

CITY OF PLYMOUTH

| | |
|------------------------|--|
| Subject: | 2013/14 Budget (Revenue and Capital) allocated to Corporate Priorities |
| Committee: | Cabinet |
| Date: | 12 February 2013 |
| Cabinet Member: | Councillor Lowry |
| CMT Member: | Adam Broome (Director for Corporate Services) |
| Author: | David Northey, Head of Finance |
| Contact: | Tel: 01752 304566 email: david.northey@plymouth.gov.uk |
| Ref: | djn12012013 |
| Key Decision: | No |
| Part: | I |

Purpose of the report:

This report builds on the Indicative Budget signed off by Cabinet 11 December 2012 and the impact of the December Settlement on our revenue assumptions. At the time of publishing the December Indicative Budget report, the Council was still awaiting notification of its Government settlement for 2013/14 along with details of any significant changes anticipated to specific grants.

The Settlement was broadly in line with our predictions hence there is not a need to make major adjustments to the original budget assumptions. However, the net revenue resources have “increased” from the original report due to the government rolling specific service grants into the core funding.

Settlement figures quoted in this report are still subject to final approval by the Government. The decision is expected early February 2013.

The Treasury Management Strategy, Appendix C of this report, outlines our strategy and the inherent risks within the treasury management function. It also outlines how the management function contributes to the Council’s overall policy objectives.

Corporate Plan 2012-2015:

The budget, and wider Medium Term Financial Strategy, is central to the successful delivery of the Corporate Plan 2012-15.

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

Once approved the 2013/14 budget will become the base year for the Medium Term Financial Forecast (MTFF) 2013-16. The MTFF will be revised and updated to reflect the final settlement announcement. Human resources, ICT and asset implications have been fully considered and referred to throughout the report.

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

Implications for these areas of the council's budget are referred to in the relevant sections of the report.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Yes /~~No~~

Departmental Delivery Plans are covered by Equalities Impact Assessments. Each delivery action has considered the impact on: council priorities, legal obligations, customers and other services and partners.

Recommendations and Reasons for recommended action:

It is recommended that Cabinet:

1. Recommend that a final version of the Revenue and Capital Budget for 2013/14 is presented for sign off to Full Council on 25 February 2013.

Recommend to Full Council:

2. that additional income from the core Council tax base of £0.200m is allocated to offset the shortfall from the indicative budget;
3. that £0.268m from additional New Homes Bonus is allocated to a revenue contingency held within Corporate Items;
4. to approve an increase of 2 per cent (2%) in Council Tax for 2013/14;
5. that specific grants subsumed into formula grant for 2013/14 are passported to the relevant directorate to which the spending commitments relate;
6. that the combined additional funding and spend reduction in Early Intervention Grant of £1.9m is pass-ported into the People Directorate as a contingency for the 2013/14 financial year only;
7. that the £0.200m MTFF allocation for the impact of school transfer and the £0.300m allocation for forecasted shortfall on Council income is moved into to a revenue contingency;

8. that a new allocation of £0.250m is made to the people Directorate to reflect loss of income from the Plymouth Life Centre naming rights;
9. that the three additional delivery plans of Terms and Conditions £0.100m; Treasury Management Property Investment fund £0.250m; and Treasury Management day-to-day investment return £.0250m are approved.
10. to utilise £7m of the Housing Stock Transfer (VAT Shelter) Receipts (£4m received to date plus £3m anticipated) to fund the overall capital programme.
11. to utilise £0.5m of the Revenue Reserve for Capital Financing to support the Plan for Jobs revenue initiatives, and a further £0.475m to fund the overall Capital Programme 2012/13 – 2015/16.
12. to draw-down £0.800m against the Waste Management Reserve in 2013/14 to address the anticipated funding shortfall on waste disposal (increased landfill tax liability);
13. that £1.000m from the NNDR calculation is held as a Technical Reform contingency within Corporate Items;
14. that £0.900 of the Council Tax income calculation is held as a Technical Reform contingency within Corporate Items;
15. to approve the capital programme as detailed in Figure 5 and Appendix B.
16. To approve the proposed net revenue budget requirement for 2013/14 of £212.563m
17. Using the Council tax base for 2013/14 as 66,958 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the “Act”)]; calculate that the **Council tax requirement** for the Council’s own purposes for 2013/14 is £85,007,402;
18. that the following amounts are calculated for the year 2013/14 in accordance with Sections 31 to 36 of the Act:
 - (a) £554,191,254 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) £469,183,852 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 from Reserves**);
 - (c) £85,007,402 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) £1,269.56 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;

19. to note that the Police Authority and the Fire and Rescue Authority have not at present 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. Once confirmed these will be included in the tables below;

20. the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, will set the indicative aggregate amounts shown in the tables below as the amounts of Council Tax for 2013/14 for each part of its area and for each of the categories of dwellings -

Plymouth City Council after two per cent increase

| A | B | C | D | E | F | G | H |
|---------|---------|----------|----------|----------|----------|----------|----------|
| £846.38 | £987.44 | £1128.50 | £1269.56 | £1551.69 | £1833.82 | £2115.94 | £2539.13 |

Devon and Cornwall Police Authority at 2012/13 level

| 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 at 2012/13 level

| 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 prior to Police and Fire Authority announcements

| A | B | C | D | E | F | G | H |
|----------|----------|----------|----------|----------|----------|----------|----------|
| £1002.15 | £1169.16 | £1336.19 | £1503.21 | £1837.27 | £2171.31 | £2505.36 | £3001.43 |

21. To approve:

- (a) The Treasury Management Strategy Statement for 2013/14
- (b) The Investment Strategy for 2013/14 set out in Sections 8 and 9 of the report including the use of Specified and Non-Specified Investments
- (c) The Lending Organisations and Counterparty limits set out in Appendix C
- (d) The Prudential Indicators set out in the report covering the revised indicators/limits for 2012/13 and the forecasts/limits for 2013/14 to 2015/16
- (e) The Authorised Borrowing limits of £310m, £301m and £285m for the period 2013/14 to 2015/16
- (f) The Operational Boundary of £289m, £280m and £270m for 2013/14 to 2015/16
- (g) The Minimum Revenue Provision (MRP) policy for 2013/14

It is a legal requirement that Plymouth City Council has a balanced revenue and capital budget signed off by Full Council. We also have a statutory duty to set our Council Tax level for the coming financial year, ahead of the 31st March deadline.

Alternative options considered and rejected:

1] We could present the budget and Council Tax level to a Full Council meeting in March, ahead of the statutory deadline of 31st March. However, this would give the tax payers in Plymouth very little advanced notice of the tax levels, and also make it difficult for our Revenues and Benefits department to ensure the required processes are in place to start collecting revenues as they become due;

2] We could present a budget which does not balance but this would not be legal; it is a statutory requirement for our S151 Officer to sign off a robust and balanced budget.

Published work / information:

Indicative Budget Cabinet [Report](#) 11 December 2012
 Medium Term Financial [Strategy](#) Cabinet 12 June 2012
 Finance Settlement [Papers](#) Department of Communities and Local Government
 Draft Corporate [Plan](#) 2012-15 updated Dec 2012
 The Prudential [Code](#) for Capital Finance in Local Authorities (2011 edition)
 Equality Impact Assessments
 The Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) [Regulations](#) 2003
 Capital Financing [Regulations](#) (2012)
 Third quarter 2012/13 Finance and Human Resource Report - (to be presented to the same meeting as this paper)

Background papers:

| Title | Part I | Part II | Exemption Paragraph Number | | | | | | | |
|------------------------------|--------|---------|----------------------------|---|---|---|---|---|---|--|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| Equalities Impact Assessment | x | | | | | | | | | |

Sign off:

| | | | | | | | | | | | | | |
|-----|--|-----|-----------------|----|--|-----------------------|---------|--------------|-----|----|-----|---------------|-----|
| Fin | M c l 2 1 3. 0 3 9 | Leg | TH /00 83 | HR | | Monitoring Officer | TH/0083 | Corp Prop | n/a | IT | n/a | Strat Proc | n/a |
|-----|--|-----|-----------------|----|--|-----------------------|---------|--------------|-----|----|-----|---------------|-----|

I. Introduction and Context

- I.1. This budget report, including the Treasury Management Strategy Statement and Annual Investment Strategy 2013/14, supplements and complements the Corporate Plan 2012-2015 update. The Corporate Plan sets out the Council's vision to be a brilliant co-operative council, and sets out the council's strategic direction; the budget report sets out the resources available to match our priorities and vision.
- I.2. The importance of transformational change to improve services with fewer resources is a theme throughout the plan. In the first year of this administration we can see real change. In renewing our spending plans we have started to examine our services to identify areas that could be delivered through a co-operative model.
- I.3. This is the first budget of the current administration. As in the previous few years, it has been set under very challenging conditions, with unprecedented cuts in government resources, both in terms of revenue grant and capital support.
- I.4. This report supplements the indicative budget published in December 2012. Changes to funding assumptions and resource allocations are detailed within this report with relevant changes to departmental target budgets shown in reflection of the final settlement and adjustments.
- I.5. According to Central Government the net reduction in the "Spending Power" for Plymouth between 2012/13 and 2013/14 is 1.9%. Making adjustments for the change in treatment of specific grants, our formula grant has actually reduced by £7.8m, (7.4%) in 2013/14, dropping from £105.2m to £97.4.
- I.6. In summary, there are £17.8m of revenue cuts required to balance this budget to the reduced funding from central government. We cannot escape the fact that the government's deep spending cuts will have a drastic impact on our council and the services we provide to local people and our support for the economy of the city.
- I.7. However, we are continuing to work towards maintaining and improving the services we provide to the people of Plymouth, in particular the most vulnerable adults and children.
- I.8. Our budget enables us to deliver the values within our Corporate Plan and become a brilliant co-operative council, with greater focus on key initiatives which will improve the quality of life for our residents.

- **A brilliant co-operative council**

- There are clear financial pressures now and in the future but we are determined to do a better job and to exceed customer expectations.
- We will need to be very clear about what is core and non-core business and structure ourselves accordingly.
- We will focus on providing much better value for money and public value **and** much higher quality customer services that are accountable to local people.
- We will be seen as a brilliant, efficient, Co-operative Council that seeks to exceed customer expectations and puts customers at the heart of everything we do.

- **The People Directorate:**
 - Adult Social Care service will give more freedom of choice and flexibility to individuals to determine how best to meet their own care needs.
 - Greater integration with health ensuring more emphasis is put on front-end preventative services to reduce future demand for hospital admissions and/or residential care.
 - Children Services are bringing together delivery across Social Care, Education Learner and Family Support and Homes and Communities alongside partners such as schools, health, police and community and voluntary sector. This will deliver re-designed early intervention and prevention services.
 - Homes and Communities service's new citywide Housing Plan sets out clear priorities to deliver against problems of increasing homelessness, lack of engagement within communities, poor and limited quality housing stock, and reduced public funding.
 - Programme Office – the volume of people using the city's leisure facilities, including the Plymouth Life Centre, continues to expand, linked to our healthy living agenda. We continue to work with partners to develop new exciting initiatives to enhance our city. An example is the plan to redevelop the pavilions site.

- **The Place Directorate:**
 - The priorities for the Directorate during the next 12 months are the development of the City Deal, the development of the Plymouth Plan, to maintain the support provided to the business premises and housing market, and provide focused support to drive forward key opportunities in the city centre and Derriford; work with the private sector on schemes such as Plymstock Quarry and Bickleigh Down development and set out priorities for funding support of major infrastructure.
 - a number of key initiatives will be pivotal in ensuring that the Council's economic growth agenda is delivered including the Plan for Jobs, Tamar Science Park , City of Culture, a new economic development trust for the North of the City, and the 1000 club employment initiative.

- **The Corporate Services Directorate:**
 - Reducing costs and driving efficiencies through joining up support services and working in partnership remains crucial to achieve challenging financial cuts. Our drive to create a shared ICT service with three other Devon District Councils could be a catalyst to future successful operating models.
 - Preparing for significant changes in the government's Welfare Reform is a key priority in the coming year. The introduction of a new local Council Tax Support Scheme will place additional demand on our services as we strive to administer an equitable scheme to the most vulnerable with less money.

- **The Capital Programme:**
 - Our Capital Programme for the next four years is now £166.255m
 - 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 include:

- Building for Jobs – Plymouth Investment Fund
- Improving transportation Plymouth (Local Transport Plan)
- Theatre Royal Improvements
- Tor Bridge High School
- A University Technical College (UTC)
- Investment in Carbon Reduction Initiatives such as street lighting and solar panels
- History Centre

- 1.9. Consultation on the proposed budget has been undertaken over the past few months. The Council continues to improve how it communicates with partners and the public in relation to its budget setting and spending plans.
- 1.10. This year we launched a postal consultation, sending out over 8,000 questionnaires. For the three days of public scrutiny, we invited senior staff from our partners in the police, fire and health to be scrutinised on their plans for the city. We were also the first Council to webcast all of the meetings.
- 1.11. The December 2012 indicative budget advised that, at that stage, we had not produced a balanced budget, showing a resource gap of £0.8m. Within the detail of this report, we will show that from a mixture of new funding and additional delivery plans we now have a balanced budget.
- 1.12. The biggest grant change is the Early Intervention Grant (EIG) which has been un-ring fenced and subsumed into the general formula grant. Also subsumed into the formula grant is the lead local flood authorities funding £0.120m; Homelessness Prevention Grant £0.554m; and Learning Disability and Public Health Reform Grant £2.488m.
- 1.13. This report looks at the overall resources for the 2013/14 revenue budget and also covers changes to the way that business rates are funded; the impact of the new Council Tax Support Scheme; capital investment; our reserves; and our treatment of fees and charges.
- 1.14. The Treasury Management Strategy for 2013/14 was subject to scrutiny by an Audit Sub-Committee on 26 January 2013. Following the revisions to the capital programme there is a requirement for Full Council to approve the revised prudential indicators.
- 1.15. The Local Government Act 2003 requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. Officers have worked closely with the Council's treasury management advisers to review the options available to produce a borrowing and investment strategy that seeks to balance financial returns from the Council's cash balances whilst at the same time minimising financial risk to the Council.

2. Resource review

Revenue funding comparisons between 2012/13 and 2013/14

- 2.1 One significant change to our resources is the calculation surrounding our Council Tax base (the number of properties that we are able to levy charges against). On a like for like basis,

Plymouth have more chargeable properties for 2013/14 which would generate additional income of £0.200m each year compared with 2012/13.

It is recommended that additional income from the core Council tax base of £0.200m is allocated to offset the shortfall from the indicative budget.

- 2.2 Our core funding for the net revenue budget comprises of three major strands;
- grant funding based on the allocation from central government funded from the revenue that government derives from business rates;
 - the council tax freeze grant for 2011/12 which is available for four years only until 2014/15; and
 - locally collected and administered council tax revenue.
- 2.3 Making adjustments for the change in treatment of specific grants, our formula grant has actually reduced by £7.8m, (7.4%) in 2013/14, dropping from £105.2m to £97.4m.
- 2.4 Overall, our resource assumptions in the December 2012 indicative budget accurately reflected the actual settlement. One specific increase in funding which was not previously reported was additional New Homes Bonus for 2013/14 which has been confirmed as £2.406m. This is £0.268m more than anticipated.

It is recommended that £0.268m from additional New Homes Bonus is allocated to a revenue contingency held within corporate items.

Business Rates

- 2.5 Local government funding will fundamentally change from April 2013.
- 2.6 We will retain 50 per cent of the business rates generated in our area and receive Revenue Support Grant and a “top up” allowance to fund our remaining spending needs:

| | |
|---|---------------|
| • Plymouth City Council business rates retained | £42.1m |
| • government top-up funding | £ 8.8m |
| • Government element of business rates | £46.5m |
| • TOTAL | £97.4m |

- 2.7 Business rate collection is crucial to the stability of our future revenue resources and, as such, we will incorporate variations to projections within regular monitoring throughout 2013/14.

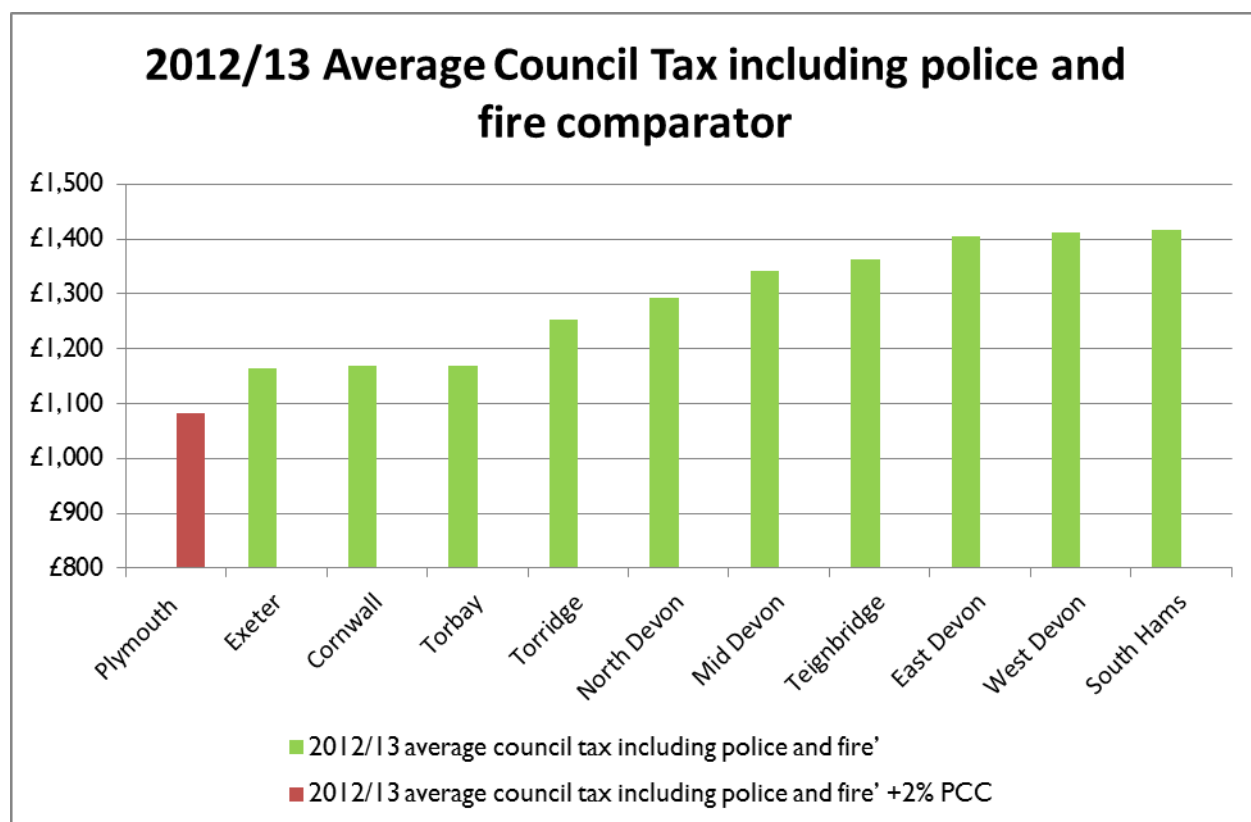
Council Tax

- 2.8 The final element of our core funding is the Council tax which we as a local authority charge to the residents of Plymouth.
- 2.9 We are committed to providing the best possible services to the people of Plymouth. In order to ensure we have the required funding, and working within the government’s guidelines.

It is recommended that Full Council approve an increase of 2 per cent in Council tax for 2013/14.

This increase will still leave Plymouth with the lowest average Council tax charge across Devon and Cornwall as shown in *Figure 1*.

Figure 1 2012/13 Average Council tax (adjusted for a proposed 2per cent PCC increase)



- 2.10 For residents living in a Band A property, a 2 per cent rise in Council tax equates to an extra 38p per week. This assumes that the Police Commissioner and Fire Authority also increase their precept by 2per cent (yet to be confirmed).
The Police and Crime Commissioner will propose a budget and precept to the Police and Crime Panel on 8 February 2013. If the panel vetos his recommendation they will meet on 22 February 2013 and refer the matter back to the commissioner with recommendations. The commissioner will then have until 1 March 2013 to respond and issue the precept. The panel does not have the power to veto for a second time.
- 2.11 Council tax income for 2013/14 has to be adjusted to reflect the new Council Tax Support Scheme (CTSS), and changes made through Council Tax technical reforms. Funding for our local Council Tax Support Scheme (CTSS) scheme will be through a specific financial grant and no longer reflect actual demand in need funded through the existing, national Council Tax Benefit Scheme.
- 2.12 The impact on our revenue resources for 2013/14 is that we receive a Council Tax support grant of £16.2m which is absorbed within our formula grant with a corresponding reduction of the same amount from the Council Tax base calculation.
- 2.13 Accounting for all of the technical changes in Council Tax legislation, the proposed 2 per cent increase in Council Tax, changes in tax base and treatment of funding changes, our actual Council Tax income for 2013/14 is estimated to drop to £85m. With the receipt of a £16.2m Council Tax Support Grant and integration of previous specific grants, such as the Early Years

Intervention Grant, our core grant increases to £125.2m next year. This gives Plymouth a combined revenue core funding allocation of £212.6m for 2013/14:

Figure 2 Funding Analysis – 2013/14 Revised Settlement £m

| | |
|------------------|--------------|
| Core Grant | 125.2 |
| Council Tax | 85.0 |
| C/T Freeze Grant | 2.4 |
| TOTAL | 212.6 |

- 2.14** Specific departmental grants that are now incorporated into our core formula grant amount to £27.8m as shown in **Figure 3**. These grants are un-ringfenced and therefore, in theory, could be treated as general revenue resources. However, there are existing spending commitments within departments to which this funding relates.

It is recommended that specific grants subsumed into formula grant for 2013/14 are passported to the relevant directorate to which the spending commitments relate.

Figure 3 Analysis of Grants absorbed into Core Grant

| Grant | 2013/14 £m | Comments |
|--|-----------------------|---|
| Council Tax Support Grant | 16.148 | Offsets reduction in Council tax base |
| Lead Local Flood Authorities | 0.120 | Incorporated into the Place Directorate budget |
| Early Intervention Grant (EIG) | 8.482 | Incorporated into the People Directorate budget |
| Homelessness Prevention Grant | 0.554 | |
| Learning Disability and Public Health Reform Grant | 2.488 | |
| TOTAL | 27.792 | |

- 2.15** The impact is to increase our formula grant funding, although it must be emphasised that this is not new funding, but rather reclassification of existing funding. The exception is the Council Tax Support Grant which increases our grant funding, but is offset by a reduction to our Council Tax base income.
- 2.16** For the 2013/14 budget year we are introducing efficiency in the way we communicate with the recipients of Council Tax information. We will not be producing a hard copy Council Tax leaflet to be distributed to every household in the city. In its place, we will be posting our leaflet on our web site. We will only send out a hard copy to those who specifically request it. We anticipate that this simple efficiency will save us fifteen thousand pounds in distribution costs.

- 2.17 We will also be encouraging the use of our web portal to allow rate payers to request electronic bills, and to make electronic payments.

3. Changes to funding allocations post December 2012 indicative budget

Funding Pressure on Adult Social Care

- 3.1 Adult Health and Social Care Services continue to manage service transformation and drive integration with health partners in order to mitigate future costs of social care against a challenging climate and changes to resourcing.
- 3.2 In the indicative budget presented to Cabinet in December 2012, we reflected the current pressures within the ASC service and applied additional funding totalling £4.9m to cover inflation, demographics and to manage the transition as the service fully adopts the new ways of working
- 3.3 Given the budget pressures identified in the 2012/13 budget monitoring, in particular around the Adult Social Care Service, the Chief Executive instigated a full review of the impact of rising costs and rising demand from demographic pressures in all areas across the council. The impact of demographic changes will now be closely monitored on a monthly basis, against clearly defined indicators, with the financial impacts incorporated into our MTFF.
- 3.4 Following challenge at budget Scrutiny and a detailed analysis commissioned by the Chief Executive, we need to further review our funding allocation to ASC for the difficult transition year 2013/14.
- 3.5 Upon reviewing the treatment of the Early Intervention Grant, (EIG), incorporating changes to the Dedicated Schools Grant, (DSG), and a new, specific, 'Education Services Grant' of £3.633m, there is a combined funding surplus of £1.333m in early year's services against existing expenditure commitments.
- 3.6 In addition, for some time the Council has been planning for a reduction in EIG and, as such, has reduced 2012/13 spend commitments by circa £600k.

It is recommended that the combined additional funding and spend reduction in Early Intervention Grant of £1.9m is passported into the People Directorate for the 2013/14 financial year only. This additional funding allocation will be kept under close review and scrutiny by Corporate Management Team and Cabinet.

Medium Term Financial Forecast – revision to additional funding pressures

- 3.7 In the December 2012 indicative budget we incorporated a range of spending pressures that amounted to £8.9m. Upon further review and challenge, (including demographic trend analysis), we are now proposing a few minor changes to these allocations.

It is recommended that the £0.200m MTFF allocation for the impact of school transfer and the £0.300m allocation for forecasted shortfall on Council income is moved into to a revenue contingency.

It is recommended that a new allocation of £0.250m is made to the People Directorate to reflect loss of income from the Life Centre naming rights.

3.7 As part of the funding changes announced by the government, with effect from 1st April 2013 Plymouth City Council takes responsibility for Public Health in the city. With this responsibility we have been allocated specific grant funding from the Department of Health. For the first year 2013/14 this amounts to £11.160m. However, although this is new money for PCC, this funding is required to cover the cost of the provision of the service. We are undertaking a due diligence to ensure the liabilities we inherit are correct, and at this stage believe the funding to be adequate to meet those commitments.

4. Further actions to deliver a balanced 2013/14 revenue budget

4.1 The indicative budget presented to Cabinet in December 2012 showed a funding gap of £0.800m. Having allocated £0.200m from additional Council tax base income we have a residue shortfall of £0.600m to close.

4.2 We have developed three new delivery plans and are now presenting a balanced revenue budget for 2013/14 having closed the previously reported gap as detailed in **Figure 4**

It is recommended that the three additional delivery plans of Terms and Conditions £0.100m; Treasury Management Property Investment fund £0.250m; and Treasury Management day-to-day investment return £.0250m are approved.

Figure 4: Actions to deliver a balanced revenue budget for 2013/14

| Item | £m | £m | |
|--------------------------------------|--------------|--------------|---|
| Indicative Budget Funding Gap | | 0.800 | Per Indicative Budget Report Dec '12 |
| Council Tax Income | 0.200 | | Additional income from C/Tax base |
| Terms and Conditions | 0.100 | | Additional Delivery Plan |
| Treasury Management | 0.250 | | Property Investment Fund return |
| Treasury Management | 0.250 | | Day-2-Day investment return |
| Additional Income / Plans | 0.800 | | |

5. Review of Reserves and Risk Management

5.1 In terms of reserves, the Council retains a prudent approach to risk management. Our forecast core working balance, as at 31 March 2013, at £11.3m is 5.3 per cent of our net 2013/14 revenue budget. Our plans are to retain this working balance level throughout 2013/14 (compliant with the objectives set within our MTFF).

5.2 In addition to the working balance, specific earmarked reserves are forecasted at £20.1m at the end of March 2013 reducing to £18.1m by 31 March 2014. The balances now have to include, under International Financial Reporting Standards, the Schools Balance (currently £4.4m) and unused year end grants carry forwards (currently £1.2m).

5.3 A full analysis of reserves and balances was produced as part of the indicative budget. We are now proposing the following changes;

Within the Capital Receipts Reserve, we hold the receipts generated from the VAT shelter arrangements as part of the Housing Stock Transfer. These are currently earmarked to offset future potential liabilities that remain with the council, some of which are reducing over time and therefore it is appropriate to release up to 50% of the reserve for other purposes. At this stage we are recommending to release £7m to help fund the overall capital programme for the next three years.

It is recommended to utilise £7m of the Housing Stock Transfer (VAT Shelter) Receipts (£4m received to date plus £3m anticipated) to fund the overall capital programme.

It is recommended to utilise £0.5m of the Revenue Reserve for Capital Financing to support the Plan for Jobs revenue initiatives, and a further £0.475m to fund the overall Capital Programme 2012/13 – 2015/16.

It is recommended to draw-down £0.800m against the Waste Management Reserve in 2013/14 to address the anticipated funding shortfall on waste disposal (increased landfill tax liability)

It is recommended that £1.000m from the NNDR calculation is set aside into a Technical Reform contingency held within corporate items.

It is recommended that £0.900 of the Council tax income calculation is held back into a Technical Reform contingency held within corporate items.

- 5.4 The fixed Council Tax Support Scheme grant has taken no account of our proposed 2 per cent increase in Council tax levels, or the challenges of collecting this additional levy. To reflect this, the PCC scheme allows for a contingency of £0.400m to meet with extra demand and £0.100m to create an Exceptional Hardship Fund to be targeted to vulnerable clients who are struggling most to pay their Council tax. This scheme was approved by Full Council on 28 January 2013.
- 5.5 Adding the three elements together, the overall contingency that we will monitor against in 2013/14 for business rate generation, Council tax technical reforms and the Council Tax Support Scheme, amounts to £2.400m.
- 5.6 Given the budget pressures identified during 2012/13, in particular around the Adult Social Care Service, and following the demographic review undertaken as part of this budget setting process, we will track both pressures and opportunities for demographics, growth, new statutory initiatives etc. We will monitor on a monthly basis as part of our financial routine, and feed relevant changes into a quarterly review of our MTFF.

6. Review of Fees and Charges

- 6.1 Councils have powers to charge for a wide range of services. Any revisions to the 2013/14 fees and charges will be approved in line with the Council's constitution with due regard to the current economic climate.

7. Capital Resources

- 7.1 The proposed 2012/13 – 2015/16 Capital Programme totals £166.255m, profiled as shown in figure 5 and shown in further detail in Appendix B.

Figure 5 – Capital programme by Directorate 2012/13 – 2015/16.

| Directorate | 2012/13 £m | 2013/14 £m | 2014/15 £m | 2015/16 £m | Total £m |
|--------------------|---------------|---------------|---------------|---------------|----------------|
| Corporate Services | 7.738 | 6.041 | 1.427 | 0.485 | 15.691 |
| Place | 10.980 | 22.840 | 25.955 | 14.945 | 74.720 |
| People | 33.628 | 33.135 | 7.777 | 1.304 | 75.844 |
| Total | 52.346 | 62.016 | 35.159 | 16.734 | 166.255 |

- 7.2 The Capital Programme includes investment of £13.25m for the street lighting, solar pv and boiler replacement initiatives which are described in more detail in a separate report. The Investment Fund has also been fully incorporated within the Council's capital programme, as has the revenue implication of any additional borrowing required to source this investment. In total, the Investment Fund is being derived from the following sources:

Figure 6 – Investment Fund £m

| | | |
|--------------------------|------|---|
| Capital receipts | 9.52 | (including stock transfer reserve contribution) |
| Grants and Contributions | 5.74 | |
| Revenue Reserves | 0.50 | |
| Funds | 0.50 | includes Plymouth Investment Partnership contribution |
| Unsupported Borrowing | 3.75 | |

- 7.3 The overall funding breakdown that sources the capital spend is shown in **Figure 7**

Figure 7 - Four year funding of capital programme

| | Capital Receipts £m | Unsupported Borrowing £m | Supported Borrowing £m | Grants and Contributions £m | S106 etc £m | Revenue and Funds £m | Total £m |
|--------------|------------------------|-----------------------------|---------------------------|--------------------------------|----------------|-------------------------|----------------|
| 2012/13 | 6.748 | 6.384 | 0.107 | 35.633 | 0.831 | 2.643 | 52.346 |
| 2013/14 | 2.981 | 10.123 | 0.000 | 45.289 | 0.750 | 2.873 | 62.016 |
| 2014/15 | 8.118 | 11.209 | 0.000 | 14.873 | 0.750 | 0.209 | 35.159 |
| 2015/16 | 3.500 | 6.201 | 0.000 | 7.033 | 0.000 | 0.000 | 16.734 |
| Total | 21.347 | 33.917 | 0.107 | 102.828 | 2.331 | 5.725 | 166.255 |

- 7.4 The Council remains 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.