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BEST ACHIEVING
COUNCIL OF THE YEAR

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CABINET

Date: Tuesday 7 June 2011
Time: 2.00 pm
Venue: COUNCIL HOUSE, PLYMOUTH

Members:
Councillor Mrs Pengelly, Leader
Councillor Fry, Deputy Leader
Councillors Ball, Bowyer, Jordan, Michael Leaves, Sam Leaves, Monahan, Ricketts and Wigens.

Members are invited to attend the above meeting to consider the items of business overleaf.

Members and officers are requested to sign the attendance list at the meeting.

Please note that unless the chair of the meeting agrees, mobile phones should be switched off and speech, video and photographic equipment should not be used in meetings.

BARRY KEEL
CHIEF EXECUTIVE

CABINET

AGENDA

PART I – PUBLIC MEETING

1. APOLOGIES

To receive apologies for non-attendance submitted by Cabinet Members.

2. DECLARATIONS OF INTEREST

Cabinet Members will be asked to make any declarations of interest in respect of items on this agenda.

3. MINUTES **(Pages 1 - 14)**

To sign and confirm as a correct record the minutes of the meeting held on 29 March 2011.

4. QUESTIONS FROM THE PUBLIC

To receive questions from the public in accordance with the Constitution.

Questions, of no longer than 50 words, can be submitted to the Democratic Support Unit, Corporate Support Department, Plymouth City Council, Civic Centre, Plymouth, PL1 2AA, or email to democraticsupport@plymouth.gov.uk. Any questions must be received at least five clear working days before the date of the meeting.

5. CHAIR'S URGENT BUSINESS

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

CABINET MEMBER: THE LEADER

6. CABINET APPOINTMENTS **(Pages 15 - 16)**

CMT Lead Officer: Director for Corporate Support

CABINET MEMBER: THE DEPUTY LEADER

7. TRANSFER OF REGIONAL DEVELOPMENT AGENCY (RDA) ASSETS **(Pages 17 - 20)**

CMT Lead Officer: Director for Development and Regeneration

8. ACQUISITION OF DERRIFORD BUSINESS PARK (Pages 21 - 24)

CMT Lead Officer: Director for Development and Regeneration

CABINET MEMBER: COUNCILLOR BOWYER AND COUNCILLOR RICKETTS

9. JOINT FINANCE AND PERFORMANCE REPORT (Pages 25 - 90)

CMT Lead Officers: Director for Corporate Support and Assistant Chief Executive

CABINET MEMBER: COUNCILLOR BOWYER

10. MEDIUM TERM FINANCIAL STRATEGY 2011 - 2015 (Pages 91 - 122)

CMT Lead Officer: Director for Corporate Support

CABINET MEMBER: COUNCILLOR WIGENS

11. PLYMOUTH CITY COUNCIL'S RESPONSIBILITIES UNDER FLOOD AND WATER MANAGEMENT ACT LEGISLATION (Pages 123 - 132)

CMT Lead Officer: Director for Development and Regeneration

12. EXEMPT BUSINESS

To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 to exclude the press and public from the meeting for the following item(s) of business on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in paragraph(s) of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

PART II (PRIVATE MEETING)

AGENDA

MEMBERS OF THE PUBLIC TO NOTE
that under the law, the Panel is entitled to consider certain items in private. Members of the public will be asked to leave the meeting when such items are discussed.

CABINET MEMBER: DEPUTY LEADER

13. TRANSFER OF REGIONAL DEVELOPMENT AGENCY (RDA) ASSETS (E3) (Pages 133 - 146)

CMT Lead Officer: Director for Development and Regeneration

14. ACQUISITION OF DERRIFORD BUSINESS PARK (E3) **(Pages 147 - 154)**

CMT Lead Officer: Director for Development and Regeneration

CABINET MEMBER: COUNCILLOR WIGENS

15. PLYMOUTH CITY COUNCIL'S RESPONSIBILITIES UNDER FLOOD AND WATER MANAGEMENT ACT LEGISLATION (E7A) **(Pages 155 - 156)**

CMT Lead Officer: Director for Development and Regeneration

Cabinet

Tuesday 29 March 2011

PRESENT:

Councillor Mrs Pengelly, in the Chair.
Councillor Fry, Vice Chair.
Councillors Bowyer, Jordan, Michael Leaves, Sam Leaves, Mrs Watkins and Wigens.

Also in attendance: Anthony Payne (Acting Chief Executive), Adam Broome (Director for Corporate Support), Bronwen Lacey (Director of Services for Children and Young People), Richard Bara (Urban Planning Coordinator), Paul Barnard (Assistant Director for Planning Services), Philip Heseltine (Head of Transport Strategy), Tony Hopwood (Programmes Director), Tim Howes (Assistant Director for Democracy and Governance), Sunita Mills (Transport Strategy and Spatial Development Controller), Stuart Palmer (Assistant Director for Strategic Housing), Clive Perkin (Assistant Director for Transport) and Chris Randall (Finance Client Manager (Capital and Major Projects)).

Apologies for absence: Councillors Brookshaw and Monahan

The meeting started at 2.00 pm and finished at 3.25 pm.

Note: At a future meeting, the Cabinet will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

124. **VOTE OF THANKS**

The Leader extended her thanks to Cabinet Members for their work during the year. She commented that a tremendous amount of work had been undertaken and she also thanked all the officers who had contributed during the year, for their hard work.

Councillor Fry highlighted the time spent by the Leader on affairs of the city and, on behalf of Cabinet Members, thanked her for her leadership.

125. **DECLARATIONS OF INTEREST**

In accordance with the code of conduct, Councillor Sam Leaves declared a personal interest in minute 136, on the Health and Wellbeing Board, as an employee of the National Health Service.

126. **MINUTES**

Agreed that the minutes of the meeting held on 8 March 2011 are confirmed as a correct record subject to the amendment of minute 123 (Mount Edgcumbe 2011/12 – 2013/14 Budget Setting) by the addition of a second decision, so that the decision reads –

'Agreed that –

(1) the actions detailed in the Joint Committee report are agreed;

(2) if additional funding was secured for 2011/12, the posts now identified, may be retained.'

127. **QUESTIONS FROM THE PUBLIC**

There were no questions from the public, for this meeting.

128. **CHAIR'S URGENT BUSINESS**

There was no Chair's urgent business.

129. **MARKET RECOVERY SCHEME 2011-2012**

The Director for Development and Regeneration submitted a report on a proposal to continue the market recovery measures, which were approved by Cabinet on 15 December 2009 (minute 99 (2009/10) refers).

Councillor Fry (Cabinet Member for Planning, Strategic Housing and Economic Development) introduced the report and indicated that, following an analysis of the economic and property market, it was suggested that conditions would remain fragile, thereby contributing to the challenging prospects for development viability in both commercial and residential property sectors.

It was proposed that the new Market Recovery Scheme would enhance the existing scheme to give greater encouragement to economic development and job creation.

Councillor Fry thanked Paul Barnard (Assistant Director for Planning Services) for his expertise and leadership through these difficult times.

Agreed the 2011/12 Market Recovery Scheme for planning applications submitted by 31 March 2012, as set out in the appendix to the written report.

130. **PLYMOUTH GROWTH FUND**

The Director for Development and Regeneration submitted a report on a proposal to establish a Plymouth Growth Fund to be built up over time to make the best use of available regeneration resources including government initiatives, Council and wider public assets as well as private sector investment.

Councillor Fry (Cabinet Member for Planning, Strategic Housing and Economic Development) introduced the report and highlighted the range of measures being proposed with a view to generating the capacity to attract investment and provide essential funding for regeneration projects. Cabinet Members were advised that -

(a) in the first instance, it was proposed to ring fence the New Homes Bonus to create the fund;

(b) consideration would be given to whether a transfer of Regional Development Agency assets was appropriate into the growth fund and would be the subject of a separate decision in the future;

(c) in addition and to ensure delivery of the New Homes Bonus, it was proposed that all the agreed sites, supporting the creation of a Local Housing Company, would be used to support Registered Providers' Bids to the government's new Affordable Homes Programme 2011 – 2015, the deadline for which was 3 May 2011.

Agreed –

(1) the establishment of a Plymouth Growth Fund from the financial and land resources outlined in the report, with appropriate procedures agreed with Portfolio Holders for Planning, Strategic Housing and Economic Development, and Finance, Property, People and Governance, to be administered by the Director for Development and Regeneration;

(2) to ring fence the New Homes Bonus as part of the Growth Fund and to undertake necessary due diligence into the proposed Regional Development Agency asset transfer;

(3) the use of all of the Local Housing Company allocated sites in support of Registered Providers' bids for the new affordable housing funding framework, to be delegated to the Assistant Director for Strategic Housing in consultation with the Portfolio Holders for Planning, Strategic Housing and Economic Development, and Finance, Property, People and Governance.

131. **CENTRAL PARK MASTERPLAN OF ENVIRONMENTAL ENHANCEMENTS AND DELIVERY PLAN**

The Director for Development and Regeneration submitted a written report seeking the adoption of a new masterplan for Central Park, detailing environmental enhancements, together with a delivery plan, setting out the programme and funding strategy to deliver the commitments set out in Policy CP04 of the Central Park Area Action Plan.

The report indicated that the document had been the subject of extensive public consultation and that responses had been unprecedented in their support for the initiative. An independent critical review of the masterplan had also been undertaken by the Campaign for Architecture and the Built Environment who had supported the principles of the masterplan and had offered advice which had informed the final document.

Councillor Michael Leaves (Cabinet Member for Community Services (Street Scene, Waste and Sustainability)) welcomed the report and, in particular, recommendation (5), proposing the establishment of a community forum.

Cabinet Members highlighted the need for a refreshment facility near the children's play area, as soon as possible, and officers undertook to look at the early provision of such a facility.

Agreed –

(1) the Central Park Masterplan of Environment Enhancement together with its delivery plan, as set out in the report;

(2) to establish a Central Park Executive Board comprising the Portfolio Holder for Planning, Strategic Housing and Economic Development and Community Services, and the Portfolio Holder for Finance, with authority to agree any variations to the masterplan consistent with the six strategic objectives for Central Park;

(3) to instruct the Assistant Director of Development and Regeneration (Planning Services) to assemble a Central Park Delivery Team from existing resources (to include representation from Community Services, Finance and Asset Management), in consultation with the relevant directors, reporting to the Central Park Executive Board referred to in recommendation (2) above;

(4) to instruct officers to work up a business case to ensure the financial sustainability of the ongoing operational costs, maintenance and upkeep, in line with capital developments at Central Park;

(5) to instruct officers to investigate the establishment of a Community Forum with ward councilors, to foster and maintain the relationships already made with the community, stakeholders and with the Friends of Central Park.

132. PLYMOUTH CITY COUNCIL LEISURE MANAGEMENT CONTRACT: CONTRACT AWARD

With reference to minutes 31 and 33 (2008/09) that gave approval to the outline business case on the Future Management Options of Plymouth Leisure Facilities, the Director for Community Services submitted a written report indicating that the Preferred Bidder had been selected by the Plymouth Life Centre and Leisure Related Projects Executive Programme Board and seeking approval, from Cabinet, to the award of the Plymouth City Council Leisure Management Contract.

Councillor Bowyer (Cabinet Member for Finance, Property, People and Governance) introduced the report and drew the attention of Cabinet Members to the confidential contract award report, referred to in minute 144 below. He also reported that the proposal had been considered by the Customer and Communities Overview and Scrutiny Panel which had welcomed the proposal.

Tony Hopwood (Programmes Director) reported on the Preferred Bidder and indicated that, it was anticipated that the savings, along with life cycle costs included as part of the contract, would more than exceed the Sport England funding requirements.

Tim Howes (Assistant Director for Democracy and Governance) advised Cabinet Members that authority should be delegated to the Chair of the Executive Programme Board and that the recommendations should be amended accordingly.

Agreed –

(1) to note the selection of the Preferred Bidder by the Executive Programme Board and to approve award of the Plymouth City Council Leisure Management Contract to Sports and Leisure Management Ltd with the resolution of final clarifications being delegated to the Chair of the Executive Programme Board;

(2) to delegate authority to the Chair of the Executive Programme Board for the engagement of Sports and Leisure Management Ltd to develop and implement early mobilisation plans, as facilitated by the procurement process;

(3) to delegate authority to the Chair of the Executive Programme Board to ensure that any contract savings are available to be used to offset future life cycle replacement costs to meet the Sport England funding requirements of the Plymouth Life Centre. This will be dependent on the final contract price and the profiling of it for each year, and other Council priorities.

133. **PAVILIONS FUTURE OPTIONS**

With reference to minutes 85 and 88 that gave approval to a soft market testing exercise through the Official Journal of the European Union (OJEU), the Director for Community Services submitted a written report indicating that, following the exercise, it was considered that there was a viable and deliverable private sector solution that would enable the re-provision of arena and ice facilities and maintain continuity, so far as was reasonably practicable, pending re-provision.

Councillor Bowyer (Cabinet Member for Finance, Property, People and Governance) submitted the proposal to progress to the procurement of a private sector development partner.

Tim Howes (Assistant Director for Democracy and Governance) advised Cabinet Members that authority should be delegated to the Chair of the Executive Programme Board and that the recommendation should be amended accordingly.

Agreed –

(1) that officers are instructed to progress the procurement of a private sector development partner through the OJEU;

(2) to delegate the authority for the management and direction of the project to the Chair of the Plymouth Life Centre and Leisure Related Projects Executive Programme Board;

(3) that the outcome of this exercise will be presented to a future Cabinet meeting for a final decision.

134. **INVEST TO SAVE INITIATIVES AND FINANCIAL UPDATE**

The Corporate Management Team submitted a written report seeking approval of four invest to save schemes, the continuation of the Carefirst project, and an increase in capital and revenue resources for highway maintenance and coastal management / flood defence projects.

The report also proposed a change to the technical method for calculating the costs of supported borrowing within the statutory accounts and sought further changes to fees and charges.

Councillor Bowyer (Cabinet Member for Finance, Property, People and Governance) submitted the proposals and referred to supplementary reports that had been submitted on the procurement 'invest to save' proposal, including a confidential contract award report (referred to in minute 147 below).

Councillor Wigens (Cabinet Member for Transport) reported on the highways proposals and referred to additional funding that had been received from the government which would be spent entirely on pot holes.

Councillor Mrs Watkins (Cabinet Member for Children and Young People) reported on the proposals relating to children's services.

The Chair referred to the proposal for free use of Tinside Pool and the Director for Corporate Support undertook to look at the possibility of providing refreshment facilities (and other franchises) at the pool.

Chris Randall (Finance Client Manager (Capital and Major Projects)) reported that, arising from the recent notification of additional monies for highway maintenance, the following amendments were required –

(a) paragraph 6.3 (page 77 of the agenda papers) - the estimated spend was reduced from £1.2m to £760k;

(b) paragraph 6.4 (page 77 of the agenda papers) – the contract break point was likely to be significantly less than £100k;

(c) recommendation 5 would require amendment to reflect the increase in government funding.

Agreed that the City Council is Recommended to –

(1) approve the commencement of the Parent and Child Assessment 'invest to save' project and that this be financed from the Council's revenue 'invest to save' reserve £0.073m in 2011/12 and £0.010m in 2012/13;

(2) approve the inclusion of the Autistic Spectrum Disorder 'invest to save' project in the 2011/12 capital programme at an estimated cost of £0.657m to be financed from a mixture of general fund reserves and schools balances;

(3) approve the continuation of the Carefirst project and to increase the capital programme for this project by £0.831m in 2010/11, £0.832m in 2011/12, £0.106m in 2012/13, £0.177m in 2013/14 and £0.377m in 2014/15. The revenue costs are estimated to be £1.006m in 2010/11, £0.425m in 2011/12, £0.399m in 2012/13, £0.400m in 2013/14 and £0.400m in 2014/15.Officers have now identified costs being incurred in 2010/11 (mentioned above) which could be treated as capital and would therefore allow the Council more flexibility in its financing options. Funding towards the project has been identified from existing revenue and capital budgets, however there will be temporary shortfalls totalling £0.600m which will need to be met from the revenue invest to save reserve;

(4) approve the Accommodation Strategy Phase 2 'invest to save' project and to increase the capital programme for this project by £2.106m in 2011/12, £1.008m in 2012/13 and £0.500m in 2013/14 to be financed from capital receipts and temporary unsupported borrowing;

(5) approve an increase in the transport capital and revenue allocation (from 2010/11 levels) towards highway maintenance (which includes 'pot hole' maintenance) of £1.003m. This will be financed from an estimated increase in revenue government grant of £0.433m and a reallocation within the transport capital programme approved at 28 February 2011 Council from the 'integrated transport block' and street lighting maintenance;

(6) approve an increase in the development capital programme for 2011/12 of £0.581m towards flood and coastal erosion schemes following the award of external grant funding;

(7) approve that the Minimum Revenue Provision policy for 2010/11 and 2011/12 is amended to reflect option 1 (the regulatory method) for borrowing supported by the government through the revenue support grant mechanism;

(8) approve the delaying of changes to fees and charges relating to the adult social care ‘fairer charging’ policy until July 2011. This is due to the review of all clients not being completed until the end of June 2011;

(9) approve making the use of Tinside pool free to all users during the summer of 2011;

(10) consider the views of the Overview and Scrutiny Management Board, following referral of the ‘invest to save’ projects to the Management Board on 6 April 2011, to reflect previous recommendations for scrutiny involvement in ‘invest to save’ projects;

(11) amend the revenue budget to include the procurement ‘invest to save’ proposal of £758,100.

(i) Invest to Save Initiatives and Financial Update - Cabinet Decisions

Agreed that –

(12) subject to Council approving the budget allocation for the procurement ‘invest to save’ project, a contract is awarded for the project, to Tenderer 2, on the basis of the most economically advantageous tender;

(13) the final detailed scheme approval of the Development capital programme for 2011/12 towards flood and coastal erosion schemes is delegated to the Cabinet Member with responsibility for the Environment, in consultation with the Director for Development and Regeneration, following the business case sign-off by the Capital Delivery Board.

135. ALLOTMENT SERVICE REVIEW - RECOMMENDATIONS FROM THE CUSTOMERS AND COMMUNITIES OVERVIEW AND SCRUTINY PANEL

The Director for Community Services submitted a written report on the proposed response to the recommendations from the Customer and Communities Overview and Scrutiny Panel on the allotment service (minute 58 refers). The recommendations had been approved by the Overview and Scrutiny Management Board on 26 January 2011.

Councillor Michael Leaves (Cabinet Member for Community Services (Street Scene, Waste and Sustainability)) reported on the proposed response.

Agreed that –

(1) recommendation (1) that the panel support all efforts being made to find additional land for allotment plots and recommend all channels are explored including direct discussions with public and private land owners e.g. the National Trust, is noted;

(2) in response to recommendation (2) that officers establish the funding available in the medium term to contribute towards the allotment service from capital receipts and Section 106 monies, the panel is advised that parks services' officers will progress development opportunities and seek funding for allotments from developments when they arise;

(3) in response to recommendation (3) that rents are reviewed on an annual basis but any rent increase should not be such to disadvantage enterprise and other groups using the allotments (for example schools, community groups, groups with special needs, those on low incomes and also making good use of the neighbourhood profiles), the panel is advised that allotment rents are reviewed and benchmarked nationally. Before any price increases were implemented, an Equality Impact Assessment would be carried out to consider the impact on any groups;

(4) in response to recommendation (4) that a review of the plot sizes is undertaken, the panel is advised that it has been found that half plots are more useful for allotment holders and are preferred by them. Officers are progressing the issuing of half plots when full plots become available and all new plots dedicated on all sites are half plots.

136. **HEALTH AND WELLBEING BOARD**

The Director for Community Services, the Director of Services for Children and Young People and the Assistant Chief Executive submitted a written report updating Cabinet on some of the key elements of the NHS Health and Social Care Bill published on 19 January 2011 –

- strengthening commissioning of NHS Services;
- increasing democratic accountability and public voice;
- liberating provision on NHS services;
- strengthening public health services;
- reforming health and care arm's length bodies.

The report set out the next steps and sought approval to the development work that would now take place to address this agenda and changes.

Councillor Mrs Watkins (Cabinet Member for Children and Young People) indicated that Councillor Monahan (Cabinet Member for Adult Health and Social Care) was currently receiving training on the role of the Health and Wellbeing Boards and that she would also receive training in due course. She had recently had a successful meeting with Sentinel, the new commissioning group, which represented all the general practioners in the city (with the exception of one) and south east Cornwall.

Agreed that Cabinet –

(1) note the content of the Health and Social Care Bill with particular regard to Health and Wellbeing Boards and the government's decision to significantly strengthen the role of local authorities with respect to health integration;

(2) note and support the work to become an early adopter and the establishment of a shadow Health and Wellbeing Board and delegate the authority to take this work forward to the Portfolio Holder for Adult Health and Social Care, in consultation with the Portfolio Holder for Children and Young People, the Director for Community Services, the Director of Services for Children and Young People and the Monitoring Officer;

(3) note and support the work to become a Local Healthwatch Pathfinder and delegate responsibility to take this work forward as in recommendation (2) above;

(4) note that the Council will need to consider the future of its scrutiny arrangements in relation to the changes detailed in this report;

(5) also note that changes will be required to the city's partnership framework in respect of the Plymouth 2020 Partnership to reflect and incorporate the changes detailed in this report.

(Councillor Sam Leaves having declared a personal interest, did not vote on the above item).

137. CHILDREN AND YOUNG PEOPLE'S PLAN 2011-2014

The Director of Services for Children and Young People submitted a written report on the draft Children and Young People's Plan 2011-2014, indicating -

(a) that the draft plan focused on how agencies would work together to deliver priorities specifically in relation to children, young people and families;

(b) that the officer's report outlined the key successes from the Children and Young People's Plan 2008-2011, that had been achieved by Trust partners, as a result of working together;

(c) the proposed priorities agreed by the Plymouth Children and Young People's Trust Board on 10 December 2010;

(d) that following approval of the plan, detailed delivery plans would be developed for each priority outlining the commissioning intentions across agencies, to be published in June/July 2011.

Councillor Mrs Watkins (Cabinet Member for Children and Young People) highlighted that there had been a number of consultation events with children, young people, parents and practitioners in the city and that their views had been incorporated into the plan.

She indicated that the biggest challenge for the future was raising aspirations and attainment.

<u>Agreed</u> the final Plymouth Children and Young People's Plan 2011 -2014 and to refer it to Full Council for formal adoption, to enable development of the detailed delivery plans, outlining the commissioning intentions across all key partners.

138. **SURE START CHILDREN'S CENTRE TENDER AWARD**

The Director of Services for Children and Young People submitted a written report indicating that the contracts for eight of the Sure Start Children's Centres had been put through a tendering exercise. This tender had now been completed and the recommended contract award value was £7,727,254, for three years, separated into the eight contracts. The full details of the proposed contract award were set out in a confidential report referred to in minute 145 below.

Councillor Mrs Watkins (Cabinet Member for Children and Young People) reported on the proposal.

<u>Agreed</u> that having assessed the tender through the Quality Price Evaluation Framework, contracts are awarded for a three year period to commence 1 July 2011 and to end 30 June 2014 as set out in the confidential report referred to in minute 145 below.

139. **COST AND VOLUME FRAMEWORK CONTRACT FOR THE PROVISION OF FOSTERING PLACEMENTS TENDER AWARD**

The Director of Services for Children and Young People submitted a written report on the outcome of a tender to provide framework contracts for the provision of independent sector fostering placements to Plymouth City Council, Devon County Council and Torbay Council. The report set out the process undertaken and recommended suppliers for contract award. The full financial details of the proposed contract award were set out in a confidential report referred to in minute 146 below.

Agreed that a Cost and Volume Framework Contract is awarded for the delivery of fostering placements to the prequalified Independent Fostering Agencies detailed in the separate confidential paper for the period of three years.

140. **PLYMOUTH'S THIRD LOCAL TRANSPORT PLAN - ADOPTION**

The Director for Development and Regeneration submitted a written report seeking formal adoption of Plymouth's Third Local Transport Plan for the period 2011 – 2026.

The report provided a summary of feedback received following a 12 week consultation period and indicated that the draft plan had been updated to reflect the comments.

Councillor Wigens (Cabinet Member for Transport) advised Cabinet Members that the plan provided a strategy to ensure the best use of land and assets. He referred to –

- the reconfiguration of the Manadon interchange which had increased traffic flow;
- measures to entice people to make greater use of public transport;
- the Eastern Corridor Transport Scheme which was a key scheme in the programme; and
- the reliability of public transport , which was a key issue, and indicated that he, and officers, were working with the bus and rail companies to improve the position.

In response to a question from Cabinet Members, Clive Perkin (Assistant Director for Transport) indicated that it was his intention to increase the deployment of camera cars to address illegally parked cars around schools.

Agreed Plymouth's Third Local Transport Plan as the transport strategy for Plymouth for the next 15 years and to submit it to Full Council for formal adoption.

(In the absence of the Chair, the Vice Chair took the Chair for this item).

141. **RESPONSE TO SCRUTINY RECOMMENDATIONS FOR TRAFFIC MANAGEMENT ON PLYMOUTH ARGYLE MATCH DAYS**

The Director for Development and Regeneration submitted a written report indicating that the Customer and Communities Overview and Scrutiny Panel had recommended a review of the traffic management arrangements for Plymouth Argyle match days (minute 59 of the panel refers).

The report indicated that -

(a) a full pre season review of the traffic management arrangement had been undertaken in July/August 2010, following a change in policing arrangements;

(b) the Council's responsibilities extended only to the management of the public highway, whilst the football club managed the car park and arrangements for the management of the car park perimeter road were decided between the police and the football club;

(c) the performance of the traffic management arrangements had been monitored during the opening weeks of the 2010/11 football season and adjustments had been made to the traffic signals during this time. The plan had been judged to have been successful although the time taken to clear the car park had increased to approximately 30 minutes;

(d) the current arrangement would be reviewed following the 2010/11 season and after the new car park junction was installed as part of the Plymouth Life Centre works which would provide a 'fit for purpose' junction enabling better traffic management.

In response to a question from Cabinet Members, Clive Perkin (Assistant Director for Transport) indicated that it was his intention to increase the deployment of the camera car to address illegally parked cars around schools.

Agreed that no further review of the traffic management arrangements is undertaken until the new car park junction, part of the Plymouth Life Centre development, has been completed in 2011.

142. **HIGHWAYS MAINTENANCE - RESPONSE TO SCRUTINY REPORT**

With reference to minute 93 that gave approval to further work being undertaken to identify what, if any of the recommendations from the Growth and Prosperity Overview and Scrutiny Panel, following its review of highways maintenance, would be appropriate to take forward, the Director for Development and Regeneration submitted a written report detailing the actions that had been taken since that report.

Clive Perkin (Assistant Director for Transport) also referred to the increased expenditure on highway maintenance that had been reported earlier in the meeting and was referred to in recommendation (5) of minute 134 above.

Agreed that the progress made on the scrutiny panel's recommendations is noted.

143. **EXEMPT BUSINESS**

Agreed that under Section 100(A)(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

144. **LEISURE MANAGEMENT CONTRACT AWARD**

The Director for Community Services submitted a written report on the contract award for the Plymouth City Council Leisure Management Contract, detailing the procurement and tender evaluation processes.

(See minute 132 above).

145. **SURE START CHILDREN'S CENTRE TENDER AWARD**

The Director of Services for Children and Young People submitted a written report on the full details of the proposed contract award for the following -

Ernesettle and Honicknowle Children’s Centre
East End, Mutley and Greenbank, and Mount Gould Children’s Centre
Devonport and Stoke Children’s Centre
Morice Town, Ford and Keyham Children’s Centre
City Centre and Stonehouse Children’s Centre
North Prospect and Ham Children’s Centre
Beacon Park, Pennycross and Manadon Children’s Centre
Peverell, Hartley, Mannamead and Higher Compton Children’s Centre

(See minute 138 above).

146. **COST AND VOLUME FRAMEWORK CONTRACT FOR THE PROVISION OF FOSTERING PLACEMENTS TENDER AWARD**

The Director of Services for Children and Young People submitted a report on the full financial details of the proposed contract award to provide framework contracts for the provision of fostering placements to Plymouth City Council, Devon County Council and Torbay Council.

(See minute 139 above).

147. **'INVEST TO SAVE' INITIATIVES - CONTRACT AWARD - PROCUREMENT SUPPORT PROJECT**

The Corporate Management Team submitted a contract award report on the procurement support project, detailing the tender and evaluation processes.

(See minute 134 above).

Agenda Item 6

Cabinet Appointments

(to be confirmed by Cabinet at its first meeting of the municipal year)

	Organisation	*Members*	*Appointments 2010/11*	*Appointments 2011/12*
1	Care and Repair Management Committee	Cabinet Member for adult services	Cllr Monahan	Cllr Monahan
2	Destination Plymouth Board	Leader or one Cabinet Member	Cllr Pengelly	Cllr Pengelly
3	Plymouth 2020 Healthy Theme Group	one Cabinet Member	Cllr Monahan	Cllr Monahan
4	Plymouth Growth Board	one Cabinet Member	Cllr Fry	Cllr Fry
5	Plymouth 2020 Safe and Strong Theme Group	one Cabinet Member	Cllr Brookshaw	Cllr Jordan
6	Plymouth 2020 Wise Theme Group	one Cabinet Member	Cllr Mrs Watkins	Cllr Sam Leaves
7	Plymouth Urban Fringes Development Plan Document Joint Member Panel	two councillors – posts of Leader and Deputy Leader	Cllrs Mrs Pengelly and Fry	Cllrs Mrs Pengelly and Fry
8	Plymouth Waterfront Partnership Board	Cabinet Member for Planning, Strategic Housing and Economic Development	Cllr Fry	Cllr Fry
9	Schools Catering Group	Cabinet Member for schools	Cllr Mrs Watkins	Cllr Sam Leaves
10	Tamar Science Park Ltd. – Board of Directors	one Cabinet Member + one officer	Cllr Fry with authority to vote on behalf of the Council at the AGM David Draffan	Cllr Fry with authority to vote on behalf of the Council at the AGM David Draffan

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Agenda Item 7

CITY OF PLYMOUTH

Subject:	Transfer of SWRDA Property Assets
Committee:	Cabinet
Date:	7 June 2011
Cabinet Member:	Councillor Fry
CMT Member:	Director for Development & Regeneration
Author:	David Draffan Assistant Director, Economic Development
Contact:	Tel: 01752 304250 e-mail: david.draffan@plymouth.gov.uk
Ref:	Plymouth Asset Transfer
Key Decision:	Yes
Part:	Part I

Executive Summary:

This paper deals with the transfer of certain RDA owned Plymouth assets to the City Council, in line with national government advice. This transfer can be partly seen as re-stocking the City Council's property portfolio after a number of recent sales. It is however the important regeneration role that Derriford and Royal William Yard will play as a strategic sites (as defined in the Local Economic Strategy and Local Development Framework) in enabling the City Council to deliver against its objectives of creating up to 6000 new jobs in the North of the City and 7000 new jobs in the Tourisms sector; along with major infrastructure improvements that this transfer decision needs to be considered

The closure of the South West Regional Development Agency by 31st March 2012 has led to a number of its property assets now being offered for sale or transfer to Local Authorities. Those assets that still require new investment are being included in "asset packages" with properties that have a current positive value that balances-out the potential liabilities of the assets that still require work and investment.

The proposed Plymouth Asset Package covers SWRDA-owned properties in Plymouth that still require new investment but that, when completed and fully developed, will make a positive contribution to the creation of new jobs and improvements to the local economy. In that sense this proposal is a major investment in the strategic development framework for the City and its Local Economic Strategy. The SWRDA properties are:

Royal William Yard and Western King (RWY/WK) Stonehouse
Vacant land at Plymouth International Medical & Technology Park (PIMTP) Derriford
Land at Stonehouse Creek

The Council will also be given full control of the following let properties that are already owned by the Council but whose acquisition was funded by SWRDA:

16/22 George Place & 10/18 East Street, Stonehouse
1- 4 Bounds Place, Millbay Road, Stonehouse
Tamar House, 2 Thornbury Road, Estover Industrial Estate

Certain accrued rents retained by the Council from these properties are also to be paid into a proposed ring-fenced account that will contain the rental payments from the Asset Package.

The repayment of SWRDA's previous loan to fund the development of the Link Building at Plymouth Business Park, Stoke, will also be terminated, providing that the Council makes an equivalent annual payment into the proposed ring-fenced account.

The Asset Package will be transferred to the Council for the nominal sum of £1.00 with each side to bear their own fees and costs.

If the Council does not accept the proposed asset transfer, it is likely that a government agency or department will become the owner of SWRDA's assets as its statutory successor.

Corporate Plan 2011-2014

Delivering Growth:

The Local Economic Strategy and Local Development framework identify Derriford and the Waterfront as priority areas for regeneration and economic growth. Tourism and Marine are also specifically identified as a priority sectors.

This proposal is a pro-active investment in new jobs and directly supports those objectives set out above. It is estimated that in the Derriford area up to 6,000 new jobs could be created and major new infrastructure improvements could be enabled. These assets will play a major part in that growth. At Royal William Yard a further 700 jobs could be created from the repair and conversion of buildings into business space.

Surplus rental from the let properties at Stonehouse and Estover, that is not required to cover property liabilities, could be invested in wider initiatives such as City marketing, or support for small businesses that create new jobs in Plymouth's priority sectors.

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

Property acquisition costs for freehold interest £1.00 plus VAT
Estimated legal and surveyors fees £30,000 plus VAT
Total cost of acquisition £30,001 plus VAT

The risks in particular associated with the buildings and structures at RWY/WK have been considered and the Council is satisfied that the arrangements put in place for their management and future regeneration are practical and deliverable.

Property management of all Asset Package properties, liabilities, maintenance, repairs and marketing will be funded from property rentals. Additional economic development initiatives could be funded from surplus property rental.

Further payments may be due to SWRDA or its statutory successor in future, if there are changes of use of the Package properties that would generate a higher land values within 5 years of the date of the transfer.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

If the Council acquires the Asset Package it will need to manage the let properties and the future development of PIMTP , RWY/WK, and Stonehouse Creek. This will require risk assessments for maintenance contracts and will also require public liability insurance on certain sites.

Recommendations & Reasons for recommended action:

It is recommended that:

1. Cabinet agree the acquisition of the proposed Plymouth Asset Package from the South West RDA on the terms outlined in this report and subject to:

(a) Proper and effective due diligence on the existing and proposed legal agreements, and
(b) Conditions that protect the Council's interests and
(c) Appropriate amendment to the Capital Programme

2. That Cabinet recommend that Council amend the Capital Programme as required.

Alternative options considered and reasons for recommended action:

If the Council does not acquire the Asset Package, the constituent assets are likely to be transferred by SWRDA to another government agency or department as its statutory successor.

Background papers:

File in Economic Development Service (access is not available to exempt information)

Sign off:

Fin	MC111 2.003	Leg	11810/ RW	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member											

CITY OF PLYMOUTH

Subject:	Acquisition of Derriford Business Park
Committee:	Cabinet
Date:	7 June 2011
Cabinet Member:	Councillor Fry
CMT Member:	Director for Development & Regeneration
Author:	David Draffan Assistant Director, Economic Development
Contact:	Tel: 01752 304250 e-mail: david.draffan@plymouth.gov.uk
Ref:	Plymouth Asset Transfer
Key Decision:	Yes
Part:	Part I

Executive Summary:

This paper deals with the purchase of a new property investment (Derriford Business Park) by Plymouth City Council. This purchase can be partly seen as re-stocking the City Council's property portfolio after a number of recent sales and also as sound long term financial investment with a good yield. It is however the role of Derriford Business Park (DBP) as a strategic site both contributing and enabling Council to deliver against its objectives of creating up to 6000 new jobs in the North of the City along with major infrastructure improvements that this investment needs to be considered

The closure of the South West Regional Development Agency by March 2012 has led to a number of its property assets now being offered for sale. Those that still require new investment are being included in certain asset transfers to Local Authorities, which is the case in Plymouth and covers for example Royal William Yard and Plymouth International Medical & Technology Park – the transfer of this asset package is the subject of a separate Cabinet report.

Property investments that are let, however, are being offered for sale at market value, with a limited opportunity for the Local Authority to agree purchase terms.

DBP is located off Brest Road, Derriford and has a site area of c. 2.5 ha (6.18 acres) and contains 7 buildings, some of which are subdivided into individual letting units, with a total floor area of 4,016 sq m (43,227 sq ft).

This acquisition is not only an investment in commercial property that produces an income, but also in potential new job creation in the Derriford area as clearly stated in the Local Economic Strategy and Local Development Framework. Derriford is a strongly-growing economic hub for the City and a major node of future employment and economic

growth. DBP is also a possible future key site for part of the proposed Derriford District Centre, a major retail-led commercial scheme to create a new heart for northern Plymouth.

The proposed purchase price for the freehold interest of DBP is at current open market value which has been agreed following advice from independent valuers. The Council will also be liable to pay its own legal and professional costs and Stamp Duty Land Tax.

It is recommended that the Council purchases DBP as an investment in enabling future growth and jobs within the City.

Corporate Plan 2011-2014

Value for Communities:
The acquisition of this property can achieve a higher level of annual return than could be received from investing the purchase price on the money markets, however also at a higher level of risk of future occupation voids, which will require active management.

Delivering Growth:
Any surplus rental not required to cover the cost of financing the acquisition or fund property liabilities, could be invested in economic development initiatives such as City marketing, or support for small businesses that create new jobs in Plymouth's priority sectors. The possible future redevelopment potential of the site for retail-led mixed use development could also provide new enterprise and jobs in a new commercial heart for northern Plymouth, which itself could support the provision of new infrastructure that will enable the area's future economic growth.

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

The property acquisition will be at open market value with each side to bear their own fees and costs.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

If the Council acquires the property it will need to maintain the common areas of the estate and provide public liability insurance, however, these costs can be re-charged to the service charge account that is funded by the property occupiers.

Recommendations & Reasons for recommended action:

It is recommended that:

1. the Cabinet agree to acquire the freehold interest of Derriford Business Park with each side to bear their own fees and costs, subject to the inclusion of the scheme in the capital Programme.
2. the Cabinet recommend to Council the necessary amendment to the Capital Programme

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Alternative options considered and reasons for recommended action:

If the Council does not acquire the property it is understood that SWRDA will offer the freehold interest for sale on the open market.

Background papers:

File in Economic Development Service

Sign off:

Fin	MC11 12.002	Leg	11809 /RW	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member											

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Agenda Item 9

CITY OF PLYMOUTH

Subject:	Joint Finance and Performance Report – Position as at 31 March 2011
Committee:	Cabinet
Date:	7 June 2011
Cabinet Member:	Councillor Bowyer and Councillor Ricketts
CMT Member:	CMT
Author:	Sandra Wilson (Corporate Finance and Accountancy Manager) and Patrick Hartop (Performance Officer)
Contact:	Tel: (01752) (30)4942 e-mail: sandra.wilson@plymouth.gov.uk
Ref:	Acct/SW
Key Decision:	Yes
Part:	I

Executive Summary:

This report represents the final performance and financial monitoring report for 2010/11 showing the final position for the year, outlining key issues that have arisen during the year with particular focus given to the variations in the final quarter.

Performance

Some of the more significant performance issues during the year outlined in the report include:

- Key safeguarding measures are performing strongly due to focused management action.
- Significant improvements in educational attainment across early years foundation stage as well as a further narrowing of the gap for pupils achieving 5 A*-C (GCSE) in English and Maths.
- Action to reduce waste and increase recycling included increased processing capacity; expansion of the garden waste scheme; expansion of recycling to some multi occupancy properties, and the introduction of new recycling schemes (e.g. low energy light bulbs and batteries)
- Support for carers which exceeded the target for the year.

Revenue

The final position for the year, assuming the transfers to and from reserves as proposed in the report are approved, is net spend of £201.930m giving a deficit of £0.105m. As is normal practice, this report proposes a number of adjustments to the financial accounts following the final financial health review always undertaken by the Section 151 Officer at the end of the year. Decisions made as part of this report will feed into the Council's annual Statement of Accounts which is subject to external audit.

Should all proposals be approved, there will be a requirement for a transfer from the Working Balance, leaving a net working balance of £11.412m at 31 March 2011, which represents 5.5% of the net revenue budget for 2011/12. The Medium Term Financial Strategy is to maintain a Working Balance of at least 5% net revenue spend.

Previous reports had indicated a potential overspend for the year due in particular to budget pressures in both children's services and community services. Due to extensive management action across all departments to stop or minimise spend wherever possible the overspend was virtually avoided. Whilst this is good news, many of the final savings in the last quarter were one- off and will not therefore necessarily reduce the underlying pressures faced by departments in future years.

Capital
The Council achieved spend of £69.718m against the revised capital programme of £77.457m as approved in January 2011, which equates to 90%. A sum of £0.318m will be transferred to revenue to meet accounting standards on capital expenditure, and a corresponding transfer of grant or reduction in revenue contributions for the year will be made to ensure there is no impact on the revenue budget.

The Council continues to face a series of challenging issues into the medium term. The impact of the in-year 2010/11 grant funding reductions plus the reduced funding for 2011/12 and beyond means the Council have to have robust plans if it is to continue to improve.

Our result for 2010/11 shows the Council has come very close to achieving the very challenging budget. There must not be complacency as the Council moves into 2011/12. To achieve the budget in the coming year all departments must achieve their declared Delivery Plans, which amount to £13.3m.

Corporate Plan 2011-2014:

Monitoring of the Council's performance and financial position during the year is fundamentally linked to delivering the corporate improvement priorities within Council's corporate plan.

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

The Medium Term Financial Forecast will now be updated to take account of the outturn position as detailed in this report.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

In considering the budget variations for the year, Directors will identify any potential risks to delivering the budget in future years. These will be monitored as part of the corporate reporting process.

Recommendations & Reasons for recommended action:

A number of recommendations have been made throughout the report in response to specific monitoring information. The recommendations are:

1. Cabinet note the provisional outturn position for the year.

2. Cabinet note the additional transfers to provisions reflected in the outturn figures as required in accordance with statutory provisions:

• Bad debt provisions	£0.300m
• Insurance provisions	£0.300m

3. The Section 151 Officer recommended adjustments to reserves and provisions be approved as follows:

• Reallocation of grants provision	(£0.327m)
• Reallocation HRA Working Balance	(£1.592m)
• Transfer to Waste Reserve	£0.900m
• Transfer to Redundancy Reserve	£1.000m
• Transfer to Pensions Reserve	£0.850m

4. Cabinet approve the following budget carry forwards:

• Schools Demolition Costs	£0.300m
• Procurement Contingency	£0.400m
• Americas Cup	£0.100m

5. No departmental budget overspends be carried forward in 2010/11.

6. Cabinet note the adjusted deficit for the year of £0.105m and approve that that this be met by a transfer from the General Fund Working Balance.

7. Cabinet note the draft capital outturn for the year of £69.718m, after allowing for the transfer of expenditure totalling £0.318m to revenue.

8. The financing requirement of £69.718m be noted and Cabinet approve the borrowing requirement of £16.823m for 2010/11.

9. Cabinet approve variations, virements and reprofiling between years of the MTFF, and seek approval from Council for the 5 year capital programme amended for new approvals, shown in Table 7.

10. Cabinet note the residual costs on the HRA for the year.

11. Cabinet note that the HRA was formally closed on 31 March 2011 and that the HRA Working Balance has transferred to the General Fund.

12. Cabinet note the position on the Treasury Management activities for the year and that a full report on the Council's performance against its borrowing and investment strategies, including the statutory performance indicators will be presented to Audit Committee on 27 June 2011 and Council on 25 July 2011.

13. Cabinet note the position regarding the Icelandic banks.

Alternative options considered and reasons for recommended action:

None- requirement to report back to Cabinet on the Council's financial and performance management for the year

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Background papers:

- Plymouth City Council Corporate Plan 2010-14
- 2010/11 Budget Papers
- Plymouth City Council Medium Term Financial Strategy – revised October 2010
- Joint Finance and Monitoring report to 30 June 2010, reported to Cabinet 10 august 2010
- Joint Finance and Monitoring report to 30 September 2010, reported to Cabinet 16 November 2010
- Joint Finance and Monitoring report to 31 December 2010, reported to Cabinet 8 February 2011

Sign off:

Fin	MC 1112. 0005	Leg	TH00 17	HR	A Mills 27/05 /11	AM	CJT/0 74/27 0511	IT	N/A	Strat Proc	N/A
Originating SMT Member: Malcolm Coe, AD Finance, Assets & Efficiencies											

Plymouth City Council
Finance and Performance Monitoring – 2010/11
Provisional figures for the year ended 31 March 2011

1. Introduction

1.1 This report reviews the Council's performance for the year ended 31 March 2011 and is written in the context of the Medium Term Financial Strategy (MTFS).

1.2 The Budget report 2011/12 (Appendix A budget robustness) outlined a number of financial risks that the Council potentially faces over the short to medium term. It is therefore appropriate that as part of reporting the final position for 2010/11 further consideration is now given to future levels of the Working Balance and reserves and, as is normal practice at this time of year, the Director for Corporate Support, as the Council's Section 151 Officer, is recommending a number of adjustments to provisions and reserves within the report.

1.3 The financial information being presented today reflects the Council's management structure as at 31 March 2011 and shows the actual expenditure and income for the year by Directorates. The outturn figures will now feed into the Council's formal Statement of Accounts, which will include the balance sheet position. The annual accounts this year will be produced on an International Financial Reporting Basis (IFRS) for the first time. The change to IFRS has required a number of changes to accounting policies, some of which will have implications on the Council's level of provisions and reserves and further detail has been included in the report. In addition there are a number of both presentational and accounting entries that need to be made to the figures now reported and this work is currently ongoing, although there should be no overall impact on the Council's bottom line financial position. The Accounts and Audit Regulations have also been revised this year and the Director for Corporate Support, as the Council's Section 151 Officer, is required to formally approve the accounts by 30 June 2011. Previously the Regulations required formal approval of the accounts by the Audit Committee. The external auditor is required to audit the accounts by 30 September – the statutory deadline for publication, and the Audit Committee will be formally asked to approve the final accounts for the year following completion of the audit.

1.4 The performance data in this report presents the latest position based on information currently available. Some annual data is still being collected.

1.5 Although the Council transferred its Housing Stock on 20 November 2009, the Council has been required to keep its Housing Revenue Account (HRA) open pending formal approval to close the account by CLG. This approval was granted on 31 March 2011. A summary of the transactions made to the HRA during the year is included in Section C of the report. Closure of the account enables the residual HRA Working Balance to be transferred to the General Fund.

1.6 The Council is also required to produce an end of year report on its treasury management activities for the year, comparing these to the approved borrowing and investment strategies. This report is required to be scutinised by Audit Committee and approved by Full Council. Section D of this report therefore provides Cabinet with an overview of the treasury management activities during the year which will form the basis of the formal strategy review.

1.7 This report includes the following information and Appendices:

Section A – Executive Summary
- Performance Position
- Revenue Position
- Income Summary
- Capital Programme 2010/11
- Medium Term Capital Programme
- VFM
- HR

Section B – Directorate reports
- Children's Services
- Community Services
- Development
- Corporate Support
- Chief Executive
- Corporate items

Section C - Housing Revenue Account

Section D - Treasury Management

Section E – Concluding Remarks

Appendices:

Appendix A	Graphs- General Fund revenue monitoring comparison 2009/10 and 2010/11
Appendix B	Final revenue position for the year
Appendix C	Net spend per service
Appendix D	Trading Accounts
Appendix E	Reserves
Appendix F	Provisions
Appendix G	Capital Expenditure and Financing
Appendix H	Housing Revenue Account

Section A – Executive Summary

2. Performance Position

2.1 A performance summary is provided for departments in a scorecard format along with budget variances. The narrative within the scorecard is intended to provide a high level overview with a focus on explaining corrective action where required. The scorecards use a RAG (red, amber, green) traffic light system to indicate current performance.

RAG rating key:

Budgets			
Green	0% - 0.8% overspend / 0% - 1.8% under spend	Amber	0.8% - 0.99% overspend / 1.8% - 1.99% under spend
Red	1% or more overspend / 2% or more under spend		
Measures – an average of all measures that sit within Departments			
Green	Indicators are on track	Amber	the **AVERAGE** of all indicators is up to 15% off target
Red	The **AVERAGE** of all indicators is more than 15% off target		

Key Departmental performance issues to note

2.2 <u>Children's Services</u>

Key safeguarding measures are performing strongly due to focused management action. March performance for initial assessments was 94.7% against the annual target of 85%, whilst core assessments was 92% in March against the annual target of 80%.

Significant budget pressures remain in children's social care relating to higher placement costs. Sixty children are currently placed in the independent foster care sector against budgeted placements of thirty nine.

The past year has seen significant improvements in educational attainment across early years foundation stage as well as a further narrowing of the gap for pupils achieving 5 A*-C (GCSE) in English and Maths. In response to the Secretary Of State's letter the Council has have created a plan to support and challenge underperforming schools.

2.3 <u>Community Services</u>

At 31% Self-directed support exceeded the year end target of 30%. Support for carers at 34.4% has also exceeded the year end target of 24%.

Two new libraries (Devonport and Estover) opened and Plymouth Life Centre is on schedule to be completed in November.

Action in the period to reduce waste and increase recycling included increased processing capacity; expansion of the garden waste scheme; expansion of recycling to some multi occupancy properties, and the introduction of new recycling schemes (e.g. low energy light bulbs and batteries) This increased the amount diverted from landfill (NI192) by 1.86%, leading to a year end recycling figure of 33.06% against a target of 36%.

The target to reduce serious acquisitive crime has been achieved (which includes vehicle crime and burglary. We also continue to perform well when compared to similar cities and are 2nd best in our family group for this crime. However, there has been an increase in levels of less serious violence (of 48 more crimes to a total of 2403) which means the reduction target has been narrowly missed to reduce the rate per 1000 population by 10.6% over 3 years.

2.4 <u>Corporate Support</u>

At 11.89 days corporate sickness figures are currently significantly above target for the year of 7 days. Increased reporting through Manager Online has contributed to more accurate reporting of sickness. HR staff are actively supporting managers to reduce sickness levels.

The National Non-Domestic Rates (NNDR) collection rate narrowly missed the annual target of 97.50% or £77.606m recording 97.30% or £77.443m. Council Tax collection has also slightly missed the end of year target. Cumulative collection at the end of March was 96.10% or £89.044m against a target of 96.50% or £89.453m a shortfall of £0.400m.

2.5 <u>Development</u>

The performance of planning applications significantly exceeded targets set for 2010/11. Timeliness of processing major planning applications achieved 77.2% against a target of 60%, whilst minor applications achieved 81.5% against a target of 65%

The £20m East End Transport Scheme continues to be delivered and is on schedule for completion in November 2011.

"The Waste PFI Project's two and a half year procurement phase was successfully concluded in March 2011. The procurement was completed ahead of the agreed programme and within budget, and the resultant contract is valued at £436m.

2.6 <u>Chief Executive</u>

Level 1, 2 and 3 indicators are now being finalised to monitor against Plymouth's shared priorities of Growth, Aspiration, Inequalities and Value for Communities. The indicators will be used to monitor performance from 2011/12 onwards.

18 Departmental Business Plans will be completed this month. This year the business plans provide the basis for a more consistent approach with greater links to the 4 priorities and clarity around performance, delivery and support required.

3. Revenue Position

3.1 Table 1, below, provides a summary of the Council's overall revenue expenditure, and compares the draft outturn with the latest approved budget.

Table 1

Fund	Latest Approved Budget £000	Final position for the year £000	Budget Variation for year £000	% variation
General Fund	201,825	201,930	105	0%
Trading Accounts	(2,461)	(1,998)	463	18.81%
HRA*	0	200	200	100%

NB Brackets (   ) reflect a favourable variation
**Residual costs only- expenditure to be met from HRA Working Balance*

3.2 The trading accounts fall within the Community Services and Development and Regeneration Directorates. A summary of all the trading accounts is provided at Appendix D.

3.3 Further details on the Housing Revenue Account (HRA) are given in Section C of the report, and Appendix H.

General Fund

3.4 The final position for 2010/11, subject to approval of the corporate health and other adjustments proposed in this report, is shown in Table 2 below. The final outturn indicates a net deficit of £0.105m or 0.05%. This will require a transfer from the Working Balance.

Table 2

Department	Latest Approved Budget £000	Draft Outturn £000	Corporate Health and other adjustments proposed £000	Final Outturn for year £000	Variation to budget £000
Children's Services	52,059	51,791			(268)
Community Services	111,050	112,405			1,355
Development & Regeneration Services	16,264	16,424			160
Corporate Support	31,820	31,309			(511)
Chief Executive	1,887	1,730			(157)
Corporate Items	(11,255)	(13,360)	1,631	(11,729)	(474)
Total	**201,825**	**200,299**	**1,631**	**201,930**	**105**

3.5 The individual Directors reports in section B give more detail of the reasons for the variations on their budgets with the main issues summarised below. A more detailed breakdown of the actual spend by service is included at Appendix C

3.5.1 Children's Services: Underspend (£0.268m)- change in period (£1.993m)

As previously reported, the department experienced pressure on its looked after children's budget due to increased numbers compared to budget and increased costs of transporting children with complex needs. The department was also allocated an additional savings target of £1.090m in June as part of the budget cuts following the Government's emergency budget. In the light of the forecast overspend for the year as reported in the last monitoring report a number of star chambers were held across the department in December and January with a clear objective of stopping or slowing down spend wherever possible whilst ensuring the safeguarding of children was not compromised. The favourable position in the final quarter is attributable to these star chamber actions, with savings on staffing, consultancy, subscriptions, printing postage etc being achieved, as well as a drive to maximise spend from grants wherever possible. In addition, a range of unforeseen events occurred in the final month of the year including, increased free school meal income, savings on wrap around packages in Integrated Disability Services, favourable changes to Youth Grants, improvements to care leaver and adoption savings.

Whilst many of these actions are one-off, Invest to save proposals have been accepted and will be implemented to address the underlying cost pressures in the Integrated Disability Service moving into future years, and the Diversion from Care Strategy continues to drive financial and service improvements moving into 2011/12.

3.5.2 Community Services: Overspend £1.355m – change in period £0.844m

The main reason for the overspend in community services was due to pressures in Learning Disability services relating to long stay residential services and supported living, and an increase in short stay residential and nursing care, both reported previously. The transformation agenda continues to shape the future of adult social care services in Plymouth. Negotiations with Health Colleagues, who themselves are undergoing significant change, is helping to drive improvements to financial stability which will be of particular benefit from 2011/12 and beyond. Additional resources allocated in the Comprehensive Spending Review to Health for Social Care will be used jointly to help transform health and social care services across the city, with re-ablement being a good example of this.

The December report assumed that a claim for tax refund in respect of landfill taxes would have been forthcoming before the end of the year. The claim has not yet been settled and is now expected to be received in 2011/12, thus impacting on the adverse movement in the final quarter. Increased costs previously forecast in environmental services due to the ageing fleet were offset by a partial reimbursement of service charges at Prince Rock depot recovered from PCH under an SLA, and a reduction in the forecast waste disposal costs due to a reduced volume of waste.

As per other departments, Community Services continued to slow down or stop non essential spend across the department where ever possible in order to minimise the overspend.

3.5.3 Development & Regeneration: Overspend £0.160m – change in period £0.049m

The forecast increased cost pressure of winter highway maintenance and car park income included in the December report was offset by a combination of savings within the transport service, which included concessionary fares.

However commercial rent activity has suffered due to a number of units becoming or remaining empty which not only results in loss of rental income, but increased cost pressures through business rate liability. Utilisation of grant funding in the strategic housing service, combined with other savings and efficiencies in transport and across the department as a whole have offset some of the impact for 2010/11 and there has been a focus on the letting strategy which will realise benefits from 2011/12.

3.5.4 Corporate Support: Underspend (£0.511m) – change in period (£0.471m)

A successful appeal to DWP against a housing subsidy potential reclaim contributed to the favourable outturn and the change in the period. In the light of the forecast overspend across the Council as reported in December, the department sought areas to generate savings and income. Initiatives included a refund from renegotiating IT licence costs together with a sale of surplus licences, a delay in the fibre installation due to accommodation moves and savings across the department in terms of vacancies. Increased costs of repair and maintenance of the corporate property estate were contained within the overall departmental budget, releasing the agreed budget top up of £0.650m to corporate items for reallocation.

3.5.5 Chief Executive: Underspend (£0.157m) – change in period (£0.116m)

Active management action to contain the spend in year across all budget lines led to a further improvement in the final position. In particular savings were achieved in the communications budget from the reduced spend on Plymouth People, together with savings in consultancy, agency and contracted spend.

3.5.6 Corporate Items: Underspend (£2.105m) - change in period (£1.801m)

In June 2010 the government announced a series of in year spending reductions for 2010/11 which, for Plymouth, amounted to £2.5m. The Council deliberately aimed to reduce spend by £4m at that point to reflect any further changes in funding or Government policy over the remainder of the 2010/11 financial year. Achieving this saving in year with ongoing savings into future years could also significantly assist the Council with the challenges presented by the Comprehensive Spending review in October 2010. Whilst this amount had been taken in to account in future years budgets, the additional £1.5m in year savings was held as a contingency in corporate items against non achievement of the extra savings by departments in 2010/11 with a view that it would be taken into account as part of the end of year review of reserves subject to the final outturn if not required. This has now been released. In addition, the corporate items budget contained increased budget provision for repair and maintenance costs of the corporate estate. These costs have been contained within the corporate support departmental budget as outlined above, also releasing this budget for reallocation.

Further savings were achieved by taking the pre unitary debt (Devon Debt) in house. These have been used against the residual costs of stock transfer in lieu of the approved transfer from the HRA Working Balance .

2010/11 Financial Health Review

3.6 The budget variation targets of no more than 1% overspend or 2% underspend remained in place for 2010/11 with the quarterly monitoring reports continuing to report individual departmental variances. The graphs at Appendix 1 track the full movement during the year both overall and by each Directorate. This has been supplemented this year by detailed departmental performance scorecards which brought together variations in both budget and performance with the narrative within the scorecards intended to provide a high level overview with a focus on explaining corrective action where required. The scorecards used a simple traffic light system to indicate performance overall. Although reporting has been on a quarterly basis, monthly scorecards were submitted to CMT and Cabinet Planning.

3.7 Whilst the final position for the year does show that the budget variation targets was exceeded in Community Services in terms of a budget overspend just above the target, this was more than offset by favourable variances in other areas as a result of specific management action to deliver a break even budget overall. Close monitoring of the budget enabled timely action to be implemented to bring the overall budget under control. The final variation at (0.8%) favourable remains well within the target set.

3.8 As part of consideration of the outturn position, and before officially 'closing the accounts', it is necessary to review the Council's overall financial health position, looking not only at the outturn position for the year, but reviewing the adequacy of reserves and provisions in the light of pressures identified over the short to medium term. Decisions made feed into the Council's statutory Statement of Accounts which is subject to external audit. The following transfers to provisions have already been reflected in the outturn figures.

Increase to Bad Debt Provision	£0.300m
Increase to Insurance Provision	£0.300m

The transfers have been met from the corporate items budget.

3.9 The Settlement announcement for 2011/12 has led to a significant reduction in Government grant going forward. Local authorities were also encouraged to implement a freeze on council tax. Whilst this had been expected, and plans were well underway to find budget savings, the front loading of grant reductions will increase the pressure on the budget over the next 2 years. Against this, the Council faces increasing spending pressures moving forward including an increase in the number of children in care and impact of the growing elderly population on adult social care budgets, waste disposal costs for the Council will significantly increase in the coming years, particularly in advance of the planned delivery of the waste to energy PFI scheme. Demand for Housing Benefits and personal finance advice has also significantly increased over the last 18 months, directly linked to the economic situation.

3.10 In light of the above, and as an integral part of the financial health review the Director for Corporate Support and Corporate Management Team (CMT) are recommending the following transfers to/from provisions and reserves:

3.10.1 <u>Transfer from Provision (£0.327m)</u>

The balance sheet currently contains a provision of £0.327m relating to grant paid over the Authority from Devon County Council as part of the Unitary status transfers to be used for schools bursaries and awards. There has been no movement on the provision for a number of years and no evidence has been found to support any ongoing liability. It is recommended that the balance on the account is reallocated as part of the corporate health review.

3.10.2 Transfers to/from Reserves

a. HRA Working Balance (£1.592m)

The approved budget for 2010/11 assumed the HRA would be closed during the year and the residual Working Balance would be used to reduce the ongoing residual costs to general fund following the stock transfer. These costs have now been met from savings within the corporate items budget, leaving the working balance available for re-allocation. After taking into account costs incurred on the HRA during the year, the actual working balance available at year end was £1.592m.

b. Transfer to Waste Reserve- £0.900m

Significant progress has been made in developing the long term waste solution for the city and a waste to energy plant is being developed through the Devon Waste Partnership, with Torbay and Devon County Councils. The long term costs and income associated with this plant will be built in to the revised Medium Term Financial Strategy (MTFS) which will be presented to Cabinet in June 2011.

The waste to energy plant is scheduled to be operational, (subject to planning etc), in 2014. Until then there remains a significant shortfall in funding for waste disposal due to escalating landfill taxes and increased charges for the interim solution of disposing waste in Cornwall. The medium term financial pressure has been identified and reported for some time, and a 'waste management reserve' has been created to plan for the shortfall. It is proposed that a further transfer of £0.900m is made to the reserve in 10/11 increasing the reserve to £2.4m which should provide sufficient additional revenue resources to meet the costs of waste disposal pending the completion of the waste to energy plant.

c. Transfer to Redundancy Reserve £1m

As previously reported the Council has to reduce its workforce but is committed to minimising redundancies.

However, whilst proactive action is being taken to minimise costs wherever possible, including the introduction of the Voluntary Release Scheme, it is prudent to allocate an additional £1m into the redundancy reserve. This will increase the balance on the reserve to £2.6m.

d. Transfer to Pension Reserve £0.850m

The Council has recently received the results of the triennial valuation. Whilst the actuary is recommending the contribution rate remains at the current rate of 19.4% for the next 3 years, this is on the understanding that contributions into the pension fund over the next 3 years are at least £59.2m. Any shortfall in contributions is required to be topped up by a one off lump sum. The planned reductions in the workforce, together with outsourcing of services and transfers to Academies, mean it is highly likely a top up will be required in 2013/14. It is therefore proposed that a contribution of £0.850m is made to the pensions reserve bringing the balance on the reserve to £1.1m, with further top ups considered in future years as the actual annual payments into the fund become known.

3.11 In addition to the transfers outlined above, Cabinet are asked to earmark the following:

e. Schools demolition £0.300m

The Council is currently incurring ongoing security and repair costs for the vacated Southway and Hooe primary schools. These schools are also posing a potential health and safety risk. There is currently no budget provision for the demolition costs which are forecast to be a maximum of £0.300m. Demolishing the schools would remove pressure from the ongoing revenue costs as well as potentially increase the land value when it is released for disposal. It is therefore proposed that the £0.300m be set aside to address these issues.

f. Procurement £0.400m

The 2011/12 budget delivery plans include a total of £1.231m as an agreed savings target against the Procurement P2P project, which includes an additional £0.381m brought forward from future years as part of the final budget savings target required following the front loading of the Government Grant reduction. Whilst work is ongoing to deliver the full savings, the achievement of the additional target will clearly be challenging and reliant on all departments to deliver. In addition, focus is now on a further procurement project, Category Management, which is also expected to deliver substantial savings across the authority and it is possible that some expected savings will not be realised until the new project is fully operational. It is therefore proposed that £0.400m be earmarked as a contingency to cover any shortfall in the savings in 2011/12. Clearly if the savings are achieved in full, or indeed exceeded, this contingency can be released to the benefit of all departments.

g. Americas Cup £0.100m

The City has a major opportunity during Sept 2011 to showcase its ability to be a vibrant waterfront city, when the prestigious America's Cup sailing competition is staged in Plymouth. It is recommended an additional allocation of £0.100m is provided to cover potential costs related to the event.

3.12 Approval of the above would result in a net deficit for the year of £0.105m as shown below:

	£000	£000
Net Surplus (as per Table 2)		(1,526)
Transfers to/(from) provisions:		
Grants provision	(327)	
Transfers to/(from) Reserves:		
HRA working Balance	(1,592)	
Waste Reserve	900	
Redundancy Reserve	1,000	
Pensions Reserve	850	
		831
Provision for 11/12 budget pressures		
Schools demolitions	300	
Procurement	400	
Americas Cup	100	
		800
Final Deficit for the year to be met from Working Balance		**105**

3.13 A revised position for the year, assuming all of the above were to be approved, is shown at Appendix B.

Reserves and Provisions at 31 March 2011

3.14 The Council is required to prepare its statutory accounts on an International Financial Reporting (IFRS) basis from 1 April 2010. This has led to a change in accounting practice in the treatment of grants and contributions, and a reclassification of a number of existing reserves and provisions on the balance sheet. This section highlights the main changes and requests approval for new reserves and provisions as appropriate.

3.15 Working Balance

Approval of the actions outlined above would leave a Working Balance at 31 March 2011 of £11.412m. Transfers to and from the Working Balance during the year were as follows:

	£000
Working Balance at start of year	11,517
Budgeted contribution to Working Balance 2010/11	250
	11,767
Less: Budgeted/approved transfers from Working Balance 2010/11-CDC contribution	(250)
Working Balance prior to year end adjustments	11,517
Revised outturn position 2010/11	105
Working Balance at 31 March 11	**11,412**

A working balance of £11.412m equates to approximately 5.5% of the net revenue budget for 2011/12 and remains in line with the approved Medium Term Financial Strategy (MTFS) which is to maintain a Working Balance of at least 5%.

3.16 Earmarked Reserves

3.16.1 In addition to the Working Balance, the Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans. Assuming the corporate health adjustments outlined above are approved, the Council's earmarked reserves will stand at £32.192m at 31 March 2011. This includes schools balances and reserves of £7.240m.

3.16.2 These figures are subject to change as the final statement of accounts is produced over the next few weeks but any changes should be minimal. Appendix E shows the provisional movement in the reserves over the year, together with the main purpose of the reserve.

3.16.3 Cabinet's attention is drawn to the changes in accounting for grants and contributions as a result of the move to IFRS, which now require all grants to be credited to revenue when received unless they have an outstanding condition that could result in grant payback to the awarding body. This is a change from previous years, where the accounting regulations required grant income to be matched with actual spend, and resulted in unspent grants being carried forward via the end of year creditor accrual process. There would clearly be implications on departmental budgets from year to year if income is not matched to spend. However supplementary accounting guidance recommends that this is addressed by transferring any unused but committed grant to an earmarked reserve at year end, subject of course to local member approval. A transfer back from the reserve would then be made in future years as the spend is incurred. A sum of £3.071m has been transferred to the grants reserve in 2010/11.

3.16.4 Financial Regulations require Cabinet approval for any new reserves and this may be sought as part of the budget, monitoring or outturn reports, or as part of specific service reports during the year. In addition there has been a reclassification of a number of balances held on the balance sheet. Cabinet are therefore asked to approve the following new reserves in year, including the grants carry forward reserve outlined above:

- Grants carry forward reserve
- CDC legacy Reserve- to continue the activities previously provided by the Company including branding of the City as part of Positively Plymouth. The reserve includes funds provided by RDA and HCA.
- Stock transfer ex -gratia gas servicing payments- reclassification from provision
- Trapeze real time passenger information- reclassification from a capital grant to a revenue reserve
- Schools libraries – monies paid in advance by schools for the purchase of new books – previously held as a stock account
- Proceeds of Crime Act – monies recovered as a result of action taken by trading standards required to be ringfenced for future preventative initiatives

3.17 Schools Balances

At the end of the year there was a total of £5.540m unspent monies against schools' delegated budgets, plus £1.700m in grants giving a total balance of £7.240m. The equivalent sum at 31 March 2010 was £8.177m. The main reasons why schools hold balances are: anticipation of future budget pressures usually arising from pupil number variations; to fund specific projects such as building works and IT; and to provide for the balance of Government grants paid during the financial year (April–March) which cover expenditure occurring across the academic year (September – August).

A capping policy is in place to enable balances in excess of the allowable proportion to be clawed back and potentially redistributed/used for other schools related purposes. The allowable proportion is 8% of delegated budget for Primary and Special Schools and 5% for Secondary Schools, which reflects national guidelines. Schools complete a proforma confirming their reasons for their balance and the position is reported to the Schools Forum during June.

3.18 Provisions

3.18.1 The Council has a number of budget provisions set up to meet known liabilities. Provisions are compulsory and required to comply with accounting standards. The balance on the provisions at year end together with movement in the year is outlined in Appendix F.

3.18.2 Under IFRS there is a new requirement to account for employee benefits when these become 'reasonably certain that they will be paid', rather than when the benefit is actually paid. A charge has therefore been made to the revenue account at year end for staff who have been issued with redundancy notice but who have not yet left the authority, with an equivalent amount carried on the balance sheet as a provision.

3.18.3 The Council also carries a provision for backdated equal pay claims as required under accounting standards. The Council was awarded a Capitalisation Direction towards these costs in 2007/08 and continues to carry a sum of £1.4m on the balance sheet pending tribunal hearings. Further claims have been received since 2008/09 and are also carried on the balance sheet as a provision pending hearings. However, under Regulations issued by CLG Local Authorities are not required to account for any liability until payments are actually incurred. An equivalent amount is therefore carried as a 'negative' capital reserve. Any claims settled will therefore result in a cost and pressure to the revenue budget.

3.18.4 A new provision has been set up in year relating to prepaid housing rents retained by the authority on stock transfer. Former tenants continue to have a claim against the Council for refund of these amounts. These amounts were previously carried on the balance sheet as a general creditor.

3.19 Contingent Liabilities

3.19.1 In addition to the specific reserves and provisions outlined above, there are a number of areas that **may** result in a financial liability to the Council but which cannot be quantified both in terms of costs and timing with any certainty. In the main these relate to legal claims against the Council or guarantees given by the Council to its subsidiaries and associates. The Council is required to disclose all contingent liabilities in a note in the Statutory Statement of Accounts. The main contingent liabilities as reported in previous years are:

- Municipal Mutual Insurance Ltd- Scheme of Arrangement- the company experienced trading difficulties and is working towards a 'solvent run off' until all outstanding claims settled, but there is a potential clawback arrangement if the company becomes insolvent, whereby the creditors would be required to pay a proportion of the claims paid. These claims totalled £1.292m at 31 March 11.
- PLUSS Organisation Ltd – the Council has guaranteed payments into the pensions fund for transferred employees, has also provided a loan of £0.235m and jointly agreed a bank overdraft facility with Torbay and Devon County Council.
- Single status equal pay claims- the Council has a number of claims currently subject to a tribunal hearing. However depending on the ruling of the tribunal, it is possible that further claims may be submitted.
- Civic centre – a contingent liability disclosed whilst the future of the building remains subject to uncertainty.
- Connexions (Careers South West) – the Council has guaranteed to meet an element of pension liabilities should the organisation be wound up.
- PCH –As part of the stock transfer the council was required to provide a number of warranties to the funders of Plymouth Community Homes
- Contaminated land – the council is required to identify potentially contaminated land and may be required to implement remediation works.
- Local land charges – there may be retrospective claims in respect of charges levied by the council prior to a change in legislation which now removes the ability to charge for environmental information relating to commercial transactions.
- Treasury Management – Potential investment losses.

3.19.2 All liabilities are kept under review. Where it is likely that a payment will be required, funding will be set aside, usually via a provision or an earmarked reserve. There are no outstanding claims against the Council for the items listed above that have not been provided for elsewhere. It is likely that a number of these liabilities will be removed from the final Statement of Accounts for 2010/11.

Recommendations:

1. Cabinet note the provisional Outturn Position for the year.

2. Cabinet note the additional transfers to provisions reflected in the outturn figures as required in accordance with statutory provisions:

• Bad debt provisions	£0.300m
• Insurance provisions	£0.300m

3. The Section 151 Officer recommended adjustments to reserves and provisions be approved as follows:

• Reallocation of grants provision	(£0.327m)
• Reallocation HRA Working Balance	(£1.592m)
• Transfer to Waste Reserve	£0.900m
• Transfer to Redundancy Reserve	£1.000m
• Transfer to Pensions Reserve	£0.850m

4. Cabinet approve that the remaining surplus be earmarked to meet the following:

• Schools Demolition Costs	£0.300m
• Procurement Contingency	£0.400m
• Americas Cup	£0.100m

5. No departmental budget overspends be carried forward in 2010/11.

6. Cabinet note the adjusted deficit for the year of £0.105m and approve that that this be met by a transfer from the General Fund Working Balance.

4. Income Summary

Table 3

Type of debt	Actual % 2008/09	Actual % 2009/10	Actual % 2010/11	AE Quartile	Budgeted income 2010/11	Year end income 2010/11
Council Tax	94.2%	95.2%	96.1%	4	£89.5m	£89.0m
NNDR	96.7%	96.0%	97.3%	2	£77.4m	£77.4m
Housing Rents	96.4%	N/A	N/A	n/a	N/A	N/A
Sundry Debt⮙	86.9%	88.0%	92.5%	n/a	£60.0m#	£60.0m#
Commercial Rent (general fund)	*80.8%*	*85.0%*	*93.0%*	*n/a*	*£5.0m#*	*£5.0m#*
Trade Waste	*87.5%*	*92.0%*	*95.6%*	*n/a*	*£1.2m#*	*£1.2m#*
Adult Residential Care	*90.3%*	*92.0%*	*93.8%*	*n/a*	*£9.0m#*	*£9.0m#*

Sundry debt fluctuates during the year. Figures shown are an average per annum for a rolling 12 month period

* Proposed targets

** *All payments made up-front, hence 100% collection anticipated*

4.1 Local Taxation

<u>Council Tax –Target 96.5% / Actual 96.1%</u>

In year collection (Apr–Mar 11) was 96.1%. £89.0m collected against the target of 96.5% £89.5m. Although we slightly missed the end of year target, this still represents an improvement against last year's result..

<u>NNDR - Target 97.5% / Actual 97.3%</u>

In year collection (Apr–Mar 11) was 97.3%. £77.4m collected against the target of 97.5% £77.4m. Given the current economic climate this is a very positive result

.

4.2 Sundry Debt collection – Target 92.5% / Actual 92.5%

Target for 10/11 (92.5%) was achieved resulting in the collection of £56.4m against £61m raised. A more proactive approach to recovery by way of targetting specific customer accounts has improved collection across the Council. Changes to recovery routes and implementing more efficient processes have reduced recovery costs and increased collection.

Key areas

4.2.1 Adult residential and non residential care - Target 94.0% / Actual 93.8%

Target for 10/11 (94%) with 93.8% being achieved. The collection rate has been effectively maintained over the 12 month period by ensuring financial assessment requests are addressed at the earliest possible opportunity which results in the customer being invoiced earlier. Arrears are addressed early and appointeeship applied for to ensure benefits are received direct by the Council.

4.2.2 Commercial Rent - Target 90.0% / Actual 93%

Target for 10/11 (90%) was exceeded with 93% being achieved. Since September 2010 the responsibility for the collection of this area of debt moved from Commercial Property to Value for Money & Efficiencies to ensure consistency in the recovery process and consolidate debt wherever possible. It is envisaged that further improvements in collection will be made in this area.

4.2.3 Trade Waste - Target 94.0% / Actual 95.6%

Target for 10/11 (94%) was exceeded with 95.6% being achieved. A new initiative was introduced that involved invoicing customers a month in advance of the invoice due date. This resulted in advance payment for the service or the potential for service provision to be removed. Payments can now be received as much as 30 days earlier thereby reducing costs of recovery and improving the Council's cashflow.

5. Capital Outturn

Capital Expenditure

5.1 The Council achieved capital spend of £70.036m for the year compared to a revised approved programme of £77.457m which equates to 90% of expenditure against approved budget. A summary of the outturn position across each Directorate is shown in table 4 below. A more detailed summary, including the proposed financing of the programme, is attached at Appendix G with reasons for the variances outlined within the Directors reports.

Table 4 – Capital Outturn 2010/11

		Movement in Period				
Directorates	**Budget Report Jan 11**	**New Approvals (see 6.5 below)**	**Further Reprofiling / Slippage**	**Variations**	**2010/11 Outturn**	**Outturn as % of Budget Report**
	£000	**£000**	**£000**	**£000**	**£000**	
Children's Services	30,759	2	(2,360)	445	**28,846**	94%
Community Services	20,212	831	(2,506)	120	**18,657**	92%
Corporate Support	2,658	0	(1,180)	6	**1,484**	56%
Development	23,828	0	(2,795)	16	**21,049**	88%
Total	**77,457**	**833**	**(8,841)**	**587**	**70,036**	**90%**
Less Transfer to revenue (see 6.4 below)					(318)	
Adjusted Total for Year					**69,718**	

5.2 The major variations, over £0.100m, are as follows:

£000	**Variations**
126	St Aubyns Devonport Library - The project suffered from two significant delays, namely the resolution of the leasing arrangements and the discovery of a series of historic murals. The former prevented the commencement of the major construction works and limited the contractor to certain repair works which caused additional preliminaries to be expended. The latter significantly delayed the main progress of the works by approximately 6 months while a way forward was agreed with English Heritage and the Conservation Officer.
366	Additonal School Contributions to Devolved Capital and Harnessing Technology (from School Revenue or Contributions)
171	Capital Projects at St Boniface School – Previously recorded within school revenue.
128	All Saints Academy Improvement Works – New Grant funded project managed by school.
(119)	Completed Project Savings - Savings Achieved in completed projects (Holy Cross, 14-19 Programme, Extended Schools, Mayflower, Stoke Damerel)

5.3 Strict criteria are applied to expenditure that may be classified as capital and met from capital resources. During the initial work to produce the Council's statutory balance sheet for 2010/11 accounts, Officers have identified areas where expenditure does not meet this criteria and as such this expenditure will need to be removed from the capital programme and shown within the Council's revenue budget. However in order to ensure this does not increase the pressure on revenue outturn as shown above, Officers will make an equivalent adjustment to revenue contributions to capital or adjust via the transfer of capital grants to revenue subject to grant conditions.

Recommendations:

7. Cabinet note the draft capital outturn for the year of £69.718m, after allowing for the transfer of expenditure totalling £0.318m to revenue..

Capital Financing

5.4 The total amount required to be financed in 2010/11 is £69.718m.

5.5 Table 5 below shows the final financing position after allowing for these corporate adjustments:

Table 5 – Financing of 2010/11 Capital Programme

Method of Financing	£'000
Supported Borrowing (SCP)	7,638
Supported Borrowing (SPE)	91
Unsupported Borrowing	9,094
Total Borrowing	**16,823**
Capital Receipts	2,814
Grants	46,379
Contributions (inc funds)	1,608
Section 106	689
Direct Revenue Financing (including MRA)	1,405
Sub-Total Other Financing	**52,895**
Total Capital Financing	**69,718**

The capital programme for 2010/11 has been fully financed.

Recommendations:

8. The financing requirement of £69.718m be noted and Cabinet approve the borrowing requirement of £16.823m for 2010/11.

6. Medium Term Capital Programme

6.1 The Council has reviewed and updated its five year capital programme considering the current economic climate, accounting for future risks around government capital allocations and achievability of capital receipts. The Council still have an ambitious and significant investment programme in physical assets and local infrastructure. Targeted capital investment will help contribute towards achieving corporate priorities and / or generate on-going revenue savings.

6.2 The Council maintains the principle that capital schemes are only approved into the programme where specific funding has been clearly identified and supported by business cases. Thereby, the capital investment programme, at any set point in time, will evidence 100% funding allocation against approved schemes. Capital investment is prioritised to ensure that outcomes are maximised against the council's 4 Corporate Priorities.

6.3 Due to the current economic climate, the council continues to challenge the affordability of its five year capital programme for the period 2010/11 to 2014/15. There remains significant volatility around future capital grant funding and income generation through capital receipts.

6.4 The revised programme for the period 2010/11 to 2014/15 of £192.635m was approved by Full Council on 28 February 2011 as follows:

Table 6 – Capital Budget Approved at 28 Feb 11 Full Council

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	**Total £000**
Children's Services	30,759	33,412	10,211	0	0	**74,382**
Community & Neighbourhood	20,212	24,007	2,331	0	0	**46,550**
Corporate Support	2,658	6,987	560	500	0	**10,705**
Development & Regeneration	23,828	20,795	5,386	5,160	5,829	**60,998**
	77,457	**85,201**	**18,488**	**5,660**	**5,829**	**192,635**

Please note: The Children's 2011/12 programme includes £19.134m spend for the two Academies that have been set up.

6.5 At that time, the funding of the programme was expected to be as follows:

	£000
Capital Grants	114,175
Supported Borrowing	8,167
Unsupported Borrowing	28,864
Capital Receipts	26,820
Section 106	9,442
Revenue & Funds	1,841
Contributions	3,326
Total Funding	**192,635**

6.6 The Council remains 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).

6.7 Since the previous Approved Budget (taken to Full Council 11April 2011) there have been various changes to the Medium Term Capital Programme. The detail of the changes are shown in Appendix G, however, a summary of the changes are shown below in table 7:

Table 7 – Changes to Approved Budget

	2011/12	2012/13	2013/14	2014/15	**Total**
	£000	£000	£000	£000	£000
Capital Budget Approved at Full Council Feb 2011	**85,201**	**18,488**	**5,660**	**5,829**	**115,178**
Additional Schemes Approved at Full Council April 2011	4,174	1,114	677	337	**6,302**
Capital Budget Approved at Full Council April 2011	**89,375**	**19,602**	**6,337**	**6,166**	**121,480**
	0	0	0	0	
Impact of Closedown 2010/11 – Year End Reprofiling	8,841	0	0	0	**8,841**
Changes to Variations, Virements and Reprofiling (see appendix G)	(2502)	2,345	448	0	**291**
New Approvals (see below)	1,597	0	1,021	0	**2,618**
	0	0	0	0	
Revised Capital MTFF to be Approved	**97,311**	**21,947**	**7,806**	**6,166**	**133,230**

6.8 The schemes that need approval, included in table 7 above, are as follows:

Scheme	**£000**
Public Transport initiative 1 - Local Road Network, Park and Ride & Parking asset management. This project will be financed from the enforcement of the chattels Mortgage from the original Dft grant conditions (relating to the purchase of 6 buses for the George Junction Park and Ride), which required First to pay this sum if retaining the buses	200
Public Transport initiative 2 - Management of the interface between Plymouth's local and strategic road network. This project will be financed from the enforcement of the chattels Mortgage from the original Dft grant conditions (relating to the purchase of 6 buses for the George Junction Park and Ride), which required First Bus Company to repay this sum if retaining the buses	461
Horsham & Staddiscombe Sports Improvements - Fully S106 funded. PCC Land. Works involve improving playing pitches and extending car parks	130
Transport Minor Infrastructure Works – These projects will be funded from S106 monies.	88
Children's Basic Need – Additional S106 funding	535
Children's Basic Need – Phase 1 year 3 projects	1,021
Stoke Damerel - Changing Rooms & Car Park	91
Ford Primary – Works to classrooms & hall	32
Stuart Road – Fire Escape Works	60
Total New Schemes for Approval	**2,618**

Recommendations:

9. Cabinet approve variations, virements and reprofiling between years of the MTFF, and seek approval from Council for the 5 year capital programme amended for new approvals, shown in Table 7.

Table 8 – Summary of Capital Outturn & Revised Budget to be Approved by Full Council

	2010/11 Outturn £000	2011/12 Revised £000	2012/13 Revised £000	2013/14 Revised £000	2014/15 Revised £000	**Total £000**
Children's Services	28,774	37,275	10,211	1,021	0	**77,281**
Community & Neighbourhood	18,657	26,932	1,746	177	337	**47,849**
Corporate Support	1,241	10,274	1,568	1,000	0	**14,083**
Development & Regeneration	21,046	22,830	8,422	5,608	5,829	**63,735**
	69,718	**97,311**	**21,947**	**7,806**	**6,166**	**202,948**

6.9 The funding of the programme will be as follows:

	£000
Capital Grants	118,483
Supported Borrowing	8,053
Unsupported Borrowing	30,105
Capital Receipts	27,142
Section 106	10,809
Contributions, Revenue & Funds	8,356
Total Funding	**202,948**

6.10 Significant schemes programmed to be delivered by 2014 include:

£m	
38.8	State of the art new college at Estover
15.1	Improving Schools in the Southern Way Federation
20.8	East End Transport Improvement Scheme
4.6	Bringing Devonport People's Park 'back to life'
46.5	Plymouth Life Centre – the biggest investment in leisure facilities in Plymouth ever

7. VFM Statement

7.1 Measuring and reporting Value for Money gains

Achieving Value for Money remains a key issue for the Council. Improvement activity will focus on achieving outcomes under the following headings:

- Driving value for money through more effective support services
- Driving value for money from improving our core services to customers
- Ensuring that our key resources of finance, capital, ICT, assets and people are better aligned to our priorities

The internal reporting of efficiencies has continued to improve through a monitoring programme which is focused on benefit delivery through the Budget Delivery Plans for each Directorate. It is recognised that benefit realisation needs to be monitored not only during the implementation period but also through the initial years of the plans, thus ensuring that return on investment is maximized, recognized and effected. The VFM team is presently looking at how to embed ownership of benefit realization across the Council through training and improved management information.

Four key priorities have been identified for both the Council and City-wide; one of the priorities is to Provide Value for Communities. The VFM team will lead on this priority across the Council and ensure that departments and, when appropriate, partners work together to maximise resources to benefit customers and make internal efficiencies. Success of this strand of work will be measured through monitoring the perception of the community as to whether they receive VFM from the services that they receive.

7.2 VFM Programme

The VFM programme of major projects is continuing to identify considerable efficiencies being made by departments and through cross-Council working. These include:

Procure 2 Pay

This project aims to deliver better control of expenditure across the Authority through development of a more efficient and effective purchasing process. There are 4 dedicated buyers now in place and the work carried out in Corporate Resources has already delivered tangible savings (£60k 2010/11) in the ordering of non-catalogue items. This project continues to build momentum and will build on these savings across all directorates in the Authority.

Children's Social Care – Residential Care

Significant progress has been made on reducing the use of residential care in the last year. This has been achieved by a full review of all young people in residential settings and plans being initiated and monitored to ensure they are moved when appropriate to fostering or alternative provision. In 2010/11 the actions taken resulted in a reduction on the Independent Sector budget of £898k.

8. HR Summary

8.1 HR indicators have been introduced and details are now included on the departmental score cards

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8.2 At the end of the year there are;

- 3671.6 FTE employees against the budgeted establishment of 4606.1 FTE positions. There has been an annual reduction of 256 FTE employees and 847.29 FTE positions.
- The monthly salary bill is approximately £9,267k (including on costs), and the monthly agency spend is approx. £446K. This makes agency spend 4.6% of the monthly wage bill which is within tolerances set by the Council for agency spend.

8.3 The Council aims to reduce the direct and in-direct costs of the workforce through:

- Natural wastage / turnover
- Planned retirements / use of temporary contracts
- Recruitment controls and improving redeployment opportunities
- Reducing the overheads of the workforce (direct and indirect)
- Negotiated workforce reductions
- Modernisation and workforce re-modelling
- Maintaining capacity and improving productivity (which will also require some investment from the Council in skills, training and support)
- Reducing the overall size of the workforce

8.4 Redundancies:

- During the financial year 2010/11, 43 staff were made redundant, of which 25 had received a redundancy payment, with the total paid being £343,255, of which £165,944 is in respect of pension strain payments payable to the pension fund. In accordance with IFRS accounting requirements the revenue account has been charged with a further £177,553 relating to potential redundancy costs for staff that had received a redundancy notice but had not left the Authority by 31 March 2011. The costs have been met from the redundancy reserve.
- This figure includes the cost for the closure of Devonport Regeneration Company Partnership (DRCP). Statutory redundancy costs will be recharged to the programme and met from NDC grant.

8.5 Voluntary Release Scheme:

The Voluntary Release scheme is an initiative to reduce the size of the workforce, increasing 'Value for Communities' and avoiding redundancies. To date number of Expressions of Interest stands at 128.

SECTION B- DEPARTMENTAL PERFORMANCE & FINANCE REPORT

9. Children's Services

9.1 Children's Services Departmental – Actual position (£0.266m) Underspend

Children's Services net spend of £51.793m represents a 0.5% underspend when compared to the final net budget of £52.059m.

Further explanation is reported in the scorecard.

Children & Young People Services
Quarterly Budget & Performance Report

1/2

Monthly Service Budget	Performance	Comments
Social Care March 11 4.06 % ⇩	Social Care ⇨	**Responsible Officer: Mairead MacNeil** The 4th quarter year end forecast overspend is £1.109m and represents an improved position of (£0.640m) from the previous quarter. This is mainly due to reduced placements and placement costs, notably in the 16+ service. There were also fewer children in care (382 reduced from 397) due to focused effort on diversion from care and on permanency. The number of children with child protection plans has reduced to an all year low of 301 and the number of C&YP placed in residential care remains steady at 15 as does the 60 C&YP in Independent Sector Foster care. (Budgeted 14 and 39 places respectively). Improved performance, particularly initial and core assessment completion within timescales continues to be sustained and cumulative 4th quarter performance is at 71% and 73% respectively. Overall, caseloads and budget pressures within Children's Social Care are under weekly scrutiny and a reducing trend is being facilitated through effective caseload management. This will have a resounding impact on Children's Social Care ensuring that quality and performance improvements continue. Planning/reshaping of Children's Social Care is underway to ensure optimum service delivery in 2011/12.
Performance & Policy March 11 -14.67 % ⇩	Commissioning Policy and Performance	**Responsible Officer: Claire Oatway** The 4th Quarter forecast reports a favourable variation of (£0.454m) and a (£0.111m) improvement from the previous quarter. This is directly attributable to ceasing of all non essential spend, detailed monitoring, the achievement of delivery plans and the drive to achieve departmental savings. The latest official data reports that the rate of Teenage conceptions has dropped from 48.6 (2008) to 44.3 (2009). We report the lowest ever number of conceptions at 194 and we are the best performing partnership when compared to our statistical neighbours.
Lifelong Learning March 11 -8.12 % ⇩	Lifelong Learning ⇨	**Responsible Officer: Colin Moore** The 4th Quarter reports a favourable variation of (£1.092m) which results from the achievement of delivery plans and the drive to achieve departmental savings, through detailed monitoring, stopping all non-essential expenditure, and the maximisation of Grant funding. The favourable variation was enhanced by the removal of ringfencing on specific grant funding together with the requirement to repay unspent grant to national bodies. Overall performance compares favourably with national and statistical neighbours. The past year has seen significant improvements in achievement across early years foundation stage as well as a further narrowing of the gap for pupils achieving 5 A*-C (GCSE) in English and Maths. In response to the Secretary Of State's letter we have created a Local Authority plan to support and challenge underperforming schools. This will result in the drawing together of limited resources to target improvements in those schools below or at risk of being below the escalating floor standards.

Monthly Service Budget	Performance	Comments 2/2
Learner & Family Support March 11 -4.40 %	Learner & Family Support	**Responsible Officer: Maggie Carter** The latest 4th quarter forecast reports a favourable variation of (£0.376m) The improved position is a direct result of managed efficiency measures to support departmental savings, detailed monitoring, stopping all non-essential expenditure and the maximisation of grants and changes to care package requirements. Although the efficiency measures have led to a favourable overall position, there remains a specific pressure within SEN Transport. Policy changes are proposed to remove all concessionary fares in 2011/12 and a realistic budget for our statutory requirement to provide SEN transport has been set for 2011/12. Overall, performance has improved and this is due to focused work in key areas and successful delivery of actions plans. There are no RED rated performance measures. Year end performance is positively reflected in the overall number of green rated measures.
Schools		The Council receives funding for schools through the Dedicated Schools Grant (DSG) which funds expenditure either directly through the Individual Schools Budget (ISB) or incurred by the Council on behalf of schools. Any over or underspends on the DSG are carried forward. The ISB element has been distributed in accordance with the schools funding formula and the overall DSG has been approved by the Schools Forum. The schools budget for 2010/11 was set at £140.037m (estimated DSG of £141.139m after academy recoupment plus £0.350m brought forward from 2011/12 budget less £1.452m deficit brought forward from 2009/10). The final DSG was announced as £141.208m, providing an additional £0.069m. A DSG deficit of £0.216m has been carried forward to 2011/12.
Funded Programmes March 11 0.00 %		No variation

Human Resources

Children's Services Corporate HR reporting

Establishment shows 1201.8 FTE against a budgeted establishment of 1576.6 FTE , a decrease of 2.3 FTE employees and an increase of 20.5 FTE positions from the previous month.
Agency Spend was 0.24% of the monthly wage bill, a decrease of 0.05% from last month.

Sickness levels are 10.36 working days per FTE for this financial year to date (April 2010 – February 2011) and 11.45 working days per FTE for the last rolling 12 months, a slight decrease of 0.14 days FTE over the rolling 12 months.– the Council has a target of 7 working days per FTE. The council wide sickness statistics excluding schools staff are 11.89 days per FTE for this financial year to date and 13.11 days per FTE for the last rolling 12 months

9.2 Key Issues faced over the Medium Term

1. Achieving financial performance within Children Social care budget delivery continues to be a challenge whilst ensuring that safeguarding issues are not compromised
2. Reducing the number of Court ordered Parent & Child assessment placements.
3. Continual recruitment of experienced Social Work staff in order to provide a robust service.
4. Meeting increasing demand and delivering financial savings within Dedicated Schools Grant direct schools spend and central expenditure
5. Addressing the issues associated with changes to the level of grant funding contained in the budget

10. Community Services

10.1 Community Services Departmental – Actual position £1.353m overspend

The net year end position for Community is £112.405m against a revised budget of £111.051m. This presents a year end overspend of £1.354 or 1.22%.

Further explanation is reported in the scorecard.

Community Services
Quarterly Budget & Performance Report

Monthly Budget	Performance	Comment
Safer Communities ⇩ March 11 -10.41 %	Safer Communities ⇨	**Safer Communities - Responsible AD: Pete Aley** At year end there was an underspend of £0.165m, a variance of £0.085m from the £0.080m underspend reported at end of quarter 3, this was due to additional vacancy savings being achieved from January and lower commissioning spend. Overall crime levels in Plymouth remain low compared to similar cities. Violent crime levels have remained steady up to the end of March 2011. 2010/11 saw 34 fewer recorded violent crimes compared to 2009/10. This includes a reduction in levels of 'serious violence' (of 82 fewer crimes to a total of 280), but there has been an increase in levels of less serious violence (of 48 more crimes to a total of 2403) which means we have narrowly missed our reduction target, to reduce the rate per 1000 population by 10.6% over 3 years. We are currently best for levels of serious violence when compared to our family group of 15 similar cities, but not performing so well on less serious violence. We continue to work with the police and other partners, focusing on prevention, early intervention and enforcement. We have achieved our target to reduce serious acquisitive crime (which includes vehicle crime and burglary), to reduce the rate per 1000 population by 6% over 3 years. We also continue to perform well when compared to similar cities and are 2nd best in our family group for this crime
Environmental Services ⇧ March 11 -0.83 %	Environmental Services ⇧	**Environmental Services - Responsible AD: Jayne Donovan** Environmental Services have achieved a £0.217m underspend, an adverse change in the quarter of £0.290m. The change is due to the removal of the estimate of £0.900m refund of Landfill Tax as this has now been submitted by KPMG with a potential maximum value of £0.395m. Although the success of this claim is reasonably certain the income cannot be included in the accounts for 2010/11 under accounting regulations. Also in the period stocktaking revealed higher than usual stocks of equipment and fuel and resulted in a credit of £0.120m. The valuation of landfill allowance permits was published in April with an average value of £12.50 whereas the previous latest trading price was only 50p so the value of permits held did not require as high a write off to revenue, a benefit of £0.188m. There was also recognition from Asset management that charges for the use of Prince Rock Depot should be reviewed and consequently the recalculation has delivered savings to the service of £0.241m. There was also a refund of vehicle insurance related to housing stock transfer of £0.036A departmental pressure of £0.465m early in the year was balanced in 2011/12 through a variety of actions achieving total savings of £0.448m Waste sent to landfill fell again this year with only 80,992 tonnes of waste being land-filled against the annual target of 85,000 tonnes. Action in the period to reduce waste and increase recycling included increased MRF efficiency; expansion of the garden waste scheme; expansion of recycling to some multi occupancy properties, and the introduction of new recycling schemes (e.g. low energy light bulbs and batteries) This increased the amount diverted from landfill (NI192) by 1.86%, leading to a year end recycling figure of 33.06% against a challenging target of 36%.
Business Support March 11 0.97 %		**Business Support – Responsible Officer: Pete Aley** A departmental pressure of £0.465m early in the year was balanced in 2011/12 through a variety of actions achieving total savings of £0.448m

Monthly Budget	Performance	Comment

2/2

Adult Health & Social Care
March 11
0.93 %

Adult Social Care

Adult Social Care - Responsible AD: Pam Marsden
The 2010-11 net outturn position is £0.667m. The service has contained spending to within 1% of total budget which is inside target tolerances for the year. This has been possible due to careful scrutiny through the management team and the profile maintained via the Adult Social Care programme board. Learning Disability costs and other service pressures in residential and nursing care have been offset with a range of cost reduction and commissioning efficiencies throughout the service.

Self-directed support (NI130) at 31% exceeded the year end target of 30%. Carers (NI135) at 34.4% has also exceeded the year end target (24%).

The percentage of adults with learning disabilities in employment (NI146) achieved 5.1% against a year end target of 5.9%. The percentage of adults with learning disabilities in settled accommodation (NI145), a measure based on the need for an annual review, continued to under-perform reaching an end of year position of 55.6% against a stretching annual target of 75%. Review capacity in the last 2 months of the year was directed towards safe-guarding and other priority areas, however work has already commenced within the service to improve performance in 2011-12 for these indicators. Indicator 1_AAC, the percentage of all adult social care clients in the community or in a Care Home receiving a review year end position was 73.6% against a target of 75%.

Plans for service transformation are on track. The first cohort of staff has been testing out the new operating system since February and the second cohort of staff has been recruited. They will operational by the end of May.

Culture, Sport & Leisure
March 11
-2.16 %

Culture Sport and Leisure

Culture, Sport & Leisure - Responsible AD: James Coulton
At year end there was an underspend of £0.232m, a variance of £0.289m from the £0.057m overspend reported at end of quarter 3. This is mainly due to savings against the operation of pools through lower spend on equipment, utilities, staff costs through vacancies and higher income being achieved.

The preferred bidder for the leisure management contract was selected in the period and will take over facilities management on a phased basis. Two new libraries (Devonport and Estover) opened and Plymouth Life Centre is on schedule to be completed in November followed by fit out and staff training. Plymouth was also confirmed as the training centre for the Canadian diving squad prior to their participation in the Diving World Cup and Olympic Games both of which will take place in 2012.

Human Resources

Community Services HR reporting

Establishment 1265.9 FTE employees against the budgeted establishment of 1593.6 FTE positions, showing a decrease of 62.2 FTE employees and a decrease of 7.1 FTE positions from the previous month

Agency spend was 0.80% of the monthly wage bill which is a 0.06% increase from the previous month

Sickness: the Council has set a target of 7 working days per FTE; sickness levels at the end of the month are 14.23 working days per FTE for this financial year to date (April 2010 – February 2011) and 15.53 working days per FTE for the last rolling 12 months, which is a slight decrease of 0.25 days per FTE over the rolling 12 months. Council wide sickness statistics (exc. Schools) = 11.89 days per FTE (2010-11 yr to date) and 13.11 days per FTE for the last rolling 12 months.

10.2 Departmental Medium Term Financial issues

The key medium term issues for the department are:

1. Maintaining front line services during a financially challenging climate, in particular where reductions in grants will impact upon expenditure in front line services and a diverse range of delivery plans will require implementation over a short period of time.
2. Achieving the challenging Adult Social Care Transformation with reductions without compromising safeguarding issues.
3. Growth in demography and increasing levels of long term care needs for high dependency
4. Integration with Health partners and negotiating health social care funding announced in the recent financial settlement
5. Municipal Waste Management Strategy (MWMS) identified that waste management costs would increase significantly due to the need to procure a waste disposal facility. This equates to £8m per annum (2011-2013), reducing to a £6m annual increase (2014-2039).
6. In the short term, the Authority also faces additional budgetary pressures to implement new recycling initiatives, buy LATS credits, fund increased landfill tax (£8 per tonne each year), and fund contributions to the 'balancing fund' account created to meet the £215m shortfall.
7. Increased costs associated with an ageing fleet of vehicles.

11. Development & Regeneration

11.1 Development Department – Actual position £0.160m Overspend

Services net spend of £16.424m represents just under a 1% overspend when compared to the final net budget of £16.264m.

Further explanation is reported in the scorecard.

Development
Quarterly Budget & Performance Report

Budget	Performance	Comment
Transport Monthly Budget March 11 -1.32 % ↓	Transport ⇨	**Responsible Officer: Clive Perkin** The net underspend of (£0.165m) has arisen due to a combination of savings on street lighting , Safety Camera Partnership and Concessionary fares partly offset by cost pressures on winter road maintenance and car parking The £20m East End Transport Scheme continues to be delivered and is on schedule for completion in November 2011. The long term strategy and five year implementation plan for the city's transport infrastructure has been adopted The service has continued to meet its targets and deliver an end of year balanced budget despite the challenges of the winter weather and the major scheme work
Business Support Monthly Budget March 11 -8.02 % ↓		**Responsible Officer: Gill Peele** The net underspend of (£0.063m) is due to there being some slippage in the pooled consultancy budgets and some salary savings in this area
Economic Development Monthly Budget March 11 17.70 % ↑	Economic Development	**Responsible Officer: David Draffan** The adverse variation of £0.292m has arisen as a result of the economic climate due to the commercial rent activity suffering through a number of industrial units becoming or remaining empty during the year. This has resulted in a loss of rental income and increased cost pressures, although new strategies to manage the Commercial portfolio are being developed. The Council is working closely with organisations to embed a culture of enterprise across the city, and to provide a policy framework which is supportive and enabling of business growth. The economic strategy for the future is now being overseen by the private sector led Plymouth Growth Board which holds to account the activities of the Council and other economic development delivery partners. It will also take responsibility for the monitoring and analysis of local economic intelligence and be the local delivery mechanism for the Plymouth area of the Heart of the South West Local Enterprise Partnership.

Budget	Performance	Comment 2/2
Planning Monthly Budget March 11 -0.14 % ⇧	Planning ⇨	**Responsible Officer: Paul Barnard** There were no material variations (net) in this area of the budget The Planning services continued to make excellent progress in support of the sustainable growth of the city The performance of the determination of planning applications exceeded national targets in all three categories, major, minor and others
Strategic Housing Monthly Budget March 11 -4.19 % ⇩	Strategic Housing ⇨	**Responsible Officer: Stuart Palmer** Utilisation of grant funding combined with other savings in the areas of finders fees and general efficiencies across the service has produced favourable position of (£0.120m) at outturn 241 new affordable homes were completed which exceeded the three year LAA target by 27% Private sector housing targets for 2010/11, including the removal of category 1 hazards, numbers of properties made decent, licensed HMO's inspected, Disabled Facilities Grants completed, empty homes returned back into use and lifetime carbon dioxide savings as a result of energy efficiency measures. Although the number of energy saving measures were slightly less than forecast, hard to reach properties were targeted and achieved higher carbon savings.
Waste Management Projects ⇩ Mnthly Budget March 11 -3.85 %		**Responsible Officer: Mark Turner** Although the Waste Project timetable was brought forward which resulted in additional costs, these were offset by efficiencies within the team resulting in a net favourable position of (£0.020m) "The Waste PFI Project's two and a half year procurement phase was successfully concluded in March 2011 with the signing of a 25-year contract with MVV Environmental for an energy from waste solution located in Devonport Naval Base. The procurement was completed ahead of the agreed programme and within budget, and the resultant contract with MVV is valued at £436m against an outline business case estimate of £825m. The project has also secured funding support from Defra worth £177m over the life of the contract."

Human Resources

Development Corporate HR reporting

- **Establishment:** 331.8 FTE employees against the budgeted establishment of 378.8 FTE positions, showing a decrease of 1 FTE employee and neutral in terms of positions from the previous quarter
- **Agency Spend** was 0.49% of the monthly wage bill (excluding Devonport Regeneration Community Partnership) which is a 0.10% decrease from the previous month.
- **Sickness**: the Council has set a target of 7 working days per FTE. Sickness levels at the end of the month are 10.44 working days per FTE for this financial year to date (April 2010 – February 2011) and 11.60 working days per FTE for the last rolling 12 months which has decreased by 0.09 from the previous month. The council wide sickness statistics excluding schools staff are 11.89 days per FTE for this financial year to date and 13.11 days per FTE for the last rolling 12 months.

11.2 <u>Departmental Medium Term Financial issues</u>

1. There are still a challenging number of empty Commercial Properties throughout Plymouth and many within the City Centre West End.
2. The Economic Development department is currently supporting a proposed new BID with the Plymouth Waterfront Partnership and there is a funding requirement upfront to deliver this.
3. Within Transport there is an ongoing review of the car parks within the city centre including all on/off street parking within Plymouth. Road Safety is also a key Financial Issue including reducing the number of pot holes as well as prioritizing spend on commuted maintenance & general improvements to roads, so to reduce the number of pot holes and other damage caused during the Winter period.
4. Financial risk within Strategic Housing is that there is a reliance on grant funding in service areas such Family Intervention Project and Anti Social Behavior for which is likely to be reduced. There may also be further reductions in funding from the Homelessness grant which will have an impact on the future level of service provided.

12 Corporate Support

12.1 Corporate Support Department – Actual position (£0.511m) Underspend

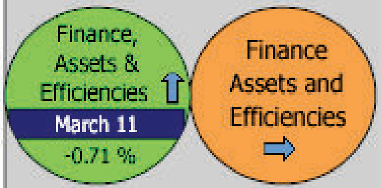
Services net spend of £31.310m represents a (1.61%) underspend when compared to the final net budget of £31.822m. This is within the variation parameters set.

Further explanation is reported in the scorecard.

Corporate Support
Quarterly Budget & Performance Report

1/2

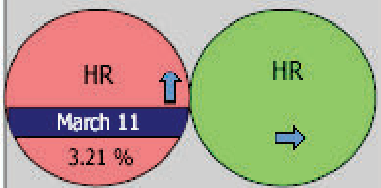
Budget	Performance	Comment



Responsible Officer: Malcolm Coe

The favourable outturn position has been achieved through proactive management of delivery plans. We have held vacancies and significantly reduced overtime within Revenue & Benefits, achieved a high return in council tax court claims and obtained an increase in housing benefit subsidy (whilst mitigating the risk of clawback from previous years claims -potentially as high as £300k). There has been a reduction in spend from external & internal audit through negotiating contracts. The restructure in finance achieved savings over and above delivery plan targets which has also been added to through relatively high staff turnover.

There has been a significant improvement in performance in relation to processing of housing and council tax benefit. Figures for March are 18.95 days for the average time to process claims and change in events compared to 23.77 days in February. However, lower cumulative performance from earlier in the year means that the annual target of 20 days will be missed. The National Non-Domestic Rates (NNDR) collection rate narrowly missed the annual target of 97.50% or £77.606m recording 97.30% or £77.443m. Council Tax collection has also slightly missed the end of year target. Cumulative collection at the end of March was 96.10% or £89.044m against a target of 96.50% or £89.453m a shortfall of £0.400m. . However, this still represents an improvement against the 2009/10 outturn of 95.5%. Overall, our cumulative Council Tax collection rate remains at 98.8% which in line with Unitary Council average.



Responsible Officer: Mark Grimley

There have been some savings identified from reduced staffing levels and from savings on the Leadership & Management training programme.

The first cohort of the Leadership Programme Is underway with 16 employees undertaking an intense programme of non-residential and residential workshops.

HROD are piloting the Accommodation Strategy with sections of the department trialling compressed working hours and casual homeworking. Refurbishment of floor 4 takes places in early May which will enable a 'new way of working' to be adopted by the whole department with hotdesking and the new telephony system, Microsoft Lyncs.

The Occupational Health contract, with IMASS, is now allowing managers access to an online portal, 'Job Screen' to manage their occupational health referrals and pre-employment health questionnaires.

Over 1500 employees were transferred from Plymouth City Council to new Academies at the end of March. New payrolls have been set up for those Academies continuing to purchase payroll services from Plymouth City Council.

Budget	Performance	Comment 2/2
ICT March 11 -6.32 %	ICT	**Responsible Officer: Neville Cannon** ICT have managed to achieve savings from reviewing existing contracts and challenging costs e.g. BT have refunded PCC for telephone charges. The service has also identified savings from the sale of software licenses held by the Council.
Customer Services March 11 -3.15 %	Customer Services	**Responsible Officer: JP Sanders** Savings have resulted from delivering the service with reduced staffing levels. The last quarter of 2010/11 was dominated by preparation for the tough upcoming budget challenges and the impending restructure with Revenues and Benefits, Cashiers and Creditors. Vacant posts were not filled to minimise the risk of redundancy which lead to a slight increase in the underspend. Much effort was also directed to staff engagement to ensure the restructure plans were the best they could be whilst achieving the budget delivery plan savings. This has had a knock on effect on productivity, and there was a slight dip in performance metrics around average wait times, but this was less than expected. In terms of complaints we have now agreed with the Local Government Ombudsman (LGO) on our provisional stats for 10/11 - we received a total of 52 ombudsman complaints with no findings of maladministration and just 11 local settlements. This represents the Councils best performance ever and reflects our improved processes and increasingly improving working relationship with the LGO. In terms of Stage 2 complaints, performance for this quarter is meeting the corporate standard of 100%. Training with Amey appears to be paying dividends with an improved performance in this area at a time of peak demand as complaints about potholes and major town centre roadworks continues.
Democracy & Governance March 11 -0.72 %		**Responsible Officer: Tim Howes** Democracy and Governance have achieved additional income from successfully recovering legal fee costs and achieving favourable variations in the reduced number of children's court cost cases. Coroner related costs have been marginally lower than previous trends, resulting in further savings.

Human Resources

Corporate Support

Establishment - 821.3 FTE employees against the budgeted establishment of 990.6 FTE positions which is a decrease of 8.6 FTE employees and an increase of 0.9 FTE positions form the previous month.
Agency Spend was 0.40% of the monthly wage bill which is a 0.06% increase from the previous month.
Sickness levels at the end of the month are 11.71 working days per FTE for this financial year to date (April 2010 – February 2011) and 13.05 working days per FTE for the last rolling 12 months, which is a slight increase of 0.11 days per FTE over the rolling 12 months. The council wide sickness statistics excluding schools staff are 11.89 days per FTE for this financial year to date and 13.11 days per FTE for the last rolling 12 months. The Council has set a target of 7 working days per FTE.

12.2 Departmental Medium Term Financial issues

1. Services within Corporate Support are linked to delivering the Accommodation Strategy and ensuring that each phase is delivered timely to ensure the service can drive out the maximum efficiency and reduce waste. This includes rationalising the number of buildings and developing the infrastructure, including improvements to Information Technology, and changing the way employees work.
2. There is also a need to drive out further efficiencies from integration of various support service teams throughout the Council.
3. Procurement savings targets are also required from the Procure to Pay Projects as well as from demand/category management techniques.

13. Chief Executive

13.1 Chief Eecutives – Actual position (£0.157m) Underspend

The final outturn position for Chief Executives Department is spending of £1.730m against a revised budget of £1.887m, representing a forecast year end favourable variance of (£0.157m).

Further explanation is reported in the scorecard.

Assistant Chief Executive
Quarterly Budget & Performance Report

Monthly Service Budget	Performance	Comments
CEX Departmental Management March 11 -8.40 % ↓		Under spend identified on several budget lines including Hospitality, Consumables, Consultancy, Salary Lines and other smaller budget lines due to a reduction of unnecessary spend by the department.
Corporate Communications March 11 -8.71 % ↓		**Responsible Officer: Richard Longford** Savings due to unfilled vacancies within Design Studio and Corporate Communications has been offset against a shortfall in design studio income resulting in a net balance. A favourable variance relating to Printing, has been used to cover the Chief Exec Departments 10/11 Budget Reductions Target.
Performance, Policy & Partnerships March 11 -8.06 % ↓		**Responsible Officer: Giles Perritt** A favourable variance is reported in the Chief Executive's Department due to action to contain spend in the year across all budget lines. In addition to the underspend reported Chief Executive has not used the P2020 reserve transfer of £257k and this has been returned to the carry forward reserve to be used to support the new structure and offset continuing costs incurred in 11/12 due to the timescales involved in completing the Policy, Performance & Partnership restructure. The formal consultation period for the Policy, Performance & Partnership restructure will finish on 20 May. A response to any resultant consultation comments will be given the week beginning 23 May. A workshop has been arranged on the 18 May to appraise partnership Level 3 indicators that deliver the Levels 1 & 2 city wide indicators.

Human Resources

Chief Executive Corporate HR reporting

- **Establishment** shows 46.8 FTE employees against the budgeted establishment of 53.8 FTE positions, which has remained constant from the previous month.
- **Agency Spend** was 0.37% of the monthly wage bill which is an increase of 0.02% from the previous month.
- **Sickness** – the Council has set a target of 7 working days per FTE. Sickness levels at the end of the month are 4.59 working days per FTE for this financial year to date (April 2010 – February 2011) and 5.19 working days per FTE for the last rolling 12 months, which is an increase of 0.74 days per FTE over the rolling 12 months. Council sickness statistics are 11.89 days per FTE for this financial year to date and 13.11 days per FTE for the last rolling 12 months.

13.2 Departmental Medium Term Financial issues

The approved budget for the department for 2011/12 is £1.509m. The department is responsible for overseeing delivery plans totalling £0.400m in 2011/12.

The delivery plan budget reduction will be achieved in the main from a restructure of the policy and performance function, including consultation, across the Council. The restructure proposals are currently out to consultation.

14. Corporate Items & Cross-Cutting Issues

14.1 Corporate Items - Revenue Budget Monitoring – underspend (£2.105m), prior to corporate health adjustments

The final position on the corporate items budget was an underspend of (£2.105m), an improvement of (£1.081m) since the last report. A summary of the main variations for the year is outlined below:

	£000
Capital Financing – repaid Devon debt	(1,122)
Capital Financing - other	(315)
VAT fleming recoveries	(289)
Enhanced superannuation	(49)
Area Based Grant	(112)
Stock transfer – Residual costs	2,202
Support Service recharges	(65)
Transfers to provisions	600
NNDR Refunds from revaluation	(87)
Centralised repairs	(650)
BSF major project	(300)
Contingency	(500)
Other variances	32
PAYE liability	60
June budget reduction– contingency provision	(1,510)
	(2,105)

Further details on the main variations are given below.

(a) Capital Financing Budget – favourable variation (£0.315m)

In accordance with the Code of Practice on Treasury Management the Council is required to formally report on its Treasury Management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report will be presented to Audit Committee on 27 June 2011. A summary of the treasury management activity for the year, including more detail on the implications for the revenue account, is given in section D of this report.

In addition to the variance on day to day treasury activities, following negotiations with Devon County Council, the Council assumed responsibility for the residual loans outstanding relating to pre unitary status. This has resulted in a saving of (£1.122m) in 2010/11.

(b) VAT Fleming Recoveries – (£0.289m)

The Council submitted a number of claims for refund of VAT at the end of 2008/09. 3 claims were settled in 2009/10 and a further claim was settled during 2010/11. The Council has a further 3 claims outstanding as at end March 2011, which HMRC have rebutted. The Council continues to work with PWC to appeal the decision.

(c) Area Based Grant – (£0.112m)

The Council received a total of £20.182m Area Based Grant for the year a favourable variation of (£0.112m). Departments will usually receive notification of a new grant award from the relevant Government department, and whilst the grant may be issued for a specific initiative and there may therefore be an expectation by the Government Department that it is used to deliver specified outcomes, ABG remains a general unringfenced grant and the Council is free to determine how this should be used. In line with the policy agreed by CMT during budget setting 2009/10, all ABG awards in respect of 'new' grants are not allocated to departments but form part of the overall general resource pot for the Council.

(d) Stock Transfer - £2.202m

The Council continues to incur residual costs as a result of the stock transfer. These costs are in the main expected to reduce over the medium term as the Council moves forward with it's transformation agenda. The approved budget for 2010/11 assumed these costs would be met from a one off transfer from the HRA working balance. These costs have now been met from savings within the corporate items budget, leaving the working balance available for re-allocation. After taking into account costs incurred on the HRA during the year, the actual working balance available at year end was (£1.592m).- as outlined in section C.

(e) Transfers to Provisions -£0.600m

The Council is required to keep under review its level of provisions and ensure an adequate balance remains at year end to meet potential liabilities. This review has resulted in the following additional transfers to provisions at the year end:

Bad Debt Provision	£0.300m
Insurance Provision	£0.300m

The transfers have been met from the corporate items budget.

Further detail on the Council's provisions is given at Appendix F

(f) Centralised Repairs (£0.650m)

The corporate items budget contained increased budget provision for repair and maintenance costs of the corporate estate. These costs have been contained within the corporate support departmental budget.

(g) June budget reduction– contingency provision (£1.510m)

The June cut to budgets of £3.950m was intended to deliver £1.510m of savings in excess of in year grant cuts to be utilised in future years in the light of much larger expected cuts in the settlement review. Whilst this amount had been taken in to account in future years budgets, this was held as a contingency against non achievement of the extra savings by departments in 10./11 with a view that it would be taken into account as part of the end of year review of reserves subject to the final outturn if not required. This has now been released.

(h) BSF Project (£0.300m)

A budget provision of £0.300m was held in corporate Items as a one off contribution to the BSF project. Work on the project was suspended during the year following Government announcements that the BSF programme was being reviewed nationally. The national programme was later cancelled and this budget provision was therefore no longer required.

14.2 Further Corporate Health Adjustments

As part of the end of year financial health review, a number of adjustments are proposed to the Council's accounts. These invariably are cross cutting and are shown against the Corporate Items budget for reporting purposes. The proposals total a net (£1.631m) and are outlined in Section A of the report.

14.3 Partnerships- New Deal for Communities (NDC)

14.3.1 The New Deal for Communities programme ended with effect 31 March 2011. The programme spanned a 10 year period and received £48m of Government funding, drawing in excess of £300m of match funding in support of a wide range of projects. The programme sought to tackle holistically the problems of a deprived neighbourhood and worked closely with a wide range of public and private sector partners to attempt to 'narrow the gap' between Devonport and more affluent parts of the City.

14.3.2 The NDC grant allocation for the final year was £3.643m. All but two of the final grant claims have been processed and it is anticipated that the grant allocation will be spent in full. This will ensure that the 10 year allocation of grant award has been drawn down in full. Details of the projects supported during the year will be made available in the Council's published Statement of Accounts in September following the completion and submission of the required 'Statement of Grant usage' to the external auditor. Notable successes in the year, however, included completion of the refurbishment of listed St Aubyn's Church to provide a new local library, fully equipped with brand new library stock and a community access computer suite. This project won both the prestigious Abercrombie Award itself and an award for the Best Conversation Project at the 2011 awards evening in April. Devonport projects supported through the NDC programme also picked up an additional two awards, for Devonport Guildhall and landscaping at Granby Green, with a further two schemes highly commended by the judges. Each of the schemes delivered through Partnership working between the NDC team and City Council departments.

14.3.3 The Council continues to hold funds in reserve on behalf of DRCP. These monies represent 'pay back' in lieu of grant paid to support Council schemes, mainly in 2007/08, in order to maximise grant drawdown. This money remains ringfenced to support projects in the Devonport area and approved by the former DRC Partnership Board. The reserve is being used to support schemes that have not been completed by the 31 March 2011, mainly capital schemes at Riverside Business Park and Garrison Close, both of which are already well advanced. One project will provide five new, energy efficient homes at Garrison Close the other will see an additional two incubator business units built at Riverside Business Park, to continue to support the high level of business start-ups supported through the NDC programme within Devonport.

14.3.4 Remaining funding will also be used to provide three years funding (2011 to 2013) to support the newly established Devonport Neighbourhood Board. This Body, supported by the key public sector partners and a full time officer funded from NDC finances, will continue to provide residents with the opportunity to help shape change and service improvements within Devonport.

Section C – Housing Revenue Account – Residual Costs

15. HRA – Revenue Budget

15.1 The Council transferred its Council Stock to Plymouth Community Homes (PCH) on 20 November 2009. However the Council is required to continue to operate a Housing Revenue Account until approval has been granted by CLG to formally close the account. This may not be applied for until a final unqualified subsidy claim has been received. The auditor certified the final claim on 31 December 2010, and the Council settled all amounts due to CLG in February 2011. Formal Secretary of State approval to close the account has now been received with closure applicable on 31 March 2011. The residual HRA Working Balance transfers to the General Fund as at this date.

15.2 Appendix H outlines the transactions in the account during 2010/11. These in the main relate to prior year subsidy and Item 8 adjustments, where the amending Determinations were not forthcoming in time to apply them to the 2009/10 accounts.

15.3 During the year the Council continued to receive rental income in respect of retained land and commercial properties. These were formally appropriated to the General Fund in October 2010 and all income and liabilities also transferred from this date.

15.4 The net costs incurred in 2010/11 of £0.200m will be met from the HRA working balance leaving a balance of £1.592m available to transfer to the General Fund. This has been taken into account as part of the Corporate Health adjustments outlined in section A. The account will be subject to statutory adjustments as part of the final Statement of Accounts process.

15.5 Following closure of the HRA any future residual costs will be charged direct to the General Fund. A number of provisions and an earmarked reserve remain in order to minimise these costs to the General Fund budget.

16. HRA Capital Programme

16.1 The Council retained liability for contract retention payments relating to work completed prior to transfer. Retention payments are generally released 12 months after completion of the scheme. The Council also retained responsibility for compensation payments to leaseholders at Ker Street Devonport. Estimated costs were accrued and charged to 2009/10. Final costs settled in 2010/11 have resulted in a net credit of (£0.017m) on the programme. A corresponding adjustment to capital funding via capital contributions will apply.

16.2 The Council continues to hold a sum of £0.161m in ringfenced capital receipts relating to housing redevelopment site 62 and 64 Granby Green (Devonport Development Framework). This amount was paid by Devon and Cornwall Housing Association pending transfer of the housing sites for redevelopment and is repayable should transfer not proceed. Although the remaining sites have transferred to PCH, there is still an expectation that these will be transferred to Devon and Cornwall within the next few years. The Council remains liable for the repayment of the capital receipts if transfer is not forthcoming.

Recommendations:

10. Cabinet note the residual costs on the HRA for the year.

11. Cabinet note that the HRA was formally closed on 31 March 2011 and that the HRA Working Balance has transferred to the General Fund.

Section D – Treasury Management

17. Treasury Management Activity

17.1 The Council is required to formally report on its Treasury Management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report will be presented to Audit Committee on 27 June 2011. However, Treasury Management activity forms an integral part of the Council's budget and this section summarises the main financial implications for the year.

17.2 The Council's borrowings and investments at the end of March 2011 are shown below. In accordance with the Council's treasury management strategy no longer term borrowing was taken in 10/11 with any borrowing requirement met from short-term borrowing. At 31 March 2011, the Council's investments had increased from £153.051m at 31 March 2010 to £165.802m and its borrowings from £266.599m to £286.383m.

17.3 The Council received investment interest of £2.802m and paid out £8.945m in interest against borrowings during the year as shown in the table below. External interest payments increased as a result of the transfer of £33.665m of pre LGR debt from Devon County Council to Plymouth City Council and short-term borrowing taken as an alternative to using internal balances to meet cashflow requirements. Additional interest from the transfer of loans from Devon County council amounted to £1.29m with an additional £0.099m of interest on short term borrowing. The use of short-term borrowing allowed for increased investment income from cash flow and longer-dated deposits out to one year increasing investment income. Other variations in investment interest resulted in a reduction in interest receivable against budget of £0.019m. Allowing for the reduction of interest paid to Devon County Council of £1.358m the net costs from treasury management activities in 2010/11 above budget was £0.050m.

Table 9

	2010/11 Budget £000	2010/11 Outturn £000	Variance £000
External Interest payable	7,556	8,945	1,389
External Interest receivable	(2,821)	(2,802)	19
Net Interest payable for year	**4,735**	**6,143**	**1,408**

Borrowing

17.4 The Council's loans at 31 March 2011 were:

	Principal O/S £000	Average Rate %
PWLB (Public Works Loan Board)	61,315	5.4001
Market Loans	130,000	4.4202
Bonds	83	1.1660
Temporary Loans	94,985	0.4800
Total Borrowing @ 31/03/11	**286,383**	**3.3222**
PFI	31,753	
Total Debt 31/03/11	**318,136**	

17.5 The SORP 2009 introduced changes to the accounting for PFI schemes, and now requires qualifying schemes to be included within the Council's balance sheet. The Council is however required to set up a matching long term liability reflecting the outstanding payments to the provider over the term of the contract. This liability is seen as a credit arrangement and increases the Council's total debt and must be taken into account within the statutory borrowing limits. The Council has one PFI scheme, the contract with Pyramid to build and run the schools at Woodview campus and Riverside.

17.6 The move to IFRS has also led to changes in accounting for leases. It is likely that a number of leases currently classified as operating leases will need to be reclassified as finance leases and work is ongoing to calculate the relevant finance lease liability and restate the accounts as required. All payments in respect of finance leases will in future form part of the Council's total debt liability.

17.7 The borrowing limits for 2010/11, originally approved by Council in March 2010, as updated for the inclusion of the PFI were as follows:

- Authorised limits £347m
- Operational Boundary £295m

The revised prudential indicators, as presented to Cabinet on the 8 February and subsequently approved by Full Council on 28 February, increased the limits to allow greater flexibility to take short-term borrowing to cover cashflow requirement s. The approved updated limits were as follows:

- Authorised limits £349m
- Operational Boundary £322m

17.8 The maximum debt outstanding in 2010/11 was £319.376m on 28 March 2011 (including £31.753m for the PFI scheme). This was within both the authorised limit and the operational boundary. The previous high point was on 10 August when total debt including PFI reached £312,870,118 breaching the operational boundary due to cashflow requirements.

17.9 At the end of March 2011 the Council's actual borrowing stood at £286.383m. This included £33.665m of PWLB debt relating to pre LGR debt administered by Devon County Council transfered to Plymouth City Council on 25 June 2010. Additional short-term loans were taken in the year, in line with the 2010/11 Treasury Management strategy, as an alternative to more expensive long-term borrowing and the use of internal balances. Over the year total long-term loans fell from £192.920m at 31 March 2010 to £191.398m at 31 March 2011 . This long-term debt includes £130m of Lobo (Lender option borrowing option) loans. These are loans fixed for a certain period with predetermined dates where the lender has the option to increase the rate. If this option is take Plymouth City Council as the borrower has the option to agree this rate or repay the loan. No option was taken by Lobo lenders in 2010/11. These loans make up a significant proportion of the Council's long -term loans which will be addressed over time with no new Lobo's to be taken.

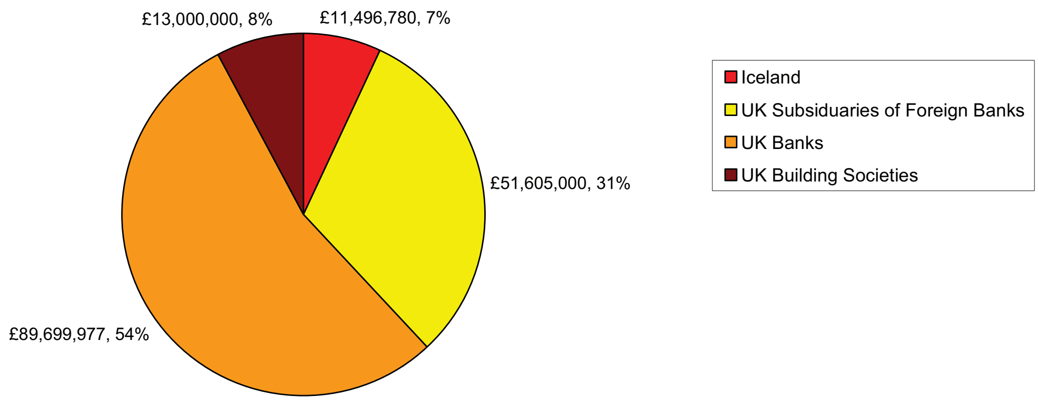
17.10 Overall Debt Performance for the year

The average interest rate on the debt has increased over the course of the year from 3.3095% to 3.3222%**.** This rate reflects the position at the end of each financial year (i.e. at 31 March for 2010 and 2011). The increase in rates is due to the higher cost of short-term loans at the end of 2011 as compared to 2010. Loan transactions were taken at various times throughout the year at various rates and, taking all transactions in the year, the overall average borrowing rate for 2010/11 was 3.5476% compared with a rate of 4.3092% for 2009/10.

Investments

17.11 At 31 March 2011 the Council's investments stood at £165.802m.This has increased from £153.051m at 31 March 2010 due to additional short-term borrowing taken in the year.

PCC DEPOSITS BY COUNTRY/SECTOR AT 31st MARCH 2011 - Total Deposits £165,801,779.85



17.12 In 2010/11 the Council received additional payments of £477,004.15 from the administrators of Heritable Bank made up of principal of £453,864.31 and interest of £23,140.74. This reduced the principal outstanding on our Heritable Bank deposits to £1,496,779.85 and the overall Icelandic deposits to £11,496,779.85.

17.13 Investments are made short term to cover cash flow and liquidity requirements and longer term to maximise and guarantee future income. There were no longer term deposits taken during February/March.

17.14 Overall Investment performance for the year

During 2010/11 the Council invested for a range of periods from overnight to 364 days, dependent on the Council's cash flows, Officer's interest rate view and the interest rates on offer and the economic climate. The Council's treasury management officers work to a benchmark rate of return, the 7 day London Interbank Bid (LIBID) rate – which is the rate which can be achieved on the London interbank market for cash deposits of 7 days and is regarded as the standard benchmark. The 7 day rate is calculated on a daily basis and averaged for the year. Table 10 below compares the average return achieved by the in-house team with the benchmark. An average rate of 1.0708% was achieved for new investments in the year against a budget of 1%.

Table 10

	Average Investment	Benchmark Rate %	Actual Return %
Internally Managed	£161.969m	0.50	1.7207

The table shows that the internal performance exceeded the benchmark for the year, despite the restricted investment counterparty list.

17.15 Icelandic Banks Update

The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

17.15.1 Heritable Bank £3m

The Council received a further dividends totaling 15.13p in the £ in 2010/11, bringing total dividends paid to date to 50.11%. The actual amount recovered to 31 March 2011 was £1,503,220.15, plus interest of £76,643.38. Based on current projections from the administrators a total recovery of almost 85% is expected with dividends continuing on a quarterly basis until September 2012.

17.15.2 Glitnir £6m and Landsbanki £4m

Recovery of monies in Glitnir and Landsbanki remain subject to court proceedings. Both The cost of the continuing external legal advice has been met from the Icelandic bank reserve. A sum of £0.052m has been incurred in 2010/11.

REVENUE IMPLICATIONS OF TREASURY MANAGEMENT

17.16 The expenditure arising from the Council's borrowing and lending accrues to the revenue accounts. This includes interest payable and receivable, the minimum revenue provision (for debt repayment), and premiums and discounts written out to revenue from previous debt rescheduling. Some of the interest receivable is passed onto specific accounts where this interest has accrued from the investment of surplus balances for these services. The balance (net cost) is met by the General Fund. Table 11 below shows the income and expenditure arising from these transactions in 2010/11.

17.17 The net cost of capital financing to the General Fund in 2010/11 reduced by £1.437m from the 2010/11 budget due to a reduction in MRP of £0.182m, increased treasury management costs of £0.050m, reductions in loan principal repayments to Devon County Council of £1.086m and and other cost reductions of £0.219m. The MRP is a statutory charge to revenue based on the Council's capital expenditure financed from borrowing. The increased treasury management costs is due to lower than anticipated interest receipts in year. Additional MRP and interest payments resulted from PFI schemes however this was matched by grant funding.

Summary of Capital Financing Costs 2010/11

Table 11

	2010/11 Budget £000	2010/11 Outturn £000	Variance £000
External Interest payments	7,556	8,945	1,389
Interest payable (PFI)	0	2,835	2,835
External Interest received	(2,821)	(2,802)	19
Recharged to HRA	0	(159)	(159)
Interest transferred to other accounts	200	215	15
Premiums / Discounts written out to Revenue	(189)	(186)	3
Debt Management Expenses	130	147	17
Treasury Management Cost	**4,876**	**8,995**	**4,119**
Minimum Revenue Provision	7,150	6.968	(182)
Minimum Revenue Provision (PFI)	0	703	703
Devon County Council Residual Debt Charges	3,153	709	(2,444)
Recharges for unsupported borrowing	(1,822)	(1,762)	60
Recovered from trading Accounts	(2,758	(2,913)	(155)
PFI Grant	0	(3,538)	(3,538)
Net Cost to General Fund	**10,599**	**9,162**	**(1,437)**

Recommendations:

12. Cabinet note the position on the Treasury Management activities for the year and that a full report on the Council's performance against its borrowing and investment strategies, including the statutory performance indicators will be presented to Audit Committee on 27 June 2011 and Council on 25 July 2011 .

13. Cabinet note the position regarding the Icelandic Banks

SECTION E – CONCLUDING REMARKS

18 Conclusions

18.1 This report represents a review of the Council's performance for 2010/11. It has also considered the financial health of the Council looking at levels of reserves and provisions against the background of the Medium Term Financial Strategy.

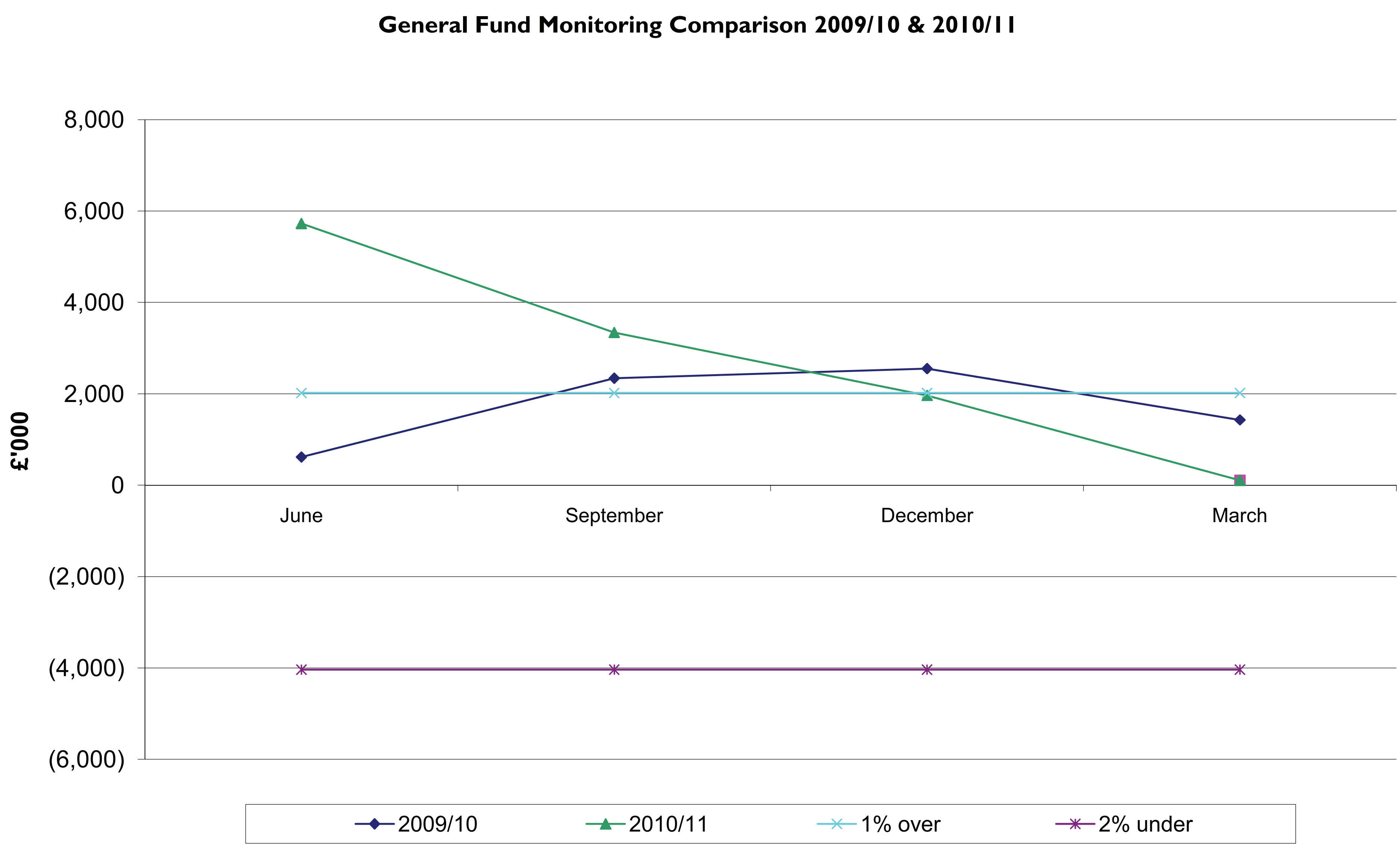
18.2 Council continues to be facing a series of challenging issues into the medium term. The impact of the in-year 2010/11 grant funding reductions plus the reduced funding for 2011/12 and beyond means the Council have to have robust plans if it is to continue to improve.

18.3 In response to this, the Corporate Management Team is working with the Cabinet to develop a transformational change programme that fundamentally challenges the organisation's culture, structure and approach to service delivery. This change programme, which will include proposals for 'invest to save' will continue to progress and be reported on throughout 2011/12.

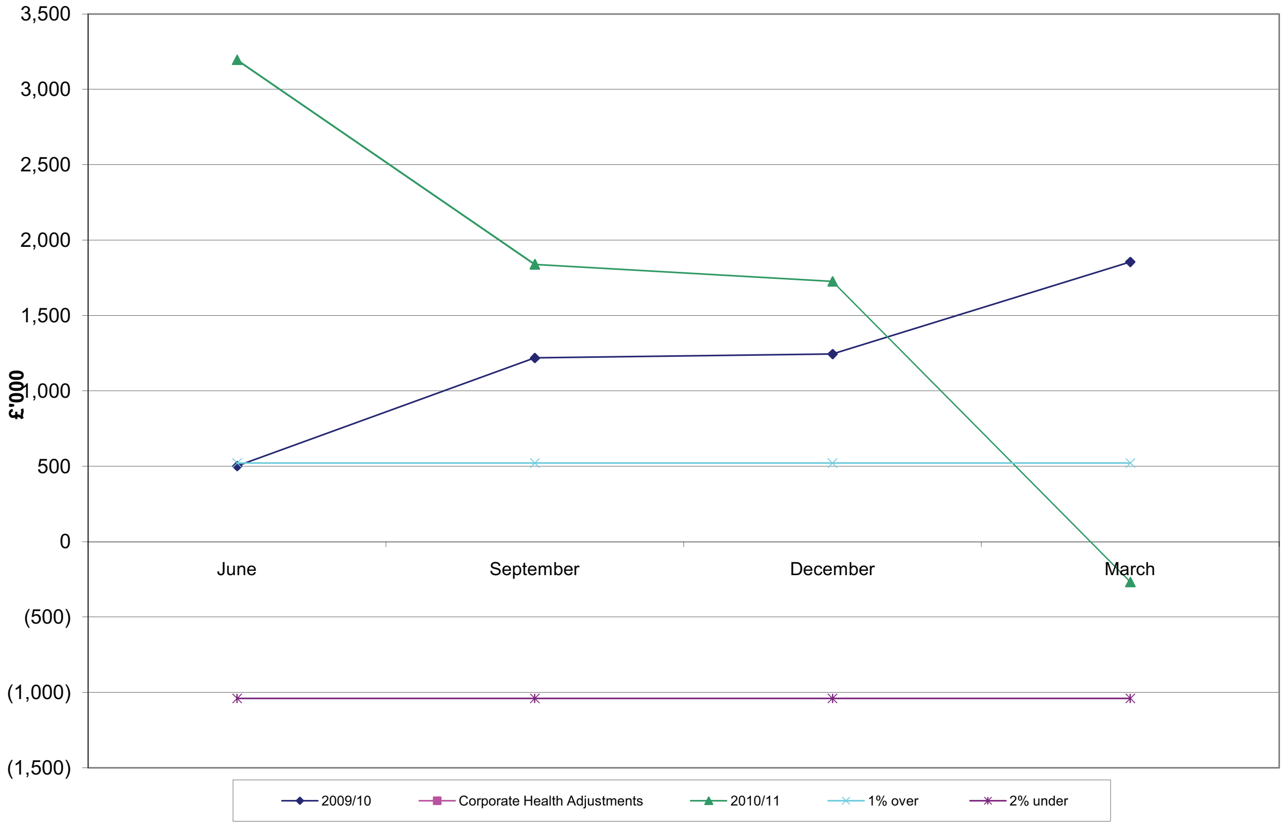
18.4 An improved corporate reporting process, focusing on a greater integration of performance and finance information, including partnership performance, is being developed by Officers. A return to quarterly reporting of joint finance and performance information has proved successful during 2010/11, as well as bringing the formal reporting into line with the reporting to the LSP. The formal joint reports will continue to be supplemented by monthly scorecards to Corporate and Departmental Management teams demonstrating progress. The emphasis needs to be one of looking forward: updating the MTFF regularly as things change will ensure we are able to proactively plan for the future.

18.5 Our result for 2010/11 shows we have come very close to achieving the very challenging budget. There must not be complacency as we move into 2011/12. To achieve the budget in the coming year all departments must achieve their declared Delivery Plans, which amount to £13.3m.

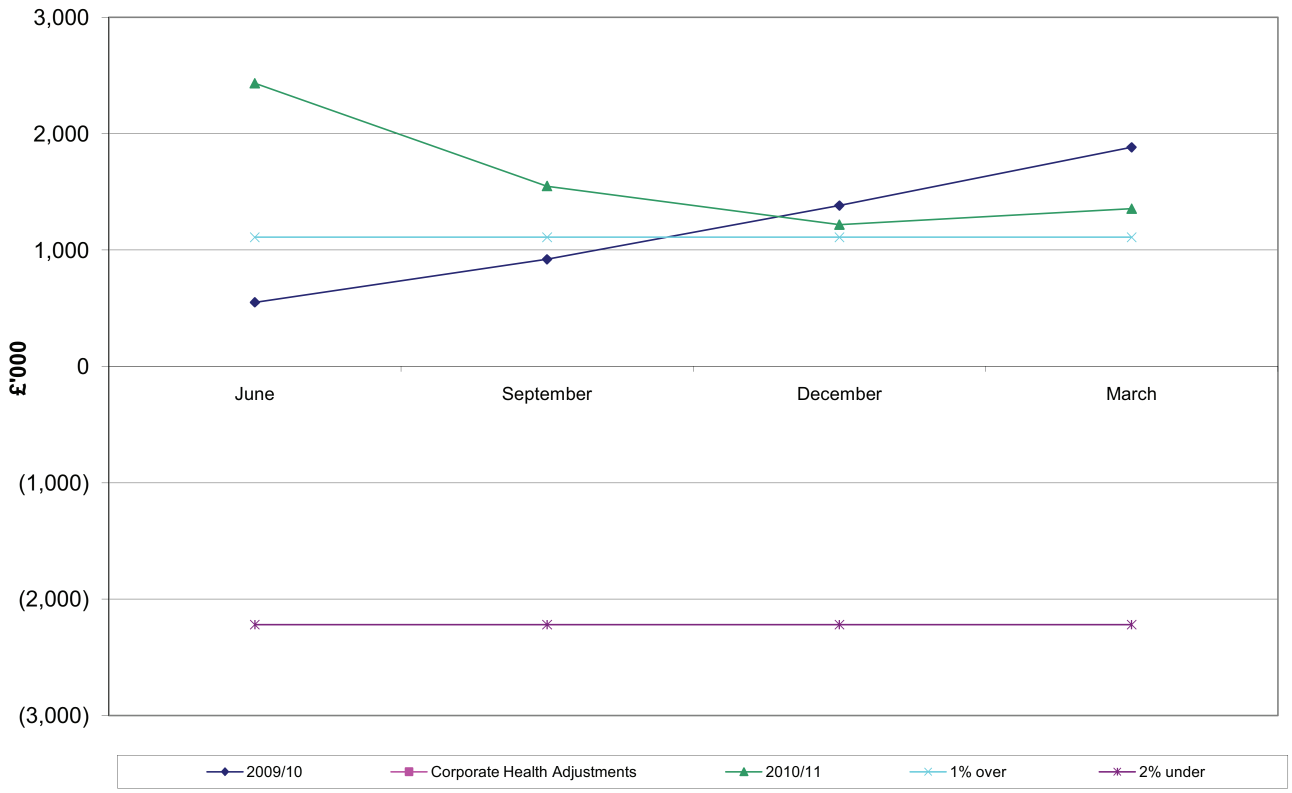
Appendix A


General Fund Monitoring Comparison 2009/10 & 2010/11
£'000
8,000
6,000
4,000
2,000
0
(2,000)
(4,000)
(6,000)
June
September
December
March
2009/10
2010/11
1% over
2% under

Children & Young People Services Monitoring Comparison 2009/10 & 2010/11



Community Services Monitoring Comparison 2009/10 & 2010/11



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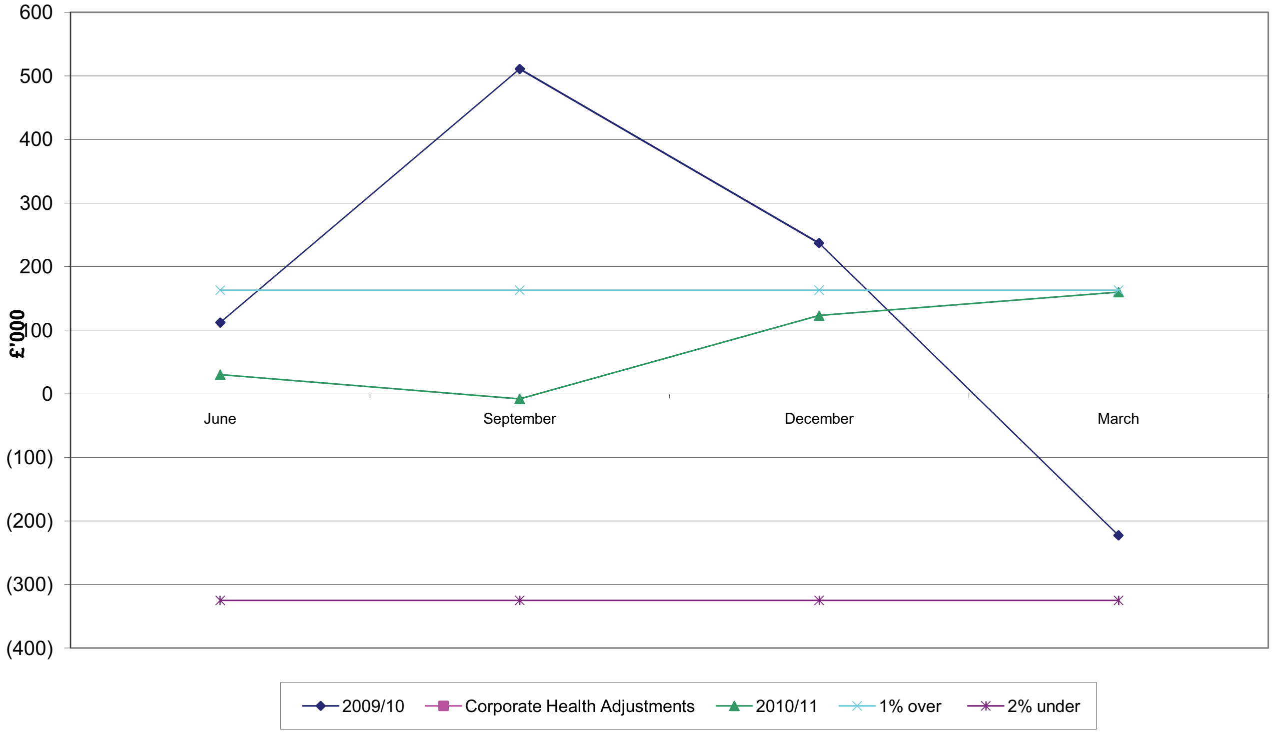
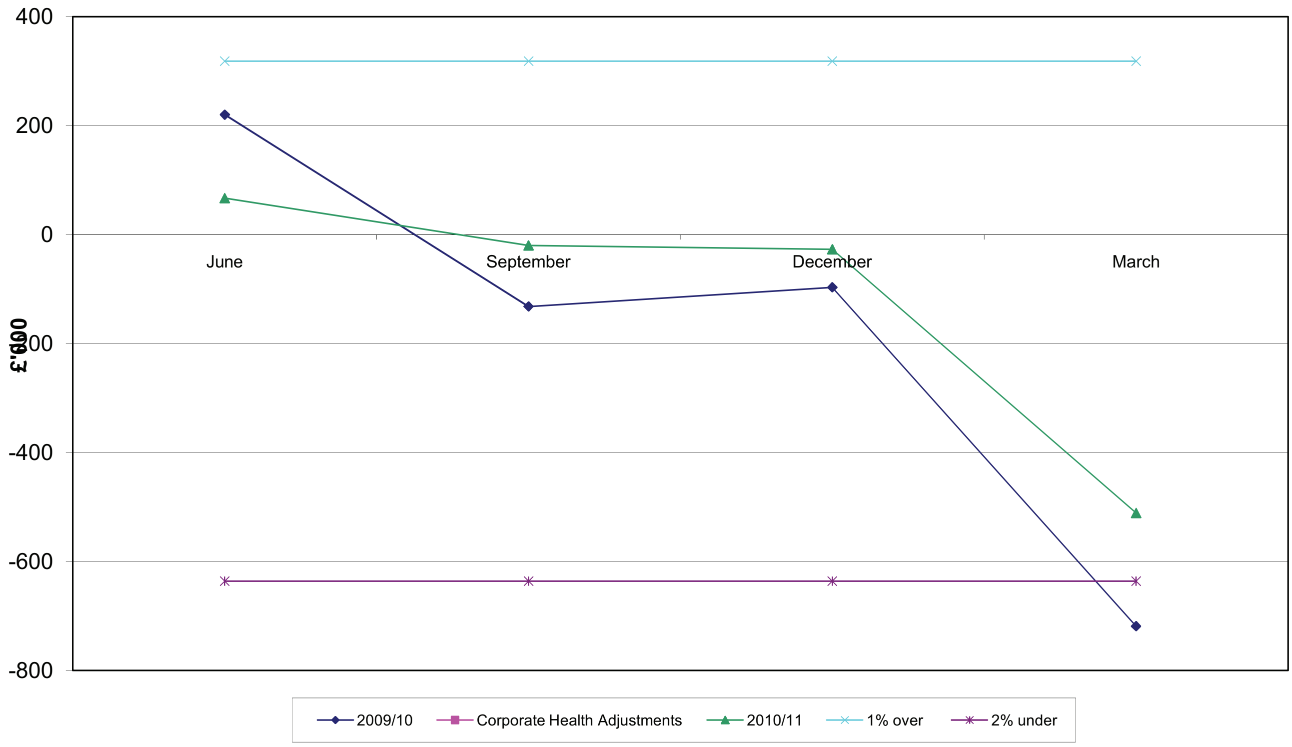
Development & Regeneration Monitoring Comparison 2009/10 & 2010/11



Corporate Support Monitoring Comparison 2009/10 & 2010/11



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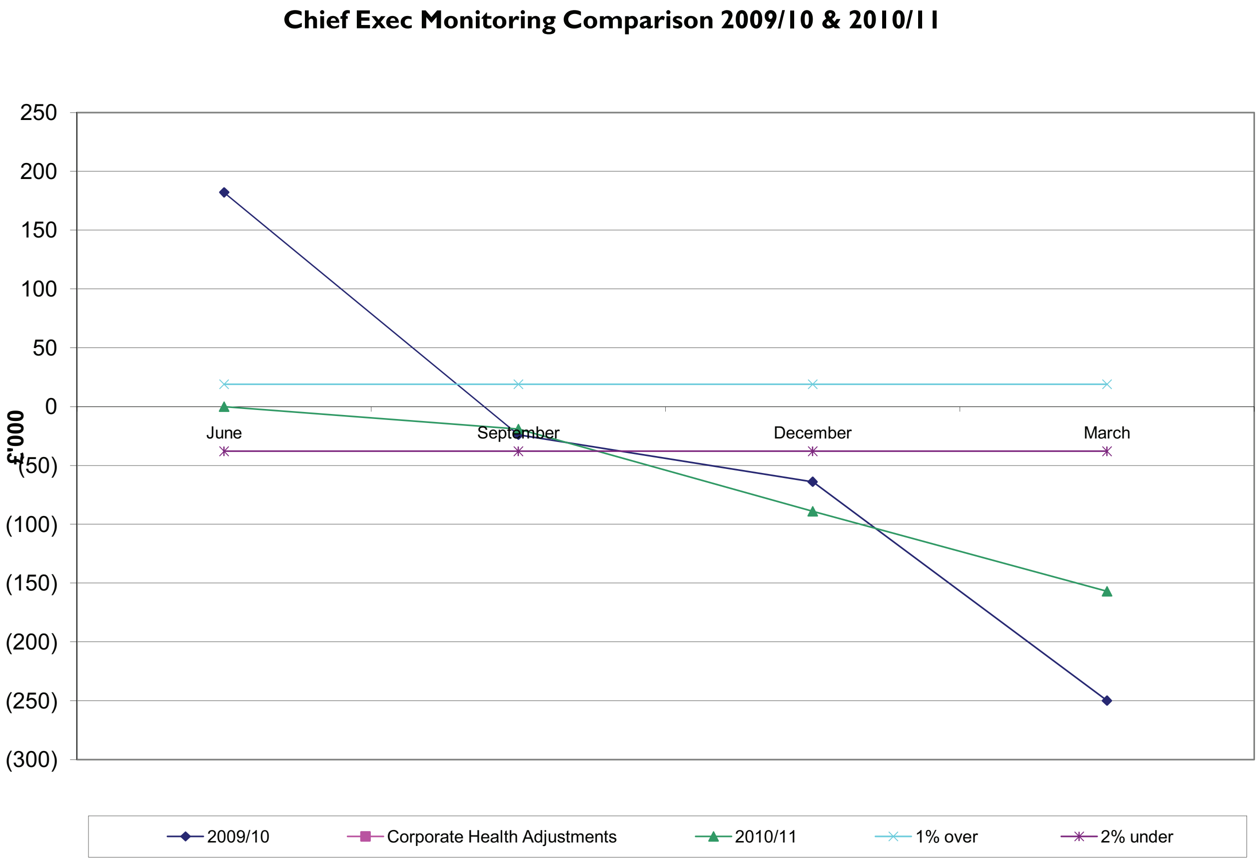

Chief Exec Monitoring Comparison 2009/10 & 2010/11
250
200
150
100
50
0
(50)
(100)
(150)
(200)
(250)
(300)
£'000
June
September
December
March
2009/10
Corporate Health Adjustments
2010/11
1% over
2% under


Corp Items Monitoring Comparison 2009/10 & 2010/11
1,000
500
0
(500)
(1,000)
(1,500)
£'000
June
September
December
March
2009/10
Corporate Health Adjustments
2010/11
1% over
2% under

2010/11 GENERAL FUND REVENUE BUDGET MONITORING TO 31 March 2011

Provisional Outturn 2010/11 after Corporate Health Adjustments and Transfers to Reserves

	Latest Approved Budget	Actual 10/11	variance prior to adjustments	Total Corporate Health Adjustments (Reserves & Provisions)	Adjusted Outturn (1)	Proposed transfers to reserve for CMT /Cabinet approval	Adjusted Outturn (2)	Variance to budget
	£000	£000	£000	£000	£000	£000	£000	£000
GENERAL FUND BUDGETS								
DIRECTOR FOR CHILDREN AND YOUNG PEOPL	52,059	51,791	(268)	0	51,791		51,791	(268)
DIRECTOR FOR COMMUNITY SERVICES	111,050	112,405	1,355	0	112,405		112,405	1,355
DIRECTOR OF DEVELOPMENT & REGENERATIO	16,264	16,424	160	0	16,424		16,424	160
DIRECTOR FOR CORPORATE SUPPORT	31,820	31,309	(511)	0	31,309		31,309	(511)
CHIEF EXECUTIVE	1,887	1,730	(157)	0	1,730		1,730	(157)
CORPORATE ITEMS	(11,255)	(13,360)	(2,105)	831	(12,529)	800	(11,729)	(474)
	201,825	200,299	(1,526)	831	201,130	800	201,930	105

APPENDIX C

NET SPEND PER SERVICE 2010/11

Service	Latest Approved Budget 2010/11	Outturn prior to Transfers to and from reserves	Corporate Health and other Adjustments	Final Outturn 2010/11
	£000	**£000**	**£000**	**£000**
Chief Executive				
Departmental Management	512	469		469
Policy Performance & Partners	893	821		821
Corporate Communications	482	440		440
Chief Executive Budget Savings	0	0		0
	1,887	**1,730**	**0**	**1,730**
Children and Young People				
Schools	0	(2)		(2)
Funded Programmes	712	714		714
Performance and Policy	3,096	2,561		2,561
Learner and Family Support	8,552	8,115		8,115
Lifelong Learning	13,451	12,099		12,099
Social Care	27,339	28,303		28,303
Childrens YP Budget Savings	(1,090)	0		0
	52,059	**51,791**	**0**	**51,791**
Corporate Items				
Other Corporate Items	(22,197)	(23,257)	1,631	(21,626)
Capital Financing	10,599	9,162		9,162
Major Projects	(1,167)	735		735
Corporate Items Budget Savings	1,510	0		0
				0
	(11,255)	**(13,360)**	**1,631**	**(11,729)**
Community Services				
Adult Health and Social Care	72,642	73,320		73,320
Culture Sport and Leisure	10,797	10,297		10,297
Environmental Services	25,861	25,645		25,645
Safer Communities	1,584	1,365		1,365
Service, Strategy & Regulation	1,759	1,776		1,776
Community serv Budget Savings	(1,596)	0		0
Community services suspense	2	2		2
	111,050	**112,405**	**0**	**112,405**
Corporate Support				
Departmental Management	181	180		180
Finance, Assets & Efficiencies	14,949	14,843		14,843
HR Organisational Development	2,669	2,755		2,755
ICT information Systems	5,994	5,615		5,615
Customer Services	2,203	2,133		2,133
Democracy and Governance	5,825	5,783		5,783
Corporate supp Budget Savings	0	0		0
	31,820	**31,309**	**0**	**31,309**
Development and Regeneration				
Planning Services	1,403	1,402		1,402
Strategic Housing	2,887	2,767		2,767
Business Support	773	710		710
Transport and Highways	12,557	12,392		12,392
Waste Management Project Team	519	499		499
Economic Development	(1,638)	(1,346)		(1,346)
Development Budget Savings	(237)	0		0
	16,264	**16,424**	**0**	**16,424**
Total General Fund budget	**201,825**	**200,299**	**1,631**	**201,930**

APPENDIX D - TRADING ACCOUNT PROVISIONAL OUTTURN 2010/11

Activity	Trading Estimates (Adjusted) £000	Outturn £000	Variation to Budget £000	Comments
DEVELOPMENT				
City Market	76	81	5	Reduction in commercial rents
Off Street Parking	(1,064)	(686)	378	Reduced parking income due to the ongoing economic downturn and also competition from private parking provision in the city centre. PCN income is down although this is partly offset by staff vacancies and the new camera car. Increased repairs and maintenance spend has been incurred such as signage and line painting and additional capital charges due to rolling land and property revaluations to comply wiith accounting standards
On Street Parking	(1,430)	(1,328)	102	
Street Trading			0	Nil variance
Development Trading Accounts	**(2,418)**	**(1,933)**	**485**	
COMMUNITY SERVICES				
Taxi Trade	(43)	(65)	(22)	More taxis taking out more expensive 1 year licences rather than 3 year licences and rank review not undertaken
Community Services Trading Accounts	**(43)**	**(65)**	**(22)**	
Total Trading	**(2,461)**	**(1,998)**	**463**	

APPENDIX E

Movement in Reserves 2010/11

	Balance as at 31/03/10	Transfer of Bal to Invest	Transfers to Reserves	Transfers from Reserves	Balance as at 31/03/11	Purpose of reserve
	£'000		£'000	£'000	£'000	
Trading Account and other Statutory Ringfenced Reserves						
Off Street Parking	**0**	0	(1,460)	1,460	**0**	The Council continues to operate a number of activities as trading activities, for which a separate reserve is held. Surpluses and deficits from the operations are either transferred to or from the trading reserve accounts or to the General Fund, subject to statutory limitations. The use of some of these reserves is restricted for example the on-street parking reserve may only be used to support transport related activities. Many of these reserves have now been exhausted with any surpluses generated in the year being required to meet ongoing commitments.
On Street Parking	**0**	0	(1,328)	1,328	**0**	
City Market	**(0)**	0	(91)	91	**(0)**	
Taxis	**10**	0	(65)	0	**(56)**	
Street Trading	**(111)**	0	0	0	**(111)**	
Land Charges Development Fund	**(52)**	0	(8)	0	**(60)**	
Education/Schools Earmarked Reserves						
Education Carry Forwards	**(2,063)**	0	(1,846)	1,971	**(1,938)**	Schools ringfenced resources mainly from grants
School Budget Share	**(6,114)**	0	574	0	**(5,540)**	Previously shown as a separate reserve. Represents schools balances under delegated budgets.
PFI reserve	**(1,343)**	0	(125)	0	**(1,468)**	PFI credits towards the schools PFI contract at Wood View are received in equal instalments over the course of the contract. This reserve enables the matching of the credits to actual expenditure incurred from year to year.
Commuted Maintenance	**(1,155)**	0	(98)	26	**(1,227)**	Revenue contribution from developers /section 106 agreements to provide for future maintenance over a period of years
PCC Earmarked Reserves for policy/future liabilities						
Accommodation Reserve	**(1,812)**	0	0	0	**(1,812)**	To meet costs of repairs to Office Accommodation. The fund will be used to support the wider acommodation strategy.
Insurance and Risk Management Reserve	**(1,228)**	229		49	**(950)**	To meet any unforeseen/increased costs of insurance claims or works to minimise insurance risk. The fund is available to meet the costs of urgent health and safety works that cannot be contained within existing budgets.
Budget Carry Forwards	**(1,163)**	30	(598)	464	**(1,267)**	Reserve set up from end of year budget underspends to meet future Council priorities. This reserve will generally be utilised in full in the following year but may be supplemented as part of Closedown following assessment of future risks and budget pressures. The reserve is kept under review and balances no longer required transferred to revenue or another reserves as appropriate.
JE contingency	**(1,345)**	0	0	1,293	**(52)**	Utilised in 2010/11 budget to fund successful appeals
Pensions Fund	**(238)**	0	(850)	0	**(1,088)**	Following the triennial pensions review the council's contribution rate has been held at current levels for the next three years. However, this is on the understanding that contributions into the fund remain at least at 10/11 levels. Any shortfall will require a one off lump sum payment in year 3. Given further outsourcing, transfer of schools to academies and the anticipated reduction in workforce, it is likely that a shortfall will be incurred.
Redundancies	**(582)**	0	(2,549)	521	**(2,610)**	To meet potential costs of redundancies, including strain payments to the pension fund.
Budget carry forward 2010/11 (subject to approval by Cabinet)	**0**		(800)		**(800)**	Budget provision 2010/11 outturn for Americas Cup, schools demolitions and procurement contingency
Urban Enterprise Fund	**(367)**	0	(174)	18	**(523)**	Match funding to ensure that Plymouth gains access to the European funding available to the region to support Urban Enterprise.
Corporate Priorities	**(2,298)**	1,425	0	376	**(497)**	Fund used to support the Councils Corporate Priorities The commitments against this fund will be reviewed as part of the budget and performance monitoring process and any surplus balance will be transferred to the Invest to Save Reserve

APPENDIX E

Movement in Reserves 2010/11

	Balance as at 31/03/10	Transfer of Bal to Invest	Transfers to Reserves	Transfers from Reserves	Balance as at 31/03/11	Purpose of reserve
	£'000		£'000	£'000	£'000	
PCC Earmarked Reserves for policy/future liabilities (cont)						
HRA gas servicing ex-gratia payments	**0**	0	(1,005)	0	**(1,005)**	Reclassification from a provision. This reserve will meet the costs of any further refunds in respect of HRA gas servicing charges levied in error.
Capital Financing Reserve	**(975)**	0	0	0	**(975)**	To be used to support the capital programme and potential shortfall in capital receipts
Job Evaluation/Equal Pay	**1,493**	**0**	**0**	**0**	**1,493**	To support the ongoing JE appeals process as well as potentially increased revenue costs if current claims are successful at tribunal. A sum of £0.350m has been set aside. In accordance with accounting regulations a provision for potential claims must be set up, but Capital Financing Regulations only require the Council to actually charge the revenue accounts when claims are actually paid. The provision is therefore offset by a negative reserve entry of £1.843m giving a net negative reserve of £1.493m
Strategy for Change (BSF)	**(250)**	250	0	0	**0**	Reserve balance transferred to invest to save reserve following cancellation of BSF programme by the Government
Invest to Save Reserve	**0**	(2,262)	0	0	**(2,262)**	Reserve set up using balances released from other reserves. To be used to support/pump prime invest to save initiatives to deliver budget savings over the medium term.
Recovery costs - Icelandic Banks	**(131)**	0	(23)	52	**(102)**	Allowance for investment losses of the money invested in the Icelandic banks. Reserve currently meeting the ongoing legal costs and borrowing costs from utilising the capitalisation direction in 09/10.
Grants carryforward	**0**	0	(3,071)	0	**(3,071)**	Under IFRS all grant income must be released to revenue unless there are pay back conditions attached. Previously unspent balances at year end would have been carried forward as a creditor accrual. This is no longer permitted and authorities are required to use their locally approved reserve mechanisms to carry balances forward. This reserve therefore reflects unspent balances on ringfenced grant income at the year end, where there are continuing commitments.
Waste Balancing Reserve	**(1,500)**	0	(900)		**(2,400)**	Reserve set up to proactively provide and manage the future budget shortfall due to increasing landfill tax liability pending the new energy from waste plant becoming operational.
Other Ringfenced Reserves				0		
DRCP	**(1,164)**	0	(161)	153	**(1,172)**	Reserve set aside to meet future expenditure in Devonport, in lieu of grant funding in 2007/08, and fund DNM post
Commercial rents sinking fund	**(73)**	0	(85)	100	**(58)**	RDA rents sinking fund Tamar House
CDC Legacy Reserve	**0**		(412)	0	(412)	Reserve set up to continue the activities previously provided by the Company including branding of the city as part of Positively Plymouth. The reserve includes funds provided by RDA and HCA.
A386 Park & Ride Leased Spaces	**(622)**	0	0	44	**(578)**	Upfront payment from PCT for leased spaces at George Park and Ride site. Released to revenue annually in lieu of rental income
Other Reserves	**(688)**	328	(118)	(10)	**(489)**	All reserves have been reviewed and confirmed as required to meet specific policy commitments
Sub Total Earmarked Reserves	**(23,772)**	**0**	**(15,193)**	**7,935**	**(31,030)**	
General Fund Working Balance	**(11,517)**	**0**	**(250)**	**355**	**(11,412)**	General Balance available to meet unforeseen expenditure. This balance represents 5.5% of net revenue expenditure and is in line with the approved MTFS
HRA Working Balance	**(1,792)**	**0**	**0**	**1,792**	**0**	Balance after statutory adjustments- differs from report which is based on management accounts
Total Reserves	**(37,081)**	**0**	**(15,443)**	**10,082**	**(42,442)**	

Movement in Provisions 2010/11

Provision	Balance at 31/03/10	Provisions made in year	Provisions used in year	Balance at 31/03/11
	£000			
Insurance Fund	**(6,091)**	(3,557)	3,275	**(6,373)**
Redundancy Provision	**0**	(178)		**(178)**
Backdated Equal pay claims*[1]	**(3,330)**	0	2	**(3,328)**
Rents Collection Account *[2]	**0**	(171)		**(171)**
HRA Gas Servicing Ex-Gratia Payments *[3]	**(1,005)**		1,005	**0**
Liability for BMW Landfill Usage	**0**	(737)		**(737)**
Provision for Repayment of Grant	**(327)**	327		**0**
Total General Provisions	**(10,753)**	**(4,315)**	**4,283**	**(10,785)**
Total Provisions For Bad Debts	**(10,268)**	**(1,065)**	**855**	**(10,477)**

Notes

Back dated equal pay claims *1

Please note this provision is made up of two separate elements:

1.Claims submitted prior to 31 March 2008- provision funded from Capitalisation Direction- balance £1.485m

2.Claims submitted from 1 April 2008- charged to accounts in accordance with statutory accounting requirements but backed out via Regulations to a (negative) back dated equal pay Reserve Account (£1.843m). The actual costs of equal pay claims are not required to be charged to the revenue account until actual payments are made.

Rents Collection Account *2

A new provision has been set up in year relating to prepaid housing rents retained by the authority on stock transfer. Former tenants continue to have a claim against the Council for refund of these amounts. The balance on the provision was previously carried in the balance sheet as a creditor.

HRA Gas Servicing Ex-Gratia Payments *3

The provision was originally set up to meet the costs of refund of HRA service charges levied in error. The account has been reclassified under IFRS accounting regulations as a reserve.

DETAILED VARIATION ANALYSIS FOR CAPITAL MTFF 2011/12 - 2013/14

Scheme Name	Comments	2011/12				2012/13				2013/14				TOTAL			
		New Approvals	Re-profiling	Virements	Variation	New Approvals	Re-profiling	Virements	Variation	New Approvals	Re-profiling	Virements	Variation	New Approvals	Re-profiling	Virements	Variation
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Development:																	
Transport:																	
Various Transport Minor Infrastructure works (Tranche 2):																	
Real Time Passenger Information (RTPI) - ASDA stores Leigham	100% funded from s106	8,000		1,608										**8,000**	**0**	**1,608**	**0**
RTPI - ASDA stores Leigham	virement of S106 resources from Leypark Drive project			(1,608)										**0**	**0**	**(1,608)**	**0**
RTPI - at Ernesettle	100% funded from s106	10,000												**10,000**	**0**	**0**	**0**
RTPI - in Millbay regeneration area	100% funded from s106	30,000												**30,000**	**0**	**0**	**0**
Bus boarders - North Hill	100% funded from s106	10,775												**10,775**	**0**	**0**	**0**
Bus stop imps - Mount Wise/Mutton Cove	100% funded from s106	25,000												**25,000**	**0**	**0**	**0**
Pedestrian imps - Tavistock rd	100% funded from s106	4,000												**4,000**	**0**	**0**	**0**
Virement of Unallocated Integrated block & Capitalised Mtce to individual schemes 2011/12:				(3,590,000)				(225,000)									
Public Transport:																	
Traveline				60,000										**0**	**0**	**60,000**	**0**
Smart ticketing				80,000										**0**	**0**	**80,000**	**0**
Train station access imps				100,000										**0**	**0**	**100,000**	**0**
Regen & Renewal:														**0**	**0**	**0**	**0**
Neighbourhoods safety and minor works				75,000										**0**	**0**	**75,000**	**0**
Road Safety:														**0**	**0**	**0**	**0**
20 mph zones "Access Whitleigh scheme"				180,000										**0**	**0**	**180,000**	**0**
Walking & Cycling:														**0**	**0**	**0**	**0**
Community Cycle Network 2011 - 13	Total project £810k funded by LTP £450k Sustrans grant £360k. 2011-13			225,000	285,000			225,000	75,000					**0**	**0**	**450,000**	**360,000**
Demand:														**0**	**0**	**0**	**0**
Access to Life Centre				150,000										**0**	**0**	**150,000**	**0**
Capitalised Maintenance:														**0**	**0**	**0**	**0**
Structural maint.				850,000										**0**	**0**	**850,000**	**0**
Highway maint & essential engineering				1,820,000										**0**	**0**	**1,820,000**	**0**
Street Lighting				50,000										**0**	**0**	**50,000**	**0**
East End Major Transport works	Realignment of timing of scheme costs		(2,500,000)				2,500,000							**0**	**0**	**0**	**0**
Strategic Housing Programme:			(337,115)				141,128				195,987						
Disabled Facilities Grant	2011/12 allocation more than predicted - notification received post 28.02.11. Overall Stratgeic housing resources have been vired between projects and reprofiled across the 2011 - 14 period.				93,000				93,000				93,000	**0**	**0**	**0**	**279,000**
Disabled Facilities Grant	Additional awards				8,435									**0**	**0**	**0**	**8,435**
Disabled Facilities Grant	Section 106 resources secured to support Housing Capital programme				50,334				50,333				50,433	**0**	**0**	**0**	**151,100**
Strategic Housing Programme	Additional resources provided from revenue account (RCCO)				164,000				164,000				114,141	**0**	**0**	**0**	**442,141**
Strategic Housing Programme	Additional resources provided from the accumulation of former years "Owners Contributions" to works				105,448									**0**	**0**	**0**	**105,448**
Stepping Stones to Nature	Additional Forrestry Commission contribution of £56k. Change in rate of Lottery grant approval to support Capital expenditure £44k. Removal of (£20k) revenue funding				61,781				23,186				(5,000)	**0**	**0**	**0**	**79,967**
Public Transport initiative 1 - Local Road Network, Park and Ride & Parking asset management	Local Road Network, Park and Ride & Parking asset management. This project will be financed from the enforcement of the chattels Mortgage from the original Dft grant conditions (relating to the purchase of 6 buses for the George Junction Park and Ride), which required First to pay this sum if retaining the buses	199,762												199,762	0	0	0
Public Transport initiative 2 - Management of the interface between Plymouth's local and strategic road network.	Management of the interface between Plymouth's local and strategic road network. This project will be financed from the enforcement of the chattels Mortgage from the original Dft grant conditions (relating to the purchase of 6 buses for the George Junction Park and Ride), which required First Bus Company to repay this sum if retaining the buses	461,000												461,000	0	0	0
Concessionary Fare pass Reissue	Reprofiling of grant funding previously anticipated to be required in 2012/13. Project no longer meeting capital definition. Spend, forecasts and grant 2010/11 - future years now tranferred to revenue. This is in accordance to grant terms and conditions.		4,473		(25,000)		(4,473)		(6,527)					**0**	**0**	**0**	**(31,527)**
Community Services:																	
Colwill Lodge	Increase in project costs following tendering to be financed from unsupported borrowing				71,933									**0**	**0**	**0**	**71,933**
ASC Grant - Major Adaptations	DFG commitment financed from revenue £40,761				40,761									**0**	**0**	**0**	**40,761**
Adults' Personal Social Services Capital Grant (DoH) 11-12, 12-13	Grant now incorporated as part of Care First scheme				(674,072)				(690,849)					**0**	**0**	**0**	**(1,364,921)**
Modernisation of Mental Health Services (Mental Health Grant)					(703)									**0**	**0**	**0**	**(703)**
Brickfields - New Events Area	Additional Tariff Income re Brickfields project				19,859									**0**	**0**	**0**	**19,859**
Horsham & Staddiscombe Sports Improvements	New Approval - Fully S106 funded. PCC Land. Works involve improving playing pitches and extending car parks	130,000												**130,000**	**0**	**0**	**0**
Plympton Library	Financing of Plympton Library from a virement from the Plymouth Life Centre project contingency			274,000													
Plymouth Life Centre	Financing of Plympton Library from a virement from the Plymouth Life Centre project contingency			(274,000)													
Childrens Services:																	
Basic Need	Funded from S106 monies	535,783															
Basic Need - Phase 1	Third year of phase 1 projects									1,021,000							
Stoke Damerel - changing rooms & car park	Funded from S106 monies	90,931															
Ford Primary - Works to classrooms & hall	Funded from S106 monies	31,927															
Stuart Road - Fire escape works	Funded from S106 monies	60,000															
Estover CC - Campus & Replacement College	Additional funding from English Cricket Board				91,670												
Yealmpstone Farm - Remodelling project					4,155												
Prince Rock - Kitchen improvement					33,049												
Longcause - Specialist Status Sports Hall					30,000												
Schools Devolved Capital					(28,916)												
Total Changes in April 2011 and May 2011		**1,597,178**	**(2,832,642)**	**0**	**330,734**	**0**	**2,636,655**	**0**	**(291,857)**	**1,021,000**	**195,987**	**0**	**252,574**	**878,537**	**0**	**3,815,000**	**161,493**

Appendix H

Housing Revenue Account year ended 31 March 2010 - Residual Costs

Management Accounts Summary	Outturn to 31 March 2011	Comments
INCOME	£000	
Rents - Dwellings	5	
Rents - Other	(53)	Part year income from Residual land and commercial rent property prior to appropriation to General Fund October 2010
Charges for Services & Facilities	1	
Interest Receivable	(4)	Mortgage Interest
Subsidy Receivable	73	Prior year adjustment to subsidy following final amending subsidy Determinations 09/10
TOTAL INCOME	**22**	
EXPENDITURE		
Repairs - HRA	39	Retention payments on revenue contracts relating to pre transfer date
Management	100	Mainly residual utiliity bills and Council tax payments elating to pre transfer periods. Officers continue to work with utility companies and PCH to agree final liability for amounts relating to pre transfer dates.
RCCO	0	
Capital Charges	159	Prior year adjustment re interst chargeable following final amending Item 8 Determinations 09/10
Rent Rebates - Transfer to GF	0	
Provision for bad debts	(120)	Reduction in debt outstanding at 31 March 2011
TOTAL EXPENDITURE	**178**	
(Surplus)/Deficit	200	
SUMMARY OF BALANCES		
Final (Surplus)/Deficit	200	
HRA Working Balance at Start of Year	(1,792)	
Working Balance at year end to transfer to General Fund	**(1,592)**	

CITY OF PLYMOUTH

Subject:	Medium Term Financial Strategy 2011-2015
Committee:	Cabinet
Date:	7 June 2011
Cabinet Member:	Councillor Bowyer
CMT Member:	Director for Corporate Support
Author:	David Northey (Head of Finance)
Contact:	Tel: 01752 304566 e-mail: david.northey@plymouth.gov.uk
Ref:	DJN 05/11
Key Decision:	No
Part:	I

Executive Summary:

The Council's Medium Term Financial Strategy (MTFS) was updated and presented to Cabinet following the Comprehensive Spending Review announcements of 20 October 2010 and earlier announcements from the Coalition Government. The strategy has now been subject to further review as part of the 2011/12 detailed budget exercise and following the 2010/11 outturn position.

It is important that the document is updated on a rolling basis in order to continuously improve our approach to aligning revenue and capital spend to areas of highest importance for our local communities.

The MTFS is closely linked to, and compliments, all of the Council's core documents as contained within our budgetary framework. Cabinet are therefore requested to recommend the Strategy to full Council for adoption.

The updated MTFS is attached.

Corporate Plan 2011-2014:

The MTFS is a core document that enables the Council to deliver against its priorities as detailed on the Corporate Plan 2011-14.

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

The MTFS identifies the likely costs and pressures that the Council will face and matches these against the anticipated resource allocation over the period 2011-15

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

The Strategy outlines the Council's attitude to risk, governance arrangements for effective financial management, opinion regarding financial resources including council tax levels and objectives for retaining adequate reserves.

Recommendations & Reasons for recommended action:

The Updated Medium Term Financial Strategy (MTFS) for the period 2011-15 be recommended to Council for adoption.

Alternative options considered and reasons for recommended action:

N/A

Background papers:

- Plymouth City Council Corporate Plan 2011-14
- 2010/11 Budget Papers
- Plymouth City Council Medium Term Financial Strategy – revised October 2010
- Joint Finance and Performance Report – Position as at 31 March 2011

Sign off:

Fin	MC111 2.0004	Leg/ Dem& Gov	TH0016	HR	n/a	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Malcolm Coe											

Medium Term Financial Strategy 2011 to 2015

Plymouth City Council
May 2011

Medium Term Financial Strategy 2011-15

Contents:

1. Our Summary financial objectives:

(a) Medium term financial forecasts will be monitored and managed regularly by Corporate Management Team and Cabinet. Future years' revenue funding gaps will be addressed on an on-going basis.

(b) Council Tax to remain in line with government guidelines for 2011/12 and beyond.

(c) Retain a revenue working balance of at least 5% of net revenue budget at the end of each financial year;

(d) Where practical, (depending on grant conditions), to 'pool' grant funding with all other revenue resources and allocate based on corporate priorities as per the council's corporate plan and partnership's Sustainable Community Strategy;

(e) Spending departments may carry forward up to 50% of end of year revenue underspend, (subject to overall year end position and approval by CMT), as long as such underspend is declared and reported from September monitoring onwards. Use of carry forwards must link directly to priorities;

(f) Departments may be required to carry forward any end of year overspend, as directed by CMT, and make good this spend over future financial years;

(g) To formally review the purpose and adequacy of specific reserves and provisions on an annual basis and to regularly monitor and report on key variations against such reserves through finance and performance reports;

(h) To continue to drive Value for Money (VFM) throughout the council by undertaking robust benchmarking and encouraging departments to set VFM targets based on high spending and/or poorly performing services;

(i) Maximise opportunities for generating efficiencies through effective commissioning and joined up spending with key partners;

(j) Financial Regulations and levels of Delegated Authority to be formally reviewed and approved by the Audit Committee annually;

(k) To maintain or improve income collection rates and to minimise the amount of debt written off by the council.

How we will measure our progress:

(l) Maximise delivery of the Council's budgeted capital programme for 2011/12 and continue to monitor and report on outcomes achieved through capital investment;

(m) Generate the £23m of capital receipts required to deliver the capital programme by March 2013; and a further £1m for the following two years to March 2015..

(n) Deliver a year on year net revenue budget outturn within a tolerance of up to 2% underspend and maximum of 1% overspend;

(o) Aim to achieve the required year end balances for specific reserves and provisions to meet the costs of known future financial commitments;

(p) Reduce costs whilst maintaining or improving service quality to achieve the departmental targets as set within the 2011/12 revenue budget

(q) Aim to achieve 2011/12 in year income collection targets of:

- Council Tax 96.5%
- NNDR 97.5%
- Commercial Rents 96.5%
- General debtors 95.0%
- Trade Waste 100.0%

(r) Work towards the following Treasury Management targets under our revised (February 2011) strategy:

- Maintain the council's overall investment portfolio at under £188m throughout the financial year;
- Achieve a return on new investments in the 2011/12 year of 1.0%
- Maintain an overall level of council borrowing of under £332m throughout the financial year;

2. Introduction

This summary Medium Term Financial Strategy, (MTFS), covers the period 2011-15. It identifies the likely costs and pressures that the council will face and matches these against the anticipated resource allocation over the period.

The Comprehensive Spending Review (CSR) was published in October 2010 and national headlines are a real terms reduction of 28% in local authority budgets over the next four years. The fall in grant is more than 7% a year. It is difficult to do a straight comparison of 2011/12 funding from grants with previous years. This is because the Government have included a number of specific grants within the formula grant, and excluded others previously included.

With effect from the 11/12 financial year, the Council adopted a sharper focus on a fewer number of priorities to continue to drive improvement. The evidence based 'Plymouth Report' has led to the adoption of four city and council priorities.

The MTFS is a core document that enables the council to deliver against its four priorities, as detailed in the Corporate Plan 2011-14.

This document should not be read in isolation. It needs to be read in conjunction with the Council's 2011/12 Revenue and Capital Budget reports. This strategy supplements the figures noted in the budget for the current financial year 2011/12 and looks ahead and models the financial resources and spending plans for the next three years 2012/13 – 2014/15.

The Strategy outlines the council's attitude to risk, governance arrangements for effective financial management, opinion regarding council tax levels and objectives for retaining adequate reserves.

Developments and enhancements will be made to this document on a rolling basis in order to continuously improve our approach to aligning revenue and capital spend to areas of highest importance for our local communities.

The MTFS is closely linked to, and complements, all of the council's core documents as contained within our budgetary framework. These documents are available to download from our website (www.plymouth.gov.uk).

The future of Local Government funding is still uncertain with more detail required following the October 2010 CSR and December Settlement. Despite the CSR covering four years, the settlement only confirmed our grant funding with certainty for two future years, 2011/12 and 2012/13. We knew there would be significant spending reductions in the coming years; beyond the next two years we still have uncertainty. This MTFS presents a financial context regarding the scale of this challenge. The council is developing a transformational change programme in response to the financial challenges ahead in order to proactively bridge the funding gap whilst maintaining and improving the services that we provide to our customers.

This Strategy covers:

General Fund – expenditure and income relating to the day to day delivery of our core services and functions. For 2011/12 this equates to £630.0m spend and £421.8m income, leaving a net revenue requirement of £208.2m.

Housing Revenue Account (HRA) – The council successfully transferred its Housing Stock to Plymouth Community Homes in November 2009. In 2010 the council received formal approval from the Secretary of State to close the account with effect from 31 march 2011. The residual HRA Working Balance has therefore transferred to the General Fund and we will therefore no longer operate an active HRA.

Capital – The council has reviewed and updated its medium term capital programme considering the current economic climate, accounting for future risks around government capital allocations and achievability of capital receipts. We still have an ambitious and significant investment programme in physical assets and local infrastructure. Targeted capital investment will help contribute towards achieving corporate priorities and/or generate on-going revenue savings. Our planned capital spend for the next two years up to the end of March 2013 is £119m.

Beyond this date we have additional commitment at this stage of £13m, and significant plans. At this stage we are awaiting further clarity from government on capital funding before finalising additional plans beyond March 2013. This clarification is anticipated progressively over the next few months and will be finalised via the quarterly monitoring reports.

3. The Corporate Planning Framework 2011-14

The Plymouth 2020 local strategic partnership has a shared vision of making Plymouth "One of Europe's finest, most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone" by 2020.

To achieve this shared vision the partners have agreed to focus their priorities around four themed areas aimed at making the city healthy, wealthy, safe and wise. The diagram below shows how the vision for the city is being delivered through theme groups and supported by the partnership.

Partners have their own visions and strategies that ultimately aim to deliver that shared vision for the city. Plymouth City Council's vision is to deliver excellent local services to Plymouth residents and has set itself the goal of becoming an "excellent" authority by 2012.

Our shared priorities for the city

The priorities below were identified for both the council and the partnership following publication of the Plymouth Report, which for the first time brought together needs analyses and capacity data from across the city as a basis for priority setting.

Deliver growth

- Promote Plymouth as a thriving growth centre by creating the conditions for investment in quality new homes, jobs and infrastructure

Raise aspirations

- Promote Plymouth and encourage people to aim higher and take pride in the city

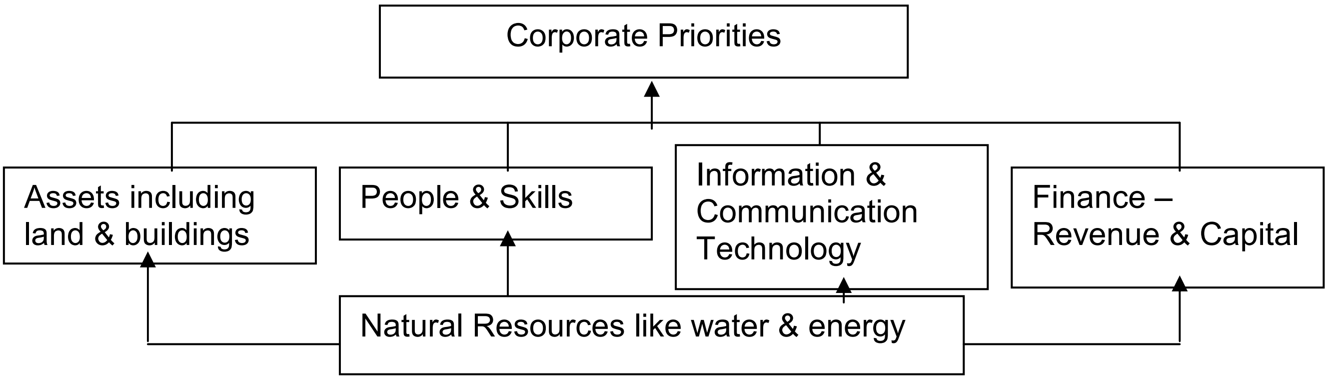
Reduce inequality

- Reduce the inequality gap, particularly in health, between communities

Provide value for communities

- Work together to maximise resources to benefit customers and make internal efficiencies

Figure 1: Use of Resources Planning Framework



Reporting to Corporate Management Team, Cabinet and Scrutiny will continue to combine progress against priorities with key performance indicator information, revenue budget forecasts and capital programme updates.

4. Our General Fund Revenue Budget

Revenue Resources available

The Comprehensive Spending Review (CSR) 2010 allowed the council to plan, with reasonably certainty, the revenue resources available up to, and including, the 2012-13 financial year. However, the revenue resources from 2013/14 onwards remain, at this stage, uncertain. Indications are that, due to the level of national debt, future settlements will be extremely challenging for local government resulting in significantly reduced funding. The CSR review headlines Grant reductions of 7%+ per year.

The assumptions used to model our available resources :-

- 2011/12 and 2012/13 Formula Grant as confirmed
- 2011/12 Council Tax frozen at 2010/11 level

For the periods 2013/14 and 2014/15 there is still no clarity, however for the financial model there is an expectation of a further reduction in funding in 2013/14 and a modest increase in 2014/15.

The impact of such a permutation is as follows:

Figure 2: Revenue Resources Forecast

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Total Resources available	**208.2**	**201.1**	**198.2**	**200.7**

This requires the council to actually reduce revenue spend by a further £7.5m between 2011/12 and 2014/15, with no allowance given for growth or known service pressures..

Treatment of Specific Grant Funding

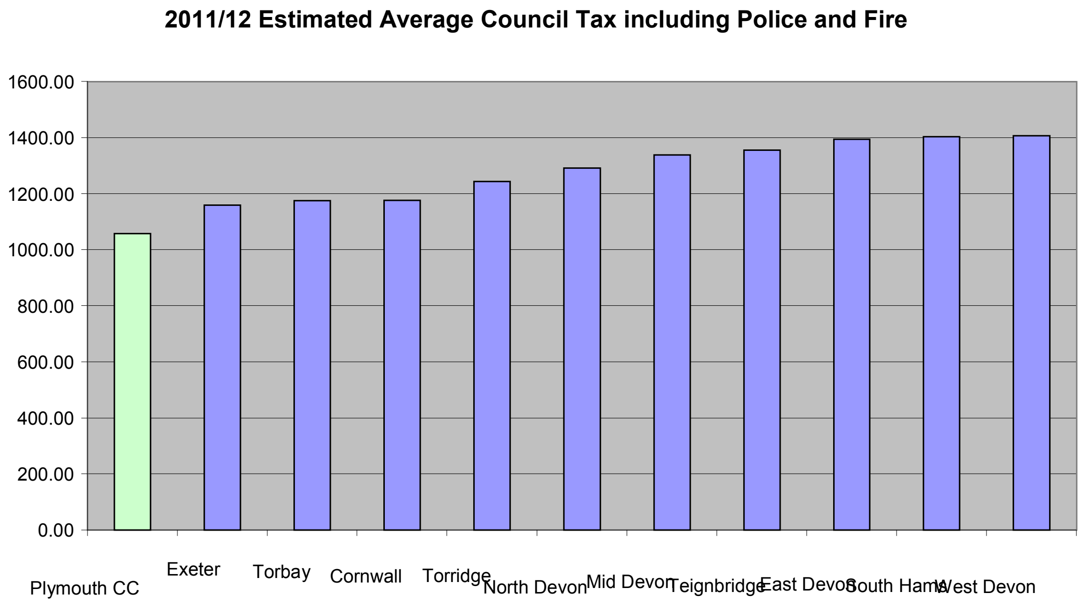
The largest specific grant that the Council receives is the Dedicated Schools Grant (DSG). In excess of £150m, the funding is spent either directly by Schools, (Primary, Secondary and Special), through their formula allocations, or by the authority on their behalf. The Schools Forum, (a representative group of Head Teachers and relevant stakeholders), are consulted on the local authorities formula distribution and the amounts administered centrally. Any over or under spends on the DSG are carried forward to the following financial year with a neutral impact on the council's general fund.

Where practical, (depending on grant conditions), the Council aims to 'pool' all non- ringfenced grant funding received with all other revenue resources. Total resources are allocated based on corporate prioritisation linked to the council's corporate plan and partnership's Sustainable Community Strategy.

Council Tax

The Council Tax levied by Plymouth City Council for 2011/12 has been frozen at the 2010/11 level. This retains Plymouth City Council as the lowest average council tax across Devon and the wider South West as detailed in the following graph:

Figure 3: 2011/12 Devon Average Council Tax



We have frozen the council tax despite a number of specific revenue pressures on our budgets, including increased costs in adult social care regarding the growing number of elderly people in the area, increased costs of waste disposal and the national trend of increasing number of children in care. The economy is also placing pressure on revenue and capital budgets through falling income collection rates and reduced ability to generate capital receipts.

The council's aim, as stated in this strategy, is to strive to maintain Council Tax levels as low as possible.

Not included in our resources figures, but included in our net spending plans, is the newly created Council Tax Grant. This is a specific grant issued by the government to compensate those Local Authorities which implemented a Council tax freeze. The government is yet to announce its intentions around future funding.

Budget Pressures and Medium Term Financial Forecast

The Council set its revenue budget for 2011/12 at the Council meeting on 28 February 2011. Council Directorates have, for some time, identified known and anticipated expenditure pressures on a rolling three year basis. These pressures have been reported within the quarterly performance and finance reports presented to Cabinet and Scrutiny throughout 2010/11.

For the 2011/12 budget, we have allocated revenue funding to match spending requirements.

For future years, we have identified a number of high risk, and high cost, issues that will have a significant impact on future year's revenue budgets:

Waste disposal costs
Waste disposal costs are rising in every council across the country. Significant progress has been made in developing the long term waste solution for the city and a waste to energy plant is being developed through the Devon Waste Partnership, with Torbay and Devon County Councils. The Waste PFI project's procurement phase was successfully concluded in March 2011, with the plant due to come on line in 2013/14. A waste management reserve has been set up to prepare for the future however, the actual cost of waste collection and disposal over the next three years and beyond significantly outweigh existing provision.

Reduced income through economic downturn
We continue to strive to improve our income collection rates in all major areas including council tax, NNDR and sundry debtors. Challenging income targets have been set for 2011/12 however there is a risk that the economic climate could continue to impact on our ability to be able to achieve these targets.

Reduced return from council investments
For 2011/12 we have assumed a rate of 1.0% return on all new investments made. With the Bank of England base rate currently standing at 0.50% (as at March 2011), this target is challenging and represents a risk.

Demographic growth in elderly residents
The impact on adult social care budgets of the increasing number of younger adults with complex personal care needs combined with increasing life expectancy is recognised throughout the country. Plymouth has a higher than average elderly population and, as such, is anticipating significant cost pressures in the medium to long term. Funding has been allocated for this for each of the four years in the MTFS. However, there is a strong risk that this allocation will be insufficient to meet with actual demand.

Increasing number of children in care
Recognising that we have had a higher than average number of children in care, we have actively been reducing the number in care since 2007/08. Our revenue budget is now in line with unitary average council spend. However, high profile media cases have resulted in a national trend of increasing numbers of children in care and there is a risk that actual (financial) demand could exceed the resources available.

Pensions
The council's has just received the outcome of its three year review of its pension fund assets and liabilities. Our actuaries have confirmed that our current employer superannuation contribution rate can remain at 19.4%. There is a strong risk that the next valuation, although three years away, could identify a significant funding gap on the Pension fund and require a higher employer contribution rate. The planned reductions in the workforce mean it is likely extra funding will be required in the coming years. Also, the Coalition Government is still studying the recommendations following a fundamental review of public sector pensions carried out during 2010. At the time of this report we do not know the impact of any possible funding changes.

Summary of revenue pressures and future years' budget gap

Clearly we are not able to fund all of these budget pressures without introducing management action to reduce costs.

The 2011/12 budget setting process saw the introduction of departmental budget delivery plans, together with cross-cutting delivery plans. During 2010/11 the Government introduced in-year grant funding reductions of £2.5m which were translated into £4m of in-year budget challenges across all departments. These reductions were rolled into the 2011/12 base budgets as the "start point" and supplemented by the department budget delivery plans to close the funding gap.

In support of these plans and reduced funding, the Corporate Management Team is working with the Cabinet to develop a transformational change programme that fundamentally challenges the organisation's culture, structure and approach to service delivery. This change programme, which will include proposals for 'invest to save', will continue to progress and be reported on throughout 2011/12.

The Corporate Management team are also working with the Cabinet to challenge all of the underlying assumptions used in the spending plans. To achieve a balanced budget given the reduced funding, we will have to radically change the way we work as a Council.

As a starting point, we have allocated provisional figures to each pressure area to better understand the challenge that is facing the council in future years. This can be seen as **Appendix A**, and summarised as follows:

Figure 4: Revenue Forecast –resources vs spending plans

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Total Resources available	**208.2**	**201.1**	**198.2**	**200.7**
Forecast Spending Plans	**223.9**	**225.7**	**231.1**	**235.8**
Forecasted Funding Shortfall before Budget Delivery Plans	**15.7**	**24.6**	**32.9**	**35.1**
Off set by:-				
Council Tax Grant	**(2.4)**	**(2.4)**	**tbc**	**tbc**
Budget Delivery Plans	**(13.3)**	**(15.8)**	**(26.0)**	**(26.0)**
Revised forecasted Funding Shortfall	**0.0**	**6.4**	**6.9**	**9.1**

In summary, a possible scenario of reduced revenue resources combined with a revised approach on current spend plans could still result in a revenue funding gap of £6.4m in 2012/13 rising to £9.1m in 2014/15

It must be emphasised that this is very much the “worst case” scenario. The additional delivery plans of £5.0m introduced in response to funding reductions in 2011/12 have not been rolled forward into the financial model for future years. The figures also do not include any anticipated savings as a result of new initiatives, for example Category Management within procurement which is tasked with driving out up to £5m of costs within three years.

However, the underlying message is there is a funding gap on the horizon; and even in 2011/12 we have to achieve over £13m of delivery plans to balance the budget.

Full details of the departmental Delivery Plans were published as part of the Budget & Corporate Plan and proposed Council Tax Levels report dated 28 February 2011.

Income Collection

In-year collection targets have been set for Council Tax, Business Rates, Commercial Rent, and Sundry Debt Income, which includes our Trade Waste Income. The Council's major sources of income will continue to be monitored and reported on a regular basis, and will continue to be included in our quarterly Joint Performance and Finance Reports.

In 2011/12 we have continued to increase our collection rates in all of our core income streams other than NNDR. However, due to the difficult economic conditions, we have fallen slightly short of the ambitious targets that we set.

For future years, we continue to set year on year improvement targets to generate as much 'in year' income as possible. Robust action plans are being delivered to ensure that future year targets are achieved.

Figure 5: Income Collection Targets

Type of debt	Actual % 10/11	Target % 11/12	Target % 12/13	Target % 13/14	Target % 14/15
Council Tax	96.1%	97.0%	98.0%	98.5%	98.5%
NNDR	97.3%	97.5%`	97.5%	97.5%	97.5%
Commercial Rents	93.0%	96.5%	96.5%	96.5%	96.5%
Sundry Debt	92.5%	95.0%	95.5%	96.0%	96.5%
Trade Waste	95.6%	100.0%	100.0%	100.0%	100.0%

Council Tax and Non-Domestic Rates
Collection targets for the medium term period are based on achieving top quartile performance, based on current quartile projections for our family group. For Council Tax, we have continued to make significant progress, improving from collecting 92.5% in year for 2007/08, raising to 95.20% for 2009/10 and a further increase to 96.1% for 2010/11. We will continue to explore further options to maximise the level of income collected and are confident we can achieve our new target of 96.5%

Commercial Rents
We have separated out the collection of Commercial Rents income from 'Sundry Debtors' in order to target specific improvement activity on collecting this income. From the relatively low baseline of 85% as identified in 2009/10 we achieved 93% in 2010/11 and have set a target of 96.5% each future year.

Sundry Debt
Despite the current difficult economic climate, we did manage to achieve our 10/11 target of 92.5%, by focusing our efforts on risk, materiality and our key

customers. Our new 3 year targets, at 95%, will enable us to compare favourably with the Unitary average.

Trade Waste
We had a successful year in 2010/11, managing to achieve a collection rate of 95.6%. The targets for 2011/12 and future years have been set at 100% as this reflects our new initiative of charging customers in advance of collections. If they default on payment, then the service is not provided.

Revenue Spend and Income Assumptions

In forecasting our future year expenditure commitments, a number of assumptions are made on increased costs such as inflation, income levels, grants, superannuation etc. The key assumptions made within our medium term forecast are as follows:

Figure 6: Key spending / inflation assumptions

Description	2011/12	2012/13	2013/14	2014/45	Sensitivity
Pay (excluding lower paid)	0.0%	0.0%	2.0%	2.0%	+/- 0.50% = £0.500m
Superannuation increased employer contribution	0.0%	3.0%	3.0%	4.0%	+/- 1.0% = £0.162m
Utility inflation– increases off set by accommodation changes until 2014/15	0.0%	0.0%	0.0%	3.5%	+/- 5.0% = £0.149m
Income – fees and charges	Determined by individual departments				+/- 0.50% = £0.182m
Return on council investments	1.0%	2.50%	2.50%	2.50%	+/- 0.50% = £0.181m
Specific Departmental Assumptions					
Social Care Commissioning	0.0%	0.0%	2.0%	2.0%	+/- 0.50% = £0.349m
Supporting people	0.0%	0.0%	2.0%	2.0%	+/- 0.50% = £0.041m
Children's services placements	0.0%	0.0%	2.0%	2.0%	+/- 0.50% = £0.032m
Total Sensitivity / Risk re: changes to the above Expenditure assumptions:				**+/- £1.596m**	
Resources					**Sensitivity**
Total resources	(4.59)%	(3.4)%	(1.44)%	1.3%	+/- 0.50% = £0.500m
Total Sensitivity / Risk re: changes to the above Resource assumptions:				**+/- £1.105m**	

CMT and Cabinet will continue to monitor, review and challenge the above assumptions to ensure any increases are kept to an absolute minimum.

Revenue Delivery Plans

As part of the 2011/12 budget setting, Directors, Assistant Directors and Cabinet have signed up to Revenue Delivery Plans, resulting from eleven cross cutting budget delivery items. These plans detail the key actions that will have to be put in place in order to deliver a balanced budget.

Governance

1. Department budgets will remain with ultimate responsibility and accountability resting with Directors and their DMTs, with overview provided by CMT.

2. Thematic Groups for the cross cutting plans will continue to meet and develop clear plans as to how to achieve the three year spending reduction targets that they have been set. Progress from these groups has to be fed back into Departmental Management Teams (and/or Departmental Improvement Boards)

3. Departmental Management Teams (and/or Improvement Boards) will maintain an overview of progress against their 3 year departmental budgets using the existing, risk rated ‘Delivery Plan’ process.

Delivery Plans will promote accountability and ownership of the budget whilst focussing senior manager and member attention on the key strategic issues and risks. They will be monitored throughout 2011/12 as part of standard performance and finance reporting.

Significant Reserves and Provisions

The council has created a number of specific reserves and provisions in order to plan in advance for known and anticipated future revenue costs. We will regularly review the appropriateness and use of these reserves throughout each financial year. Where relevant, recommendations for changes will be reported to Cabinet on an on-going basis. As a minimum, **all** specific reserves will be reviewed on an annual basis as part of the end of year accounting closedown arrangements.

A brief description of the purpose of each of our significant specific reserves and provisions is as follows:

Waste Management Reserve

The cost of disposing the City’s waste is due to rise sharply over the coming years. Since closing our landfill site, Chelson Meadow, (due to it being full), we have entered into a contractual arrangement to dispose our waste in Cornwall for the immediate future. Longer term, we are entering into a Private Finance Initiative, (PFI), with Devon County and Torbay Councils to build a new ‘waste into energy’ plant. We are putting aside regular contributions to meet the anticipated increased cost of waste disposal.

Invest to Save

Following a full review by CMT, funds not used from earmarked reserves were transferred to a new Invest to Save reserve scheme. These reserves will be allocated to projects which will generate future savings. Departments will be able to “bid” for funding from this reserve by providing a robust financial model showing a return on their investment.

Redundancy Costs

To achieve a balanced revenue budget for 2011/12, and beyond, a number of revenue budget delivery plans will result in reduced staffing. The council will continue to work towards minimising redundancies where possible and practical to do so. However, bearing in mind the likely future local government finance settlements, it is prudent to establish a redundancy reserve.

Capital Financing Reserve

A capital financing reserve has been established to fund risks around future achievement of our five year capital programme. Since the economic downturn, pressure has intensified on capital budgets through not being able to generate the required level of capital receipts. The primary purpose of this reserve is to meet the revenue costs associated with having to take out short term borrowing to match the cashflow gap of when capital spend is required linked to when actual receipts are anticipated.

Accommodation Reserve - preparing for new Civic Centre

The council’s existing Civic Centre is not ‘fit for purpose’. It is expensive to maintain and, in the long term requires significant investment. Funding has been set aside to progress with alternative office accommodation whilst meeting the costs of essential maintenance of the Civic Centre. This is detailed within our accommodation strategy and forms part of the council’s strategic asset management plan.

Insurance Fund Reserve

A provision that has been set up to meet the cost of anticipated future insurance claims based on existing known liabilities and estimated future liabilities. It enables the council to reduce its payments to external insurance providers by transferring some of the risks of small claims to the authority.

Figure 7 represents what we are planning will be in these reserves and provisions at the end of each of the next four financial years:

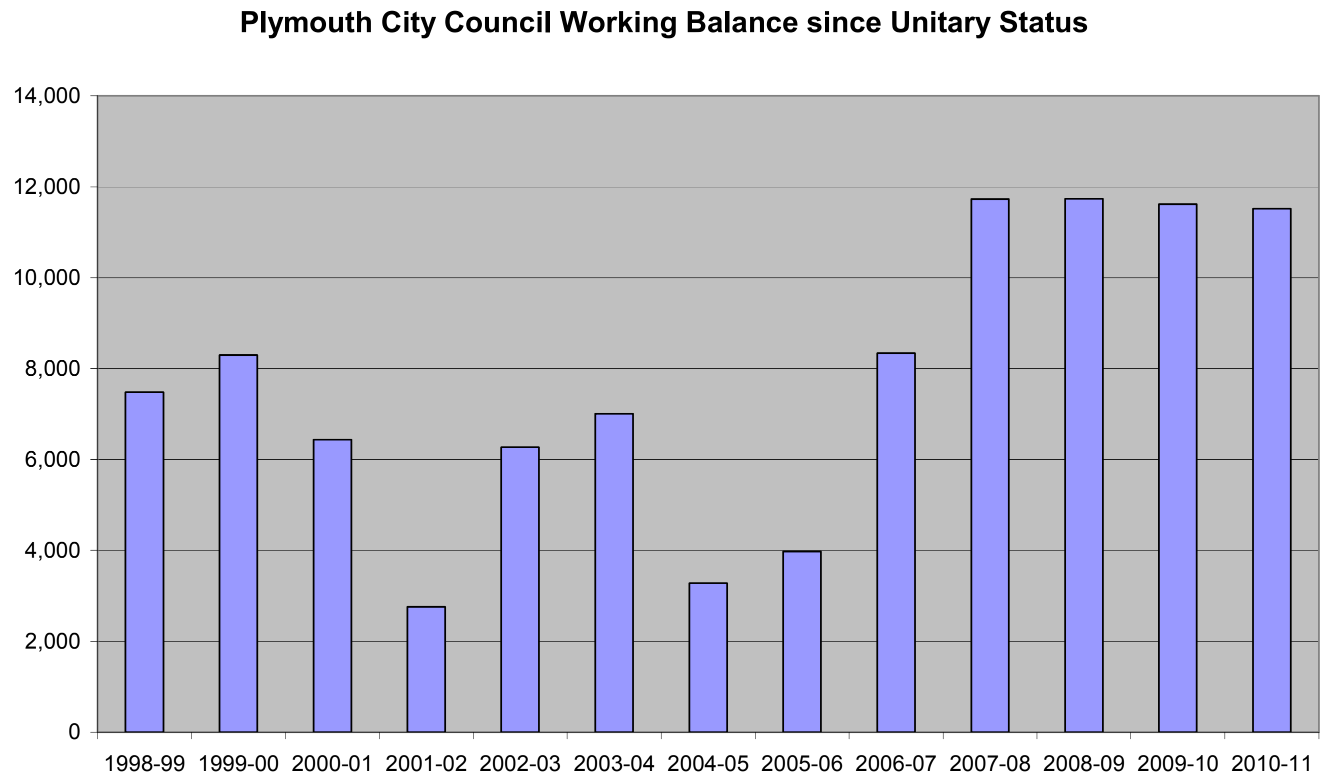
Figure 7: Targeted significant reserves and provisions

	Actual for 31 Mar '11 £m	Target for 31 Mar '12 £m	Target for 31 Mar '13 £m	Target for 31 Mar '14 £m	Target for 31 Mar '15 £m
Waste Management Reserve	2.4	2.4	2.4	2.4	0.0
Redundancy Costs	2.6	1.5	0.7	0.3	0.0
Capital Financing Reserve	0.9	0.7	0.5	0.0	0.0
Accommodation provision - Civic Centre	1.8	1.5	1.2	1.0	0.0
Insurance – General Fund Reserve	1.0	1.0	1.0	1.0	1.0
Invest to Save	2.3	1.1	0.5	0.5	0.5

Working Balance

The Council's 'Working Balance' is the revenue reserve that is put aside to cover any significant business risks that might arise outside of the set budget. This reserve has significantly improved over recent years and, as at March 2011, stands at £11.4 million. This equates to approximately 5.5% of net revenue budget for the year which in line with the average for Unitary Councils. We continue with our policy of maintaining adequate reserves giving consideration to the significant constraints that will be placed on public sector spending for the foreseeable future.

Figure 8: Working Balance Levels



The council's reserves should be adequate to cover potential risks. Plymouth has significantly improved the approach to risk management over recent years. Our strategic and operational risk registers are comprehensive and are regularly reported to, discussed and challenged by senior officers and members.

5. Our Capital Position

Our financial strategy for capital has been to fully utilise the supported capital borrowing allocation available to us in tandem with maximising the availability of grant and third party payments.

We maintain the principle that capital schemes are only approved into the programme where specific funding has been clearly identified and supported by business cases. Thereby, the capital investment programme, at any set point in time, will evidence 100% funding allocation against approved schemes. Capital investment is prioritised to ensure that outcomes are maximised against the council's Priorities.

The council continues to challenge the affordability of its five year capital programme for the period 2010/11 to 2014/15. There remains significant volatility around future capital grant funding and income generation through

capital receipts. Criteria that the council applies in prioritising the programme is detailed in **Appendix B.**
The revised programme for the period 2010/11 to 2014/15 can be sub-divided into two periods; 2011/12 and 2012/13; then 2013/14 and 2014/15.

Due to the current economic climate, the council continues to challenge the affordability of its capital programme for the period 2011/12 to 2014/15. There remains significant volatility around future capital grant funding and income generation through capital receipts. Although the funding is known for both periods, it is important to note that for the 2013/14 and 2014/15 programme we are still awaiting further confirmation of available funding. As more information is received, the programme will be adjusted to reflect the changes.

Figure 9: Departmental Capital Programme

	Planned Programme			Commitments at this stage			
	2011/12 £m	2012/13 £m	Sub total £m	2013/14 £m	2014/15 £m	Sub total £m	**Total £000s**
Children's Services	37	10	47	1	0	1	**48**
Community & Neighbourhood	27	2	29	0	0	0	**29**
Development & Regeneration	10	2	12	1	0	1	**13**
Corporate Support/items	23	8	31	6	6	12	**43**
	97	**22**	**119**	**8**	**6**	**14**	**133**

This spend will be funded by:

	2011-13	2013-15
	£m	£m
* Capital Grants/Contributions	59	12
* Unsupported Borrowing	22	0
* Capital Receipts	23	1
* Contributions, Revenue & Funds	5	0
* Section 106 / Revenue / Funds	10	1

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).

Significant schemes that will be delivered by 2014 include:

- £38.8m State of the art new college at Estover;
- £15.1m Improving Schools in the Southern Way Federation;
- £20.8m East End Transport Improvement Scheme

- £4.6m Bringing Devonport People's Park "back to life".
- £46.5m on the Plymouth Life Centre

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Capital Receipts

We will regularly review the assets that we own to ensure that they are fit for purpose and optimise the use of capital receipts, where deemed beneficial, in order to support our overall capital investment programme. However, our ability to generate capital receipts has been severely impacted in recent months due to rapidly falling land and property prices.

In reviewing the capital programme we have continued to significantly reduce our reliance on capital receipt funding over the period. This funding is based on a schedule of specific assets, with current estimated valuations and proposed timing for disposals. Our view is that we will only dispose of very few assets over the next three years, with disposals increasing towards the end of the 2014/15 period, working on the assumption that market conditions will improve.

The council has built in the requirement for additional temporary borrowing to cover the shortfall in capital receipt income for the 2011/12 and 2012/13 financial years. It is planned that this borrowing will be repaid in future years to coincide with our forecasted capital receipt income. Capital receipt generation will be kept under constant review by the Capital Delivery Board as part of regular monitoring. Any variations to the forecasted position will be reported to Corporate Management Team and Cabinet at the earliest possible opportunity.

Invest to save (I2S)

A vital element of effective financial management for future years is our ability to commission, and deliver, invest to save projects that improve services provided to our customers and efficiencies in the way in which we work. As part of 2010/11 budget setting, we were open with our intent to develop relevant schemes, through capital funding, that will drive transformational change and generate revenue savings. The first of these to progress is the accommodation strategy which is rationalising the number of office premises to release revenue savings.

Council has subsequently approved the following I2S projects

- Developing the Care First system to improve our management of client information
- Launching a new website for our customers, allowing 24/7 access and much greater functionality enabling us to increase the level of more efficient electronic transactions with the council
- A Children and Young People's scheme to help reduce the cost of expensive out of city residential placements
- A scheme where we can work with partner agencies to reduce the overall trend of increased numbers of children entering the formal care system

6. Our Approach to Treasury Management

The council's approach to Treasury Management has been significantly revised since the collapse of the Icelandic banking institutions in October '08. Inevitably, our approach to Treasury Management activity is now much more risk adverse and entails only investing with a very small number of financial institutions with the highest possible credit rating backed by added security.

The council's published Treasury Management Strategy details our borrowing limits and specifies approved institutes for investment, (with maximum limits), based on credit ratings and other pertinent factors. We maintain regular engagement with our Treasury Management advisors, ArlingClose, and constantly seek their advice on our strategic direction and key operational decisions.

With significantly lower interest rates from investments, we have adopted an approach of proactively reducing our overall borrowing and investment portfolio and associated revenue costs.

Borrowing Limits

The Council is required to set out its annual Borrowing and Investment Strategy recognising its implications on the Council's revenue budget.

It is a statutory duty under the Local Government Act 2003 for the council to determine and keep under review how much it can afford to borrow. The Council must have regard to the Prudential Code when setting its Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council Tax and Council rent levels is 'acceptable'.

The Council approved its revised Treasury Management and Investment Strategy in February 2011. In this Strategy with have approved the following borrowing limits:

The Authorised Borrowing limits

- 2011/12 = £379m,
- 2012/13 = £376m
- 2013/14 = £373m;

The Operational Boundary limit

- 2011/12 = £343m
- 2012/13 = £332m
- 2013/14 = £313m;

Devon Debt Rescheduling

At the start of 2010/11, the council still had a proportion of its debt managed by Devon County Council. This debt relates to the dis-aggregation of assets and liabilities upon the formation of Plymouth City Council at the last Local Government Re-organisation in 1997.

The value of this debt was approximately £34m. The associated revenue costs that we paid Devon for managing this debt was based on an average percentage rate of the County Council's entire borrowing portfolio. In 2009/10, PCC paid a rate of 5.4% on the £34m debt.

Over the last two years, borrowing costs, nationally, have significantly reduced. In June 2010 we took the opportunity to 'buy back' the £34m debt from Devon County Council and rescheduled this debt at a reduced percentage rate in order to generate revenue savings.

The revenue savings generated by this buy-back have been included in our budget assumptions.

Treasury Management Targets

Our Treasury Management Board maintains weekly meetings making strategic decisions on managing risk whilst optimising our investment rate of return and minimising our borrowing costs.

In terms of our strategy moving forward, we will aim to maintain a modest investment and borrowing portfolio throughout this period of financial uncertainty. As a guide, we will aim to keep our overall investments below £188m and our borrowing below £332m.

Despite low interest rates, the council will still require to undertake a number of investments in each financial year which is linked to the timing of core income being received and payments being made. The Treasury Management Board has set itself clear targets for financial returns for new investments which have been built into the MTFF. Targets have also been set for, not only reducing our financial level of borrowing, but also the average rate of interest that we pay for our remaining borrowing portfolio.

Figure 10: Targets for Investment & borrowing Percentage Rates

Financial year	Rate of return for **new** investments	Average borrowing as @ 31 March
2011/12	1.0%	3.5%
2012/13	2.0%	4.5%
2013/14	3.0%	4.5%
2014/15	3.0%	4.5%

Minimum Revenue Provision (MRP) Policy

The Council is required to make a revenue charge each year to provide for the repayment of loans taken out to finance capitalised expenditure.

Government's Capital Financing Regulations places the duty for an authority each year to make an amount of Minimum Revenue Provision which it considers to be "prudent". The prudent provision is to ensure that debt is repaid over a period reasonably in line with that over which the capital expenditure provides benefits.

Under the regulations, the authority is required before the start of each financial year to prepare a statement of its policy on making MRP and submit it to the full Council. The approved policy for 2011/12 is as follows:

Supported Borrowing
For borrowing supported by Revenue Support Grant the Council will continue to use the current method of 4% of the adjusted Non-HRA capital financing requirement.

Unsupported Borrowing
For new borrowing under the prudential system for which no Government support is being given and is therefore self-financed, MRP will be made in equal annual installments over the life of the asset.

Capitalisation Directions
For capitalisation directions on expenditure incurred since 1 April 2008 MRP will be made in equal annual installments over 20 years in line with DCLG guidance.

In all cases MRP will commence in the financial year following the one in which the expenditure is incurred.

7. Efficiencies and Value for Money

The 2007 Comprehensive Spending Review required councils to generate 'cashable' efficiency savings of 4% per year for each of the three financial years up to and including 2010-2011, a cumulative figure of £27m.

The Value for Money reviews that the council has undertaken to date provide evidence that we have reduced costs whilst either maintaining, or improving, service quality in areas such as planning, waste collection, learning disabilities and children's social care.

With effect from 18 October 2010 Councils are no longer required to report efficiencies to Central Government through NI 179 and the overall requirement for central data reporting is currently being reviewed by DCLG.

Nonetheless, the internal reporting of efficiencies has continued to improve substantially across the Council through development of a monitored VFM programme which is focused on Benefit delivery through the Budget Delivery Plans for each Directorate (all cashable efficiency savings are being reported against plans to achieve budget targets as well as general efficiencies to improve services to customers). The programme has ensured that governance of the VFM monitoring process has been enhanced and ensures that gains are challenged before inclusion, thus ensuring compliance with good practice.

In addition to formal VFM reviews and targets, the council will continue to progress with a number of initiatives that will improve efficiencies such as cascading out the 'lean systems' approach (following a successful pilot in Housing Benefits) and developing further partnership working such as the Waste Management PFI

The Council will continue to improve the alignment between Value for Money reviews and required efficiency returns through developing a council-wide VFM delivery plan.

Achieving Value for Money remains a key issue for the council. Our improvement activity in this area will focus on achieving outcomes under the following headings:

- Driving value for money through more effective support services;
- Driving value for money from our core services to customers;
- Ensuring that our key resources of finance, capital, ICT, assets and people are better aligned to our priorities;
- Developing a consistent approach, with our partners in tackling climate change issues.

We will also continue to develop our approach to driving VFM from capital investment, ensuring that 'invest to save' projects are carefully considered and evaluated to deliver tangible outcomes and maximum return from our investment.

8. Our Financial Governance Arrangements

The council has been working on improving its financial and governance arrangements for a number of years. Financial Management has improved, performance management has improved, scrutiny has developed and an independent audit committee is operating well.

Finance managers are an integral part of Department Management Teams and also Management Boards. They offer financial advice and challenge to Senior Management as part of the process.

The council's medium term strategy focuses on joining up the individual elements to ensure effective, integrated monitoring and management of:

- Corporate Plan and Priorities;
- Benchmarking spend and key performance indicator information;
- Revenue budget and spending linked to priorities;
- Delivery against revenue delivery plans, including Value for Money analysis;
- Delivery of the capital programme linked to corporate priorities
- Budget Delivery Plans

We will continue to build upon the existing reporting template which joins up these core elements. In 2010/11 we introduced quarterly integrated reports (supplemented by monthly scorecards) which will continue to be presented and challenged by:

- Corporate Management Team;
- Cabinet;
- Scrutiny Management Board

The **audit committee** will continue to provide an essential role in ensuring that we provide effective governance. In particular, their quarterly meetings will challenge progress made against the annual governance statement, internal and external audit plan, reports and recommendations. In addition, the audit committee has now assumed the lead member role in challenging and placing assurance on the council's Treasury Management arrangements. The committee has received relevant training and has had significant input in revising our Treasury Management Strategy for 2011/12.

Our internal audit service continues to be provided through the Devon Audit Partnership, a shared service arrangement with Devon County and Torbay Councils. The core objective of this arrangement is to improve the quality and efficiency of audit services.

To ensure that our financial procedures and practices are reviewed, up to date and reflect the operational business requirements and risks that the council faces, Financial Regulations and levels of Delegated Authority will be submitted to, and approved by our audit committee on an annual basis.

Consultation

The Council continues to keep its partners and the community fully informed of its financial position and plans through the Local Strategic Partnership, meetings with the Chamber of Commerce, promoting summarised statement of accounts and specific meetings held with partners and community groups. A special two day Scrutiny Panel robustly challenges the council's alignment of resources to corporate priorities as part of the annual budget setting process. Consultation continues to evolve and improve and plans for 2011/12 budget include a web site 'You Choose' tool for direct engagement with the public and interested parties. This on-line tool will be further developed and refined for the 2012/13 budget setting process.

Measuring our progress

Quarterly reporting of progress made against specific corporate plan measures and targets will continue to be presented to senior officers and members. The key targets as detailed in this medium term financial strategy will be incorporated within the finance and performance reports with any key changes recommended to, and approved through, Cabinet.

These reports will continue to be supplemented by monthly internal DMT reports and challenges, plus monthly scorecards for CMT to monitor departmental positions.

External Assessment

Prior to the proposed abolition of the Audit Commission its annual Use of Resources assessment was the main measure that demonstrated progress regarding improving our financial monitoring and management.

Following the proposed abolition, there is still uncertainty about the long term future of external assessments, if any. In the meantime the Council is still subject to numerous assessment regimes with the financial challenge provided by Grant Thornton, our independently appointed external auditors. Their conclusions are reported via the Council's Audit Committee.

Appendix A

Notional 3 Year Revenue Forecast vs Spend Commitments

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Total Revenue Resources available	**208.2**	**201.1**	**198.2**	**200.7**
Budgeted Spending plans for 2010/11	**223.9**	**223.9**	**223.9**	**223.9**
Pay (excluding lower paid) 2% from 2013/14		0.4	2.0	4.0
Pension - increased contribution based @ 3% / 3% / 3.5%		1.0	1.0	1.5
Utilities increases absorbed by accommodation changes until 14/15		-	-	0.5
Adult Social Care -Inflation (2% per annum from 13/14)		-	1.4	2.8
Children's Services placements inflation (2.5% per annum)		-	02	0.4
Children in Care - increase in number looked after		-	2.2	2.3
Carbon Reduction Commitment		0.4	0.4	0.4
Known Spending Plans	**223.9**	**225.7**	**231.1**	**235.8**
Funding Shortfall	**15.7**	**24.6**	**32.9**	**35.1**

Off set by:

Council Tax Grant	**(2.4)**	**(2.4)**	**-**	**-**
Budget Delivery Plans	**(13.3)**	**(15.8)**	**(26.0)**	**(26.0)**
Revised Funding Shortfall	**0.0**	**6.4**	**6.9**	**9.1**

Appendix B

Criteria applied to the Council's Capital Programme

The following criteria are applied to the revision of the council's five year capital programme as part of the 2011/12 budget setting process:

- We will retain the principle of a fully funded capital programme. No schemes will be placed in the programme without clarity on how the specific scheme will be funded;
- Capital schemes must contribute towards delivering the council's priorities;
- Added priority will be given to schemes that contribute towards cross-cutting issues i.e. deliver improvements against more than one priority;
- All significant capital schemes will be challenged by the Capital Delivery Board in a consistent and fair manner;
- We will continue to maximise the amount of external grant that the council is able to attract in support of the capital programme;
- New schemes requiring funding will need to deliver against invest to save principles whereby revenue savings will be required as a result of the capital investment;
- Approval of capital schemes will consider the context of the credit crunch and likely timing of related future developments (in particular housing)
- We will actively manage areas of high financial risk through ensuring that a maximum threshold is set for the reliance on unsupported borrowing and capital receipt generation (based on known disposals);
- The council's overall borrowing portfolio, compared to other unitary councils, will be considered in setting thresholds for any additional borrowing requirements;
- Any revenue costs associated with additional borrowing will be factored into the council's revenue budget for 2011/12 and three year Medium Term Financial Forecast;
- Political priorities need to be considered in finalising the revised five year capital programme.

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CITY OF PLYMOUTH

Subject:	Plymouth City Council's Responsibilities under the Flood and Water Management Act Legislation
Committee:	Cabinet
Date:	7 June 2011
Cabinet Member:	Councillor Wigens
CMT Member:	Anthony Payne, Director for Development and Regeneration
Author:	Andy Cottam (Principal Engineer Major Projects) Plymouth Transport and Highways
Contact:	Tel: 01752 398064 e-mail: andy.cottam@amey.co.uk
Ref:	
Key Decision:	
Part:	Part I

Executive Summary:

This report provides a summary of the implications for Plymouth City Council as a Lead Local Flood Authority as a result of the legislative changes within the Flood and Water Management Act (2010) and Flood Risk Regulations (2009) and to

i) Request the allocation of additional resources required to fulfil the new responsibilities
ii) Note that it will put the Council in a strong position to bid for future Capital Infrastructure funding to reduce/mitigate flooding problems (up to £600 million available nationally every year).
iii) Highlight the strategic importance of having a strategy to deal with flooding and the implementation of steps i) and ii) above as failure to do so may block growth in the City.

Prior to the Flood and Water Management Act (FMA), the Water Companies, the Environment Agency (EA) and Local Authorities were responsible for different aspects of flooding. The three organisations have worked independently and there has been little co-ordination of interface activities and responsibilities. Following the Pitt report into serious flooding disasters in Bolton, Tewksbury and Cumbria and to meet the European Flooding Directive the government introduced the Flood and Water Act. The Act gives powers to Local Authorities to take on a co-ordination role and take on additional specific statutory responsibilities for flooding as a result of surface runoff, groundwater and ordinary watercourses. The split of responsibilities is detailed in the EA diagram in Appendix 1. Funding has been allocated to Plymouth City Council from Defra via a new Local Services Support Grant (LSSG) of £119,800 for 2011/12 and £154,500 for 2012/13 to carry out the flood mapping, formulating strategy, inspecting and maintaining a register of assets and start setting up a Sustainable Urban Drainage System (SUDS) approving body. Defra are currently consulting Local Authorities on options to fund these new duties and responsibilities in the long term.

The Council has been successful in securing capital grant funding form Defra via the EA for £580,000 to fund four schemes in 2011/12. These are sea wall refurbishment works at Durnford Street and Oreston Quay and tidal studies at Stonehouse Creek and Marsh Mills. The flooding maps and strategy will be used to inform not only the Planning process and Planning decisions but to seek to secure future national Capital funding. If we do not complete the strategy etc, we will be unable to plan for future development and this could stop the wider growth agenda. Infrastructure requirements to reduce/minimise the impact of flooding will be input to the Council's Infrastructure Plan as the modelling and strategy develops.

The estimated cost of undertaking these new statutory duties relating to the FMA in 2011/12 is £107,000 and in 2012/13 is £139,000.

Corporate Plan 2011 – 2014:

Managing the risk of surface water flooding to property, critical services and key assets across the city contributes to the economic well being of the City in support of the Growth priority.

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

The requirements outlined in this report are statutory requirements arising from the Flood and Water Management Act (2010) and the Flood Risk Regulations (2009) These statutory requirements will have implications for the medium term financial plan. An element of Defra funding is being made available to lead local flood authorities for the 2011/12 and 2012/13 financial years. Consultation is underway to determine the long term funding arrangements.

This additional funding is part of an un-ring fenced LSSG Local Services Grant received by the Council relating to the new identified Flood Management Act responsibilities and Surface Water Management Plan requirements.

The estimated cost of fulfilling these new duties in 2011/2012 is £107,000. The estimated cost for 2012/13 is £139,000 and the adequacy of this estimate will be more accurately quantified during the current financial year.

The revenue investment will have the additional benefit of giving the authority the ability to bid for additional related capital resources through the Environment Agency

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

The flood study work which includes the impact of future predicted flood events, shows that critical services and residential properties maybe at risk of surface water flooding. The development of a local strategy for managing the risk is therefore being developed in conjunction with key stakeholders including the emergency planning team, environmental health, asset management and planning.

Recommendations & Reasons for recommended action:

This report makes the following recommendations to ensure that Plymouth City Council meets its statutory duties as a Lead Local Flood Authority:

1. To note new requirements and duties under the identified Statutory Acts.
2. To note the estimated cost to undertake these duties and subsequently confirm the allocation of additional funding received through the LSSG.
3. To note the strategic importance of having a strategy to deal with flooding and the implementation of the Flood and Water Act as failure to do so may block growth in the City.

Alternative options considered and reasons for recommended action:

There are no alternative options available, the requirments outlined in this report are statutory requirements coming out of the Flood and Water Management Act (2010) and the Flood Risk Regulations (2009).

Background papers:

Sign off: comment must be sought from those whose area of responsibility may be affected by the decision, as follows (insert initials of Finance and Legal reps, and of HR, Corporate Property, IT and Strat. Proc. as appropriate):

Fin	**KF Dev F11 120 004**	Leg	**JAR /115 50**	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member											

1.0 Introduction

1.1 This report provides a summary of the implications for Plymouth City Council as a Lead Local Flood Authority as a result of the legislative changes within the Flood and Water Management Act (2010) and Flood Risk Regulations (2009).

2.0 Background

2.1 Prior to recent flood risk legislation, the Water Companies, the Environment Agency (EA) and Local Authorities were responsible for different aspects of flooding. Working independently, there was little coordination of both flood risk strategy and flood prevention works.

2.2 Between 1998 and 2004 there were a number of major floods recorded affecting much of the UK and Europe. The Pitt Report looked at and reported on significant flooding that had occurred in Bolton, Tewkesbury and Cumbria. The European Floods Directive was issued in 2007 to ensure that a consistent approach to flood risk management was adopted across Europe.

2.3 Following the release of the European Floods Directive, the Flood Risk Regulations (2009) and Flood and Water Management Act (2010) were issued to outline how flood risk management should be addressed within the UK.

2.4 These amendments in legislation come with new implications and responsibilities for lead local flood authorities such as Plymouth City Council.

2.5 The main implication of the Flood Risk Regulations 2009 is the requirement for Plymouth to produce a Preliminary Flood Risk Assessment.

2.6 The FMA empowers local authorities to take on a coordination role, with additional specific new responsibilities, supported through amendments to the Land Drainage Act, for managing flooding from surface water run off, groundwater and ordinary watercourses. The Environment Agency will retain overall responsibility for main rivers and coastal flooding. Plymouth will also be required to produce a Flood and Coastal Erosion Risk Management Strategy. In addition to the new implications installed on LLFA's by the regulations, Plymouth has been chosen as 1 of 70 local authorities to receive funding from Defra to assist in the production of a Surface Water Management Plan.

2.7 The split of responsibilities for the management of flooding under the FMA, is detailed in the strategic overview diagram included in Appendix 1. Defra are currently consulting Local Authorities on available options to fund these new duties and responsibilities.

3.0 Preliminary Flood Risk Assessment (PFRA)

3.1 In response to the European Floods Directive and the Flood and Water Management Act, the Flood Risk Regulations 2009 have been produced to outline the Preliminary Flood Risk Assessment responsibilities for both the Environment Agency and Lead Local Flood Authorities.

3.2 The implications of these regulations for Plymouth are:

- Duty to prepare a Preliminary Flood Risk Assessment Report by 22 June 2011
- Duty to identify flood risk areas by 22 June 2011
- Duty to prepare Flood Hazard Maps and Flood Risk Maps by 22 June 2013
- Duty to prepare Flood Risk Management Plans by the 22 June 2015
- Briefly summarised these duties will involve the following.

Duty	Requirement
Duty to prepare a Preliminary Flood Risk	Plymouth City Council must prepare a Preliminary Flood Risk Assessment Report in relation to flooding within Plymouth.

<table>
<tr><td>Assessment Report</td><td colspan="2">- The report must including information about past floods and possible harmful consequences of future floods.</td></tr>
<tr><td>Duty to identify flood risk areas</td><td colspan="2">Plymouth City Council must identify if there is a significant flood risk within Plymouth and which areas of Plymouth will be affected by the risk.</td></tr>
<tr><td rowspan="2">Duty to prepare Flood Hazard Maps and Flood Risk Maps</td><td rowspan="2">Plymouth City Council must prepare a Flood Hazard Map and a Flood Risk Map for all flood risk areas it has identified.</td><td>Flood Hazard Map identifies flood risk areas and includes:
Extent of possible floods.
Direction and speed of flow of possible floods.
Probability of possible floods occurring.</td></tr>
<tr><td>Flood Risk Map shows the following in relation to each flood:
Number of people likely to be affected
Type of economic activity likely to be affected
Any industrial activity likely to be affected and any increased risk of pollution as a result.
Any relevant protected areas that maybe affected.
Any protected areas of water.
Any other effect on human health, economic activity or the environment.</td></tr>
<tr><td>Duty to prepare Flood Risk Management Plans</td><td colspan="2">- LLFA must prepare a Flood Risk Management Plan for each Flood Risk Area identified.</td></tr>
</table>

3.3 Work on the PFRA is progressing well with an initial stakeholder meeting being setup and held. Historic flood data and future predicted flood risk data has been collated and mapped.

3.4 Outstanding work on the PFRA process to be completed includes data analysis, identification of Flood Risk Areas, Production of the Preliminary Flood Risk Assessment Report and PCC approval of the Preliminary Flood Risk Areas.

3.5 All outstanding works are to be completed and submitted to the Environment Agency by 22 June 2011. Once the PFRA report has been submitted the EA will review it and it will be published in December 2011.

3.6 Following this work, stage 2 of the process can be started, which will include the production of a Flood Hazard Map and Flood Risk Map. By June 2013 Plymouth need to produce flood hazard maps and flood risk maps for flood risk areas identified as part of the Preliminary Flood Risk Assessment report.

3.7 In order to take the PFRA process forward in line with indicated timescales, the following assumptions have been made :

a. Plymouth has no indicative Flood risk areas at this stage and
b. Plymouth will not challenge this assessment, at this stage
c. Plymouth will report on locally significant past and future flooding in the PFRA report
d. Plymouth's initial assessment indicators will be 10 or more properties and or 1 critical service affected
e. The assessments will use the 2nd generation, 1/200, >300mm EA flood map.

4.0 Flood and Coastal Erosion Risk Management Strategy (FCERM)

4.1 In accordance with the Flood Management Act a national strategy for Flood and Coastal Erosion Risk Management (FCERM) is currently being produced by the EA. This will then provide a framework for Plymouth to produce a local strategy, developed in conjunction with the SWMP.

4.2 The Land Drainage Act has been amended to assist with the implementation of the FCERM. Section 14A has been added to enable lead local flood authorities to execute their new duties.

4.3 The amendments to section 14A of the Land drainage act provide the necessary authority for Lead Local Flood Authorities to execute the following duties:

- Duty to investigate flooding (In line with local strategy) (December 2011)
- Duty to inspect, record and designate flood defence structures (June 2011)
- Duty to maintain a register of flood defence assets (April 2011)
- Consenting role on ordinary watercourses (June 2011)
- Approving Body for approval and adoption of SUDS (Sustainable Urban Drainage Systems)-see note in Appendices. (June 2011)

4.4 Work on the FCERM strategy for Plymouth has not yet started, as we are awaiting information on the national strategy. It is expected however that work on the PFRA and SWMP are expected to link directly into the local strategy. These links will be confirmed in more detail once the national strategy has been produced. Partnerships set up for the purpose of the PFRA and SWMP will be used to help determine the local strategy for Plymouth.

4.5 The National FCERM Strategy will be published, together with guidance in late 2011. It is anticipated that Plymouth's developing SWMP will form the basis of the FCERM Strategy.

5.0 Surface Water Management Plan (SWMP)

5.1 Plymouth has been identified as 1 of 70 local authorities to receive funding from Defra to assist in the production of a SWMP. The SWMP should be developed in partnership with key partners who will have responsibility for the actions to be taken as a result of the SWMP. The main aim of the SWMP as outlined by the Environment Agency (2010) is '…to provide a greater understanding of local flood risk and to develop action plans to manage the risks'.

5.2 Table 1 is a summary of the information incorporated within Defra's surface water management plan wheel diagram. The purpose of it is to outline the key steps that need to be followed in the production of a SWMP.

Table 1 SWMP framework

1	Identify the need for a SWMP study
2	Establish partnership
3	Scope the SWMP study
4	Undertake a strategic assessment
5	Undertake a intermediate assessment
6	Undertake a detailed assessment
7	Map and communicate risk
8	Identify measures
9	Assess options
10	Prepare action plan
11	Implement and review action plan

5.3 To date steps 1 to 3 have already been completed in conjunction with the works undertaken to date on the PFRA. By June 2011 step 4 will also have been completed as this will be the same information as is included within the PFRA.

5.4 Further stakeholder meetings need to be arranged and held to discuss the findings of the PFRA process and to develop an initial local prioritisation strategy for flood risk areas within Plymouth.

6.0 Funding

6.1 DEFRA have made available funds to lead local flood authorities to assist in the implementation of requirements to come out of the Flood and Water Management Act. Plymouth has been allocated the following funds:

Funding allocation in £,000	
2011/12	2012/13
119.8	154.5

6.2 Plymouth received funding from Defra to assist with the production of its Surface Water Management Plan in 2009/10 and 2010/11.

6.3 The Defra funding for these the new responsibilities is being paid to the City Council as part of a new unringfenced Local Services Support Grant (LSSG). Under current PCC policy, any such funding will be available to be directed to meet corporate priorities rather than automatically to the Department with the new responsibilities.

In order to ensure that sufficient funds are made available to allow the new Flood Management Act and Surface Water Management Plan duties to be met, consideration needs to be given as soon as possible to the allocation of LSSG funds.

6.4 The estimated cost of fulfilling these new duties in 2011/2012 is £107,000 (2012/13 is £139,000) and it will not be possible to meet these costs from within existing Development Department budgets .

References

Flood and Water Management Act 2010, 2010 Chapter 29
Available html: http://www.legislation.gov.uk/ukpga/2010/29/data.pdf [Accessed: 18/01/11]

Statutory Instrument 2009 No.3042, Environmental Protection, The Flood Risk Regulations 2009

EU Floods Directive
Available html: http://ec.europa.eu/environment/water/flood_risk/index.htm [Accessed: 25/01/11]

DEFRA (2010) Selecting and Reviewing Flood Risk Areas for Local Sources of Flooding, Guidance to Lead Local Flood Authorities, DEFRA

Environment Agency (2010) Preliminary Flood Risk Assessment (PFRA) Final Guidance, EA

Local Government Group (2011) Preliminary Framework to assist the development of the Local Strategy for Flood Risk Management. Local Government Group

Glossary of Terms

PFRA – Preliminary Flood Risk Assessment
FCERM – Flood and Coastal Erosion Risk Management
SWMP – Surface Water Management Plan
EA – Environment Agency
PCC – Plymouth City Council
Defra – Department for the Environment, Food and Rural Affairs
LLFA – Lead Local Flood Authority
LLSG – Local Services Support Grant

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 15

By virtue of paragraph(s) 7a of Part 1 of Schedule 12A of the Local Government Act 1972.

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