

PLYMOUTH CITY COUNCIL

Subject:	Delivering the Co-operative Vision Within a Four Year Sustainable Balanced Budget
Committee:	Cabinet
Date:	9 December 2014
Cabinet Member:	Councillor Lowry
CMT Member:	Tracey Lee (Chief Executive)
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Ref:	
Key Decision:	No
Part:	I

Purpose of the report:

Last year we reported we are facing the biggest cuts to local authority funding in a generation. This situation has not changed and indeed we can see a further period of funding cuts on the political horizon. Having already reduced net revenue expenditure by £30m over the three year period from April 2011 to March 2014, for the next three years to March 2017 we are facing a further indicative funding cut of circa £27m. This continuing reduction in our core funding is forcing us to fundamentally transform the way in which we undertake our business and how we set a sustainable budget.

We are now one year into our sustainable three year plan, presented to Cabinet and Full Council in February 2014, which detailed 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 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 builds on the strategies set in place last year, and now details the actions that will be taken over the next four years and the financial benefits obtainable. It is an indicative four year balanced budget for the period 2015/16 to 2018/19 with detailed information provided for 2015/16 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:

The Council's Corporate 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 with commitments made to promoting economic growth, improving Council services, health and social care outcomes and the reputation of the city. The plan is based on Co-operative values that will inform the way that the Council goes about its business. In particular, 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. The Plymouth Fairness Commission, launched by the Council in April 2013 published its final recommendations for action in March 2014. Plymouth City Council unanimously endorsed its response to the Fairness Commission in October 2014, outlining the broad range of actions it will be taking to make the city a fairer place to live and work.

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

Revenue

Since 2010, revenue funding for local government has been continually reducing and is predicted to continue for the foreseeable future, changing the make-up of the core funding as we go forward. With government placing greater emphasis on councils generating additional revenue locally for example, through attracting more businesses to the city and building more homes, we are predicting that for 2018/19 the total funding of £178.40m will come 89% from our own funding through business rates and council tax, leaving only 11% from central government.

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

Table 1: Revenue resource assumptions

	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
Formula grant	62.55	44.35	33.29	23.29	19.54
Business Rates	55.23	57.30	58.68	60.79	63.14
Council Tax	86.90	89.22	91.86	93.84	95.72
Total Revenue:	204.68	190.87	183.73	177.92	178.40
Increase / (decrease) over previous year	-	(13.81)	(7.14)	(5.81)	0.48

Note: Council Tax level for '15/16 will be finalised at Full Council in February 2015.

The reduction in formula grant from £62.55m to £19.54m represents a reduction of 69% over the period 2014/15 to 2018/19.

Actual resource allocations from central government will not be confirmed until just before Christmas 2014, (at the earliest), when we will be provided with revenue allocations for 2015/16 and indicative revenue allocations for 2016/17. It is important to note that the indicative 2015/16 figures that were stated in December 2013 could be subject to change in this year's settlement.

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 wrapped around the combined needs of the client.

We have continued to refine the financial and non-financial benefits achievable through our transformation programme in order to address the funding challenges ahead. Whereas we remain focussed on delivering a balanced budget over four years, there remains a significant shortfall of circa £1.2m in relation to the 2015/16 financial year.

Capital

Table 2: Estimated capital funding resources

Funding Source	2014/15	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m	£m
Un-ring-fenced Grants	24.202	6.257	6.256	5.905	42.620
Ring-fenced Grants	16.899	28.481	11.690	7.170	64.240
Developer Contributions	12.803	8.332	5.489	3.430	30.054
Capital Receipts	19.646	4.238	7.241	1.577	32.702
Unsupported Borrowing	10.241	9.402	5.000	4.396	29.039
Revenue funds / other	2.735	5.965	1.663	1.137	11.500
Total	86.526	62.675	37.339	23.615	210.155

The Local Government funding environment remains highly volatile. As such, updates to Medium Term Financial Forecasts will be incorporated within quarterly monitoring throughout 2015/16 in order to factor in changes to estimates.

We have now embedded our City Council Investment Board (CCIB) which is a Member-led board with a forward looking strategic approach to likely funding over the next three years; forecasting the contribution from ring-fenced and un-ring-fenced grants, capital receipts through sales, developer contributions and unsupported borrowing.

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 three years we have reduced our Chief Officer costs by circa £1m.

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. This approach will continue, with targeted use of voluntary release schemes designed to support change in relevant areas.

The 2015/16 and 2016/17 budget proposes further losses to Full Time Equivalent (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 Table 3. 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 more streamlined, strategic central and support services and adopting different models of service delivery in partnership with other organisations will inevitably result in a further downward trend.

Table 3: Full Time Equivalent posts (excluding Schools)

	2011/12	2012/13	2013/14	Oct 2014
	FTE	FTE	FTE	FTE
Full Time Equivalent posts	3,248	3,063	2,936	2,766

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 remains 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 ICT shared service, DELT, a wholly public sector owned organisation went live in 2014 to provide a joined up delivery vehicle with public sector partners. This will enable us to achieve more efficiency savings and deliver our planned change agenda.

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.

Equality and Diversity

All actions being taken are covered by Equalities Impact Assessments, signed off by the relevant Director or Assistant Director. These have been considered at relevant stages of transformation business case development, for example health and social care integration. As such, there are no specific budget setting Equality Impact Assessments (EIA) as these are already inherent within our planned activities.

Recommendations and Reasons for recommended action:

1. That the proposed revenue target budget requirement for 2015/16 of £191m, and capital forecast of £210.15m is presented for full public scrutiny in January 2015.
2. That members and officers continue to bring forward further solutions in order to close the existing £1.2m budget gap in 2015/16.
3. That the proposed indicative revenue forecasts for 2016/17, 2017/18 and 2018/19 are also presented for full public scrutiny in January 2015.
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 2015.

Reason:

To agree the current indicative revenue and capital position for 2015/16 and future years for consultation and public scrutiny in January, prior to approval of a balanced budget at Full Council in February 2015.

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.

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:

[Delivering the Co-operative vision Council report Sept 13](#)

[Delivering the Co-Operative Vision Cabinet Report Sept 13](#)

[Co-operative Council Finance Plan 2014-2017 February 2014](#)

[Response to the Plymouth Fairness Commission recommendations](#)

Background papers:

None

Sign off:

Fin	djnl 415. 21	Leg	21854 /DVS	Mon Off	21854 /DVS	HR	ERI- 02.12. 14	Assets	CJT/I 42/02 1214	IT	n/ a	Strat Proc	MC/C S/382/ CP/12 14
Originating SMT Member: Tracey Lee													
Have the Cabinet Members agreed the contents of the report? Yes													

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- A. Indicative Net Revenue Budgets 2015/16 to 2018/19
 - B. Gross Budgets 2014/15 (for information)
 - C. Analysis of Budget Robustness
 - D. Reserves
 - E. Capital Investment Programme 2014/15 to 2017/18
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1. Context & Challenges

- 1.1 The budget year 2015/16 is year two of the three year budget approved at Full Council in February 2014. Having successfully removed circa £30m of net revenue spend over the three financial years up to March 2014, the budget sets out the requirement to reduce costs by a further £27m by March 2017.
- 1.2 This budget builds on the plans already in place, and looks to the financial horizon of another two years through to March 2019.
- 1.3 The Council's existing 'gross' budget for 2014/15 is £549m, with a net revenue budget of £204.68m. Our modelling anticipates that the net budget will reduce to £178.40m by 2018/19. Discounting changes to our council tax base and any future year increases, the real term drop in other funding is circa £35.1m against a base of £117.78m, i.e. a 29.8% reduction.
- 1.4 Following the shift in government policy to transfer the funding and risk to local authorities, with changes in business rates at the heart of the strategy, we are predicting a reduction in our formula grant over the period 2014/15 to 2018/19 of £43m representing a 69% cut.
- 1.5 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 £210m up to March 2018.
- 1.6 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 for the first time to set a four year indicative budget spanning 2015/16 to 2018/19.
- 1.7 Whilst funding continues to reduce, 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 2015/16 budget, and wider four year indicative budget, underpins and supports this plan.
- 1.8 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 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.
 - 2.2 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 2015.
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- 2.3 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.
- 2.4 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 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 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.
- 3.5 Even in these very difficult financial circumstances we continue to retain and improve our core services. For example during 2014/15:
- Collecting over 120k tonnes of rubbish from 10.6m kerbside collections
 - Laying 18km of new tarmac on Plymouth roads
 - Attracting 921,450 visitors to Libraries
 - Serving up 1,446,000 nutritious school meals
 - Attracting 2.3m visits to the Life Centre
 - Obtaining 14% more visitors to the city
 - Providing 6,000 packages of adult social care
 - Safeguarding over 400 vulnerable children across the city who require much needed care and support
 - Building new, affordable homes across the city
- 3.6 We have extended the capital programme to provide a council investment of £210.2m over the next 4 years and continue to seek opportunities to lever in significant external investment in the city. Successful bids such as City Deal, the History Centre, alongside maximising contributions from developers, will leave a lasting positive legacy for the city.
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4. Future direction and shape of the council

4.1 Our 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 programmes:

Growth, Assets and Municipal Enterprise (GAME)

- Economic growth initiatives that will provide financial dividends for the Council; attracting more businesses and business growth in the city and growing the council tax base through building more housing;
- A more commercial approach to the way that we commission and run our services across the City - combining decent standards with high productivity;

Integrated Health & Well Being (IHWB)

- 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;

Customer Service Transformation (CST)

- Customer-led service redesign;
- Transforming the way the Council interacts with citizens and serves its customers;
- Meeting customer needs and preferences;
- Moving to a purpose-built “1st Stop Shop” in the city centre

Cooperative Centre of Operations (CCO)

- Smarter, evidence based decision-making for the Council using co-operative principles;
- Affordable support services that support our changing organisational needs.

4.2 A number of desired non-financial benefits will also be realised through the Programmes 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.
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4.3 These programmes started during 2014/15 and have already delivered some financial savings, as well as non-financial outcomes.

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 2015/16 will not be known until late December 2014 at best (alongside indicative figures for 2016/17). 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 2015 budget scrutiny process.

5.3 Linking with industry experts, Local Government Futures and the Local Government Association, (LGA), it is estimated that our core formula funding allocation from central government will reduce from a base of £62.55m to £19.54m, a reduction of 68.8%.

5.4 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. Unfortunately Council Tax increases are a necessity in order to protect vital front line services.

Table 4: Revenue funding estimates

	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
Formula grant	62.55	44.35	33.29	23.29	19.54
Business Rates	55.23	57.30	58.68	60.79	63.14
Council Tax	86.90	89.22	91.86	93.84	95.72
Total Revenue:	204.68	190.87	183.73	177.92	178.40
Increase / (decrease) over previous year	-	(13.81)	(7.14)	(5.81)	0.48

5.5 The funding model for Plymouth City Council marks a major change in circumstances with the centrally funded formula grant continually reducing year on year. The table shows formula grant reducing from £62.55m in 2014/15 (31% of the total) to only £19.54m in 2018/19 (11%).

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

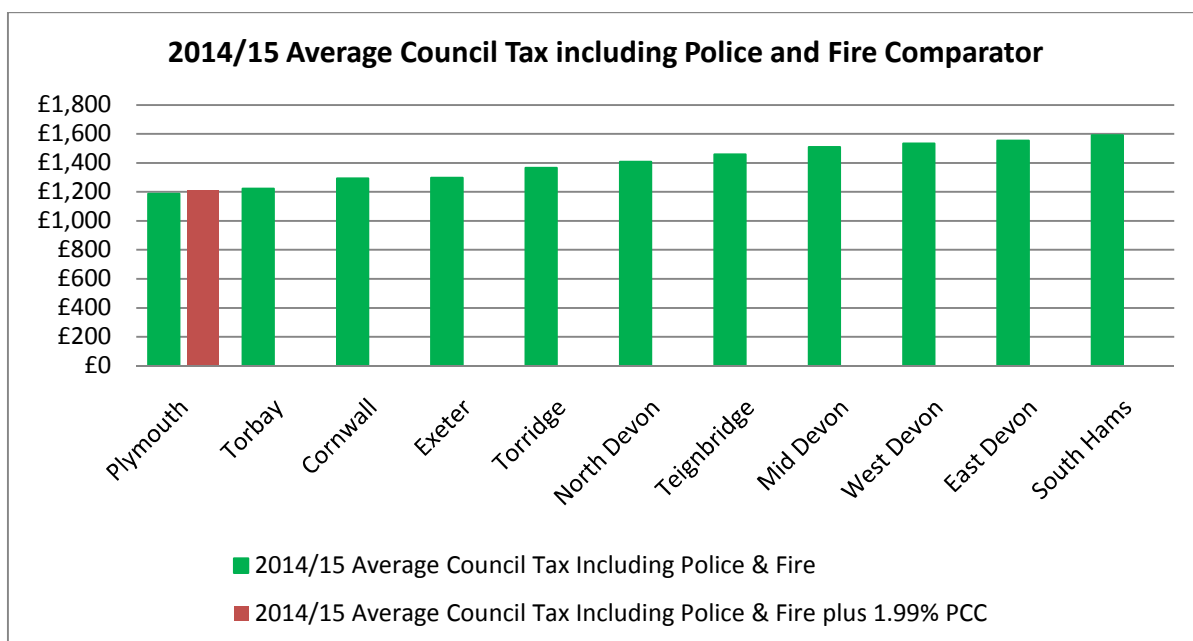
5.7 Over the past four years we have seen our total gross income reduce from circa £655m to £549m. Moving forward, we anticipate that our gross income will continue to decline.

- 5.8 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 have been successful in securing an ambitious City Deal, boosting the local economy through the Local Economic Partnership (LEP), and continue to seek transformation funding where possible.
- 5.9 In this context of ever reducing funding from central government set to continue for the foreseeable future, we are again forced to generate more income locally.

Council Tax

- 5.10 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 2015/16 onwards. Despite this increase, we would still retain the lowest average Council Tax levels in the South West as set out in **Figure 1** below.
- 5.11 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 1: Average Council Tax Comparator



Source: <https://www.gov.uk/government/collections/council-tax-statistics>

- 5.12 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 2014/15 to 2018/19.
- 5.13 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.

Business Rates

- 5.14 The national non-domestic rates (NNDR) are more commonly referred to as “Business Rates”.
- 5.15 Under the new government rules introduced from 2013/14, for any additional rates we collect, from the baseline of our 2013/14 bills, we are able to retain 49% of the surplus. The balance is split 50% back to the national pot and 1% to the Devon and Somerset Fire Authority.
- 5.16 For 2013/14 we managed to improve our business rates income collection, achieving 97.63% against our target of 97.50%. For the period to the end of October 2014, we have achieved 66.75% against our target of 66.65%.
- 5.17 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.
- 5.18 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. We are already planning for the possible impact on our future funding of the national revaluation programme which the valuation office will undertake during 2016 with the new valuations coming into operation with effect from April 2017.
- 5.19 To help 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.
- 5.20 Similar to our growth targets to increase our council tax base, a core strand of our growth initiatives within the GAME transformation programme is to generate more businesses and jobs across Plymouth.
- 5.21 To help with this, we have set up a specific “investment fund”; earmarking £20m capital funding that will be replenished and topped up on a regular basis.

6. Delivering a 4 year balanced budget 2015/16 to 2018/19

- 6.1 Budget monitoring as at 30 October 2014 forecasts an end of year overspend of £3.1m. This incorporates the need to reduce net revenue spend in 2014/15 by circa £16m. The council is committed to deliver a balanced revenue budget at year end in order to adequately prepare for the challenges ahead.
 - 6.2 As previously described, our revenue resources, after adjusting for increases in Council Tax base are set to drop from £214.68m in 2014/15 to £178.405m in 2018/19.
 - 6.3 In addition to the reducing resources, the following, essential, costs have had to be incorporated within our four year budget plan.
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Table 5: Cost allocations built into 4 year revenue budget

Item / area	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m
Salary & Pension / Inflation	1.000	1.000	1.500	1.800
Education Learning and Families (ELAF)	0.730	0.070	-	-
Homes & Communities	0.311	(0.070)	-	-
Cost & Volume – ASC and CSC	6.798	3.228	0.750	1.000
City Deal Revenue Costs	-	0.500	0.500	-
Total	8.839	4.758	2.750	2.800

- 6.4 Salary inflation assumes a 1% increase each year, with a provision for future increases in the pension contributions starting 2017/18 when anticipated additional costs become due after the next pension scheme revaluation and the impact of the new auto-enrolment rules.
- 6.5 For 2015/16 we have allocated £0.730m to Education, Learning and Family Support (ELAFS) covering three specific grant areas to compensate for the loss of the direct grants. The cessation of extended rights to Free Home to School Transport grant has an impact to our budgets of £0.090m; the reduction in our allocation of Education Services Grant as a result of schools in the city converting to academy status impacts £0.074m; and the reduction in Education Services Grant due to the reduction in the number of pupils, again attributable to the status transfer to academies, has an impact of £0.566m.
- 6.6 Within the Homes and Communities department we have recognised the cost to the authority of increasing residential placements (£0.111m) and increasing number of placements into bed and breakfast accommodation (£0.200m).
- 6.7 Like all authorities across the UK, we continue to experience severe cost pressures around two of our biggest budget spend areas - Adult Social Care and Children's Social Care. In setting the budget for 2015/16 and future years' forecasts we have adopted a zero budget approach, building the budget allocations based on our known costs.
- 6.8 Combining our financial modelling with trend analysis of the projected demand on these services – from past history; forward projections; demographic forecasts – we have applied a cost and volume approach to budget allocation. An additional allocation of £6.8m for these services in 2015/16 has been put in place with further allocations in future years.
- 6.9 We have also made allowance for any possible revenue implications associated with the short term funding of projects such as the acquisition of land and buildings resulting from our City Deal investment programme.
- 6.10 We will continue to challenge all of these cost allocations ahead of the final budget setting meeting in February 2015.
- 6.11 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.

- 6.12 In setting a three year budget last year, we moved away from a silo approach based on directorate-specific savings and looked at solutions across the Council as a whole via our Transformation Programme. We have continued with this approach for this budget.
- 6.13 With the scale of financial reductions we are still facing in 2015/16, it is inevitable that we need to build on the re-design and reduction of certain service areas in order to provide better, more efficient customer-focused services whilst reducing the base cost.
- 6.14 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.

Transformation Programme

- 6.15 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.

Growth, Assets and Municipal Growth (GAME) programme

Table 6: GAME Projects

Project	2015/16	2016/17
	£m	£m
Growth Dividend	1.950	2.550
Creating a Co-operative Street Service & Fleet Consolidation	2.004	0.150
Commercialisation	0.915	0.085
Integrated Transport	0.770	0.240
Total	5.639	3.025

- 6.16 The Growth Dividend looks at accelerating growth in the City so that more housing and businesses generate additional income from Business Rates, Council Tax and New Homes Bonus.
- 6.17 Creating a co-operative street service and fleet consolidation looks at how we work to improve the way we provide more responsive Street Services such as Waste Collection and Disposal, Recycling, Parks, Street Cleansing and many others to our communities and businesses using a co-operative approach. The Fleet element will ensure we use our Fleet effectively to deliver these and many other services.
- 6.18 Commercialisation looks at how we can increase our income from either recovering costs for services provided or by generating new sustainable income streams.
- 6.19 Integrated transport looks at ensuring the best value for money when our staff and our service users need to travel in, around and beyond the city.

Customer Service Transformation (CST) programme

Table 7: CST Projects

Project	2015/16	2016/17
	£m	£m
Modernise Customer Services	0.876	0.754
Customer Services Management review	0.270	-
Public Protection service review	0.100	0.100
Channel Shift	-	0.335
Total	1.246	1.189

6.20 The Customer Service Transformation programme is:

- Improving understanding of the Council's customers
- Improving the way the Council serves their customers
- Improving the way that the Council listens and responds to customers.

6.21 The changes being made can be summarised as:

- Delivering a 'tell us once' approach to customer information saving customers and the Council from having to deal with multiple contacts for the same service request
- Providing consistent measurable standards of customer service applied across all services and channels
- Offering customers easy and convenient access to their preferred service channel
- Expanding availability and scope of self-service channels across all service

6.22 The effect of these changes will allow the Council to improve services whilst removing waste and non-valuable activities resulting in the savings detailed in Table 7 above.

6.23 In November 2014, we opened our new 1st Stop Shop in the city centre which is more than just new premises. It is putting our customers at the heart of what we do and listening to them. This is an example of taking an opportunity to go back to the drawing board, to start designing around the customer, replacing inherited processes and outdated facilities. We spoke to our customers and our staff to improve our service provision and trained our staff in new technology to improve the way they handle customers and their queries; our customers are already noticing the difference.

6.24 Our new 1st Stop Shop is not just good for our customers it is good for other businesses in the West End, with 70,000 people a year expected to use this new facility.

Integrated Health and Wellbeing (IHWB) programme

Table 8: IHWB Projects

Project	2015/16	2016/17
	£m	£m
Integrated Commissioning	2.996	2.531
Integrated Delivery	-	0.125
Co-operative Children & Young People's Services	1.500	2.000
Care Act Implementation	-	-
People Directorate Review	0.250	-
Total	4.746	4.656

- 6.25 Integrated Commissioning aims to deliver a single integrated commissioning function that will focus on developing joined up population based, public health, and preventative and early intervention strategies and an asset based approach to providing an integrated system of health and wellbeing, focusing on increasing the capacity and assets of people and place.
- 6.26 Integrated Delivery aims to deliver a single integrated community health and social care provider focussed on providing improved access to the right support, at the right time and by the right person. It is intended that this will be operated through Plymouth Community Healthcare.
- 6.27 Taken together, Integrated Commissioning and Integrated Delivery will enable the delivery of an enhanced health and social care service for Plymouth which will:
- Allow easier and earlier access to services that promote wellbeing or that provide help in a crisis
 - Empower people to take control of their own health and wellbeing
 - Support strong links between local communities in Plymouth with GPs, schools, social workers and community organisations, which will help people to stay independent for longer
 - Help older people who have come out of hospital to stay at home
 - Ensure that families and carers will not have to chase professionals or ask them to talk to each other
 - Support children with a learning disability and their families and carers in managing their needs and ensuring that when they turn 25 they will continue to receive the support they need
 - Develop social capital that enhances the lives of people in Plymouth through providing local resources that support a greater emphasis on prevention and early intervention
 - Give greater economic opportunities as more people get the support they need to work

- 6.28 A paper was presented to Cabinet on 15 August 2014 to present the vision and recommendations for the Cooperative Children and Young People's Services (CCYPS) project, within the Integrated Health and Wellbeing (IHWB) programme. The CCYPS project will develop and deliver new models of working with schools, health partners and other agencies who work with children and families to create cooperative, collaborative and effective services that are integrated and sustainable. Inequality and disadvantage will be a focus and issues identified by the Fairness Commission will be tackled through a new way of looking at system leadership and collective ownership of long standing challenges.
- 6.29 The CCYPS project is considerable and therefore has been separated into work streams. Each work stream has assigned objectives and different approaches to meeting the overall aim of the Co-operative Children and Young Peoples Services project and consists of the following work streams:
- Special Educational Needs and Disabilities (SEND)
 - Early Help – the transformation of care provision
 - Children Social Care Reconfiguration
 - Family Support Review
 - Cluster model - Trading Services
 - Education Catering
 - Plymouth Council Adult Learning Service
- 6.30 The Care Act Implementation project will ensure that all of the relevant provisions of Part 1 the Care Act 2014 are implemented by 1 April 2015 and Part 2 by 1 April 2016. The Care Act is a wide ranging revision and extension of the existing social care legislation including:
- A new duty on local authorities to promote wellbeing
 - New rights and entitlements for carers
 - Setting a national eligibility threshold for social care
 - Ensuring continuity of care
 - Changes to the safeguarding of adults
 - Introduction of a lifetime cap on the maximum amount a service user can contribute towards their care
 - Introduction of universal deferred payments
 - The provision of an independent advocacy service
- 6.31 A review of the People Directorate aims to maximise the use of resources and people within the Directorate by removing duplication and standardising the commissioning model.
-

Co-operative Centre of Operations (CCO) programme

Table 9: CCO Projects

Project	2015/16	2016/17
	£m	£m
ICT shared service delivery - Delt	0.300	0.404
Modernise HR, Finance & Corporate Services	0.800	0.600
Commissioning & Procurement	0.200	0.400
Business Support co-ordination	0.200	0.200
Total	1.500	1.604

- 6.32 In October 2014 we went live with the shared ICT service delivery, (Delt), with our health partners the Clinical Commissioning Group (CCG). This new jointly owned entity will enable us to achieve more efficiency savings whilst delivering our planned change agenda. Moving forward, we will seek opportunities to expand the client base and remit of Delt in order to maximise income generation potential.
- 6.33 A full review of the Human Resource, Finance and Corporate Services will identify new ways of working. Utilising information technology, we will enable the business to access real time management information using core systems. Modernising our processes will make us more efficient and enable us to reduce our staffing and other associated support costs.
- 6.34 Included in the corporate services review will be the consideration of an Integrated Assurance Service, bringing together teams from Audit, Risk & Insurance, Fraud and Health & Safety to have an integrated 'compliance' function. This new function would provide a slicker, joined up management tool for the business, reducing the volume of compliance testing needed across the individual support functions whilst, also, creating a combined service that will have income generation potential.
- 6.35 Commissioning and Procurement will develop better intelligence around the Council's, and key partners', spending patterns. This will enable greater opportunities for collaboration and drive efficiencies of scale to deliver tangible savings.
- 6.36 A Business Support review across the council will reduce duplication of activities between support functions and, where possible, utilise information technology to develop new working practices.
- 6.37 The core focus of the CCO programme will be to flexibly adapt all back office support services, using the most appropriate delivery mechanisms, to respond to the changing demands of a quite different organisation in the future. For example, major changes in other transformation programmes, such as creating an integration delivery function for health and adult social care, will require significant changes in how we organise our support functions.

Other savings / Income assumptions

- 6.38 In addition to the Transformation Programme savings of £13.1m detailed above, we have also put in place the following cost savings and income assumptions.
-

- 6.39 We have undertaken a full review of our resource and un-ring fenced reserve assumptions and included savings for 2015/16 totalling £0.420m, relating to reduced insurance liabilities and increased benefits from our business rates pooling arrangements.
- 6.40 Within the People Directorate there are a number of on-going management initiatives totalling £2.9m from the review of the cost of service provision; it is envisaged that these will be incorporated into the Transformation Programme as part of the IHWB programme. The plans include reviewing externally commissioned community based care services; reviews of the services within the Education, Learning and Family Support department such as alternative to children's centres; and a service review within Homes and Communities department.
- 6.41 In addition in 2015/16 we have modelled an additional Better Care Fund allocation of £1.100m, reflecting the latest indicative funding position.
- 6.42 Similarly within the Place Directorate, there are saving assumptions totalling £2.5m mainly due to the reduction in waste disposal costs with the fully operational Energy from Waste (EfW) plant.
- 6.43 Within the Transformation and Change Directorate we are forecasting additional income in 2015/16 of £0.3m as a result of our more commercial approach to trading and service provision to other organisations.
- 6.44 In order to achieve our ambitious Transformation Programme we have incurred development costs during 2014/15, based largely on the input from specialist interim consultants, adding capacity to our existing staff to deliver over £30m of net revenue benefit over three years. Spend on all interim posts is within the approved revenue budget allocations for 2014/15.
- 6.45 During 2014/15 we have moved from the planning to the delivery phase of the programme and as such our reliance on interim posts has reduced with permanent appointments now in place for the majority of roles. As such, we are reducing the 2015/16 budget allocation to the transformation programme by £0.700m to £4.6m.

7. 2015/16 detailed budget

- 7.1 The net revenue budget that we are presenting for 2015/16 is for £192.071m which is currently £1.2m 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 2015 scrutiny meeting.
- 7.2 The resource base between 2014/15 and 2015/16 will reduce by £13.81m, subject to receiving the final settlement in December 2014. Incorporating the unavoidable cost pressures of £8.9m, this equates to a real reduction of 11% 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 **Table 10** in order to provide a year by year comparison.
-

Table 10: Indicative target budget by directorate 2015/16

Directorate	2014/15 Budget as at November 2014 £m	Indicative 2015/16 Budget £m	Net Movement £m
Executive Office	3.840	3.840	0.000
Corporate Items	15.291	15.134	(0.157)
Transformation and Change	30.038	26.982	(3.056)
People Directorate	121.845	120.961	(0.884)
Public Health	0.194	0.089	(0.105)
Place Directorate	33.472	25.065	(8.407)
Grand Total	204.680	192.071	(12.609)

Resources estimate of £190.87m = current shortfall of £1.2m.

- 7.4 The figures stated are net revenue figures. The actual gross income and spend across the council is much greater. For comparison purposes, our net budget for 2014/15 is £204.68m.
- 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. For information, an analysis of gross income for 2014/15, alongside spend against recognised CIPFA headings can be seen as **Appendix B**.
- 7.6 Despite the severe cuts, our 2015/16 budgets still strive to deliver quality and improved services to our residents.
- 8. Review of Reserves and Risk Management**
- 8.1 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 2014, at £10.7m is 5.6% of our indicative net 2015/16 revenue budget £190.87m. Our plans are to retain the Working Balance level throughout 2015/16 (compliant with the objectives set within our Medium Term Financial Forecast).
- 8.2 In addition to the Working Balance, specific earmarked reserves are forecasted at £27.4m at the end of March 2014 and forecasted to reduce to £22.5m by 31 March 2015. The balances include, under Internal Financial Reporting Standards (IFRS) requirements, Schools Balance (currently £9.5m) and unused year end Grants carry forwards once quantified.
- 8.3 Specific reserves are set to cover known or estimated future costs for specific activities and/or liabilities.
- 8.4 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**.
- 8.5 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 2015/16 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.

- 8.6 **Appendix C** details a number of risks associated with the 2015/16 revenue and capital budget which might result in a future call against our contingency arrangements.
- 8.7 We are very clear that we will not be using any of our reserves to fund the Transformation Programme going forward. Retaining adequate reserves is crucial in terms of contingency planning for the scale of the ambitious change agenda that we face.

9 Human Resources and Workforce

- 9.1 The Council directly employs approximately 3,500 staff (2,766 FTE) and approximately 2,000 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.
- 9.2 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.
- 9.3 After three years of a 'pay freeze', a 2.2% pay award has been agreed for local government staff, (excluding Chief Officers) applicable from 1st January 2015 with lump sum payments in December. Budget provision was put aside for this award. A 1% increase costs the Council approximately £1m including on-costs annually. An allowance for future pay awards has been factored into our cost pressures.
- 9.4 We continue to drive the values of a fair and equitable employer and have adopted the principles of the living wage for 2014/15. The Living Wage rate has been increased from £7.65 to £7.85.
- 9.5 Revised Terms & Conditions, 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.
- 9.6 The number of FTE 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:

Table 11: FTE forecast

	2011/12	2012/13	2013/14	Oct 2014
	FTE	FTE	FTE	FTE
FTE Council Employees	3,248	3,063	2,936	2,766

- 9.7 In overview terms, we have reduced our FTE posts by 297 since March 2013 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 2015/16 budget.
- 9.8 Absence rates across the council have steadily improved throughout 2014/15. We have surpassed the target set as 8.5 days per employee within year, currently achieving an average of 7.37 days (October 2014). We are below average rates compared to other unitary

councils, however there is still much we can do to improve attendance so we will retain close monitoring and management action in order to continue the downward trend in future years.

- 9.9 Our success in attracting and building our base of apprenticeships across the council has been impressive. We currently host 99 apprentice learners with an additional 10 currently being recruited and a number of new and exciting apprenticeship being researched. Such placements help Plymouth City Council to invigorate the workforce, attracting new ideas and harvesting a healthy culture of nurturing and developing local talent. Within our programme we are currently supporting 16 advanced apprenticeships studying towards NVQ level 4 in Project Management, Finance and Business Management.

10 Capital Resources and Prioritisation

- 10.1 The council continues to challenge the affordability of its four year Capital Forecast for the period 2014/15 to 2017/18. 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.

Table 12: Four year Estimated Capital Resources

Resources	2014/15	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m	£m
Total resources	86.526	62.675	37.339	23.615	210.155
Less Investment fund	7.286	7.339	0.616	4.384	19.625
Available for capital programme	79.240	55.336	36.723	19.231	190.530
Allocated to existing programme	55.124	30.583	2.566	2.510	90.783
Unallocated resources available for capital programme	24.116	24.753	34.157	16.721	99.747
Less:					
Estimated Ring-fenced grants	1.554	18.218	11.180	6.660	37.612
Estimated Ring-fenced Capital Receipts	1.821	0.455	5.000	-	7.276
Section 106 - Negotiated Obligations and Tariff (Ring-fenced)	9.727	5.378	3.628	2.169	20.902
External Contributions	0.080	0.404	0.500	0.500	1.484
Internal Funds/Revenue	0.432	3.256	0.528	0.528	4.744
Un-ring-fenced Resources to allocate	10.502	- 2.958	13.321	6.864	27.729

- 10.2 The current funding assumptions total £210m but this will increase as more investment to the city is secured. From this forecasted funding, £19m has been allocated to the Investment Fund and a further £91m to the overall Capital Programme. Table 12 sets out how circa £72m of the remaining funding is ring-fenced leaving just under £28m as un-ring-fenced resources still available to be allocated to future projects.

- 10.3 Key schemes include:

- School build and modernisation
- Supporting local business (e.g. Investment Fund)
- Housing Development (e.g. Housing Loan Scheme)
- Multi £m investment in the City's Roads

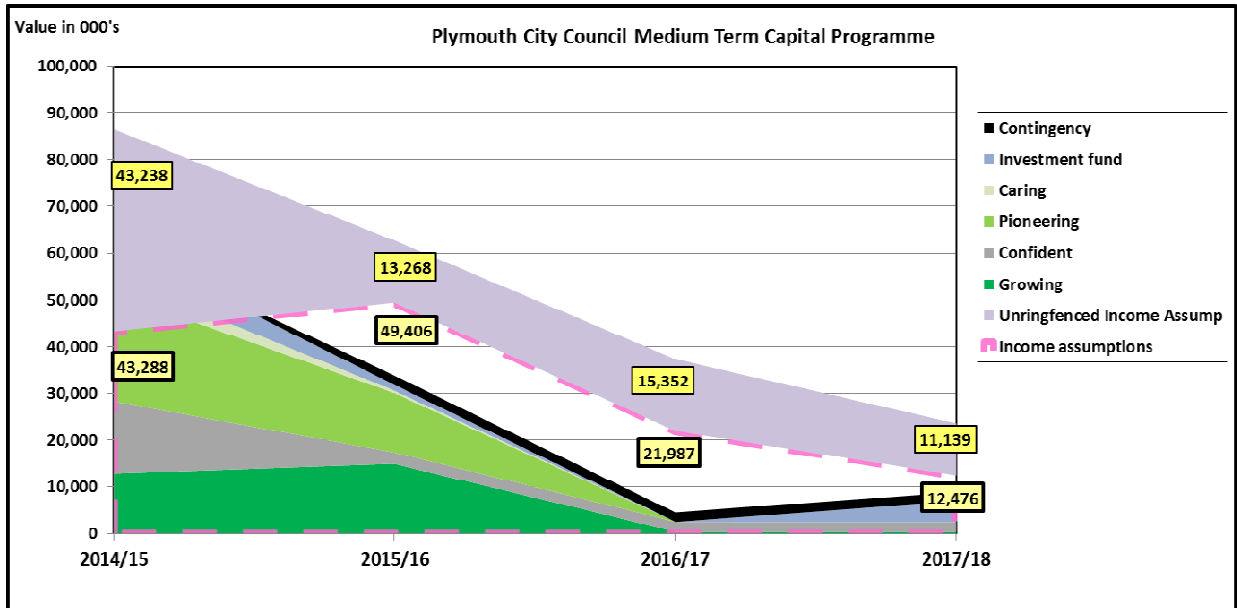
- 10.4 Officers will remain proactive at optimising external grant funding wherever possible in order to continue to deliver significant, ambitious capital investment in the city. The indicative programme will be continually updated as further details of funding are made available.
- 10.5 We remain committed 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).
- 10.6 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.
- 10.7 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 co-operative council.
- 10.8 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.

- 10.9 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.
- 10.10 In addition, at the Full Council meeting on 24 November 2014, we announced the launch of our £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). This £50m is not currently included in the total Capital Programme of £210m.
- 10.11 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 2: Forecasted capital resources and spend commitments



10.12 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.

11 Next steps

- 11.1 This is a draft budget report for consultation. In early February 2015, Cabinet will consider all consultation responses, along with the output from the January 2015 budget scrutiny and any material changes from the final funding settlement, prior to recommending a final budget for adoption by Full Council on 23 February 2015.
- 11.2 Cabinet and officers will continue to challenge all of the cost and saving assumptions in this report to close the current £1.2m gap and present a balanced budget in February.
- 11.3 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.
- 11.4 All departmental budgets will need to be updated and adjusted to account for:
- Virements undertaken during the period October to 31 December 2014;
 - Final allocations re Revenue Settlement;
- 11.5 Details of all such corporate adjustments will be incorporated within the papers for the final February 2015 Council budget meeting. Corporate adjustments are not anticipated to materially affect the departmental revenue targets as detailed within this report.

Appendix A

2015/16 Indicative Budget	Corporate Items	Executive Office	People Diectorate	Place Directorate	Public Health	Transformation & Change	Total General Fund
	£000	£000	£000	£000	£000	£000	£000
2014/15 Base Budget	15,291	3,840	121,845	33,472	194	30,038	204,680
Cost & Volume	1,000	0	7,839	0	0	0	8,839
Savings	(1,157)	0	(8,723)	(8,407)	(105)	(3,056)	(21,448)
Indicative 2015/16	15,134	3,840	120,961	25,065	89	26,982	192,071

2016/17 Indicative Budget	Corporate Items	Executive Office	People Diectorate	Place Directorate	Public Health	Transformation & Change	Total General Fund
	£000	£000	£000	£000	£000	£000	£000
2015/16 Base Budget	15,134	3,840	120,961	25,065	89	26,982	192,071
Cost & Volume	1,000	0	3,258	500	0	0	4,758
Savings	0	0	(6,876)	(3,125)	(132)	(2,953)	(13,086)
Indicative 2016/17	16,134	3,840	117,343	22,440	(43)	24,029	183,743

2017/18 Indicative Budget	Corporate Items	Executive Office	People Diectorate	Place Directorate	Public Health	Transformation & Change	Total General Fund
	£000	£000	£000	£000	£000	£000	£000
2016/17 Base Budget	16,134	3,840	117,343	22,440	(43)	24,029	183,743
Cost & Volume	1,500	0	750	500	0	0	2,750
Savings	0	0	(2,625)	(2,550)	0	(1,300)	(6,475)
Indicative 2017/18	17,634	3,840	115,468	20,390	(43)	22,729	180,018

2018/19 Indicative Budget	Corporate Items	Executive Office	People Diectorate	Place Directorate	Public Health	Transformation & Change	Total General Fund
	£000	£000	£000	£000	£000	£000	£000
2017/18 Base Budget	17,634	3,840	115,468	20,390	(43)	22,729	180,018
Cost & Volume	1,800	0	1,000	0	0	0	2,800
Savings	0	0	(2,625)	(2,550)	0	(1,300)	(6,475)
Indicative 2018/19	19,434	3,840	113,843	17,840	(43)	21,429	176,343

APPENDIX C (I)

Assistant Director for Finance (S151 Officer) Budget Robustness Statement

- I.1 The Local Government Act 2003 places a statutory duty on the Chief Financial Officer (CFO) to review the Medium Term Financial Strategy and comment upon the robustness of the budget and the adequacy of the reserves to be held by the authority when it is making the statutory calculations required to determine its council tax. The authority is required to take this report into account when making that decision.
 - I.2 Section 26 of the Local Government Act 2003, places an onus on the Chief Finance Officer to ensure the authority has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonable defined within finalising the proposed budget.
 - I.3 It is the opinion of the Chief Finance Officer that the medium term financial plan expressed within this budget report is a sound financial strategy that will enable the Council to delivery its Corporate Plan successfully.
 - I.4 Both the Revenue Budget and Capital Programme have been formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans have been formulated having regard to Council priorities and assessed against an agreed set of impact criteria and equality assessments.
 - I.5 The proposed budget has been developed following input and reviews with Chief Officers and other officers and Members, including Cabinet.
 - I.6 We have taken a risk-based assessment of the areas which could have a major impact on the Council's finances. This approach has taken into account the type of risk, the potential magnitude of the financial risk and a judgement as to how likely the issue is to arise.
 - I.7 The following risk register identifies a number of the high level risks that may have financial implications which could impact on the required minimum level of reserves to be retained.
 - I.8 We will continue to work through mitigation actions in order to reduce these risks where possible prior to finalising the 2015/16 budget in February 2015.
-

2015/16 Budget Risk Register

APPENDIX C

ROW No.	CATEGORY & VALUE	POTENTIAL RISKS IDENTIFIED	RISK RATING			Lead Officer	COMMENTS / MITIGATION	REVISED RISK RATING		
			@ Oct '14					P	I	R
			P	I	R					
2015/16 High Level Budget Risks										
1	Health Integration - Adults (£2.9m)	Cost & volume work yet to be completed on CCG funding transferring into the £400m+ pooled budget. Need clarity on achievable benefits. £2.9m benefits planned within PCC transformation for 15/16	5	5	25	Craig McArdle	CCG commissioners to work through the impact of planned intervention work on future client base. Risk remains high until this has been completed. PCC to support this process.	5	5	25
2	Health Integration - Children (£1.5m)	Cost & volume work required to understand the impact of early intervention on the number of children that the council will need to 'look after' in future years. £1.5m benefit planned for 15/16	5	5	25	Alison Botham	Delays in completing the relevant modelling work due to capacity linked to Ofsted. Risk remains high until this is completed.	5	5	25
3	Council Tax Resources - (£1.6m)	Council Tax increase for 2015/16 @ 1.99% - risk of possible referendum capping increase to 1.5%.	4	5	20	Malcolm Coe	Continue to work closely with Cabinet on overall resourcing framework. Maintain links with LGA and other networks to anticipate any changes re: government funding	3	4	12
4	Resources - (£xm)	Change in Government Funding Framework relating to 2015/16 funding allocation. December 13 settlement gave indicative 2015/16 funding allocations, final settlement expected 23rd December	4	5	20	Malcolm Coe	Continue to work with LG Futures to model future year allocations and using insight and intelligence to forecast potential changes early.	3	5	15
5	Adult Social Care - Care Act (£xm)	Care Act implementation starts in April 2015. There is still uncertainty of the overall costs that the council will incur (as guidance is still developing). Assumption of net nil impact on 15/16 budget.	5	4	20	Kate Jones / Dave Simpkins	Figures confirmed in 2015/16 Better Care Fund of circa £0.9M, at this stage unclear as to whether this is sufficient, potential bigger issue in future years.	3	4	12
6	Growth Resources (£m)	Risk of not delivering our Growth targets due to unforeseen issues such as rate re-valuation, change in government legislation and failing businesses.	4	5	20	David Draffan	Effective review and challenge of projected growth figures - factoring in planned housing and business development.	3	5	15
7	2014/15 base budget	Failure to deliver a balanced budget in 14/15 and impact of any legacy shortfalls in 2015/16	4	4	16	CMT	Monthly review and challenge through CMT and Cabinet Planning. Underlying pressures in Children & Adult Social Care to be addressed through ZBB approach in 2015/16.	3	4	12
8	Co-operative Centre of Operations (£1.5m)	Plans to deliver £1.5m CCO savings in 2015/16 (including income generation potential) require further work to develop clear milestones and actions.	4	5	20	Giles Perritt / Rob Pendleton	Rescoping of CCO programme commenced October 2014. Clear plans will be in place by 31 Jan '15. PCH expressed interest in sharing a number of back office functions.	4	4	16

Medium Term Financial Forecast Risks 2015/16 to 2018/19

APPENDIX C

ROW No.	CATEGORY & VALUE	POTENTIAL RISKS IDENTIFIED	RISK RATING @ Oct '14			Lead Officer	COMMENTS / MITIGATION	REVISED RISK RATING		
			P	I				P	I	
			Medium Term Financial Forecast Risks 2015/16 to 2018/19							
9	Growth Resources (£m)	New Homes Bonus - Continuing ability of the Council to deliver growth and the longevity of the New Homes Bonus scheme (e.g. risk that NHB is dis-continued over medium term by Government)	4	5	20	David Draffan	Current projections of growth is sustainable, however rolling 6 year NHB funding will start to drop off in 2017/18 and risk that this will not be replaced. Maintain robust	4	5	20
10	NNDR Re-Valuation (Resources)	National NNDR revaluations due 2017, potentially reducing NNDR income, in addition to causing volatile environment with potential for increase in valuation appeals, bad debt provision requirement	4	5	20	Malcolm Coe	Continue to work and build relationship with Valuation Office to ensure early insight into potential changes and impact.	4	5	20
11	Government Funding - Resources	Change in Government Funding Framework. Potential change in Government in 2015/16 - faced with high levels of national debt and potentially looking to reduce funding to the public sector further.	5	5	25	Malcolm Coe	Continue to work with LG Futures to model future year allocations and using insight and intelligence to forecast potential changes early.	5	5	25
12	Health Integration - sustainability	Ability for the integrated health pooling arrangements to deliver the medium to long term benefits required to address the pressures within CCG and social care budgets.	5	5	25	Craig McArdle	Constant revision of cost & volume modelling. Effective monitoring and reporting on the impact of interventions as and when they are delivered.	4	5	20
13	Adult Social Care - Care Act	Using nationally recognised 'Surrey' and 'Lincolnshire' models indicates a significant net funding shortfall on Care Act implementation from 2016/17 onwards (potential £5m per annum)	5	5	25	Kate Jones / Dave Simpkins	Care Act implementation and Funding still out for consultation (as at Nov '14). LGA have raised the shortfall of funding with Govt. Initial allocation awarded in 15/16 BCF	4	5	20
14	Corporate Impact of alternative service delivery models	Biggest financial impact is Pensions. Re-valuation due in 2017/18, potential for increase in employers pension contributions. Need to include impact on pension fund of reducing employee base contributing into pension fund.	4	5	20	CMT	Need to model employee base for future years, and ensure effective projections on pension liability. Capture 'lessons learnt' from DELT implementation and apply to further option appraisals.	3	5	15

P = Probability Rating I = Impact Rating

(I = Low, 5 = High)

Maximum Score 5 x 5 = 25

Reserves Summary	Balance as at 31/03/2014 £000	Movement 14/15 £000	Balance as at 31/03/2015 £000	Movement 15/16 £000	Balance as at 31/03/2016 £000	Purpose of Reserve
Trading Account & other statutory reserves	-436	52	-384	33	-351	Accumulated trading position, for reinvestment in trading activities or departmental related expenditure.
Education/schools Earmarked reserves	-9,619	14	-9,502	0	-9,502	
Education Carry Forwards	-14	14	0	0	0	Education/Schools earmarked reserves.
School Budget Share	-8,086	0	-8,086	0	-8,086	Education/Schools earmarked reserves - mainly from grants .
PFI reserves	-1,385	0	-1,385	0	-1,385	PFI credits received in advance.
Beechwood Campus Drs Surgery Reserve	-31	0	-31	0	-31	Set-aside funds for known future years liability.
Commuted Maintenance	-2,989	17	-2,972	14	-2,958	Funds set aside to fund future years maintenance costs of specific areas of land, building or equipment.
Earmarked General Reserves	-9,345	3,375	-5,970	2,090	-3,880	
Insurance and Risk Management Reserves	-1,268	0	-1,268	0	-1,268	To minimise insurance risk and meet any unforeseen/increased costs of insurance.
Budget Carry Forwards	-806	209	-597	390	-207	Revenue budget carryforwards to fund known/specific costs in future years.
Pensions Fund	-567	67	-500	0	-500	To cover potential shortfall in Fund due to revaluations and contributions.
Redundancies	-300	-300	-600	200	-400	To meet potential costs of redundancies, including strain payments to the pension fund.
Urban Enterprise Fund	-441	441	0	0	0	To fund Strategic Investment Framework.
Job Evaluation/Equal Pay	-900	200	-700	200	-500	To fund job evaluation claims.
Grants carryforward	-747	247	-500	0	-500	Carryforward revenue grant funds as required for accounting purposes. £500k is indicative of estimated 2014/15
Waste Reserve	-802	802	0	0	0	To fund Waste Disposal costs ahead of EfW plant.
Stock transfer residual liabilities	-1,005	0	-1,005	0	-1,005	To fund potential liabilities post stock transfer to Plymouth Community Homes.
Life Centre Dowry	-450	-150	-600	-150	-750	Creation of Life Centre Dowry to release Sport England Grant Retention for capital scheme.
Plan for Jobs	-400	200	-200	200	0	To fund job creation projects in the city.
Investment Fund	-1,659	1,659	0	0	0	To delive economic growth in the city.
Other Ringfenced Reserves	-3,305	260	-3,045	177	-2,868	
Tamar Bridge & Torpoint Ferry	-2,258	0	-2,258	0	-2,258	This balance represents Plymouth's 50% share of the operations ringfenced reserves.
Brickfields Sports Development	-60	27	-33	33	0	Reserve set aside to meet future expenditure in Devonport, in lieu of grant funding in 2007/08.
Devonport Neighbourhood Manager	-30	30	0	0	0	Reserve set aside to meet future expenditure in Devonport, in lieu of grant funding in 2007/08.
Tamar house - Commercial rents sinking fund	-503	150	-353	100	-253	RDA rents sinking fund Tamar House.
Plymouth City Development Company	-9	9	0	0	0	Balance of funds provided by Regional Development Agency
A386 Park & Ride Leased Spaces	-445	44	-401	44	-357	Reserve for leased spaces at George Park & Ride site.
Other Reserves	-1,749	1,089	-660	18	-642	All reserves have been reviewed and confirmed as required to meet specific policy commitments.
Working Balance	-10,797	0	-10,797	0	-10,797	General Balance available to meet unforeseen expenditure.
Total Reserves	-38,240	4,807	-33,330	2,332	-30,998	

APPENDIX E

Approved Capital Programme	2014/15	2015/16	2016/17	2017/18	Total
	£000	£000	£000	£000	£000
Investment Fund	7,286	7,339	595	4,384	19,603
Total	7,286	7,339	595	4,384	19,603
Pioneering					
Environmental services	2,428	150	0	0	2,578
Retained waste	2,971	1,600	0	0	4,571
Street lighting bulb replacement	2,738	5,252	0	0	7,990
Electric Car Charge Points	159	0	0	0	159
Economic development capital block	168	1,382	0	0	1,550
Green Deal & Home Energy	1,688	1,501	0	0	3,189
Coastal Communities	341	0	0	0	341
Mt Edgcumbe	181	0	0	0	181
Mercury abatement equipment in Crematoria	0	1,093	0	0	1,093
North Prospect Library	31	0	0	0	31
ICT investment	3,682	1,485	0	0	5,167
Accommodation strategy	542	50	0	0	592
Accommodation Transformation	4,630	200	0	0	4,830
Corporate Property	1,418	0	0	0	1,418
Sustainable Energy	602	0	0	0	602
Total	21,579	12,713	0	0	34,292
Growing					
Gypsy and Traveller Sites	1,081	790	0	0	1,871
Basic need - Schools	5,611	8,631	0	0	14,242
Academies	1,096	0	0	0	1,096
Development works - schools	50	0	0	0	50
Condition works - schools	2,959	3,532	0	0	6,491
Devolved capital - schools	649	1,013	510	510	2,682
Universal Infant Free School Meals	572	0	0	0	572
Transport - Section 106	589	966	0	0	1,555
Housing & planning services	280	0	0	0	280
Total	12,887	14,932	510	510	28,839
Caring					
Children's social care	38	0	0	0	38
Joint commissioning & adult social care	1,564	375	0	0	1,939
Drug and Alcohol Rehabilitation grants	186	0	0	0	186
Homes & communities	946	0	0	0	946
Basic need - Nursery Places	922	110	0	0	1,032
SEN & Inclusion	59	0	0	0	59
Total	3,715	485	0	0	4,200
Confident					
Leisure & parks provision	133	67	0	0	200
Homes & communities	19	0	0	0	19
Environmental Services	312	0	0	0	312
Capitalised Maintenance schemes	7,261	1,869	1,700	2,000	12,830
Other transport projects (outside of capitalised maintenance)	6,250	111	0	0	6,361
Flood Defence works	1,718	0	0	0	1,718
Landing stages	280	0	0	0	280
Saltram Countryside Park Capital Programme:	429	0	356	0	785
Visual mitigation works & Biodiversity improvement	215	115	0	0	330
Other planning projects	326	292	0	0	618
Total	16,943	2,454	2,056	2,000	23,453
Forecast future income streams	24,116	24,753	34,178	16,720	99,767
GRAND TOTAL	86,526	62,676	37,339	23,614	210,154