

APPENDIX 2:

DELIVERING THE CO-OPERATIVE VISION WITHIN A THREE YEAR SUSTAINABLE BALANCED BUDGET: CABINET MINUTE /REPORT



CABINET MINUTE 106

DELIVERING THE CO-OPERATIVE VISION WITHIN A THREE YEAR SUSTAINABLE BALANCED BUDGET

Further to the indicative report “Delivering the Co-operative Vision within a three year sustainable balanced budget” which was agreed by Cabinet on 10 December 2013 for consultation, Tracey Lee (Chief Executive) submitted a report on proposals for the 2014/15 budget.

The update report detailed -

- (a) the impact of the settlement for Plymouth compared with our resource assumptions;
- (b) how the £1.1m revenue gap for 2014/15 had been closed;
- (c) a breakdown of costs to be incurred by, and benefits attributable to, the Council’s Transformation Programme in 2014/15;
- (d) a risk register detailing the high level risks associated with the revenue and capital budgets 2014/15 to 2016/17;
- (e) that at the time of writing the report the precepts had not been agreed for the Police and Crime Commissioner and the Devon and Somerset Fire Authority.

In addition to complying with the statutory requirements for budget setting, a three year Co-operative Council Financial Plan would be published to provide clarity as to how the Council was managing and investing finances through these challenging economic times.

Councillor Lowry (Cabinet Member for Finance) introduced the proposals and indicated that -

- (f) the financial challenges were increasing year on year with year on year reductions in funding from government;
- (g) transformation would deliver net benefits of £1.2m in 2014/15 with greater financial savings being generated in future years;
- (h) the Council had the lowest average Council tax in the region and that the action taken to support the building of more homes would increase the tax base;
- (i) a one point nine nine per cent (1.99%) increase in Council tax was proposed;
- (j) the Council had an ambitious capital programme of £207m, with funding for roads, two new schools, a housing loan scheme and a bid submitted for the history centre/ curiosity shop;

- (k) whilst the budget was being cut, the Council was protecting front line services, although it would be necessary to reduce staff by 300.

Alternative options considered and reasons for the decision –

As set out in the report.

Agreed that a final version of the Revenue and Capital Budget for 2014/15 is presented for sign off to Full Council on 24 February 2014 and that the City Council is Recommended -

- (1) to agree that an additional allocation of £0.5m is added to the staff pay contingency for 2014/15;
- (2) to agree that the revenue contingency of £1.3m in the 2013/14 base budget is reduced to £1m for 2014/15;
- (3) to agree that additional resources as determined through the December 2013 Settlement are deployed to the 2014/15 revenue budget as required (and detailed in this report);
- (4) to approve an increase of one point nine nine per cent (1.99%) in Council Tax for 2014/15;
- (5) to approve the proposed net revenue budget requirement for 2014/15 of £204.680m;
- (6) to approve the total capital budget of £207.670m for 2013 to 2017. Any changes to the overall capital funding available to be sanctioned by the Council's Section 151 Officer;
- (7) to give delegated authority to the Leader, in consultation with the Cabinet Member for Finance and relevant portfolio holder, to commit to capital schemes and to take key decisions, within the overall affordability envelope, based on sound business cases;
- (8) to agree that all newly approved capital schemes are incorporated within regular public finance reporting;
- (9) using the Council Tax base for 2014/15 as x [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; to agree that the **Council Tax requirement** for the Council's own purposes for 2014/15 is £x;
- (10) to agree that the following amounts are calculated for the year 2014/15 in accordance with Sections 31 to 36 of the Act:
 - (a) £x being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act (**Gross Expenditure and Transfers to Reserves**);
 - (b) £x being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (**Gross Income and Transfers from Reserves**);

- (c) £x being the amount by which the aggregate at 10(a) above exceeds the aggregate at 10(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council Tax requirement** for the year. (Item R in the formula in section 31B of the Act);
- (d) £x being the amount at 10(c) above (Item R), all divided by Item T (7 above), calculated by the Council, in accordance with Section 31B of the Act, as the **basic amount of its Council Tax** for the year;
- (11) to note that the Devon and Cornwall Police and Crime Commissioner and the Devon and Somerset Fire and Rescue Authority have not at present issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area. Once confirmed these will be included in the tables below;
- (12) in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, to set the indicative aggregate amounts shown in the tables below as the amounts of Council Tax for 2014/15 for each part of its area and for each of the categories of dwellings -

Plymouth City Council

A	B	C	D
£x	£x	£x	£x
E	F	G	H
£x	£x	£x	£x

Devon and Cornwall Police and Crime Commissioner

A	B	C	D
£x	£x	£x	£x
E	F	G	H
£x	£x	£x	£x

Devon and Somerset Fire Authority

A	B	C	D
£x	£x	£x	£x
E	F	G	H
£x	£x	£x	£x

Aggregate of Council Tax Requirements

A	B	C	D
£x	£x	£x	£x

E	F	G	H
£x	£x	£x	£x

PLYMOUTH CITY COUNCIL

Subject: Delivering the Co-operative Vision within a three year sustainable balanced budget

Committee: Cabinet

Date: 11 February 2014

Cabinet Member: Councillor Lowry

CMT Member: Tracey Lee (Chief Executive)

Author: Malcolm Coe, Assistant Director for Finance

Contact details Tel: 01752 305428
email: malcolm.coe@plymouth.gov.uk

Ref:

Key Decision: No

Part: 1

Purpose of the report:

This report builds on the indicative report “Delivering the Co-operative Vision within a three year sustainable balanced budget” which was signed off by Cabinet on 10 December 2013. There is a legal requirement for Full Council to approve a balanced and robust budget for 2014/15 before the end of March 2014. Despite identifying circa £16m of management actions and solutions for next year, at the time of publication, there remained a revenue funding gap of £1.1m for 2014/15.

The Local Government financial settlement for 2014/15, (with indicative allocations for 2015/16), was not announced until late December 2013. The settlement figures quoted in this report are still subject to final approval by the government with the decision not expected until mid-February 2014.

This update report details:

- the impact of the settlement for Plymouth compared with our resource assumptions;
 - how we have closed the £1.1m revenue gap for 2014/15;
 - a breakdown of costs to be incurred by, and benefits attributable to, the Council's Transformation Programme in 2014/15;
 - a risk register detailing the high level risks associated with the revenue and capital budgets 2014/15 to 2016/17.
-

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. It focuses on co-operative values which will inform the way that the Council goes about its business.

Setting a robust, reliable three year balanced budget is crucial for the council to deliver against its co-operative vision. With falling resources and increasing demand and costs on our services, it is imperative that a more strategic, and prioritised, approach is taken to medium term budget setting.

Implications for Medium Term Financial Plan and Resource Implications:

Local Government Finance Settlement

In broad terms, the revenue resource forecasts detailed in the December 2013 budget papers have not changed significantly for 2014/15 with a net benefit, compared to forecast, of circa £0.7m. However, there is a material change in indicative funding for 2015/16 with core revenue funding being £5.9m less than we anticipated.

The government is proposing to introduce new 'pooled' funding arrangements with health known as the Local Authority Better Care Fund. This fund has a combined indicative allocation of £17.7m, (which includes health funding), for Plymouth in 2015/16. Exact details of the fund, which also includes an element of capital, are still being worked through to understand what new responsibilities are attributable to the money and how this will impact on our existing revenue spend commitments.

Overall, government has stated a reduction in 'spending power' of 3.6 per cent for Plymouth in 2014/15. However, central government funding from the Revenue Support Grant has actually decreased by £14.2m compared to 2013/14 – a drop of 18.6 per cent. Devon County Council's stated drop in 'spending power' is 1.6 per cent, much lower than Plymouth, with an actual **increase** in spending of (0.54 per cent) in 2015/16 compared to a further reduction of 3.0 per cent for Plymouth.

Other key headlines from the settlement include:

- More reassurance around incorporating Council Tax Freeze Grants within base budgets – however, with Revenue Support Grant continuing to be cut, ultimately the freeze grant within the base budget is also cut;
- Reduced national 'top slice' of New Homes Bonus, retaining more of this funding within our Revenue Support Grant (RGS);
- Business rates growth capped at 2 per cent for 2014/15 not the Retail Price Index national assumption of 3.2 per cent. This will have a negative impact on our budgets, however, the government has stated that shortfalls will be fully compensated through Section 31 grants

Transformation

The Council has to fundamentally transform the way in which it operates and delivers services in order to address the financial challenges that we face. Our transformation programme is predominantly back loaded, delivering more benefits in 2015/16 and beyond, ultimately driving out in excess of £30m net benefit over the three years. The 2014/15 revenue budget is built on the premise that the programme will deliver an overall net financial benefit, (in addition to covering costs), of £1.2m.

Further work has been undertaken to articulate the exact work strands and investments required to drive out the transformation benefits that under-pin the revenue budget. A summary of the costs and benefits associated with each of the respective transformation programmes in 2014/15 is detailed in **Appendix C**.

A significant element of financial benefits from transformation relates to our ability to generate increased income from council tax and business rates through growing the city. For accountancy purposes, this income generation has to be shown in the revenue budgets as 'resources' as opposed to financial savings.

Balancing the 2014/15 Revenue Budget

The December 2013 draft budget report detailed an unfunded revenue gap of £1.1m for 2014/15. To account for the full cost of implementing the 'living wage' and providing budget provision for a 1 per cent pay increase for each of the next three years, we have incorporated an additional £0.5m into the base budget.

Factoring in the positive variation of £0.7m from the settlement, we have also been notified, by the Department of Transport, of new funding of £0.2m specifically for highways maintenance which we have utilised to offset a revenue cost pressure in this area.

We have exceeded our forecasted income from New Homes Bonus over the last 12 months by circa £0.4m which has been built into the transformation benefit profiles for next year to help achieve the stretched income targets set for the Growth and Municipal Enterprise programme.

A general contingency of £1.3m was established in the base budget for 2013/14. Having reviewed call-off against this, it is recommended that this could be reduced by £0.3m in 2014/15. We will need to retain the remaining contingency of £1m to address any unforeseen budget issues throughout the year alongside a challenging agenda of delivering circa £16m of revenue savings.

Detailed guidance on business rates for 2014/15 was issued by Government in mid-January 2014. Using this guidance, we have reviewed the overall achievement and growth forecasts on business rates and factored in the benefit delivered through the Devon-wide pooling arrangements. Overall, we are estimating a combined surplus of £650k next year, of which we are allocating £400k to the base revenue budget. £250k will be added to a specific business rates reserve to manage fluctuation and risks around business rates pooling and appeals moving forward.

With these proposed adjustments, we are able to present a balanced budget for financial year 2014/15, as set out in **Figure 1**:

Figure 1 – Balancing the revenue budget for 2014/15

Item	£m	Comment
Budget Gap / (Surplus)	1.100	Per Indicative December 2013 Budget papers
Add - Pay award	0.500	Account for a 1% pay award for each of the next 3 years.
Resources to find	1.600	
Less – additional resources	(0.700)	Additional revenue resources vs forecast from December '13 Settlement
Additional New Homes Bonus	-	Notified of £0.400m increase in December '13. This has been incorporated within the overall transformation savings profile.
Less – extra Department of Transport funding	(0.200)	Additional funding announced as part of Settlement. Used to offset existing cost pressure within 14/15 budget
Less – Revenue Contingency	(0.300)	2013/14 base budget assumes £1.3m revenue contingency fund Propose to reduce to £1m in 2014/15
Less – additional resources from Business Rates	(0.400)	Income generated from 2013/14 pool membership allocated to 2014/15 resources
Less – additional resources from Business Rates	-	£0.250m allocated to specific ear marked reserve for Business Rate fluctuations and appeals
Balanced position	0.000	

The 2014/15 revenue resources, as stated in the published budget papers, were £201.980m. Although the overall savings package for next year amounts to £16m, some of these transactions have to be treated as income along with other changes to resources as follows:

- £0.850m additional business rates from growth (transformation);
- £0.500m additional Council Tax from building more houses (transformation);
- £0.700m favourable resources through the settlement;
- £0.650m re-calculation of business rates incorporating pooling arrangements

Therefore, the final target revenue budget for 2014/15 is £204.680m. This can be seen in **Appendix A** split down by departmental spend. To achieve like for like comparison, target budgets have been stated pre the senior management restructure in late 2013. Relevant adjustments will be made early in the new financial year.

This budget requires, as detailed in the published papers, a Council Tax increase of 1.99 per cent in 2014/15.

In addition to Business Rate changes, we continue to review our Council Tax Collection Fund with the first call on any residue surplus being the need to top up reserves for redundancies, (linked to the Council's Voluntary Release Scheme), and pensions based on the tri-annual review which is due shortly (anticipating a pension shortfall).

Capital Programme 2013 to 2017

We have amended our approach to capital forecasting and prioritisation to better align to our brilliant co-operative council principles and objectives. Although grant funding opportunities are uncertain, we have taken a pragmatic approach in forecasting all future capital income streams, including capital receipts and developer contributions, to ascertain an overall funding envelope over the rolling four year period.

Using this approach, we are recommending a capital programme of £207.670m spend with existing spend commitments, as approved through Full Council, of £149.824m. There are a number of major projects that are currently being worked up and being considered that will add to the spend commitment.

Details of the capital programme that we are approving through this budget are shown in **Appendix B**

In addition to this, as previously approved, we are launching a Housing Loan Scheme of up to £50m for Plymouth housing providers, in partnership with the Council, to escalate much needed house building across the city. Individual draw down against this scheme will be subject to due diligence and outcomes delivered in terms of number and types of dwellings to be built.

Moving forward, we need to be much more commercial and proactive in seeking opportunities for further investment in the city, building on the success of City Deal. We are therefore recommending that we amend the governance around approving capital investment against the overall affordability headroom.

Co-operative Council Financial Plan

The 'Delivering the Co-operative Vision within a three year sustainable balanced budget' is a technical report required to present a balanced budget. It is inevitably focussed on what changes we have to enact to deliver our services with less resource. Alongside this, we are developing a Co-operative Council Financial Plan 2014 to 2017 to provide further detail on what we spend our money on, articulating spending priorities and translating the spend into real outcomes for our residents in terms of the services that they receive and our aspirations for the city.

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.

Due to the nature of financial savings required, it is inevitable that there are some over-arching risks associated with delivering a three year balanced budget. These high level risks are detailed in **Appendix D**.

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 and spend commitments

Equality and Diversity

We have given due regard to our Public Sector Equality Duty for all relevant management actions and budget solutions that underpin this budget, our summary of this consideration is appended as a background paper. Wherever potential adverse impact is identified we will conduct a full Equality Impact Assessment.

Recommendations and Reasons for recommended action:

It is recommended:

1. that a final version of the Revenue and Capital Budget for 2014/15 is presented for sign off to Full Council on 24 February 2014.

Recommend to Full Council:

2. that an additional allocation of £0.500m is added to the staff pay contingency for 2014/15;
3. that the revenue contingency of £1.300m in the 2013/14 base budget is reduced to £1.000m for 2014/15;
4. that additional resources as determined through the December 2013 settlement are deployed to the 2014/15 revenue budget as required (and detailed in this report)
5. to approve an increase of one point nine nine per cent (1.99%) in Council Tax for 2014/15;
6. to approve the proposed net revenue budget requirement for 2014/15 of £204.680m;
7. to approve the total capital budget of £207.670m for 2013 to 2017. Any changes to the overall capital funding available to be sanctioned by the Council's Section 151 Officer;
8. that delegated authority is given to the Leader, in consultation with the Cabinet Member for Finance and relevant portfolio holder, to commit to capital schemes within the overall affordability envelope, based on sound business cases;
9. that all newly approved capital schemes are incorporated within regular public finance reporting;
10. using the Council Tax base for 2014/15 as x [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; calculate that the **Council Tax requirement** for the Council's own purposes for 2014/15 is $£x$;

11. that the following amounts are calculated for the year 2014/15 in accordance with Sections 31 to 36 of the Act:

- a) £x being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act (**Gross Expenditure and Transfers to Reserves**);
- b) £x being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act (**Gross Income and Transfers from Reserves**);
- c) £x being the amount by which the aggregate at 9(a) above exceeds the aggregate at 9(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its **Council Tax requirement** for the year. (Item R in the formula in section 31B of the Act);
- d) £x being the amount at 9(c) above (Item R), all divided by Item T (7 above), calculated by the Council, in accordance with Section 31B of the Act, as the **basic amount of its Council Tax** for the year;

12. to note that the Devon and Cornwall Police and Crime Commissioner and the Devon and Somerset Fire and Rescue Authority have not at present issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area. Once confirmed these will be included in the tables below;

13. the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, will set the indicative aggregate amounts shown in the tables below as the amounts of Council Tax for 2014/15 for each part of its area and for each of the categories of dwellings -

Plymouth City Council

A	B	C	D	E	F	G	H
£x	£x	£x	£x	£x	£x	£x	£x

Devon and Cornwall Police and Crime Commissioner

A	B	C	D	E	F	G	H
£x	£x	£x	£x	£x	£x	£x	£x

Devon and Somerset Fire and Rescue Authority

A	B	C	D	E	F	G	H
£x	£x	£x	£x	£x	£x	£x	£x

Aggregate of Council Tax Requirements

A	B	C	D	E	F	G	H
£x	£x	£x	£x	£x	£x	£x	£x

Alternative options considered and rejected:

A one year financial planning horizon will not support the long term decision making required to deliver the objectives of the Corporate Plan. The Council's financial stability will be put at risk unless a transformative approach is taken to revising its delivery arrangements in the coming years.

Published work / information:

Delivering the Co-operative Vision within a 3 year sustainable balanced [budget](#) – December 2013

Delivering the Co-operative vision Council [report](#) September 2013

Background papers:

None

Sign off:

Fin	mc1314.34	Leg	19537/ DVS	Mon Off	THO145	HR		Assets		IT		Strat Proc	
Originating SMT Member: Malcolm Coe													
Have the Cabinet Members agreed the contents of the report? Yes													

TARGET BUDGETS - 3 YEAR SUSTAINABLE NET BUDGETS

APPENDIX A

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	1,862	0	0	0	0	(1,500)	150	9,021
Totals	212,560	6,771	(3,434)	(1,692)	(3,764)	(2,508)	(3,403)	150	204,680

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	9,021	670	0	0	0	0	0	(7,300)	2,391
Totals	204,680	6,290	(1,250)	(1,360)	(1,477)	(789)	(3,275)	(7,300)	195,520

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	2,391	1,000	0	0	0	0	0	(15,700)	(12,309)
Totals	195,520	5,423	(783)	(1,025)	(1,237)	(412)	0	(15,700)	181,786

3 Year total		18,484	(5,467)	(4,077)	(6,477)	(3,709)	(6,678)	(22,850)	
---------------------	--	---------------	----------------	----------------	----------------	----------------	----------------	-----------------	--

APPENDIX B

Approved Capital Programme	2013/14	2014/15	2015/16	2016/17	Total
	£000	£000	£000	£000	£000
Investment Fund	1,776	12,158	6,126	776	20,835
Total	1,776	12,158	6,126	776	20,835
Pioneering					
Environmental services	2,348	2,169	1,093	0	5,609
Retained waste	890	3,800	0	0	4,690
Street lighting bulb replacement	0	7,065	4,515	0	11,580
Electric Car Charge Points	122	103	0	0	225
Economic development capital block	2,658	1,935	0	0	4,594
Home Energy	0	50	71	0	121
North Prospect Library	75	0	0	0	75
ICT investment	1,409	3,015	1,485	0	5,908
Accommodation strategy	2,075	730	0	0	2,805
Accommodation Transformation	849	3,116	98	0	4,063
Corporate Property	1,028	344	0	0	1,373
Total	11,454	22,328	7,262	0	41,044
Growing					
Gypsy and Traveller Sites	64	1,833	0	0	1,897
Basic need - Schools	3,602	10,663	1,486	0	15,751
Academies	20,133	1,355	0	0	21,489
Development works - schools	17	51	0	0	68
Condition works - schools	778	4,290	1,215	0	6,283
Devolved capital - schools	874	957	510	510	2,852
Transport - Section 106	173	561	14	0	748
Housing & planning services	105	43	0	0	148
Tamar Bridge	3,615	2,430	1,400	0	7,445
Total	29,362	22,183	4,625	510	56,680
Caring					
Children's social care	54	0	0	0	54
Joint commissioning & adult social care	913	1,511	0	0	2,424
Homes & communities	1,982	0	0	0	1,982
Basic need- Nursery Places	955	808	0	0	1,763
SEN & Inclusion	32	0	0	0	32
Total	3,935	2,319	0	0	6,254
Confident					
Leisure & parks provision	1,097	709	0	0	1,807
Capitalised Maintenance schemes:	5,254	2,223	2,000	2,000	11,477
Other transport projects (outside of capitalised maintenance)	3,995	5,080	0	0	9,076
Flood Defence works	785	100	0	0	885
Saltram Countryside Park Capital Programme:	91	436	367	0	894
Visual mitigation works & Biodiversity improvement	50	329	0	0	379
Other planning projects	317	176	0	0	493
Total	11,591	9,053	2,367	2,000	25,011
GRAND TOTAL - CAPITAL PROGRAMME	58,119	68,040	20,379	3,286	149,824
FORECASTED CAPITAL INCOME STREAMS	56,730	75,010	42,530	33,399	207,670

Headline Transformation Costs & Benefits 2014/15

Transformation Costs & Benefits 2014/15	£k
Income	
Growth, Assets and Municipal Enterprise	3,200
Integrated Health and Well Being	200
Savings	
Integrated Health and Well Being	1,300
Customer and Service Transformation	300
Co-operative Centre of Operations	700
Growth, Assets and Municipal Enterprise	800
Subtotal Transformation benefits	6,500
Investment Cost	
Human Investment Costs	(4,000)
Other (including £800k P&OD training costs)	(1,300)
Subtotal Transformation Investment Costs	(5,300)
Total Net benefit	1,200
Transformation Costs by Programme 2014/15	£k
Human Investment Costs	
People & Organisational Development	400
Customer and Service Transformation	600
Growth, Assets and Municipal Enterprise	800
Integrated Health and Well Being	500
Co-operative Centre of Operations	1,000
Central Investment costs	700
Sub-Total Human investment Costs	4,000
Other Costs	1,300
Total Transformation Costs	5,300

Key work strands delivering 2014/15 Transformation benefits

Growth. Assets and Municipal Enterprise (GAME) - £3.2m income, £800k savings

Income

2014/15 GAME income will be generated by;

- The Growth Dividend
 - New Homes Bonus £1.2m
 - Council Tax £500k
 - Business Rates £850k
- Exploiting opportunities for enhanced commercialisation £400k
- Expansion of Commercial Waste Service £300k

Savings

2014/15 GAME savings will be generated by;

- Environmental Services review £500k
- Fleet Services Consolidation £300k

Integrated Health and Well Being (IHWB) - £200k income, £1.3m savings

2014/15 IHWB income will be generated by;

- Programme costs to be shared with partners £200k

2014/15 IHWB savings will be generated by;

- Review across People Department to realign commissioning services £325k
- Review across People department of all 'in house' provision £525k
- Progression of ELAF projects to integrate services for children & young People £450k

Customer and Service Transformation (CST) - £300k Savings

CST savings will be generated by headcount savings by delivering the below initiatives in 2014/15;

- Stopping doing work that currently simply drives customer requests
- Sharing roles in the shop across the 3 service areas
- Migrating Benefits telephone contacts to the contact centre
- Simplification and Automation of Processes

Co-operative centre of Operations (CCO) - £700k savings

2014/15 CCO savings will be generated by;

- Re-design the management of corporate buildings to introduce a rationalised concierge service. Also, re-evaluate facilities management services provided to Schools £300k
- Targeting savings in corporate areas separate to published management actions £400k

2014/15 to 2016/17 Budget Risk Register

ROW No.	POTENTIAL RISKS IDENTIFIED	RISK RATING @ 6 Jan '14			REVISED RISK RATING			COMMENTS / MITIGATION as at 5 Feb '14
		P	I		P	I		
1	Possible referendum capping Council Tax increases to 1.5% in 14/15. Would equate to shortfall of £425k	5	5	25	0	0	0	Confirmation from Government statement issued 5th February that 2% cap remains in place for 2014/15
2	Ability to generate £1.7m in 14/15 from the commercial services & income strands of the GAME transformation programme	5	5	25	3	5	15	Work streams now identified. Target for 2014/15 reduced to £1m to reflect timing of implementation.
3	Revenue costs of Transformation outweigh the benefits achievable in 2014/15	5	5	25	3	5	15	Mitigation to scale down costs until benefits are more certain. Progress monitoring through Programme Board.
4	Ability to deliver £14.8m of management 'solutions' alongside £1.2m of transformation net benefits in 2014/15	5	5	25	3	5	15	Robust governance and reporting at each DMT and Board level. Majority of £14.8m classified as Green or Amber @ 30/1/14
5	Reducing cost base in 2013/14 and 2014/15 will negatively impact the ability to achieve future year transformation savings.	5	5	25	3	5	15	Not relying on full projected transformation savings in 2015/16 & 16/17 for a balanced budget. Identifying potential double counts
6	Revenue resources for 15/16 appear to be circa £5.9m less than PCC forecast (in 3 year balanced budget report)	5	5	25	3	5	15	Continue to work through the complexities of the December '13 settlement linking with Other Local Authorities.
7	Rules around NNDR still changing. Potential impact of Appeals, Devon-wide pool impact etc.	5	5	25	3	5	15	£1m revenue reserve will roll forward into 14/15. Limited call against this reserve in 13/14 to date
8	Lack of plans to deliver £700k savings in the co-operative centre of operations transformation programme	5	5	25	3	4	12	Work streams now identified which are distinct from the 'management solutions' detailed in the draft budget papers.
9	Unquantified benefits of £750k in 14/15 from the 'Children's' element of integrated health and well-being transformation	5	5	25	3	4	12	Work streams now identified. Target for 2014/15 reduced to £450k to reflect timing of implementation.
10	Continuing reduction of capital funding available impacting on ability to generate revenue savings and/or deliver priorities	5	5	25	3	4	12	Better prioritisation of capital investment (including member engagement). Targeted bidding for priority grants.
11	Redundancy reserve insufficient to meet demand (e.g. VRS, senior management review etc.)	4	4	16	3	4	12	£500k left in reserve @ Jan '14. Looking to increase this reserve at 13/14 end of year out-turn (depending on final position)
12	Pensions re-valuation reserve could be insufficient to meet actual deficit	3	5	15	3	4	12	£500k cost pressure has been put into 14/15 revenue budget. Further top will be needed as per Jan '14 valuation.
13	Civic Centre on-going operating costs running in conjunction with new property	3	5	15	2	5	10	One off resources allocated in 2014/15 to cover timing of decant from Civic Centre relocating to alternative buildings
14	Modelling on 2013/14 collection rates for NNDR and Council Tax; risk that current rates do not hold going forward	3	3	9	3	3	9	Continue monthly monitoring and benchmarking with other Unitary Authorities. Incorporate with overall debt recovery.
15	Failure to deliver a balanced budget in 13/14 and impact of any legacy budget delivery plans	3	5	15	2	4	8	Monitoring trends in last few months looking positive - Dec '13 forecasting £980k overspend. Management action put in place.

P = Probability Rating (1 = Low, 5 = High)

I = Impact Rating (1 = Low, 5 = High)

Maximum Score 5 x 5 = 25