

CITY OF PLYMOUTH

Subject: 2011/12 Indicative Budget (Revenue & Capital) allocated to corporate priorities

Committee: Cabinet

Date: 14 December 2010

Cabinet Member: Councillor Bowyer

CMT Member: Director for Corporate Support

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Ref: djn061210

Key Decision: Yes

Part: 1

Executive Summary:

This report sets out Plymouth City Council's 2011/12 Indicative Revenue and Capital Budget. It builds on the income assumptions set out in the latest published Medium Term Financial Strategy and its impact on the Council Tax. The budget brings together the elements of the Council's income and expenditure strategy, summarised by each department, together with its Capital strategy. It also reviews the impact on future revenue and capital plans for 2012/13 and 2013/14.

We knew that the end of the three year Comprehensive Spending Review in 2010/11 would present further pressure on future funding arrangements. All indications were that Government funding would substantially reduce in the period 2011/12 to 2013/14. As a Council, we have been preparing for unprecedented reductions throughout 2010/11 budget period, applying in-year budget reductions of £4m. At the time of publication of this report, we are still awaiting full clarification of our Settlement and implications on Grant allocations.

We have taken a new approach to the development of this year's budget. In summary, we have rolled forward the revenue reductions of £4m in 2010/11; revised our assumptions on inflation and growth; challenged down future years spending profiles; stopped some activity linked directly to withdrawn grants and set new, reduced targets linked to the four top level priorities. These priorities are to Deliver growth; Raise aspirations; Reduce inequality; and Provide value for communities. Eleven Budget Delivery Groups were set up to review expenditure across the Council and target savings were agreed and applied. These reductions have then been converted into clear 3 year departmental budgets.

Budget Delivery Plans have been developed to address the requirement to reduce spend whilst maintaining and improving priority services over the next three years.

Corporate Plan 2011-2014 as amended by the four new priorities for the City and Council:

The budget is central to the successful delivery of the Corporate Plan 2011-14.

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

Once approved the 2011/12 budget will become the base year for the Medium Term Financial Strategy (MTFS) 2011-14. The MTFS will be revised and updated in March 2011 following the final settlement announcement. Human resources, ICT and asset implications have been fully considered and referred to throughout the report.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

All Departmental Delivery Plans are covered by Equalities Impact Assessments, signed off by the relevant Director. Each delivery action has considered the impact on: council priorities, legal obligations, customers and other services and partners. Each separate action has been risk assessed in terms of potential barriers to implementation with corresponding mitigation stated where relevant.

Recommendations & Reasons for recommended action:

This report contains a high level summary of the Corporate Plan. The draft Corporate Plan will be published on 4 January and the Leader will refer the document straight to Scrutiny on January 12 and January 17 to inform Scrutiny's deliberations on the Council's proposed priorities and budget.

It is recommended that:

1. the Cabinet authorise the Leader to agree the draft Corporate Plan, for the purposes of consultation and scrutiny, in accordance with the budget and policy framework procedure rules;
 2. the proposed revenue target budget requirement of £194.2m for 2011/12 and five year capital programme of £189.4m is recommended for consultation;
 3. Cabinet consider findings from consultation, feedback from budget scrutiny and any material changes announced in the final settlement for Plymouth City Council in early February '11 and recommend the final revenue budget for 2011/12 to Full Council on 28 February 2011
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Alternative options considered and reasons for recommended action:

Statutory requirement under Section 33 Local Government Finance Act 1992 for the Council to produce and deliver a balanced budget and to set a Council Tax.

Background papers:

- Finance Settlement Papers Department of Communities and Local Government (CLG)
 - The Prudential Code for Capital Finance in Local Authorities
 - Equality Impact Assessments
 - The Local Government Act 2003 and The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
 - 2010/11 Budget / Prudential Code Working Papers
 - Medium Term Financial Strategy
 - Capital Financing Regulations
 - Workforce development Strategy
 - ICT Strategy
 - Asset Management Plan
 - Accommodation Strategy
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Sign off

Head of Fin	DJN10 11.012	Head of Leg	TH 6/12/1 0	Head of HR	MG01 0/1006 -001	Head of AM	CGT/ 058/ 0612 10	Head of IT	ICT .00 48 NJ C	Head of Strat Proc	PWC 1011 .003
Originating SMT Member Malcolm Coe											

1. Introduction and Contents

- 1.1. This report details how the Council has allocated its revenue and capital resources across departments and priority areas for 2011/12 to improve outcomes for local people. It is fully linked and underpins the Council's Corporate Plan 2011-14.
- 1.2. The proposed 2011/12 budget needs to be considered in the context of the national environment with regards funding assumptions for the Authority. Assumptions have been used to formulate the anticipated income for 2011/12 and the following two years. Although there have been indications of funding policy announced in the Comprehensive Spending Review issued October 2010, we will not have the full picture until the Settlement is announced and analysed in detail. The Settlement date has moved from "late November" to 2nd December, and is now indicated to be either 9th or 16th December 2010.
- 1.3. Any amendments required to this indicative budget, as a result of the December settlement and after consideration of our consultation process and the proposals from the January Scrutiny, will be presented to Council for approval in February 2011.
- 1.4. Funding allocations are made within the framework of the Council's Medium Term Financial Strategy, (MTFS), which sets targets and principles for setting three year revenue budgets and five year rolling capital budgets. The MTFS will be revised, updated, and published, in March 2011 upon approval of the 2011/12 budget and formal approval of the Council Tax.
- 1.5. Appendices to this report provide the main detail and delivery plans that underpin the 2011/12 budgets:

Appendix A	Departmental Indicative Budgets
Appendix B	Breakdown of Revenue 'Invest to Save Reserve'
Appendix C	Local Government Act 2003, Section 25 Section 1: Analysis of Budget Robustness Section 2: Adequacy of Reserves
Appendix D	Capital Investment Programme 2010/11 to 2014/15
Appendix E	Directorate Revenue Budget Delivery Plans

- 1.6. This report is a commentary on where the Council finds itself in terms of the national context and challenges. Each department describes its departmental context, progress and investment against challenges and pressures faced and lays out a summary of what the department intends to do to deliver a balanced revenue budget in 2011/12, and the plans for 2012-2014.

2. The Medium Term Financial Outlook

- 2.1 The Council is facing a series of very challenging issues into the medium term. A new four year funding settlement for 2011/12 to 2014/15, yet to be confirmed, will require the Council to have robust plans if it is to continue to improve services with reducing revenue resources. In addition, the new Government has instigated a full review of Public Sector pension provision. The results, and therefore impact on Plymouth City Council, will not be known until Spring 2011
- 2.2 The City Council, like everyone else, finds itself operating in the midst of a serious, unprecedented economic downturn. There was a General Election in 2010 which resulted in a Coalition Government, an emergency budget in June, and a Comprehensive Spending Review published in October 2010.
- 2.3 The current economy continues to cause budget pressures, as we experience the impact of reduced income from our car parks and falling income from commercial rents. The downturn has also brought reduced interest rates and therefore reduced income for our treasury investments.
- 2.4 Our ability for future capital investment in the city to stimulate growth and regeneration will also be restricted. Capital grants and spending will significantly reduce by as much as 40% in some areas and funding for programmes that were previously planned, such as Building Schools for the Future, have already been withdrawn. The capital programme will require robust management to ensure that outcomes are maximised and the impact on the Council's revenue budget is kept to a minimum.
- 2.5 Against this, the Council face increasing spending pressures moving forward. In addition to the reported increase in the number of children in care and impact of the growing elderly population on adult social care budgets, waste disposal costs for the Council will significantly increase in the coming years, particularly in advance of the planned delivery of the waste to energy PFI scheme. Demand for Housing Benefits and personal finance advice has also significantly increased over the last 18 months, directly linked to the economic situation.
- 2.6 At this date, although we know the headlines from the Comprehensive Spending Review (CSR), we are still awaiting details and the full impact on Plymouth City Council. We have national headlines rather than the individual grant allocations for our Authority; the earliest we can expect to have more detail is after the proposed Settlement date of mid December 2010.
- 2.7 The CSR national headlines are a real terms reduction of 28% in local authority revenue budgets over the next four years. The fall in grant is more than 7% a year. In addition, we are awaiting confirmation of what specific items are covered by grants. This is because there are moves to include a number of specific grants within the formula grant, and exclude others previously included.
- 2.8 The council has, for some time, been modelling a year on year real term reduction of 5% in its formula grant with a Council Tax freeze applied for each of the three years within our Medium Term Financial Strategy. The Government has indicated that financial support of 2.5% will be awarded to councils, (in the form of a grant), that freeze council tax in 2011/12. This 2.5% grant added to the 5%

reduction modelling that we have applied to our formula grant means that we do not materially differ from the 7% year on year reduction as detailed in the headline CSR. Certainty on revenue resources will not be known until the existing, and new, specific grants for Plymouth City Council are clarified.

- 2.9 The Council is not unusual in facing these issues and is prepared for the challenge. The Council will need to take some difficult decisions in the future about what services it does and what services it doesn't provide. The Council will need to continue to radically change shape over the coming years if it is to continue to improve the City and the Council itself. The stock transfer process is a good example of what the Council needs to do more of – working closely with other partners in the public and private sector to provide the best solution for the Council tenants and, in this example, hand services over to another organisation with the resources to dramatically improve the service.
- 2.10 Despite reducing resources and increasing spending pressures, Plymouth City Council continue to remain ambitious with our future plans. For example, the build of The Plymouth Life Centre will generate significant benefits to the residents of Plymouth. Such projects demonstrate our determination to press on with the regeneration and economic growth of the City in order to achieve our long term vision, meeting long term growth aspirations of 50,000 increased population and more than 40,000 new jobs by 2026.

3. Executive Summary

- 3.1 This is a combined Revenue and Capital budget report setting out the City Council's 2011/12 income and expenditure.
- 3.2 Plymouth City Council has continued to make tangible improvements to client facing services whilst driving efficiencies throughout 2010/11. This principle underlies the strategy for the budget for 2011/12. The Authority has to direct scarce resources away from the support functions and towards the frontline services, but maintain the ability to provide the necessary level of support, not just for 2011/12 but the coming years.
- 3.3 This report needs to be read in conjunction with the Council's Corporate Plan 2011-14. A complete revision of the Corporate Plan will be published on 4 January 2011 and will include chapters providing overviews on the council's Treasury Management Strategy, ICT Strategy, Workforce Development Plan and Asset Management Plan. This document will be made available for the January '11 budget scrutiny.
- 3.4 With effect from the 11/12 financial year, the Council needs to have a sharper focus on a fewer number of priorities to continue to drive improvement. The evidence based 'Plymouth Report' has led to the adoption of four city and council priorities, which will be set out in detail in the Corporate Plan.
- 3.5 In setting the 11/12 budget, we have deliberately targeted diminishing resources in to spending areas that contribute most to the city's four top level priorities. The council has developed robust, risk assessed delivery plans to underpin the achievement of the 11/12 budget as well as striving to achieve a balanced

revenue position for the '12/13 and '13/14 financial years. These plans will now be subject to a thorough consultation and scrutiny process throughout December '10 and January '11 prior to finalising the budget in February 2011.

- 3.6 This year's budget setting process has seen much closer working across Plymouth 2020, (the Local Strategic Partnership), with partners aligning priorities and key decision dates.

4. Priority focus

- 4.1 Following our analysis of the Plymouth Report we have reduced our priorities for the city, the council and our key partners to four: deliver growth, raise aspirations, reduce inequalities and provide value for communities.
- 4.2 We have recommitted to our growth agenda and recognised that we need to focus on it much more strongly if we are to achieve the step change required to achieve our vision for the city. This is the agenda that makes Plymouth distinct.
- 4.3 Closely tied to that is the need to raise aspirations. We not only want our children and young people to set their sights higher, but for those in contact with them to have higher expectations; for people to want to come to Plymouth as a place where they can develop and prosper. We do not want the local population to be held back by deprivation and inequalities, but to contribute to and share in the city's growth.
- 4.4 At the same time, we recognise that we are operating in tight financial circumstances and need to be innovative, resourceful, more customer focused and provide greater value for money. These priorities are all interlinked.
- 4.5 Together with partners we have agreed a set of Level 1 outcome measures and for which we share collective responsibility. The priority descriptors and outcome measures for these are listed in *figure 1*.
- 4.6 Our aim is to match our resources to our priorities, moving away from those areas which are "less important" and where we can stop doing things. In 2011/12 we are focusing on value for communities and the efficiency agenda. We are also protecting budgets around growth.
- 4.7 We must have a sustained focus to deliver improved outcomes.

Figure 1: City and Council top level priorities

Plymouth 2020 priority descriptors			
Deliver growth	Raise aspiration	Reduce inequality	Provide value for communities
Develop Plymouth as a thriving growth centre by creating the conditions for investment in quality homes, jobs and infrastructure	Promote Plymouth and encourage people to aim higher and take pride in the city	Reduce the inequality gap, particularly in health, between communities	Work together to maximise resources to benefit customers and make internal efficiencies

Level 1 Outcome Measures			
Increase the number of jobs in Plymouth	Increase in the percentage of working age people with level 3 and above qualifications	Reduce the gap in life expectancy by at least 10% between the fifth of areas with the lowest life expectancy and the population as a whole by 2020	Increase the value of commissioned goods and services by the third sector
An increase in the headline gross value added per head index at current basic prices	Increase in graduate retention rates in the city from local colleges	Reduce the rates of premature mortality (<75 years) in men from all causes by 40% by 2020	Increase the % 'age of customer satisfaction of all public service offering VFM
An increase in the average gross weekly pay of full time workers	Increase in the number of visitors coming to the city	Reduce level of childhood obesity	Increase the % 'age of people who feel they can influence decisions in their locality
Offering a good range of housing in safe, inclusive and sustainable communities	Overall / general satisfaction with local area	Reduce Child Poverty	Increase in customer contacts resolved at the first point of contact across the public sector bodies
Deliver connectivity with key regional, national and international markets	Rate of small business growth with turnover greater than £100k		Per Capita CO2 emission in the LA area
			Increase % of people who believe people from different backgrounds get on well together

Some slight refinement of outcomes still in progress

5. Revenue Resources

- 5.1 Our resource assumptions through to 2013/14 reflect expected formula grant reductions for 2011/12 and 2012/13 and 2013/14 of 5% year on year, as shown in *figure 2*. This is unprecedented in terms of local authority funding to date. We are used to seeing a year on year increase.
- 5.2 We are also modelling a Council Tax freeze, as recommended by the Government, for the same period.
- 5.3 CMT and Cabinet have been made aware of our modelling assumptions over the past months and our Medium Term Financial Strategy, (MTFS), showing the impact of funding reductions has been published on our website for quite some time. It was important to start planning our resources early, rather than wait for confirmation from central Government.

- 5.4 The National context highlights a 28% reduction (7% per year) in funding over the next four years. Our model assumes a 5% year-on-year reduction, accumulating to just over 21%. However, our assumption of this 21% reduction is coupled with an assumption of a zero Council Tax increase for each year.
- 5.5 The message from Central Government is that there will be a Council Tax Grant allowance in 2011/12 equivalent to 2.5% of the Council tax base.
- 5.6 We are confident that our overall assumptions are robust and have therefore continued to model our spend allocations on the figures below. However, we continue to carefully monitor, and report on, the impact of changes to numerous specific grants (both revenue and capital) which could have a material impact in certain service areas. The detail of such grants will not become clear until late December '10 / early January '11. When known, the specific grant analysis will be fed into the budget scrutiny process on 12 and 17 January 2011.

Figure 2: Revenue resource assumptions stated in the council's MTFs

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Formula Grant	106.022	100.721	95.685	90.901
Increase / (decrease) over previous year	2.5%	(5.0%)	(5.0%)	(5.0%)
Council Tax income including collection fund	95.803	95.803	95.803	95.803
Total Resources available	201.825	196.524	191.488	186.704

Note: Council Tax level for '11/12 will be finalised at Full Council in February 2011.

- 5.7 We are used to getting in the region of a £5 to £6m year on year increase in revenue funding, to fund pay increases, general inflation costs, and the ever increasing demands on our services.
- 5.8 Every 1% Council Tax rise generally adds revenue of approx. £950k, and a 1% drop in Formula Grant represents a reduction of £1.06m. For 2011/12, we are modelling a 5.0% decrease in our formula grant; this represents a reduction in 2011/12 of £5.3m compared to our 2010/11 budget base
- 5.9 In 2010/11 our Council Tax base increased by 2.89%, which meant the Authority still has the lowest average Council Tax in the region. A similar increase for 2011/12 would have generated an extra £2.8m of income.
- 5.10 In response to the impact on Plymouth City Council of the June 2010 emergency budget, we applied a £4m in-year reduction in funding. We adopted an approach of reducing in year spend by more than the actual amount of grant reduction applied in 2010/11 in order to proactively plan for the challenges ahead. The significant areas of reductions applied in '10/11 related to Area Based Grant (£1.8m) and other specific service based grants such as the Housing and Planning Delivery Grant (£0.375m). These income streams were accounted for in the 'Corporate Items' budget heading.

- 5.11 The £4m reduced spend in '10/11 was allocated, on a priority basis, across each department with the corresponding reduction in the income budgets within 'Corporate Items'. Each department produced additional Delivery Plans for 2010/11 to reflect these reductions with several of these plans helping to contribute towards closing the revenue gap in future years.
- 5.12 This £4m reduction has been rolled forward into the income assumptions for the 2011/12 budget and subsequent periods.

6. Expenditure Assumptions:

- 6.1 The approach to the budget setting process has changed for 2011/12.
- 6.2 In response to the unprecedented reduction in funding, the Council set up eleven "Theme" budget delivery programmes, which cut across the departments of the council. Each theme was sponsored by a Director, supported by a team drawn from all areas of the council.
- 6.3 The 2010/11 budget of £201.8m was restated to reflect the in-year targets and changes to grant funding. Spending assumptions within our MTFs were then robustly challenged resulting in removing £2.3m of spend planned for 2011/12 (and future years), relating to items such as:
- activities that we have stopped since the withdrawal of grant funding (for example free swimming);
 - removal of planned revenue support costs for Building Schools for the Future;
 - reduction in revenue contribution for treasury management activity (linked to a forecasted reduction in the future capital programme);
 - standardising inflation allocations for all departments at 0%, 0%, 2% over the next three financial years;
 - removal of any pay award allocations in 2011/12 and 2012/13 (retaining a 2% award for 2013/14 financial year)

This gave us a revised base budget £199.5m.

- 6.4 The remaining future year spend requirements over and above the 2010/11 revenue budget, as detailed in the MTFs, amount to an allocation of £2.9m to Directorates for 2011/12;
- £0.7m for increased numbers of Children in care
 - £1.0m to cover an anticipated increase in pension contributions
 - £0.2m pay increase for lower paid workers
 - £1.0m to cover demographic changes in Adult Social Care
- 6.5 Percentage reductions were then applied on a priority basis, to the 11 Budget Delivery Groups in order to set overall budget targets within the projected revenue resources available (i.e. £196.5m as stated in *figure 2*). These savings targets amounted to £8.2m for 2011/12 as detailed in *figure 3*.

Figure 3: Three year revenue reduction targets by delivery group

	Budget for Reduction £000	Reduction 2011/12		Reduction 2012/13		Reduction 2013/14	
		% 'age	£000	% 'age	£000	% 'age	£000
1 Policy, Performance & Partnerships	2,201	-15.0%	-330	-25.0%	-550	-40.0%	-880
2 Business Support & Corporate Coms	6,051	-15.0%	-908	-25.0%	-1,513	-40.0%	-2,420
3 Corporate Support Services	18,823	-15.0%	-2,823	-25.0%	-4,706	-40.0%	-7,529
- ICT - Direct Costs to Departments	3,484	-3.0%	-105	-5.0%	-174	-8.0%	-279
4 Adult Social Care & Health	70,999	-1.5%	-1,065	-3.0%	-2,130	-6.0%	-4,260
5 Children & Young People Social Care	25,762	-1.5%	-386	-3.0%	-773	-6.0%	-1,546
6 Children & YP (exc Social Care)	22,502	-1.5%	-338	-3.0%	-675	-6.0%	-1,350
7 Customer Services (inc Revs & Bens)	4,171	-1.5%	-63	-3.0%	-125	-6.0%	-250
8 Growth & the Economy	15,229	-1.5%	-228	-3.0%	-457	-6.0%	-914
9 Culture, Sport & Leisure	10,680	-5.0%	-534	-9.0%	-961	-13.0%	-1,388
10 Blue collar services / client side	14,596	-5.0%	-730	-15.0%	-2,189	-25.0%	-3,649
11 Accommodation costs	5,862		-750		-1,500		-1,500
Miscellaneous small budgets	1,464						
Reduction Applied	201,825		-8,260		-15,753		-25,966

- 6.6 Saving targets range from year one 1.5% for areas such as Adult Social Care and Children's Services to 40% in year three for Business Support & Corporate Support areas. The targets also clearly demonstrate that we continue the drive to reduce spend in back office support functions and allocate resources to improving front line service delivery.
- 6.7 The £8.2m applied reduction in 2011/12, £15.7m in '12/13 and £25.9m in 13/14 is slightly more than required when compared with our future year revenue resource predictions (accounting for changes to our spend assumptions following the challenge process)
- 6.8 The extent of the savings needed to balance the revenue budget necessitates a programme of transformation across the whole of the council. We need to do things differently. Therefore, target savings have been applied to all departments and services. However, we must ensure that the reduced funding does not lead to a drop in the level of service provided in core priority areas.
- 6.9 The advantage of the 'Budget Delivery Group' approach is that it enables the council to look at entire spend for a specific function, (such as Policy & Performance), across all departments and the corporate centre, identify duplication and overlaps, and make recommendations for what structures and processes are required in the future. However, to maintain departmental 'ownership' of budgets and corresponding delivery plans, the spend reductions

applied to the 11 delivery groups have been translated back to existing departmental structures to provide clear revenue targets for Directors and their management team.

- 6.10 2011/12 revenue targets, by department showing the impact of base budget challenges, (-£2.3m), spending reduction targets, (£-8.2m), and revised spend assumptions, (+£2.9m) are detailed in *figure 4*.

Figure 4: PCC indicative revenue budget 2011/12

Service Description	2010/11 Revenue Budget £000	2010/11 Restated Budget £000	2010/11 Base Challenge £000	2010/11 Revised Base £000	2011/12 Reductions £000	MTFS Additions £000	2011/12 Budget £000
Children and Young People	52,461	51,111	0	51,111	(1,241)	750	50,621
Corporate Items	(14,212)	(9,905)	(1,862)	(11,767)	0	1,200	(10,567)
Community Services	112,711	110,977	(200)	110,777	(2,723)	1,000	109,054
Development & Regeneration	16,193	16,234	(50)	16,184	(295)	0	15,890
Chief Executives	1,880	1,728	0	1,728	(211)	0	1,517
Corporate Support	32,792	31,679	(200)	31,479	(3,790)	0	27,689
Total Revenue Budget:	201,825	201,825	(2,312)	199,513	(8,260)	2,950	194,203

- 6.11 A more detailed analysis of budgets at Service level within each department is shown as **Appendix A** to this report.

7. Review of Reserves, Risk Management & Invest to Save

- 7.1 A vital element of effective financial management for future years is our ability to commission, and deliver, invest to save projects that will transform the council, improve services provided to our customers and generate efficiencies in the way in which we work.
- 7.2 In previous years we have been successful in setting up first a 'transformational change reserve' and then a 'Corporate Improvement Priority, (CIP), reserve' in order to provide pump prime funding for major change initiatives. Again, for 2011/12 we have undertaken a fundamental review on all of our reserves and provisions in order to create an 'invest to save reserve'
- 7.3 Circa £1m of revenue funding that we had earmarked for the Delivery of our Building Schools for the Future programme has been transferred into 'Invest to Save' as has any unused balances from the previous CIP fund. In addition, any small reserves of under £100k that had not been drawn upon for at least a two

year period have been subsumed. This has provided a 'one off' invest to save reserve of £2.3m to lead the required transformational change initiatives moving forward. A breakdown of this £2.3m is shown as **Appendix B**

- 7.4 In addition to revenue, we have openly reported the council's intention to support capital 'invest to save' initiatives, part funded through generated capital receipts. The first of these initiatives approved through Cabinet, and subsequently Full Council, was the Accommodation Strategy Phase 1. This entails a one off capital investment of £6.4m and one off revenue investment of up to £0.8m to rationalise our office premises, generating year on year revenue savings of £1.5m and fundamentally changing how we work both in terms of office layout as well as customer interaction.
- 7.5 Corporate Management Team and Cabinet have considered, and will continue to consider, further invest to save proposals as part of the 2011/12 budget setting process. Other key initiatives for which funding will be allocated include:
- developing the Care First system to improve our management of client information;
 - improving the quality of our asset base through investment in preventative maintenance – redistributing funds from reactive maintenance budgets;
 - launching a new website for our customers, allowing 24/7 access and much greater functionality enabling us to increase the level of, more efficient, electronic transactions with the council;
 - ICT investment to enable flexible working environments in all of our core office buildings (as part of Accommodation Strategy Phase 1). This will also provide greater opportunity for co-location working with key partners such as Health.
- 7.6 Further invest to save proposals continue to be worked up and will be presented as part of the January '11 Scrutiny process. For example, two schemes within Children & Young People to (a) help reduce the costs of expensive out of City residential placements and (b) working with partner agencies to reduce the overall trend of increased number of children entering the formal care system.
- 7.7 In terms of Reserves, the council retains a prudent approach to risk management. Our core working balance, as at 31 March 2010, at £11.5m is 5.7% of our net revenue budget and remains in line with Unitary council average. Our plans are to retain this Working Balance level throughout 2011/12 (compliant with the objectives set within our MTFS)
- 7.8 In addition to the Working Balance, specific earmarked reserves are forecasted to reduce to £13.0m at the end of March 2011 and forecasted to reduce further to £11.4m by 31 March 2012. Specific reserves are set to cover known or estimated future costs for specific activities and / or liabilities. For example, Waste Management Reserve (£1.5m) to meet the short term revenue costs of waste disposal in the intervening period of building the new PFI waste to energy plant, an Education PFI reserve (£1.4m) to meet the scheduled future PFI costs etc.
- 7.9 A detailed analysis of the robustness of the budget, considering relevant risks, is detailed in **Appendix C** along with an analysis of actual, and planned, movement across all key council Reserves.

8. ICT Strategy & Investment

- 8.1 Plymouth City Council's ICT service benchmarks nationally as a cost effective delivery service. As ICT strives to reduce the number of applications used by the Council and seeks to consolidate around enterprise wide applications, savings proposed, within the 2011/12 budget, will require the full cooperation of all departments. We will also need to improve our ability to manage physical assets such as PCs, laptops and mobile phones. Every requirement will need to be prioritised.
- 8.2 Investment in ICT is fundamental to the successful transformation of the council. Having one consistent, joined up, reliable source of information on the customer, enabling flexible working across all of our buildings, increasing the use of e-learning facilities, and implementing a new greater functionality interactive website all form part of the overall ICT strategy moving forward.
- 8.3 However, investment, both in terms of finance and capacity, needs to be prioritised to ensure that smooth implementation is achieved in the areas of greatest need. To date, the elements of the ICT strategy that have been approved and are actively progressing relate to the Accommodation Strategy and replacement website. Further ICT 'invest to save' proposals will be developed and presented for approval over the coming months.
- 8.4 Further proposals for investment are to be made which will seek to engage the whole Authority in a business process review. It's aim is to increase efficiency across the whole of the organisation. This, corporate, approach aims to develop a wider, higher skill base in the use of common tools across us and our partners, it will seek to improve the way every member of staff communicates and works with information. It is intended that the new corporate ICT architecture will be designed and delivered with the help of key partners bringing both expertise and capacity to ICT at a critical time.

9. Human Resources and Workforce

- 9.1 The Council directly employs approximately 4,800 staff (3,718 FTE) and a further 5,000 staff within maintained schools. The impact of the Council's budget proposals affect only those employed directly as schools have delegated budgets for staffing.
- 9.2 The total wage bill for the Council (including on-costs) is around £130million. Each year the Council's budget includes a savings target of 3% for 'vacancy savings' which is naturally achieved from vacant positions and natural wastage/turnover.
- 9.3 The Council will enter into negotiations and consultation with recognised trade unions in January 2011 to address the likely impact of the reduction in grants and the Council's settlement from central government. Whilst the level of settlement is not entirely clear, we are preparing for a significant 'frontloading' of savings to be applied to the financial years 2011/12 and 2012/13.

- 9.4 The Council aims to reduce the direct and in-direct costs of the workforce through:
- Natural wastage / turnover
 - Planned retirements / use of temporary contracts
 - Recruitment controls and improving redeployment opportunities
 - Reducing the overheads of the workforce (direct and indirect)
 - Negotiated workforce reductions
 - Modernisation and workforce re-modelling
 - Maintaining capacity and improving productivity (which will also require some investment from the Council in skills, training and support)
 - Reducing the overall size of the workforce
- 9.5 There will be a review of management structures across the organisation including senior and middle managers. We cannot rule out compulsory redundancies but we are actively seeking to avoid this situation. All options remain on the table.
- 9.6 We are not proposing a pay cut across the board as employees have already had a pay freeze in 2010/11 and the Council is supporting a continued freeze in pay in 2011/12 as part of the national negotiations. A pay cut results in a temporary saving only for as long as pay is frozen.
- 9.7 We have a positive and mature relationship with trade unions at a local and regional level. We will be seeking to agree the terms of reductions where possible through negotiations. We will also communicate directly with all staff about the proposals and progress of any negotiations.
- 9.8 The budget proposals seek to minimise disruption to front-line delivery services and those working with vulnerable groups (e.g. children, older people and people with disabilities) as well as focussing our resources on the city wide and Council priorities as set out in the Corporate Plan.
- 9.9 Support services (back office) and administration will see the most significant changes related to proposals set out for improvements to customer services, ICT modernisation, accommodation rationalisation and changes in working practices.
- 9.10 As a result of the medium term financial plan for the next three years we will be looking to reduce the combined direct and indirect costs of the workforce (including overheads) by £18 million. This represents around 14% of the total wage bill over the 3 year plan.
- 9.11 We estimate that the workforce will reduce by around 500 posts over the next three years. This does not mean 500 redundancies as demonstrated by our workforce reductions to date in 2010/11.

10. Capital Resources and Prioritisation

- 10.1 Our financial strategy for capital has been to fully utilise the supported capital borrowing allocation available to us in tandem with maximising the availability of grant and third party payments.
- 10.2 We maintain the principle that capital schemes are only approved into the programme where specific funding has been clearly identified and supported by business cases. Thereby, the capital investment programme, at any set point in time, will evidence 100% funding allocation against approved schemes. Capital investment is prioritised to ensure that outcomes are maximised against the council's Priorities.
- 10.3 The council continues to challenge the affordability of its five year capital programme for the period 2010/11 to 2014/15. There remains significant volatility around future capital grant funding and income generation through capital receipts. The Comprehensive Spending Review indicated that local authority funding for capital schemes was facing a reduction of up to 45%. Until the full implications of the CSR, have been identified, a hold has been placed on any further new commitments against any un-ringfenced funding within the Capital Programme. The indicative programme for 2011/12 onwards will change once further details of where funding will be available are released in mid December.
- 10.4 The revised programme for the period 2010/11 to 2014/15 of **£189m** was approved by Full Council on 11 October 2010. Further monitoring (presented to Cabinet in November) and new projects are subject to approval by Full Council on 6th December 2010, and produce a programme as follows:

Figure 5: Five year Departmental Capital Programme

	2010/11 £000s	2011/12 £000s	2012/13 £000s	2013/14 £000s	2014/15 £000s	Total £000s
Children's Services	34,357	19,091	14,953	-	-	68,341
Community Services	25,770	18,428	939	-	-	45,137
Development & Regeneration	28,820	16,042	6,203	6,530	7,656	65,251
Corporate Support/items	3,232	6,398	560	500	-	10,690
	92,179	59,899	22,655	7,030	7,656	189,419

This expenditure will be funded by:

	<u>£000</u>
* Capital Grants/Contributions	88,721
* Supported Borrowing	33,260
* Unsupported Borrowing	28,473
* Capital Receipts	28,283
* Section 106 / Revenue / Funds	<u>10,682</u>
	189,419

- 10.5 The current programme has little new investment showing in years 2013/14 and 2014/15. This will however change as new grant allocations are confirmed for the City. For example, we await confirmation of funding to replace the previous capital grants for investment in Schools, the Local Transport Programme etc. Full details are included as **Appendix D**
- 10.6 We remain committed to a significant capital investment programme despite the current economic climate. The Council, engaging with partners in major regeneration of the City, will not only contribute towards delivering improvement priorities, but will also help to sustain much needed work opportunities in the local area (for example, the construction industry).

Significant schemes that will be delivered by 2014 include:

- £46.5m on The Plymouth Life Centre;
- £37.5m on the state of the art new college, Tor Bridge;
- £14.2m on improving Schools in the Southern Way Federation;
- £8.6m for a new School at Efford;
- £6m on the modernisation of Mill Ford special School;
- £22m on improving transportation Plymouth (Local Transport Plan);
- £20m on improving transport access in Eastern side of the City Centre;
- £3.88m on bringing Devonport People's Park 'back to life';
- £0.5m on a new Library for Plympton

Note 1: total project costs, some of which were incurred prior to 2010/11

- 10.7 In addition, we are developing our long term waste disposal solution with Torbay and Devon County Councils, building a multi million pound Waste to Energy plant, with the Waste Partnership looking to announce a preferred delivery partner in 2011.
- 10.8 We will continue to regularly review the assets that we own to ensure that they are fit for purpose and optimise the use of capital receipts, where deemed beneficial, in order to support our overall capital investment programme. However, our ability to generate capital receipts has been severely impacted in the last couple of years due to significantly falling land and property prices.
- 10.9 In reviewing the capital programme as part of 2011/12 budget setting we have continued to **reduce our reliance on capital receipt funding, now £28.2m over the five year period**. This funding is based on a schedule of specific assets, with current estimated valuations and proposed timing for disposals. Our view is that we will dispose of very few assets over the next three years, with disposals increasing towards the end of the five year programme on the assumption that market conditions will improve.
- 10.10 The council has built in the requirement for **additional temporary borrowing** to cover the shortfall in capital receipt income for the 2010/11 and 2011/12 financial years. It is planned that this borrowing will be repaid in future years to coincide with our forecasted capital receipt income. Capital receipt generation will be kept under constant review by the Capital Delivery Board as part of regular monitoring. Any variations to the forecasted position will be reported to Corporate Management Team and Cabinet at the earliest possible opportunity.

11. Asset Management Plan

- 11.1 The Council's Asset Management plan will provide an update on the previous year's plan together with more detailed information on the Corporate Operational Portfolio around key metrics i.e number, size, value and condition & performance of the assets.
- 11.2 It will also review the shape and opportunities of the estate building on the Property Performance model and service asset strategies. There will be an update on the Accommodation Strategy including further potential for co-location with partners.
- 11.3 The document will also include the council community asset transfer strategy which will respond to the new government agenda on devolving more control to communities and also support several elements of the council's budgetary delivery plans.
- 11.4 The Plan will detail information on the management of assets including the provision of a new corporate property database, the ongoing maintenance strategy, statutory compliance, corporate property forum and new developments around the Single Point Of Contact (SPOC) for Corporate Support and Corporate Buyer function.
- 11.5 There will also be an update on Carbon Management including the Carbon Management Plan and the council's approach to the Carbon Reduction Commitment.
- 11.6 An Executive Summary of the Asset Management Plan will be published within the overall Corporate Plan documentation on 4 January 2011 and made available for the budget Scrutiny.

12. Value for Money & Efficiencies

- 12.1 The Authority continues to encourage initiatives for identifying VFM efficiency gains with good success. With the demise of the National Indicator reporting requirement, the channel and accountability for reporting of efficiencies within the Council has now changed. With effect from 18 October 2010 Councils are no longer required to report efficiencies to Central Government through NI 179 and the overall requirement for central data reporting is currently being reviewed by DCLG.
- 12.2 Many of the Departmental 2011/12 budget delivery plans will continue to generate the efficiencies that are required to achieve our cumulative target. Each department will adopt a VFM/Efficiency plan which will be supported by staff from the corporate centre and form part of regular quarterly performance and finance reporting, to maintain or improve performance.
- 12.3 The internal challenge and reporting of efficiencies has continued to improve substantially across the Council through the introduction of cross departmental Improvement Boards which focus on the implementation of budget delivery plans for each Directorate (all cashable efficiency savings are being reported against

plans to achieve budget targets as well as general efficiencies to improve services to customers).

- 12.4 The Council continues its commitment to undertaking annual robust benchmarking against our council ‘family group’ as well as top performing councils. All services and / or corporate areas that spend +/- 10% compared to average are highlighted and reported through CMT and individual Departmental Management Teams as are areas that significantly underperform against key performance indicators. Such information is used to inform Budget Delivery Plans to ensure that greater savings are driven out from areas of high spend where possible.
- 12.5 The overall VFM programme of major projects is continuing to identify considerable cross-Council efficiencies for the Council these include:

Procure 2 Pay

This project will deliver better control of expenditure across the Authority through development of a more efficient and effective purchasing process. Centralised buying through professional and trained buyers will drive significant savings on external spend.

Order to Cash/Debtor Management

This project will be improve cash collection and standardise debtor management processes across the Council saving capacity and spend on legal services support and the use of external bailiffs

Adult Social Care

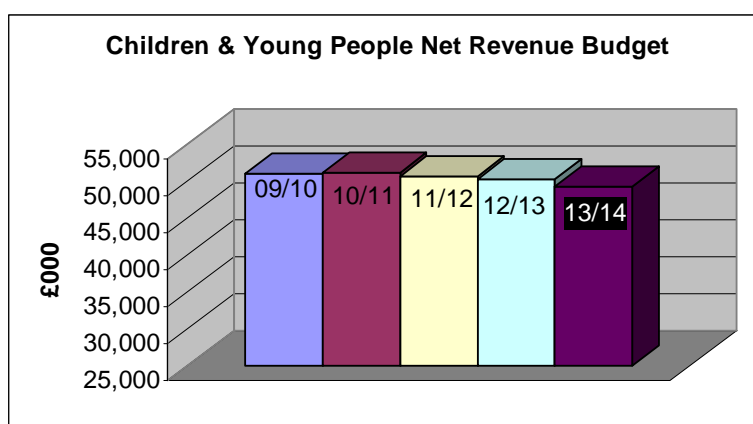
We are working to transform our Adult Social Care provision through effective “Category Management” of all external contracts, fully considering alternative service delivery options and radically changing the existing care management processes.

13. Departmental Prioritisation and Budget Delivery Plans

- 13.1 The Council has adopted a strategic approach to allocating its limited revenue and capital resources across departments based on clear prioritisation and a need to deliver against the City and Council’s four Corporate Priorities.
- 13.2 Within this corporate framework, each department continues to focus on improving front line service delivery and drive efficiencies whilst tackling challenges and funding pressures through additional service demand. This section summarises the strategic direction that each department is adopting and plans that it will put in place to deliver improved services within the available budget.
- 13.3 Revenue Budget Delivery Plans that specify planned action to achieve three year reduction targets are detailed in **Appendix E**. Progress against these plans will be incorporated within regular quarterly performance and budget reporting.

14. Children and Young People

	<u>Net Revenue</u> <u>Budget £000</u>
09/10	51,049
10/11	51,111
11/12	50,621
12/13	50,302
13/14	49,288



National context

- 14.1 The Education White paper pushes schools and the LA to drive up education standards. Measures include open procurement of education support services by schools, which presents challenge and opportunity for existing LA services. A school improvement role remains for the Local Authority, but swifter improvements are required, with failing schools expected to make structural reforms where necessary. Two academies are currently operating, with a significant number actively exploring academy status.
- 14.2 The recent increase in the birth rate has bucked the historic trend of declining schoolchildren numbers and will place ongoing pressure on school accommodation capacity. The demand for primary school places is now reaching the point where it will outstrip supply and in certain localities this has already been reached. In addition, there is a significant issue of a backlog maintenance liability and suitability of an ageing asset stock remains. Funding for five new schools was recently put on hold when the Secretary of State for Education stopped all Building Schools for the Future projects that have not reached Financial Close.
- 14.3 Plymouth has seen an increasing number of referrals to Children's Social Care – a 40% increase between 2007/8 and 2009/10. Additional pressures include legislative changes such as the Southwark judgement and increases in the number of homeless young people presenting to Children's Social Care, as well as continued requirements around adoption and placement for children in Care. The national Munro review of child protection will require shifts in both structural and professional systems across all agencies in order to meet the needs of children and young people.
- 14.4 Strong changes in policy direction towards prevention and early intervention are coming from both the Department of Health and Department for Education. While there exists a strong prevention element within Services for Children and Young People, the requirement for more intensive and targeted services for the most

vulnerable is outlined in both the education and public health White Papers. This includes marginalised young people, families experiencing difficulties, Children in Care, special educational needs, disability, and a focus on mental health, sexual health, alcohol and drug use.

- 14.5 In 2010/11, Services for Children and Young People received £57.7 million in grant spend with an additional £6.9 million via Area Based Grants. A significant number of staff are employed via grant spend. We are continually tracking changes in grant determinations to assess and plan for the impact on Services for Children and Young People.

Current year

- 14.6 2010/11 has also presented some significant challenges not least the emergency budget in June. The current year end forecast, based on the second quarters published report, highlights pressures of £1.8m largely arising from the number of children in care, associated legal costs and the additional numbers of children with complex needs requiring support with transport. As a result of these cost pressures a Commissioning and Finance Board was quickly established to look at the range of options to improve efficiency and also to make choices about services. This ranged from releasing agency staff, removing administration posts to looking at new ways of preventing children from needing to come into care, where the risk could be managed differently so that we could focus on the most vulnerable children. The Commissioning and Finance Board continues to look at options to deliver a balanced budget by year end.

Staffing trends/forecasts

- 14.7 There has been a number of actions taken with regard to the establishment as a result of cost pressures on the department further to the emergency budget in June. This has resulted in a significant reduction of agency staff, the deletion of several vacant posts (to reduce the establishment) and redundancies.
- 14.8 In addition, other workforce interventions have been implemented which include recruitment controls, encouraging (where appropriate) flexible working, close monitoring of overtime and the use of agency staff permitted only on an exceptional basis. This has been coupled with an additional focus on timely solutions for sickness absence, disciplinary and grievance cases to increase workforce capacity.
- 14.9 Over the next three years there will be further redundancies as a result of departmental changes and the reduction of grant funding.

2010/11 Delivery Plans

- 14.10 There have been a number of actions within the underlying assumptions in achieving a balanced 10/11 budget much of which was delivered prior to or within the early part of the year. Administration reductions have already been removed and every attempt to maximise external grant has been made. Furthermore,

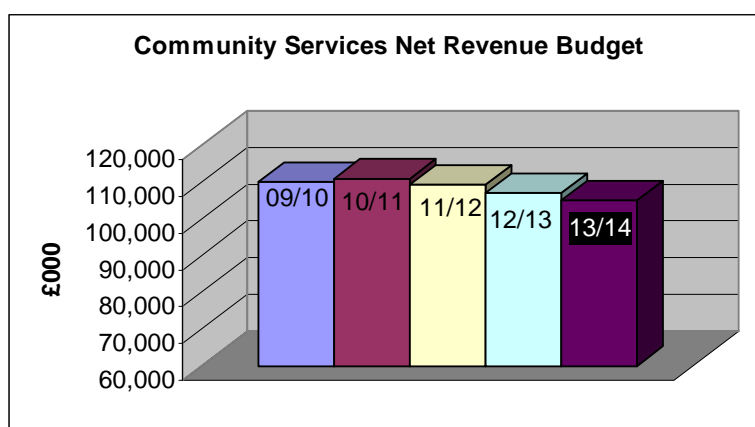
wrap around services within Social Care also continued the journey of reducing dependency and diverting children from care using a risk managed approach.

Future Delivery Plans to achieve 3 year budget

- 14.11 The departments Commissioning and Finance Programme board will oversee the delivery of an ambitious programme of change designed to ensure services are provided efficiently within resources.
- 14.12 In Children's Social Care the focus will be the continuation of wrap around services and risk managed diversion strategies to ensure that Children are able to stay with families in a safe environment wherever possible. Policy reviews such as the Transport review and the work regarding Special Educational Need will address underlying pressures whilst ensuring the most vulnerable are supported.
- 14.13 The back office, as with all departments, will also be reviewed to deliver efficiencies. The programme will inevitably lead to significant changes and the partnership with schools will also be a key feature in shaping the size and transformation of the department in future.

15 Community Services

	<u>Net Revenue</u> <u>Budget £000</u>
09/10	109,889
10/11	110,777
11/12	109,054
12/13	106,905
13/14	104,943



National context

15.1 Community Services covers four customer facing departments:

- Adult Social Care
- Environmental Services
- Culture, Sport and Leisure
- Safer Communities

15.2 The services face a range of challenges in the current economic situation and all face significant policy changes and demands. These include:-

Adult Social Care

15.3 Major government changes are proposed for reforming the system of social care in the recently published Vision for Social Care: Capable Communities and Active Citizens. It is proposed that services will be more personalised, more preventative and more focused on delivering the best outcomes for those who use them. Adult social care and health services are expected to join up to enable integrated delivery where possible.

15.4 At the same time, the NHS also faces major changes following the publication of the White Paper, 'Equality and Excellence: Liberating the NHS'. This contains proposals to ensure the NHS is a truly world-class service that:

- Is easy to access
- treats people as individuals and
- offers care that is safe and of the highest quality.

15.5 These proposals include plans to abolish Primary Care Trusts, (PCT), and Strategic Health Authorities, (SHA), develop GP based commissioning consortia and transfer the PCT public health improvement functions to local authorities.

Councils will also be required to establish 'health and wellbeing boards' to join up the commissioning of local NHS services, social care and health improvement.

- 15.6 Nationally, Adult Social Care is facing increasing pressures due to the growth in demography and increasing levels of long term care needs for high dependency service users. We are projecting a 17% (6,800) increase of over 65s and 12% (700) increase of over 85s by 2015.
- 15.7 Within the service, the Personalisation Agenda has been given extra pace this year with targets around direct payments and personal budgets. This will change both our commissioning activity and service delivery going forward. The impact will need to be transformational hence the number of work streams that we have to make these changes. Alongside this we have seen the plans the PCT have needed to develop in order for them to have separate provider services by 2011 (Transforming Community Services). Their proposal is to become a social enterprise. We are expected to ensure a more joined up response with health colleagues and have needed to work within their timescales and this new agenda. The programme to deliver quality, innovation, productivity and prevention (QIPP) within the NHS is also underway and plans are being developed in partnership with the Council through Adult Social Care.

Environmental Services

- 15.8 Environmental Services is a highly visible front line service with enormous challenges especially in the areas of waste disposal, waste collection and recycling. Managing public expectations of enhanced levels of service against a very tight budget is difficult.
- 15.9 The percentage of waste going to landfill remains on target at 59.1%. However, landfill tax is set to increase by £8 per tonne each year until 2014. The Council also faces fines of up to £150 per tonne if we landfill more biodegradable waste than our landfill allowance (LATS).

Culture, Sport & Leisure

- 15.10 The Department for Culture, Media and Sport received a significant in year budget cut which has impacted on a number of areas, e.g. 3% cut for all funded bodies this financial year and 4% for Arts Council England. Within the city this had an impact on the free swimming for under 16s and over 60s. The Arts Council has recently issued 'Achieving Great Art for Everyone', their 10 year strategic framework for the arts. It provides the rationale for their investment in the arts and will inform their future funding decisions.
- 15.11 The city is currently investing a significant amount in providing the new Plymouth Life Centre, which will be of international quality and will provide top class sport and leisure facilities in the city.

Safer Communities

- 15.12 There are proposals for changes to the way police forces are governed, with elected police commissioners to replace police authorities. Although Community Safety Partnerships are set to continue, commissioners will bring a new

dimension to the council's partnership role in delivering crime reduction. Both policing legislation and the government's place-shaping agenda is likely to see increased focus on councils and other public services engaging with communities at neighbourhood level. Our approach to neighbourhood engagement therefore needs to be able to respond to this.

- 15.13 Economic pressures are likely to see increased demands for services such as personal financial advice and will also present challenges in terms of crime reduction. The government is encouraging a focus on crimes with the most impact on victims e.g. alcohol-related violence and sexual assaults. These areas will demand a strong focus on working in partnership and commissioning services to respond. However, there are challenges associated with grant reductions for some of this work.
- 15.14 Despite a relaxing of national requirements to provide gypsy sites, the government has said councils should consider need in their area and take this into account in reaching decisions locally. We are seeing increases in unauthorised encampments and will need to consider how to respond to this.
- 15.15 The city's growth agenda means our population will increase and diversify further. Our services will need to be able to respond to the changing demands this will bring; and ensuring good community cohesion between different communities will be a vital part of successfully managing the change.
- 15.16 New equalities legislation means a renewed focus on the requirement for the council to assess the impact of proposed changes, including budgets and policies, on different groups in the population. However, less emphasis on national standards and targets means our equalities work will focus more on local priorities e.g. differences in life expectancy.

Current year

- 15.17 The current year has been particularly challenging in order to deal with the continued pressure within Adult Social Care and also the rising costs of providing front line services within Environmental Services. Services are continually reviewed to deliver within budget and address a £1.5m year end forecast overspend in addition to the £1.5m budget reductions as a result of the emergency budget in June. Opportunities to maximise grants have been taken as a short term measure and a learning disability delivery plan has been put in place.
- 15.18 As a result of continuing cost pressure in Adult Social Care, a cross departmental Programme Board has been in place since 2009/10. This Board has developed, and overseen, several new delivery plans to address in year budget pressures in 2010/11.
- 15.19 Safer Communities has delivered within budget during 2010/11, with some under spend identified towards the year end which has contributed towards reducing in-year pressures.

- 15.20 The forecasted annual overspend within Environmental Services is around £600k. This can be mainly attributed to increasing vehicle and maintenance costs due to an ageing refuse fleet and the high cost of specialist repairs. Income from trade waste continues to be lower than budgeted despite making a moderate surplus of around £80k.
- 15.21 Culture, Sport and Leisure budget pressures are largely due to significantly increased costs and commercial underperformance at Mount Edgcumbe. This is being partially offset by savings elsewhere in the department. The leisure management contract is making good progress with contract award due for April 2011. The Plymouth Life Centre construction programme is on target for an Autumn 2011 opening.

Staffing trends/forecasts

- 15.22 The number of employees within Community Services is approximately 1630 and during the year there was a reduction of 82 employees.
- 15.23 Adult Social Care plans delivered a reduction in staffing through the closure of Whitleigh Respite Home at the end of 09/10. This year we have reduced management posts in particular around specialist teams. Following the Cabinet decision on the 16th November 2010 we are embarking on the work to implement the decisions around Welby and Colwill, Frank Cowl and Stirling which will further reduce staffing this financial year.

2010/11 Delivery Plans

- 15.24 Community Services is largely on track to deliver the £4.6m delivery plans contained in the 2010/11 budget. The main challenge has been to deliver a wide programme of modernisation within Adult Social Care which has been very resource intensive, some notable successes around decommissioning, re-provision of services and our contributions policy has come about due to some excellent consultation with service users.

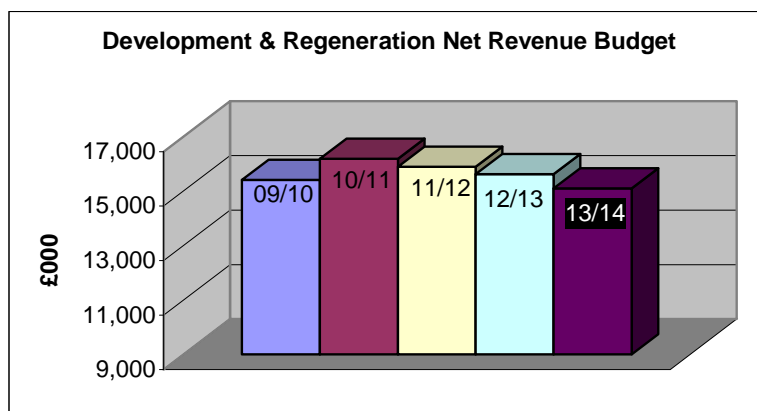
Future Delivery Plans to achieve 3 year budget

- 15.25 Adult Social Care plans going forward are around better commissioning and procurement. Ensuring value for money and a more targeted approach through the use of category management. We also want to look at integrating commissioning activity within the Council and rebalancing spend across all user groups through personal budgets. We are developing much leaner business processes.
- 15.26 Environmental Services has put forward action plan savings/transformation of the service to achieve target budget for the next three years. The plans are ensuring that front line services are protected during 2011/12. The proposals will involve transferring responsibility for some assets to others and an increase in fees.

- 15.27 The main focus of Culture, Sport and Leisure services will be to award the leisure management contract and open the Plymouth Life Centre. Other areas which will form part of the delivery plan will be modernisation of the library service, reduced support for the Theatre Royal and Pavilions, with a raft of smaller initiatives in order to balance the budget.
- 15.28 The Museum service gets significant funding under the 'renaissance' programme from the Museum, Libraries and Arts (MLA) national programme. The MLA is being disbanded and the programme is changing from a core funding agreement to a more commissioned project board approach. The implications of this are being assessed.
- 15.29 Safer Communities is making service changes to deliver budget reductions, part of which is linked to wider corporate rationalisation of policy performance and partnerships.
- 15.30 There are also a number of plans linked to reducing back office support within the department and ensuring a more consistent and standardised approach is in place in support areas.

16 Development & Regeneration

	<u>Net Revenue</u> <u>Budget £000</u>
09/10	15,411
10/11	16,184
11/12	15,890
12/13	15,617
13/14	15,094



National Context

- 16.1 Since the change of government in June 2010, there has been significant reform put forward by the Coalition government in terms of how they support the growth and regeneration agenda, planning, housing, transport and economic development. The theme of localism and decentralisation are at the heart of the new approach.
- 16.2 Major changes in structural terms have included the planned removal of regional structures, in particular the Regional Development Agencies, pan regional boards, and Regional Government offices. The removal of the RDAs and their replacement with Local Enterprise Partnerships (LEPs) has led to the removal of funding streams that the RDAs have traditionally been able to provide to support economic development based activity. These changes have also put a greater onus on the City Council to lead the growth agenda through greater partnership working with the private sector.
- 16.3 The removal of the regional structures has also been accompanied by the commitment of the Coalition government to breakdown regional strategies and support mechanisms. This has included the intention to abolish the regional spatial strategy and the framework it provides for the setting of housing numbers as well as the removal of mechanisms such as the Regional Funding Allocation (RFA) process which has been used to support transport priorities over the region for the past decade. Funding and priority decisions on Major transport schemes now falls back to the DfT, with no new schemes to be brought forward in the current 4 year spending review period. Transport funding through the integrated block has also been significantly reduced and is to be replaced with a Local Sustainable Transport Fund, requiring competitive bidding to secure funds for key infrastructure projects.
- 16.4 Within the planning arena, the government's intentions are to radically reform the current planning framework (Local Development Framework – LDFs) and develop a new collaborative planning approach through the creation of a new form of Local Plan centred on neighbourhoods and incentivising development.

There are also new funding mechanisms such as of the commitment to a Community Infrastructure Levy and a New Homes Bonus.

- 16.5 Similarly, significant changes are proposed in relation to housing tenure, policy, allocations, statutory duties and funding, of both new homes and personal benefits. Announcements have been made which paves the way to increase the rate of new 'affordable rents' to 80% the level of the market rate, while existing tenants have retained protection. At the same time, reductions have been made in the direct level of support for grant funding towards the provision of affordable housing. The Housing and Communities Agency (HCA) remains, but its budgets have been reduced and its role directed towards enabling, although they will still have the ability to provide gap funding but on a reduced scale.
- 16.6 In summary, the national context within which the development and regeneration agenda will operate moving forward is very different to that of the past decade. The department, the private sector, developers, the third sector including social enterprise will therefore need to work together within this new environment to maximise opportunities that will arise. At the same time the government, the council along with its partners, needs to continue to respond to the envisaged reduction in the size of the public sector supporting the private sector in the process of rebalancing the economy, creating wealth and new jobs.

Current Year

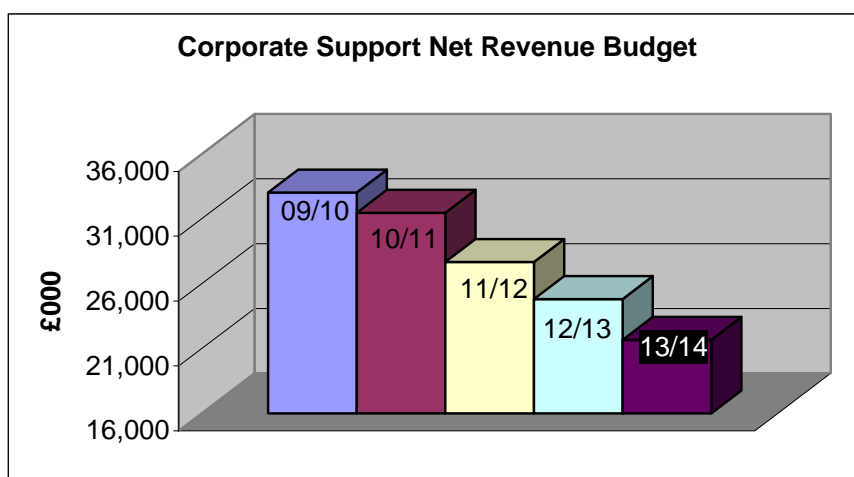
- 16.7 Within the current year, the Development and Regeneration department has put in place a series of delivery plans, which show the department is on target to deliver a balanced budget for 10/11. This is dependant upon a number of factors, in particular the ability to meet required levels of income from revenue sources such as car parks, planning fees and rental income; and that the draw on support for funding such as concessionary fares does not over-heat.
- 16.8 In setting the budgets for 11/12 and beyond, the department had to grapple with the planned percentage reductions for the next three-year funding period, the continuing pressure to ensure income levels are maintained and increased wherever possible but also overcome the withdrawal of some specific grant funding, including New Growth Point and Family Intervention Service grants.
- 16.9 In setting the budget for 11/12 and beyond the department needs to ensure that services continue to be provided and that capacity and support remains in place to support the delivery of the growth agenda, working collaboratively with public, private and voluntary partners to support job and housing growth. This needs to be seen within the context of steps already taken across the department over the past two years where there have been 21 % reductions in planning and 15% reductions in transport and housing staff numbers. It is therefore vital that as far as possible, the capacity is retained within the department to support the delivery of the growth priority. This is essential to ensure the Council and the city has the ability to respond to any new opportunities for funding that will emerge in the coming months such as the already announced Regional Growth Fund, the homes bonus scheme and the soon to be announced sustainable transport fund.

The Development and Regeneration Delivery Plan

- 16.10 To meet a balanced budget for 11/12, the department has undertaken a series of actions to reduce overall costs and raise income. The department has gone through a comprehensive exercise which has examined what we can stop doing, where we can look to increase or generate new forms of income, review budgets on a line by line basis, amalgamate budgets and make savings. The actions that have been taken can be summarised in headline terms as follows:
- a) Planning – focusing on maintaining planning and building control income in the face of a recession, generating extra income from new charges and making some further staff reductions;
 - b) Transport - focusing on maintaining income from parking, replacing lost New Growth Point funding and providing greater focus on the interventions required to offer sustainable transport solutions;
 - c) Economic Development - A commercial review of our estate to maximise income. Increased partnership working with the private sector to creatively drive new models of delivery and lever in new investment;
 - d) Housing - maximising income and external funding, refocusing neighbourhood teams to support localities, and reviewing housing options services to ensure we have capacity to help people in housing need.
- 16.11 However, in light of the reductions in grant funding and the reductions in the overall settlement to local government, the following actions need to be taken as outlined in the within the department's delivery plan to deliver a balanced budget.
- a) Merging of the Family Intervention and Anti-Social Behaviour work to provide a more stream-lined service addressing anti-social behaviour across the city;
 - b) A review of a number of transport services across the city, seeking to make savings and/or increase income streams;
 - c) Saving of the annual core funding that was attributed to the City Development Company, (CDC). However, a legacy pot created as a result of the closure of the CDC remains and will be used to support inward investment, branding and sector support activity over the next two to three years in collaboration with the private sector working through the Chamber of Commerce.
- 16.12 As well as providing and maintaining key direct delivery services into the future, including for example development control, estate management, homelessness prevention and an efficient parking enforcement team; the key objective of the department is to support and enable the delivery of the growth agenda across the city. The development of a 'ring-fenced' growth fund is proposed which will look to maximise opportunities provided through new funding schemes such as the new homes bonus, alongside income from existing assets and potential match through ERDF urban programmes such as the Jessica financial instrument. The creation of such a fund will be used to offset any losses due to the removal of the growth point funding and provide a route to support, enable and bring forward growth and regeneration related projects.

17 Corporate Support

	<u>Net Revenue</u> <u>Budget £000</u>
09/10	33,044
10/11	31,479
11/12	27,689
12/13	24,826
13/14	21,675



National Context

- 17.1 Nationally, the new Government have embarked on both a radical new legislative programme and a phased reduction in public sector expenditure which both significantly impact on Plymouth City Council. Given the services that Corporate Support provide we will be involved either directly or indirectly in working through the implications of all proposals.
- 17.2 In addition, and obviously linked to the above, the current economic uncertainty has a significant effect on the Council and the department. For example we are managing an increasing demand from people applying for benefits. The new government is proposing a radical overhaul of the benefits system which we will need to ensure is delivered.
- 17.3 The new government has committed to reduce bureaucracy that Local Authorities face nationally. One significant outcome of this is the phased abolition of the Audit Commission, which Corporate Support has a key relationship with, and we await clarity on the new arrangements with interest.
- 17.4 There is a push nationally for increased openness from the public sector and we already publish senior salaries and will be publishing expenditure over £500 on a monthly basis by the end of January 2011. We have just embarked on our first web based consultation on the budget for next year and the results will be fed into the scrutiny process in January.
- 17.5 The current climate has created a considerable uncertainty for our workforce and through Human Resources and Organisation Development we are heavily involved in working with our staff and Trade Union colleagues. We have just completed an all staff survey with an encouraging 58% return and have committed to both publish the results and learn the lessons for the future. Appraisals completed currently stand at 94% across the organisation and we want to maintain and improve this. We see this as critical for our transformation programme.

- 17.6 We have already done work with some of our partners to share services and nationally this is being actively encouraged. We set up the Devon Audit Partnership with Devon County Council and Torbay Council from April 2009 and this is already bringing benefits to the three partners and is looking to expand its business. We are in discussions with other partners in the City to establish the scope for further sharing of services looking to maximise employment opportunities in the City. In the context of significant financial reductions for all partners there is currently a real spirit of co-operation.

Current year

- 17.7 The Department faced significant challenges to achieve the 10/11 budget, in particular managing the increasing demand whilst reducing resources. We have significantly reduced our spend across the department whilst still achieving our key performance targets. The Corporate Support budget was reduced at the start of 2010/11 and absorbed a further £820k revenue cuts as part of the council's target reduction of £4m in year. However, through proactive management, we are forecasting an end of year balanced budget.
- 17.8 The finance service has gone through a major restructure, removing numerous posts whilst creating greater career structure at the lower end of the pay scales and reducing management posts. This has generated on-going revenue savings of over £300k
- 17.9 Revenues and Benefits have radically reformed the way in which they work, integrating all processes for housing benefit assessment and council tax around the needs of the customer. Work patterns have been changed resulting in greater efficiencies and reduced overtime accumulating savings of £400k per year. This will be further increased in 2011/12 through a formal restructure with Customer Services.
- 17.10 Throughout the department, we have promoted, and been focused on, creating a dynamic environment, cutting waste, optimising the use of our systems and data, joining up work, where practical, across the department and across the council and improving our customer focus in all areas.

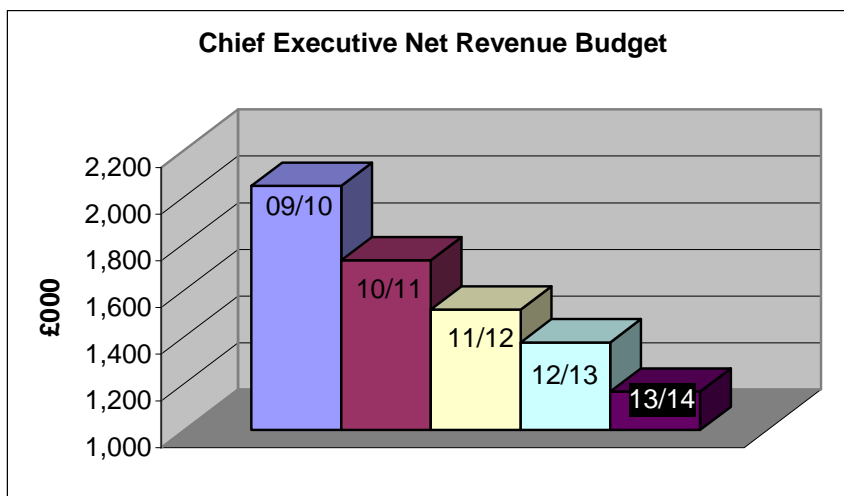
Future Delivery Plans to achieve 3 year budget

- 17.11 The next three years will require further radical transformation for Corporate Support, building on the work we have done already. We have been set the challenge of achieving cumulative reductions of the order of 34%.
- 17.12 A large proportion of Corporate Support spend is employee related. It is inevitable that there will be a reduction in the number of posts in most areas across the department. We have been preparing for this for some time, for example, holding and deleting vacant posts, and will continue to minimise the need for compulsory redundancies.

- 17.13 Moving forward, with reduced resources, we will need to define a standard level of service that we provide and then sticking to that level. It will require ensuring that all our customers (both external and internal) are clear about how they access our services and that we deal with our customers first time.
- 17.14 We are prioritising and investing in initiatives that will transform the way in which we work whilst generating significant financial savings. For example, we are replacing our out of date telephony system and will be investing in a replacement web site which will enable a radical transformation of our front line customer service. Moving forward, many more services will be directed through our corporate contact centre and/or will be available directly through our web-site 24 hours a day.
- 17.15 The recently approved Accommodation Strategy investment will really start to deliver benefits from 2011/12 both financial, and cultural in terms of changing the way in which people work and interact with the public.
- 17.16 A key delivery action for us is to radically revise the way in which we procure items from outside of the council. Better category management, effective challenge and co-ordinated ordering from pre-negotiated contracts will generate significant financial savings across the council for many supplies and front line services.
- 17.17 Human Resources will be leading on a major piece of work to revise and standardise employee terms and conditions throughout the council as well as evaluating alternative options for the delivery of staff training in the future.
- 17.18 The critical remaining piece of the jigsaw is the further transformation of ICT. We will need to invest further in our ICT during the next three years over and above already planned investments. We will need to be clear about how we deliver new ICT projects and how we can work with partners across the City to maximise outcomes.

18 Chief Executives

	<u>Net Revenue</u> <u>Budget £000</u>
09/10	2,046
10/11	1,728
11/12	1,517
12/13	1,376
13/14	1,165



National Context

- 18.1 The operating context for both the council and the city is changing. Whilst budgetary constraints are putting greater pressure on managing resources more efficiently internally and engaging in more collaborative working across partnerships, other changes impact in this area too. These include the move away from top down target setting and overall inspection with the abolition of the Comprehensive Area Assessment, ending of Local Area Agreements, downgrading of the national indicator set and closing of the Place and Tellus Surveys.
- 18.2 At the same time, there is likely to be an enhanced role for Ofsted and possibly a refocused one for the Care Quality Commission, with the Annual Performance Assessment of Adult Social Care having just been abolished. The move towards greater local autonomy can also be seen in the removal of Regional Development Agencies and Government Offices for the Regions, along with less stress placed on nationally prescriptive partnership approaches.
- 18.3 The future change in responsibility for public health, from Primary Care Trusts to councils, is a further important aspect of this changing context; while the growing move from provider to enabling councils, with an enhanced role for commissioning, is another crucial ingredient in the mix. Although regulation is being eased considerably, the tight financial context in which the council and partnership will be operating in means it is even more important that they both know their business and how they are performing.
- 18.4 In terms of communications, there will be a greater need to achieve efficiencies in driving out duplication in the function across the Council, and improving the focus and clarity of both internal and external communications.
- 18.5 The above factors form the scope for the realigned Chief Executive's function. There will be greater emphasis on having a sharper strategic focus, meaningful and qualitative performance measures, self and peer assessments and more

efficient and effective means of working together, with strong programme and project management to ensure delivery. Similarly, in order to achieve a step change in performance, the realigned function will need to demonstrate how it positively impacts on the performance management and communications functions of the Council.

Current Year

- 18.6 In addition to the efficiency targets for 2011-12 and beyond, grant funding for partnership support, which currently derives from Local Area Agreement Performance Reward Grant is ceasing in March 2011. This funding supported the bulk of the staff responsible for the support of Plymouth 2020's Board, Executive and Theme Groups, as well as production of the city's Sustainable Communities Strategy.

Future Delivery Plans

- 18.7 The Chief Executive's delivery plans focus on integrating current arrangements for supporting the performance management, policy and communications functions across the authority, reviewing governance arrangements for the Council and its partners and providing a stronger, single focus for communication activity.
- 18.8 There are currently a range of roles, teams systems and processes across the Council engaged in the above functions which are not integrated. The scope of the delivery plan includes the amalgamation and streamlining of teams and management structures to provide a performance management, policy, partnership and communication function that serves the requirements of the whole organisation, resulting in a reduction in numbers, but an increase in the quality of outputs.

19 Equality Impact Assessments

- 19.1 We have taken steps to ensure our budget plans are as fair as possible. To help achieve this, and ensure we comply with equality legislation including the general duty under the Equality Act 2010, we have completed Equality Impact Assessments (EIA's) on the budget delivery plans.
- 19.2 The Equality and Human Rights Commission has issued guidelines on how EIA's assist in relation to spending decisions. Their guidelines make it clear that the equality duties within legislation: "do not prevent you from making decisions such as reorganisations and relocations, redundancies and service reductions nor do they stop you making decisions which may affect one group more than another. What the equality duties do is enable you to demonstrate that you are making financial decisions in a fair, transparent and accountable way, considering the needs and rights of different members of your community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups."
- 19.3 We will complete further EIA's on the implementation stage of key decisions, where necessary.
- 19.4 Decisions which may affect one group more than another are referred to as "differential impact" below and we have considered the nine "protected characteristics" within the Equality act. Issues identified by the EIA process include the following:

Chief Executive and Cross Cutting Functions

- 19.5 Cross-cutting issues include potential redundancies and changes to commissioning. Where any changes lead to redundancies, we will ensure that staff are not unfairly selected for redundancy e.g. on the basis of them having a particular protected characteristic within the Equality Act 2010. We will also seek to avoid any indirect impact on staff within these groups that we cannot objectively justify. Where changes lead to commissioning services in different ways, we will use our strategic procurement procedures, which include specific reference to equality, to ensure we meet equality requirements.
- 19.6 There is minimal differential impact in relation to changes proposed for the Chief Executive's department. However, some limited impact is possible within the structures we set up for data analysis, performance management arrangements and consultation. This also effects other departments.
- 19.7 To address this we will take steps to align our equality and diversity work to city wide priorities and current action plans, while also retaining the ability to effectively engage with diverse communities across the nine protected characteristics. While reducing costs in relation to printing, publicity and advertising we will continue to be mindful about the provision of accessible information through a range of mediums.

Children and Young People

- 19.8 There is potential for both negative and positive impacts across all nine of the protected characteristics except in relation to the proposed locality restructure and the changes to schools catering. We are committed to undertaking further EIAs on certain decisions as well as closely monitoring the changes during implementation.
- 19.9 We have identified that changes to transport arrangements, disability service restructure and changes to Special Educational Needs (SEN) may have more impact on older children, those with disabilities and boys (and their parents/carers). So during implementation we will prioritise those with the greatest need and make children and parents aware of alternative options e.g. by publishing and promoting alternative cheap travel information.
- 19.10 Within our Social Care Services for children, young people and their families our intention is to divert children from care into alternative community support interventions. There is the potential for limited differential impact on older children, those with attention deficit and hyper activity disorder (ADHD), young people with emotional and behavioural disorders and those with disabilities. We will closely monitor the take up of our services by these children/young people and any negative trends will be addressed by our Finance and Commissioning Board. We will also target and evaluate the use of our mediation and family group conferencing to ensure it has maximum impact and produce an analysis of need to ensure community alternatives are accessible.
- 19.11 With regard to the protected characteristics of faith, religion, belief; gender; gender reassignment; race and sexual orientation impact has been assessed as none or minimal. However, we will ensure that we continue to give relevant attention to the needs of those where religious considerations are significant (e.g. Muslims).
- 19.12 Admissions into care will be monitored to ensure disproportionate representation does not develop. We will target care towards those most in need of protection and safeguarding.

Community Services

- 19.13 As part of our plans to modernise and personalise our adult health and social care services, bespoke EIA's have already been conducted on "enabling and floating support" and "better care standards".
- 19.14 Most care recipients are over 65 and 61% of our disabled service users are over this age. Changes will therefore affect older people and those with disabilities because this is our service user profile rather than because of an age or disability related differential impact. This is the same in relation to gender as 62% of service users are women.
- 19.15 We have a (2%) Black Minority and Ethnic (BME) service user profile but we do not anticipate a disproportionate impact. We will continue to encourage take up of our services within BME groups to reflect proportions in our wider older population. There is potential for service decommissioning to have some differential impact on some protected characteristic groups like carers from BME groups. Specific service re-modeling or decommissioning will be accompanied by

an individual EIA so that any impact can be identified and mitigated against where feasible.

- 19.16 We anticipate that front line services will be unaffected as individual care needs, identified through the care management process, will continue to be met in line with our statutory duties. However, we will monitor services and individual packages to ensure that there is no additional age or disability-related impact and our assessed lack of impact in relation to faith, religion, belief; and sexual orientation remains the same.
- 19.17 Our plans in relation to culture, sports and leisure services have the potential to have some differential impact on children under the age of five and their parents/carers, older people, people with disabilities and women. We will monitor use of relevant services against the protected characteristics and if any groups are under represented we will target information to encourage take-up. We will also continue to make reasonable, adjustments to improve access, where practicable.
- 19.18 We intend to make our Translate Plymouth service self funding and provided partners buy-in to this service it will not have an impact on end-users (people with disabilities and those who do not speak or read English as their first language). However to fully gauge impact, we will undertake a full EIA on the specific implications across the protected characteristics, at an appropriate stage of implementation.
- 19.19 There is no differential impact identified in relation to rationalisation of environmental services structure as work will be targeted according to need.
- 19.20 Proposals to transfer public toilets to community ownership involve a commitment to continue to meet quality standards and availability, and this should mitigate against any potential impact on older people, people with disabilities, carers and younger children.
- 19.21 Transferring some playgrounds to community ownership will have minimal impact on young people, their families/carers and people of all ages with disabilities. This is because we have more play spaces than required under the maximum “walking/accessibility distance” and current play spaces are under used. Transferring bowling greens to community ownership may have limited differential impact on older people and those with disabilities. However community control should be able to extend current arrangements which will mitigate against any this.
- 19.22 Increasing fees for cemeteries and crematoria may have a differential impact in relation to race and faith, belief and religion (e.g. for our Chinese and Muslim communities). Therefore, we will ensure that we offer a range of appropriate and quality services that are both value for money and meet customer requirements and satisfaction levels.

Corporate Support Services

- 19.23 Changes to our print and document arrangements have the potential for some differential impact on older people and those with disabilities who require information in a range of accessible formats. This will be mitigated in contract monitoring with providers who we will expect to maintain accessibility.

- 19.24 Moving towards cashless payment systems, integrating our customer services and revenues and benefits, and increasing the use of our self service/website arrangements may affect older people, some people with disabilities and those who do not speak/use English as their first language. As part of our financial inclusion and health inequality work, we will ensure that older people and those with disabilities take up the benefits to which they are entitled and that this is not made more difficult. There will be no impact in relation to gender, faith, religion, belief or sexual orientation and some positive benefit for younger people and those that rely on technology due to their disability. In the longer term, backed by other support mechanisms like computers in public places and promotional activities about alternative ways to do business with us, these moves should have positive impacts across all the protected characteristics, reducing costs and increasing accessibility.
- 19.25 Our debt collection arrangements are currently fragmented and inconsistent. A co-ordinated service will allow us to identify the total debt owed by individuals and ensure that debt is controlled and repayment arrangements affordable. We will give specific consideration to vulnerable groups and utilise our contracts with financial advice service providers to minimise differential impact within each of the protected characteristics such as learning disability and mental health.
- 19.26 Changes to our training arrangements, human resources, business support, information technology (ICT) and legal services have the potential for differential impact on some staff groups within the protected characteristics. Reasonable adjustments such as specific ICT equipment for staff with disabilities will be provided to mitigate this. There is also a potential for front line services delivered by other service areas to be affected e.g. prioritisation of legal advice to front line services will need careful planning given the proposed reductions. Robust contracting arrangements will help ensure that this differential impact is minimised.

Development and Regeneration

- 19.27 The work of our family intervention project and anti-social behavior team impacts most in relation to young people, parents and their families but especially lone parents who tend to be women. Its work has an indirect correlation to fear of crime and sense of wellbeing for older peoples, women, BME and lesbian, gay, bisexual and trans communities. We will ensure that changes to these services target those most in need, reduce duplication with other services and promote its successes to address fear of crime.
- 19.28 We will also monitor anti-social behaviour and take action if we become aware of any adverse effect on community cohesion.
- 19.29 Any reduction in subsidised bus fares or increase in parking fees could have a differential impact on older people, women and people with disabilities. Before any such changes are proposed, we will ensure that EIA impacts and required mitigation are fully considered.

20 Budget Consultation

- 20.1 The Council has continued to improve how it communicates with partners and the public in relation to its budget setting and spending plans. Throughout 2010/11 summary accounts have been made available within locations such as local libraries and Schools, articles published in the local newspaper and budget details issued in Plymouth People (the Council's newsletter) which is delivered to every household within the City.
- 20.2 This year we have launched a new on-line consultation tool "You Choose". Members of the public, staff and business partners have the opportunity to suggest increases or decreases for each Council service and provide suggestions about additional areas of income and reductions in expenditure.
- 20.3 The Council continues to keep its partners fully informed of its corporate priorities and financial position through comprehensive quarterly performance and finance reports. As per previous years, presentations and discussions will be held with all key stakeholders such as political groups, Chamber of Commerce, local MPs, Unions and the LSP and Civil Society representatives, throughout December 2010 and January 2011.
- 20.4 Planned consultation activity will culminate in a thorough two day scrutiny of the corporate planning and budget documents on 12th and 17th January 2011 where feedback will be presented for the panel's consideration.
- 20.5 The recommended budget presented within this report is draft and subject to any necessary changes and amendments made through the consultation and scrutiny process (as approved through Cabinet and Full Council). It is also subject to any necessary changes as a result of the final settlement for Plymouth City Council that will announced later this month.

21 Corporate Items / Adjustments

- 21.1 Although the overall revenue and capital budget allocations stated in this report are accurate based on the information known to us at the time of writing, there are a number of corporate adjustments that are required within the overall revenue total.
- 21.2 The Corporate Items budget and individual departmental budgets will need to be updated and adjusted to account for:
- a) Virements undertaken during the period September to 31 December 2010;
 - b) Final allocations re: increased revenue costs of job evaluation;
 - c) Final allocations re: revenue impact of housing stock transfer;
 - d) Pay award allocations of £250 for lower paid workers;
 - e) Changes to employer superannuation contributions rates.

21.3 Details of all such corporate adjustments will be incorporated within the papers for the January 2011 scrutiny of the budget and corporate plan. Corporate adjustments will not materially affect the departmental revenue reduction targets or corresponding budget delivery plans as detailed within this report.

22 Summary

22.1 This budget has been set under very challenging conditions, with unprecedented income reductions. The new Government has initiated significant policy changes with the full impact on the Council still needing to be understood.

22.2 Despite this operating environment, we are continuing our aims of transforming, modernising and increasing efficiency across the whole council.

22.3 This budget builds on, where possible, protecting frontline services whilst rationalising and reducing the back office running costs.

22.4 All areas are under review, including initiatives to make savings from greater procurement efficiency, and invest to save projects, both revenue and capital, which will reduce future cost pressures.

22.5 As the Council undertakes transformation, there will be a need to reduce staff numbers, but this will continue to be managed in such a way as to reduce the need for redundancies.

22.6 The Council remains very ambitious and over the next year we will be delivering, amongst other projects, The Plymouth Life Centre at an investment of £46.5m; three new schools in Estover, the Tor Bridge campus; an ambitious Accommodation Strategy; a new Plympton Library and a new homeless hostel.

22.7 This is a draft budget report for consultation. Cabinet will consider all consultation responses, along with the output from the January 2011 budget scrutiny and any material changes from the CSR settlement in early February '11 prior to recommending a final budget for adoption by Full Council on 28 February 2011.

APPENDIX A

Departmental Net Budget Analysis

Department/Service	Adjusted Budget 2010/11	Budget Prioritisation Review	Budget Delivery Target	Indicative Budget 2011/12
<u>Children and Young People</u>	£000	£000	£000	£000
Schools	0	0		0
Funded Programmes	752	0		752
Performance and Policy	3,096	0		3,096
Learner and Family Support	9,354	0		9,354
Lifelong Learning	11,885	0		11,885
Social Care	27,206	750		27,956
Departmental Budget Reduction Target	(1,181)	0	(1,241)	(2,422)
Total Children and Young People	51,111	750	(1,241)	50,621
<u>Corporate Items</u>				
Other Corporate Items	(21,194)	748		(20,446)
Corporate Items - major projects	(820)	400		(420)
Capital Financing	10,599	(300)		10,299
Departmental Budget Reduction Target	1,510	(1,510)	0	0
Total Corporate Items	(9,905)	(662)	0	(10,567)
<u>Community Services</u>				
Adult Health and Social Care	72,646	1,000		73,646
Public Protection services	0	0		0
Culture Sport and Leisure	10,762	(200)		10,562
Street services	25,864	0		25,864
Safer Communities	1,541	0		1,541
Service, Strategy and Regulation	1,760	0		1,760
Departmental Budget Reduction Target	(1,596)	0	(2,723)	(4,319)
Total Community Services	110,977	800	(2,723)	109,054
<u>Corporate Support</u>				
Departmental Management	181	0		181
Finance, Assets & Efficiencies	15,335	(100)		15,235
HR Organisational Development	2,920	0		2,920
ICT information systems	5,974	0		5,974
Customer Services	2,257	0		2,257
Democracy and Governance	5,831	(100)		5,731
Departmental Budget Reduction Target	(820)	0	(3,790)	(4,610)
Total Corporate Support	31,679	(200)	(3,790)	27,689
<u>Development and Regeneration</u>				
Planning Services	1,404	0		1,404
Strategic Housing	3,087	0		3,087
Business Support	307	0		307
Transport	12,592	0		12,592
Waste Management Project Team	519	(50)		469
Property & Economic Developmen	(1,437)	0		(1,437)
Departmental Budget Reduction Target	(237)	0	(295)	(532)
Total Development & Regeneration	16,234	(50)	(295)	15,890
<u>Chief Executive</u>				
Departmental Management	489	0		489
Policy Performance and Partner	818	0		818
Corporate Communications	571	0		571
Departmental Budget Reduction Target	(150)	0	(211)	(361)
Total Chief Executive	1,728	0	(211)	1,517
Total Council Revenue Budget	201,825	638	(8,260)	194,203

Reserves & Provisions Review for Invest to Save

Reserve	Balance @ 31.3.10 £000	Transfer to Invest to Save Reserve £000	Comments
Insurance Reserve	1,179	-179	Merge funds to create one reserve and set balance at £1m
Risk Mgt Fund	50	-50	

Transfer to new Invest to Save Reserve

Strategy for Change	250	-250	Corporate Reserve set up to part fund the revenue cost of developing the Building Schools for the Future project. Project ceased.
Statutory Licensing Scheme carry forward from 2009/10	30	-30	This is money set aside from a budget carry forward. Costs to be met from revenue budget.
CIP Reserves	2,299	-1,425	Uncommitted balance to be transferred/ amalgamated into new 'Invest to Save'. £761k relates to Building Schools for the Future
Care and Repair Reserve	21	-21	Costs met from current budgets
DSO Reserve Fund	43	-43	Accumulated surpluses from trading activities under Compulsory Competitive tendering (CCT). These accounts now form part of general fund budgets.
City Centre Partnership Fund	18	-18	Surpluses on sponsorship/commercial activities.
Artificial Turf Pitch Reserve	54	-54	Match funding set aside for Manadon Changing rooms. Transfer balance in full and address funding requirement if proposal to proceed with scheme at later date.
Tamar HA Reserve A/c	58	-58	Handback costs/repairs liabilities- costs being met from revenue budget.
PSECETS Initiatives Fund Plymouth	26	-26	Transfer balance in full, address funding if proposal to proceed with project.
Waste Transfer Station	15	-15	Set up as guarantee in event of leachate contamination. Council policy to treat such guarantees as contingent liability rather than make formal provision.
Leachate Treatment Reserve	93	-93	
Weston Mill Cemetery	71	-71	Separate consideration ongoing re cemetery improvements, including funding options.
TOTAL	4,207	-2,333	

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		

SECTION I - DELIVERY OF BUDGET		
<p>1. Delivery of a Balanced Revenue Budget</p> <p>(a) Comprehensive Spending Review and Settlement The Council is still awaiting details of its actual settlement for 2011/12 and future years and as a result the full impact of the October 2010 CSR is still not known</p> <p>There is an expected reduction in resources of 28% over the 4 year settlement period. The current MTFS is modelled on 5% reduction each of the next 3 years</p> <p>Consultation earlier in the year re changes to the formula indicators and base data could result in wide swings of resources between individual authorities</p> <p>Significant changes to grant funding is expected with much of the ringfencing to be removed. More grants will be rolled up with the actual settlement grant.</p> <p>(b) Risk of non-delivery of budget plans Directors have identified a number of pressures within their budgets for 2011/12 and future years.</p>	<p>Departments have been requested to find savings over and above their departmental allocations to provide a contingency should the settlement be less than estimated</p> <p>Departmental allocations will be reviewed and further work undertaken if necessary including reprioritisation and seeking partner contributions to ensure a balanced budget can be set in the period leading up to the Council Tax setting meeting on 28 February 2011.</p> <p>Additional revenue resources have been prioritised and allocated to front facing services in 2011/12 to contribute towards known budget pressures.</p> <p>Budget variation targets remain at 1% overspend and 2% under spend.</p>	RED

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		

<p>Directors have produced and signed up to high level plans to deliver a balanced budget. Resources required to deliver plans may lead to plans being phased resulting in planned savings being deferred</p> <p>Future year budget plans need further work as Medium Term Financial Forecast still showing shortfall in resources.</p>	<p>Financial Management procedures remain in place regarding carry forwards. A monthly combined performance and finance scorecard is considered by CMT and Cabinet Planning</p> <p>Detailed quarterly reports are presented to Cabinet and subject to Scrutiny</p> <p>Detailed project plans are being developed to support the high level delivery plans.</p> <p>Delivery Plans have been subject to a robust challenge at CMT and DMTs. There has been Portfolio challenge of the delivery plans prior to the final budget proposals.</p> <p>Progress reports against Delivery Plans are incorporated into finance and performance reporting and will continue to be presented and challenged by Cabinet and Scrutiny.</p> <p>Reserves consolidated to form a revenue invest to save reserve. This reserve is available to support initiatives including to meet set up costs of delivery plan projects.</p> <p>Invest to save reserve in both capital and revenue to enable pump prime investment to generate revenue savings in future years.</p> <p>The Council continues to include a contingency provision in the budget of £0.5m in line with previous years</p>	
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Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
<p>2010/11 forecasted revenue budget overspend as reported in September quarterly monitoring report will add pressure if CMT are not able to return a balanced situation by year end.</p>	<p>The Bellwin Scheme is available for emergency expenditure – this provides 85% funding of costs that exceed the Council's threshold of approximately £0.700m. All departments are seeking to minimise the overspend in 2010/11 and return a breakeven budget.</p>	
<p>2. <u>Service Specific Issues</u></p> <p>(a) Children and Young People</p> <p>The number of Children in the care of the local authority has increased mainly due to the high profile national and local media cases which has been reflected in the budget (budgeted at current levels). The cost of caring for an individual child varies depending on their particular needs</p> <p>There are potential capacity issues within the social work area due to the requirement to implement the Laming recommendations on case loads. Recommended 15 – 20 but in Plymouth currently range from 20-31.</p> <p>There has been a significant increase (up to 90%) in the number of children subject to protection plans where the risk has been managed within the community rather than being taken into the care system. Such a high increase will be extremely challenging to sustain.</p> <p>Strong changes in policy direction towards prevention and early intervention from Department of Health and Department for education will require more intensive and targeted services.</p>	<p>Continued rigour with the decision making process of the placement review panel.</p> <p>The successful implementation of the 'Payment for skills' foster care payment scheme will enable more placements to be made appropriately within Plymouth by increasing the number of carers into the profession and through the higher quality factors increase the councils capacity to care for children with more complex needs.</p> <p>Continued investment in workforce development, particularly with newly qualified social workers. Successful implementation of a fully functioning Care First system will help to mitigate the requirement for additional social workers.</p> <p>The transfer of some children in need cases to other agencies through the Common Assessment Framework will ensure that the needs of the children are met by the body best placed to support them and help to contain the pressure on the Council.</p>	AMBER

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
<p>Court ordered assessments may add financial costs where the court determines that a parent and child assessment is required in deciding if and how a child is safeguarded. Currently, the court determine who and how the assessment is undertaken</p> <p>The Education White Paper pushes schools and the LA to drive up education standards with failing schools expected to make structural reforms where necessary. Two academies are operating with a significant number actively exploring academy status.</p> <p>A significant number of staff are funded from Government grant. The full impact of changes to grants funding under the CSR are not yet known.</p>	<p>There is a robust process for considering the additional services allocated (if any) for each potential case.</p> <p>The Council is working with the courts to agree an 'in house' approach to parent and child assessments which would reduce the risk of the family being sent away for an assessment</p> <p>There is a management group to oversee the Corporate impact of the Academy agenda.</p> <p>The Department has been reducing staffing and encouraging flexible working</p>	
<p>(b) Adult Social Care</p> <p>Within Adult Social Care there are nationally recognised demographic changes which impact the budget, due to both an ageing population and increased complex needs.</p> <p>The services are volatile and small changes in service user numbers of those with high care needs can impact on the budget.</p> <p>The government's personalisation and modernisation agenda will present challenges and lead to the transformation of the service.</p>	<p>Accurate and timely monitoring information provided to lead officer for Adult Social Care.</p> <p>Review of data quality, linked to Carefirst project and other systems.</p> <p>The Director of Community Services has established a Programme Board to manage the delivery of action plans and the transformation of adult social care services.</p>	AMBER

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
<p>The planned transfers of funding from health to Local Government may be insufficient to cover the obligations transferring eg Learning Disability</p> <p>Service and funding decisions made by NHS Plymouth (previously known as Plymouth Primary Care Trust) can impact on the costs incurred by the Council. In particular, the NHS Plymouth Transforming Community Services and the Quality, Innovation Productivity and Performance (QIPP) agendas could have implications for the Adult Social Care services, but may also present opportunities</p>	<p>Track the outcomes of the Comprehensive Spending Review to determine the implications</p> <p>A Health and Social Care Integration Board is in place to improve our partnership arrangements. The Director of Community Services and the Chief Executive of NHS Plymouth meet regularly to discuss high risk issues with the patient/service users at the heart of the agenda</p>	
<p>(c) Stock Transfer</p> <p>As part of the transfer the Council has been required to provide a number of warranties. There may yet be residual costs and claims that will fall to the Council, eg public liability claims.</p> <p>The Council faces financial issues into the future relating to the stock transfer</p> <p>An application to CLG to formally close the HRA, and thus allow the residual HRA Working Balance to transfer to GF, cannot be made until the final subsidy claim has been certified by the external auditor.</p>	<p>The Council has negotiated monies, as part of stock transfer, via VAT shelter and Right to Buy receipts, whilst these monies are a capital resource they have not been allocated to the capital programme. These monies are to assist in tackling issues relating to stock transfer.</p> <p>Quarterly joint liaison meetings take place with PCH.</p> <p>The Corporate Items budget for 2011/12 and departmental budgets have been and will continue to be adjusted for stock transfer implications.</p> <p>The final subsidy claim has been submitted for audit and is expected to be certified by 31 December 2010.</p> <p>Cabinet have approved the appropriation of all remaining land and property which will further support the application for closure.</p>	AMBER

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
<p>(d) Environmental Services Landfill tax is set to increase by £8 per tonne each year until 2014. This will add a budget pressure of £650k per year. The Council also faces fines of up to £150 per tonne if we landfill more biodegradable waste than our landfill allowance (LATS)</p>	<p>Targets to reduce the percentage of waste going to landfill have been set.</p> <p>The Council will need to consider purchasing LAT's in 2012/13 and 2013/14.</p> <p>The Council is entering into a Private Finance Initiative, (PFI), with Devon County and Torbay Councils to build a new 'waste into energy' plant. The procurement process is progressing well with a preferred bidder expected to be announced early 2011 and subject to approval contracts signed within a few months, this will provide more certainty around future revenue costs</p>	RED
<p>(e) Development The removal of regional structures, in particular the Regional Development Agency (RDA), and their replacement with Local Enterprise Partnerships has led to the removal of funding streams that the RDA have traditionally been able to provide to support economic development based activity</p>	<p>Council Officers are closely involved in discussions relating to successor arrangements</p>	AMBER
<p>3. <u>Corporate Issues</u></p> <p>(a) Maintenance Liabilities</p> <p>Inadequate budget provision to meet maintenance liabilities</p> <p>Provision has been made in the revenue budget to meet the costs of the routine maintenance of the Council's operational buildings. Improvement works are charged to the capital budget.</p>	<p>Asset management keep under review all the Council's assets including identifying and considering assets for disposal.</p>	GREEN

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
<p>The asset management strategy identifies that there is a significant backlog in maintenance obligations.</p> <p>Risks include health and safety issues that may arise during the year and the uncertainties over the future of the Civic Centre.</p>	<p>Accommodation reserve set up to meet one off repairs to Civic Centre (and other Council Offices) pending outcome of negotiations on the future of Civic Centre.</p> <p>The Accommodation strategy will reduce the number of offices and thus the ongoing maintenance liability</p> <p>The insurance reserve can be used to meet the costs of urgent health and safety repairs.</p>	
<p>(b) Redundancies</p> <p>Impact of redundancies on revenue budget The budget delivery plans will result in a reduction of staffing across the Council.</p> <p>Redundancies result in one-off costs, including a contribution to the pension fund.</p> <p>International Financial Reporting Standards (IFRS) require the cost of redundancies to be accounted for in the year they are declared not when they are paid.</p>	<p>A redundancy reserve has been set up and a top up will be considered as part of the year end corporate health considerations as appropriate.</p> <p>The reserve can be carried forward to future years to enable resources to match accounting requirements</p> <p>We will minimise the number of redundancies through vacancy management, effective redeployment practices and close working with the unions.</p> <p>There may be an opportunity to apply for a Capitalisation Direction in 2011/12 if redundancy costs exceed thresholds. However this will impact on Capital Programme.</p> <p>The Council could consider spreading the pension fund top-up over three years.</p>	AMBER

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		

<p>(c) Equal Pay The Council has received a number of equal pay claims and grievances. These will be dealt with by way of grievance hearings and through the Employment Tribunal system. Formal dates for the hearings have yet to be set</p>	<p>The Council secured a Capitalisation Direction to cover equal pay claims in 2007/08. This can be used for any claims submitted prior to 31 March 2008.</p> <p>Equal pay reserve set up 31 March 2009 for claims submitted after March 2008. (£350k).</p> <p>Regulations allow impact of equal pay claims to be deferred until actual payment.</p> <p>The Council can apply for a capitalisation direction in 11/12 if costs exceed threshold.</p>	AMBER
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SECTION II – IMPACT OF MAJOR PROJECTS / CORPORATE ITEMS

<p>4. <u>Major Projects</u></p> <p>Delivery of Major Projects- timing and resources The Council currently has a number of cross cutting major projects either in progress or planned for the medium term. The key risk is delivering the projects on time and to budget.</p> <p>The requirement to reduce staffing to balance budgets may impact on the ability to adequately resource projects.</p> <p>Many projects require services to be delivered in an innovative way. There may need to be a requirement for external advisors which puts pressure on budgets.</p>	<p>Clear project plans in place for key areas.</p> <p>Revenue and Capital Funding allocated to Corporate priorities under budget process.</p> <p>Invest to save principles have now been established</p> <p>Progress on Major Projects overseen by a Project Delivery Board with finance input.</p>	AMBER
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Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		

<p><u>The main projects are:</u></p> <p>(a) Care First The Council has begun a 3 year programme to harmonise the Children's & Family and Adults Social Care Teams onto a single computer system. The costs of this project will span a number of years in which time costs can fluctuate.</p>	<p>A Care First Project Board has been set up, chaired by the Assistant Chief Executive.</p> <p>Approval to fund the project from the Invest to Save fund is to be sought for 2011/12 onwards.</p>	AMBER
<p>(b) Plymouth Life Centre The construction of the Plymouth Life Centre is a complex design and build project with a mixed funding stream including several grants with certain conditions.</p>	<p>The Plymouth Life Centre and Leisure Related Projects Programme Board in place. Board meets monthly to monitor progress.</p> <p>The construction is part of a robust contract which details construction milestones and financial milestones. The contract will be closely monitored by the Council's appointed project managers EC Harris.</p> <p>Costs and risks well understood and subject to robust scrutiny.</p>	GREEN
<p>(c) Waste PFI The cost of disposing the City's waste is due to rise sharply over the coming years. Since closing the Council's landfill site, Chelson Meadow, we have entered into a contractual arrangement to dispose our waste in Cornwall for the immediate future.</p> <p>The Council is currently developing a Energy from Waste PFI solution in partnership with Torbay and Devon County Councils. The capital and</p>	<p>A waste management reserve has been created with the balance of this reserve currently at £1.5m. Consideration to top up this reserve will be given as part of the year end corporate health adjustments.</p> <p>The Council is entering into a Private Finance Initiative, (PFI), with Devon County and Torbay Councils to build a new 'energy</p>	RED

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
<p>revenue costs of this project are significant and volatile to change.</p>	<p>from waste' plant. The procurement process is progressing well with a preferred bidder expected to be announced early 2011 and subject to approval contracts signed within a few months, this will provide more certainty around future revenue costs</p> <p>Outwith the procurement process, the successful bidder will need to apply for and obtain planning permission and environmental permits</p> <p>Revenue & capital costs are updated and communicated through robust governance arrangements.</p> <p>External finance advisors are assisting with financial modelling.</p> <p>PFI credits to support the scheme when operational have been confirmed</p>	
<p>(d) Eastern Corridor The bidding approval process, under which PCC was seeking to secure £77m of funding for transport works to support future housing growth on the Eastern corridor of Plymouth, was suspended in the recent Comprehensive Spending Review.</p>	<p>The Capital Delivery Board will keep the situation under review and adjust the MTFP as appropriate in the light of any reduction in resources</p>	RED
SECTION III - IMPACT OF ECONOMY		
<p>5. <u>Economic Impact on Income</u></p> <p>Reduced income from fees and charges</p>		GREEN

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
<p>The economic climate continues to see a reduction in income such as car parking and commercial rent income</p> <p>Vat increase may impact on usage and income receivable</p>	<p>Departments have reviewed underlying income assumptions.</p> <p>Key PIs in relation to collection rates reported/monitored in bi-monthly monitoring report.</p> <p>Increase in Vat to be passed on to users where appropriate</p>	
<p>6. <u>Treasury Management</u></p> <p>(a) Borrowing risk – portfolio imbalance PWLB/LOBO</p> <p>Currently there is a high proportion of market loans to PWLB which reduces the Council's ability to restructure its debt portfolio.</p> <p>Increase in PWLB interest rate as part of Comprehensive Spending Review will make new borrowing more expensive.</p> <p>Average interest payable on loans exceeds rate of interest receivable on investments increasing pressure on budget.</p>	<p>New long term borrowing to be taken from PWLB to address the imbalance.</p> <p>Devon Debt brought in house during 2010/11 which will enable greater flexibility over debt repayment.</p> <p>Continue strategy to make greater use of variable rate debt and maximise short term temporary borrowing options.</p> <p>Use balances and reserves to meet cash flow and borrowing requirements.</p>	GREEN
<p>(b) Investment losses – Iceland Banks</p> <p>Recovery of monies in Landsbanki and Glitnir subject to court proceedings</p> <p>Council continues to incur legal fees.</p> <p>Capitalisation Direction utilised in 2009/10- delays in court proceedings on Landsbanki and Glitnir mean borrowing costs now being incurred.</p>	<p>Plymouth City Council representation on the Local Authority Iceland Bank Steering Committee.</p> <p>Capitalisation Direction maximised in 2009/10 enabling any potential losses to be spread over a 20 year period. Reserve set up as part of closedown 2009/10 used to meet legal fees and costs of borrowing in the first instance. Reserve topped up by interest recovered on dividend payments.</p>	RED

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		

	<p>Dividend payments being received from Heritable £1.431m (45.39%) recovered to date. Dividend payments continue to include interest up to 8 October 2008.</p>	
<p>7. Capital Programme Current housing market makes it difficult to generate sufficient capital receipts to fund capital programme at assumed level.</p> <p>Impact of Credit Crunch on Treasury Management with knock on effect on Capital Programme.</p> <p>Any shortfall may require additional temporary borrowing which will impact on revenue budget.</p> <p>There is uncertainty over central government grants in future years due to the pressure on public sector finances</p> <p>The impact of decisions made on programmes receiving grant or supported borrowing may have an impact on future allocations.</p>	<p>Constant review of capital receipts position and other financing options as part of monitoring.</p> <p>Review of capital programme to reduce dependency on capital receipts undertaken as part of budget setting.</p> <p>Capital Financing reserve set up – balance of £0.975m which can be used to fund temporary borrowing costs to plug timing differences in receipt of capital receipts.</p> <p>The level of grants will be constantly monitored, with projects being delivered over several years not being commenced until there is certainty over linked grant funding</p> <p>Continuing dialogue with the relevant Government departments</p>	<p>AMBER</p>

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		

SECTION IV – FURTHER BUDGET ASSUMPTIONS		
<p>8. Inflation assumptions Difficult to identify impact of inflation / deflation as economic uncertainty continues.</p> <p>RPI remains high at around 4.5%, but there is a move by the Government to use the lower CPI rate eg future pension increases.</p>		
<p>(a) Pay award The budget for 2011/12 assumes a pay award freeze. Details are still awaited on the recommended increase for low pay staff.</p>	Budget provision is held corporately for the potential increase for low paid staff.	GREEN
<p>(b) Energy costs <u>Gas and Electricity</u> The Council procures general energy directly from the wholesale markets and is therefore subject to changing market conditions. The Council's Corporate contract will fix British Gas' administrative charges and margin but does not fix the cost of energy and the network charges.</p> <p><u>Streetlighting (Unmetered Electricity)</u> The Council forward purchases electricity for street lighting through Laser - a government procurement organisation that hedge buys on behalf of its members. The Council has forward-procured electricity for Oct 2010 to Sept 2011 but has seen an increase in overall price of 23%.</p>	<p>The price of the transmission network is regulated by Ofgem and is subject to five yearly reviews.</p> <p>Currently, the consortium is buying forward for next financial year (April 2011 - to March 2012)</p> <p>The accommodation strategy and the move to reduce carbon tax emissions should lead to a reduction in energy consumption.</p>	AMBER
<p>(c) Other Inflationary increases have been contained for social care commissioning (private and independent sector), with exceptions relating to previously agreed medium term contracts. Irrespectively, these contracts will all need careful management to contain costs and drive service improvements.</p>	<p>This is consistent with guidance from commissioning colleagues.</p> <p>Contracts will need to be closely monitored.</p>	AMBER

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		

SECTION V - OTHER		
<p>9. <u>Partners</u></p> <p>(a) New deal For Communities (NDC) Grant – Devonport Regeneration Community Partnership (DRCP) NDC funding ends on 31 March 2010. The Council will remain responsible for closing down the project and making the final grant submissions.</p> <p>The Council may incur residual costs should spend by the projects miss grant cut off dates.</p> <p>The Council may incur redundancy costs.</p> <p>There is also an inherent risk to the Council of grant clawback should grant conditions not be met or if assets are disposed of in future years.</p>	<p>Monthly meetings held between senior Council Officers, DRCP staff and GOSW.</p> <p>The Council continues to hold monies in reserve as a result of the agreed flexibility sought in 2007/08 to maximise grant spend. This reserve is earmarked for specific DRCP projects. Approval from GOSW that this reserve can be carried forward after 31 March 2011 with no penalty giving flexibility to fund project slippage.</p> <p>DRCP taking action to downsize staffing levels in advance of grant end.</p> <p>Statutory redundancy costs to be met from NDC grant</p> <p>Succession plan signed off by CLG. Currently awaiting clarification on grant asset disposal clawback conditions</p>	AMBER
<p>(b) NHS</p> <p>There is a close relationship between the costs incurred by adult social care and NHS Plymouth (previously known as the Plymouth Community Primary Care Trust).</p> <p>Both organisations face future budget pressures and challenging transformation agenda's</p>	<p>The Council has strengthened its relationship with NHS Plymouth through Memorandum of Understanding and a Health Social care Integration Board.</p> <p>Regular liaison and meetings will be maintained.</p>	AMBER

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		

<p>10. <u>Insurance Cover</u></p> <p>The adequacy of the authority's insurance arrangements to cover major unforeseen risks</p> <p>There was a shortfall in the insurance provision at the end of 2009/10 requiring a top-up. Monitoring during 2010/11 indicates the provision may also be insufficient to meet all known liabilities. This is as a result of an increase in the number of new serious injury claims received.</p> <p>Any shortfall in the provision at year end would be met from the earmarked insurance reserve and/or general balances.</p>	<p>The Council continues to keep the adequacy of its insurance fund under review.</p> <p>An increase to internal premiums has been implemented for 2011/12</p> <p>The internal premiums have been reapportioned across departments based on revised claims history.</p> <p>A number of pro-active risk management measures are being implemented in response to the identification of problem areas.</p> <p>The Council is seeking reimbursement of costs incurred from contractors</p> <p>The Bellwin Scheme is available for emergency expenditure – this provides 85% funding of costs that exceed the Council's threshold of approximately £0.700m.</p>	AMBER
<p>11. <u>Outstanding Liabilities-Risk Management</u></p> <p>Contingent Liabilities</p> <p>The Council is aware of the following contingent liabilities:</p> <p>Municipal Mutual Insurance Ltd- Scheme of Arrangement PLUSS Organisation Ltd Section 117 refunds Single Status Equal Pay claims Civic Centre Connexions (Careers South West). Contaminated land Treasury Management- Icelandic banks Warranties under Housing Stock Transfer agreement, including</p>	<p>The Council operates a system of internal control to identify and manage risk.</p> <p>Contingent liabilities are added to the risk register but specific budget provision is not normally made in the accounts.</p> <p>The Council keeps under review all its outstanding financial liabilities.</p> <p>Contingent liabilities identified and reported as part of Statement of Accounts.</p>	AMBER

Risk to Budget Proposals

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
<p>environmental and asbestos warranties. Local Land Charge income</p> <p>Further information is available in the Statement of Accounts 2009/10.</p>	<p>Provision accounts set up as appropriate once certainty of liability known, but not expected to be settled by year end.</p>	
<p>12. Pension Fund Deficit</p> <p>The Council's balance sheet shows a pensions fund deficit of £470m at 31 March 2010.</p> <p>A triennial pensions review is currently underway. This will set the pension contribution rates for the next 3 years. The outcome of the review is not expected to be finalised until March 11. Outsourcing/transferred services-Legislation requires pensions liabilities to be fully funded for all staff transferring under TUPE arrangements.</p> <p>The Government is currently undertaking a pensions review</p>	<p>The deficit is reported as part of the Council's Annual Statement of Accounts and is therefore subject to Member scrutiny.</p> <p>The FRS17 deficit in the Statement of Accounts is not calculated on the same basis as the triennial review which takes a much longer term view. The Council makes a 'top-up' to the fund when staff are made redundant.</p> <p>Indicative discussions with Actuary indicated contribution rates will remain static.</p>	AMBER
<p>14. Conclusion</p> <p>This Appendix represents the risks associated with the budget and the actions required to mitigate the risks. These have been taken into account in the budget setting process.</p> <p>It should be noted that the Council also operates a system of internal control to identify and manage risk, with a key element the maintenance of strategic and operational risk registers.</p> <p>The departmental delivery plans are also subject to a vigorous risk assessment process and have been risk rated. Details are shown on the delivery plans themselves.</p>		

Section 2

LOCAL GOVERNMENT ACT 2003, SECTION 25 STATEMENT

SECTION 2 - ADEQUACY OF RESERVES

The requirement for financial reserves is acknowledged in Statute. Sections 32 and 43 of the Local Government Finance Act 1992 requires billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no set guidance on the minimum level of reserves that should be held.

The recommendation for the minimum prudent level and optimal level of reserves has therefore been based on the robustness of estimate information and an assessment of the strategic, operational and financial risks facing the authority over the next three years and Section 1 of this Appendix. Plymouth has significantly improved the approach to risk management over recent years. Our strategic and operational risk registers are comprehensive and are regularly reported to, discussed and challenged by senior officers and members.

In order to assess the adequacy of unallocated reserves the following factors have been taken into account:

- The level of earmarked reserves, which are shown in Annex 1 to this Appendix.
- There is always some degree of uncertainty over the timing and the full effects of any economy measures and/or service reductions that will be achieved. Directors have been requested to be prudent in their assumptions and that those assumptions, particularly about demand led budgets, will hold true in changing circumstances.
- The Bellwin Scheme Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The local authority is able to claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government (Plymouth City Council's threshold for 2011/12 has yet to be confirmed but will be set at 2% of net revenue budget, and is currently estimated as around £0.700m). The assistance is usually 85% of any eligible costs over the threshold. Any incident for which assistance is sought must involve conditions, which are clearly exceptional by local standards and the damage to local authority infrastructure or communities must be exceptional in relation to normal experience. In the first instance these initial costs will have to be met from reserves.
- The continuing economic climate which is having an impact on income levels.
- The continuing financial climate which has seen a reduction in interest rates and Government support to prop up the UK banking industry.
- The risk of major litigation, both currently and in the future.
- Risks in the inter-relation between the NHS and Social Service authorities .
- Unplanned volume increases in major demand led budgets.

- The need to retain a general contingency to provide for any unforeseen circumstances, which may arise.
- The continuing uncertainties surrounding the recovery of monies in Iceland banks.
- The need to retain reserves for general day to day cash flow needs.
- An Increasing deficit on the pension fund.
- Potential redundancies in the light of Government grant reductions.

The effect of base budget changes, the full year effect of previous decisions, corporate priorities, demographic growth and legislative change have been identified and will continue to be identified during the budget and medium term planning process.

The Council has a good track record of delivering the budget. Variations from approved budget since becoming a Unitary authority have been within the range +0.3% to -1.7%. In 2009/10 a favourable variation of (£1.515m) or (0.8%) was achieved prior to the final corporate health adjustments for the year.

The Council continues to set Directors a budget variance tolerance of no more than +1% overspend and -2% under spend of their budget allocation for any financial year, and performance against this target is reported to Cabinet as part of the performance and budget monitoring reports.

The achievement of delivery plan actions has been closely monitored during 2010/11 with regular reporting on a risk rated basis (RAG) to CMT. CMT and cabinet planning also receive monthly scorecards highlighting performance and finance issues and whilst budget pressures have continued to be experienced across all Directorates in 2010/11, the reporting and implementation of timely corrective or alternative actions has seen the overall forecast deficit reduce from £5.727m in June 2010 to £3.342m at the end of the September reporting period. The Council is still aiming to achieve a breakeven position at the end of the year.

The medium term financial strategy outlines in more detail the Council's policy on reserves for the period 2011/12 to 2013/14. The Council regularly reviews the appropriateness and use of reserves throughout each financial year. Where relevant, recommendations for changes are reported to Cabinet on an on-going basis. As a minimum, **all** specific reserves will be reviewed on an annual basis in March as part of the end of year accounting closedown arrangements.

The Council's 'Working Balance' is the revenue reserve that is put aside to cover any significant business risks that might arise outside of the set budget. This reserve stood at £11.517m at 31 March 2010, representing just under 6% of net revenue budget. It is forecast that the balance will remain at this level at the end of March 2011.

Taking all the above into account, it is recommended that the Working Balance for 2011/12 should equate to at least 5% of net revenue spend. This is in line with the Council's medium term strategy objective.

This Working Balance will continue to be kept under review in the light of the other factors the Council needs to consider in delivering its priorities and in the light of benchmarking.

RESERVES

1. As part of the 2011/12 budget process, a review has been undertaken of the Council's earmarked reserves to identify the purpose of each reserve, and the estimated movement on these balances in 2011. A summary of the estimated movement is shown in Table 1 to this Annex.
2. In total, current balances are considered to be sufficient to meet existing commitments, and overall, whilst some of the reserves are required to be ring-fenced or do have restricted use, it would be possible to use some of these balances to supplement the Working Balance and support the 2011/12 and future budgets if required, whilst still leaving adequate balances remaining to support existing commitments and unforeseen events which might require financing from these reserves.
3. Whilst, historically, it has been the Council's policy to maintain separate reserves for those services which operated as trading services, (the major ones are On Street Parking, Off Street Parking, Pannier Market), there is no requirement to keep separate reserves for many of these activities. Transfers from these balances to supplement the general Working Balance or support the overall budget have become commonplace and although most of the balances on these reserves have become exhausted, annual transfers to reserves will continue to be made from trading surpluses allowing, an albeit reduced, continued level of support to the general fund.
4. Reserves may also be established at the end of the financial year to carry forward certain unspent balances from the budget to finance the cost of specific commitments which may have slipped over into the following year or for one-off projects. The existing policy is that up to 50% of revenue under spends may be carried forward at year end providing they were declared in the mid year report and that all overspends should be carried forward unless Cabinet determines otherwise.
5. Following a review of all reserves in August 2010, a sum of £2.333m was identified as available for reallocation. In November 2010, Cabinet approved that this amount should be transferred to a new Invest to Save Reserve to be utilised to support the set up costs of delivery plan projects.
6. Other reserves held by the Council in the current year include:
 - Capital Financing Reserve
 - Waste Management Reserve
 - Equal Pay
 - Accommodation Reserve
 - Redundancy Reserve
 - Commuted Maintenance Reserves
 - Insurance Reserve

Further detail of the reserves and their purpose is given in the Annex. Movements to and from reserves are kept under review during the year and an update is included in the mid-year budget monitoring report.

7. Schools Balances

In addition to the reserves detailed in the table, the Council also holds significant balances for schools. Schools are expected to manage within the delegated budgets which are allocated to them and at the end of each financial year schools are required to carry forward any budget variations to the following year. At 1st April 2010, school balances totalled £6.114m (net).

Appendix C
Section 2 Adequacy of Reserves

	Balance as at 31/03/2010	Transfers to Reserves	Transfers from Reserves	Balance as at 31/03/2011	Transfers to Reserves	Transfers from Reserves	Balance as at 31/03/2012	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Off Street Parking	0	(1,640)	1,640	0	(1,569)	1,569	0	Represents Accumulated trading surplus. Used to support Spending priorities in department
On Street Parking	0	(1,381)	1,381	0	(1,142)	1,142	0	Represents Accumulated trading surplus. Used to support Spending priorities in department
City Market	(0)	(216)	216	(0)	(216)	216	(0)	Represents Accumulated trading surplus. Used to support Spending priorities in department
Commuted Maintenance	(1,104)	(25)	30	(1,099)	0	20	(1,079)	Contribution from developers /section 106 agreements to provide for future maintenance and enhancement spend over a period of years.
Education Carry Forwards	(2,063)	(760)	2,047	(776)	(52)	828	(0)	Schools ringfenced resources mainly from grants
Taxis	10	(42)	0	(32)	(52)	0	(84)	Represents Accumulated trading position- funds ringfenced to taxi Account
Street Trading	(111)	0	0	(111)	0	0	(111)	Represents Accumulated trading surplus
Land Charges Development Fund	(52)	(35)	35	(52)	(35)	35	(52)	To fund improvements in the LLC service- legislation
Accommodation Reserve	(1,812)	0	250	(1,562)	0	250	(1,312)	To meet costs of repairs to Office Accommodation, mainly Civic Centre
Insurance Reserve	(1,179)	179	219	(781)	0	50	(731)	To meet any unforeseen/increased costs of insurance claims or works to minimise insurance risk
Carry Forwards	(1,163)	30	943	(190)	0	0	(190)	Reserve set up from end of year budget underspends to meet future Council priorities. This reserve will generally be utilised in full in the following year.
JE contingency	(1,345)	(590)	1,935	0	0	0	0	Utilised in 2010/11 budget
Pensions Fund	(238)	0	0	(238)	0	0	(238)	Reserve set up at Closedown 2009/10 to partially offset pension increases
Redundancies	(582)	(452)	1,034	0	0	0	0	To meet redundancies costs regarding budget delivery plans
Invest to save fund	0	(2,333)	0	(2,333)	0	0	(2,333)	New reserve agreed by cabinet November '10 to support set up costs for revenue Invest to Save and efficiency projects
C/FW	(9,639)	(7,265)	9,731	(7,173)	(3,066)	4,110	(6,130)	

	Balance as at 31/03/2010	Transfers to Reserves	Transfers from Reserves	Balance as at 31/03/2011	Transfers to Reserves	Transfers from Reserves	Balance as at 31/03/2012	
B/FW	(9,639)	(7,265)	9,731	(7,173)	(3,066)	4,110	(6,130)	
DRCP	(1,164)	0	800	(364)	0	318	(46)	Reserve set aside to meet future expenditure in Devonport, in lieu of grant funding in 2007/08, and fund DNM post
CIP	(2,298)	1,425	873	(0)	0	0	(0)	Fund set up to support Corporate Improvement Priorities- balance on fund at end of 2010/11 transferred to new Invest to Save Fund.
Capital Reserve	(975)	0	0	(975)	0	100	(875)	To be used to support the capital programme and meet the temporary borrowing costs as a result in timing differences in achievement of capital receipts
Waste Balancing Reserve	(1,500)	0	0	(1,500)	0	0	(1,500)	Reserve set up to proactively provide and manage the anticipated revenue shortfall prior to implementation of the PFI 'waste to energy' plant.
PFI reserve	(1,343)	(84)	0	(1,427)	(72)	0	(1,499)	PFI credits received in advance- balancing account will be required to meet costs in future years
Job Evaluation/Equal Pay	(350)	0	0	(350)	0	0	(350)	To meet the costs of any successful back dated JE claims. All claims subject to tribunal hearings.
Commercial rents sinking fund	(73)	(80)	0	(153)	0	0	(153)	RDA rents sinking fund re Tamar House, to be used to cover any shortfall in rental income/maintenance liabilities- re-payable to RDA under the funding agreement
Strategy for Change (BSF)	(250)	250	0	0	0	0	0	Fund set up to support bidding process for BSF. Following removal of programme, balance on fund transferred to Invest to save Reserve.
Iceland Bank	(131)	(69)	400	0	0	0	0	Fund utilised to meet temporary borrowing costs of capitalisation Direction and ongoing legal costs of recovery of investment
Urban Enterprise Fund	(367)	(127)	163	(331)	0	163	(168)	Match funding to ensure that Plymouth gains access to the European funding available to the region to support Urban Enterprise
Other Reserves	(1,219)	357	112	(749)	(42)	62	(729)	All reserves have been reviewed and a number of balances have been transferred to the invest to save Reserve.
Sub Total	(19,310)	(5,593)	12,079	(13,024)	(3,180)	4,753	(11,451)	
Working Balance	(11,517)	(250)	250	(11,517)	0	0	(11,517)	General Balance available to meet unforeseen expenditure. This balance represents 5.7% of net revenue expenditure and is in line with Unitary Council averages
Grand Total	(30,827)	(5,843)	12,329	(24,541)	(3,180)	4,753	(22,968)	

() Means favourable

Capital Programme 2010/11 - 2014/15

2010/11 Capital Programme	2010/11					
	Original Budget Plus Slippage	Latest Budget Approved at October '10 Full Council	Other Re-profiling Sep 10	Other Variations Sep 10	New Approvals to Full Council	Latest Forecast Sep 2010
	£m	£m	£m	£m	£m	£m
Childrens Services	38.488	35.636	0.068	(1.347)	0.000	34.357
Community Services	29.029	25.462	(0.317)	0.085	0.540	25.770
Corporate Support	0.820	3.232	0.000	0.000	0.000	3.232
Development	31.604	28.812	0.000	0.008	0.000	28.820
Total Capital Programme	99.941	93.142	(0.249)	(1.254)	0.540	92.179

Financing of 2010/11 Latest Forecast					
Capital Receipts	Unsupported Borrowing	Single Capital Pot Supported Borrowing	Grants & Contrbns	Revenue / Funds / S106	Total Funding
£m	£m	£m	£m	£m	£m
0.700	2.284	0.054	31.087	0.232	34.357
3.295	12.146	3.274	6.922	0.133	25.770
0.278	1.056	0.000	0.454	1.444	3.232
3.170	1.229	4.838	16.443	3.140	28.820
7.443	16.715	8.166	54.906	4.949	92.179

Five Year Capital Programme	2010/11	2011/12	2012/13	2013/14	2014/15	Total
	LATEST FORECAST	LATEST FORECAST	LATEST FORECAST	LATEST FORECAST	LATEST FORECAST	
	£m	£m	£m	£m	£m	
Childrens Services	34.357	19.031	14.953	0.000	0.000	68.341
Community Services	25.770	18.428	0.939	0.000	0.000	45.137
Corporate Support	3.232	6.398	0.560	0.500	0.000	10.690
Development	28.820	16.042	6.203	6.530	7.656	65.251
Total Capital Programme	92.179	59.899	22.655	7.030	7.656	189.419

Financing of 2010/11 to Future Years					
Capital Receipts	Unsupported Borrowing	Single Capital Pot Supported Borrowing	Grants & Contrbns	Revenue / Funds / S106	Total Funding
£m	£m	£m	£m	£m	£m
2.121	3.784	5.154	56.824	0.458	68.341
13.493	19.946	3.275	7.963	0.460	45.137
5.778	3.014	0.000	0.454	1.444	10.690
6.891	1.729	24.831	23.480	8.320	65.251
28.283	28.473	33.260	88.721	10.682	189.419

Capital Receipts Summary	Capital Receipts b/fwd from Previous Year	Forecast Capital Receipts (GF)	Housing	Total Receipts Expected	Capital Receipts Required for Funding (as above)	In Year (Shortfall) / Surplus of Capital Receipts
	£m	£m	£m	£m	£m	£m
2010/2011	2.257	4.661	0.005	6.923	7.443	(0.520)
2011/2012		2.532		2.532	19.572	(17.040)
2012/2013		5.078		5.078	0.768	4.310
2013/2014		9.702		9.702	0.500	9.202
2014/2015		2.650		2.650	0.000	2.650
Total	2.257	24.623	0.005	26.885	28.283	

The temporary shortfall of required capital receipts is to be funded by short term unsupported borrowing that is to be financed from the Capital Finance Reserve