

PLYMOUTH CITY COUNCIL

Subject Updated report on Corporate Plan 2012 -15, Revenue and Capital Budget 2012/13 and Proposed Council Tax Levels

Committee: City Council

Date: 27 February 2012

Cabinet Member: The Leader and Councillor Bowyer

CMT Member: Chief Executive and the Director for Corporate Services

Author: David Northey, Head of Finance

Contact: Tel: 01752 304566
Email: david.northey@plymouth.gov.uk

Ref:

Key Decision: No

Part: I

Executive Summary:

The updated spending plans presented to Cabinet on 7 February detailed a net budget requirement of £204.5m against total resources available of £203.7m. There was therefore reported a net funding shortfall of circa £0.800m.

This was after assuming income of £2.4m from either a 2.5 per cent increase in Council Tax, or a freeze and acceptance of the Government's Council Tax Freeze Grant.

At Cabinet, officers were requested to continue to work through all areas in conjunction with the original budget allocations to ensure we have the correct alignment of resources to priorities, and to work up plans to present a balanced budget to Council for sign off.

Details of the revised proposals and the recommendations for approval are set out in the report.

Recommendations & Reasons for recommended action:

In compliance with legislation, it is the responsibility of the Council's Section 151 Officer to recommend a balanced and robust budget for approval. The recommendations from Cabinet are attached at appendices F and I to the report circulated with the Council agenda.

Council is requested to –

Corporate Plan 2012 -2015

- (1) adopt the Corporate Plan 2012 -2015 subject to agreement on any minor amendments and editorial design changes being delegated to Chief Executive in consultation with the Leader and to reflect the final approved budget;

Revenue and capital budget and Council Tax

- (2) for the current year, the net 'one-off' receipt of £1.6m from Her Majesty's Revenue and Customs from VAT overpayment is transferred to the redundancy reserve, subject to the final outturn position for 2011/12;
- (3) approve the new capital schemes for investment amounting to £0.056m in 2011/12 and £2.026m for future years as set out in Cabinet minute 117a;
- (4) approve the four year capital programme (2011/12 – 2014/15) of £173.461m, which includes an additional £0.400m from Sustrans;
- (5) approve the proposed net revenue budget requirement for 2012/13 of £203.766m, including –
 - a transfer of £0.8m from the waste management reserve to meet additional costs of landfill tax and increased gate fees; and
 - the additional allocation of New Homes Bonus and Early Intervention Grants to be passported to Place and People respectively, as this reflects the Council's priorities;
 - a third and fourth tier management review to deliver full year savings of £0.800m per annum;
 - savings to be delivered by the Place and People Directorates in relation to the transfer of services to both the Customer Centre and Transaction Centre to deliver full year savings of £0.300m per annum, allocated £0.150m to each directorate;
- (6) freeze the 2012/13 Council tax and accept the one-off Council tax freeze grant of £2.398m;
- (7) it is noted that on 13 December 2011, the Cabinet calculated the Council Tax Base 2012/13 for the whole Council area as 77,271 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")];
- (8) calculate that the **Council Tax requirement** for the Council's own purposes for 2012/13 is £96,176,896;
- (9) that the following amounts are calculated for the year 2012/13 in accordance with Sections 31 to 36 of the Act:
 - (a) £557,771,550 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act (**Gross Expenditure and Transfers to Reserves**);
 - (b) £461,594,654 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (**Gross Income and Transfers to Reserves**);

- (c) £96,176,896 being the amount by which the aggregate at 9(a) above exceeds the aggregate at 9(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council Tax requirement** for the year. (Item R in the formula in section 31B of the Act);
- (d) £1244.67 being the amount at 9(c) above (Item R), all divided by Item T (7 above), calculated by the Council, in accordance with Section 31B of the Act, as the **basic amount of its Council Tax** for the year;
- (10) to note that the Police Authority and the Fire and Rescue Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the tables below;
- (11) that the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2012/13 for each part of its area and for each of the categories of dwellings -

Plymouth City Council

A	B	C	D	E	F	G	H
£829.78	£968.08	£1106.37	£1244.67	£1521.26	£1797.86	£2074.45	£2489.34

Devon & Cornwall Police Authority

A	B	C	D	E	F	G	H
£106.49	£124.23	£141.98	£159.73	£195.23	£230.72	£266.22	£319.46

Devon and Somerset Fire Authority

A	B	C	D	E	F	G	H
£49.28	£57.49	£65.71	£73.92	£90.35	£106.77	£123.20	£147.84

Aggregate of Council Tax Requirements

A	B	C	D	E	F	G	H
£985.55	£1149.80	£1314.06	£1478.32	£1806.84	£2135.35	£2463.87	£2956.64

- (12) that having considered the principles approved by the House of Commons on the 8 February 2012 under 52ZB of the Act, the Council's relevant basic amount of Council tax for 2012/13 is not excessive;

Treasury Management Strategy Statement and Annual Investment Strategy 2012/13

- (13) approve the Treasury Management Policy Statement as submitted in Appendix A to the written report to Cabinet;
- (14) approve the Treasury Management Strategy Statement for 2012/13;

- (15) approve the Investment Strategy for 2012/13 as set out in Sections 8 and 9 of the written report including the use of specified and non-specified investments;
- (16) approve the lending organisations and counterparty limits as set out in Appendix D to the written report;
- (17) approve the prudential indicators as set out in the written report covering the revised indicators/limits for 2011/12 and the forecasts/limits for 2012/13 to 2014/15;
- (18) approve the authorised borrowing limits of £309m, £284m and £274m for the period 2012/13 to 2014/15;
- (19) approve the operational boundary of £279m, £268m and £259m for 2012/13 to 2014/15;
- (20) approve the minimum revenue provision for debt redemption policy for 2012/13.

Alternative options considered and reasons for recommended action:

The Corporate Plan sets the strategic direction for the council and brings together a range of related information in one place. This year more emphasis has been placed on ensuring that all the key elements of sound business planning are represented within the plan.

There is a 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.

Sign off:

Fin	MC 111 2.10	Leg TH27 0212		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member M Coe											
Have you consulted the Cabinet Member(s) named on the report? Yes											

1. Introduction

- 1.1 The updated spending plans presented to Cabinet on 7 February 2012 detailed a net budget requirement of £204.5m against total resources available of £203.7m. There was therefore reported a net funding shortfall of circa £0.800m.
- 1.2 This was after assuming income of £2.4m from either a 2.5 per cent increase in Council Tax, or a freeze and acceptance of the Government's Council Tax Freeze Grant.
- 1.3 At Cabinet, officers were requested to continue to work through all areas in conjunction with the original budget allocations to ensure we have the correct alignment of resources to priorities, and to work up plans to present a balanced budget to Council for sign off.
- 1.4 The report stated that officers are working up new Budget Delivery Plans around two areas. Members have continued to review the budget spending and delivery plans and considered the outcomes of the consultation process and along with officers have been working on a number of budget options right up until 27 February 2012
- 1.5 Further amendments are now proposed to the Revenue Budget 2012/13 and Capital Programme 2011/12 – 2014/15, including a review of the reserves position, as a result of the latest monitoring of the 2011/12 budgets and work undertaken on the 2012/13 budget over the last few days.

2. 2011/12 monitoring position

- 2.1 The latest published revenue monitoring, (end of December 2011), forecasted an overspend of £0.454m. However, we remain confident that following director actions to minimise spend in the final quarter of the year we will be able to present a final outturn which is on budget.
- 2.2 In the published third quarter monitoring report we have highlighted the possible drawdown from both the waste management reserve and the pension reserve, subject to the final outturn position.
- 2.2 We have previously reported that the Council has a number of backdated VAT claims lodged with HMRC known as 'VAT Fleming' cases. Four of these have been resolved in recent years.
- 2.3 We further reported there were three outstanding cases still under consideration which the Council continue to work with PWC to appeal initial HMRC findings. The Council have just been advised that one of these around trade waste has been assessed in the Council's favour, and officers have been clarifying the favourable financial outcome for the Council. It is confirmed this will represent a one-off receipt in 2011/12 of circa £2m.
- 2.4 We have also highlighted an on-going potential tax liability from HMRC in connection with areas such as School Improvement Partners and VAT inspection assessments. This could result in an additional tax payment of circa £0.385m.
- 2.5 Therefore, we are anticipating a one-off net receipt from HMRC of approximately £1.6m (being the £1.997m receipt off set by £0.385m additional costs)

- 2.6 The Council's three new directorates came into effect on 1 January 2012, and the appointments to the Assistant Director level were confirmed during January 2012, to take effect from 1 March 2012.
- 2.7 These changes together with other staffing changes will result in one off redundancy costs. It is therefore proposed that the net one-off HMRC receipt of £1.6m in 2011/12 is allocated to the redundancy reserve, subject to the final outturn position for 2011/12.

Recommendation:

That the net 'one-off' receipt of £1.6m from HMRC from VAT overpayment is transferred to the redundancy reserve subject to the final outturn position for 2011/12.

- 2.8 The coalition government continue to introduce reforms which ensure closer working relationships between health authorities and local authorities. Officers from both the health authority and Plymouth City Council have been working closely together to understand the implications of the transfer of Section 256 monies to us.
- 2.9 The Council has received in the region of £6m of health social care money in 2011/12. This money is transferred to the Council under a Section 256 agreement which requires the money to be spent to the benefit of the health and social care community and requires the Council and Health partners to agree the use of the funds. After agreeing the commissioning intentions and priorities we will carry forward any unspent allocation of this funding from 2011/12 into 2012/13 to assist with pressures in the health and social care system. A report on the implications will go to Cabinet on 27 March 2012.
- 2.10 **2012/13 budget position**
- 2.11 The Council's 'Customer Contact Centre' has been set up to promote a single entry point and one version of client data and advice for our customers. We have continued to move contact services from individual departments into this centre such as merging management responsibilities for libraries.
- 2.12 In addition, we have set up the 'Transaction Centre', through combining the functions of creditors, debtors and cashiers, to process financial transactions through a generic workforce and standardised systems.
- 2.13 We have now developed plans to escalate the transfer of further departmental functions into the Customer Contact Centre and Transaction Centre within the 2012/13 financial year. We anticipate that this will generate revenue savings of £0.300m per annum
- 2.14 Following the restructure of our directorates and assistant directors, we have worked up plans to streamline the third and fourth tier management to de-layer further and make use of the synergy opportunities from the combination of departments. We anticipate that this will generate full year savings of £0.800m.
- 2.15 It is important to note that the new budget delivery plans of third and fourth tier management restructuring and increasing throughput to the Customer Contact and Transaction Centres will not generate the full year forecast of £1.1m combined in 2012/13. At this stage, we are forecasting that savings will start to accrue from August 2012 onwards hence generate approx. £0.7m within year.

Recommendation:

The Council undertakes a third and fourth tier management review to deliver full year savings of £0.800m per annum.

Place and People directorate to deliver savings in relation to the transfer of services to both the Customer Centre and Transaction Centre to deliver full year savings of £0.300m per annum, allocated £0.150m to each directorate..

Waste management costs

- 2.16 The waste management reserve was specifically set aside to manage the funding shortfall of operational costs exceeding budget following the closure of Chelson Meadow until a new waste solution is implemented. As at February 2012, the reserve stands as £2.4m. It is anticipated that the long term waste solution will be operational within the 2014/15 financial year. Due to rising landfill tax and gate fees, costs will exceed budget in 2012/13 and hence we will require a drawdown of £0.800m from the waste management reserve.

Recommendation:

That £0.8m is transferred from the waste management reserve in 2012/13 to meet additional costs of landfill tax and increased gate fees.

New funding initiatives

- 2.17 In addition to formula grant funding, we have now received final confirmation on the following specific, non-ring fenced grant funding for 2012/13:
- New Homes Bonus (NHB) was provisionally estimated as £1.070m. The final settlement has now been confirmed as £1.538m, an increase of £0.468m. This grant is not ring-fenced and therefore available to support the Council's general revenue fund. However to support one of our four city priorities, growth, this additional funding has been allocated to the Development and Regeneration (Place) Directorate.
 - Early Intervention Grant (EIG) was provisionally estimated as £11.710m. The final settlement has now been confirmed as £12.018m, an increase of £0.308m. This grant is not ring-fenced and therefore available to support the Council's general revenue fund. However the government has attached a condition to this additional funding that we must provide additional nursery care for two year old infants. This additional funding has been allocated to the Children and Young People (People) Directorate.

Recommendation:

The additional allocation of NHB and EIG grants are passported to Place and People respectively, as this reflects the Council's priorities.

3. Summary Revenue and Resources Position

- 3.1 Further calculations focusing on our Council tax base has confirmed that, prior to any decision about a possible increase or freeze, we have an additional £0.245m of Council tax income for 2012/13.

- 3.2 Central Government made a significant adjustment to the Council Tax Freeze Grant for the financial year 2011/12. The grant was initially applied as specific grant funding as opposed to established “revenue resources”; as such, it was allocated to corporate items as an income line.
- 3.3 For the remaining three years of the funding, it has been consolidated into the Formula Grant, thereby reclassifying it as part of our revenue resources. This has the effect of appearing to increase our revenue, although this is not new money, rather a re-classification.
- 3.4 The Council is proposing to freeze the council tax for 2012/13, and accept the government’s one-off Council tax freeze grant. This grant is in the sum of £2.398m, equivalent to a 2.5% increase.

Recommendation:

That the Council freeze 2012/13 Council Tax and accept the one-off Council Tax freeze grant of £2.398m

- 3.5 It is important to understand that the 2012/13 council tax freeze grant is a one-off payment to the Council for 2012/13 only. It is equally important that this grant is allocated as closely as possible to one-off spending requirements. Any allocation to on-going pressures will leave a legacy shortfall within our resources from 2013/14 onwards.
- 3.6 The report to Cabinet highlighted the challenges to be addressed in the budget of total ‘one-off’ pressures for 2012/13 of £1.770m and on-going pressure for 2012/13 of £2.900m, giving a total challenge to be addressed of £4.670m
- 3.7 We have identified one-off budget pressures for 2012/13 of £1.770m. By applying the one-off freeze grant of £2.398m to these pressures, we are left with a legacy gap, of £0.628m. This funding shortfall will need to be addressed when setting the 2013/14 budget setting process.

Combined additional resources and savings to address shortfall

- 3.8 The 7 February 2012 Cabinet report identified a funding shortfall of £4.670m. The report also agreed an allocation of £0.300m funding from the pension reserve and £0.200m from corporate items to partially offset this shortfall. Combined with the further actions as detailed within this report, overall actions to address the £4.670m shortfall are summarised in the following table:

ADDITIONAL RESOURCES	£m
Council Tax Base Income	0.245
Council Tax Freeze Grant 2012/13	2.398
Waste Reserve	0.800
Pension Reserve	0.300
Release from Corporate Items	0.200
<i>SUB TOTAL ADDITIONAL RESOURCES</i>	3.943
ADDITIONAL DELIVERY PLAN SAVINGS	£m
Management De-layering (8 months of £0.800m)	0.527
Customer centre / transaction centre efficiencies (8 months of £0.300m) from Place & People Directorates	0.200
<i>SUB TOTAL ADDITIONAL DELIVERY PLANS</i>	0.727
TOTAL POSSIBLE RESOURCES / SAVINGS	4.670

3.9 We have identified additional resources and savings totalling £4.670m against our additional target requirement of £4.670m. We have therefore closed the previously reported budget gap of £0.777m, and are now presenting a balanced budget for 2012/13.

3.10 Impact on reserves

Working Balance

3.11 The working balance at 31 March 2012 is now forecast to be £11.412m or 5.6 per cent of net revenue budget for 2012/13 and therefore remains in line with the Unitary Council average.

Waste management reserve

3.12 As at December 2011, the Waste Management Reserve has a balance of £2.400m. In the published third quarter monitoring report we stated we assumed the first draw down of £0.800m from this reserve, leaving a net balance of £1.600m to carry forward to future years. If we do need to draw down from the reserve in 2011/12, and following the recommended drawdown of £0.800m in 2012/13 the balance at 31 March 2013 will stand at £0.800m

Pension reserve

3.13 As at December 2011, the pension reserve had a balance of £1.088m. Following the recommended drawdown of £0.300m in 2012/13 the balance at 31 March 2013 will stand at £0.788m.

Redundancy reserve

3.14 As at December 2011, the redundancy reserve forecast balance at March 2012 is for a balance of £1.2m. Following the recommended transfer into the reserve of £1.6m in 2011/12 the balance at 31 March 2012 will stand at £2.8m.

4. THE CAPITAL PROGRAMME

- 4.1 The Capital Programme is constantly evolving. Following the Cabinet meeting on 7 February 2012, Council are recommended to approve the additions set out in the report, amounting to £0.056m in 2011/12 and a further £2.026m for future years.
- 4.2 Plymouth City Council has since been awarded a further £0.400m by Sustrans to supplement its current Plymouth Connect2 grant award to deliver enhancements to the south west of Plymouth walking and cycling network. The key areas that will be improved are a continuation of the Richmond Walk coastal route, and improved cycling routes between Stoke Damerel School and Central Park / Plymouth Life Centre.
- 4.3 The addition of £0.400m investment brings the total Medium Term Capital Programme 2011/12 to 2014/15 to £173.461m.

Recommendation:

That Council approve the new capital schemes for investment amounting to £0.056m in 2011/12 and £2.026m for future years

That Council approve the addition of a further £0.400m investment in 2012/13

5. BUDGET BOOK

- 5.1 A detailed budget book based on the new three directorate model will be prepared and published by 31 March 2012.

6. MEDIUM TERM FINANCIAL STRATEGY

- 6.1 Once approved the 2012/13 budget will become the base year for the Medium Term Financial Strategy (MTFS) 2012-15.
- 6.2 The Medium Term Financial Strategy (MTFS) 2011-14 was approved by Council on 20 June 2011. The strategy will be further revised and updated following approval of the 2012/13 revenue and capital budget, and the setting of the Council tax for the coming year. The revised MTFS for 2012-15 will be presented to Council in June 2012.
- 6.3 Within this strategy, we will retain our focus on providing strong financial management, driving value for money and efficiencies, promoting accountability and ownership, managing risks effectively and continuing to improve our income collection rates.
- 6.4 In support of this budget, as in previous years, the Council will produce a detailed budget book which will be published by 31 March 2012.

7. 2012/13 Net Revenue Budget

- 7.1 Appendix A attached details the net revenue budget by directorate, by department.

APPENDIX A

11/12 £000s REVISED BASE BUDGET	DIRECTORATE	12/13 £000s TARGET BUDGET Feb Cabinet	12/13 £000s Additional Savings Plans	12/13 £000s TARGET BUDGET REVISED
355	Performance and Policy	275		275
9,387	Learner and Family Support	9,055		9,055
10,794	Lifelong Learning	10,794		10,794
28,013	Social Care	27,493		27,493
(320)	Childrens YP Budget Savings	(406)		(406)
48,229	Children & Young People	47,211	0	47,211
71,867	Adult Health and Social Care	70,267		70,267
9,447	Culture Sport and Leisure	10,237		10,237
24,267	Environmental Services	23,547		23,547
2,024	Safer Communities	2,024		2,024
413	Service, Strategy & Regulation	413		413
0	Community Services Budget Savings	(790)	(100)	(890)
108,018	Community Services	105,698	(100)	105,598
1,504	Planning Services	1,506		1,506
2,839	Strategic Housing	2,966		2,966
24	Business Support	(339)		(339)
13,511	Transport and Highways	13,636		13,636
420	Waste Management Project Team	306		306
(1,339)	Economic Development	(1,339)		(1,339)
0	Development Budget Savings	0	(100)	(100)
16,959	Development & Regeneration	16,736	(100)	16,635
482	Departmental Management	482		482
1,137	Policy Performance & Partners	1,130		1,130
572	Corporate Communications	572		572
(30)	Chief Executive Budget Savings	(164)		(164)
2,160	Chief Executive	2,019	0	2,019
181	Departmental Management	181		181
12,952	Finance, Assets & Efficiencies	12,772		12,772
2,951	HR Organisational Development	2,801		2,801
5,797	ICT Information Systems	5,697		5,697
2,155	Customer Services	2,055		2,055
5,063	Democracy and Governance	5,063		5,063
(2,412)	Corporate Support Budget Savings	(3,564)	(527)	(4,091)
26,687	Corporate Support	25,005	(527)	24,478
(3,653)	Other Corporate Items	(2,613)		(2,613)
9,635	Capital Financing	10,235		10,235
203	Major Projects	203		203
0	Corporate Items Budget Savings	0		0
6,185	Corporate Items	7,825	0	7,824
208,237	TOTAL REVENUE BUDGET	204,493	(727)	203,766

	TOTAL REVENUE BUDGET Dec '11	201,123		201,123
	Add additional C/Tax income 12/13	195		245
	Add C/T Freeze Grant 2011/12	2,398		2,398
	Available Resources	203,716		203,766
208,237	TOTAL REVENUE BUDGET	204,493		203,766
0	Shortfall	(777)		0

