PLYMOUTH CITY COUNCIL

Subject:	Delivering the Co-operative Vision within a 3 year sustainable balanced budget
Committee:	Cabinet
Date:	10 December 2013
Cabinet Member:	Councillor Lowry
CMT Member:	Tracey Lee (Chief Executive)
Authors:	Malcolm Coe, Assistant Director Finance, Efficiencies, Technology and Assets, and David Northey, Head of Finance
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Ref:	
Key Decision:	No
Part:	I

Purpose of the report:

We are facing the biggest cuts to local authority funding in a generation. Having already reduced net revenue spend by £30m over the last three years, the Council now faces an indicative funding shortfall of circa £64.5m over the next three years. This will force us to fundamentally transform the way in which we undertake our business and demands a new approach to sustainable budget setting.

The report 'the brilliant co-operative council sustainable three year plan', presented to Cabinet and Full Council in September 2013, details the financial challenges that the council faces and provides direction as to how the council will address these challenges in a structured and consistent way.

The cornerstone of our direction is the Brilliant Co-operative Council Corporate Plan which clearly lays out the objectives, outcomes and values that the council is committed to whilst driving down spend and maximising income in order to balance the books.

This budget report details the actions that will be taken over the next three years and the financial benefits obtainable. It is an indicative three year balanced budget for the period 2014/15 to 2016/17 with detailed information provided for 2014/15 to fulfil our statutory responsibility of setting a robust and realistic annual revenue budget.

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 is focused on Co-operative values which will inform the way that the Council goes about its business. The Council has adopted fairness as one of its core co-operative values and aims to take a fair approach to developing and implementing its budget priorities, and for this reason launched the Plymouth Fairness Commission in April 2013 to help make the city a fairer place to live and work.

To enable delivery of the Corporate Plan, a robust, three year transformation programme has been developed with the support of Ernst & Young.

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

Revenue

Revenue funding for local government has been steadily declining since 2010. This decline is predicted to continue for the foreseeable future with government placing greater emphasis on councils generating additional revenue locally for example, through attracting more businesses to the city and building more homes.

Linking with organisations such as Local Government Futures and the Local Government Association, our best estimate of revenue resources over the next three years are as follows:

Figure 1: Revenue resource assumptions

	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Formula grant	76.60	61.81	49.91	37.64
Business Rates	50.95	53.47	54.92	56.62
Council Tax	85.01	86.70	88.43	90.20
Total Revenue:	**212.56**	**201.98**	**193.26**	**184.46**
Increase / (decrease) over previous year	-	(10.58)	(8.73)	(8.80)

Note: Council Tax level for '14/15 will be finalised at Full Council in February 2014.

The reduction in formula grant from £76.60m to £37.64m represents a reduction of 51% over the three years.

Actual resource allocations from central government will not be confirmed until just before Christmas 2013, (at the earliest), when we will be provided with revenue allocations for 2014/15 and indicative revenue allocations for 2015/16.

Despite the fall in funding, we remain committed to protecting and investing in essential front line services across the city. We will be investing in early intervention, tackling the city's health inequalities and integrating social care with health with a clear focus on preventative and enabling services.

The £64.5m challenge that the council faces is a combination of the reduction of resources alongside the estimated demand-led increase in cost pressures over the next three years, for example increases in vulnerable people to support, and increases in costs such as contract inflation, utilities and pay awards.

Through a process of constructive challenge, commercial negotiation and proactive management with Assistant Directors and Service Managers, we have managed to reduce our cost pressures by £12.6m over the next three years by absorbing these costs within the efficient operations of the business. This has been achieved through:

- Making good, or finding alternatives for, 2013/14 legacy budget delivery plans of £5.2m;
- Reducing future cost pressures by £7.4m in relation to;
- Challenging assumptions for future pay awards;
- Challenging contributions for future pension shortfalls;
- Managing down inflation pressures such as utilities;
- Using capitalisation flexibility where possible;
- Absorbing pressure within existing revenue resources e.g. Homelessness;
- Reducing spend relating to falling income – e.g. Academy buy back.

Within the £64.5m challenge, we have taken a prudent approach to assumptions in our ability to increase Council Tax and maintain existing high levels of collection rates. These assumptions have now been revised based on the proposed Council Tax increase of 1.99% for 2014/15 and 2nd quarter monitoring for 2013/14 where we are forecasted to achieve both Council Tax and Business Rate collection targets in the current financial year.

Managing down cost pressures, revising Council Tax assumptions and factoring financial benefits from being part of the Devon-wide Business rate pool reduces the underlying financial shortfall to £45.2m.

Figure 2: Re-stated funding gap

Actions taken	£m
Gap @ September 2013	**64.50**
Revised assumptions on previous years' Delivery Plans	(5.20)
Revised Council Tax / NNDR assumptions	(6.70)
Managed down cost pressures	(7.40)
SOLUTIONS TO BE FOUND:	**45.20**

Retaining a clear focus on transforming the council will deliver significant benefits from 2015/16 and beyond, however immediate and often difficult action will have to be taken to balance the revenue budget for 2014/15. We have categorised the action that the council will take to deliver a three year balanced budget as follows:

- Service re-design / reduction
- Co-operative Partnerships
- Challenging down external spend
- Income generation
- Corporate adjustments / external grants and;
- Transformational change

Figure 3: Anticipated savings up to 2016/17 within categories

	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m
Service re-design / reduction	3.434	1.250	0.783	5.467
Co-operative Partnerships	1.692	1.360	1.025	4.077
Challenge down external spend	3.764	1.477	1.237	6.478
Income generation	2.508	0.789	0.412	3.709
Corporate health / maximise grant	3.403	3.275	0.000	6.678
Transformation (net savings)	1.200	7.300	15.700	24.200
Total	**16.001**	**15.451**	**19.157**	**50.609**

The Transformation savings are the figures stated through the first phase of engagement with Ernst and Young and require further working through detailed business cases.

In theory, although these savings represent a balanced budget over three years, there still remains a significant shortfall of circa £1.1m in relation to the 2014/15, financial year.

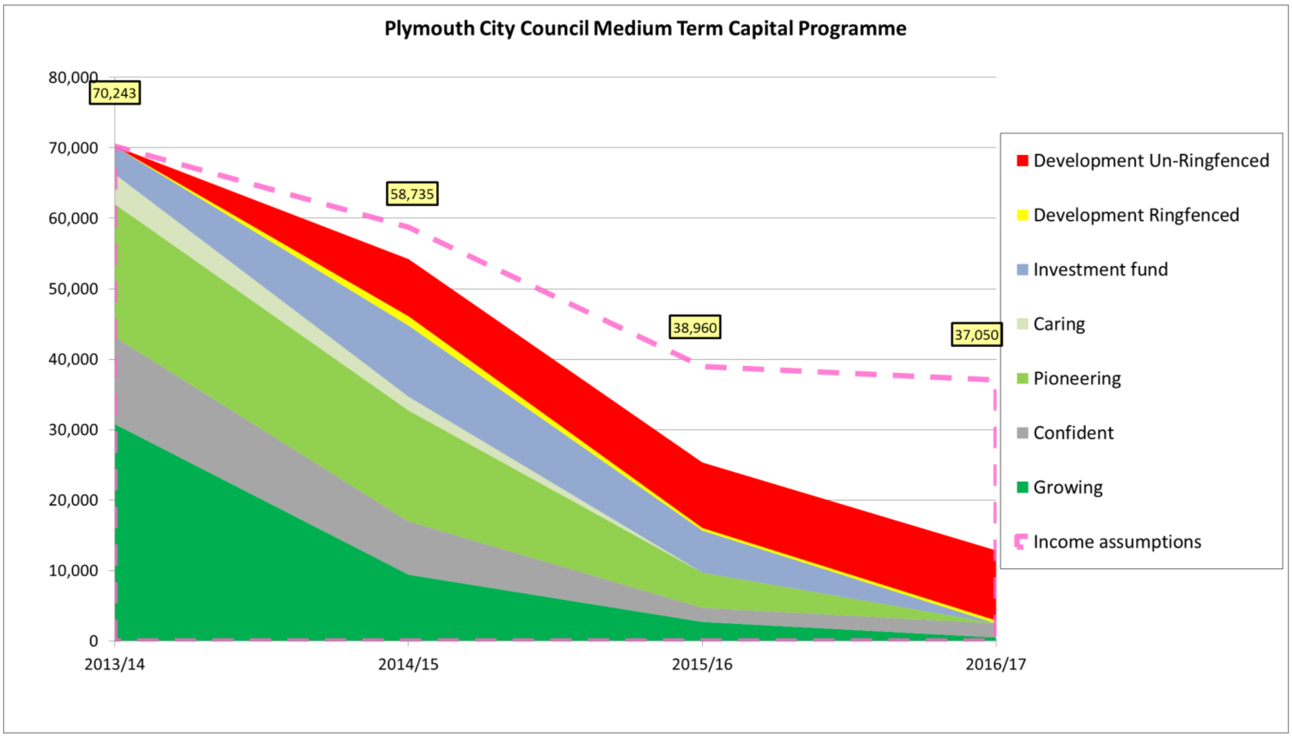
Capital

We remain ambitious with our capital investment forecast, considering how such investment will help to facilitate the delivery of the brilliant co-operative council. Major investment in encouraging new businesses to the city, building new homes, improving the transportation and network infrastructure and committing to energy saving initiatives such as LED street and car park lighting and solar panel installation will help us to address our revenue funding shortfall.

We have adopted a similar, forward looking approach to predicting our capital investment resources over the next three years, forecasting the likely contribution from ring-fenced and un-ring-fenced grants, capital receipts through sales, developers contributions and unsupported borrowing.

The four year estimated resources for the capital programme stands at £205m and figure 4 details our forecasted capital funding and existing spend commitments against this funding:

__Figure 4: Estimated capital resources and spend__



The Local Government funding environment remains highly volatile. As such, updates to Medium Term Financial Forecasts will be incorporated within quarterly monitoring throughout 2014/15 in order to factor in changes to estimates.

Staffing

Inevitably, the scale of financial reductions required will result in a shrinking of the workforce. We have tried, wherever possible, to reduce management overheads in order to protect front line staff and service delivery. Over the last two years we have reduced our Chief Officer costs by circa £960k.

We remain committed to minimising the impact on individuals wherever possible through proactive management of vacancies, usage of agency staff in relevant areas and use of a voluntary release scheme.

The 2014/15 and 2015/16 budget proposes a loss in excess of 300 FTE posts, reflecting prioritised management action across a number of areas. This continues a significant downward trend in the workforce over recent years as evidenced in Figure 5. It is too early to anticipate the impact that transformation will have on further direct employees of the council in 2015/16 and beyond. However, the impact of adopting a more streamlined, strategic centre and adopting different models of service delivery in partnership will inevitably result in a further sharp downward trend.

__Figure 5: Full Time Equivalent posts (excluding Schools)__

	2011/12	2012/13	2013/14	By 2015/16
	FTE	FTE	FTE	FTE
FTE Council Employees	3,248	3,063	3,017	2,717

Similar downward trends in workforce statistics are replicated throughout the country. We have, for some time, accounted for this trend through management of a redundancy reserve that we earmarked through planned end of year budget adjustments.

ICT and Assets

Investment in ICT is crucial for the council to transform the way in which it operates. We will build on the success of rolling out new software solutions to enable all of our core buildings to facilitate hot-desking and flexible working. Planned investment in ICT will further enable more joint working with partners, (building on co-location with health services at Windsor House), greater electronic interaction and self-empowering of the public through joined up customer portals and more efficient storage and retrieval of data and information.

The planned implementation of an ICT shared service, DELT, in 2014, will provide a joined up delivery vehicle with public sector partners which will enable us to achieve more efficiency savings and deliver our planned change agenda. DELT will result in approximately 100 staff transferring under TUPE to a newly formed, wholly public sector owned organisation, subject to due diligence. This is in addition to the 300 posts previously stated.

Having undertaken a strategic asset review, we will continue to identify relevant assets for disposal, development or investment. The use of land, property and capital expenditure will be crucial to deliver the planned growth agenda yielding revenue income through increased council tax, new homes bonus and business rates.

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

All actions being taken have been considered for their impact on: council priorities, legal obligations, customers and other services and partners. Each separate action has been risk assessed in terms of potential barriers to implementation with corresponding mitigation put in place.

The protection of, and investment in, front line services such as children's and adult social care is specifically targeted at helping those most in need in our community. Likewise, our proposed changes to the Council Tax Support scheme will provide some financial assistance to those most in need.

The Plymouth Fairness Commission was set up independently to help make the city a fairer place to live and work. The Commission recently published the results of its Summer of Listening, highlighting the key issues of unfairness and inequality across the city. This provides an early indication of the key areas of concern to be outlined in the Commission's upcoming Position Statement. Both reports will be forwarded to members of the Co-operative Scrutiny Board to enable them to use the innovative work of the Plymouth Fairness Commission to assist them in their scrutiny of both the Council and partners' spending priorities for the coming year.

Equality and Diversity

All actions being taken are covered by Equalities Impact Assessments, signed off by the relevant Director or Assistant Director.

Recommendations and Reasons for recommended action:

1. That the proposed revenue target budget requirement for 2014/15 of £203m spend, and capital forecast of £205m is presented for full public scrutiny in January 2014.

2. That members and officers continue to bring forward further solutions in order to close the existing £1.1m budget gap in 2014/15.

3. That the proposed indicative revenue forecasts for 2015/16 & 2016/17 are also presented for full public scrutiny in January 2014.

4. Cabinet consider findings from consultation, feedback from budget scrutiny and any material changes announced in the final settlement for Plymouth City Council in early February 2014.

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 appproach is taken to revising its delivery arrangements in the coming years.

The alternative of adopting a blanket reduction in budget across all service areas will result in priority front line services to the public being cut.

Published work / information:

LGA local government finance briefing for Leaders, Lead Members and Chief Executives 31 July 2013
Local Government Chronicle 26 June 2013
Delivering the Co-operative vision Council report Sept 13
Delivering the Co-Operative Vision Cabinet Report Sept 13
Plymouth City Council Medium Term Financial Plan

Background papers:

None

Sign off:

Fin	djn13 14.26	Leg	1904 2/DVS	Mon Off	TH 01 42	HR	AM/ 0412	Assets	CT/ 0412	IT	mg /IC T3	Strat Proc	CT/ 0412 a
Originating SMT Member: Tracey Lee													
Have the Cabinet Members agreed the contents of the report? Yes													

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3 YEAR SUSTAINABLE BALANCED BUDGET

PLYMOUTH
CITY COUNCIL

CONTENT

Appendices

1. Context & Challenges

1.1 Local government continues to face radical change in response to significant reductions in funding, increasing demand, and costs, for services. Plymouth City Council has successfully removed circa £30m of net revenue spend over the last three financial years through proactive management and careful planning.

1.2 However, the council now faces a further funding cut of £33m over the next three years and, when added to essential spend on service delivery, the estimated funding shortfall amounts to circa £64.5m from 2014/15 to 2016/17. Cuts of this nature will require a fundamental review as to how the Council will operate in the future.

1.3 The Council's existing 'gross' budget for 2013/14 is £554m, with a net revenue budget of £212.6m. It is anticipated that the net budget will reduce to £184.5m by 2016/17. Discounting changes to our council tax base and any future year increases, the real term drop in central government funding is circa £33.3m against a base of £127.6m, i.e. a 26.1% reduction.

1.4 Capital resources are also diminishing with far less certainty on future funding levels with more emphasis on submitting specific bids to access specific government capital 'pots'. Forward projections on current capital income streams indicate a potential programme in the region of £205m up to March 2017.

1.5 There is a legal requirement to produce a robust annual revenue budget, adopted by Full Council, alongside setting Council Tax charge rates for the year. To provide a more mature, and commercial approach to business planning, Plymouth has taken the decision to set a three year indicative budget spanning 2014/15 to 2016/17.

1.6 Whilst reducing spend, the council remains committed to improving the quality of life and services provided to its residents. In July 2013 a new corporate plan was adopted with a clear focus on delivering key outcomes across the city. The 2014/15 budget, and wider three year indicative budget, underpins and supports this plan.

1.7 The Corporate Plan was developed using the principles of a Co-operative Council and clearly sets out priority areas based on evidence. The needs of the city and the voice of Plymouth citizens are at its heart having actively listened to public feedback and engaged our staff on what it means to be a Brilliant Co-operative Council.

2. Consultation

2.1 The Council has continued to improve how it communicates with partners and citizens in relation to its budget setting and spending plans, applying Co-operative Council values to forward financial and business planning. Throughout 2013/14 the Council has engaged with citizens and partners to help shape the future direction of our services and funding.

2.2 Furthermore, the Plymouth Fairness Commission held a Summer of Listening to find out more about the fairness and unfairness issues affecting people that live and work in Plymouth. Over the summer it heard the views of more than 1,000 people through a series of events. This has provided valuable, independent feedback to help shape budget decisions.

2.3 The public consultation for the 2014/15 budget took the form of an on-line survey. The aim of the consultation was to determine citizens' views on which services are important to them as we address reducing budgets, including spending priorities around health and community safety.

2.4 As in previous years, presentations and discussions have been and will continue to be held with all key stakeholders such as political groups, the Chamber of Commerce, local MPs, Unions and representatives from the Voluntary and Community Sector, until the final budget is signed off at Full Council in February 2014.

2.5 The Council continues to keep its partners fully informed of its corporate priorities and financial position. Key strategic partners have been invited to comment on the Council's priorities for spending and demonstrate areas of joint alignment against shared city priorities.

2.6 An analysis of the comments provided by all respondents will be undertaken and submitted within the final report to the Co-operative Scrutiny Board in January 2014. The full results from the public consultation and responses from stakeholder discussions will culminate in a thorough three day scrutiny of the corporate planning and budget documents along with those of our strategic partners for the Board's consideration.

2.7 The recommended budget presented within this report is draft and subject to any necessary changes and amendments made through the consultation and scrutiny process (as approved through Cabinet and Full Council).

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

3.1 In July 2013, the Council adopted a new Corporate Plan. The Council's overriding commitment to become a Brilliant Co-operative Council has shaped the development of this Plan; at its heart is a co-operative approach to engagement, co-production and delivery of services that puts people in control of their own communities and the services they receive.

3.2 The Corporate Plan provides the foundation for everything that we do; what we want to achieve, how we deliver services and the way we will operate. It contains ambitious objectives around the themes of Pioneering, Growing, Caring and Confident Plymouth. Each objective identifies outcomes by which our progress against delivery will be measured.

3.3 Commitments have been made to grow a stronger economy, deliver better services in spite of reducing resources, improve health and social care outcomes for citizens involving them in decision making and enhance the reputation of the city.

3.4 The Corporate Plan describes a new vision for the Council – 'Creating a fairer Plymouth where everyone does their bit' and introduces shared co-operative values that are central to the next phase of the Council's future journey. These values will be embedded within how we work and the type of environment we want to work in. The values are for everyone.

4. Future direction and shape of the council – a Blueprint

4.1 Our blueprint for a brilliant co-operative council is the future design for the way in which the council will commission and deliver services, delivering the outcomes that our Corporate Plan calls for. It has been co-designed with elected members and Council staff.

4.2 The blueprint provides us with a way to translate strategic intent into operational capabilities and a joined up view of the future state of the organisation that enables the delivery of our objectives.

4.3 The blueprint will direct the council's ambitious Transformation Portfolio of Programmes that will contribute to the achievement of a balanced budget in the years 2014/15, 2015/16 and 2016/17, through both income growth and savings.

4.4 Transformation Programmes will fundamentally change the way that the Council goes about its business by improving efficiency and reducing costs whilst still delivering benefits to customers. Significant savings will be focused in four key areas:

- Economic growth initiatives that will provide financial dividends for the Council; A more commercial approach to the way that we commission and run our services across the City - combining decent standards with high productivity;
- Customer-led service redesign, transforming the way the Council interacts with citizens and serves its customers - meeting their needs and preferences;
- Creating an integrated approach to health, wellbeing and social care commissioning and delivery, working co-operatively with partners to deliver joined-up high quality services;
- Smarter, evidence based decision-making for the Council using co-operative principles, and affordable support services that support our changing organisational needs.

4.5 Net financial savings from Transformation programmes are, predominantly, forecasted to be achieved in 2015/16 and beyond. We are required to bring forward significant management actions and difficult decisions with regard to service delivery in the financial year 2014/15 and allow for upfront investment in capacity.

4.6 A number of desired non-financial benefits will also be realised through the Programme including:

- Making the changes to services that are needed and taking opportunities to improve the customer experience as we do so;
- Opportunities for council staff to improve their job satisfaction and gain knowledge, skills and experience;
- Working co-operatively with partners across the city and in the wider region, helping achieve partnership objectives.

5. Revenue resource estimations

5.1 Complexity around local government finance has increased in recent years whereas stability has significantly decreased. We operate within an environment of receiving annual budget allocations which are notified exceptionally late to when expenditure starts to occur.

5.2 Actual resources for 2014/15 will not be known until late December 2013 at best (alongside indicative figures for 2015/16). Therefore all figures as stated in this report are dependent on the outcome of the December settlement with any material amendments being fed into the January 2014 budget scrutiny process.

5.3 There has been a recent shift in local government having to generate more revenue income locally placing less reliance on the core central government funding formula of old. Retention of a significant element of business rates locally alongside council tax generation and collection provides both opportunity and risk to the council.

5.4 Business rate retention and numerous specific service grants have, over time been absorbed within one overall funding allocation known as formula income. Linking with industry experts, Local Government Futures and the Local Government Association, (LGA), it is estimated that this income will reduce from a base of £127.6m in 2013/14 to £94.3m in 2016/17. A net reduction of £33.3m or 26.1%. If you discount the local business rate element, the core formula income reduced from £76.60m to £37.64m, a reduction of 51%.

5.5 For the purposes of financial modelling, we have assumed a year on year increase to Council Tax of 1.99%. Whereas this clearly will place an extra burden on residents, the council will continue to remain focussed on providing greater support and assistance to those most vulnerable in the city. Proposed changes to our Council Tax Support scheme in 2014/15 is a prime example of this. Unfortunately Council Tax increases are a necessity in order to protect vital front line services.

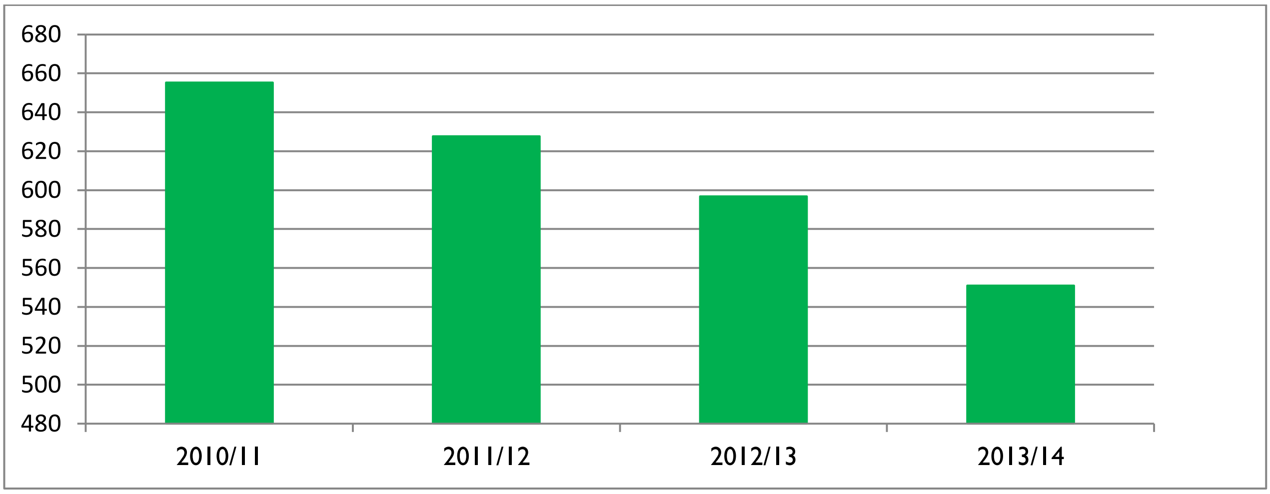
Figure 6: Revenue funding estimates

	2013/14	2014/15	2015/16	2016/17
	£m	**£m**	**£m**	**£m**
Formula Income	127.56	115.28	104.82	94.26
Council Tax	85.00	86.70	88.43	90.20
Total Net Revenue Budget	**212.56**	**201.98**	**193.26**	**184.46**
Year on year reduction		(10.58)	(8.73)	(8.80)
Annual % change		(4.90%)	(4.30%)	(4.80%)

5.6 In addition to the above funding, the council receives a number of specific service grants. Although the number of specific service grants have diminished, there are still two material grants that remain; the Dedicated Schools Grant, (DSG), which is currently £177.00m and which is ring-fenced and passported directly to Schools; and the ring-fenced Housing Benefit Grant (currently circa £100.00m).

5.7 Over the past three years we have seen our total gross income reduce from circa £655m to £554m, as shown in **figure 7**.

Figure 7: Total gross revenue funding £m



5.8 Moving forward, we anticipate that our gross income will decline significantly. However, there is specific grant funding in certain areas and we will continue to work constructively with partners in order to maximise investment into the city. For example, we are pursuing an ambitious City Deal, boosting the local economy through the Local Economic Partnership, (LEP), and seeking transformation funding where possible such as health and social care integration.

6. Delivering a 3 year balanced budget 2014/15 to 2016/17

6.1 Budget monitoring as at 30 September '13 forecasted an end of year overspend of £1.5m. This incorporates the need to reduce net revenue spend in 2013/14 by circa £17.6m. The council is committed to deliver a balanced revenue budget at year end in order to adequately prepare for the challenges ahead and, as such, more actions will be bought forward in order to balance the books for 2013/14.

6.2 As previously described, our revenue resources, after adjusting for increases in Council Tax base are set to drop from £212.5m in 2013/14 to £184.5m in 2016/17.

6.3 Combining the funding shortfall with the identified spending pressures gives a resultant funding gap of £64.5m over the next three years. Examples of demand-led pressures include increases in vulnerable people to support, and increases in costs such as contract inflation, utilities and pay awards.

6.4 Through a process of constructive challenge, commercial negotiation and proactive management with Assistant Directors and Service Managers, we have managed to reduce our cost pressures by £12.6m over the next three years by absorbing these costs within the efficient operations of the business. This has been achieved through:

- Making good, or finding alternatives for, 2013/14 legacy budget delivery plans: £5.2m;
- Reducing future cost pressures by £7.4m in relation to;:
- Challenging assumptions for future pay awards;
- Challenging contributions for future pension shortfalls;
- Managing down inflation pressures such as utilities;
- Using capitalisation flexibility where possible;
- Absorbing pressure within existing revenue resources e.g. Homelessness;
- Reducing spend relating to falling income – e.g. Academy buy back.

6.5 However, the following, essential, costs have had to be incorporated within our three year budget plan.

Figure 8: Cost pressures built into 3 year revenue budget

Pressure	2014/15	2015/16	2016/17
	£m	£m	£m
Inflation	2.15	2.55	2.61
Increase in service demand / pressure	1.86	2.99	2.54
Implementation of change / legislation	1.00	(0.33)	0.00
Known Liabilities	1.36	0.13	0.13
Economic Factors	0.15	0.95	0.15
Total	**6.51**	**6.29**	**5.42**

Solutions

6.6 With the reduced net funding assumptions plus the unavoidable cost pressures, we have to radically change the way we operate as a Council in order to balance our resources to our costs.

6.7 In previous budget setting, we have looked for each directorate and department to formulate saving delivery plans pertinent to their own areas of control. In setting a three year budget in this cycle, we have moved away from this silo approach and are looking at solutions across the Council as a whole.

We are driving out cross cutting savings against the themes of:

- Service re-design / reduction
- Co-operative / Partnership working
- Challenge down external expenditure
- Income generation
- Corporate Health and Grant maximisation

and;

- Transformation

Figure 9: forecasted savings that we aim to drive out by category

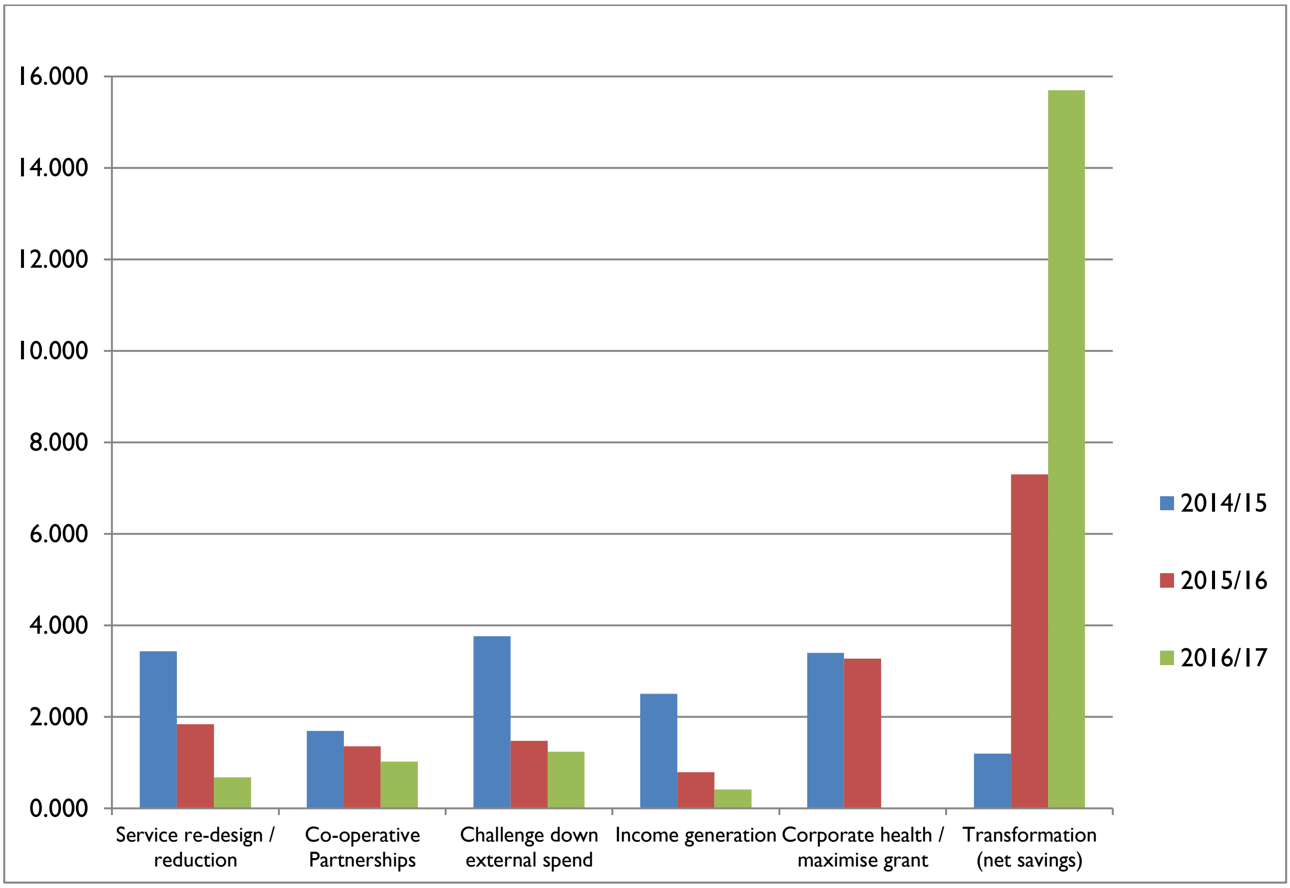
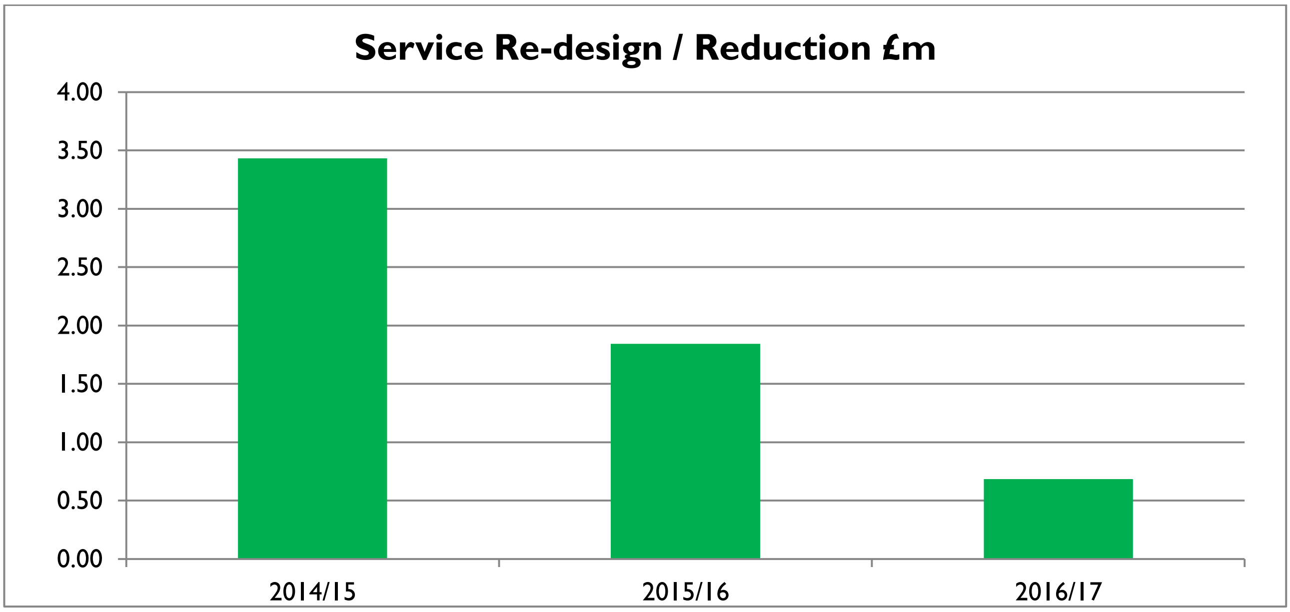


Figure 10: Service re-design £5.467m



6.8 With the scale of financial reductions we are facing in 2014/15, it is inevitable that we need to fundamentally re-design and reduce certain service areas in order to provide better, more efficient customer-focused services whilst reducing the base cost.

6.9 Wherever possible, we have looked to reduce the impact on job reductions and compulsory redundancies. However, with the heavy bias on staffing expenditure within our budgets, reductions in staffing in some areas are unavoidable. Within the 14/15 and 15/16 revenue budgets, it is estimated that the council will reduce in excess of 300 FTE posts.

6.10 All service re-designs proposed in this budget have been challenged against the future direction of the council as detailed within the transformation blueprint i.e. the changes made complement the anticipated shape and responsibilities of the council in three years' time.

6.11 Key service re-designs will include:

6.11.1 Challenging the most appropriate delivery of environmental services

This will entail a fundamental review on how we currently deliver our environmental service functions. Our current spend across these areas is circa £9.3m and it is envisaged that this review will drive out additional costs.. However, we will remain committed to weekly bin collections for our residents.

The review will be conducted through the transformation programme and will engage in full and open public and partner consultation. There will clearly be a number of sensitivities that will require professional planning and implementation such as a fundamental review of existing collection routes, full integration of recycling arrangements and review of back office support provided to the service.

Due to the scope and scale of this review, it is not envisaged that any financial savings will be achieved until the fourth quarter of the 2014/15 financial year.

6.11.2 Review delivery of all remaining respite and day care

The Council has, for some time, been reducing the level of respite and day care services provided internally.

Transforming the Adult Social Care service to empower the individual to make their own life choices to best meet with their care needs, through personalised budgets and direct payments, has reduced the need for in house provision.

It is proposed that over the next 12 months we review our in house day care and respite provision to improve value for money.

6.11.3 Alternative model for caretaking and cleaning services

Caretaking and cleaning services, otherwise known as 'soft facilities management' is a service that is currently provided exclusively 'in house'. In recent years, through the formation of Academies, the demand for the service has been diminishing through schools opting out and choosing their own, alternative service provision.

Income achieved by the service has therefore been dropping whilst the overhead costs of delivering the service has remained relatively static. The management of the service was restructured in March 2013 to rationalise costs and reduce overheads where practical.

We are now challenging whether the council is best placed to be the provider of soft facilities management services. There are a number of alternative service delivery models that can be explored such as partnership working with other public sector bodies or forming a co-operative service delivery model incorporating other services such as catering.

6.11.4 Education Learning and Families Support

Cabinet has already considered a report detailing the future delivery of Education, Learning and Family Support, (ELAF), services. By forming a 'co-operative', the preferred model will enable the new organisation to continue to provide high quality services to the council whilst trading, and generating income, through other avenues.

Due diligence is currently underway to better understand the costs and benefits, (both financial and service quality), of the co-operative model. This will determine any future transfer of assets and liabilities and define financial targets for the contract duration.

6.11.5 Drive efficiencies from Corporate Services

As a support service, the level of cuts imposed upon corporate services has been high over the last few years as part of the council driving out £30m of net revenue spend up to 31 March 2014.

It is recognised that further rationalisation is needed in order to protect front line services. Where possible, we will look to amalgamate and reduce management positions and hierarchical layers in support structures as opposed to a blanket cut on jobs. However, inevitably there will be some reduction in posts, (up to 40), across the department.

Amendments made to support services to deliver revenue savings in 2014/15 will give regard to the future direction of the council as outlined in the organisation's 'blueprint' i.e. changes made next year will complement the likely shape and direction of support services by 2016/17.

6.11.6 Moving functions into the Transaction Centre

The Transaction Centre was set up in 2011 as part of the wider review of Customer Services, Revenues and Benefits, Creditors, Debtors and Cashiers. In broad terms, current functionality is to pay bills and collect money in the most efficient and cost effective way possible.

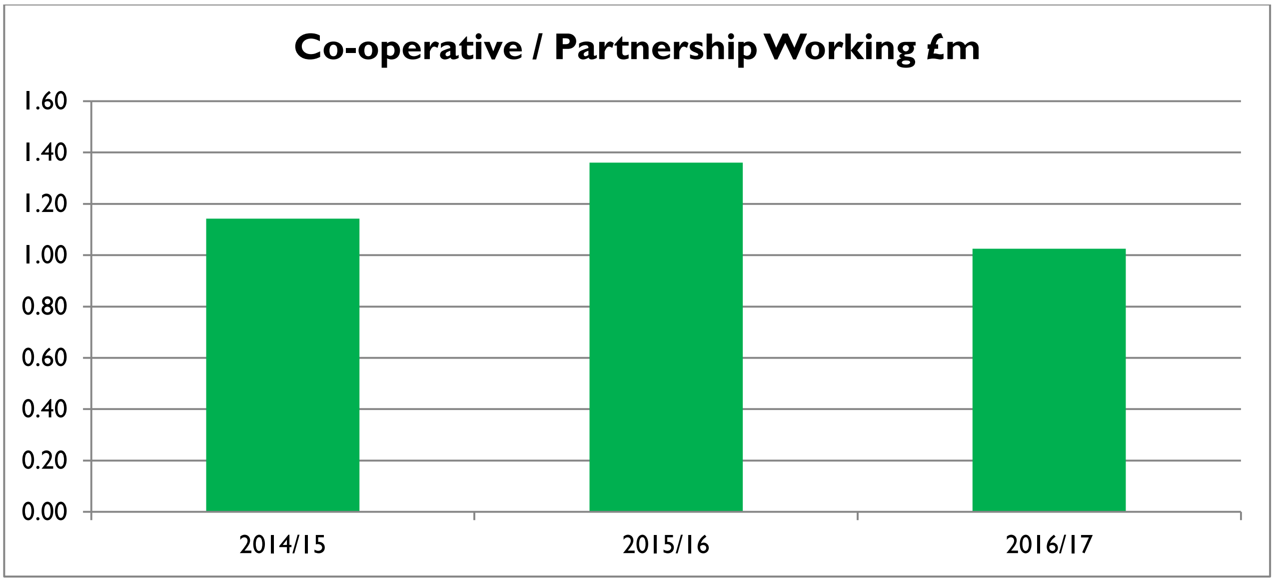
The longer term aim for this centre is to incorporate more transactional, high volume functions. We propose to escalate functions moving into the Transaction Centre during 2014/15 in order to better employ generic staff skills in managing peaks and troughs, drive efficiencies through utilising one standard set of processes and systems and reduce management overheads.

6.11.7 Library Action Plan

We currently operate 17 Libraries across the city at an annual revenue cost of £2.8m. Our future vision for the service is to enhance the existing facilities and accessibility of these resources, evolving into 'community hubs'.

To progress with this we need to challenge the current usage, needs and potential for each individual asset in serving the local community. We are currently rolling out Wifi across all of Libraries to improve service and functionality. Further investment will be required to deliver the longer term vision.

Figure 11: **Co-operative Partnership Working £4.077m**



6.12 Co-operative partnership working will include:

6.12.1 ICT Shared Services (DELT)

The planned implementation of an ICT shared service, DELT, in 2014, will provide a joined up delivery vehicle with public sector partners which will enable us to achieve more efficiency savings and deliver our planned change agenda.

Moving forward, we will need a robust and consistent vehicle for evolving the delivery of support services in partnership.

6.12.2 Joint working with health to maximise external funding

Plymouth City Council and the NEW Devon CCG will work collaboratively to strategically review all joint areas of work to drive out efficiencies and improve outcomes. Focus will also be on reviewing the ring-fenced Public Health Grant to achieve maximum impact of this funding to improve the health and wellbeing of the citizens of Plymouth.

Ultimately, this needs to be integrated within the transformation programme around the preventative agenda, giving more freedom of choice to the individual to commission personalised services as opposed to reliance on traditional provider based services such as residential or nursing care or hospitalisation.

6.12.3 High Needs Block Modelling

Pupils with Special Educational Needs (SEN) equates to approximately 10% of the number of pupils in the city. Whilst this proportion is increasing at a relatively small rate 9.6% in 2012 to a forecast of 10.4% in 2017, work is underway with the Schools Forum/partnership to fund the increasing birth rate and the growth in expenditure for these high needs pupils through available grants.

6.12.4 Work with Schools Forum / partnership funding through Dedicated Sschools Grant (DSG)

We are working very closely with our colleagues on the Schools Forum to explore the optimum allocation of the DSG. The funding formula has been radically reformed ahead of the allocations for the school year commencing September 2013. With the changes in school provision and a number of schools opting to transfer to Academy status, it is imperative that as a local authority we work even closer with the Schools Forum to maximise all funding opportunities going forward.

6.12.5 Early Intervention

We are focusing on early and timely advice / prevention and intervention to reduce demand of potentially high cost and complex households needing support for example temporary housing / social care etc. While economic growth will address this in the long term, short and medium term needs a targeted integrated approach with partners such as Police, Health and Probation Services.

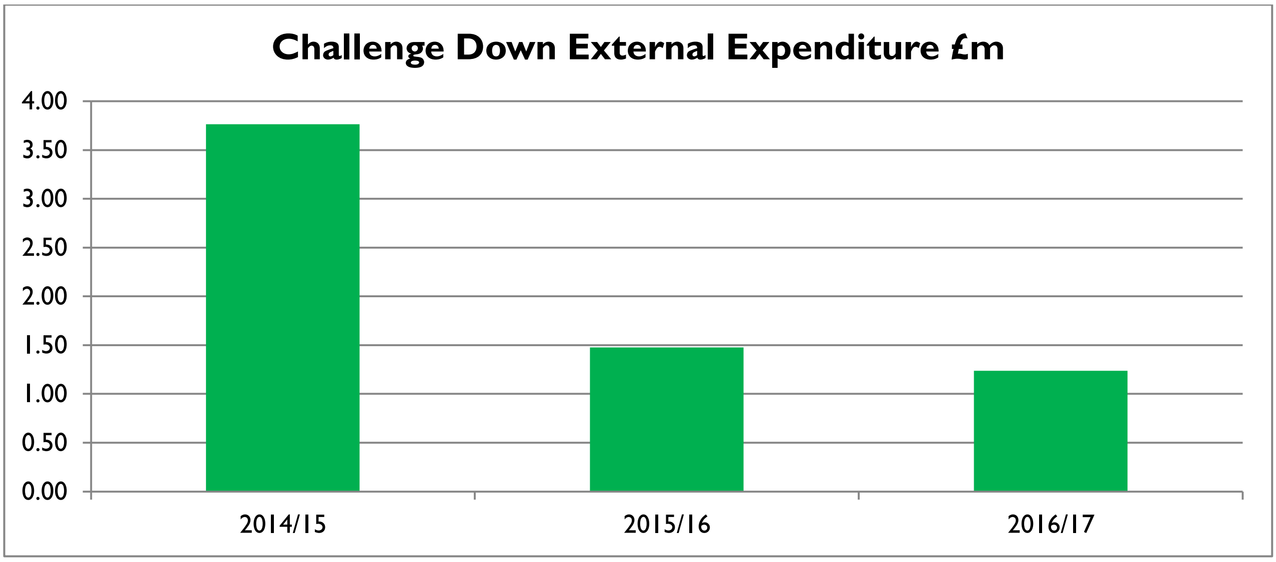
6.12.6 School Crossing Patrols

We are working to find alternative sources of funding with our key partners to support road safety in and around the schools in our city. Rather than council responsibility to provide this service, we are aiming for more community based responsibilities in local areas.

6.12.7 Mount Edgcumbe review

A strategic review has been jointly commissioned with Cornwall Council to identify income opportunities to support the sustainability of the Park as well as continuing to identify efficiencies within the service.

Figure 12: **Challenge down external expenditure £6.478m**



6.13 Challenges to external expenditure will include:

6.13.1 Adult Social Care

Adult Social Care spends around £75m with external service providers and it is proposed that we build on our excellent commissioning framework to acquire the required services through third party contract arrangements without automatic inflationary increases built in. All individual packages of care are being reviewed to achieve more cost effective placements in consultation with service users and their families.

6.13.2 Children's Service

We are committed to improving early intervention and prevention, a key strand of this for children and families is improving our integrated early help in the early years offer. We are achieving savings by maximising opportunities for co-operation with health and designing and delivering more efficient services.

We have a long standing commitment to the delivery of independent advice and guidance for young people. We have re-shaped this to prepare for the Special Educational Needs and Disability (SEND) Duties and to focus delivery for the most vulnerable young people at risk of Not in Education, Employment or Training (NEET).

We are in the process of re-commissioning our service provision at children's centres, ensuring that we retain and build on the current high quality services whilst driving efficiencies.

6.13.3 Commissioning of revised Strategic Materials Recycling Facility (SMRF)

The Strategic Materials Recycling Facility (SMRF) project aims to deliver kerbside recycling including glass within the existing green bins for all customers in the city. Following appraisal from a soft market testing exercise, Cabinet endorsed the externally operated service solution model located within or outside of Plymouth be taken forward into a Competitive Dialogue procurement process. This process is now moving towards its final stage.

6.13.4 Support for the Theatre Royal

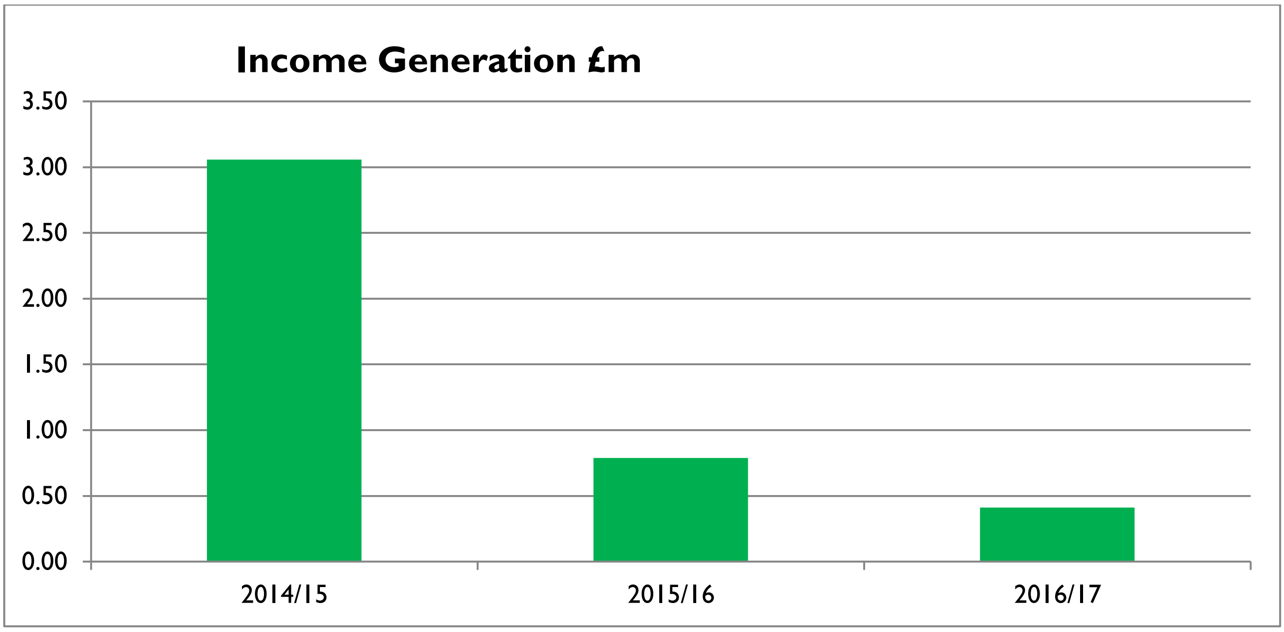
The Economic Development department has committed funding for next year to support the redevelopment of the Theatre Royal and will consult with key stakeholders over future revenue support arrangements.

6.13.5 Targeted reduction in supplies and services in non-essential areas

Each Cabinet member, together with the Assistant Directors, has worked through all lines of expenditure within their portfolio. Their budgets were categorised within four broad headings, and grossed up to include all income. The categories used were Income, External Expenditure, Assets and Premises, and Management and Support, as shown in **Appendix B**.

Under the external expenditure heading, all line items have been reviewed and saving reductions introduced on all non-essential spend.

Figure 13: Income generation £3.709m



6.14 In November 2013, the Cabinet approved a revised Fees and Charges and Concessions policy setting the framework against which any changes to charging arrangements should comply. This policy is led by the council's values of democratic, responsible, fair and partners. It is aimed at protecting those most vulnerable, whilst ensuring consistency in the way that charges are levied.

6.15 Key changes in the revised policy include enabling fees and charges to be reviewed as and when appropriate, as opposed to part of annual budget setting, linking standard increases to Consumer Price Index, (CPI), as opposed to Retail Price Index, (RPI), to better reflect the impact of cost of living on residents, and ensuring that concessions treat income and client groups in an equitable and fair way.

6.16 Individual fees, charges and concession arrangements will be reviewed and amended against this policy over the three years of this budget setting period. It is anticipated that these changes will generate an additional £3.7m of income per annum by 2016/17.

6.17 Changes to our charging policy will review all existing arrangements with regard to recovering the full cost of service delivery where relevant.

6.18 Fairer charging – treatment of disability living allowance

The largest single change relates to fairer charging and the Council is currently out to consultation in relation to this area.

Section 17 of the Health and Social Services and Social Security Adjudications Act 1983 (HASSASSA Act 1983) gives councils a discretionary power to charge adult recipients of non-residential services such as day care, personal care at home and supported living.

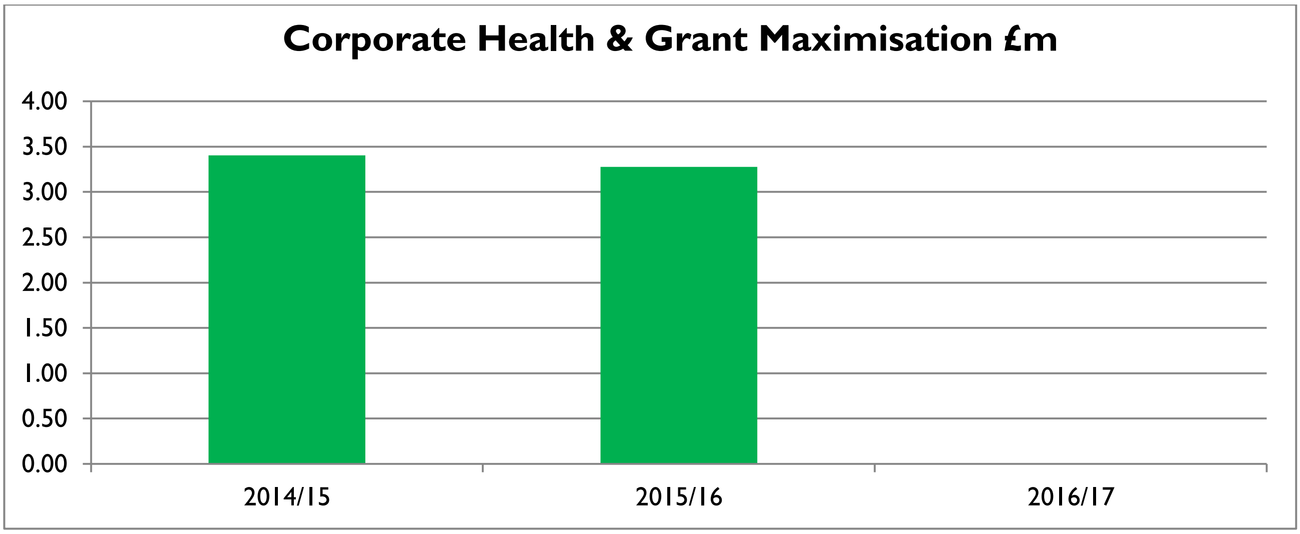
Councils may recover such charges as they consider reasonable in respect of relevant services. The Plymouth City Council Fairer Charging Policy aims to ensure that we demonstrate fairness between different service users and promote independence and social inclusion.
Charges are raised based on the total of the service user's assessed personal budget disregarding Income Support. The current policy does not take into account any disability related benefits of Attendance Allowance, Disability Living Allowance or Severe Disability Premium.

CIPFA Benchmarking (2012) has evidenced that Plymouth is in the extreme minority that totally disregard disability benefits with only **2%** of assessed servicer users contributing towards their package of care in Plymouth compared to an average of **37%**.

We are therefore proposing to revise the fairer charging policy. This may result in more service users having to make a contribution towards their package of care, whilst leaving sufficient funds to meet their expenses. This is consistent with other council policies such as the requirement for everyone (of working age) to contribute something towards their Council Tax and all organisations having to pay something towards their business rates.

The current number of service users receiving community based services is 2,990. This would be the largest proposed change to charging arrangements and will be subject to a separate committee report and consultation.

Figure 14: **Corporate Health and Grant maximisation £6.678m**



6.19 Corporate health and Grant maximisation will include:

6.19.1 Rescheduling of borrowing and investments

To achieve the required savings for 2014/15 we need to balance short term savings with medium to long term sustainability and stability. During 2013/14 we have put £10m into longer term investments generating higher returns, £5m in a Property Fund and £5m in a range of 'Cash Plus' Funds. In 2014/15 we will look to extend this by investing a further £10m in longer term vehicles, initially exploring opportunities for lending to Registered Housing Providers outside of Plymouth which could generate returns in excess of 3%.

Our existing borrowing portfolio has a significant proportion of our £175m loans tied up with banks and financial institutions for periods of more than 40 years. Alongside amending our investment portfolio to generate revenue savings, we will look to restructure our existing debt in 2014/15, considering re-paying an element of long term market loans at current rates of 4.5%+ with investment balances and/or cheaper alternative loans.

6.19.2 Changes to terms and conditions

The revision to the terms and conditions which were agreed in 2011 continues to achieve significant workforce savings. However, we need to achieve further savings going forward. Therefore, further discussions on terms and conditions continue to take place with the trade unions. The aim of these discussions is to further harmonise, ensure consistency and streamline policies, procedures and pay models.

6.19.3 Impact of Energy from Waste (EFW) plant being operational

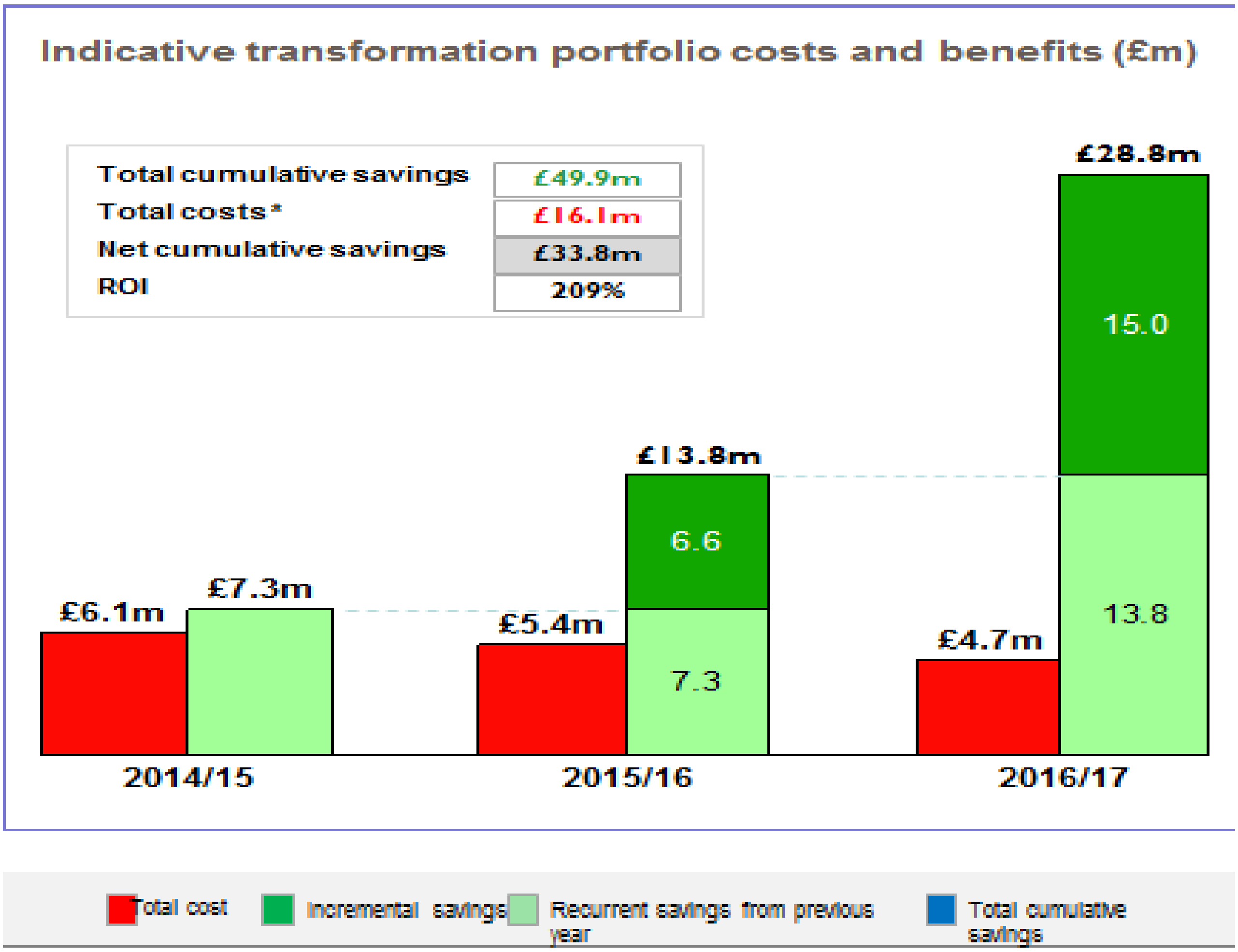
The EFW plant is due to be in operation during the latter part of 2014 or early in 2015. The solution offers a range of benefits including environmental, such as diversion of 97% of residual waste from landfill, and reducing 70,000 tonnes of CO_2 savings from current arrangements. Financial benefits include £389m of savings to the partnership over its lifetime.

6.19.4 Further rationalisation of management

We undertook a strategic senior management review which took effect from January 2012. We adopted a three directorate model, with Place, People and Corporate Services as the main areas, together with a small Chief Executive office, reducing the structure from the previous five directors to three. With the appointment of a new Chief Executive during 2013/14 there has been a further review of the senior management team, with Transformation and Change replacing the Corporate Services directorate and the office of Director of Public Health hosted in the People Directorate.

We are now reviewing all of our management to streamline the number of layers and also rationalise the spans of control. HR is working with each Assistant Director to undertake a review of the current structures, and advising on changes required to ensure consistency across the council.

Figure 15: **Transformation £24.2m**



6.20 We are fundamentally challenging and transforming the way in which the council operates as set out in the blueprint. This will result in us having a completely different approach to customer services and shape to the organisation in three years' time.

Due to the extent of change, to drive the level of savings that we are anticipating needs professional planning and preparation. As such, the majority of financial savings from our transformation programme will not be realised until 2015/16 and beyond.

Outline business cases have been presented in late November 2013 and provisional figures have been provided by Ernst and Young in relation to the costs and benefits achievable. For the purpose of this report, these provisional figures have been used. However, further work is required to understand the actual timing and benefit profile that Plymouth can achieve over the future months and years. This will be fed into January 2014 Scrutiny.

We will continue to modify and enhance the business cases and gather further intelligence on the costs and benefits as the programme evolves. Any material changes will be fed into regular monitoring throughout 2014/15 with the medium term financial forecast updated accordingly. A cross-party board of members will also monitor progress and development of our transformation programme.

7. 2014/15 detailed budget

7.1 The net revenue budget that we are presenting for 2014/15 is for £203.07m which is currently £1.10m more than the estimated resources available. We will continue to develop financial solutions over the coming weeks in order to present a balanced budget to the January 2014/15 scrutiny.

7.2 The resource base between 2013/14 and 14/15 will reduce by £10.58m, subject to receiving the final settlement in December 2014. If you incorporate the unavoidable cost pressures of £6.3m, this equates to a real reduction of 8.6% in our net revenue budget within just one financial year.

7.3 In setting the budget, we have taken a cross-cutting approach to prioritisation and resource allocation. However, for reporting purposes, we have re-presented the figures on a departmental basis in ***Figure 16*** in order to provide a year by year comparison.

Figure 16: Indicative target budget by department

			Solutions					
Directorate	**13/14 base**	**+ Cost Drivers**	**Services Re-design / Reduction**	**Cooperative / Partnership Working**	**Challenge Down External Expenditure**	**Income Generation**	**Corporate Health & Grant Maximisation**	**14/15 Target**
	£m	£m	£m	£m	£m	£m	£m	£m
People	130.00	3.44	(1.04)	(1.04)	(2.89)	(1.80)	0.00	126.67
Place	42.09	0.85	(0.85)	0.00	(0.03)	(1.01)	(1.90)	39.16
Corporate Services	29.97	0.37	(1.40)	(0.10)	(0.85)	(0.25)	0.00	27.74
Chief Executive Office	1.99	0.00	(0.15)	0.00	0.00	0.00	0.00	1.84
Corporate Items	8.51	1.60	0.00	0.00	0.00	0.00	(1.50)	8.61
Transformation	-	0.00	0.00	0.00	0.00	0.00	(1.20)	(1.20)
TOTAL	**212.56**	**6.26**	**(3.43)**	**(1.14)**	**(3.76)**	**(3.06)**	**(4.60)**	**202.82**

Resources estimate of £201.984 = current shortfall of £1.1m.

7.4 The figures stated above are net revenue figures. The actual gross income and spend across the council is much greater. For comparison purposes, our net budget for 2013/14 is £212.56m which will fall in the December Settlement figures.

7.5 Clearly, our budget solutions moving forward rely on us to, wherever possible, maximise the income and investment coming into the city alongside the need to reduce our spend commitments. An analysis of gross income for 2013/14, alongside spend against recognised CIPFA headings can be seen as **Appendix B**.

7.6 Despite the severe cuts, our 2014/15 budgets still strive to deliver quality and improved services to our residents.

The Corporate Plan contains ambitious objectives around the four themes of Pioneering, Growing, Caring and Confident.

7.7 Pioneering

An example of our ambitions to be a pioneering council includes the setting up of a single point of contact for our customers. We will hold all of our data on customers in one place, rather than over several different databases. This means that a customer will be able to make contact with us and we will be able to deal with all of their enquiries at that point of contact.

We also have ambitions to enhance the reputation of the City of Plymouth on both the national and international stage. We are building on our unique waterfront heritage and the opportunities this gives us. We aim to improve our visitor numbers with more national events such as the annual National Firework Championship, and are working with National Heritage on the creation of a living museum which will bring the historic experiences to life, whilst also housing our city's archives.

As an Authority, we are working closely with our partners in the city to improve our green footprint. We are installing solar panels on our properties, and working with schools and colleges across the city to reduce their carbon emissions. We have recently made a commitment to invest over £17m to replace all of our street lighting with LED bulbs. This initiative has the dual benefits of reduced running costs and lower energy emissions, together with improved level of street lighting for our citizens.

7.8 Growing

We have set ourselves ambitious targets to grow the city, and launched several initiatives this year to help us achieve these ambitions, including the Plymouth Plan, Plan for Jobs, Plan for Homes and the creation of our Investment Fund.

In June this year we launched the Plymouth Plan Convention, following our Plymouth Plan Sofa Tour. We are currently analysing all of the comments received which will inform the drafting of the Plymouth Plan.

We have created a fund of £20m to invest in Plymouth's economy as part of our 'Plan for Jobs'. This fund will be used to invest in property and businesses to stimulate local job creation and retention in the city. We will also aim to optimise investment into the city through match funding with government and other external grant funding.

The Plan for Jobs is set to create more than 2,000 jobs in the city over the next two years. This is in addition to the success of the 1000 Club working in partnership with the private and social enterprise sector to boost the number of apprentices across the city.

Plymouth has joined forces with our neighbouring authorities in Devon, Torbay and Somerset as part of The Heart of the South West (HotSW) LEP (Local Enterprise Partnership). This strategic partnership organisation is formed under the leadership of the private sector and supported by the local authorities to influence the economy for the region.

We are continuing to raise achievement and retain the number of schools judged good or better by Ofsted.

In addition we will be continuing to focus on the issues of rising youth unemployment and NEETs.

7.9 Caring

The 2013/14 approved net budget for Joint Commissioning and Adult Social Care is currently £70.743m, being £87.107m expenditure with an offset of £16.364m in income. Going forward, we face increasing numbers of frail older people and people with dementia which will impact on the intensity of care and support services, plus rising costs of residential care home provision and the impact of inflation across all contracts, together with coping with sharply decreasing Government funding resources. We are addressing these issues with:

- The Health and Wellbeing Board which has set a date of 2016 to achieve integration across both provision and commissioning.
- Working with Plymouth Community Healthcare and Plymouth Hospitals NHS Trust to roll out care coordination to prevent unnecessary hospital admissions and discharges to residential and nursing homes
- Jointly commissioning services such as CES (Community Equipment Service)
- Jointly commissioned with Health a Supported Living Framework for people with Learning Disabilities
- Continuing the roll out of enabling personalisation and promoting independent living

We will have a relentless focus on safeguarding of children, young people and adults and will continue to work in partnership with agencies like Police and Health to ensure all of our most vulnerable citizens are protected.

We are embedding our new operating model in adult social care, and continue our investment in the Quality Improvement Team who work with external providers of residential and nursing home care to ensure vulnerable adults are treated with dignity and respect.

Our Early Intervention Plan for children and young people ensures we prioritise prevention which will help us manage increasing pressures and demand with a particular focus on ensuring services are available for those suffering domestic abuse or involved in risk-taking behaviours.

7.10 Confident

A sign of our confidence as a council is our recent rebadging of Plymouth as Britain's Ocean City. There are more than 50 towns and cities scattered across the world which share the name but few cities can rival Plymouth's rich seafaring heritage, its stunning waterfront and natural harbour, its vibrant cultural life and its close proximity to some of the most beautiful countryside in the UK. Plymouth is now increasingly known for excellence in education, being at the forefront of marine science and industry and for its exciting annual programme of events and cultural activities. We are now competing on a global stage and we need to clearly communicate what the city has to offer, both its unrivalled past and its exciting future.

The Mayflower 2020 project sets out Plymouth's ambitions for this celebration to be a year of both national and international significance for the city. Plans are underway for a period of transformation over the next seven years that will bring commercial and cultural opportunities to the city on a scale not seen since its rebuilding after the Second World War.

We intend to commemorate this landmark anniversary through a programme of capital investment to modernise and exploit the city's natural assets, to bring about an economic renaissance which will create jobs and commercial opportunities to the city and to create a truly transatlantic cultural celebration fit for a global audience and that consolidates our special relationship with the US and helps put Plymouth on the world stage.

Discussions are underway with business partners in Plymouth, Massachusetts, exploring opportunities for collaborative working for their Mayflower400 celebrations. There are plans to target visitors from the east coast of America as part of the long term Visitor Plan.

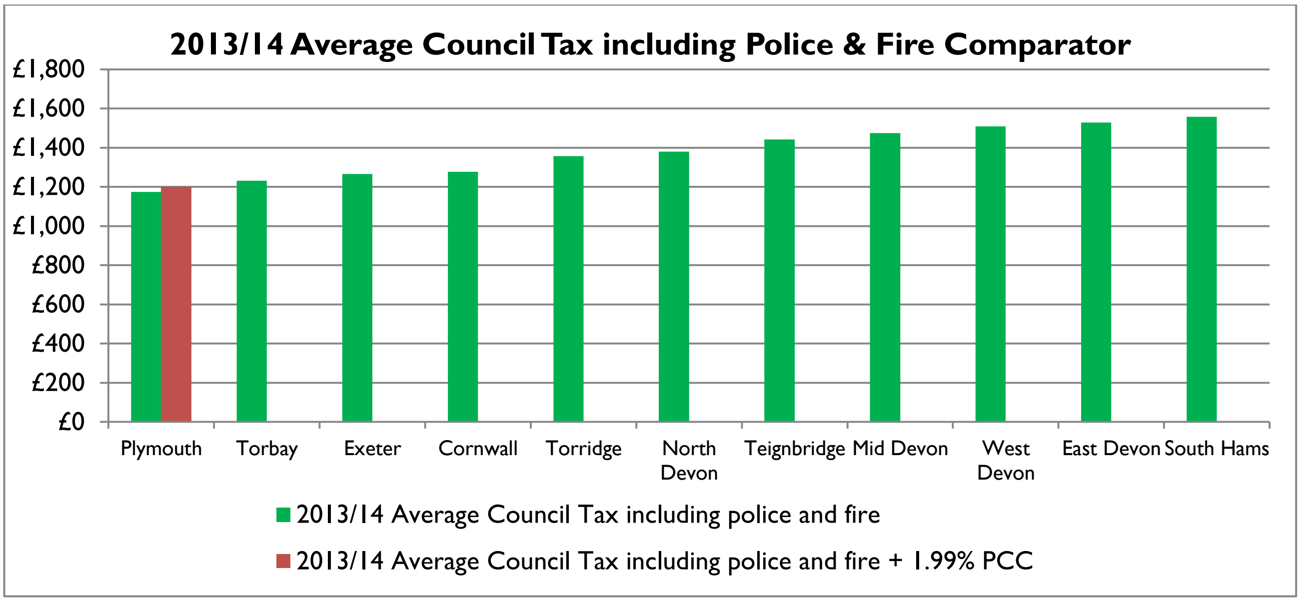
8. Council Tax

8.1 Facing a real term funding reduction from central government of circa £33m over the next three years, forces us to look at how we can generate more income locally in order to retain and protect essential and invaluable services to our residents.

8.2 The government has, again, offered some support in the form of a 1% grant to councils who agree to freeze their council tax in 2014/15. But, as per previous initiatives, there is no certainty that such a grant will be incorporated into our base budgets beyond 2015/16. Thereby budgeting on this basis is extremely risky in committing on-going spend against short term money.

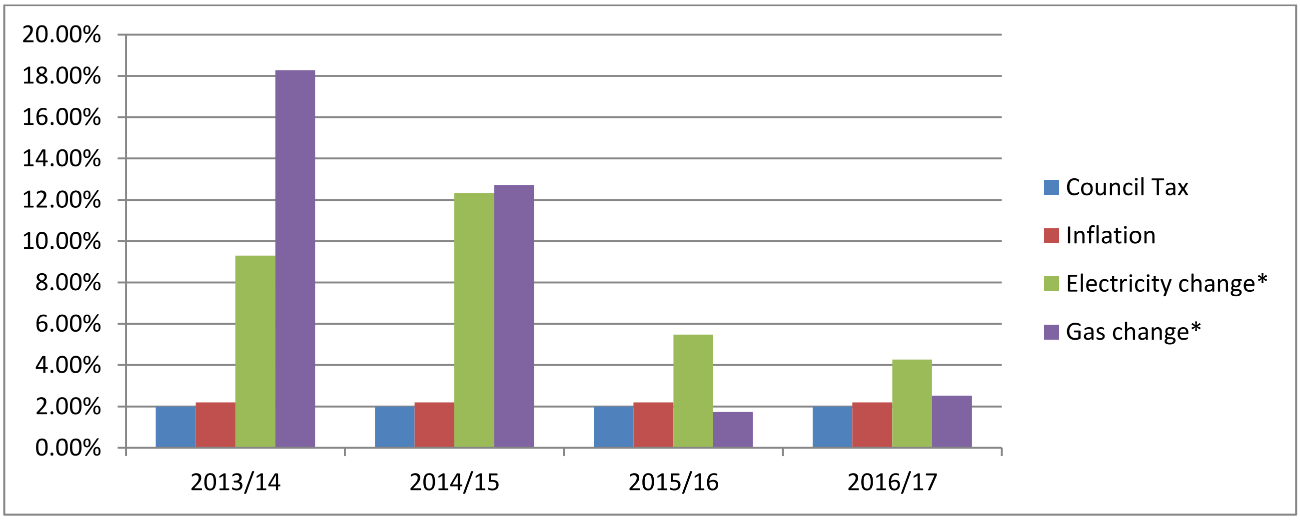
8.3 We are therefore proposing to take the difficult decision to raise Council Tax next year by 1.99% which would add circa £1.7m into our revenue base budget from 2014/15 onwards. Despite this increase, we would still retain the lowest average Council Tax levels in the South West as below:

Figure 17: Average Council Tax Comparator



8.4 We recognise that increasing Council Tax will place added financial pressure on our residents and, as such, within this budget we are proposing measures that will protect those who are struggling most. Although it is a difficult decision to increase the Council Tax, the 1.99% compares favourably with other increasing costs, such as family utility bills and the general cost of living.

Figure 18: Inflation comparators



**Source:* UK Government Energy and Emissions projections 2013

8.5 In 2013/14 we introduced a local Council Tax Support, (CTS), scheme upon the abolition of the previous national framework. Plymouth took the decision to design its scheme on a 'cost neutral' basis, i.e. working within the level of fixed term funding provided by government which was some £2.6m short compared to spend for actual council tax benefit claimants.

8.6 Our CTS scheme required the vast majority of working age residents to pay at least 25% towards the cost of their council tax. This impacted on circa 16,000 individuals. Through maintaining high collection rates and working proactively with individuals to help reduce the demand on benefits, we are now consulting on reducing this upper limit to 20%. This will provide, on average, extra support of approx. £50 for each claimant.

8.7 We also recognise that more people are struggling and entering arrears on their council tax payments. Whereas we work proactively to help people manage their personal finances, the volume of people being referred to court for Liability Orders has increased. Where possible, we waive court costs and agree specific repayment plans, however, for those that we are not able to agree terms with, a charge of £83 is applied. As part of the 2014/15 scheme and revenue budget we are consulting to reduce this charge to £60.

8.8 Moving forward, as part of the transformation programme, and Plan for Homes policy, we intend to build as many as 1,000 new homes per year for each of the next five years. If achieved, this will clearly improve our council tax base and respective income collectable. This has been factored into the projected transformation savings for 2015/16 and 2016/17.

9. Business Rates

9.1 Our ability to generate income through business rates represents both an opportunity and risk. Prior to 2013/14, the rates that we collected locally were fed into a national 'pot' with Plymouth receiving their government grant funding based on a formula arrangement. Through this system, there was no incentive, or disincentive, to improve local business rate collection.

9.2 Under the new government regime, local authorities are exposed to the volatility of 50% of their local business rate generation. Our baseline for 2013/14 was £85.9m. For any extra rates that we are able to generate and collect locally, we are able to keep 49% of the surplus (with the other 50% going into the national pot, and 1% to the Devon & Somerset Fire Authority).

9.3 Through the first seven months of operating the new arrangements, we have managed to retain and improve our business rates income collection, currently achieving 71.47% against a target of 68.97%.

9.4 Similar to Council Tax, a core strand of our 'growth' transformation is to generate more businesses and jobs across Plymouth. To help with this, we have set up a specific 'investment fund', earmarking £20m capital funding that is topped up on a regular basis.

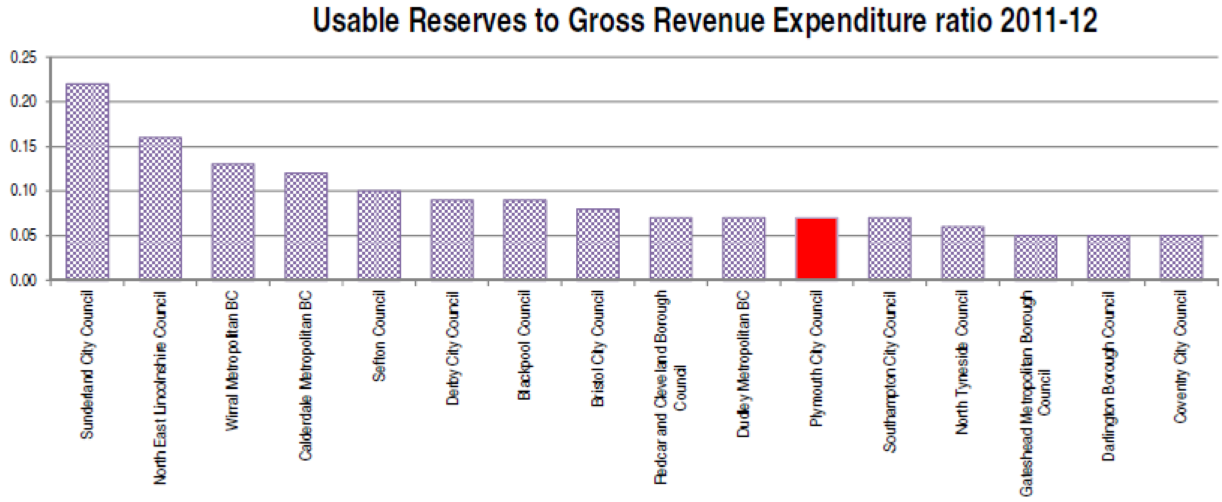
9.5 The key risk to business rates income is the economic environment and impact of businesses going into administration and/or leaving the city and the potential impact on any business successfully appealing their rateable value. The Valuation Office is the national body that sets rateable values, with the impact of any successful appeal to reduce a rateable value having a material impact on our future revenue streams. To mitigate this risk, Plymouth continues to administer and contribute to the Devon-wide Business Rate Pool, exploring potential to expand this arrangement beyond the county boundaries.

9.6 In early November 2013, government announced further changes as to how councils need to account, and set financial provision aside, for future business rate revaluation appeals. We are currently working through the detail to understand whether this will have any impact on the 2014/15 revenue budget.

10. Review of Reserves and Risk Management

10.1 Within the current funding climate, the council retains a prudent approach to risk management and retention of reserves and provisions. Our core working balance, as at 31 March 2013, at £10.8m is 5.3% of our indicative net 2014/15 revenue budget £201.984m. Compared with CIPFA peer group for Plymouth, this level is below average for a Unitary Council of our size and complexity. Our plans are to retain the Working Balance level throughout 2014/15 (compliant with the objectives set within our MTFF).

Figure 19: Usable Reserves comparator*



*Source 2013 Grant Thornton Financial Resilience report

10.2 In addition to the Working Balance, specific earmarked reserves are forecasted at £29.4m at the end of March 2014 and forecasted to reduce to £27.1m by 31 March 2015. The balances include, under IFRS requirements, Schools Balance (currently £6.4m) and unused year end Grants carry forwards once quantified.

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

10.4 A detailed analysis of the robustness of the budget, considering relevant risks, is detailed in **Appendix C** along with an analysis of actual, and planned, movement across all key Council Reserves in **Appendix D**.

10.5 As part of our revenue budget, we have historically carried a contingency as part of the Corporate Items budget. This is set aside to cover any unforeseen budget pressures. For 2014/15 this has been set at £1m. As and when the exceptional pressures become evident during the year, directors will need to present evidence to gain approval to draw down from this contingency.

10.6 **Appendix C** details a number of risks associated with the 2014/15 revenue and capital budget which might result in a future call against our contingency arrangements.

10.7 We have had to pump prime our Transformation Programme during 2013/14, and have undertaken a full review or our usable reserves to create a sum of £1.7m, as shown in the reserves appendix, this is all drawn down by the end of March 2014.

10.8 We are very clear that we will not be using any of our reserves to further fund the Transformation Programme going forward. The monies used in 2013/14 are one-off, and the programme must cover its own costs and deliver substantial savings in the future. Retaining adequate reserves is crucial in terms of contingency planning for the scale of the ambitious change agenda that we face.

11. Human Resources and Workforce

11.1 The Council directly employs approximately 3,791 staff (3017 FTE) and a further 2,185 FTE staff within maintained schools. The impacts of the Council's budget proposals affect only those employed directly as schools have delegated budgets for staffing.

11.2 Our total wage bill (excluding on-costs) is around £77 million. Each year the Council's budget includes an assumed turnover of staff thereby salary budgets are traditionally set at 97% of full year establishment.

11.3 After three years of a 'pay freeze', a 1% pay award was granted to staff, (excluding Chief Officers), in 2013/14. Budget provision was put aside for this award. A 1% increase costs the Council approximately £0.810m (£1m including on-costs). An allowance for future pay awards has been factored into our cost pressures.

11.4 We continue to drive the values of a fair and equitable employer and are adopting the principles of the living wage fully by 2014/15.

11.5 Revised Terms & Conditions were agreed in 2011 continue to achieve significant workforce savings. Further discussions on terms and conditions continue to take place with the trade unions. The aim of these discussions is to further harmonise, ensure consistency and streamline policies, procedures and pay models.

11.6 The number of Full Time Equivalent posts employed by the Council continues to decline as our resources reduce. Trends of FTE posts over previous and future years can be seen below:

Figure 20: FTE forecast

	2011/12	2012/13	2013/14	By 2015/16
	FTE	FTE	FTE	FTE
FTE Council Employees	3,248	3,063	3,017	2,717

11.7 In overview terms, it is estimated that in excess of 300 FTE posts will be reduced in the next two years with further posts being considered through alternative service delivery mechanisms (e.g. shared services, social enterprises) as a direct result of the actions and solutions that will be delivered within the 2014/15 budget.

11.8 Absence rates across the council have steadily improved throughout 2013/14. We have surpassed the target set as 8.5 days per employee within year, currently achieving an average of 7.76 days (October 2013). That said, we still exceed the average rates compared to other unitary councils and therefore we will retain close monitoring and management action in order to continue the downward trend in 2014/15.

11.9 Our success in attracting and building our base of apprenticeships across the council has been impressive. We currently host 106 such placements which is helping to invigorate the workforce, attracting new ideas and harvesting a healthy culture of nurturing and developing local talent. The Council is also offering 12 advanced apprenticeships to study NVQ4 in Project Management with start dates in December and January.

12 Capital Resources and Prioritisation

12.1 The council continues to challenge the affordability of its four year Capital Forecast for the period 2013/14 to 2016/17. There remains some volatility around future capital grant funding and income generation through capital receipts. The four year forecast is based on known and anticipated future capital funding streams using the assumptions as detailed below.

Figure 21: Four year Estimated Capital Resources

Funding Source	2013/14	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m	
Un-ringfenced Grants	18.042	15.443	11.853	11.050	56.388
Ring-fenced Grants	25.460	8.321	9.000	15.000	57.781
Developer Contributions	1.093	1.708	1.000	1.000	4.801
Capital Receipts	4.995	14.279	8.256	4.000	31.530
Unsupported Borrowing	15.386	15.634	7.601	5.000	43.621
Revenue funds	5.267	3.350	1.250	1.000	10.867
Total	**70.243**	**58.735**	**38.960**	**37.050**	**204.988**

12.2 Officers will remain proactive at optimising external grant funding wherever possible in order to continue to deliver significant, ambitious capital investment in the city. The indicative programme will be continually updated as further details of funding are made available.

12.3 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).

12.4 However, with resources at a premium, we need to ensure that we maximise the outcomes and revenue savings generated through capital investment. For example, growing businesses in the city and building more houses will generate much needed business rate income, new homes bonus and extra council tax.

12.5 We continue to evolve from a complicated capital programme with a multitude of schemes across a wide spectrum to a smaller number of more strategic capital investments that contribute most to the objectives and priorities of a brilliant co-operative council.

12.6 In 2013/14 we created a unique investment fund of £20m to specifically focus on supporting and growing the local economy, creating local jobs for local people. Schemes approved or currently under consideration from this fund include:

- Langage Business Park
- History Centre
- City Deal
- Ocean Studios

We will continue to regularly top-slice non ring-fenced grants in order to keep a steady income flow into the investment fund.

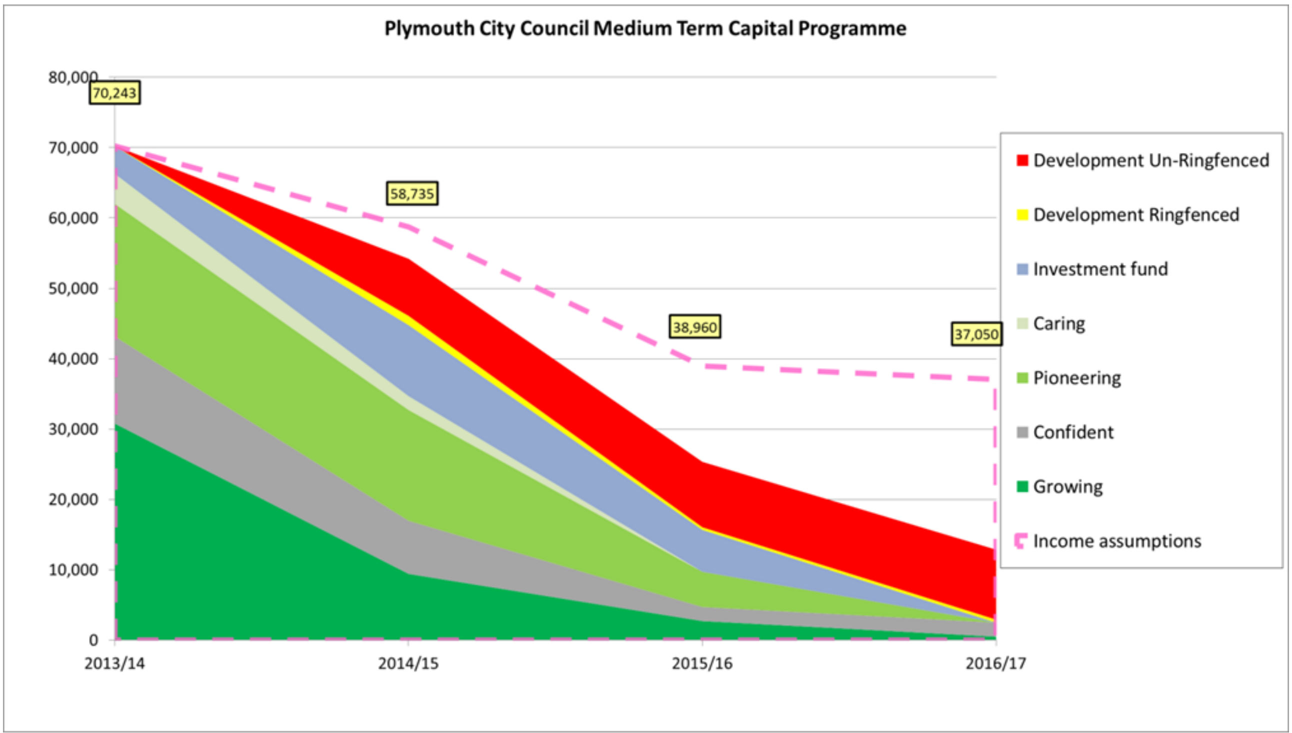
12.7 We also made a commitment in the 2013/14 budget to invest an additional £20m over the next 10 years in our road infrastructure. Significant progress has been made over the last 12 months in much needed road re-surfacing and we will continue to build on this programme throughout this four year capital budget.

12.8 Recent capital investment has also enabled the major refurbishment of the Theatre Royal, delivered the city with a University Technical College and continued to upgrade and build first rate educational establishments such as Marine Academy, All Saints Academy and Tor Bridge Campus.

12.9 In addition we are also introducing a £50m affordable Housing Loan scheme for social and co-operative housing associations to encourage growth and improve the choice of affordable housing in the city (subject to due diligence).

12.10 The comparison of our anticipated capital income over the next four years with the investment schemes that have been approved to date can be seen below:

Figure 22: Forecasted capital resources and spend commitments



12.11 In partnership, we have undertaken a strategic review of all of the council's assets. This review will help us to take a more sustainable, longer term view to decision making regarding the level of investment and dis-investment from our asset base. We will continue to challenge the purpose and need for asset ownership, consider investing and building the asset base where appropriate and generate capital receipts and encourage more house building through the sale or development of the land and buildings that we own.

13 Treasury Management

13.1 Proactive treasury management is a crucial element in delivering a sustainable revenue budget. Optimising returns on spend turnover of more than £550m can deliver significant financial benefits, as can investing our longer term reserves and provisions in appropriate vehicles.

13.2 At any one time, the amount of borrowing that the council has is in excess of £200m with investments of more than £100m. The net revenue cost of paying interest and minimum reserve provision, (MRP), on our loans, partially offset from the income from our investments, is £16.5m in 2013/14. We have set an ambitious target of reducing this net revenue cost by circa £1m for 2014/15.

13.3 Treasury Management decision making is based on balancing risk versus reward. Subsequent to the collapse in the markets, and associated loss of investments in Icelandic Banks in 2008, our appetite towards risk has been very cautious with the vast majority of our funds being held in short term 'call accounts' with the highest rated UK banks.

13.4 To achieve £1m savings for 2014/15 we need to balance short term savings with medium to long term sustainability and stability. Investing a proportion of our portfolio outside of call accounts is absolutely the right thing to do, but our ability to generate high returns from such investments is extremely limited.

13.5 During 2013/14 we have put £10m into longer term investments generating higher returns, £5m in a Property Fund and £5m in a range of 'Cash Plus' Funds. In 2014/15 we will look to extend this by investing a further £10m in longer term vehicles, initially exploring opportunities for lending to Registered Housing Providers outside of Plymouth which could generate returns in excess of 3%.

13.6 In addition to this, we are exploring an innovative Housing Loan scheme that aims to unlock funding of up to £50m to local Housing Providers to develop a mixture ofsocial and privately owned homes on specific sites across the city. Whereas such transactions are accounted for as capital investment, how this is funded in terms of accessing and facilitating the loans will be an integral part of treasury management in 2014/15.

13.7 Our existing borrowing portfolio is heavily skewed, with a significant proportion of our £175m loans tied up with banks and financial institutions for periods of more than 40 years. Many of these loans were taken in the late 1990's and early 2000's linked to capital spend requirements, with some inherited through the last local government re-organisation.

13.8 Loans with the Public Works Loans Board are proportionately low, (£45m compared with £130m market loans), due to much of this being paid off through the council's housing stock transfer in 2009.

13.9 Alongside amending our investment portfolio to generate revenue savings, we will look to restructure our existing debt in 2014/15, considering re-paying an element of long term market loans at current rates of 4.5%+ with investment balances and/or cheaper alternative loans.

13.10 Such transactions will generate year on year revenue savings for at least the next five years as economic forecasts indicate that the UK economy will retain low interest rates for the foreseeable future. However, as these loans span several decades, there is a risk that when interest rates rise to a certain level, the medium term benefits that we have accrued will tip over to a potential period of losses. To mitigate this risk, we will continue to regularly review our investment opportunities, looking to lock in to achieve high returns from longer term investments.

13.11 **Appendix F** provides a one page summary of our existing short and long term investments and borrowing in a balanced scorecard format.

14 Next steps

14.1 This is a draft budget report for consultation. Cabinet will consider all consultation responses, along with the output from the January 2014 budget scrutiny and any material changes from the final funding settlement, in early February 2014 prior to recommending a final budget for adoption by Full Council on 24 February 2014.

14.2 The overall revenue and capital budget allocations stated in this report are accurate based on the information known to us at the time of writing. However, there will be a number of adjustments that will be required within the overall revenue total.

14.3 All departmental budgets will need to be updated and adjusted to account for:

a) Virements undertaken during the period October to 31 December 2013;
b) Final allocations re Revenue Settlement;

14.4 Details of all such corporate adjustments will be incorporated within the papers for the final February 2014 Council budget meeting. Corporate adjustments are not anticipated to materially affect the departmental revenue targets as detailed within this report.

TARGET BUDGETS - 3 YEAR SUSTAINABLE NET BUDGETS

2014/15	Base Budget	Cost Drivers	Service Re-design / Reduction	Co-operative / Partnership Working	Challenge down external expenditure	Income Generation	Corporate Health & Grant Maximisation	Transformation	Revised MTFF Target Budget
Directorate	£000	£000	£000	£000	£000	£000	£000	£000	£000
People	130,002	3,689	(1,039)	(1,592)	(2,887)	(1,250)	0	0	126,923
Place	42,091	850	(845)	0	(27)	(1,008)	(1,903)	0	39,158
Corporate Services	29,965	370	(1,400)	(100)	(850)	(250)	0	0	27,735
Exec Office	1,993	0	(150)	0	0	0	0	0	1,843
Organisation Wide	8,509	1,600	0	0	0	0	(1,500)	(1,200)	7,409
Totals	**212,560**	**6,509**	**(3,434)**	**(1,692)**	**(3,764)**	**(2,508)**	**(3,403)**	**(1,200)**	**203,068**

2015/16	Base Budget	Cost Drivers	Service Re-design / Reduction	Co-operative / Partnership Working	Challenge down external expenditure	Income Generation	Corporate Health & Grant Maximisation	Transformation	Revised MTFF Target Budget
Directorate	£000	£000	£000	£000	£000	£000	£000	£000	£000
People	126,923	4,450	(340)	(1,335)	(1,327)	0	0	0	128,372
Place	39,158	1,050	(370)	(25)	(100)	(589)	(3,275)	0	35,849
Corporate Services	27,735	120	(410)	0	(50)	(200)	0	0	27,195
Exec Office	1,843	0	(130)	0	0	0	0	0	1,713
Organisation Wide	7,409	670	0	0	0	0	0	(7,300)	779
Totals	**203,068**	**6,290**	**(1,250)**	**(1,360)**	**(1,477)**	**(789)**	**(3,275)**	**(7,300)**	**193,908**

2016/17	Base Budget	Cost Drivers	Service Re-design / Reduction	Co-operative / Partnership Working	Challenge down external expenditure	Income Generation	Corporate Health & Grant Maximisation	Transformation	Revised MTFF Target Budget
Directorate	£000	£000	£000	£000	£000	£000	£000	£000	£000
People	128,372	4,103	(253)	(1,025)	(987)	0	0	0	130,210
Place	35,849	200	(240)	0	(200)	(412)	0	0	35,197
Corporate Services	27,195	120	(160)	0	(50)	0	0	0	27,105
Exec Office	1,713	0	(130)	0	0	0	0	0	1,583
Organisation Wide	779	1,000	0	0	0	0	0	(15,700)	(13,921)
Totals	**193,908**	**5,423**	**(783)**	**(1,025)**	**(1,237)**	**(412)**	**0**	**(15,700)**	**180,174**
3 Year total		**18,222**	**(5,467)**	**(4,077)**	**(6,477)**	**(3,709)**	**(6,678)**	**(24,200)**	

GROSS BUDGETS 2013/14		People	Place	Corporate Services	Council Wide	Executive Office	Total General Fund
		£	£	£	£	£	£
Income	Fees and Charges	(13,153,925)	(6,566,253)	(4,580,974)	0	(9,000)	(24,310,152)
	Government Grants	(155,292,546)	(2,893,318)	(101,556,904)	0	0	(259,742,768)
	Licencing	(57,000)	(331,729)	(5,500)	0	0	(394,229)
	Other Grants Reimbursements	(9,872,588)	(1,235,752)	(1,745,732)	0	(11,700)	(12,865,772)
	Other Income	(444,781)	(1,513,551)	(4,707,700)	0	0	(6,666,032)
	Recharges to Other Accounts	(2,642,859)	(11,743,194)	(3,943,031)	(7,368,684)	(148,647)	(25,846,415)
	Interest	0	0	0	(568,844)	0	(568,844)
	Rents	(611,704)	(5,380,808)	(763,602)	0	0	(6,756,114)
	Sales	(2,931,030)	(1,470,500)	(78,505)	0	0	(4,480,035)
	Core Funding	(129,749,000)	(41,908,337)	(29,882,839)	(9,029,075)	(1,990,769)	(212,560,020)
	Income Total	**(314,755,433)**	**(73,043,442)**	**(147,264,787)**	**(16,966,603)**	**(2,160,116)**	**(554,190,381)**
External Expenditure	Supplies and Services	122,281,642	15,627,738	7,826,858	368,617	40,083	146,144,938
	Third Party Payments	124,351,894	17,442,249	763,797	0	52,959	142,610,899
	Transfer Payments	164,704	0	102,475,638	0	0	102,640,342
	External Expenditure Total	**246,798,240**	**33,069,987**	**111,066,293**	**368,617**	**93,042**	**391,396,179**
Assets and Premises	Capital Financing outside NCS	2,031,034	1,331,447	869,185	12,954,816	0	17,186,482
	Depreciation & Impairt Lossese	0	642,542	432,808	0	0	1,075,350
	Premises	2,407,133	5,206,112	7,122,256	0	1,607	14,737,108
	Assets and Premises Total	**4,438,167**	**7,180,101**	**8,424,249**	**12,954,816**	**1,607**	**32,998,940**
Management & Support	Employees	58,215,722	24,769,181	27,057,232	3,453,260	2,046,756	115,542,151
	Support Services	3,366,880	1,367,491	426,339	189,910	2,246	5,352,866
	Transport	1,936,424	6,656,682	290,674	0	16,465	8,900,245
	Management & Support Total	**63,519,026**	**32,793,354**	**27,774,245**	**3,643,170**	**2,065,467**	**129,795,262**
Total Expenditure		**314,755,433**	**73,043,442**	**147,264,787**	**16,966,603**	**2,160,116**	**554,190,381**
Total Net Expenditure		**0**	**0**	**0**	**0**	**0**	**0**

N.B. - 2013/14 Base data used in table above, 2014/15 data to be provided in final document

Appendix C

Analysis of Budget Robustness

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

SECTION I - DELIVERY OF BUDGET		
1. Delivery of a 3 year sustainable balanced budget **(a) Resource Assumptions** Public Sector funding continues to remain extremely challenging. Central Government settlements are now much more short term and uncertain. At the time of setting this 2014/15 indicative revenue budget we still do not know what our funding is for the year (confirmation is expected late December 2013) The detailed local settlement follows the headlines which will be announced in the Chancellor's autumn statement which this year will not be until 5 December. Overall revenue funding is expected to continue to reduce for the foreseeable future. The indications are for a 51% reduction in formula grant over the next 3 years which equals £39m. The government uses each spending review as an opportunity to review the level of specific grants or to mainstream specific grants into core funding. Where this happens there is a risk of reduced funding impacting on the budget.	Medium Term Financial Forecast has been modelled on a 'most likely' and 'worst case' scenario. Including known spending commitments, the worst case model indicates a resource of £64.5m by the end of 2016/17. Through a process of constructive challenge, commercial negotiation and proactive management actions with Assistant Directors and Service Managers, we have managed to reduce our cost pressures by £12.6m over the next 3 years. We have also revised our assumptions around Council Tax and Business Rates income further reducing the shortfall by £6.7m. Solutions for the 3 year period have been subjected to robust scrutiny both at senior officer level and comprehensive cabinet and member challenges. Work continues to identify further solutions to close the £1.1m gap currently showing for 2014/15. The Council will work closely with other stakeholders such as unitary councils, the Local Government Association, SOLACE and LG Futures to interpret, translate and communicate guidance and indicative figures produced from central government at the earliest possible opportunity.	**RED**

Analysis of Budget Robustness

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

(b) Risk of non-delivery of budget solutions Underpinning the 2013/14 budget is a set of challenging departmental and cross cutting delivery plans. Continuing to deliver increasing plans with limited capacity requires excellent project management and careful monitoring. 2013/14 forecasted revenue budget overspend as reported in September '13 quarterly monitoring will add further pressure if CMT are not able to return a balanced budget by year end.	All departments are seeking to make savings to deliver a breakeven budget for 2013/14 and address the reported Adult Social Care budget pressures. Detailed public quarterly reports will continue with a monthly streamlined report being reviewed by CMT and Cabinet Members and Scrutiny.	**RED**
(c) Risk of non-delivery of Transformation programme Having already reduced net revenue spend by £30m over the last three years, the Council now faces an indicative funding shortfall of circa £64.5m over the next three years. This will force us to fundamentally transform the way in which we undertake our business and demands a new approach to sustainable budget setting. Our transformation programme is a key element for delivering a 3 year balanced budget. There is a risk that, with so many changes planned, the financial benefits of transformation will be difficult to achieve. Due to the extent of change, to drive the level of savings that we are anticipating needs professional planning and preparation.	Managing down cost pressures, revising Council Tax assumptions and factoring financial benefits from being part of the Devon-wide Business rate pool reduces the underlying financial shortfall to £45.2. We have factored the majority of financial benefits from transformation into years 2 & 3 of the programme – giving time and capacity in the first year to implement the relevant infrastructure and project planning. Outline business cases have been presented in late November 2013 and provisional figures have been provided by Ernst and Young in relation to the costs and benefits achievable. Further work is required to understand the actual timing and benefit profile that Plymouth can achieve over the future months and	

Analysis of Budget Robustness

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

	years. This will be fed into January 2014 Scrutiny. A cross-party board of members will monitor progress and development of our transformation programme.	
(d) Transfers of Responsibilities and Funding More emphasis on generating local funding Central Government formula grant will continue to diminish. The impact of this can be dampened through generating more local income through Business Rates, Council Tax and New Homes Bonus. Local Council Tax Support The system for administering Council Tax Benefit changed from a national system to a locally administered scheme. In 2013/14 we introduced a local Council Tax Support, (CTS), scheme upon the abolition of the previous national framework. Plymouth took the decision to design its scheme on a 'cost neutral' basis, i.e. working within the level of fixed term funding provided by government which was some £2.6m short compared to spend for actual council tax benefit claimants. There is a risk of falling collection rates as more residents fall into financial hardship.	The Council retains economic growth as a key priority and will aim to divert further resources into this area. Delivery of growth will generate additional local business rates, an element of which will be retained by the council under the new funding framework. PCC will continue as Lead Authority for the Devon wide Business Rate 'pooling' arrangement in order to maximise the total business rates retained in the County. We will continue to work with individuals to offer support and guidance for managing their finances, including optimising the benefits that they are entitled to. We are proposing under this budget to reduce the maximum level of payment from Council Tax Support residents from 25% to 20% which will equate to approx.. £50 support per household to those most in need. Council Tax and Business Rate collection will remain under close scrutiny and review.	**AMBER**

Analysis of Budget Robustness

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

Business rate collection The key risk to business rates income is the economic environment and impact of businesses going into administration and/or leaving the city and the potential impact on any business successfully appealing their rateable value. The Valuation Office is the national body that sets rateable values, with the impact of any successful appeal to reduce a rateable value having a material impact on our future revenue streams.	To mitigate this risk, Plymouth continue to administer and contribute to the Devon-wide Business Rate Pool, exploring potential to expand this arrangement beyond the county boundaries. In early November 2013, government announced further changes as to how councils need to account, and set financial provision aside, for future business rate revaluation appeals. We are currently working through the detail to understand whether this will have any impact on future revenue budgets.	
2. Service Specific Issues **(a) Children and Young People** Children in Care Increasing numbers of very young children requiring adoption will result in more children aged 5-11 remaining in foster care against a backdrop of a national shortage of adopters • The level and complexity of need and behaviours of some children requiring care in high cost Independent Fostering and residential placements. Children in the Community • The number of referrals to children's social care continues to rise. The numbers of children subject to a Child Protection Plan is relatively stable, however the current economic climate and welfare reforms are likely to have an impact	Regular financial modelling of actual activity and trends, monitoring of social work caseloads Continued focus on preventative and early intervention strategies to prevent cases escalating and to keep children in their extended family environment. Closer working relationships with the courts in relation to the implementation of the Family Justice Review. Implementation of the Adoption Action plan, partnership working with our local Voluntary Adoption Agency to recruit adopters for 'harder to place' children. Continued recruitment, retention, training and development of in house foster carers to keep children within Plymouth. Audit of referrals and initial assessments to examine robustness	**AMBER**

Analysis of Budget Robustness

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

School Reform There continues to be a change to the status of schools in the city which include academies, trust schools and co-operative trusts as well as local authority maintained schools. There is increased competition in the market to sell services to schools which could lead to a loss of business and income. The role of the local authority as a champion of inclusion is impacted by reduced budgets. An increase in the numbers of children and young people with complex disabilities and the cost of meeting their needs. Budget pressures and structural changes across partner agencies impact on the ability to promote early intervention and prevention and diversion from specialist services and invest in workforce development.	of children social care thresholds. Appropriate de-escalation of child in need or child protection cases via the common assessment framework to community support Focus on local co-operative and collaborative models working with schools to design and promote local services to support their needs. Promoting an ongoing collaborative relationship with organisations of schools for school improvement and support for pupils. Modernising the traded offer to schools through the Services4Schools directory to maximise buy back. Continued work with partners, local special schools and the voluntary and community sector to provide lower cost personalised packages of education and care. Early Intervention and Prevention Strategy agreed by all partners to improve integrated working. This will include collective workforce development. Rigorous commissioning and contract monitoring of early intervention services.	
(b) Adult Social Care Within Adult Social Care there are nationally recognised demographic changes which impact the budget, due to both an ageing population and increased complex needs.	Accurate and timely monitoring information provided to lead officers for Adult Social Care.	**AMBER**

Analysis of Budget Robustness

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
The services are volatile and small changes in service user numbers of those with high care needs can impact significantly on the budget. Underlying revenue overspend in 2013/14 will place additional pressure to deliver efficiencies alongside the challenging transformation plans for 2014/15-2016/17. The personalisation, modernisation agendas continue to present challenges as they drive the transformation of the service. The transition from traditional to modern methods of care and necessary cultural changes could in the interim create budget pressure. Service priorities and funding decisions made by Health Partners can impact on the costs incurred by the Council.	Allowances made in the three year sustainable budget plan for inflation and demographic growth. A number of management actions have been put in place to deliver a balanced budget for 2013/14. Better integrated forecasting and working with Health. Review of data quality, linked to Carefirst project and other systems. The People Programme Board continues to govern and scrutinise the delivery of action plans and the transformation of adult social care services and commissioning intentions. Maintaining effective and influential working relationships with Plymouth Health Commissioners. Public Health staff has co-located with Social Services staff in Windsor House.	
(c) Homes and Communities **Housing** There is a risk of rising costs for homelessness, housing need and other housing services due to • Increasing demand because of welfare benefit reforms / recession. • Increased people Rough Sleeping • Rising costs of Private Renting • Regeneration of North Prospect and Devonport adding increasing demand • Poor housing stock in Plymouth and	Management actions in place linked to the Housing Plan which sets out how we will mitigate these issues. We are expanding easy-let (a private rented sector leasing scheme) and managing our access to other accommodation as best we can. Continuing to explore and maximise homelessness grant.	**AMBER**

Analysis of Budget Robustness

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
reduced government funding to tackle the problem The mix of increasing demand, limited supply and the demands of decanting households over the next few years from regeneration projects, will test resources severely, and if not managed could increase costs of temporary accommodation / bed and breakfast for homeless families **Stock Transfer** As part of the transfer the Council has been required to provide a number of warranties. There may yet be residual costs and claims that will fall to the Council, eg public liability claims.	The Council has negotiated monies, as part of stock transfer, via VAT shelter and Right to Buy receipts. Some of this funding could become available for alternative investment as potential liabilities reduce.	
(d) Environmental Services Landfill tax is set to increase another £8 per tonne next year. This will add a budget pressure in the region of £650k next year in addition to the costs of transporting waste rising.	Targets to reduce the percentage of waste going to landfill have been set. 'Waste into energy' plant will be operational from late 2014 which will generate revenue savings. Short term costs and longer term savings have been factored into the 3 year balanced budget.	**AMBER**
(e) Economic Development / Climate: The Economic Development service is funded from income generated from the commercial property estate, with a circa £1.2 million surplus contributing to the general fund. It is a further significant challenge to maintain the service income target in a falling market.	The council will obtain 'technical and financial expertise' to deliver significant projects which unlock growth within the city. Alternative, more innovative methods of funding are being considered with key partners and	**AMBER**

Analysis of Budget Robustness

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

Unrealistic commercial income targets should not place service delivery at risk. Inability to deliver the Growth, Asset & Municipal Enterprise agenda will impact on income stream of local Business Rate retention which could, in turn, impact on the Devon-wide pooling of business rates. **(f) Transport & Highways** There needs to be greater emphasis on 'regional' inputs to ensure we benefit from the likely decentralised budgets for major schemes as well as decentralised local train services. **(g) Housing Delivery** There is increasing demand for Housing services brought about by the housing market, welfare benefit reforms and the recession. There is a significantly increasing demand for homelessness and housing need. New house building is at a low; our proportion of affordable housing has been growing due to previous government funding	stakeholders. Creation of £20m capital 'investment fund' will target support to develop more businesses and jobs in the city. Risk assessments are undertaken to ensure resources are targeted appropriately and in areas of greatest need. Outline business cases are being prepared for future sub regional funding rounds. Proactive approaches to support housing delivery are being pursued e.g. council sites being considered for private sector housing development, discussions with private sector on new housing delivery models, development of proposals for self build. New 'Plan for Homes' policy launched including creation of a housing loans scheme of up to £50m	
3. <u>Council Wide Issues</u> **(a) Maintenance Liabilities** **Inadequate budget provision to meet maintenance liabilities** Provision has been made in the revenue budget to meet the costs of the routine maintenance of the Council's operational	Strategic Property will keep under review all the Council's assets including identifying and considering assets for disposal. The Accommodation strategy has reduced the number of offices and on-going maintenance liability	**AMBER**

Analysis of Budget Robustness

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
buildings. Improvement works are charged to the capital budget. The asset management strategy identifies that there is a significant backlog in maintenance obligations. Risks include health and safety issues that may arise during the year and the on-going uncertainties over the future of the Civic Centre.	 The insurance reserve can be used to meet the costs of urgent health and safety repairs.	
(b) Impact of redundancies on revenue The budget plans will result in a reduction of staffing across the Council in excess of 300 FTE over the next 2 years Redundancies result in one-off costs, including a contribution to the pension fund.	A redundancy reserve has been set up and will be kept under regular review. The Voluntary Release Scheme has been re-launched in December 2013 for a limited time We will continue to minimise the number of redundancies through vacancy management, effective redeployment practices and close working with the unions.	**AMBER**
(c) Equal Pay The Council has received a number of equal pay claims and grievances. These will be dealt with by way of grievance hearings and through the Employment Tribunal system.	An equal pay reserve has been set up and will be kept under regular review. The Council can apply for future capitalisation directions should costs exceed threshold.	**AMBER**
SECTION II – IMPACT OF MAJOR PROJECTS / CORPORATE ITEMS		
Transformational Change The Council has approved a programme of transformational change which will require a fundamental review of all services that we provide. Customer transactions will be integrated to give 'one version' and 'entry point' for the customer and all transactional services will	The MTFF assumes a net return, (after borrowing costs) of £1.2m by 2014/15. Net savings have been factored in to 2015/16 & 2016/17 Up front investment has been made in 2013/14 to build capacity and professional project management of the council's transformation	**AMBER**

Analysis of Budget Robustness

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

be consolidated in one place. Health and wellbeing will be fully integrated and business rate and council tax income will increase from a structured programme of growth. This project will require significant resources to implement including major investment in ICT, change management capacity and staff engagement throughout the process.	programme. A cross-party Board of members will have oversight and input to monitoring progress.	
SECTION III - IMPACT OF ECONOMY		
5. <u>Economic Impact on Income</u> **(a) Reduced income from fees and charges** The economic climate continues to see a reduction in income such as car parking and commercial rent income	Departments have reviewed underlying income assumptions. Allowances have been made in the revenue budget. A cross-cutting Fees and Charges and Concessions policy has been approved by Cabinet, and Increases to fees and charges are under review as part of the budget setting process.	**AMBER**
(b) Reduced collection rates – NNDR & Council Tax National economic climate having impact on local authority. This may result in reduced collection rates for the Authority As more stages of welfare reform are introduced, further pressure will be evident on income collection rates.	Key PIs in relation to collection rates reported/monitored in bi-monthly monitoring report. More focus on collecting income earlier in the process through direct debit and on-line methods. Hardship fund introduced as part of the Council Tax Support scheme.	
6. <u>Treasury Management</u> **(a) Borrowing risk – portfolio imbalance PWLB/LOBO** Average interest payable on loans exceeds	New borrowing to be considered from PWLB to address the imbalance. Continue strategy to make greater	**GREEN**

Analysis of Budget Robustness

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

rate of interest receivable on investments increasing pressure on budget.	use of variable rate debt and maximise short term temporary borrowing options. Use balances and reserves to meet cash flow and borrowing requirements wherever possible. Seek opportunities to repay long term historical loans where viable and cost effective to do so.	
(b) Investment losses – Iceland Banks Recovery of Investment monies in Landsbanki and Glitnir, and Heritable. Court proceedings now concluded and Test Cases have been granted Preferential Creditor status.	PCC representation on the Local Authority Iceland Bank Steering Committee. Regular dividend payments are being received and actively pursued.. Capitalisation Direction maximised in 2009/10 enabling any potential losses to be spread over a 20 year period.	**AMBER**
7. Capital Programme Current economic climate makes it difficult to generate sufficient capital receipts to fund capital programme at assumed level. Any shortfall may require additional temporary borrowing which will impact on revenue budget. Longer term capital resources still remain uncertain.	Constant review of capital receipts position and other financing options as part of monitoring. Review of capital programme to reduce dependency on capital receipts undertaken as part of budget setting. The level of grants will be constantly monitored, with projects being delivered over several years not being commenced until there is certainty over linked grant funding.	**AMBER**

Appendix C

Analysis of Budget Robustness

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

SECTION IV – FURTHER BUDGET ASSUMPTIONS		
8. <u>Inflation assumptions</u> **Difficult to identify impact of inflation / deflation re economic uncertainty** RPI remains high. PCC three year revenue budget does not allocate general inflation except to major spend areas.	2014/15 revenue budget has allocated inflation increases to core pressure points of Adult, and Children, Social Care contracts and Utilities. Continuing assumption that departments will absorb general inflation	**AMBER**
(a) Pay award The three year budget assumes a pay increase which has been reflected in the pressures list.	Budget provision is held corporately for any potential increase.	**GREEN**
(b) Energy costs <u>Gas and Electricity</u> The cost of utilities continues to increase above inflation, impacting across a range of council budgets. We currently spend circa £4.2m per annum on gas and electricity <u>Plymouth Life Centre</u> The risk for fluctuations in utilities tariff is held by the authority.	A new 'hedging' contract for purchasing energy is in operation. Solar panels have been placed on four of the council's buildings to reduce energy consumption with more to follow. Investment proposed of £17m to replace all LED street lights. Close monitoring of utilities utilisation. Operator has a contractual obligation to reduce utilities consumption annually	**GREEN**
SECTION V - OTHER		
9. <u>Partners</u> There is a close relationship between the costs incurred by adult social care and Health Partners	The Council is a key and influential partner and meets regularly with Health and is also represented at Executive and in Commissioning Group level. The Council has	**AMBER**

Analysis of Budget Robustness

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

The Council has been exploring the market and benefit for sharing services with other public sector bodies. In the first instance this has focussed on ICT, although other service areas are being considered.	recently co-located with Health to integrate and strengthen joint commissioning. Budget scrutiny in January 2014 will again incorporate key partners within the process. A full Business Case for ICT shared services has been produced and approved by Council in 2013. Revenue funding is established for a lead senior officer. Legal and financial capacity has been allocated to the project to aid development and implementation.	
10. Insurance Cover **The adequacy of the authority's insurance arrangements to cover major unforeseen risks** Monitoring during 2013/14 indicates the provision should be sufficient to meet all known liabilities. Any shortfall in the provision at year end would be met from the earmarked insurance reserve and/or general balances.	The Council continues to keep the adequacy of its insurance fund under review. A number of pro-active risk management measures are being implemented in response to the identification of problem areas. The Bellwin Scheme is available for emergency expenditure – this provides 85% funding of costs that exceed the Council's threshold of approximately £0.700m.	**AMBER**
12. Pension Fund **a] Deficit** The Council's balance sheet shows a significant pensions fund deficit as at 31 March 2013. A triennial pension review was undertaken in Sept 2013. We await the full implications on our contribution rates.	The deficit is reported as part of the Council's Annual Statement of Accounts and is therefore subject to Member scrutiny. The IAS19 deficit in the Statement of Accounts is not calculated on the same basis as the triennial review which takes a much longer term view.	**AMBER**

Analysis of Budget Robustness

Risk Identified	Risk Mitigation (Actions Required)	Risk Status *
* Risk Status : Red=High; Amber=Medium; Green=Low		
However early indications are that any increase in the rate will be minimal (less than +0.5%). For 2012/13 we have topped up £0.8m. and are anticipating a further contribution of circa £1m in 2013/14 which will clear our Pension reserve to nil. We do not have a projected shortfall for 2013/14 but can assume, as the payroll contributions reduce, that the amount will be approx. £1m Outsourcing/transferred services-Legislation requires pensions liabilities to be fully funded for all staff transferring under TUPE arrangements. **b] Auto Enrolment** The Government has introduced new Legislation designed to help people save money in preparation for their retirement. PCC has opted to adopt the 'transitional period' which allows auto-enrolment for workers who shall have been enrolled on 1 April 2013 to be delayed until 1 October 2017.	The Pension Administrators are advising us on an annual basis of their latest projected funding shortfall required, and we are topping up our contributions based on these assumptions on an annual basis. We will know the final funding requirement for the next 3 years at the conclusion of the full valuation, expected in early January 2014. The Council makes a 'top-up' to the fund when staff are made redundant. There is no impact on the budgets for the period 2014/15 – 2016/17, but officers will continue to monitor any impacts as they become known.	

Conclusion

- This Appendix represents the risks associated with the budget and the actions required to mitigate the risks. These have been taken into account in the budget setting process.
- The Council also operates a system of internal control to identify and manage risk, with a key element the maintenance of strategic and operational risk registers.
- The three year plans rely on over 50% of the solutions coming from the Transformation Programme. We need to continue to challenge and amend these plans as recurring in the future.

Reserves Summary	Balance as at 31/03/2013	Movement 13/14	Balance as at 31/03/2014	Movement 14/15	Balance as at 31/03/2015	Purpose of Reserve
	£000	£000	£000	£000	£000	
Earmarked General Reserves - Made up of;	**(13,917)**	**6,005**	**(7,912)**	**1,930**	**(5,982)**	
Accommodation Reserve	(550)	550	0	0	0	to fund Office Accomodation repairs and/or moves.
Capital Reserve	(665)	665	0	0	0	to fund unsupported borrowing costs
CEDT reserve	(50)	50	0	0	0	to support developing a new Community Economic Development Trust
Grants carryforward	(815)	815	0	0	0	for carrying forward Revenue Grant funds as required for accounting purposes.
Iceland Bank reserve	(400)	300	(100)	0	(100)	to cover Icelandic claims legal costs.
Insurance & Risk Mgt Reserves	(1,617)	445	(1,172)	0	(1,172)	to minimise insurance risk and meet any unforeseen/increased costs of insurance.
Investment Fund	(1,340)	0	(1,340)	1,340	0	to deliver economic growth in the City
JE contingency	(52)	52	0	0	0	to fund HROD implementation and resolution of JE
Job Evaluation/Equal Pay	(700)	328	(372)	0	(372)	to fund JE Claims
Life Centre Dowry	(450)	0	(450)	(100)	(550)	to fund future repairs and maintenance costs for Life Centre, as required by Grant Funder
Mortgage Rescue Scheme Reserve	(79)	79	0	0	0	Housing Grant balance re preventing Repossessions Fund, enabling Local Authorities to tackle repossions in their area.
Pensions Fund	(1,103)	0	(1,103)	0	(1,103)	to cover potential shortfall in Fund due to revaluations and contributions
Plan for Jobs	(500)	100	(400)	200	(200)	to fund job creation projects in the City
Redundancies	(1,722)	492	(1,230)	0	(1,230)	to fund redundancies
Stock transfer residual liabilities	(1,005)	0	(1,005)	0	(1,005)	to fund potential liabilities post Stock Transfer to PCH
Transformational Change Reserve	(250)	250	0	0	0	Following a review of usable reserves a total balance of £1.7m was created and has been fully drawn down by the end of March 2014
Urban Enterprise Fund	(702)	351	(351)	281	(70)	to fund Strategic Investment Framework
VAT repayment	(61)	61	0	0	0	to cover any unforeseen VAT assessments
Waste shortfall	(800)	800	0	0	0	to fund Waste Disposal Gap ahead of EfW plant
Carry Forwards	(1,056)	667	(389)	209	(180)	Revenue Budget Carryforwards to fund known/specific costs in future years.
Education/schools Earmarked reserves - Made up of;	**(6,428)**	**0**	**(6,428)**	**0**	**(6,428)**	
Beechwood Campus Drs surgery Reserve	(27)		(27)		(27)	to cover any unforeseen costs
Education PFI- Whitleigh campus	(1,377)		(1,377)		(1,377)	PFI Credits received in advance
Life Education	(14)		(14)		(14)	Education/Schools earmarked Reserves
School Budget Share	(5,010)		(5,010)		(5,010)	Education/Schools earmarked Reserves - Mainly grant funded sources

Reserves Summary	Balance as at 31/03/2013	Movement 13/14	Balance as at 31/03/2014	Movement 14/15	Balance as at 31/03/2015	Purpose of Reserve
	£000	£000	£000	£000	£000	
Other Ring fenced Reserves - Made up of;	**(2,835)**	**(236)**	**(3,071)**	**249**	**(2,822)**	
A386 Park & Ride Leased Spaces	(490)	45	(445)	44	(401)	Upfront payment from PCT for leased spaces at George Park & Ride site. Released to revenue annually in lieu of rental income.
Brickfields Sports Development	(81)	27	(54)	27	(27)	Reserve set aside to meet future expenditure in Devonport, in lieu of grant funding in 2007/08.Fund set aside to meet ongoing liabilities.
CDC Legacy Reserve	(89)	89	0	0	0	Reserve set up to continue the activities previously provided by the Company including branding of the city as part of Positively Plymouth. The reserve includes funds provided by RDA and HCA.
Devonport Neighbourhood Manager	(72)	44	(28)	28	0	Reserve set aside to meet future expenditure in Devonport, in lieu of grant funding in 2007/08.Fund set aside to meet ongoing liabilities.
Tamar Bridge & Torpoint ferry	(1,827)	(431)	(2,258)	0	(2,258)	This balance represents PCC's 50% share of the working balance under joint ownership with Cornwall Council
Tamar House - Commercial rents sinking fund	(276)	(10)	(286)	150	(136)	RDA rents sinking fund Tamar House
Trading Account & other statutory reserves - Made up of;	**(268)**	**(58)**	**(326)**	**8**	**(318)**	
Hackney Carriage Reserve Fund	(9)	(70)	(79)	(25)	(104)	Represents Accumulated trading position. Forecasts for 14/15 movement will be known once fee review is considered by Licensing Committee although the target is for a reduction
Land Charges Development Fund	(29)	0	(29)	0	(29)	To fund improvements in the LLC service
On Street Parking Reserve	0	0	0	0	0	Represents Accumulated trading position, for reivestment in street trading activities
Private Hire Reserve Fund	(221)	13	(208)	33	(175)	Represents Accumulated trading position. Forecasts for 14/15 movement will be known once fee review is considered by Licensing Committee although the target is for a reduction
Reserve Car Parks	0	0	0	0	0	Represents Accumulated trading position. Used to support spending priorities in department related to transport
Street Trading Reserve Fund	(9)	(1)	(10)	0	(10)	Represents Accumulated trading position, for reivestment in street trading activities
Other reserves	**(619)**	**55**	**(564)**	**(1)**	**(565)**	**All reserves have been reviewed and confirmed as required to meet specific policy commitments**
Commuted Maintenance	**(350)**	**39**	**(311)**	**17**	**(294)**	**Funds set aside for to fund future years maintenance costs of specific areas of land, buildings or equipment. In general these reserves are required to be set up as part of match funding, or inclusinve of grant funding.**
Working Balance	**(10,797)**	**0**	**(10,797)**	**0**	**(10,797)**	**General Balance available to meet unforeseen expenditure. This balance represents 5% of net revenue expenditure for 13/14 and is in line with Unitary Council averages**
Grand Total	**(35,214)**	**5,805**	**(29,409)**	**2,203**	**(27,206)**	

APPENDIX E

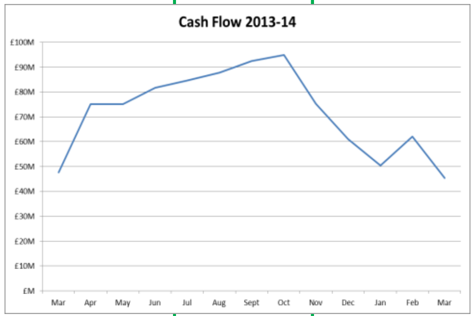
Approved Capital Programme	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Total £000	
Investment Fund						
Total	**3,930**	**10,104**	**5,966**	**0**	**20,000**	
Development						
Adults' Personal Social Services Capital Grant (Future Year Allocations)	0	0	634	634	1,267	
Disabled Facilities (Future Year Allocations)	0	893	804	804	2,500	
Increasing Capacity in Primary Schools	4	2,674	2,965	2,965	8,608	
Condition programme	2	1,354	2,013	2,307	5,675	
Formula Devolved Capital	13	124	23	21	181	
Mercury abatement equipment in Crematoria	0	1,093	0	0	1,093	
Local Transport Plan	19	3,194	2,881	3,236	9,330	
Plymouth Natural Networks	0	100	350	400	850	
Total	**38**	**9,431**	**9,669**	**10,365**	**29,503**	-
Pioneering						
Environmental services	3,989	559	0	0	4,549	
Retained waste	2,190	2,500	0	0	4,690	
Street lighting bulb replacement	0	7,065	4,515	0	11,580	
Electric Car Charge Points	128	98	0	0	225	
Economic develoment capital block	3,087	1,542	0	0	4,629	
Home Energy	29	92	0	0	121	
North Prospect Library	75				75	
ICT investment	3,996	1,428	485	0	5,908	
Accommodation strategy	1,811	0	0	0	1,811	
Accommodation Transformation	1,603	2,460	0	0	4,063	
Corporate Property	1,949	0	0	0	1,949	
Total	**18,856**	**15,744**	**5,000**	**0**	**39,600**	-
Growing						
Gypsy and Traveller Site - Broadley Park	38	743	0	0	781	
Basic need - Schools	3,806	1,779	804	0	6,389	
Academies	20,133	1,355	0	0	21,489	
Development works - schools	76	0	0	0	76	
Condition works - schools	1,452	2,274	0	0	3,726	
Devolved capital - schools	1,122	630	487	490	2,729	
Transport - Section 106	414	152	14	0	580	
Housing & planning services	125	43	0	0	168	
Total	**27,166**	**6,977**	**1,305**	**490**	**35,937**	-
Caring						
Children's social care	54	0	0	0	54	
Joint commissioning & adult social care	1,221	1,203	0	0	2,424	
Homes & communities	1,956	0	0	0	1,956	
Basic need- Nursery Places	977	764	0	0	1,741	
SEN & Inclusion	52	0	0	0	52	
Total	**4,261**	**1,966**	**0**	**0**	**6,227**	-
Confident						
Leisure & parks provision	1,270	410	0	0	1,680	
Capitalised Maintenance schemes:	5,134	2,208	2,000	2,000	11,341	
Other transport projects (outside of capitalised maintenance)	5,139	3,912	0	0	9,051	
Flood Defence works	588	0	0	0	588	
Saltram Countryside Park Capital Programme:	120	774	0	0	894	
Visual mitigation works & Biodiversity improvement	125	254	0	0	379	
Tamar Bridge	3,615	2,430	1,400	0	7,445	
Total	**15,991**	**9,987**	**3,400**	**2,000**	**31,378**	-
Forecasted future income streams	**0**	**4,526**	**13,620**	**24,196**	**42,342**	
GRAND TOTAL	**70,243**	**58,735**	**38,960**	**37,050**	**204,988**	

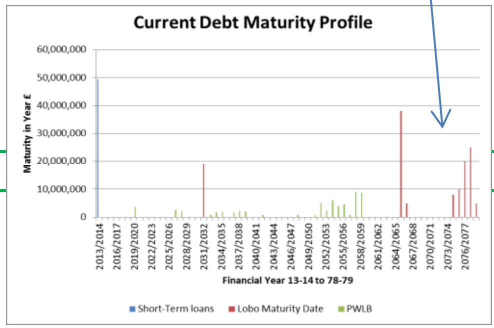
TARGET BUDGETS - 3 YEAR SUSTAINABLE NET BUDGETS

Borrowing

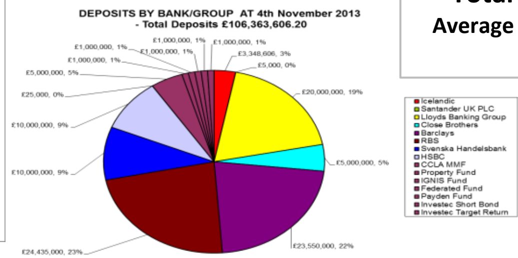
Total £55.3m
Average Rate 0.27%

The current plan is to repay LOBOS but these are subject to timing, negotiations and vfm regarding premiums





Investments



Total £96.4m
Average Rate 0.77%

Pie chart covers short and long term

Budget (extract)	Budget £m	Forecast £m
Interest on Borrowing	9.610	8.789
Minimum Revenue Provision	8.101	8.188
Interest on investments	(1.083)	(0.856)
Premiums on Loan Repayments & other expenses	(0.098)	(0.057)
Extract Total	16.530	16.064

16.977

Long-term

Targets

Borrowing Limit for long term debt £200m

Cost of borrowing 10% of NRB. CY £21.250m, 14/15 £20.2m - 16/17 £18.4m

Total £175.1m
Average Rate 4.7%

Capital Investment Need

tbc

Prudential Indicators

Approved Authorised Limit for total debt £270m

Operational Boundary for total debt £249m

Limit exposure in fund to 10%

Total £5.0m
Property Fund
Average Rate 6.0%

Total £10.0m

Total £5.0m
Cash Plus Funds
Average Rate

Totals

£230.4m

£106.4m