

PLYMOUTH CITY COUNCIL

Subject: The Brilliant Co-operative Council Sustainable Three Year Plan

Committee: Cabinet

Date: 3 September 2013

Cabinet Member: Councillor Evans

CMT Member: Tracey Lee (Chief Executive)

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Ref:

Key Decision: No

Part: I

Purpose of the report:

This report identifies some of the key financial challenges that the Council faces over the coming three years, proposes a revised approach to financial planning over the medium term, and seeks support for a Council-wide transformation programme based on Co-operative Values to substantially reduce the operating costs of the Council and ensure the maximum possible investment in achieving Corporate Plan objectives.

Funding for local government has been significantly affected by the Coalition Government's plans to reduce the national deficit. Since 2009/10, there have been a number of changes to the Local Government funding regime that have resulted in an overall reduction in income to the Council from central government of £9.5m per year. The Council has already reduced expenditure in this period by c£30m, through efficiency savings and service reductions.

In July 2013, the Department for Communities and Local Government published the detail of its funding intentions for 2014-15 and 2015-6 with a 'real terms' cut of 10% in overall funding for local government. It is now clear that £1bn has, in addition, been set aside from the settlement for allocation to some Councils, but not to others. Therefore underlying the headline 10% real terms cut in funding lies a 15% real terms reduction in the basic allocation affecting all authorities including Plymouth.

Sir Merrick Cockell, the Chair of the Local Government Association has said: "This cut will stretch essential services to breaking point in many areas. While positive steps have been taken to target NHS funding at social care, the fact remains that some councils will simply not have enough money to meet all their statutory responsibilities. Services such as culture and leisure facilities, school support, road maintenance and growth related programmes will bear the brunt of these cuts".

Responsibility for the funding of Council Tax benefit has been transferred to local authorities with effect from the current financial year, but prior to the transfer of this responsibility, a 10% top slice of resources was taken by the government. This, coupled with other anticipated impacts from Welfare Reform is anticipated to add further pressure of around £1.5m annually to Council budgets.

Reductions in Revenue Support Grant and the localisation of Council Tax benefit and Business Rate receipts have resulted in a significant transfer of financial risk from central to local government.

In contrast to the forecast reduction in resources, the demand for key Council services is increasing. For example, the growth in the proportion of older people requiring social care is putting pressure on both local authorities and health services nationally. Current forecasts anticipate a 2% increase on social care expenditure year on year in Plymouth, equating to annual financial pressures of £4.5m.

There are a number of financial impacts on the Council identified as being the result of the broader economic climate. These include reduced income from commercial rents and inflationary increases in contracted services and utility costs.

Taken together, the above factors will contribute to an estimated funding gap for the Council over the next three years of circa £65m. To put this into context, this equates to the entire annual net expenditure on environmental services and economic development, covering refuse collection and disposal, all street services and the Council's support for businesses and employment. The value of these savings equates to almost five times the entire annual revenue budget of Exeter City Council.

The respected economic 'think tank', the Institute for Fiscal Studies, (IFS), has stated that: "The UK faces the longest, deepest, sustained period of cuts to public services spending at least since World War II..."

The Brilliant Co-operative Council Corporate Plan 2013/14 – 2016/17:

In July 2013, the Council adopted a new Corporate Plan, to be a Brilliant Co-operative Council. The plan contains ambitious objectives around the themes of Pioneering, Growing, Caring and Confident Plymouth. Each objective identifies outcomes by which the delivery of the objectives will be measured. Commitments are made to promoting economic growth, improving Council services, health and social care outcomes and the reputation of the city. The plan also identifies Co-operative values which will inform the way that the Council goes about its business.

Given the financial climate described above in which the Council will have to operate over the life of the Corporate Plan, a substantially revised approach to financial planning and delivering financial efficiencies will be needed. The Council has sought advice from Ernst and Young concerning the robustness of its financial estimates for future years and the nature and scale of changes that it will have to make to its structure and delivery arrangements to meet its financial challenges and deliver the Corporate Plan.

The proposed Transformation Programme will deliver a fundamental change in the way that the Council goes about its business, delivering significant savings in four key areas:

- Economic growth initiatives that will provide financial dividends for the Council, a more commercial approach to the way that we run our services, and smarter procurement and commissioning.
- Customer-led service redesign, transforming the way the Council interacts with customers to meet their demands and preferences.
- Creating an integrated approach to health, wellbeing and social care commissioning, working co-operatively across all local communities and partners.
- Smarter, evidence based decision-making for the Council using co-operative principles, and support services delivering against our new organisational requirements.

To support the delivery and implementation of Transformation Programme we will develop two 'enabling programmes' focussed on:

- Better use of the Council's physical and technical infrastructure and assets to better serve the needs of the organisation now, and into the future;
- Ensuring that Members and staff are engaged and supported through the transformation programme, and that they have the necessary skills to deliver.

The Transformation programme will help us to 'grow' ourselves out of the financial challenges that we face whilst focussing on, and improving, the customer experience and maximising opportunities from partnership working across the city. We already have an excellent track record across these areas such as generating income through building additional homes and attracting more businesses into the city. This needs to be expanded and developed in a structured and sustainable programme.

The Transformation programme alone will not enable us to close the £65m gap. Alongside this we will need to take proactive action to manage down the cost drivers and escalating pressures that we face, and comprehensively review all services delivered by the Council, both statutory and discretionary, followed by proposals for changes in the level, cost and nature of provision. The terms of reference for the review will be bound by the Co-operative Values of the Council, and will focus on contributing as far as possible to the delivery of the Corporate Plan objectives.

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

Councils throughout the country have had to enact drastic action in order to balance budgets. There are no easy solutions.

Over the last three years, Plymouth City Council has successfully managed net revenue savings of circa £30m through a number of delivery programmes. The scale of future financial challenges however is such that the Council will require upfront investment in capacity and support to enable it to bring about the fundamental changes described above in the coming years.

Revised financial planning arrangements will result in a longer term approach to addressing the funding available to the Council, planning for a balanced indicative budget in each of the coming three years.

The Transformation programme, as a whole, is a fundamental strand which will enable us to develop a three year sustainable financial plan to deliver the Council's co-operative vision. However, there will be a need to incur up front set up costs to structure, plan and provide capacity to deliver long term financial and service benefits. Earmarked reserves and balances will be reviewed in order to top up the existing Transformation Programme reserve in 2013/14 which will be used to 'smooth' the cashflow differences of costs vs savings between specific financial years. As a guide, it is estimated that the net benefit, (accounting for associated spend), from the Transformation Programme will deliver more than 50% of the Council's entire forecasted three year funding gap.

To supplement internal funding, officers are investigating opportunities for draw down of national funding streams that have been specifically set up to support transformation, such as resources available for Health and Social Care Integration.

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

Implications with respect to the above areas relating to the response to individual recommendations will be explored in detail as related proposals are brought forward.

Equality and Diversity

An Equality Impact Assessment has not been undertaken as part of the preparation of this report, but assessments will be necessary as part of the implementation of its recommendations.

Recommendations and Reasons for recommended action:

1. That Council adopt a longer term approach to addressing the reduction in funding available to the Council, planning for a balanced indicative budget in each of the coming three years.
2. That Council support the implementation of a Council-wide transformation programme, based on Co-operative Values, to substantially reduce the operating costs of the Council and ensure the maximum possible investment in achieving our objectives.

3. That Cabinet review earmarked reserves and balances to ensure that the Transformation Programme reserve is adequate to cover cashflow requirements for the period of 2013/14 to 2016/17 (managing the overall costs incurred and savings achieved across each financial year)

Alternative options considered and rejected:

A one year financial planning horizon will not support the long term decision making required to deliver the objectives of the Corporate Plan
 The Council's financial stability will be put at risk unless a transformative approach is taken to revising its delivery arrangements in the coming years.
 Attempting to implement the Transformation Programme without additional support and capacity will seriously prejudice the Council's ability to deliver it effectively

Published work / information:

[LGA local government finance briefing for Leaders, Lead Members and Chief Executives 31 July 2013](#)
[Local Government Chronicle 27 June 2013](#)
[Spending Round 2013](#)

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Ernst and Young Interim Report to Plymouth City Council July 2013		x			x					

Sign off:

Fin	MC13 14.12	Leg	18291 /DVS	Mon Off	18291 /DVS	HR	X	Assets	X	IT	X	Strat Proc	X
Originating SMT Member: Tracey Lee													
Have the Cabinet Members agreed the contents of the report? Yes													