



#coopscrutiny

**Democratic Support**

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## **CO-OPERATIVE SCRUTINY BOARD SUPPLEMENT PACK 2**

10.00am - Wednesday 6 January 2016  
9.00am - Monday 11 January 2016  
9.00am - Wednesday 13 January 2016  
Council House, Plymouth

**Members:**

Councillor James, Chair.

Councillor Mrs Aspinall, Vice Chair.

Councillors Mrs Beer, Bowie, Mrs Bowyer, Sam Davey, Jordan, Murphy, Ricketts, Storer and Kate Taylor.

Please find attached additional information relating to agenda items 4a, 4b and 5d for your consideration.

**Tracey Lee**  
Chief Executive

# **CO-OPERATIVE SCRUTINY BOARD**

## **AGENDA**

### **PART I – PUBLIC MEETING**

- 4a.** Timetable for the Scrutiny of the Indicative 2016/17 Revenue Budget plus Two Year Indicative Financial Forecast and 2016/17 to 2019/20 Capital Programme **(Pages 1 - 4)**
- 4b.** Indicative 2016/17 Revenue Budget plus Two Year Indicative Financial Forecast and 2016/17 to 2019/20 Capital Programme **(Pages 5 - 18)**
- 5d.** Partner Submissions **(Pages 19 - 34)**

<b>Session</b>	<b>Topic</b>	<b>Required</b>
<b>Day One – 6 January 2016</b>		
Session One <b>10am-12pm</b>	Forecast out-turn 15/16 Planned Budget	Cllr Mark Lowry Andrew Hardingham
<b>Lunch 1 Hour</b>		
Session Two <b>1pm–2.30pm</b>	Strategic Co-operative Commissioning (Integrated fund, Commissioning Strategies)	Cllr Sue McDonald Cllr Philippa Davey Cllr Ian Tuffin Cllr Chris Penberthy Carole Burgoyne Craig McArdle (others as directed by Officers)
<b>Break 15 Minutes</b>		
Session Three <b>2.45pm–4.30pm</b>	Office of the Director of Public Health (Civil Protection Unit, Public Health and Public Protection Service)	Cllr Sue McDonald Cllr Philippa Davey Kelechi Nnoaham Rob Nelder Sarah Lees Katrina Houghton Andy Netherton (others as directed by Officers)

**Day Two – 11 January 2016**

<b>Session Four</b> <b>9am–10.30am</b>	Children Young People and Families (Children and Young People in Care, Children in the Community, Safeguarding, Youth Services and Family Support)	Cllr Sue McDonald Carole Burgoyne Alison Botham Liz Cahill Anne Osborne Siobhan Wallace Niki Clark Fiona Phelps (others as directed by Officers)
<b><i>15 Minute Break</i></b>		
<b>Session Five</b> <b>10.45am-12.15pm</b>	Learning (Education and Learning, Special Educational Needs and Disability, Access and Planning)	Cllr Sue McDonald Carole Burgoyne Judith Harwood Jayne Gorton Jo Siney (others as directed by Officers)
<b><i>Lunch 1 Hour</i></b>		
<b>Session Six</b> <b>1.15pm-2.45pm</b>	Communities (Safer Plymouth, Social Inclusion, Regeneration and Sports Development)	Cllr Philippa Davey Cllr Peter Smith Cllr Chris Penberthy Carole Burgoyne Judith Harwood Matt Garratt (others as directed by Officers)

**15 Minute Break**

Session Seven <b>3pm-5pm</b>	Transformation and Change (HR, Finance, ICT, Legal, Customer Service and Portfolio Office)	Cllr Jon Taylor Cllr Pete Smith Lesa Annear Les Allen Faye Batchelor-Hambleton David Shepperd Andrew Hardingham Guy Dickson (others as directed by Officers)
<b>Day Three – 13 January 2016</b>		
Session Eight <b>9am–10.30am</b>	Executive Office (Democratic and Member Support, Business Support Unit, Policy Performance and Partnerships, Corporate Communications)	Cllr Peter Smith Tracey Lee Giles Perritt Candice Sainsbury Judith Shore Richard Longford (others as directed by Officers)
<b>Break 15 Minute</b>		
Session Nine <b>10.45pm-12.15pm</b>	Street Services (Waste Services, Street Cleansing, Highways and Parking)	Cllr Brian Vincent Anthony Payne Simon Dale John Simpson Mike Artherton (others as directed by Officers)

***Lunch 1 Hour***

<b>Session Ten 1.15pm-2.45pm</b>	Strategic Planning and Infrastructure (Transport, Infrastructure and Investment and Planning Services)	Cllr Mark Coker Anthony Payne Paul Barnard (others as directed by Officers)
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***Break 15 Minute***

<b>Session Eleven 3pm-4.30pm</b>	Economic Development (Arts and Heritage, Employment and Enterprise, Land and Property and Strategic Development)	Cllr Tudor Evans Cllr Pete Smith Anthony Payne David Draffan Paul Barnard Amanda Ratsey Mark Brunson James Watt Nicola Moyle (others as directed by Officers)
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**PLYMOUTH**  
CITY COUNCIL



# IMPACT OF LOCAL GOVERNMENT SETTLEMENT

December 2015

**BRIEFING NOTES – LOCAL GOVERNMENT  
SETTLEMENT 2016/17**



The following briefing notes are contained in this pack;

Specific Grants	Page 2
Non Domestic Rates	Page 4
Adult Social Care Precept	Page 5
New Homes Bonus	Page 7
Four Year Settlement	Page 10
Capital Receipts Flexibility	Page 11



## SPECIFIC GRANTS



There remains a lack of information relating to many of the specific grants that Plymouth City Council receive, this is partially due to the individual funding Central Government departments such as the Home Office, Department for Education or Department for Transport, who will still be determining their grant allocations to Local Authorities following reductions in their departmental expenditure limits (DEL)

However, the following main grant determinations have been established;

- **New Homes Bonus**
  - As part of the Local Government Settlement the Department for Communities and Local Government (DCLG) issued the 2016/17 New Homes Bonus (NHB) allocations for 2016/17 in conjunction with a consultation on how the NHB Scheme could be administered going forward.
- **Dedicated Schools Grant**
  - Dedicated Schools Grant (DSG) remains at the levels previously received in 2015/16 for the schools block and early years block. However, the DSG high needs block increased by £92.5 million above the 2015 to 2016 baseline. This equates to an additional £0.431 million for Plymouth in 2016/17.
- **Education Services Grant**
  - The Education Services Grant (ESG) retained duties rate will remain at £15 per pupil, however as efficiency saving has been applied to the ESG general funding rate for 2016/17, reducing the rate from £87 to £77 per pupil. ESG allocations for Local Authorities will be adjusted on a quarterly basis during 2016/17 to take account of academies opening since 30 November 2015.
  - As part of the spending review 2015 the Chancellor announced the intention to save £600m over the period from ESG, and remove Local Authorities involvement in Schools.
- **Pupil Premium Grant**
  - The Pupil Premium Grant (PP) will remain at the current rates for 2016/17, which are
 

▪ Disadvantaged pupils: primary	£1,320
▪ Disadvantaged pupils: secondary	£935
▪ PP Plus (LAC):	£1,900
▪ Service Children	£300
- **Homeless Prevention Grant**
  - DCLG have confirmed the 2016/17 allocation will remain the same level as 2015/16, £543,441.
- **Better Care Funding**
  - Central Government have announced there will be a formal consultation on the allocation of this funding in due course. Future allocations of BCF will take into account Local Authorities ability to raise additional resources through the 2% Adult Social Care Precept.
- **Public Health**
  - The Department of Health are still considering the feedback on the consultation of Public Health Grant taken place during October 2015. However, this is potentially to reduce by £1.2m.

The table below identifies the grant known to date and will continue to be updated as more information becomes apparent. Please note that this is not an exhaustive list.

Known Specific Grants	Funder	Owner	2015/16	2016/17	Movement
			£ 000's	£ 000's	£ 000's
Dedicated Schools Grant (Including Academy recoupment)	DfE	J. Harwood	183,000	183,000	0
Education Services Grant	DfE	J. Harwood	2,476	2,258	(218)
Housing Benefit Subsidy Admin Grant	DWP	F. Batchelor-Hambleton	1,756	1,255	(501)
Homeless Prevention Grant	DCLG	M. Garrett	545	545	0
New Homes Bonus	DCLG	Corporate	4,197	5,516	1,319
<b>Total Specific Grants</b>			<b>191,974</b>	<b>192,574</b>	<b>600</b>

## NATIONAL DOMESTIC RATES (NDR) (BUSINESS RATES)



As part of the Local Government Settlement announcement, the Department for Communities and Local Government gave indicative figures for Local Authorities expected NDR yield. However, the main bulk of this value, the NDR baseline, is Central Government's prediction rather than Local Authorities.

The NDR allocation is made up of a number of components;

### NDR Baseline

Whilst DCLG publish a baseline NDR figure for each Local Authority as part of the Settlement, this figure is not the final figure that Local Authorities will receive. In early 2016, each Local Authority will submit their NDRI return which forecasts the NDR yield expected after allowances for appeals and doubtful debt. This forecast will be higher than the figure used by Central Government.

When considering an acceptable increase in NDR billing, DCLG refer to the Retail Price Index (RPI). For 2015/16 RPI was at 2.4% at the point of the settlement however DCLG considered this rise to be too much and capped the increase at 2%. The intention of the cap was to ensure that retailers weren't burdened with high increases in NDR bills, and the economy continued to grow.

In order to ensure that Local Government was not adversely affected by this national decision, they were compensated with a Section 31 Grant for the balance.

At the point of the settlement announcement December 2015, the RPI was at 0.8% and this rate was used as the multiplier for NDR in 2016/17. Plymouth City Council and other Local Authorities had been modelling on a RPI increase of 2%, as the original forecasts were. This change in RPI rate has the potential to drastically reduce the NDR yield for Plymouth City Council. However, we are awaiting further information from DCLG regarding Section 31 Grant, and hope that it is recognised that the RPI rate used was a temporary anomaly as shown in the RPI forecasts published by the Office of Budgetary Responsibility in December 2016, shown below.

2.6	2.5	2.4	2.0	1.0	0.8	0.7	1.1	1.9	1.9	2.2	2.4
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2014				2015				2016			

 Period used by Central Government to set NDR multiplier for 2016/17.

### NDR Top Up

As per the NDR baseline, the top up is also adjusted to reflect the RPI rate. Therefore the original projection for top up included a 2% increase rather than 0.8%.

### Section 31 Grants

Local Authorities receive Section 31 grants from Central Government to compensate them for national decisions that reduce the NDR yield they benefit from. There are currently two Section 31 grants that Plymouth City Council receive;

Multiplier Cap, as mentioned above the Council receive a top up in respect of caps made to the RPI increases in previous years. These grants continue in future years as they then form part of the baseline. We are awaiting confirmation of the value of this grant for 2016/17

Small Business Rate Relief (SBRR). In an attempt to stimulate the economy and provide support to small businesses, Central Government gave exemptions to NDR to businesses under a certain threshold. Again, Local Authorities are compensated. We are awaiting confirmation of the value of this grant for 2016/17.

# COUNCIL TAX ASC PRECEPT



## Background

In the spending review 2015, the Chancellor of the Exchequer announced that for the rest of the current Parliament, local authorities responsible for adult social care (ASC), "will be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care"

## Additional Information and Consultation

Additional guidance has now been published by the Department for Communities and Local Government that sets out the controls to ensure the flexibility is used in accordance with the Governments intentions.

The Council Tax Flexibility offer is currently for consultation and will be confirmed by Government in February 2016.

The key points of the controls are as follows;

1. Increased spending on ASC in 2016/17 is equivalent to the amount raised via the ASC council tax flexibility, which will be confirmed via the following steps;
  - a. Section 151 Officer required to write to secretary of state to indicate intention to use additional flexibility
  - b. Section 151 Officer required to submit information demonstrating that the relevant amount has been allocated to ASC, and in future years the cumulative amounts allocated to ASC
  - c. Local Authorities to confirm the level of average band D council tax increase, and proportion attributable to funding ASC on the Council Tax Requirement form submitted to DCLG
  - d. The amounts allocated to ASC must be reflected in RA & RO returns submitted to DCLG
2. Tax payers must be informed on the face of the council tax bill and in the information supplied with it the part of the increase that is being used to fund ASC. Any increases in costs incurred due to this change are borne by the Local Authority.
3. The Secretary of State will monitor the use of the additional flexibility and will take into consideration when determining referendum principles each year.
4. ASC Authorities setting a Council Tax increase which does not make use of the additional flexibility in any year will still be asked to comply with steps 1 and 2 in respect of any increases that will be used to fund adult social care.

The following deadlines apply to the ASC Precept

- Local Authorities are required to inform DCLG if they are 'minded' to take up the 2% flexibility (in full or in part), by 5pm on 15 January 2016. Legal Services have confirmed that this isn't a binding agreement at this stage.
- Local Authorities are required to submit the Council Tax Requirement form to DCLG within 7 days of setting their Council Tax.
- Following Central Government approval of the revised council tax referendum principles in early 2016, Section 151 Officers will be required to provide information demonstrating that an

amount equivalent to the additional council tax has been allocated to adult social care (a template has been provided by DCLG). This must be done within 7 days of setting their Council Tax.

- Plymouth City Council are likely to confirm the Council Tax bill for 2016/17 on the 29<sup>th</sup> February 2016, meaning that the above two points must be confirmed to DCLG by the 7<sup>th</sup> March 2016

### Impact on Plymouth City Council

The tables below are based upon a Council Tax base of 69,846, and assumes no other increase to Council Tax.

Table 1 – Increase Council Tax yield following £2% ASC precept. Increase in Council Tax yield £1.845M

Based on Band D Dwellings as per Council Tax Calculation	No. of Council Tax Payers	Council Tax Bill (PCC Share) 16/17 (Freeze)	Total Council Tax Bill £ 000's
Pre ASC Precept	69,846	£1,320.58	£92,237
Post ASC Precept	69,846	£1,346.99	£94,082
Movement	69,846	£26.41	£1,845

Table 2 – Impact on Council Tax band bills, identifying ASC precept. (PCC and ASC element only, does not include Police & Fire elements)

Band	No. of Council Tax Payers	Council Tax Bill (PCC Share) 16/17 (Freeze)	Additional 2% Social Care Precept	Total Council Tax Bill
Band A	46,908	£880.38	£17.61	£897.99
Band B	31,876	£1,027.12	£20.54	£1,047.66
Band C	22,217	£1,173.85	£23.48	£1,197.32
Band D	9,316	£1,320.58	£26.41	£1,346.99
Band E	4,770	£1,614.04	£32.28	£1,646.32
Band F	1,686	£1,907.50	£38.15	£1,945.65
Band G	591	£2,200.96	£44.02	£2,244.98
Band H	59	£2,641.15	£52.82	£2,693.98



# NEW HOMES BONUS



## Background

The New Homes Bonus scheme (NHB) was introduced in April 2011 in order to provide a clear incentive to Local Authorities to encourage housing growth in their areas. The amount of NHB that each authority receives is dependent upon two elements;

- The council tax band of each additional property built, multiplied by the national average council tax level from the preceding year i.e. 2016/17 allocations are based upon the average Band D council tax set in 2015/16 at £1,484.
- A payment of £350 for each affordable home.

When the NHB Scheme was first established Government provided £950m to fund the scheme across the spending review 2010 period (2011/12 to 2014/15). However, as the amount distributed by the scheme increased, funding required above the Department for Communities and Local Government (DCLG) level is deducted from the Local Government funding pot, i.e. Revenue Support Grant (RSG), this resulted in £1,275m of RSG being top-sliced to fund NHB in 2016/17.

## Additional Information and Consultation

On the 17<sup>th</sup> December 2015, DCLG published the provisional 2016/17 NHB allocations and a technical consultation paper regarding the future of the NHB scheme – “New Homes Bonus: Sharpening the Incentive”

It was also announced that the NHB scheme would be extended indefinitely, however Government has issued the consultation to consider how the incentive element of the Bonus could be further tightened alongside possible changes to respond to the move towards full retention of business rates and the potential for further devolution of powers and responsibilities to Local Authorities.

In addition, the consultation is also looking to achieve savings of at least £800m over the period 2017/18 to 2019/20, which can be used to support authorities with specific pressures, such as adult social care budgets. The Government are not proposing changes to allocations for 2016/17, however the consultation sets out changes that if implemented post 2016/17 will reduce these ‘legacy’ payments.

## Legacy Payments

Under the original design of the scheme Local Authorities received NHB payments for growth for a six year period. Changes to these ‘legacy’ payments are being consulted upon. Government's preferred option is to reduce legacy payments from 6 years to 4 years (5 years in 2017/18 and 4 years from 2018/19 onwards).

The impact of these changes to Plymouth City Council would be a cumulative reduction of NHB of £6.4m by 2020/21. The year on year reductions are shown on the table below.

Government has also considered a further alternative to reduce NHB legacy payments to 3 or 2 years, however this is very unlikely to be carried forward and there is no information in the consultation paper regarding transition arrangements for this option, and is a “could’ve been worse statement”, rather than an actual proposal.

Table 1 – Movement from 6 year legacy payments to 4 years. (Transition arrangement in 2017/18 re year 3 allocations)

Existing 6 Year Allocations	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Year 1 (Oct 2009-10)	832	832	832	832	832	832				
Year 2 (Oct 2010-11)		706	706	706	706	706	706			
Year 3 (Oct 2011-12)			868	868	868	868	868	868		
Year 4 (Oct 2012-13)				1,189	1,189	1,189	1,189	1,189	1,189	
Year 5 (Oct 2013-14)					602	602	602	602	602	602
Year 6 (Oct 2014-15)						1,319	1,319	1,319	1,319	1,319
Year 7 (Oct 2015-16)							850	850	850	850
Year 8 (Oct 2016-17)								850	850	850
Year 9 (Oct 2017-18)									850	850
Year 10 (Oct 2018-19)										850
New Homes Bonus	832	1,538	2,406	3,595	4,197	5,516	5,533	5,678	5,660	5,321
Cumulative Payments	832	2,370	4,776	8,371	12,568	18,083	23,616	29,294	34,954	40,274
Proposed 4 Year Allocations	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Year 1 (Oct 2009-10)	832	832	832	832	832	832				
Year 2 (Oct 2010-11)		706	706	706	706	706				
Year 3 (Oct 2011-12)			868	868	868	868	868			
Year 4 (Oct 2012-13)				1,189	1,189	1,189	1,189			
Year 5 (Oct 2013-14)					602	602	602	602		
Year 6 (Oct 2014-15)						1,319	1,319	1,319	1,319	
Year 7 (Oct 2015-16)							850	850	850	850
Year 8 (Oct 2016-17)								850	850	850
Year 9 (Oct 2017-18)									850	850
Year 10 (Oct 2018-19)										850
New Homes Bonus	832	1,538	2,406	3,595	4,197	5,516	4,828	3,621	3,869	3,400
Cumulative Payments	832	2,370	4,776	8,371	12,568	18,083	22,911	26,532	30,401	33,801
Movement in Schemes	2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
New Homes Bonus	0	0	0	0	0	0	(706)	(2,057)	(1,791)	(1,921)
Cumulative Payments	0	0	0	0	0	0	(706)	(2,762)	(4,553)	(6,474)

### Improving the Incentives

In addition to the legacy payments, Government are looking to incentivise growth further and put forward the below proposals for consideration;

- Withholding new Bonus allocations in areas where no Local Plan has been produced in accordance with the planning and Compulsory Purchase Act 2004.
  - The Governments preferred option is that from 2017/18 onwards, Local Authorities who have not submitted a Local Plan under the 2004 Act, should not receive NHB allocations for the years for which that remains the case. **This does not impact on Plymouth City Council** as the Plymouth Plan has been prepared in response to this act.
- Reducing payments for homes allowed on appeal.
  - Currently where a development is granted planning permission on appeal, overturning the decision results in Local Authorities receiving the same reward as when the development takes place with initial agreement. This means that NHB payments do not always reflect positive decisions to allow development. The Government is proposing to reduce new in-year allocations payments where residential development is allowed on appeal.

- Removing Deadweight. NHB is currently paid on all new housing regardless of whether or not it would have been built without an incentive.
  - Removing this deadweight from the calculation of NHB would allow payments to be more focused on Local Authorities demonstrating a stronger than average commitment to growth. Government's preferred option for removing deadweight from payments would be to set a single baseline for all areas and only make payments under new allocations relating to housing above that baseline. A possible baseline is 0.25%, the alternative is a baseline based on average growth in each area, however this is unlikely given the risks for rewarding those with poor growth in the past and penalising those who had done well. Government may also adjust the baselines in future years as should there be an unexpected housing growth, the scheme may become unaffordable.
  - In 2016/17 Plymouth City Council has forecasted an increase of 573 properties eligible for NHB, resulting in NHB of £0.850m. The 0.25% reduction would result in a loss of NHB of £0.212m

Properties	@ £1,483.58	Total NHB £000's
573	1,484	850,091
(143)	1,484	(212,152)
430	1,484	637,939



## 4 YEAR SETTLEMENT – AN OFFER TO ALL COUNCILS



### Background

In the spending review 2010, the Chancellor of the Exchequer announced that that Local Government would be given indicative 4 year budgets as part of the annual settlement. In December 2014, when releasing the Local Government Settlement, the Chancellor announced a single year due to the proximity of the national elections. This led to much criticism from Local Government, as a lack of clarity over future funding allocations prevents any medium to long term planning.

### An offer to all councils

On the 17<sup>th</sup> December 2015, the Department of Communities and Local Government announced a consultation 'Four-year settlements: an offer to all councils, setting out an offer to any council that wishes to take up a four-year funding settlement to 2019/20. It is hoped that this multi-year settlements strengthens financial management and efficiency in Local Government.

However, as Central Government has identified in the consultation, there are many factors that can influence the funding allocations, and the proposal has been caveated for them. Potential influences included;

- Changes to the business rates multiplier, which is based on RPI in September each year. This impacts upon NDR base increases, top up and Section 31 grants.
- Transfers of additional functions to Local Government. Will any such transfers come with the equivalent funding as in place of the agreement, or subject to reductions in advance.
- Transfers of responsibility for functions between Local Authorities. Unlikely to apply to Plymouth City Council, potentially more applicable to County vs District.
- Any other unforeseen event. Would appear very open.

These same influences would also apply to Local Authorities funding allocations regardless if they'd agreed a Four-year settlement or not, therefore there appears no additional benefit.

There remain a number of queries that need further clarification before an informed decision could be made;

- What is the benefit, i.e. guaranteed cap to further cuts benefitting those who'd agreed a four-year settlement opposed to those who hadn't.
- What is the timetable for the request and the required approval process.
- How the four-year settlement is formally requested and what do Central Government expect to see in the efficiency plan.
- Can a request be rescinded if there is a political change at the Local Authority.
- Do unforeseen events include economic events such as Government failing to meet its fiscal targets for a budget surplus, or economic downturn bearing in mind the increased risks Local Authorities will have with full business rate retention in future years.

# FLEXIBLE USE OF CAPITAL RECEIPTS

(Dec 2015)



PLYMOUTH  
CITY COUNCIL

## Background

In the spending review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects.

## Additional Information

Additional guidance has now been published by the Department for Communities and Local Government that sets out the controls and requirements to enable this to happen ([here](#)). This guidance '*Guidance on Flexible Use of Capital Receipts*' is currently in draft and will be confirmed as final in February 2016 following the end of consultation on the 2015/16 Local Government Settlement, and will apply to the period 1<sup>st</sup> April 2016 to 31 March 2019.

The following are the key points from the guidance;

- Local Authorities **cannot borrow** to finance the revenue costs of service reform
- Local Authorities can only use capital receipts from the sale of property, plant & equipment received in the years in which the flexibility is offered (April 16 to March 19)
- Local Authorities may **not use** their **existing stock of capital receipts** to finance the revenue costs of reform
- Local Authorities can only use capital receipts to fund **qualifying expenditure**
- Local Authorities are able to decide which projects are effective for their areas without the requirement to refer to Central Government.
- Local Authorities are required to produce an annual strategy '**Efficiency Strategy**' setting out the projects to be funded or part funded through capital receipts flexibility. It is suggested that this forms **part of the annual budget cycle**.

## Qualifying Expenditure

The following are examples of projects that could generate qualifying expenditure, and is not an exhaustive list;

- Sharing back-office and administrative services with one or more other council or public sector bodies
- Investment in service reform feasibility work e.g. setting up pilot schemes
- Collaboration between Local Authorities and Central Government departments to free up land for economic use
- Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings
- Sharing Chief-Executives, management teams or staffing structures
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible
- Aggregating procurement on common goods and services, either a part of local arrangements, Crown Commercial Services, regional procurement hubs or professional buying organisations
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy

- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, selling services to others)
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery

### **The Efficiency Strategy**

Each financial year, the Local Authority should prepare an '**Efficiency Strategy**' setting out the **projects** that will **utilise the capital receipts flexibility**. The following are the key points relating to the strategy;

- Local Authorities should prepare annually as part of the budget preparation and approval cycle
- The strategy should be **approved by full council**.
- In year revisions to the strategy are allowed, however must be put before full council for approval and the initial strategy should set out the circumstances that would lead to a revision
- The initial strategy and any subsequent revisions should, once approved, be made available to the public

As a minimum, the strategy should contain the following;

- A list of each project that plans to make use of the capital receipts flexibility
- The funding split for each project between capital receipts and other sources
- On a project by project basis, a cost benefit analysis to highlight the expected savings
- The impact on the Local Authorities Prudential Indicators for the forthcoming financial year and subsequent years
- From 2017/18 and in each subsequent year, details of projects approved in previous years and commentary on whether the planned savings or service transformation have been/are being realised in line with the initial cost benefit analysis

### **Plymouth Context**

A forecast of anticipated Capital Receipts for the 2016-19 period forms part of the approved Capital Budget (covering the period 2015-20). As the bulk of these receipts are unringfenced, the anticipated income forms part of the total unringfenced Capital Resources reported to the City Council Investment Board for use in support of Capital Projects.

As at December 2015, the Council's unringfenced capital resources (including Capital receipts) have been fully committed to fund the existing capital programme.

In short, this means that there are currently no available Capital Receipts to support new capital projects in relation to the above guidance.

However, there could still be a benefit to be taken from the flexibility offered, whereby the guidance provides the Council with the ability to capitalise costs that would otherwise fall to the annual revenue budget. Through doing this, these one-off expenses can be spread over a numbers of years.

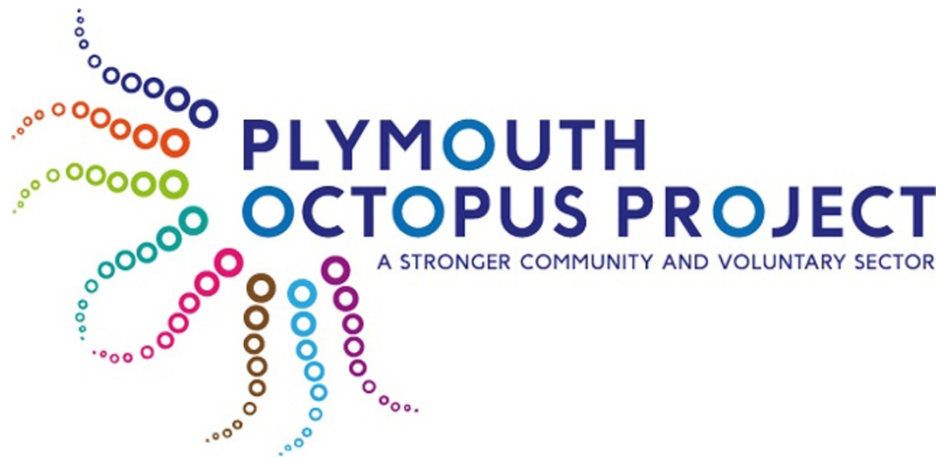
To achieve this, it will be necessary to allocate 2016-19 Capital Receipts (as a rough guide, the value of Receipts forecast for the period 2016-19 might be in the order of £10m, but there are a number of factors that might cause this to change) to specified projects, which will have the effect of creating an affordability "gap" within the capital programme. Unless alternative resources are identified, it is most likely that this gap would be bridged through borrowing, where the repayments will need to be met from future year's revenue budgets.

In accordance with the Government's draft guidance and the Council's own governance requirements, each case would be required to be supported by a robust business case, demonstrating the ongoing revenue savings to be achieved.

### **For CMT consideration**

This will give us the ability to fund qualifying transformation programme activities from capital where otherwise it would be from revenue.

- Should the Council take advantage of the flexibility?
- If so, are we prepared to consider borrowing as an alternative source of funding for those schemes already in the capital programme where it has been assumed that funding will be from capital receipts? There will be an associated revenue impact with this but this could be offset by the costs already assumed in the revenue budget for transformation
- Do we have robust business cases for those qualifying schemes?



## **VCS COMMENT ON PCC BUDGET 2015**

### **SUMMARY COMMENT**

We note the drastic reductions in the government's revenue support grant, and the comment in the budget that this 'does nothing to ease concern about the impact on our ability to provide essential front line services.' The VCS sector is also facing reduced funding and shares this concern.

The only way to protect services for people in the city is to work with people, communities and community organisations to design and deliver precisely what is needed, much of which will be neighbourhood based and focussed on wellbeing and prevention. Transformation has taken the 'low hanging fruit', and now there is a real need to concentrate on new ways of working.

We need new structures and processes to do this, and ask PCC and other statutory agencies to work with the VCSE sector to set up a functional Social Purpose organisation as an equal partner with the statutory and private sectors. This work is urgent.

In response to the suggested themes:

#### **Our national requirements and policy drivers:**

Lack of funding coming into the sector, linked with increased demand resulting from Welfare Reform and the advent of Universal Credit. A recent Local Giving survey on the sustainability of community groups found that:

- 81% expect an increase in demand for services
- 15% feel they have the resources to cope
- 73% report decrease or stagnation of income

Where grant funding is available it sometimes does not cover core costs, and will not pay for the infrastructure which builds capacity and supports collaboration and innovation in the sector.

In addition the living wage and pension requirements will add extra costs to community groups which are already struggling. We have lost local neighbourhood

groups this year which were the trusted entry point to services for people. If we are to focus on prevention, wellbeing and supporting people in their lives, this network of small, local groups is vital. There will also be an impact on bigger providers.

The only option on the horizon for funding seems to be social investment. Most VCS groups will need to be supported to use this, and it is one area where a new Social Purpose Sector can work with commissioners from the Public Service Sector to look at three way arrangements which minimise risk to all parties. There is a report on this out in January and the VCSE will be working on it over the next year.

### **Risks and issues to delivering the city priorities**

We risk new versions of 'social services' being created: as the council cuts staff expertise is being lost and risks could be managed by unqualified workers and in community settings that would previously have been social work/statutory responsibilities. Assumptions are made about new models of delivery with possibly new providers; we need to ensure that the support is there for safe and effective delivery.

There is therefore a concern about maintaining the quality of services for people. We are pleased to see the commitment to Equality Impact Assessments, and would like to see other measures in place to evaluate and communicate where people might be adversely affected as services change.

Meanwhile the answer to budgetary problems and their effects is prevention and more provision at the very first level where people need support. Cuts to services like the youth service reduce the chances of spotting first signs of problems.

We believe that the council's priority to have citizens and communities driving service design and delivery, and taking an active and responsive part in this, is one way of minimising the risks. Local, neighbourhood groups are a safety net throughout the city, and have places that vulnerable people and people in crisis feel safe to go. Often what is needed to prevent entry to high level and expensive services is someone walking alongside you, some social contact, a place in your community. From these places also come the ideas and actions to build real support for real people. Volunteering and Time Banks fit here, and there are good case studies regionally of low cost but highly effective services. However, some of this is put at risk by reducing voluntary funding, and by poor links between social purpose and other sectors in integrated planning.

We would like to work with the council and others to ensure that this grassroots work is resourced and linked up with other services, so that Plymouth has a welcoming, supportive community in place for everyone. This would be part of a new Social Purpose Sector, in partnership with other sectors.

### **The potential impact of the budget on partners and communities e.g. through reduction in spend, significant changes to targets and level of service delivery or location of delivery.**

This is implicit in what is said above

**Critical risks to delivering services provided in partnership; including areas of support required from partners to improve delivery and identification of these services.**

We still see the VCS being excluded from early stages of service design and tender specifications, and believe that the sector's value to the city is not understood. We will provide a 'State of the Sector' report in 2016 which measures and defines the sector and its impact. Meanwhile, for example, we examined the sector's contribution to Child Sexual Exploitation recently for a Scrutiny Panel and found that the nearly all the work done in the city (and there was a significant amount of it) over the past 5 years was done in the VCS sector, and mostly funded with voluntary and charitable monies. There are many other areas of social purpose work that are led, designed and delivered by the sector, which is by its nature pioneering and innovative. An example of this is the Food Waste Partnership.

This strength is being ignored at the moment and this is a real risk to the city being able to provide effective services for people as the money dries up.

### **Structural Change and Long Term Strategy:**

There is a tension between the urgent short termism of this budget, and the longer term strategic vision laid out in the council's corporate strategy, the Fairness Commission Report and the Plymouth Plan. We would suggest that linking present action and process to the longer term vision is important to ensure the long term wellbeing of Plymouth's people.

Specifically we would see the strategic boards of the council lining up with the themes of the Plymouth Plan, and aligning direction and action with that plan. For example, there is currently no 'Green Board' for our networks of environmental groups to feed into. This means that the opportunity for the Plan for the Environment to be co-designed and have strategic influence is quite limited. It also means that it might be divorced from shorter term budgetary need.

**We ask therefore that the Scrutiny Group recommend** a task group is set up to work with the VCSE to explore the setting up of the new Social Purpose Sector organisation to work with the public sector.

That the council will support this with appropriate expertise.

That they link it to existing networks.

We believe that this will work to overcome a major barrier to the creation of new, effective but lower cost services, which meet community needs and provide a service which is grown from people and their choices.

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### Devon Chamber's comments on Plymouth City Council Budget Scrutiny 2016

Devon Chamber of Commerce thanks Plymouth City Council for providing the facts and dilemmas of agreeing a balanced budget for the next financial year.

The Chamber generally supports the Governments deficit reduction strategy which is sustaining international confidence and underpinning economic stability.

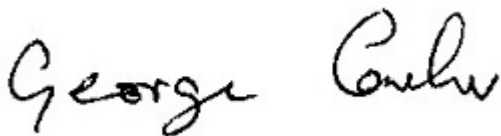
The Chamber appreciates that a disproportionate burden of fulfilling that strategy has fallen on Local Government and particularly cities such as Plymouth. The Chamber congratulates the City Council's record over the past few years of meeting Government targets, yet maintaining services. It endorses the savings that have come from efficiency and new ways of working. It appreciates that maintaining all services will become increasingly difficult. It is therefore important that actions taken do not adversely affect the wealth creating sectors which increasingly will have to shoulder the local financial and employment burden.

The Chamber remains concerned about the detail of completely localising the business rates. Without equalisation this city could lose from this initiative. It is imperative that business growth is stimulated so that the rate income increases.

In making the very difficult decisions facing the Council the Chamber would highlight the following as being crucial to maintain the economic health of the city:

- Maintaining the physical fabric of the city in a good state of repair and maintenance particularly public realm, infrastructure and public facilities.
- Maintaining training and education to ensure that the people of the city continue to develop their skills to meet the needs of a modern economy.
- Work with other bodies to stimulate growth including the LEP, Universities, Chamber, Tourism Authority and other business bodies.
- Continue to market the city and attract investment to help its economy develop and grow.
- Sustain the "can do" philosophy embodied in the City Plan.

The Chamber is willing to work with the City in any way it can to help pull together in these challenging times



George Cowcher  
Chief Executive

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5 January 2016

Councillors David James and Mary Aspinall  
(c/o Ross Jago)  
Plymouth City Council  
Civic Centre  
Plymouth  
PL1 2AA

Dear David and Mary

### **Plymouth City Council - Budget Scrutiny 2016**

Thank-you for your letter dated 11<sup>th</sup> December 2015 inviting Plymouth Hospitals NHS Trust to submit comments to the Co-operative Scrutiny Board on the City Council's proposed budget priorities. I recognise and empathise with the significant challenge you face in trying to balance a range of competing priorities and very much welcome being given the opportunity to inform your thinking in this regard.

It is important to note that NHS organisations have only recently received guidance on the planning framework for 2016/17 to 2020/21 in the context of the spending review announcements. I thought it would, however, be helpful to provide you with our comments based on an initial review of this guidance and the Council's own report titled '*Indicative 2016/17 Revenue Budget, 2 Year Indicative Financial Forecast and 2016/17 to 2019/20 Capital Programme*'.

#### **National requirements**

The health service is being asked to make substantial progress on a number of fronts. This is at a time when we are tackling some of the most significant pressures the health service has ever faced. The recently published planning guidance sets out a move toward planning on a 'place' basis, rather than individual institutions. This involves looking at acute care, community care, social care and primary care as a whole in any one area. This overall approach recognises what we have all been arguing for some time which is the need to look at how local health and care economies can work together in closer partnership to better meet the needs of our local population.

More specifically, it is important to note that NHS organisations are required to produce two plans this year:

- Local health and care systems will be required to develop a five year sustainability and transformation plan (STP), covering the period October 2016 to March 2021 subject to a formal assessment in July 2016 following submission in June 2016.
- NHS trusts are required to develop and submit one year operational plans for 2016/17. These plans will need to be consistent with the emerging STP and in time to enable contract sign off by end of March 2016.

### Local context

Plymouth's health and social care organisations face an unprecedented challenge in providing responsive and affordable care. These challenges are very real now and will grow rapidly over the coming years if we fail to act quickly. More specifically, we face a number of deep-rooted performance and financial challenges which can only be addressed on a sustainable basis if we find new ways of working together and combine our collective might by pooling our resources and applying them in the most effective way. The options for achieving this are being explored as part of the NEW Devon Success Regime.

We recognise that we must confront these challenges by focusing on doing what is right for our patients and the communities whom we serve. Plymouth is, in many ways well placed to do this as the transformation journey began in early 2015/16 with the integration of health and wellbeing services. We must build on this platform and work even harder to create a truly integrated health and wellbeing system that prioritises prevention and ensures people receive the right care, at the right time in the right place.

### Key observations and risks

Against the above context, we would make the following comments from the Trust's perspective on the key risks associated with the Council's indicative budget for 2016/17:

- **Social Care Funding:** We are pleased to note that the Council is planning to allocate additional revenue funding in 2016/17 to match core spending requirements for adult social care. Notwithstanding this, the impact of potentially underfunded social care has been highlighted by NHS Providers as one of the biggest threats to delivery of the NHS Five Year Forward View and it is not clear whether the national funding settlement will alleviate the pressures facing social care which in turn could place further pressure on NHS services.
- **Better Care Fund:** We note that the Council's report makes reference to the Better Care Fund (BCF) and the fact that the amount to be allocated in 2016/17 has not yet been confirmed. From our perspective, the effective utilisation of the Better Care Fund will be critically important in maintaining the provision of appropriate care pathways. With this in mind, it would be helpful to agree joint delivery plans in this regard.
- **Public Health:** The Council's report states that there was a reduction of £0.919m (6.2%) from £14.9m to £13.9m in the Public Health Grant (PHG) in 2015/16 and further savings have been announced for 2016/17. Prevention continues to be a key area of focus in the NHS planning guidance and it is not clear what impact these grant reductions will have on the ability to meet the aspirations set out in the NHS Five Year Forward View.

You will be aware that a significant amount of work is already underway to maximise our collective effectiveness in delivering high quality health and social care to the people of Plymouth. The challenges we face both in the short and longer term serve to remind us of the need to develop a clear system-wide plan. This will need to be developed now that the NEW Devon Success Regime's 'case for change' has been produced. We very much look forward to continuing to work with the Council and other partners as we seek to do this and work more closely together for the benefit of the people and communities whom we serve.

Yours sincerely



Ann James  
Chief Executive

### **Plymouth Community Homes' response to PCC Budget Scrutiny 2016**

Plymouth Community Homes recognises the pressures that the City Council is facing with the prospect of reducing capital and revenue budgets going forward and supports the commitment to protecting frontline service delivery, particularly services aimed at those most in need.

Plymouth Community Homes remains committed to partnership working supporting the local authority with a common ambition for Plymouth. There a number of key issues that Plymouth Community Homes seeks to focus on as part of our response to the City Council's budget priorities.

#### Key issues going forward for PCH

- Social Rent reduction. The summer budget announced a 1% year on year rent reduction for social landlords over the next 4 years. For Plymouth Community Homes this means in the region of £20m will be lost from our revenue stream. As such this will significantly impact on the ability of Plymouth Community Homes to deliver wider services outside of our core tasks.
- Impact on delivery of new build homes. A direct consequence of the lost revenue is the erosion of the capacity to develop the level of affordable homes that had been previously anticipated. Alongside this, the removal of the requirement for developers to include affordable housing within their sites will add to the anticipated reduction of affordable rented housing within Plymouth. To address this may need the City Council to facilitate public land disposals to partners who will support attempts to deliver and retain a proportion of affordable rent provision through the joint working of the Plymouth Housing Development Partnership.
- Capping social rent benefit entitlement to LHA equivalent. Our modelling indicates that 92 of our customers over 35 years of age will be affected. For single claimants under 35 without dependent children, the shared accommodation rate will be applied as a cap. Modelling is still to be completed on how many customers may be affected but this in turn may impact on access to homes and require further affordability/resilience checking to be considered by housing providers and could ultimately affect who gets housed. Notwithstanding this Plymouth Community Homes rents remain lowest in the south west.

- Welfare reform - particularly Universal Credit and the Benefit Cap. Plymouth Community Homes has responded proactively to the challenge posed by the Bedroom Tax; the reduction of Housing Benefit entitlement where there is deemed a spare bedroom. However the roll out of Universal Credit will cause further pressures on struggling households due to the nature of the delay built into the scheme before payment is received. We anticipate that there will be an effective five week 'waiting period' before a new claim for universal credit is paid will cause significant hardship and lead to an increase in rent arrears. This period is not covered by housing benefit.
- The benefit cap is to be reduced to £20,000 outside London from April 2016. When the benefit cap came in (at the level of £26,000) 37 of our families were affected and the current number is down to 21. Our initial modelling indicates that the reduction to £20,000 will result in over 600 of our customers being affected.
- There is a need to ensure that the services that support affected households continue to be resourced and there is continuation of Discretionary Housing Payments and access to the Emergency and Welfare Fund when needed.
- Right to Buy. PCH will not be able to sell homes under the voluntary deal on Right to Buy for those tenants who are already covered by the Preserved Right to Buy. However the adoption of the voluntary proposal to extend the Right to Buy to assured tenants of Housing Providers also operating in Plymouth will further impact on the availability and supply of affordable rent homes to meet the housing needs in Plymouth. Whilst we will have to wait to see the development of the 5 government sponsored pilots that are currently running, there will need to be recognition that whatever funding arrangements are implemented to provide replacement homes, the ability to be able to respond with new social rented units will be a challenge and may have to be developed differently. There will be a need for the City Council to recognise the need for these units to be replaced within the proposed 2 year window will be a challenge. PCC will also wish to ensure that both the receipt and compensation for homes sold under the voluntary deal in Plymouth will be used to re-provide homes in the city and not elsewhere.

For receipts from the sale via the Preserved Right to Buy there has been an ongoing discussion with PCC about how these receipts may be used. The many changes in government funding and support for housing associations since May has meant these discussions have not reached any conclusions. There is a number of options for the deployment of these resources but the

most important thing is that despite PCC's very challenging financial position as much of this money as possible is ring fenced to housing investment.

- Reclassification of Housing Providers by the Office for National Statistics to move social housing into public sector has brought forward proposed deregulation of the sector by the government. This will provide housing providers increased flexibility to use available assets whilst remaining committed to investing back into more affordable rent homes for Plymouth to meet the council's aspirations.
- Business rates. The proposed changes might provide an opportunity and benefit the viability of the city centre and other shopping hubs where PCH has a presence.

### Additionally Plymouth Community Homes is supportive

- that the Affordable Housing Loan scheme is a key scheme still within the proposed PCC capital budget.
- the approach to integrated commissioning and delivery for health and wellbeing and social care will contribute to preventative agenda for vulnerable households including older persons.
- by contributing to the programmes that will strengthen and enhance communities within the city such as:- Cities of Service, Plymouth Energy Co-op, tackling health inequalities through wider joint partnerships and supporting vulnerable households on a day to day basis to live independently in our homes.

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23<sup>rd</sup> December 2015

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Dear Ross

**Re: Budget Scrutiny Report**

Thank you for the opportunity of commenting on the indicative budget for Plymouth City Council 2016/17. I have shared this document with my colleagues within Plymouth Community Healthcare (PCH) and would like to offer the following comments.

PCH recognises the significant challenges faced by both the City Council and Clinical Commissioning Group over the next few years. However, we feel confident in the fact that there is now an integrated approach to addressing the commissioning challenges faced by the City in not only Health and Social Care, but in a wider services context. PCH is committed to working in close partnership with our commissioning colleagues in delivering a range of transformational changes and service developments to ensure that the public funding is used to its best and most efficient effect.

We have already embarked on a journey of change, with examples such as the Robin Community Assessment Hub, Acute Care at Home, integrated and co-located community teams and meeting challenges within Mental Health provision for children and adults. We will see further embedding of this work during 2016/17.

PCH also provides a significant range of services based on prevention of ill health and promotion of wellbeing. I would include services such as Livewell Health Promotion, but also important services such as School Nursing, Health Visiting in this context. We are keen to ensure that the significant challenges faced in tackling the longer term issues of lifestyle choices, such as breast feeding, healthy weight, smoking and alcohol consumption, are not forgotten and that Plymouth's Thrive initiative is maintained and supported by this organisation.

PCH recognises the significant role undertaken by the community and voluntary sector within the city. We are committed to supporting organisations across the city and within localities to ensure that duplication is minimised and that where possible, we can provide a supportive and co-ordinated level of support in the delivery of the services alongside other organisations.

Finally, as a major employer within the city, we also see our role as developing a skilled workforce for us as a provider, but also through our developments in apprenticeships, paid

**Supporting people to be Safe, Well and at Home**

work placements, volunteers etc., in providing support to people to obtain long term employment both with us and other organisations throughout the city.

I trust that these comments will be of some assistance.

Yours sincerely



**Stephen Waite**  
**Chief Executive**  
**Plymouth Community Healthcare CIC**

Plymouth Growth Board

Dear Ross

As Chair on behalf of Plymouth Growth Board (PGB) I am grateful for having been given the opportunity to comment on the Indicative 2016/17 Revenue Budget plus 2 year financial forecast and 2016/17 to 2019/20 Capital Programme that is about to be scrutinised by PCCOSMB as it reviews the Council's spending priorities.

The purpose of PGB is to drive forward the economic priorities and growth agenda for Plymouth by co-ordinating performance managing and championing the Plymouth Local Economic Strategy (LES). Updated after extensive consultation in 2014 the LES outlines the overall vision long term economic drivers and strategic priorities for growth in Plymouth set out under a series of flagship interventions namely

- (a) Ocean City Infrastructure
- (b) Business Growth and Investment
- (c) Learning and Talent Development
- (d) People Communities and Investment
- (e) Visitor Economy and Culture
- (f) Digital Economy

PGB is also the local delivery vehicle for the Heart of the South West Local Enterprise Partnership inputting into the development and delivery of the LEP's strategic economic plan and its ability to successfully bid into UK national government and EU growth investment funds.

PGB is an informal public /private sector partnership. It has no funds of its own and thus no spending capability. It works in a very close supportive partnership with the Council and its Economic Development Team. The team have adopted a positive entrepreneurial commercial approach in a very competitive environment to promote the city as a great place to live work and do business and invest in and has done well in taking our opportunities to attract new business and lever in investment. The way Plymouth confidently presents itself now has changed substantially for the better. Over the last 2 years in particular I believe that there is an ample evidence base to demonstrate that the LES is sound and beginning to bear fruit in achieving the desired growth objectives and it is essential that we remain committed to it. This inevitably requires both existing revenue and capital funding to be maintained and every available opportunity taken to attract new investment from the public and private sectors nationally and internationally if we are to realise our plans.

The Council faces a considerable challenge as a result of the Government cuts in core funding for local services. As the budget report before it clearly demonstrates part of the proposed solution to the funding gap resulting from the reduction and eventual loss of the Revenue Support Grant depends on achieving a growth dividend as accelerated growth will provide more housing and businesses that in turn will create additional income from business rates council tax and New Homes Bonus. We seem to be facing a future where it is more likely than not that we need to generate and keep our own City income streams to thus be more self-sufficient when funding our local services needs.

It follows that in setting the budget a major priority must be to make the revenue and capital expenditure provision necessary to support economic growth. The provisions in the indicative budgets and forecasts now up for scrutiny seem to me to be the minimum that will be required.

With best wishes

Paul Woods

**Deptford Chambers, 60/66 North Hill, Plymouth, PL4 8EP**