of our health and wellbeing system.
- I.2 In April 2015, the journey towards integrated commissioning began with the establishment of an Integrated Fund with NEW Devon CCG through a formal section 75 agreement with a net value of £475 million, four Integrated Commissioning Strategies covering cradle to grave and prevention to acute services and an Integrated Commissioning function and governance arrangements.
- I.3 Also in 2015, Plymouth City Council (PCC) TUPE transferred 170 Adult Social Care staff to the Community Health Provider (Livewell Southwest) to create an integrated community health and social care provider.
- I.4 We have commissioned further integration between health and social care, including the acute assessment unit at Derriford Hospital and the joint Director of Urgent Care. We have worked with our partners in the community to find innovative mechanisms such as the Complex Lives Alliance and Health and Wellbeing Hubs, to provide the right support for vulnerable people in their local areas.
- I.5 Over the last 5 years, phase one of transformation for children and young people services has helped to redesign our offer in Children’s Social Care to deliver improved outcomes for children and young people. In 2015, the creation of CaterED and On Course South West Adults Learning Service lead to integration of children and young people’s services across the City and with partners.
- I.6 In 2016, the Gateway and Multi agency Safeguarding Hub were set up and are now well established and have recently co-located, to provide a better offer to children, young people, families and carers. The development of a good quality Early Help offer has been a strong focus to enable demand to be managed and prevent children and young people needing care unless it is essential for their protection.
- I.7 In April 2018, a new Children’s Directorate was established at the same time as Plymouth took responsibility for Torbay’s Children’s Services. This has aligned Education with Children’s Social Care in the City and will enable further transformational change by aligning key functions across the Directorate. Through an end to end review of all services the Children’s Operating model will evolve further to ensure there is sufficient emphasis on improved outcomes for young people across Plymouth. We continue to work with Torbay Council to deliver sector led improvement in Children’s Services through the contractual arrangement.

- I.8 Public Sector organisations across the country are facing unprecedented challenges and pressures due to changes in demography, increasing complexity of need and the requirement to deliver better services with less public resource. Plymouth and Devon also face a particular financial challenge because of the local demography, the historic pattern of provision and pockets of deprivation and entrenched health inequalities.
- I.9 The Health and Social Care system remains challenged with an increase in the number of older patients who are more likely to require onward care due to the complexity of their needs. There has been an increase in the number of emergency admissions to hospital, in 2017/18 there were 15,432 older people subject to an emergency admission to hospital. Despite increased demand in the hospital we are seeing improvements in our system performance. Reductions in length of stay and delayed discharges are mitigating some of the bed pressures brought on by increased admissions.
- I.10 Demand in the hospital impacts on demand on Adult Social Care services, and last year we provided residential or nursing care to 1,313 people, an increase of 33 on the previous year. We also provided long term adult social care packages to 3,515 people living in the community, an increase of 44 on the previous year. Locally, performance continues to be good against the backdrop of the increased numbers of people in care. We have reduced the number of Delayed Transfers of Care that are the fault of Adult Social Care, have higher than average levels of satisfaction and have a higher percentage of people who feel the services they receive make them feel safe. This is testament to the hard work of staff and our integrated approach to improving Plymouth's health and social care system.
- I.11 Following introduction of the Early Help Gateway there has been a reduction in demand on the front door of children's social care with referrals falling by 16.9% in the 3 years from 2015/16 to 2017/18 as more cases are supported via early help. However, despite the overall drop in referrals, complexity of these cases has led to an increase in some key cohorts within the service. The number of children in need has increased by 25.6% and children in care by 2.4%. Child protection numbers however have fallen in the 3 years by 3.5%. The service maintains a good level of performance in service provision to children receiving a service with assessments, visits and stability being of particular focus.
- I.12 Placement costs create a significant pressure on the Children Services Budget. In the past 3 years the increased complexity and, as noted by Ofsted in the recent inspection, challenges with in house fostering have contributed to increases in the number of children in independent foster care (13% increase) and residential care (52% increase). The cost of the care is particularly high due to the level of support needed to keep young people safe, such as specialist residential care placements with high levels of staffing. A number of very costly care packages are the result of Court of Protection orders that place a duty on the Council to provide specialist care.
- I.13 The chart below shows the volume change year on year since 2014/15 of the number of children looked after.



- I.14 This increasing financial demand on Children’s Services is not just a local issue, but is seen nationally and is a culmination of rising demand, complexity of care, rising costs and the availability of suitable placements. There is also anecdotal evidence to suggest that providers within the market are less disposed towards innovation and managing risk, potentially due to demand but also increases in expected standards.
- I.15 Recognising the challenges, commissioners have set out a number of high impact changes that will drive commissioning activity and service design for the next two years. These intentions are high level to set down a *direction of travel* with detailed programmes of work being developed to take forward each area. They should not be seen as a departure from the existing policy direction of achieving whole system population based integration rather a scaling up and acceleration based on learning to date. In this context, they represent a key part of delivering the last two years of our five-year commissioning plans of Wellbeing, Children and Young People, Community and Enhanced and Specialised Care.
- I.16 There is a commitment to make Plymouth a truly “**Caring City**”. Working as a system we will mobilise energy, commitment and resources to roll out a number of initiatives to support this strategic ambition. The Strategic Health and Wellbeing intentions were agreed by Cabinet in July 2018, and set out the long term trajectory for Plymouths Health and Wellbeing System with a focus on the delivery of services close to people’s homes, out in our local communities. The development of an Integrated Care Partnership based on a neighbourhood approach will ensure that support is wrapped around those who need it the most, aligning primary care with community services and the voluntary sector to enable people to live well. The roll out of the network of Health & Wellbeing hubs across the City will provide a single focal point for communities to access advice, information, and guidance and preventative services.
- I.17 Despite a local commitment to being a Caring City, additional Government financial support would be welcomed. We have received some grant towards adult social care but nothing targeting the needs of children. Our Public health grant has been cut with a £0.405m reduction in 2019/20 alone:

- Plymouth receives £59.22 per head of Public Health Funding. This is lower than 76 other Local Authorities.
- Plymouth receives 0.06% more Public Health Funding than the National Average, but this is 22% less than the Government's needs based allocation recommends is required to meet the needs of the population.
- Plymouth receives the lowest Public Health Funding in its statistical neighbour group.
- Plymouth receives £32.69 (57%) less per head than its highest funded statistical neighbour
- Key City average is £74.30, 29% higher than Plymouth and Unitary Authority average funding is higher than Plymouth (£61.31 per head, 3.5% lower)
- Public health funding at over 20% per adult below the Government's needs based target allocation (equivalent to a shortfall in funding of £11 per head) threshold.



TREASURY MANAGEMENT STRATEGY 2019/20



How Plymouth will invest to grow and meet future Infrastructure needs

Foreword



Councillor Mark Lowry

Cabinet Member for Finance

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

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

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



Andrew Hardingham

Assistant Director for Finance

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

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

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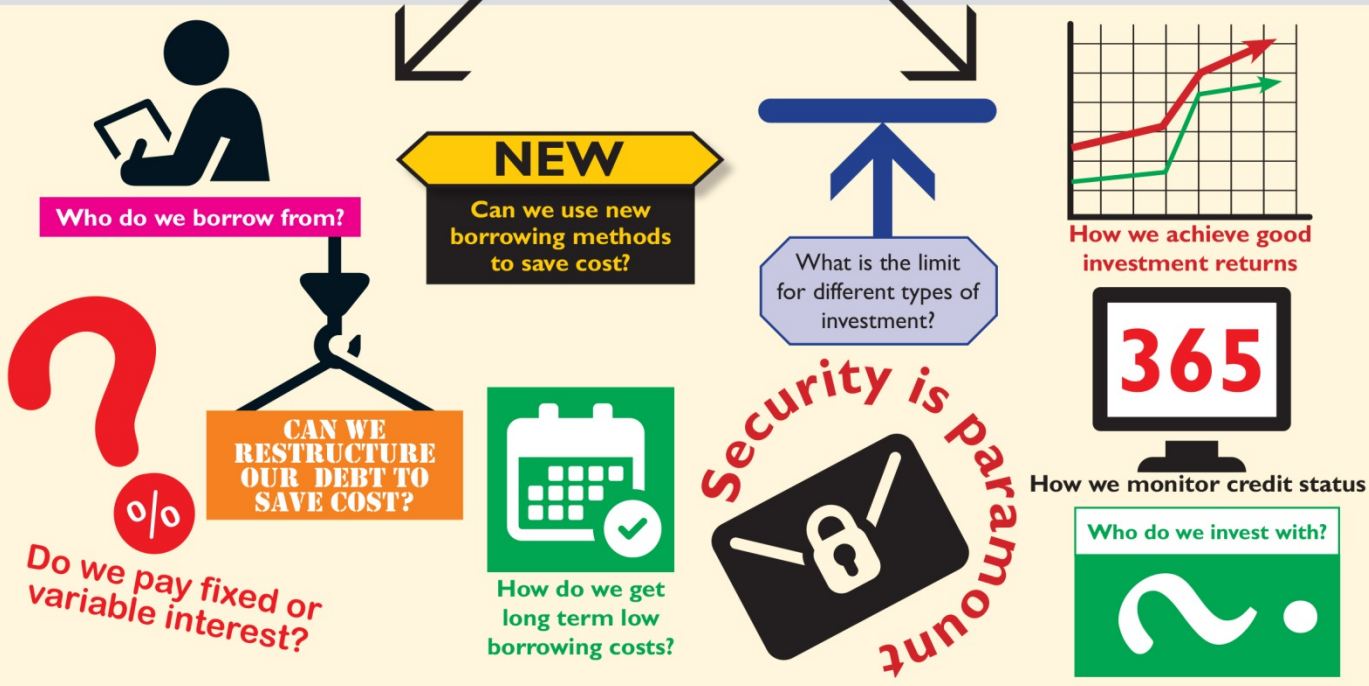
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How the Treasury Management System works



Infrastructure and capital investment needs to deliver the Plymouth Plan



Introduction

Treasury Management is the management of the Council’s cash flows, borrowing and investments, and the associated risks. The Treasury Management Strategy sets out how Plymouth will invest to grow and meet future Infrastructure needs. It is a companion document to the Medium Term Financial Strategy which sets out Plymouth’s ambitions and priorities from the Plymouth Plan.

This report fulfils the Council’s legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code which was updated in 2017.

INVESTMENTS – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

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

Market Intelligence

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

Statutory and Performance Framework

Rules that guide us

Investments

- Sterling only
- Repayable in 12 months
- Can use UK Government, Local Authority or a body of high credit quality
- The Council defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK

Counterparties and Limits (see table on page 19)

Investment Limits – subject to credit ratings table on page 20

- **No limit** UK Government
- **£25m** any single organisation
- **£45m** any group of organisations
- **£30m** per pooled fund manager
- **£25m** negotiable instruments per broker
- **£10m** per foreign country
- **£25m** per registered provider
- **£10m** unsecured with Building Societies
- **£20m** unrated corporates and pooled funds
- **£60m** money market funds

Key Council Budget Assumption for 2019/20

- Investments make an average rate of return of 1.49%

Approach

Choices made within the framework

Objective - Security first, Yield second and then Liquidity

Strategy - to maximise returns, reduce risk and diversify investments

Risk Assessment and credit ratio Our advisors monitor credit ratings daily so any new investments will be made using the latest credit information

Other information on security of Investments Market intelligence from our advisors may give warnings before credit warning changes e.g. credit default swaps information

BORROWING – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

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

Market Intelligence

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

Statutory and Performance Framework

Rules that guide us

Borrowing

- **£249m** Total Capital Expenditure
- **£765m** Capital Finance Requirement (need to borrow)
- **£835m** Total Debt (loans and private finance initiative)
- **£842m** Operational Boundary (practical ceiling on borrowing)
- **£920m** The Authorised Limit (absolute maximum debt approved)

Prudential Indicators

- **8.7%** Ratio of finance costs to net revenue stream (borrowing costs as a proportion of net revenue budget)
- **£14.40** Hypothetical increase in Council Tax affordability. (this is technical measure; the Council has made no future years tax decisions)

Treasury Management Indicators

- **100%** Limit on Fixed Interest Exposure
- **100%** Limit on Variable Interest Rate
- **0% to 90%** Maturity Structure of Borrowing, exposure in any duration

Minimum Revenue Provision Policy

- Annuity Method
- 50 year repayment for capitalisation directives
- PFI/Leases determined by the specific agreement
- No MRP on capital loans or investments
- Option for capital receipts to be used towards MRP

Key Council Budget Assumption for 2019/20

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

Approach

Choices made within the framework

Objective - Balance low interest rates with long term certainty

Strategy – to borrow short term now and lock in long term when appropriate

Sources Approved by Arlingclose - Banks or Building Society, Public Works Loan Board, Pension Funds, Capital Market Bonds, Municipal Bonds Agency, anyone with whom we would invest. Also, Leasing, PFI, Sale & Lease back

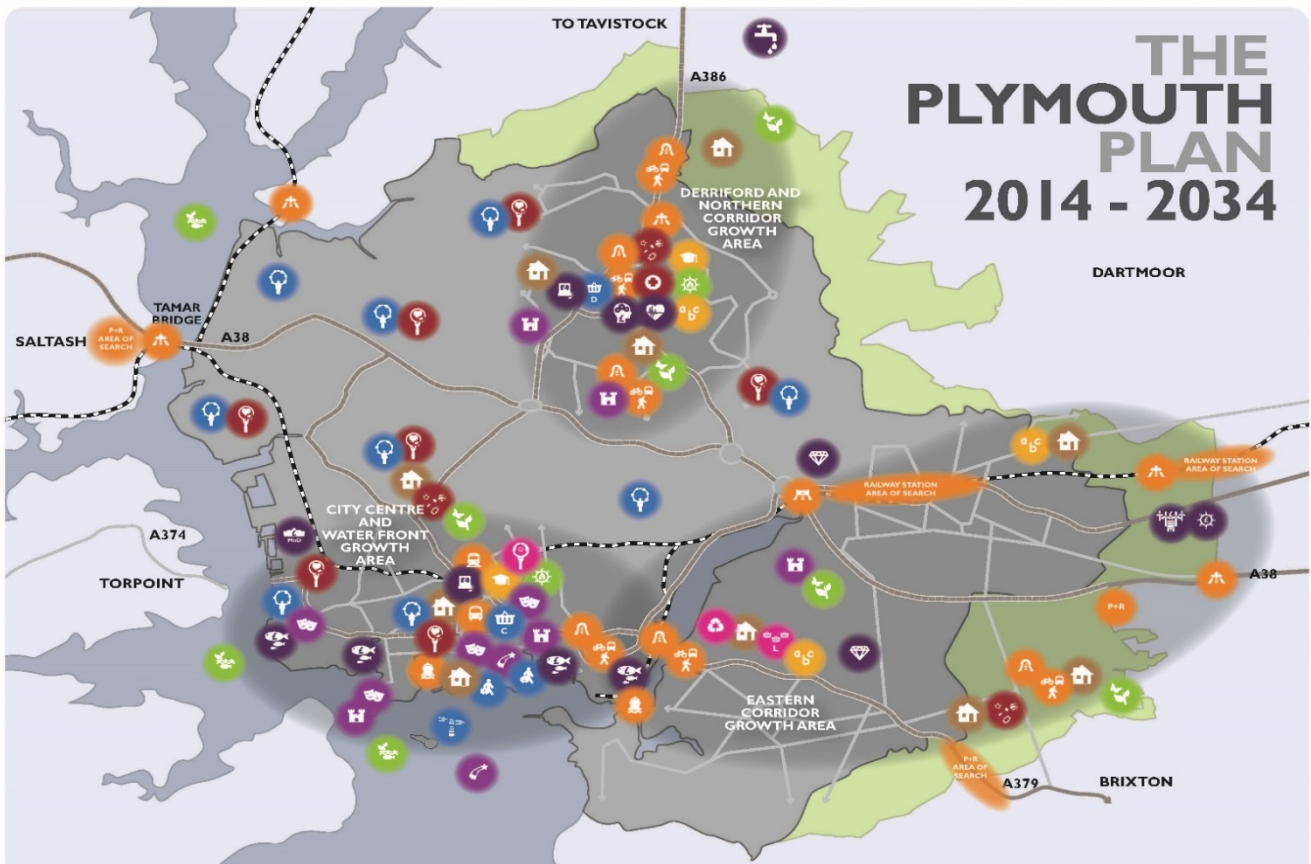
LOBOs will be repaid if there is a NPV saving and if there is agreement with the lenders

Municipal Bonds Agency Council will use where appropriate

Debt Restructuring A present value calculation based on current rates for the same period of loan may result in a discount or premium.

- Council will re-schedule if it reduces cost or risk

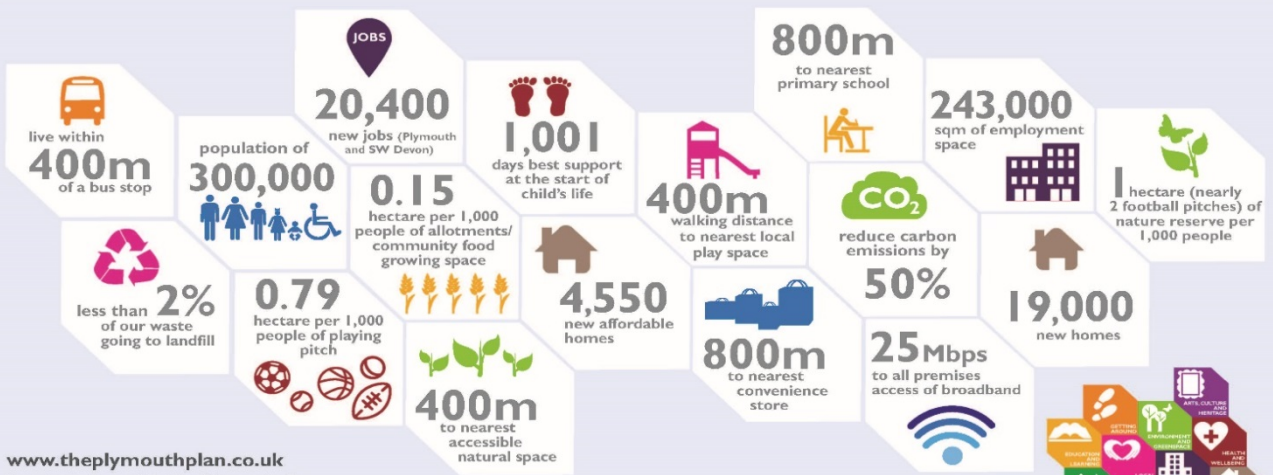
Delivering the Plymouth plans explains why we are borrowing and investing



KEY

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

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



Corporate Plan

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

OUR PLAN A CITY TO BE PROUD OF



CITY VISION Britain’s Ocean City

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

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

OUR VALUES

WE ARE DEMOCRATIC

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

WE ARE RESPONSIBLE

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

WE ARE FAIR

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

WE ARE CO-OPERATIVE

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

OUR PRIORITIES

A GROWING CITY

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

A CARING COUNCIL

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

HOW WE WILL DELIVER

Listening to our customers and communities.

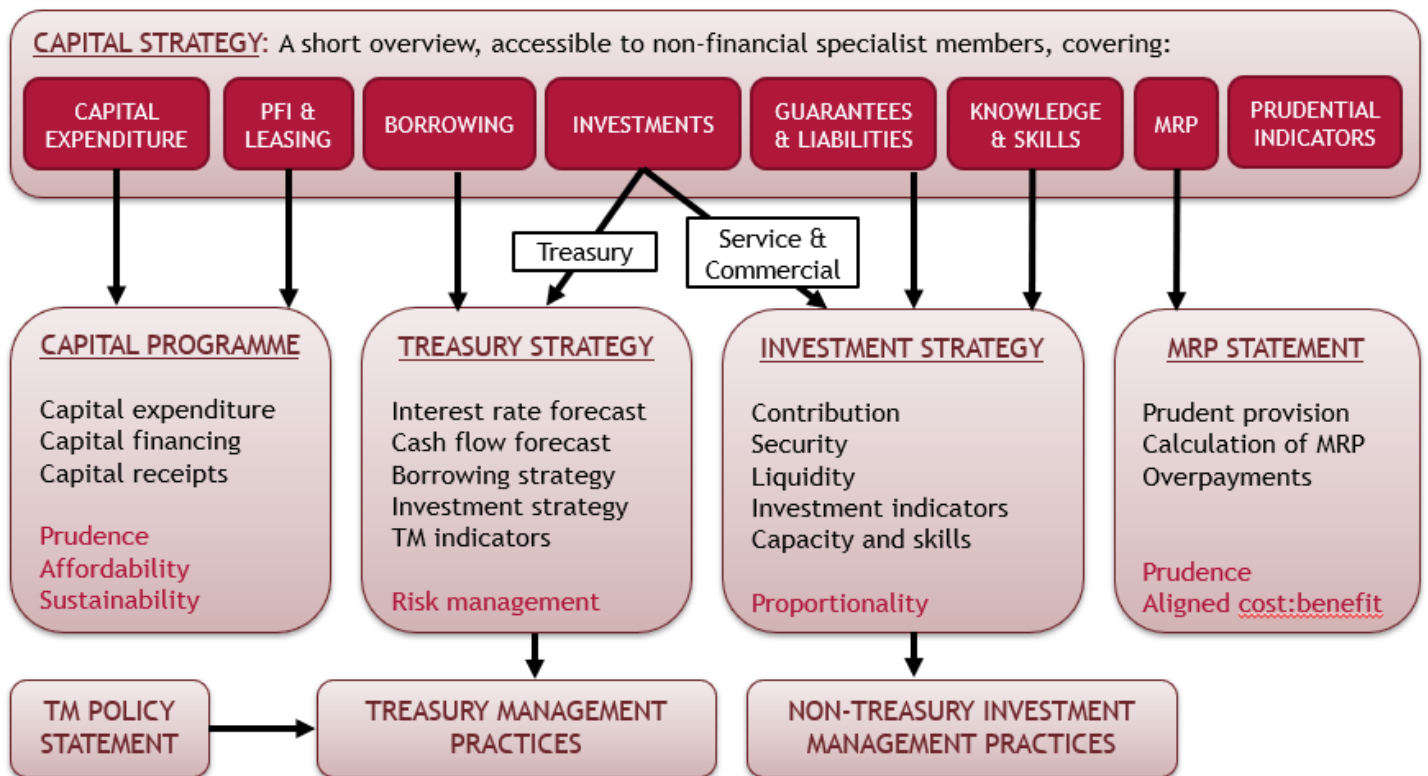
Providing quality public services.

Motivated, skilled and engaged staff.

Spending money wisely.

A strong voice for Plymouth regionally and nationally.

Strategy Reports:



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

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

Treasury Management Investment Strategy (shown as service and commercial in the diagram) included in this document.

Economic update from Treasury Management advisors Arlingclose

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report,

expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

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

Credit Outlook

The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest Rate Forecast

Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity (at the time of writing this commentary in mid-December). As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

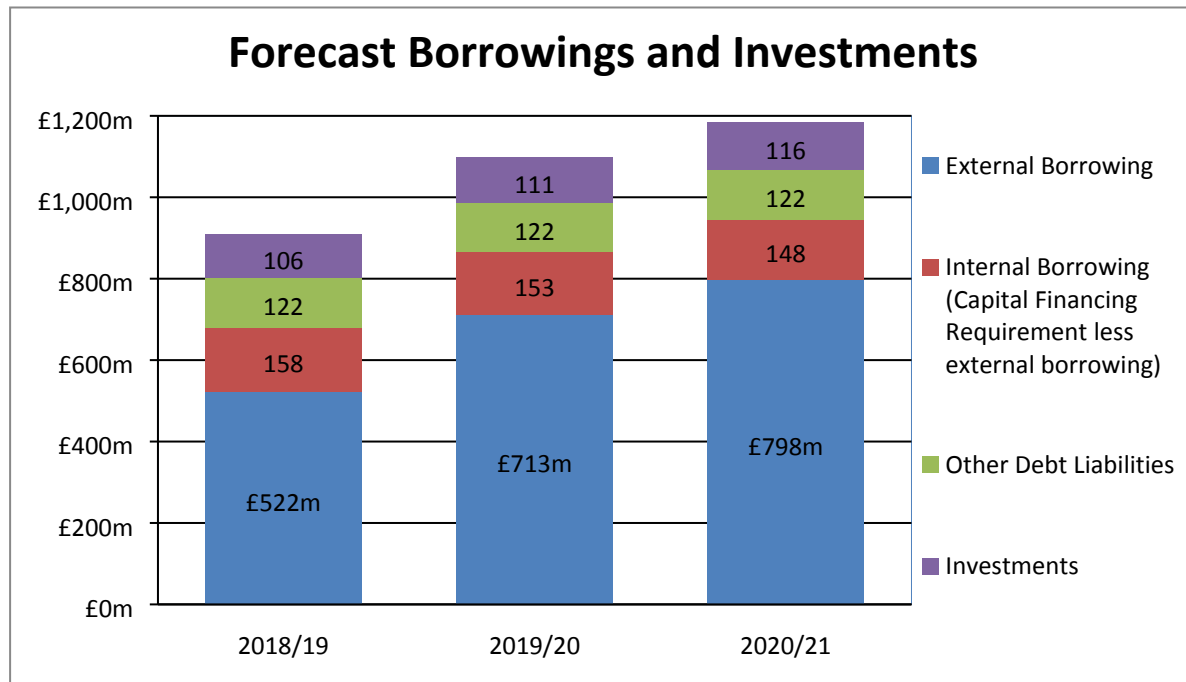
A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 1%, and that new long-term loans will be borrowed at an average rate of 3.25%.

Part 2 – Technical Detail for Analysis

Borrowing

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



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

Maximum Total Debt

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

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

The Council held £367 million of loans in as at 31 March 2018. This was an increase of £77 million on the previous year. The increase in loans is because of funding previous years' capital programmes.

The Council expects to hold borrowing up to £713m in 2019/20. The total borrowing must not exceed the authorised limit set by the Council of £834 million.

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

Objectives of Borrowing Decisions

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

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

Borrowing Strategy

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

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

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

In addition, the Council may borrow short-term loans to cover unexpected cash flow shortages.

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

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

The Council will only borrow from approved sources.

These are the lenders we are able to use.

Sources of Borrowing

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

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

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

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

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

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

Lender's Option Borrower's Option (LOBOs)

During 2018/19 the Council refinanced a LOBO for £11m to reduce the Council total LOBO loans to £71m.

The Council holds £71m of LOBO loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

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

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

This allows the flexibility to borrow from the Municipal Bonds Agency

Municipal Bond Agency

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Treasury Management Board.

Short-term and Variable Rate loans

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rates exposure limits in the treasury management indicators below.

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

Debt Rescheduling

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

Prudential Indicators 2019/20

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

Estimates of Capital Expenditure

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

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

Capital Expenditure and Financing	2017/18 Actual £m	2018/19 Estimate £m	2019/20 Estimate £m	2021/22 Estimate £m
General Fund	96.232	215.644	248.735	115.834
Total Expenditure	96.232	215.644	248.735	115.834
Capital Receipts	2.096	6.305	4.367	0.376
Grants and Contributions	29.830	71.676	57.013	35.437
Reserves	-	-	-	-
Revenue	0.296	2.342	1.947	0.178
Borrowing	64.010	135.321	185.408	79.843
Leasing and PFI	-	-	-	-
Total Financing	96.232	215.644	248.735	115.834

Estimates of Capital Financing Requirement

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

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

Capital Financing Requirement	31 Mar 18 Actual £m	31 Mar 19 Estimate £m	31 Mar 20 Estimate £m	31 Mar 21 Estimate £m
General Fund	444.603	579.924	765.332	845.175
Total CFR	444.603	579.924	765.332	845.175

The CFR is forecast to rise by £400m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement

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

two financial years. This is a key indicator of prudence.

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

Debt	31 Mar 19 Estimate £m	31 Mar 20 Estimate £m	31 Mar 21 Estimate £m
Borrowing	522.000	613.000	698.000
PFI liabilities & Finance Leases	122.000	122.000	122.000
Total Debt	644.000	835.000	820.000

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

Operational Boundary for External Debt

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

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

Operational Boundary	2018/19 £m	2019/20 £m	2020/21 £m
Borrowing	550.000	720.000	795.000
Other long-term liabilities	122.000	122.000	122.000
Total Debt	672.000	842.000	917.000

Authorised Limit for External Debt

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

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

Authorised Limit	2018/19 £m	2019/20 £m	2020/21 £m
Borrowing	645.000	775.000	825.000
Other long-term liabilities	145.000	145.000	145.000
Total Debt	790.000	920.000	970.000

Ratio of Financing Costs to Net Revenue Stream

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

This measure demonstrates that our proposed borrowing is affordable.

Ratio of Financing Costs to Net Revenue Stream	2018/19 Actual	2019/20 Estimate	2020/21 Estimate
General Fund	6.4%	8.7%	11.3%

Incremental Impact of Capital Investment Decisions

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

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

Incremental Impact of Capital Investment Decisions	2018/19 Actual	2019/20 Estimate	2020/21 Estimate
General Fund - increase in annual band D Council Tax	£12.10	£14.40	£18.10

Adoption of the CIPFA Treasury Management Code

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

Treasury Management Investment Strategy

This explains how the new CIPFA and MHCLG rules on investments have been extended to include non-Treasury Management Investments

Introduction

The Authority invests its money for three broad purposes:

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

This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

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

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £65m and £85m million, and is expected to remain about the same in the forthcoming year.

Objectives

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

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from CIPFA. The balance of treasury management investments is expected to fluctuate between £60m and £110m during the 2019/20 financial year.

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

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

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

Approved investment counterparties and limits

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

This table must be read in conjunction with the notes below

Investment Limits

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

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

Investment Limits

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

Liquidity Management

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

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

Council Budget Assumptions for 2019/20

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

Negative Interest Rates

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

Strategy

Given the increased risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and higher yielding asset classes during 2019/20. The Council holds £35m as a longer-term investment (CCLA Property Fund, CCLA Diversified Fund and Schroder's Income Maximiser) and these give a higher return than the short term investments.

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

Business models:

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

Approved Counterparties

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

Credit Rating

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

Banks Unsecured

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

Banks Secured

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

Government

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

Corporates

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

Registered Providers

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

Pooled Funds

Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of

investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

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

Real estate investment trusts

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational Bank Accounts

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

Risk Assessment and Credit Ratings

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

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

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

Other Information on the Security of Investments

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

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

The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest

the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Treasury Management Indicators

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

This is how we measure our performance.

Security

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

	Target
Portfolio average credit rating	A

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

Liquidity:

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

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

Interest Rate Exposures

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

	2019/20	2020/21	2021/22
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

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

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

Maturity Structure of Borrowing

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

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

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

Principal Sums Invested for Periods Longer than 365 days

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

	2019/20	2020/21	2021/22
Limit on principal invested beyond one year	£45m	£50m	£50m

Non-Treasury Management Investments

Introduction

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

The Council invests its money for three broad purposes:

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

Treasury Management Investments

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

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

Full details of the Council's policies and its plan for 2019/20 for treasury management investments are covered in the preceding sections of this document.

Service Investments

Loans

The council has discretion to make loans for a number of reasons, primarily for economic development. These loans are treated as capital expenditure.

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

The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities or housing associations to support local public services and stimulate local economic growth. For example Ernesettle Community Solar Farm.

The loans are treated as capital expenditure.

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

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

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

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

Shares

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

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

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

Liquidity: The Council covers its liquidity for working capital and cash flow by being able to borrowing short term loans from other local authorities.

Commercial Investments: Property

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

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

Property held for investment purposes

Asset Investment Fund	Actual 2017/18	Estimate 2018/19	Forecast 2019/20
Commercial Property	£67.368	£147.000m	£160,000m
Net Income	£1.166	£1.600m	£2.500m
Net Return*	1.7%	2.1%	2.1%

*based on a full year of ownership of the properties

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

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

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

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

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

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

Proportionality

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

Table 4: Proportionality of Investments

	2017/18 Actual
Gross service expenditure	£550.417m
Gross Investment income	£7.496m
Proportion	1.4%

Borrowing in Advance of Need

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

Investment Evaluation Process

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

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

Property Investment Governance

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

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

Capacity, Skills and Culture

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

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

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite. Head of Land and Property and the property team receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

How investments are funded:

Asset Investment Fund commercial property purchases are funded by borrowing. The borrowing is not directly taken out against each property but is managed through our Treasury Management function. The rental income generated from the purchasing of commercial property is used to repay the borrowing before the net income is used in the supporting of services.

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

Loan Commitments and Financial Guarantees

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

Annual Minimum Revenue Provision Statement 2019/20

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

The Local Government Act 2003 requires the Council to have regard to the MHCLG's Guidance on Minimum Revenue Provision updated in 2018. The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period which the asset provides benefits.

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

Minimum Revenue Position Policy

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

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

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

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

External Loans

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

Any loan or investment to an organisation defined as capital expenditure will not attract MRP. The original capital expenditure will be repaid from the capital receipts arising from the loan repayments made by the external organisation.

Capitalisation Directions

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

PFI/Leases

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

Other Items

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

Policy on use of Financial Derivatives

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

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

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

Investment Training

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

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

Investment Advisers

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

Investment of Money Borrowed in Advance of Need

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

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

Other options considered

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

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

Appendix A – Arlingclose Economic and Interest Rate Forecast October 2018

Underlying assumptions

- The MPC left Bank Rate unchanged at the September meeting, after voting unanimously to increase Bank Rate to 0.75% in August.
- Our projected outlook for the UK economy means we maintain the significant downside risks to our interest rate forecast. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures were projected to ease but have risen more recently and are forecast to remain above the Bank's 2% target through most of the forecast period. The rising price of oil and tight labour market means inflation may remain above target for longer than expected. This means that strong real income growth is unlikely in the near future.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider both that: 1) ultra-low interest rates result in other economic problems, and 2) higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise and cuts are required.
- The global economy appears to be slowing, particularly the Eurozone and China, where the effects of the trade war has been keenly felt. Despite slower growth, the European Central Bank is adopting a more strident tone in conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. Meanwhile, European political issues, mostly lately with Italy, continue.
- The US economy is expanding more rapidly. The Federal Reserve has tightened monetary policy by raising interest rates to the current 2%-2.25% range; further rate hikes are likely, which will start to slow economic growth. Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon. Our central case is for Bank Rate is to rise twice in 2019. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our interest rate projections, the strength of the US economy and the ECB's forward guidance on higher rates. However, volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.17
Downside risk	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.65
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
Arlingclose Central Case	0.80	1.00	1.10	1.20	1.30	1.30	1.25	1.20	1.20	1.20	1.20	1.20	1.20	1.17
Downside risk	0.20	0.50	0.60	0.70	0.80	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.68
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
Arlingclose Central Case	1.05	1.25	1.35	1.40	1.50	1.45	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.37
Downside risk	0.35	0.50	0.60	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.69
5-yr gilt yield														
Upside risk	0.15	0.20	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.15	1.20	1.25	1.35	1.40	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.30
Downside risk	0.30	0.35	0.45	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.54
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.60	1.65	1.65	1.70	1.75	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	0.30	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.55
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.90	1.95	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.98
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.43
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.80	1.85	1.85	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.88
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.43

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

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B - Existing Investment and Debt Portfolio Position

	30 Sept 2018 Actual Portfolio £m	30 Sept 2018 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	44.3	5.76
Local Authorities	282.5	0.73
LOBO Loans	71.0	4.37
Long Term Borrowing	18.0	4.37
Total External Borrowing	415.8	2.04
Other Long Term Liabilities:		
PFI	122.2	n/a
Finance Leases	1.6	n/a
Total Gross External Debt	539.6	
Investments:		
<i>Managed in-house</i>		
Short-term Money Market Funds	23.4	0.65
Other Short Term investments	18.1	0.92
<i>Managed externally</i>		
Pooled Funds	25.0	3.80
Other Funds	4.0	0.89
Total Investments	70.4	1.81
Net Debt	367.2	

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CAPITAL FINANCING STRATEGY 2019/20

INTRODUCTION AND CONTEXT

This document will set out the Plymouth City Council Capital Financing Strategy for 2019/20. The Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

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

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

CAPITAL FRAMEWORK

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

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

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

In February 2018 the Council approved a budget which contained an uplift to the revenue budget of £0.250m to meet the increased costs associated with borrowing requirements to fund the capital programme. The MTFS approved by Council on 19 November contained proposals to further increase this sum by £0.450m in 2019/20, £0.800m and 2020/21 and £0.600m in 2021/22. The MTFS sets out a summary of schemes that the Council wishes to support and an indicative level of Council financial support which will assist in the delivery of those schemes which all deliver towards the city's outcomes.

GOVERNANCE

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

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

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

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

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

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

CAPITAL BUDGET

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

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

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

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

CAPITAL PROGRAMME

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

The table below details the Capital Programme as reported to Cabinet in November 2018, including, amongst others, the following schemes:

- Derriford Transport Scheme
- Forder Valley Link Road

- Northern and Eastern Corridor Improvements
- The Box
- Oceansgate
- Asset Investment Fund
- Central Park Improvements
- Bereavement Service
- Schools Basic Need

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

Capital Programme by Directorate

Directorate	Service	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Customer and Corporate Services	Customer and Corporate Services	0.240	0.306	-	-	-	0.546
	Executive Office	-	-	-	-	-	-
	Finance	6.501	3.535	0.210	-	-	10.246
	Total	6.741	3.841	0.210	-	-	10.792
People	Children, Young People and Families	-	-	-	-	-	-
	Community Connections	2.343	-	-	-	-	2.343
	Education, Participation and Schools	5.788	0.698	0.162	0.162	0.162	6.972
	Public Health	3.553	0.313	7.547	0.377	-	11.790
	Strategic Co-operative Commissioning	-	0.687	-	-	-	0.687
	Total	11.684	1.698	7.709	0.539	0.162	21.792
Place	Economic Development	97.879	47.269	22.851	0.022	-	168.021
	Strategic Planning and Infrastructure	33.412	30.928	4.591	0.220	-	69.151
	Street Services	10.226	5.323	2.000	2.000	2.000	21.549
	Total	141.517	83.520	29.442	2.242	2.000	258.721
PLYMOUTH CITY COUNCIL TOTAL		159.942	89.059	37.361	2.781	2.162	291.305

CAPITAL EXPENDITURE AND FINANCING

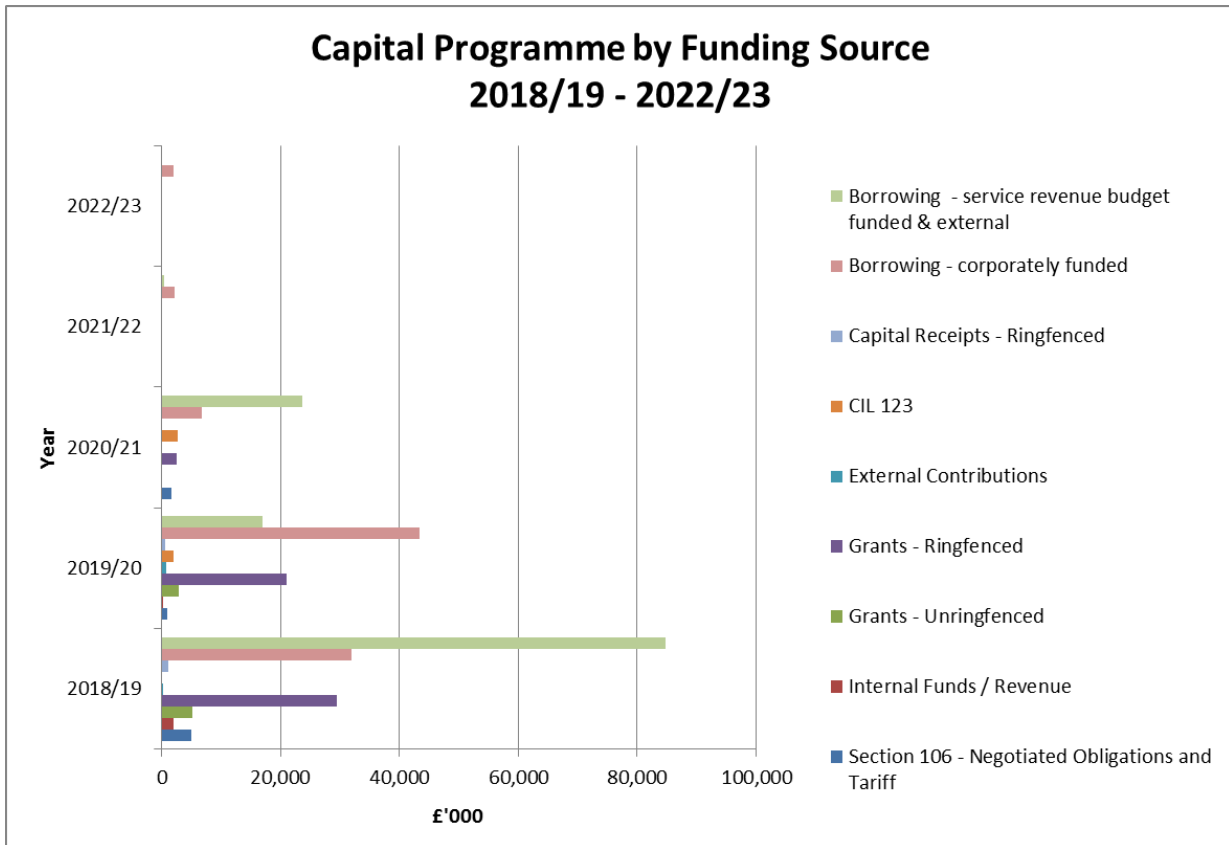
Capital expenditure is defined as money spent on assets, such as property or vehicles, which will provide a service benefit for more than one year. In local government this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council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

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

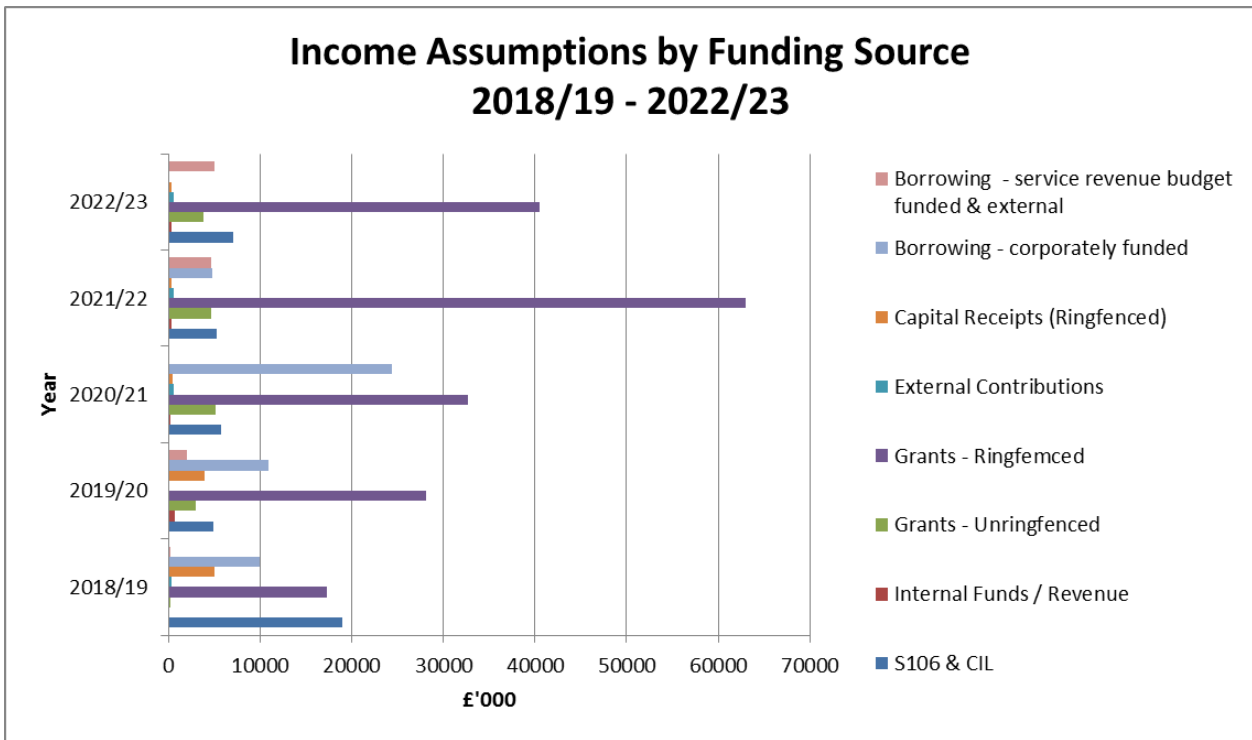
- Capital Receipts;
- Grants and contributions;

- SI06 and Community Infrastructure Levy (CIL);
- Revenue Contribution to Capital Outlay (RCCO);
- Borrowing – both funded corporately, or where schemes deliver a saving, this is offset against the project and repaid by service.

The Council has approved medium-term capital expenditure of £291.305m as summarised below by funding source and year.



The following chart provides details of expected funding for future, unapproved capital schemes (Income Assumptions) by finance category as of November 2018.



ASSET INVESTMENT 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 Fund supports the affordability of the revenue budget through the generation of long term income realisation.

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

AFFORDABILITY

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

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

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

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

As much of the capital programme is funded by borrowing, assumptions and decisions on the cost and affordability of the Council's borrowing is linked to the Public Works Loan Board interest rates, prudential indicators and the approved borrowing strategy as set out in the Treasury Management Strategy 2019/20.

RISK MANAGEMENT

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

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

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

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

KNOWLEDGE AND SKILLS

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

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

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

PLYMOUTH CITY COUNCIL

Subject:	Capital & Revenue Monitoring Report 2018/19: Quarter 3
Committee:	Cabinet
Date:	12 February 2019
Cabinet Member:	Councillor Lowry
CMT Member:	Andrew Hardingham – Service Director for Finance
Author:	Paul Looby – Head of Financial Planning and Reporting Hannah West - Finance Business Partner
Contact details	Tel: 01752 307271 email: paul.looby@plymouth.gov.uk Tel: 01752 305171 email: hannah.west@plymouth.gov.uk
Ref:	
Key Decision:	No
Part:	I

Purpose of the report:

This report outlines the finance monitoring position of the Council as at the end of December 2018.

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

As shown in Table I below, the estimated revenue overspend is £1.323m. The overall forecast net spend equates to £186.878m against a budget of £185.555m, which is a variance of less than 0.72%. This needs to be read within the context of needing to deliver in excess of £11.000m of savings in 2018/19 on the back of balancing the 2017/18 revenue budget where £18.000m of net revenue reductions were successfully delivered.

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

Table I: End of year revenue forecast

	Budget	Forecast Outturn	Variance
	£m	£m	£m
Total General Fund Budget	185.555	186.878	1.323

The Corporate Plan 2016/17 – 2018/19:

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

Implications for Medium Term Financial Strategy and Resource Implications:

Robust and accurate financial monitoring underpins the Council's Medium Term Financial Strategy (MTFS). The Council's Medium Term Financial Forecast is updated regularly based on on-going monitoring information, both on a local and national context. Any adverse variations from the annual budget will place pressure on the MTFS going forward and require additional savings to be generated in future years. All one-off savings achieved within 2018/19 to balance the budget will roll forward into 2019/20 creating a further pressure on next year's budget.

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

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

Equality and Diversity

This report monitors our performance against our approved budget 2018/19. As part of the budget setting process, EIA were undertaken for all areas.

RECOMMENDATIONS AND REASONS FOR RECOMMENDED ACTION:

1. Note the current revenue monitoring position and action plans in place to reduce/mitigate shortfalls;
2. Cabinet are asked to recommend to Council that the Capital Budget 2018 -2023 is revised to £870.007m (as shown in Table 6).

Alternative options considered and rejected:

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

Published work / information:

2018/19 Annual Budget: [2018 Annual Report](#)

Background papers:

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

Sign off:

Fin	djn.18.19.193	Leg	lt/31929/2101	Mon Off		HR		Assets		IT		Strat Proc	
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Originating SMT Member: Andrew Hardingham, SD Finance

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

DECEMBER 2018 FINANCE MONITORING

Table 2: Revenue Monitoring Position

Directorate	Gross Expenditure	Gross Income	2018/19 Latest Approved Budget	Forecast Outturn	Forecast Year End Variation	Movement from Month 8
	£m	£m	£m	£m	£m	£m
Executive Office	6.552	(0.648)	5.904	5.904	0.000	0.024
Corporate Items	7.136	(12.499)	(5.363)	(6.841)	(1.478)	(0.716)
Finance	25.441	(4.733)	20.708	20.538	(0.170)	(0.170)
Corporate and Customer	104.323	(90.476)	13.847	13.747	(0.100)	(0.305)
People Directorate	258.893	(134.039)	124.854	128.918	4.064	(0.510)
Office of the Director of Public Health	19.456	(19.141)	0.315	0.294	(0.021)	0.000
Place Directorate	79.878	(54.588)	25.290	24.318	(0.972)	0.000
TOTAL	501.679	(316.124)	185.555	186.878	1.323	(1.677)

Table 3: Plymouth Integrated Fund

Plymouth Integrated Fund	2018/19 Budget	2018/19 Forecast	Year End Overspend / (Underspend)
	£m	£m	£m
New Devon CCG – Plymouth locality	347.386	347.155	(0.231)
Plymouth City Council *	253.265	257.987	4.722

TOTAL	600.651	605.142	4.491
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The financial position above for the Plymouth Integrated Fund is for the 2018/19 month 7 position, and before any risk share. *This represents the net People Directorate budget plus the gross Public Health Commissioning budget (which is financed by a ring-fenced Department of Health Grant).

Table 4: Key Issues and Corrective Actions

Issue	Variation £M	Management Corrective Action
<p>EXECUTIVE OFFICE</p> <p>The department recognises the Council wide budget pressure for 2018/19 and also notes strong predicted income generation over target. Given strength in predicted income generation, focussed areas of new business development will also be pursued (e.g. school exclusions administration and at least one additional governance contract).</p>	0.000	Nil variance to report.
<p>EXECUTIVE OFFICE – Legal</p> <p>There is currently a small pressure of £0.158m due to vacancy savings target being behind schedule, and other budget pressures.</p>	0.000	Income through recharging services and capitalisation opportunities are being sought to try to offset this and as a result a balanced position is assumed.

<p>CORPORATE ITEMS</p> <p>The main budget pressure is due to the deficit in the Pension fund. The Council is also currently managing a number of public liability insurance claims. If all claims are fully paid there are insufficient funds in the reserve to meet all liabilities. At this stage if nothing else changes and based on past trends a deficit will have to be covered.</p>	<p>(1.478)</p>	<p>Efforts are continuing to be made to reduce the deficit in the Pension fund. A solution is currently under discussion with colleagues at Devon County Council, the pension fund administrators. With regard to the insurance liability claims, Officers in the Claims Handling Team continue to work to mitigate these claims; to ensure that losses are minimised. There is no in-year pressure, however, in the longer term this may require a revision to the MTFS.</p> <p>There is a £1.000m contribution which reflects a review of the council's balance sheet resulting in the ability to fund switch from revenue to capital but still maintain the integrity of the Balance Sheet provision. This is a "one off" transaction benefitting 2018/19 only.</p> <p>As part of the actions to reduce the current in year budget pressures, a review of the council's reserves has released £0.466m. This is a one off contribution in 2018/19.</p>
<p>FINANCE</p> <p>There are pressures totalling £0.285m in Facilities Management; due to the pay award in line with Living Wage. The provision created to meet these costs has left an</p>	<p>(0.170)</p>	<p>As previously reported a review has been underway to deliver the savings required to offset this pressure and a balanced position at year-end.</p> <p>This is being achieved through revision to some working practices,</p>

<p>unfunded element due to the staff profile. This will be addressed as part of the 2019/20 budget.</p> <p>There is also a pressure from an income target against Schools cleaning which is unlikely to be met due to schools withdrawing from this service as they move to Academies. There is a growing pressure arising from increased utility charges. A revised FM structure is being drawn up to enable the pressure to be eliminated.</p> <p>The Council is continuing to monitor the action taken by 14 local authorities' legal action against Barclays Bank in connection with their LIBOR 'rigging' and its links to the rate setting for LOBO loans, to see if it brings refinancing opportunities.</p> <p>The Council is also monitoring bank rates. The market is predicting a gradual increase in the base rate over the next 2 years. The Council has profited from very low interest rates on its short term loans but any increase will result in cost increases.</p>		<p>maintaining vacancies and more rigorous assessment of contract works.</p> <p>A further opportunity to reschedule LOBO debt has arisen, the benefits will realise the 2018/19 Treasury Management budget saving target.</p> <p>In response to the in year pressures a review of planned maintenance has been undertaken. By prioritising and reviewing the schedule of works a saving of £0.170m has been declared.</p>
<p>CUSTOMER and CORPORATE – Customer Services</p>	<p>0.000</p>	<p>There is a pressure of £0.305m because of a shortfall in Housing Benefit Subsidy. This is reviewed each month, with continued efforts to reduce the volume of housing benefits overpayments and improved debt recovery rates. Despite the ongoing work this area remains highly volatile and subject to fluctuation.</p>

		This pressure has been offset through a review of the provision made of bad debt for housing benefits.
<p>CUSTOMER and CORPORATE – Service Centre</p> <p>As outlined in the MTFs, there is a savings target against the Service Centre that remains a challenge of £0.484m.</p>	0.000	The project team are seeking solutions to address this with the focus being on addressing the pressure in full before the end of the financial year. This is likely to be a “one off” solution that will require addressing in 2019/20.
<p>CUSTOMER and CORPORATE – Human Resources & OD</p>	(0.100)	There is agreement to reduce the rate of spend on the corporately held training budget to help deliver an underspend to contribute to the wider Council finance pressure. The Service is reviewing the delivery channels to ensure “E-learning” is maximised wherever possible.
<p>CUSTOMER and CORPORATE – Departmental</p>	0.000	Nil variance to report.
<p>CUSTOMER and CORPORATE – ICT Commissioned Service</p>	0.000	There is currently a nil variance to report, although the budget remains under pressure.
<p>PEOPLE - Children Young People and Families</p>		The following actions are in place to address the budget position.

<p>(CYPF)</p> <p>The Children Young People and Families Service are reporting a budget pressure of £4.064m at month 9</p> <p>The changes are as follows:</p> <ul style="list-style-type: none"> • The assumption on minimising the pressure through a reduction in LAC has been removed £0.358m. It should be noted that the majority of the young people discharged are to other permanent arrangements such as Special Guardianship Orders, Child Arrangement Orders and Care Leavers that often require ongoing financial support albeit at a lower rate. The expected saving have been outweighed by the additional cost of new placements coming online as most of these packages have come in at a higher rate. • The assumption for placements to stepdown has been adjusted down by £0.483m from (£0.670m) to (£0.187m) in line with savings already achieved and a review of the cohort of children who are likely to stepdown by year end. The service have realised savings of £1.471m in the first nine months through step down and step out of placements. • However, the joint funding assumption with regard to health contribution for young people’s placements has increased from (£0.304m) to (£0.404m) an increase of (£0.100m). • Additional actions equating to (£0.500m) have been put in place to mitigate the above with robust plans 	<p>4.064</p>	<ul style="list-style-type: none"> • Looked After Children - only one point of contact for all new entrants; • Fortnightly placement review to ensure step down of high cost placements • Review of staying put arrangements and financial remuneration; • Maximise contribution from partners including Health and Education . • Maximise local residential placements to avoid higher out of area costs. <p>Ongoing work continues, all placements are reviewed regularly in order to reduce the pressure on cost and volume where appropriate.</p> <p>Commissioning arrangements to increase the supply of local placements continues. The Peninsula residential framework tender has just closed, with 29 bidders. A contract award report will be presented to Cabinet in December. The Plymouth Caring in Partnership residential block contract continues to be developed – 3 beds have been added to the contract since March 2018, with a new solo home currently being registered. The Peninsula fostering contract began on 1st April 2018 and is embedding, with a wider group of providers engaged.</p> <p>£1.0m of additional partner funding has been allocated in month 9 to offset part of the underlying additional placement costs</p>
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<p>to deliver by year end.</p> <ul style="list-style-type: none"> • Placements cost and volume overall have increased by £0.210m within the month this can be attributed mainly to two high cost placements one of which was extended due to the court of protection. • Business as usual £0.079 legal agents costs for court work. <p>The cost of the care is particularly high due to the level of support needed to keep young people safe, such as specialist residential care placements with high levels of staffing. A number of very costly care packages are the result of Court of Protection orders that place a duty on the Council to provide specialist care.</p> <p>This increasing financial demand on Children’s Services is not just a local issue, but is seen nationally and is a culmination of rising demand, complexity of care, rising costs and the availability of suitable placements. Robust plans are in place to deliver £4.655m savings this year, delivering over £3.000m to date, although the Service has identified a savings plan £1.647m that will not be achieved this year.</p>		
<p>PEOPLE - Strategic Cooperative Commissioning</p> <p>The Strategic Commissioning service is forecasting to come in on budget at year end. This is a favourable movement of (£0.101m) from month 7, although reviews are still being carried out on the care packages to reduce costs where</p>	<p>0.000</p>	<p>Weekly dashboards are used to inform the service of all client numbers and costs with a fortnightly Budget Containment meeting in place with Livewell and CCG colleagues, which oversees a Budget Recovery Plan. Key measures</p>

<p>appropriate, especially around residential and & care and supported living.</p> <p>As part of the MTFS for 2018/19, Strategic Commissioning have assumed that savings of £2.546m (in order to contribute to the £2.914m People directorate target) will be achieved, as well as £2.248m of savings brought forward from 2017/18 that were realised from one off savings and need to be achieved in this financial year. In 2018/19, over £2m of the savings have been achieved through one-offs.</p>		<p>include an enhanced Scheme of Delegation and Client Reviews</p>
<p>PEOPLE – Education Participation and Skills</p> <p>Education, Participation and Skills budget is forecast to balance to budget at year end. As part of the MTFS for 2018/19, Education Participation and Skills is expected to make savings of over £0.699m as well as £0.687m of savings brought forward from 2017/18 that were realised from one off savings.</p>	<p>0.000</p>	<p>The majority of savings for 2018/19 are one-off in nature resulting from line-by-line examination of all budget areas. The main contributor to the 2018/19 savings is from the SEND package review with additional efficiencies within the school improvement budget.</p>
<p>PEOPLE – Community Connections</p> <p>Community Connections is reporting a balanced budget at</p>	<p>0.000</p>	<p>Action is still ongoing to limit the overall cost pressure through lower</p>

<p>Month 9, a favourable variation of (£0.026m) from month 8.</p> <p>Average B & B numbers for April to December have reduced from 53 to 52 placements per night, although there was a reduction in Housing Benefit income claimed at the start of the year due to the change across to the universal credit system.</p>		<p>placements and prevention work, as well as capitalisation of equipment that will help to bring spend back to budget.</p>
<p>People Management & Support</p> <p>The People Management & Support budget is forecast to balance to budget at year end, as per the reporting in previous months.</p>	<p>0.000</p>	
<p>Office of the Director of Public Health</p> <p>The budget for the Office of the Director of Public Health (ODPH) is forecasting to come in under budget for 2018/19 no change in the month.</p> <p>The budget is made up of the grant funded Public Health, Public Protection Service and Bereavement Services, of which</p>	<p>(0.021)</p>	

<p>the grant funded section of Public Health forms part of the Integrated Fund.</p> <p>There has been a reduction in the Public Health grant received in 2018/19 of £0.405m from 2017/18, which will be contained by a variety of management actions, mainly around the contracts that are held within the department.</p> <p>The Public Protection service, funded from RSG and other income streams, are showing a forecasted saving of (£0.021m) following budgets being scrutinised for all possible savings. We are working across the functions of the directorate, and with colleagues in the integrated fund, to identify a number of areas where possible further savings can be made.</p> <p>The Bereavement Service is showing an increase in the numbers of cremations budgeted for at this point in the year, although any surpluses from this service are ring-fenced and cannot be counted towards any favourable variations for the Directorate.</p>		
<p>PLACE – Strategic Planning & Infrastructure</p> <p>The Service Management Team continues to proactively monitor the overall departmental budget and have delivered</p>	<p>(0.496)</p>	

all of the agreed 2018/2019 Budget Review actions. In response to the projected council overspend and need for all services to find additional savings and respond to the work of the Budget Management Group, additional management actions were undertaken.

Despite the downturn in planning application and development related income of £0.113m, which appears to be directly linked to the uncertainty connected with Brexit, the department has taken corrective action on other budget areas to mitigate £0.058m of this within the month. This has resulted in a £0.055m adverse change in position and will continue to explore further opportunities during the last quarter.

In response to a request from CMT for all services to review their current reserve status, SP&I identified a one off sum of £0.150m to offset existing Place pressures. SP&I have also identified income opportunities of £0.063m from the PHDP and £0.096m from reserves.

Savings have also been achieved through a later implementation of the departmental restructure, the transfer of three posts to the new Joint Local Plan team which will be jointly funded with South Hams and West Devon councils, and ceasing or re-programming planned IT investments and other operational planned spending.

The department also continues to manage a number of pressures within the overall approved budget.

<p>PLACE - Management Support</p> <p>Savings have been made across all 3 service areas to offset the overspend relating to the legacy target and GAME staffing pressure.</p>	0.352	
<p>PLACE - Economic Development</p> <p>Income generation from Asset Investment Fund acquisitions have enabled a series of spend pressures within Economic Development to be met, including the cost of the events programme. ED have undertaken a thorough review of all budgets in 18/19 and have identified further savings due to the accelerated purchase of a future acquisition, further capitalisation of salaries, and a reduction in bad debt provision and reserves.</p>	(0.671)	
<p>PLACE – GAME</p> <p>The New Homes Bonus target has already been achieved for 18/19.</p>	0.000	

<p>PLACE - Street Services</p> <p>Street Scene & Waste services: Street Scene & Waste are currently reporting an adverse position of 0.228m – this is due to a reduction in new income, awaiting a new deal for the Refuse Transfer Station of £0.220m and various small underspends.</p> <p>Fleet and Garage: Fleet & Garage is reporting a small pressure due to the requirement to purchase new Health & Safety equipment, and the need to bring in an external workshop manager. This pressure is in the Fleet account, whereas the Garage is forecast to come in on budget.</p> <p>Highways and Car Parking: Highways and parking are reporting a £0.394m underspend due to current salary vacancies and a review of service requirements in 18/19, which have more than covered a pressure arising from emergency electrical works at boathouses on Commercial Wharf.</p>	<p>0.228</p> <p>0.008</p> <p>(0.394)</p>	<p>As part of the Street Services Improvement plan; we will examine and bring forward options relating to Fleet & Garage and Trade Waste options by February 19 to maximise income and reasonably contain costs whilst recognising the need to deliver high quality services.</p>
<p>TOTAL</p>	<p>1.323</p>	

Recommendation

It is recommended that Cabinet note the current monitoring position and endorse the recovery action plans that are now in place and continue to work with Directors to achieve a balanced budget by the end of the year.

VIREMENTS

Agreed departmental changes as per the Organisation Design Report dated 19 November 2018 have been actioned, as a result there are no virements that need approval.

CAPITAL BUDGET - 2018-2023

The latest capital budget as at 30 September 2018 is £581.296m and this was approved by Council on 19 November 2018.

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

The five year capital budget 2018-2023 is currently forecasted at £870.007m. This is set out in table 6.

Table 5: Movement in Capital Budget

Description	£m
Latest Approved Budget 2018-23	581.296
Increase in income assumptions for the Asset Investment Fund	150.000
Potential grant from Transforming Cities Fund	107.000
Other changes	31.711
Total Revised Capital Budget for Approval (2018-2023)	870.007

Table 6: Current Capital Resources

The Capital budget consists of the following elements:

Description	£m
Capital Programme	355.780
Income Assumptions *	514.227
Total Revised Capital Budget for Approval (2018-2023)	870.007

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

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

Tables 7 and 8 below shows the revised capital programme for the period 2018-2023, as at the end of December 2018. Appendix I shows a detailed breakdown of the Capital Programme.

Revised Capital Programme

Table 7: Capital Programme by Delivery Outcome

Primary Outcome of Projects	£m
Securing Growth in the City Centre/Waterfront	27.839
Securing Growth in Derriford and the Northern Corridor	73.089
Securing Growth in the Eastern Corridor	8.254
Delivering More/Better Housing	5.244
Ensuring Essential City Infrastructure	24.083
Improving Neighbourhoods and Community Infrastructure	9.949
Ensuring Good Quality School Places	3.938
Growing the Economy	2.290
Delivering Oceansgate	18.264
Connecting the City	27.558
Celebrating Mayflower	6.372
Delivering The Box	29.151
Transforming Services	119.749
Total	355.780

Table 8: Capital Programme by Directorate

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Directorate	£m	£m	£m	£m	£m	£m
Transformation & change	4.711	5.671	0.210	-	-	10.592
People	7.578	1.951	0.173	0.172	0.172	10.046
Place	133.253	116.621	59.182	12.296	2.000	323.352
Public Health	1.173	5.773	4.844	-	-	11.790
Total	146.715	130.016	64.409	12.468	2.172	355.780

Recommendation

Council approve that the Capital Budget 2018-2023 is revised to £870.007m (as shown in Table 6)

Appendix I: Detailed Breakdown of the Capital Programme

Approved Capital Programme	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000	£000	£000
Celebrating Mayflower						
Mayflower 400 - Public Realm Improvements	120	964	-	-	-	1,084
Mayflower 400 – Public Realm Enabling	794	2,010	512	-	-	3,316
Mayflower 400 - Elizabethan House	250	814	398	-	-	1,462
Mayflower 400 - Monument	-	310	-	-	-	310
Mayflower 400 - Waterfront Event Infrastructure	10	190	-	-	-	200
Total Celebrating Mayflower	1,174	4,288	910	0	0	6,372
Connecting the City						
Mayflower Coach Station	-	20	-	-	-	20
Electric Car Charge Points	8	-	-	-	-	8
Cot Hill Bridge	20	735	25	-	-	780
Plymouth Rail Station Regeneration	821	14,925	10,982	22	-	26,750
Total Connecting the City	849	15,680	11,007	22	0	27,558
Delivering More/Better Housing						
Self Build Housing Sites	74	115	-	-	-	189
Former Whitleigh Community Centre	154	-	-	-	-	154
North Prospect Phase 5	-	950	-	-	-	950
Bath Street	226	100	1,733	-	-	2,059
Plan for Homes	472	260	-	-	-	732
Demolitions for Housing	472	-	-	-	-	472
Extra Care Housing Support Millbay	-	450	-	-	-	450
How Street Specialist Housing Programme	-	238	-	-	-	238
Total Delivering More/Better Housing	1,398	2,113	1,733	0	0	5,244
Delivering Oceansgate						
Oceansgate Remediation/separation works	2,037	-	-	-	-	2,037
Oceansgate Phase 1 Direct Development	502	141	-	-	-	643
Oceansgate Phase 2 Direct Development	1,015	8,599	4,731	-	-	14,345
Oceansgate Phase 2 Infrastructure	1,239	-	-	-	-	1,239
Total Delivering Oceansgate	4,793	8,740	4,731	-	-	18,264

Delivering The Box						
The Box	12,790	15,333	1,028	-	-	29,151
Total Delivering The Box	12,790	15,333	1,028	-	-	29,151
Ensuring Essential City Infrastructure						
King George V Pedestrian and Walking Cycle Route	40	250	-	-	-	290
Bus Punctuality improvement plan (BPIP)	14	-	-	-	-	14
Prince Maurice Road Junction Improvements	120	-	-	-	-	120
S106 Transport Projects	32	673	-	-	-	705
Derriford Community Park	82	91	-	-	-	173
European Marine Sites - Recreational Behaviour Changing Measures	10	40	55	-	-	105
Glenside GP Surgery	83	-	-	-	-	83
Home Energy	166	80	80	60	-	386
Warm Homes	250	388	-	-	-	638
Civic Centre District Energy	97	689	-	-	-	786
Development Funding	-	500	-	-	-	500
Capitalised Maintenance Schemes	6,350	5,394	2,000	2,000	2,000	17,744
Local Safety Schemes	190	103	-	-	-	293
Living Streets	177	19	-	-	-	196
Keep Plymouth Moving	145	370	-	-	-	515
Visitor Signage	86	-	-	-	-	86
Flood defence Works	39	-	-	-	-	39
West Hoe Pier	5	78	-	-	-	83
Mount Edgcumbe Projects	805	522	-	-	-	1,327
Total Ensuring Essential City Infrastructure	8,691	9,197	2,135	2,060	2,000	24,083
Ensuring Good Quality School Places						
Pennycross Basic Need	22	-	-	-	-	22
Pomphlett Basic Need	1,657	700	-	-	-	2,357
Oreston Academy Basic Need	10	-	-	-	-	10
Yealmpstone Farm Primary School Basic Need	1,500	-	-	-	-	1,500
Woodford Primary School - Decking	49	-	-	-	-	49
Total Ensuring Good Quality School Places	3,238	700	-	-	-	3,938
Growing the Economy						
Social Enterprise Fund	338	239	-	-	-	577
Langage Development Phase 2	1,683	-	-	-	-	1,683

39 Tavistock Place	-	-	30	-	-	30
Total Growing the Economy	2,021	239	30	-	-	2,290
Improving neighbourhoods and delivering community infrastructure / facilities						
Barne Barton general amenity improvements	-	-	164	-	-	164
Active Neighbourhoods	64	25	-	-	-	89
Infrastructure Works at Honicknowle	-	26	-	-	-	26
Derriford Community Park	292	301	-	-	-	593
Play Pitch Projects	332	715	-	-	-	1,047
Central Park Improvements & Sports Plateau	2,810	2,246	-	-	-	5,056
Improving Outdoor Play	345	741	-	-	-	1,086
Dunstone Woods	-	13	-	-	-	13
Manadon Play Pitches	1,555	-	-	-	-	1,555
Plympton Swimming Pool	70	-	-	-	-	70
Children Centres	-	250	-	-	-	250
Total Improving neighbourhoods and delivering community infrastructure / facilities	5,468	4,317	164	0	0	9,949
Securing Growth in Derriford and Northern Corridor						
Forder Valley Link Road- Development Costs	4,520	9,721	26,011	10,046	-	50,298
Forder Valley Interchange	512	5,647	2,648	-	-	8,807
Derriford Transport scheme - Derriford Roundabout / William Prance Road	1,777	-	-	-	-	1,777
Sendalls Way Junction Improvements	300	-	-	-	-	300
Charlton Road	444	350	-	-	-	794
Northern Corridor Junction Improvements	1,580	-	-	-	-	1,580
Purchase of Properties in the North of Plymouth	1,100	875	-	40	-	2,015
Morlaix Drive Access Improvements	466	3,260	1,000	-	-	4,726
Northern Corridor Strategic Cycle Network	333	2,209	-	-	-	2,542
Woolwell to the George	218	32	-	-	-	250
Total Securing Growth in Derriford and Northern Corridor	11,250	22,094	29,659	10,086	0	73,089
Securing Growth in the City Centre and Waterfront						
Devonport Market High Tech 'Play Market'	200	1,775	-	-	-	1,975
Charles Cross	1,777	5,298	-	-	-	7,075
Public Realm Schemes	295	11,121	-	-	-	11,416
Millbay Boulevard & Associated Works	2,811	2,750	-	-	-	5,561

Cobourg House	248	-	-	-	-	248
Quality Hotel	10	308	-	-	-	318
Colin Campbell Court	234	369	371	-	-	974
Plymouth City Market Major Refurbishment	32	-	-	-	-	32
City Centre Shop Fronts Grant Scheme	64	176	-	-	-	240
Total Securing Growth in the City Centre and Waterfront	5,671	21,797	371	0	0	27,839
Securing Growth in the Eastern Corridor						
Eastern Corridor Junction Improvements	1,000	3,526	-	-	-	4,526
Eastern Corridor Strategic Cycle Network	727	1,057	1,435	-	-	3,219
A379 Pomphlett to The Ride	-	150	240	120	-	510
Total Securing Growth in the Eastern Corridor	1,727	4,733	1,675	120	0	8,255
Transforming Services						
Street lighting bulb replacement	86	-	-	-	-	86
Street Services Information Management System	380	10	-	-	-	390
Highways Information Management System	15	-	-	-	-	15
Fleet Replacement Programme	420	352	-	-	-	772
Chelson Meadow Closure & Leachate Plant Upgrade	259	-	-	-	-	259
Asset Investment Fund	77,055	8,666	5,740	8	-	91,469
Highway Works at the Former Seaton Barrack site	661	-	-	-	-	661
Barbican Footbridge	169	-	-	-	-	169
Disabled Facilities (incl Care & Repair works)	2,299	-	-	-	-	2,299
Schools Condition Works	3	-	-	-	-	3
Bayview Electrical Works	44	-	-	-	-	44
SEN Access and Safeguarding	12	-	-	-	-	12
Schools Devolved Formula & Projects	350	313	172	172	172	1,179
St Budeaux Library	241	304	-	-	-	545
ICT	2,103	4,255	210	-	-	6,568
Corporate Asset Maintenance	439	318	-	-	-	757
Other Corporate Property	1,225	749	-	-	-	1,974
Transformation Accommodation	611	-	-	-	-	611
Boiler Replacement Programme for Council Properties	100	45	-	-	-	145
Bereavement Infrastructure	1,173	5,773	4,844	-	-	11,790
Total Transforming Services	87,645	20,785	10,966	180	172	119,748

TOTAL CAPITAL PROGRAMME	146,715	130,016	64,409	12,468	2,172	355,780
Forecast future income streams	18,406	111,254	139,714	182,779	62,074	514,227
GRAND TOTAL	165,121	241,270	204,123	195,247	64,246	870,007

PLYMOUTH CITY COUNCIL

Subject: Budget Scrutiny Select Committee Recommendations and Cabinet Response

Committee: Cabinet

Date: 12 February 2019

Cabinet Member: Councillor Tudor Evans OBE (Leader)

CMT Member: Tracey Lee, Chief Executive

Author: Ross Jago, Senior Governance Advisor

Contact details: ross.jago@plymouth.gov.uk

Ref:

Key Decision: N/A

Part: I

Purpose of the report:

This report sets out the draft response to recommendations made by the Budget Scrutiny Select Committee following its consideration of the indicative budget report.

The Corporate Plan 2018/22:

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

Implications for Medium Term Financial Plan and Resource Implications:

Including finance, human, IT and land:

Financial and resource implications relating to the responses to individual recommendations will be explored in detail as any related proposals are brought forward.

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

Implications with respect to the above areas relating to the response to individual recommendations will be explored in detail as any related proposals are brought forward.

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? No

RECOMMENDATIONS AND REASONS FOR RECOMMENDED ACTION:

That the responses to the recommendations itemised in this report are agreed.

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

Alternative options considered and rejected:

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

Published work / information:

[Budget Scrutiny Papers](#)

Background papers:

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

Sign off:

Fin	akh. 18.1 9.20 3	Leg	ALT/ 3050 8/05	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member – Tracey Lee, Chief Executive													
Has the Cabinet Member(s) agreed the content of the report? Yes (05/02/19)													

I. Context

- 1.1. On the 30 and 31 January 2019 a Budget Select Committee was convened to consider the draft budget.
- 1.2. The Committee considered the draft budget report, which was supported by a number of background papers. These included the Corporate Plan, strategic risk register, departmental business plans and associated documents.

FINDINGS

2. Pressure of Increasing Demands and Reduction in Funding

- 2.1. A major part of local government expenditure is driven by duties and targets imposed by Government. Burdens placed upon Local Government are further exacerbated by the failure of Central Government to determine financial settlements more than a few months before the start of the financial year. The current settlement process provides no security for Local Government over the medium term and hinders the Council's ability to obtain best value and provide market stability in critical sectors as contract negotiations are so often based on annual settlements which are provided toward the end of the financial year.
- 2.2. In particular the Committee continues to be concerned about underfunding against need in Children's Services. Whilst recognising that exceptional cases have driven up costs and the sound planning undertaken by all service areas is addressing demand, grave concerns remain that estimated future costs due to demographic pressure and increases in demand will not be met by national funding.
- 2.3. The Committee heard that high needs funding, which supports provision for children and young people with special educational needs and disabilities (SEND), is not meeting the demand from young people and families. The Government must provide new funding to deal with increasing demand and enable local authorities to provide the right support to families who need it most.
- 2.4. In addition to concerns in respect of Children's Services above, the Committee was distressed to hear that the vital daily care and support provided by the city's Maintained Nursery Schools is at risk if supplementary Government funding ceases after 2019/20.
- 2.5. The Committee also heard of the devastating impact of cuts to public health grants. The public health funding shortfall in Plymouth is £11 per head below the Government's own needs based target allocation threshold and the grant has seen year on year reductions of £0.405m. This failure to properly fund public health services undermines the early intervention and prevention agenda and leads to additional costs in the all areas of the public service system in the city.
- 2.6. The Committee expressed its disappointment that, despite operating successfully as a pilot authority in 2018/19 for 100% business rates retention, Plymouth was not selected as a pilot in 2019/20. The Committee agreed that business rates represent a critical element of the funding which assisted in balancing the already stretched Local Government purse.
- 2.7. The Committee heard of the achievements and ambitious plans for growth in the city but also of the inequity of funding where Plymouth receives £13.20 per head of New Homes Bonus funding, lower than 156 other Local Authorities and halve of that available to London Boroughs.
- 2.8. The select Committee review agreed to recommend to Cabinet -

- a. to continue to demand Central Government provide clarity on a long term, sustainable funding mechanism as we come to the end of the current multi-year deal;
- b. to continue to lobby Government on a cross party basis to highlight severe pressures on local budgets in relation to Children's Services due to unprecedented demand and the escalating costs of placements, Adult Social Care due to the increase in the number of older people with ever increasing complex needs and Public Health due to the ongoing reduction in the grant allocated to Plymouth.
- c. that the council should support the Local Government Association (LGA) view to extend the supplementary funding for Maintained Nursey Schools into 2020/21 to ensure that local authorities are able to maintain service provision. Scrutiny will undertake to work with the Cabinet Member for Education, Skills and Transformation in the new municipal year to provide evidence for submission to the Government when planning the long term future for maintained nursery provision.
- d. that Cabinet work with the Special Interest Group of Municipal Authorities and the LGA and lobby to ensure measures of deprivation are given sufficient weighting within the new consultation on Fair Funding proposals (other than solely population) when establishing the Foundation Formula Allocation for allocation of resources to Plymouth in future Local Government finance settlements.
- e. to urge Government not to change but to improve, the allocation of New Homes Bonus to avoid a detrimental impact to the growth agenda within the city.
- f. that Cabinet regularly monitor the Integrated Fund (Health and Social Care) and the risks related to the delivery of this critical area of spending.

3. Britain's Exit from the European Union

- 3.1. The Committee heard that despite the deadlock currently being experienced in Parliament, Brexit already has and will continue to impose additional costs on Plymouth City Council.
- 3.2. As a Port Health Authority the Council is exposed to additional costs that will not be experienced by other Local Authorities. Plymouth is the main port for the South West and is an entry/exit port for 2500 trucks carrying fresh produce, 161,000 tonnes of animal feed which transit through the port annually.
- 3.3. The Committee heard that announcement of additional funding for Local Government to make Brexit preparations was welcome, however it fell well short of covering our current and anticipated expenditure and the Leader of the Council informed the Committee that the Council was already subject to current and future costs in the region of £700k.
 - g. The Committee agreed to recommend to cabinet to demand an increased allocation from the Central Government funding to support preparations for Brexit, highlighting the importance of Plymouth both as a continental port and as one of the top three English fishing ports for both volume and value. The Cabinet is also requested to publish significant actions that will be required from the council for both a deal / no deal scenario.

4. Additional Recommendations

- 4.1. Infrastructure and connectivity are critical to not only the Plymouth economy but those of neighbouring local authorities in the far south west. Five years after the mainline railway was cut off at Dawlish the select committee agreed –

- h. to recommend that the Leader and Cabinet continue to work with partners to pressure the Government and Network Rail to publish a sustainable solution to the Dawlish stretch of line, making good on the Prime Minister’s view that this improvement to the South-West’s transport infrastructure is a national priority.

4.2. The Government announced the publication of a Social Care Green Paper in 2017, it was suggested that the Green Paper would ensure that the care and support system is sustainable in the long term. Following two years of delay the Select Committee agreed to recommend –

- i. that Cabinet to join with upper tier local authorities and the LGA to pressure the government into publishing the green paper before the system of social care implodes due to increased demand and the lack of a sustainable funding settlement.

4.3. Plymouth City Council has a legal duty under the Public Health (Control of Diseases) Act 1984 to provide a funeral to anyone who has died within the Plymouth City boundary, including non-residents, where no funeral plan is in place and the next of kin cannot be located or are unwilling to pay. The committee understood that it may be the case that families on low incomes may be forced to decline responsibility over the internment of a loved one because of lack of available funds. The committee agreed –

- j. to request that the Cabinet Member for Customer Focus and Community Safety investigate ways in which those on low incomes can be supported by the Council to provide internments for family members and report back to the relevant scrutiny committee at a future meeting.

The committee also agreed -

- k. To recommend to Cabinet that a significant amount of negative demand through councillor casework enquires and the contact centre could be avoided if repairs and maintenance schedules for street services and highways could be published in a prominent area of the City Council’s website and shared on social media platforms.

5. CABINET RESPONSE TO RECOMMENDATIONS

a.	to continue to demand Central Government provide clarity on a long term, sustainable funding mechanism as we come to the end of the current multi-year deal;	Agreed
b.	to continue to lobby Government on a cross party basis to highlight severe pressures on local budgets in relation to Children’s Services due to unprecedented demand and the escalating costs of placements; Adult Social Care due to the increase in the number of older people with ever increasing complex needs; and Public Health due to the ongoing reduction in the grant allocated to Plymouth.	Agreed
c.	that the council should support the Local Government Association	Agreed

	(LGA) view to extend the supplementary funding for Maintained Nursey Schools into 2020/21 to ensure that local authorities are able to maintain service provision. Scrutiny will undertake to work with the Cabinet Member for Education, Skills and Transformation in the new municipal year to provide evidence for submission to the Government when planning the long term future for maintained nursery provision.	
d.	that Cabinet work with the Special Interest Group of Municipal Authorities and the LGA and lobby to ensure measures of deprivation are given sufficient weighting within the new consultation on Fair Funding proposals (other than solely population) when establishing the Foundation Formula Allocation for allocation of resources to Plymouth in future Local Government finance settlements.	Agreed
e.	to urge Government not to change but to improve, the allocation of New Homes Bonus to avoid a detrimental impact to the growth agenda within the city.	Agreed
f.	that Cabinet regularly monitor the Integrated Fund (Health and Social Care) and the risks related to the delivery of this critical area of spending.	Agreed
g.	to recommend to cabinet to demand an increased allocation from the Central Government funding to support preparations for Brexit, highlighting the importance of Plymouth both as a continental port and as one of the top three English fishing ports for both volume and value. The Cabinet is also requested to publish significant actions that will be required from the council for both a deal / no deal scenario.	Agreed
h.	to recommend that the Leader and Cabinet continue to work with partners to pressure the Government and Network Rail to publish a sustainable solution to the Dawlish stretch of line, making good on the Prime Minister's view that this improvement to the South-West's transport infrastructure is a national priority.	Agreed
i.	that Cabinet to join with upper tier local authorities and the LGA to pressure the government into publishing the green paper before the system of social care implodes due to increased demand and the lack of a sustainable funding settlement.	Agreed
j.	to request that the Cabinet Member for Customer Focus and Community Safety investigate ways in which those on low incomes can be supported by the Council to provide internments for family	Agreed , subject to further investigation, and

	members and report back to the relevant scrutiny committee at a future meeting.	will be reported back to a future meeting of the relevant Scrutiny Committee.
k.	to recommend to Cabinet that a significant amount of negative demand through councillor casework enquires and the contact centre could be avoided if repairs and maintenance schedules for street services and highways could be published in a prominent area of the City Council's website and shared on social media platforms.	Agreed , subject to further investigation, and will be reported back to a future meeting of the relevant Scrutiny Committee.