

CITY OF PLYMOUTH

Subject: Updated Report on Corporate Plan 2012/15 Update, 2013/14 Budget (Revenue and Capital) and Proposed Council Tax Levels, and Pay Policy

Committee: City Council

Date: 25 February 2013

Cabinet Member: Councillor Lowry

CMT Member: Tracey Lee (Chief Executive) and Adam Broome (Director for Corporate Services)

Author: David Northey, Head of Finance

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

Ref: djn12022013

Key Decision: No

Part: I

Purpose of the report:

The principal purpose of this report is to set out the decisions of Cabinet of the 12 February 2013 to recommend a balanced revenue and capital budget to Council and gain individual approval to the following specific items: Building for Jobs – The Plymouth Investment Fund and Capital Investment in Street Lighting, Solar PV and Boiler Replacement. In addition, Council is recommended to approve the Treasury Management Strategy Statement and Annual Investment strategy 2013/14 including changes to the prudential indicators; and to note the update to the Corporate Plan 2012-2015 and approve the annual pay policy statement.

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~~

This was published as a background paper to the Cabinet report on the 2013/14 Budget (Capital and Revenue) Allocated to Corporate Priorities.

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:

The City Council is recommended -

Corporate Plan 2012-15 Update (Appendix A)

1. To note the "Corporate Plan 2012-15 Update" and its implications on the revenue and capital budget.

Building for Jobs – Plymouth Investment Fund (Appendix B)

2. To include in the 2013/14 – 2015/16 Capital Programme an Investment Fund for Plymouth (Building for Jobs) of £20 million, based upon the key objectives of creating jobs and supporting the economy, and the four criteria of impact, value for money, long term sustainability, and deliverability.

Capital Investment for Street Lighting, Solar PV and Boiler Replacement (Appendix C)

3. to approve a £13.25 million capital investment to –
 - (a) replace the authority's high pressure sodium street lamps with light emitting diode (LED) street lamps;
 - (b) install solar photovoltaic (PV) panels on 14 council owned buildings (see Annex 1 for buildings);
 - (c) replace boilers that are past their usable life in 16 council properties (see Annex 2 for properties).

2013/14 Budget (Revenue and Capital) allocated to Corporate Priorities (Appendix D)

4. that additional income from the core Council tax base of £0.200m is allocated to offset the shortfall from the indicative budget;
5. that £0.268m from additional New Homes Bonus is allocated to a revenue contingency held within Corporate Items;
6. an increase of two per cent (2%) in Council Tax for 2013/14;
7. that specific grants subsumed into formula grant for 2013/14 are pass-ported to the relevant directorate to which the spending commitments relate;
8. 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;
9. that the £0.200m Medium Term Financial Forecast allocation for the impact of school transfer and the £0.300m allocation for forecasted shortfall on Council income is moved into a revenue contingency;
10. 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;
11. 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 £0.250m are approved.
12. To utilise £7m of the Housing Stock Transfer (VAT Shelter) Receipts (£4m received to date plus £3m anticipated) to fund the overall capital programme.
13. 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.
14. 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);
15. That £1.000m from the National Non Domestic Rates (NNDR) calculation is held as a Technical Reform contingency within Corporate Items;
16. That £0.900m of the Council Tax income calculation is held as a Technical Reform contingency within Corporate Items;
17. To approve the Capital Programme as detailed in Appendix D Figure 5;
18. To approve the proposed net revenue budget requirement for 2013/14 of £212.563m;
19. Note that 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;

20. Note 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 20(a) above exceeds the aggregate at 20(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 20(c) above (Item R), all divided by Item T (19 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council tax for the year;
21. To note that 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;

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 after two per cent increase

A	B	C	D	E	F	G	H
£108.62	£126.71	£144.82	£162.92	£199.13	£235.33	£271.54	£325.85

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 Fire Authority announcement

A	B	C	D	E	F	G	H
£1,004.28	£1,171.64	£1,339.03	£1,506.40	£1,841.17	£2,175.92	£2,510.68	£3,012.82

22. In the event there are further changes that impact on any of the numbers in advance of Full Council further updates will be provided.

Treasury Management Strategy Statement and Annual Investment Strategy 2013/14 (Appendix D)

23. To approve the Treasury Management Strategy Statement for 2013/14;
24. To approve 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;
25. To approve the Lending Organisations and Counterparty limits set out in Treasury Management Appendix D;
26. To approve 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;
27. To approve the Authorised Borrowing limits of £310m, £301m and £285m for the period 2013/14 to 2015/16;
28. To approve the Operational Boundary of £289m, £280m and £270m for 2013/14 to 2015/16;
29. To approve the Minimum Revenue Provision (MRP) policy for 2013/14

Pay Policy Statement (Appendix E)

30. To approve the Pay Policy Statement in accordance with Section 39 of the Localism Act 2011.

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.

The Corporate Plan sets the strategic direction for the council and brings together a range of related information in one place.

The law requires the Council to approve a Pay Policy Statement.

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
 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)

Background papers:

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

Sign off:

Fin	McI 213. 041	L e g	TH0 089	HR	n/ a	Monitoring Officer	TH0089	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
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1. Introduction and Context

- 1.1 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.
- 1.2 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
- 1.3 This report supplements the indicative budget considered by Cabinet in December 2012, and the updated budget and related reports considered by Cabinet 12 February 2013.
- 1.4 There are minor funding and resource allocation changes as a result of further information received from Central Government; these are detailed within this report with relevant changes to departmental target budgets shown in reflection of the final settlement and adjustments.
- 1.5 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 £97.4m.
- 1.6 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.
- 1.7 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.
- 1.8 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.
- 1.9 Consultation on the budget proposals has been undertaken, including with the people of Plymouth; this year we launched a postal consultation, sending out over 8,000 questionnaires.
- 1.10 The information formed part of the documentation fed into the public Overview and Scrutiny Management Board’s scrutiny sessions 9, 14 and 16 January 2013. 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 recommendations arising from these sessions and Cabinet’s response are included as an appendix to this report (Appendix F).
- 1.12 The Treasury Management Strategy for 2013/14 was subject to scrutiny by a sub-committee of the Audit Committee on 23 January 2013, and will be presented to the full Audit Committee meeting for noting 14 March 2013.

2. Corporate Plan 2012-15 Update

- 2.1 The report presented to Cabinet 12 February 2013 sets out the steps the council will take in 2013/14 towards becoming a brilliant co-operative council and to engage with communities around the co-design and co-production of services.
- 2.2 The council will transform how it works to exceed customer expectations and put customers at the heart of everything it does.
- 2.3 The Plan highlights the projects that have been completed or are underway to ensure that the people of Plymouth get the best possible deal, together with details of the work with partners in the private sector and with neighbouring councils to get people into employment and apprenticeships and to develop the City Deal.
- 2.4 Progress on the delivery of 100 pledges made in May 2012 to make a difference to everyday lives in Plymouth shows that, in less than nine months, 31 have been delivered with many more coming close to completion.
- 2.5 The Plan also lays out the pressures that the council and the city will face in the coming year including welfare reform.
- 2.6 The Chief Executive reported to Cabinet that a fundamental review of the Plan would be undertaken in the late spring and would subsequently be submitted to Cabinet and the City Council.

3. Building for Jobs – Plymouth Investment Fund

- 3.1 The “Building for Jobs – Plymouth Investment Fund” report’s key objective is to help the city create the right conditions for growth, supporting projects which specifically create jobs during a time of global economic uncertainty.
- 3.2 The fund will consist of a mixture of funding sources totalling £20 million. The fund will look to make investments across a range of schemes that would create much needed jobs in Plymouth.
- 3.3 In addition, £0.500m revenue was required to support specific projects in the Plan for Jobs, and the proposals have been included in the 2013/14 Revenue and Capital Budget.
- 3.4 The fund is a key focus of the Working Plymouth theme of the Corporate Plan, one of the Pledges, and a major component of the city’s Plan for Jobs – a pro-active plan to create 2,000 jobs in the next two years.
- 3.5 The resources of the Investment Fund are derived, initially, from Council sources and will be a part of the Council’s Capital programme. The revenue implications of commitments to additional unsupported borrowing are contained in the budget for 2013/14.

4. Capital Investment for Street Lighting, Solar PV and Boiler Replacement

- 4.1 The proposal is for a £13.25 million capital investment as part of an energy and carbon saving programme, to –
- (1) replace the authority’s high pressure sodium street lamps with light emitting diode (LED) street lamps;
 - (2) install solar photovoltaic (PV) panels on 14 council owned buildings (see Annex 1 for buildings)
 - (3) replace boilers that are past their usable life in sixteen council properties (see Annex 2).
- 4.2 This is part of an energy and carbon saving programme with the objectives to reduce the Authority’s dependence on fossil fuels and realise cost savings and generate income.
- 4.3 In addition, it aims to create a positive impact on the reputation of Plymouth City Council as an organisation continually searching for sustainable solutions to provide for its needs.
- 4.4 The projects support the Corporate Plan long-term and medium-term outcome measures of raising aspirations, providing value for communities and reducing inequality. For example, improved street lighting will help reduce harm from interpersonal violence.
- 4.5 In terms of making Plymouth a “green” city, this project will reduce CO₂ emissions from public sector operations and reduce the Per Capita CO₂ emissions in the LA area.

5. 2013/14 Budget (Revenue and Capital) allocated to Corporate Priorities

5.1 Tax Levels:

- 5.2 Every effort is being made to maximise efficiencies in order to minimise the 2013/14 Council Tax increase.
- 5.3 The Council’s budget requirement of £212.563m for 2013/14 reflects a modest two per cent (2%) Council Tax increase.
- 5.4 Recommendations 18 and 19 of the budget report contain detailed Council Tax resolutions that need to be completed in accordance with statutory provisions.
- 5.5 The Police and Crime Commissioner for Devon and Cornwall, at the meeting of the Police and Crime Commission Panel 8 February 2013, proposed a two per cent increase to its precept charge for 2013/14. This proposal was agreed and the resultant changes to the council tax are shown in the table in recommendation 21 above.
- 5.6 The Devon and Somerset Fire and Rescue Authority budget meeting will be held 18 February 2013 to approve their tax increase. As this is after publication of this report, the changes will be reflected in revised Council Tax amounts which will be circulated before and tabled at Council 25 February 2013.

5.7 Regardless of the outcome for the Fire and Rescue precept, Plymouth will still be left with the lowest average Council tax charge across Devon and Cornwall.

5.8 Revenue Out-turn 2012/13 & impact on reserves:

5.9 The December finance monitoring is showing a £1.4m projected over spend for the financial year 2012/13.

5.10 Further action will be taken by directors and Portfolio Holders to address overspends within their areas, together with initiatives engaging all staff across all areas to reduce the projected overspends and to try to deliver a balanced budget position by the end of March 2013.

5.11 If we are unable to achieve reduced spend to balance the budget by 31 March 2013, any residual amount will have to be funded through working balances.

5.12 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).

5.13 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).

5.14 Specific reserves are set to cover known or estimated future costs for specific activities and / or liabilities

5.15 Medium Term Financial Strategy & Budget Book:

5.16 The Medium Term Financial Strategy (MTFS) was approved by Cabinet 12 June 2012. The strategy will be further revised and updated following approval of the 2013/14 Revenue and Capital budgets and the setting of the Council Tax for the coming year.

5.17 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, whilst building on the principles of a co-operative council.

5.18 In support of this budget, as in previous years, the council will produce a detailed budget book which will be published by 31 March 2013.

5.19 It is important to note that this budget report deals with the net revenue budget only. The budget book will detail the expenditure for the financial year 2013/14 which covers these resources plus the specific grant funding we receive.

5.20 For example, at this point in time, we have confirmation that our funding will also include:

- (1) Dedicated Schools Grant (DSG);
This money, £125.6m for 2013/14, is ring fenced and is the principal source of funding for schools. As the Local Authority we are responsible for the distribution of this funding to the relevant schools within the city.
- (2) New Homes Bonus (NHB);
As part of the Settlement announced in December 2012, Plymouth City Council's allocation of NHB funding for 2013/14 was confirmed as £2.4m.
- (3) Public Health Grant;
Prior to 2013/14, Public Health expenditure is within the overall Plymouth PCT (PPCT) budget. With effect from 1 April 2013, The Department of Health (DoH) has announced that the Public Health 'share' of this funding will be ring fenced and passed to Councils together with the associated costs of providing the service. A 'fair shares' formula has been developed by the DoH in conjunction with the Advisory Committee on Resource Allocation's (ACRA) to identify the extent and distribution formula of this budget in the future. This will be a share based on resident populations adjusted or weighted for relative need and area cost adjustments based on the differing costs of local geographic area. For 2013/14 Plymouth City Council's allocation is confirmed as £11.2m. The shift in responsibility for Public Health marks a major transfer to us as a Local Authority. As with all other local authorities we will take the lead for improving the health of our local population and reducing health inequalities.

This new Public Health department will form part of the People Directorate.

5.21 Treasury Management Strategy Statement and Annual Investment Strategy 2013/14:

5.22 The Treasury Management report outlines the Council's Prudential Indicators for the next three years as required by the Local Government Act 2003, together with the MRP policy for 2013/14 required under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

6. Pay Policy Statement

6.1 Under the Localism Act 2011, the council is required to prepare a pay policy statement setting out the authority's pay policies and certain other prescribed information.

6.2 The statement must be approved by a resolution of the council before it comes into force for the relevant financial year. Amendments to the pay policy statement (following in year changes to those policies) may be made by resolution of the council during the financial year.

6.3 Council is not being asked to approve the policies, but simply approve the statement which sets out the existing policies.

7. Budget and Corporate Plan Scrutiny Report 2013/14 (Appendix F)

- 7.1 The report of the Overview and Scrutiny Management Board on the Budget and Corporate Plan Scrutiny 2013/14 and Cabinet's response to the recommendations made by the board following its consideration of the council's budget for 2013/14 were submitted to Cabinet on 12 February 2013.
- 7.2 The recommendations do not form part of this report, but are included as background information as Appendix F.

8. Updated Report on Corporate Plan 2012/15 Update, 2013/14 Budget (Revenue and Capital) and Proposed Council Tax Levels, and Pay Policy

- 8.1 The report contains the following appendices:

Appendix A Cabinet minutes 140 and the Cabinet report on the Corporate Plan 2012-15 Update

Appendix B Cabinet minute 141 and the Cabinet report on Building for Jobs – Plymouth Investment Fund

Appendix C Cabinet minute 142 and 142a and the Cabinet report on Capital Investment for Street Lighting , Solar PV and Boiler Replacement

Appendix D Cabinet minute 143 and 143a and the Cabinet report on the 2013/14 Budget (Revenue and Capital) allocated to Corporate Priorities, which included the Treasury Management Strategy Statement and Annual Investment Strategy 2013/14 plus Prudential Indicators.

Appendix E Pay Policy Statement.

Appendix F Cabinet Minute 137 of 12 February 2013 on the Budget and Corporate Plan Scrutiny Report 2013/14 including the Scrutiny Report and Cabinet's response to the recommendations.