

PLYMOUTH CITY COUNCIL

Subject: Draft Budget 2018-19
Committee: Cabinet
Date: 16 January 2018
Cabinet Member: Cllr Darcy: Cabinet Member for Finance and ICT
CMT Member: Andrew Hardingham – Interim Joint Strategic Director for Transformation and Change
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Ref:
Key Decision: Yes
Part: 1

Purpose of the report:

Under the Council's Constitution, Cabinet is required to recommend the 2018/19 Budget to Council. This report is the next stage in preparing the Budget for the 13 February 2018 Cabinet, to enable them to recommend the Budget to the 26 February 2018 Council.

The Corporate Plan 2016/19:

The 2018/19 Draft Budget sets out the resources available to deliver the Corporate Plan.

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

The resource implications are set out in the body of the report.

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

The 2018/19 Draft Budget provides the maximum resources achievable to address key policy areas.

Equality and Diversity:

A full equalities impact assessment is attached.

Recommendations and Reasons for recommended action:

I. That Cabinet notes the 2018/19 Draft Budget.

Alternative options considered and rejected:

There are no alternative options.

Published work / information:

Background papers:

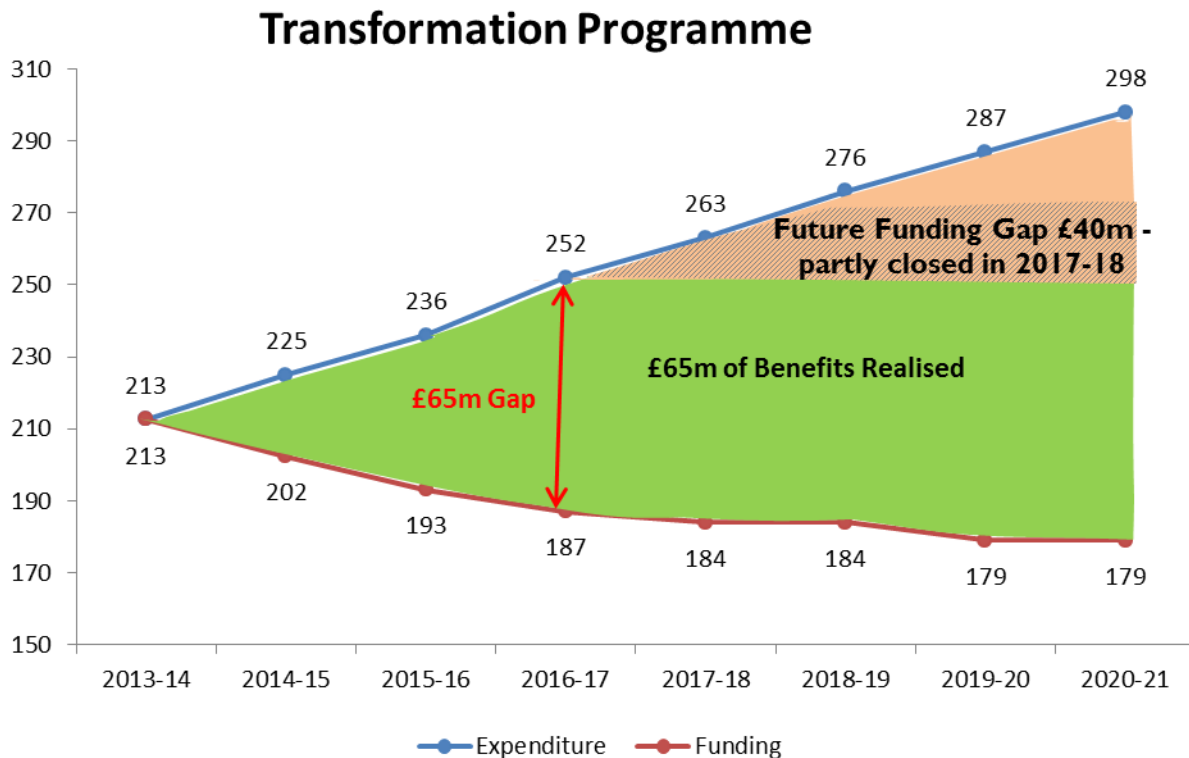
Title	Part I	Part II	Exemption Paragraph Number						
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Sign off:

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Originating SMT Member											
Has the Cabinet Member(s) agreed the content of the report? Yes											

1.0 Introduction

- 1.1 The Medium Term Financial Strategy was recommended by 31 October 2017 Cabinet and subsequently approved by 20 November 2017 Council. The Strategy addresses the funding gap as of that date for the following three financial years. It builds on the significant benefits achieved over recent financial years.



- 1.2 The 2018/19 Budget is now being developed in greater detail and in accordance with the budget timetable enabling Members to agree a Council Tax rate for 2018/19 in February.
- 1.3 There are a number of changes to forecast funding and expenditure for 2018/19 and these are discussed in more detail later within the report. The budget gap reported to Council in November 2017 was £4.766m. The revised budget gap has decreased to £2.640m. The latest position reflects new savings and efficiencies identified to date, new and emerging pressures, the latest information arising from the Chancellor's Autumn Statement and the Provisional Local Government Finance Settlement. Further details of the pressures and new savings are shown in Appendix I of the report.
- 1.4 Building on last year's more comprehensive budget engagement process, we conducted community engagement fieldwork on our 2018/19 budget in September and October 2017. This comprised an online survey, supported by Business and Voluntary and Community Sector (VCS) engagement through established forums and networks. The headline findings are referenced in this report where relevant.

1.5 Movement from MTFS to Current Budget

	2018/19 £m	2019/20 £m	2020/21 £m
	FORECAST		
Budget Gap as at 20 November MTFS	4.766	6.276	10.328
A. New and Emerging Pressures			
Housing benefits – increased provision	0.250		
Children’s Services – increase provision for cost/volume increase	1.200		
Fleet Modernisation	0.600		
Waste Services – increased disposal costs	0.500		
Revised smart working target	0.500		
Revised staff travel target	0.344		
Revised customer services programme target	0.400		
Revised procurement contract savings target	0.678		
Court fees	0.311		
Local government pay award - increase provision to 2%	1.000	0.800	0.800
Total New and Emerging Pressures	5.783	0.800	0.800

	2018/19	2019/20	2020/21
	£m	£m	£m
FORECAST			
B. New Savings and Efficiencies			
Additional Pooling gain as a result of 100% business rates retention	-1.000	1.000	
Autumn Statement – National Living Wage	-0.250		
Alternative delivery model for Trading Standards		-0.025	-0.050
Energy related initiatives	-0.076	0.053	
Asset Investment Fund	-0.300		
New Homes Bonus – Actual settlement	-0.023	-0.023	-0.023
Revision to office cleaning arrangements	-0.100		
Anti Fraud Partnership with Devon Audit Partnership	-0.050	-0.025	-0.025
Human Resources & Organisational Development	-0.050		
Review of Coroners arrangements	-0.040		
Use of S106 contributions	-2.850		
Extension to flexible Use of Capital Receipts	-1.000	1.000	
Homelessness – system review	-0.250		
Reduction in provision for EVRS/Redundancy	-0.250		
Vacancy management target	-1.670		
Total New Savings and Efficiencies	-7.909	1.980	-0.098
Budget Gap as at 16 January 2018	2.640	9.057	11.030

1.51 Taking into account these changes the overall budget position is now set out in the table below:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
	BUDGET	FORECAST		
REVENUE RESOURCES AVAILABLE	183.883	184.069	178.738	179.422
Baseline spend requirement	186.702	183.883	184.069	178.738
One off savings brought forward	4.876			
Plus identified additional costs	10.536	13.207	11.216	11.118
Overall spend requirement	202.114	197.090	195.285	189.856
In-year shortfall to be found	18.231	13.021	16.547	10.434
Cumulative shortfall	18.231	31.252	47.799	58.233
Savings	18.231	10.381	7.490	-0.596
REVISED SPENDING FOR YEAR	183.883	186.709	187.795	190.452
Budget Gap 16 January 2018	0.000	2.640	9.057	11.030

2.0 The Chancellor's Autumn Statement

- 2.1 The main announcements from the Autumn Statement are summarised in Appendix Two to this report.
- 2.2 The main impact from the Autumn Statement upon the budget related to the National Living Wage which will be increased to £7.83 from April 2018. This is lower than the MTFs assumption. The £2.304m provision in 2018/19 can therefore be reduced by £0.250m.
- 2.3 Despite the national debate about funding for Adult Social Care, no further funding was announced.

3.0 Provisional Local Government Finance Settlement 2018/19

- 3.1 The Provisional Local Government Finance Settlement was announced on 19 December 2018. The notable changes are as follows:
- No changes to the New homes bonus scheme in 2018/19
 - An additional 1% on the referendum limit for core Council Tax increases
 - Announcement of the consultation on Fair Funding for implementation 2020/21
 - Green Paper on future challenges in Adult Social Care in Summer 2018
- 3.2 For the second year in a row an overall majority (55%) of the respondents to our budget consultation supported a small increase in Council Tax provided that services were maintained or improved. The minority (27%) who disagreed were concerned about

people's ability to pay when wages were not increasing. The VCS felt that the impact would be greater on the least well off, whilst the Business Community were concerned that increases in tax, and fees and charges, would put a brake on the local economy.

'I would support more than 2 per cent if it was put in the right areas I would also suggest some form of tiered implementation, so the poorest don't pay the increase...'

3.3 Plymouth has received notification that the Devon Business Rates Pool has been successful with its application to be a pilot for 100% Business Rates Retention. It is expected that a Devon pilot will bring a number of local benefits; both as a result of the additional resources, but also the move to a Devon-wide approach, with authorities' risks and rewards being pooled.

3.4 Although the Council has opted to accept the 4 year settlement this does not mean the Council cannot make representations during the settlement consultation phase. The Council will continue to press for a better deal for the residents of Plymouth. When offered, government said that those authorities opting for the 4 year settlement would not be worse off; therefore guaranteeing a minimum funding position. However, Plymouth is facing considerable pressures, in particular within Social Care.

3.5 New Homes Bonus
Government have decided:

- Not to introduce the proposals to withhold New Homes Bonus where homes have only been granted on appeal.
- To maintain the national baseline for housing growth below which New Homes Bonus will not be paid at 0.4% of council tax base (weighted by band) for 2018/19
- To reduce the length of the New Homes Bonus payments from 5 years in 2017/18 to 4 years from 2018/19 (announced in December 2016)
- The New Homes Bonus provisional allocation for Plymouth City Council will total £3,487,429.

4.0 Adult Social Care Precept

4.1 In the Spending Review November 2015, the Chancellor announced that for the rest of the current Parliament Local Authorities with responsibility for Adult Social Care (ASC) will be given an additional 2% flexibility on the current Council Tax referendum threshold to be used entirely for ASC.

4.2 The 2016/17 Budget approved a 2% Adult Social Care precept. The Government provided all local authorities with further flexibility by allowing the planned 6% increase in the Adult Social Care Precept to be brought forward whereby a 3% precept was permissible in 2017/18 and 2018/19. The 3% precept in 2017/18 raised £2.860m for Adult Social Care and the MTFs has assumed the precept will remain at 3% in 2018/19 raising a further £3.037m for Adult Social Care.

4.3 The Adult Social care precept is shown separately on Council Tax bills as required by regulations.

- 4.4 Adult Social Care is the largest single budget in the Council. In 2017/18 it is £76m in 2017/18 and is planned to be at a similar level 2018/19.
- 4.5 The MTFS allows additional costs for care packages of £2.813m in 2017/18. A further £2.386m is allocated in 2019/20 and £1.861m in 2020/21.

	2018/19 £m	2019/20 £m	2020/21 £m
	FORECAST		
Additional cost for care packages	2.813	2.386	1.861
National Living Wage in contracts	2.054	3.393	3.364
	4.867	5.779	5.225
3% Adult Social Care Precept	3.037	0.000	2.127

- 4.6 The Government also expects the national living wage to be included in all ASC contracts. The revised MTFS allows £2.054m in 2018/19 adjusted following the Autumn Statement. A further £3.393m is allocated in 2019/20 and £3.364m in 2020/21.
- 4.7 Adult Social Care provision is a statutory service and the Council must meet clients' assessed needs. The table above demonstrates that the MTFS additional costs significantly exceed the income derived from the Adult Social Care precept.
- 4.8 Half of all respondents to our consultation supported a 3% Adult Social Care precept with the proviso that the sum raised was spent on services. This rose to two thirds of those who expressed a view one way or the other. Ability to pay was the main reason given by those who did not (24%).

"Yes in principle, but it would be good to have a better idea how the funding is used and how services are administered to be able to decide whether this is a good idea."

5. Conclusion

- 5.1 The work to finalise the budget for 2018/19 has made good progress and the MTFS reported gap of £4.766m has reduced to £2.640m. Work will continue to ensure the gap is closed and the Council delivers a robust and balance budget for 2018/19.
- 5.2 Our budget engagement work over the last two years has evidenced that there is an understanding and acceptance that a rise in council tax is necessary, but that support is conditional and there are associated risks. The need for new service models is understood but there is a clear expectation that joined up services will deliver improvements as well as savings and there are concerns about staffing levels and capacity to deliver.

New and Emerging Pressures

A summary of the new and emerging pressures to the budget for 2018/19 are listed below. Further details are included in the MTFS:

<p>Housing Benefit – Plymouth pays over £100m in housing benefit to local residents each year. Due to the complexity and technical nature of the system and the impact of Universal Credit a provision for non-recovery of housing benefit overpayments of £0.250m has been included within the 2018/19 budget.</p>
<p>Children’s Services – Cost and volume analysis within the service is predicting increases to the number and cost of placements. This is exacerbated by a region wide shortage of placements and consequential impact of the use of expensive residential placements as opposed to preferred fostering placements. To meet these pressures a provision of £1.200m has been made.</p> <p>Through our budget engagement process we asked whether respondents thought there was anything else we could be doing to prevent harm to children, the most popular suggestions were parenting skills education programmes, system review and improvement and lobbying Government for additional funding.</p>
<p>Fleet Modernisation – Savings of £1.500m have been delivered within this programme. The Fleet budget has now been rebased by £0.600m to reflect the impact of a number of legacy savings which are not achievable following the conclusion of the programme in 2016.</p>
<p>GAME 2 – Waste Modernisation - The Waste budget now been rebased by £0.500m due to a number of unavoidable pressures including increased contractual costs arising from the recycling contract with Viridor.</p>
<p>Smart working project – The Smart Working project has delivered the following efficiencies through the use of technology:</p> <ul style="list-style-type: none"> • A significantly reduced accommodation requirement, moving to a 6:10 desk ratio. • Improving staff satisfaction by enabling staff to improve their own work/life balance. • Increasing service efficiency, improved productivity and performance through the release of staff travel time and having the right tools/equipment. <p>When the project started further savings were forecast in 2018/19. Following a review of the project these additional savings are considered unachievable so the budget has been rebased by £0.500m.</p>
<p>Staff Travel – The Council set challenging targets for the delivery of staff travel savings. These were met in part by directorates but there is £0.344m of unachievable savings. The base budget has been recast to reflect this change.</p>

Customer Services Programme within Transformation –

The £0.400m target was achieved as a one off saving in 2016/17 and will be in 2017/18 but the budget has now been rebased to reflect the non-delivery of re-occurring savings.

Procurement –

The Transformation programme set challenging targets for the delivery of Procurement savings across the Council. The service has contributed to significant savings to both revenue budgets (e.g. Highways contract) and capital projects amounting £0.250m in 17/18. The team has also contributed to contract reviews and renegotiations resulting in cost inflation prevention with approximately relating to capital projects. A review of procurement activities and the contract register has identified that previously estimated savings of £0.678m will not be achieved. The budget has been rebased to reflect this in 2018/19.

Through our Budget Engagement process both the VCS and the Business Community felt that money collected locally should be spent locally and that the procurement process should be transparent and where appropriate, favour local delivery of services.

Court Costs –

A review of fees and charges proposed as part of the 2017/18 budget has identified the delivery of increased income of £0.311m was not achievable. Recovery of court costs is subject to detailed scrutiny justifying the level of cost passed on. The budget has been rebased to reflect this income shortfall.

A majority of respondents to our budget consultation process thought the Council should consider a more commercial approach, adopting a commercial strategy and charging for non statutory services were popular suggestions.

Local government pay settlement –

The Local Authority Employers have proposed a pay award of 2% for council staff. The MTFS made provision for a 1% increase. Negotiations with the trade unions are ongoing. The additional 1% plus scale changes will add a further £1.000m to the Councils pay bill from 1st April 2018.

In our last two budget engagement processes there has been a view that the council could save money on staff pay, especially for senior management posts. However, wages not keeping up with inflation was given as a rationale for not increasing the council tax.

Savings and Efficiencies

A summary of the other changes to the budget for 2018/19 are listed below:

<p>Business Rates 100% Retention Pilot – The Devon pool was successful in bidding to become a pilot for 100% business rates retention. As a result, an addition income of £1.000m has been included in the budget for additional business rates growth which would have been shared with the Government.</p>
<p>National Living Wage – £0.250m reduction in the provision for the impact of the National Living Wage following Autumn Statement announcement.</p>
<p>Alternative delivery model for Trading Standards Service - Opportunities for efficiency savings through regional working are currently being explored</p>
<p>Energy related initiatives – The Low Carbon Team leads on the City's Low Carbon agenda and is delivering initiatives worth over £5.2m. £0.076m saving has been identified by setting an increased income target and a one off opportunity to capitalisation costs.</p>
<p>Asset Investment Fund – The fund has an existing MTFS income target of £1.3m for 2018/19. This has been achieved through a number of recent high value strategic property investment acquisitions that have successfully been completed. Building upon this success an additional £0.300m income target has been set for the Asset Investment Fund. This is considered to be achievable in relation to the identified pipeline investment opportunities. Through our budget engagement the most frequently suggested way for the Council to generate income to support services was through investment in and use of existing land assets and Buildings.</p>
<p>New Homes Bonus – The actual amount of new homes bonus was confirmed in the settlement and the budget has been increased by £0.023m.</p>
<p>Revision to office cleaning arrangements – By following national best practice and proven cleaning saving initiatives the frequency of accommodation cleaning will be reduced generating a £0.100m saving. This decision is based on a successful trial at Ballard House.</p>
<p>Anti Fraud Partnership – The Devon Audit Partnership is a shared service originally created with Devon County Council and Torbay. The Partnership has expanded with new members and the service provides a comprehensive internal audit service. It is proposed to transfer the successful Plymouth Fraud Service to the Partnership. By utilising their marketing skills and wider contacts it is projected to £0.100m saving can be achieved over 3 years by selling Fraud service across the south west. The overwhelming majority of respondents to our budget engagement agreed that joined up services are more efficient and cost effective.</p>
<p>Human Resources and Organisation Development – Following the transfer of the HR Business Service to the Service Centre a £0.050m saving will be achieved following a reorganisation of the service.</p>

<p>Review of Coroners arrangements – The delivery of £0.040m of savings arising from a review of the service and operating a shared service.</p>
<p>Use of s106 contributions – In accordance with Section 106 of the Town and Country Planning Act Plymouth enters into agreements with developers. As and when money is received it is held in a ring-fenced fund and released for appropriate infrastructure improvements as development proceeds. The proposal going forward is the council will discharge its obligations and finance Section 106 agreements by making use of a loan facility in accordance with the terms of the CIFPA Prudential Code by making an annual provision for the repayment of the debt in its revenue account and drawing the cash contribution from the developer into its revenue budget. This will release £2.850m of revenue to support the general fund budget.</p>
<p>Flexible use of capital receipts – An additional £1.000m is available for use in 2018/19. Provision is made with the Treasury Management budget to meet the cost of replacement borrowing.</p>
<p>Homelessness – Following a review of the Homelessness budget the provision to meet additional pressures has been reduced by £0.250m.</p>
<p>Redundancy Provision – Following a review of workforce planning the provision for future restructuring costs has been reduced by £0.250m.</p>
<p>Vacancy management – The assumption for staff turnover of 3% is increased to 5% saving £1.670m in 2018/19. This will reviewed by end of the first quarter in line with performance and service delivery.</p>

Autumn Statement 2017

The Economy

- Growth forecasts revised down for GDP growth by 0.5 percentage points to 1.5% in 2017. Growth then slows in 2018 and 2019, before rising to 1.6% in 2022.
- Inflation forecast to peak at 3% this year and then to fall back towards the target of 2.1%.
- No new cuts were announced. The Office for Budget Responsibility expects the government will meet its deficit reduction targets with £14.8 billion of headroom in 2020/21. Debt is forecast to peak at 86.5% of GDP in 2017-18, and is forecast to fall every year thereafter to 79.1% of GDP in 2022-23.
- The Government has announced £3 billion for investment in Brexit preparations.

Personal Tax Allowance / Living Wage

- Income tax personal allowance increases to £11,800 from £11,500 from April 2018.
- Higher rate tax threshold to increase to £46,350 from £45,000 from April 2018.
- National Living Wage from April 2018 has been confirmed. It will rise 4.4%, from £7.50 an hour to £7.83.

Duties

- There will be an increased 1% duty on hand rolled tobacco.
- Duties on non-white high strength ciders, wines, spirits and on beer will be frozen.
- There will be a freeze on long haul economy flights.
- There will be a new rail card for people aged 26-30 to give a third off rail fares.
- Fuel duty frozen for another year.

Universal Credit

- Removing the 7 days waiting period changes the assessment period to 5 weeks for everyone.
- Claimants can receive a full month of UC entitlement in advance. Currently they can have a maximum of 50%. This could alleviate immediate rent arrears problems.
- Customers can receive an advance within 5 days of applying for UC.
- Extending the repayment period to 12 months as standard.
- Overlap of HB for 2 weeks for those already on HB.

Business Rates

- The Government has announced that the 100% Business Rates Retention scheme will be extended to London and future business rates re-evaluations will take place every three years from 2022.
- From April 2018, rises in business rates will switch from RPI to CPI. This change in policy has been brought forward by 2 years with an estimated £2.3 billion saving for businesses over five years.
- The Government has announced the extension of the £1,000 discount for pubs for another year with Rateable Values below £100,000.

Modern Industrial Strategy and Infrastructure

- The National Productivity Investment Fund has been extended for a further year and increased from £23 billion to over £31 billion.
- The Government has announced a Transforming Cities Fund worth £1.7 billion, 50% of which will be distributed to elected metro mayors and the remaining 50% is open to competitive bids from cities across England.
- An additional £1 billion of discounted lending has been available to local authorities across the country to support high-value infrastructure projects.
- An extra £337 million will go towards a fleet of new trains on the Tyne & Wear Metro.
- An extra £6 million will go towards the Midlands Connect motorway and rail projects.
- A total of £140m will be invested in improving transport links along the Cambridge-Milton Keynes-Oxford corridor.
- A Government 5G strategy will include developing commercial options for improving coverage on roads and rail to meet 5G connectivity.
- There is also a vision to deliver one million new homes by 2050, complete the railroad infrastructure and develop an express road between Oxford and Cambridge.

Housing Safety

Following on from the Grenfell Tower Fire, the Government has committed to providing an additional £28 million support for Kensington and Chelsea Council for mental health service, regeneration support and new community space for Grenfell United community group. Emphasising the responsibility of local authorities and housing associations to identify and undertake necessary safety improvement works, the Government has committed to ensuring funding gaps are not a barrier to an improvement. Therefore, any local authorities facing funding challenges should respond to the Government to request additional financial support.

Housing

- The government has announced that it will legislate for a 100% council tax levy for local authorities on empty properties.
- To support first time young buyers, the government will abolish stamp duty for first time purchases up to £300,000 and will also extend up to £300,000 for purchases on properties to the value of £500,000.
- To support private housebuilding and the purpose built private sector, the government has committed £8 billion of new financial guarantees.
- The Budget makes available over £15 billion of new financial support for house building over the next five years through a variety of schemes including a Home Building Fund, a Housing Infrastructure Fund, a Land Assembly Fund and extra money for Estate Regeneration.
- The Homes and Communities Agency will be expanded to become “Homes England” to bring together money, expertise, and planning & compulsory purchase powers to facilitate delivery of sufficient new homes, to deliver a sustained improvement in affordability.

- The Budget provides £42 million of additional funding for the Disabled Facilities Grant in 2017-18, supporting people to stay in their own homes. This will increase the total budget for this year to £473 million.

Education and Schools

- Secondary schools and sixth-form colleges to get £600 for each new pupil taking maths or further maths at A-level at an expected cost of £177m
- £320m pledged this Parliament to further fund free schools, including independent-led, faith, selective, university-led and specialist maths schools.
- Investment in "game-changing reforms" for technical education, which would include T-levels, 15 standardised technical qualifications.

Health and Adult Social Care

- A further £3.5 billion of new capital funding for the NHS in England – on top of the £425 million already provided at Spring Budget 2017. £2.6 billion will be for Sustainability and Transformation Partnerships (STPs) to deliver transformation schemes that improve their ability to meet demand for local services.
- The NHS in England will be given additional funding:
 - £335 million of this will be provided this year, to help the NHS to increase capacity over winter.
 - £1.6 billion will be provided in 2018-19 – taking the overall increase in the NHS's resource budget next year to £3.75 billion.
 - £900 million will be provided in 2019-20, to help address future pressures.
 - NHS pay – To protect frontline services in the NHS, the government is also committing to fund pay awards as part of a pay deal for NHS staff.

Environment

- The Government has established a new £400m electric car charging infrastructure fund and will invest an extra £100 million in Plug-In-Car Grant whilst also committing £40 million in charging R&D. Furthermore, the Government will clarify the law so people who charge their electric vehicles at work will not face a benefit-in-kind charge from next year.
- From April 2018 the first year Vehicle Excise Duty rate for diesel cars that don't meet the latest standards will go up by one band and the existing diesel supplement in Company Car Tax will increase by 1%. Revenue from this taxation levy will fund a new £220 million Clean Air Fund to provide support the implementation of local air quality plans.

Useful Links

[Full Autumn Budget Documents](#)
[Full Provisional Settlement Documents](#)
[LGA Autumn Statement 2017 live blog](#)