

**CITY OF PLYMOUTH
MOUNT EDGCUMBE JOINT COMMITTEE**

Joint Chairs: Councillor D. Reynolds, Plymouth City Council/
Councillor G. Trubody, Cornwall Council

CMT Members: Director of Community Services
Director of Corporate Support

**Cornwall
Council Officer:** Head of Environment and Heritage Service, Cornwall
Council

Subject: 2010/11 Monitoring update

Committee: Mount Edgcumbe Joint Committee

Date: 23 July 2010

Author: Ian Berry – Park Manager

Contact: Tel: (01752) 832226
e-mail: ian.berry@plymouth.gov.uk

Ref: ME

Part: I

Executive Summary:

This report presents an update on the financial position of the Joint Committee for financial year 2010/11 based on the immediate implementation of currently identified action plan savings. The report is designed as a discussion document for the Committee and Officers to consider the range of actions needed to ensure a sustainable operational business model produces a balanced budget and replenishes reserves.

Corporate Plan 2010-2013:

Plymouth City Council:

Corporate Improvement Priority 6: widening cultural and leisure opportunities
Corporate Improvement Priority 14: value for money/effective long term budget/asset management.

Cornwall Council:

Business Plan Immediate Priorities: Use of resources and performance management
Environment, Planning and Economy Directorate Plan priorities:
Creating a Green Cornwall
Creating Better Places to Live
Delivering Excellent Services

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

The overall effect of the variations against the revenue budget listed in the report has identified a reduction of £71k to the previously reported deficit, giving an adverse variation in 2010/11 of £246k based on costed saving options being implemented immediately.

These immediate savings are achievable but there is still a large forecast deficit remaining. To address the remaining deficit we will need to make significant changes to the park operation and will want to discuss this with Members at the meeting, prior to a further report on the future operation.

However, in the meantime further options will need to be developed and will be actioned by the Mount Edgumbe Officers Working Group in consultation with the Joint Committee joint chairs.

The commercial activity, specifically catering, needs to be reviewed and improved to ensure activity generates a profit and positive contribution to general operating costs. In addition, use of park assets are being explored to address short and medium term options needed to produce a balanced budget to deliver a sustainable business model and address the lack of reserves.

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

- Increased risk management will need to take place to manage the impact of the challenging financial position.

Recommendations & Reasons for Recommended action:

It is recommended that the Joint Committee:

- Approves implementation of the saving options achieving savings forecast at £71k.
- Notes the Internal Audit report and signs off the Annual Governance Statement.

Alternative Options Considered & reasons for recommended action:

The following alternative options were considered:

- Stopping all Commercial Activity. This action was discounted as this would impact on reputation of the park, the constituent authorities and the ability to make future profits to contribute to the Parks operational costs, particularly where commitments exist for events and weddings.
- Not accepting currently identified action plan savings is forecast to increase trading deficit by £71k.

Background Papers: Mount Edgumbe 2010/11 Business Plan, 2009/10 Outturn Report

Sign Off

Fin	SA CoSF LA1011 003	Leg	LT 25	HR	N/A	AM	N/A	IT	N/A
Originating SMT Member				James Coulton					

MOUNT EDGCUMBE JOINT COMMITTEE

Mount Edgcumbe Joint Committee – 23 July 2010

MOUNT EDGCUMBE 2010/11 MONITORING - Update

1. INTRODUCTION

- 1.1. This Report has been produced to update the Joint Committee with the monitoring position and in response to the first two months trading performance which indicates significant scope for improvement to limit the financial liabilities of the constituent bodies and to ensure that Mount Edgcumbe operates on a sustainable basis in future.
- 1.2. The report has been compiled following joint working by officers of Plymouth City Council and Cornwall Council and the joint chairs of the Mount Edgcumbe Committee.
- 1.3. The report will enable the Joint Committee to note the range of actions costed to reduce the financial liability and the requirement for future savings to be identified before reporting back to the constituent authorities.

2. Scope

- 2.1. The report focuses mainly on the financial impact of the parks operations and trading and covers the following areas:
 - 2.1.1. 2010/11 Monitoring
 - 2.1.2. Other financial implications and options
 - 2.1.3. Action Plan
 - 2.1.4. Internal Audit Report/Governance Statement

3. 2010/11 Monitoring

- 3.1. The 2010/11 Business Plan was approved in February 2010 by the Joint Committee and included a balance budget based on a range of assumptions, based on the work of the commercial consultant. This section of the report sets out some of the main assumptions.
 - 3.1.1. That trading levels in the Orangery when operated under franchise were the basis for the expectations for the in-house provision.
 - 3.1.2. That there would be an increase in events and weddings
 - 3.1.3. That the Stables would contribute a profit.
 - 3.1.4. All the remaining commercial activity would make a positive contribution.

3.2. The following summary presents the original 2010/11 business plan and the latest forecast (the detail is contained in Appendix A)

	Base Budget £000	Forecast reported 23/06/10 £000	Forecast with Saving Plans £000	Variation between forecast £000	Variation to Base Budget £000
Employees	722	925	819	(106)	97
Other Costs	507	613	538	(75)	31
Expenditure	1229	1538	1357	(181)	128
Income	(1244)	(1236)	(1126)	110	118
Deficit / (Surplus)	(15)	302	231	(71)	246

3.3. In arriving at the summary above the following assumptions should be understood.

3.3.1. No support service recharges are currently made to the Mount Edgumbe budget. This may need to be reviewed to ensure compliance with the accounting code of practice. This may result in increased costs.

3.3.2. The underlying cost of sales on the catering activities is based a recent June 2010 stock take at 64% which is an improvement from the 2009/10 outturn cost of sales percentage which was 78%.

3.3.3. Staffing levels within the estate management area do not reduce over the remainder of the year and current levels of overtime are maintained.

3.3.4. No assumptions are contained for Mount Edgumbe having to address the additional £100k funding requirement for 2009/10.

3.4. The following action plan saving proposals has been costed for consideration by the Joint Committee.

Proposal	£
Winter closure ~ Barrow complex with effect from 3 October and Cremyll Shop/ Orangery with effect from 31 October	47,000
Amend winter weekend staffing arrangements	4,000
Reduction of 100 hrs overtime per month	9,500
Closing Plant Sales on a Friday (already actioned)	1,000
10% price increase (actual impact 5 – 8%)	9,500
Total	£71,000

- 3.5. These immediate savings are achievable but there is still a large forecast deficit remaining. To address the remaining deficit we will need to make significant changes to the park operation and will want to discuss this with Members at the meeting, prior to a further report on the future operation.
- 3.6. In the meantime the following management actions reported to the last Joint Committee will continue to be actioned:
- 3.6.1. Stock purchases for non-catering activity will be passed to the Commercial Manager for approval and stock lines are being monitored
- 3.6.2. Non trading expenditure is being reviewed and non-essential work is not expected to be undertaken.
- 3.7. At the request of the Joint Committee the 2010/11 budget has been RAG (red, amber, green) rated to establish the level of risk contained in the estimate, with green equalling a robust estimate and amber with some further work to determine the actual spending likely. Red risks are addressed to mitigate and improve financial forecasting. Work will continue to review robustness on an ongoing basis.

4. Other financial implications and options

- 4.1. Work is continuing to investigate further saving options by Mount Edgcumbe staff in the following areas:
- 4.1.1. If the Barrow shop were closed as a retail shop unit, with popular and profitable stock lines being transferred to the Cremyll shop, the space could be used to generate revenue income through catering or chargeable meeting space.
- 4.1.2. A second stocktake is planned for 14 July from which further management information on the cost of sales will be available, this together with a weekly stock purchase budget for each catering unit can focus on driving down the cost of sales ratio, currently calculated as 64% which is not favourable compared to the budgeted targets of 33%.
- 4.1.3. Introduce refreshment sales around the park on hot days (bicycle sales), costing for this have been produced for further consideration. Daily sales above 120 tubs of Ice Cream during the six week school holiday would generate a positive financial contribution to the park.
- 4.1.4. Increases to car parking charges for which a benchmarking exercise is currently being undertaken to evaluate possible areas of increase.
- 4.1.5. Introduce car parking charges to the new Barrow Park (Plant Sales) Car Park with opportunity to recoup parking cost from purchase of goods from retail areas within the park.

4.1.6. Where capital receipts could be generated consideration for a capital revenue swap might be possible, although unlikely given the low level of revenue contributions to the Plymouth and Cornwall's capital programmes. However, capital receipts could be used to:

4.1.6.1. Repay the current borrowing costs chargeable to Mount Edgcumbe and this would save a maximum of £30k per annum for 10 years (subject to the level of capital receipts generated).

4.1.6.2. Set aside a capital reserve for future invest to save projects within the estate, with the revenue savings being used to replenish reserves.

4.2. Risks of clawback from grant funding also needs to be established and evaluated as part of any change in use of facilities.

5. Action Plan

Ref	Issue / Risk	Action	Responsible Officer and Target Date	Follow up at the next Joint Committee
1	The format and presentation of the financial information does not make it easy to understand the operational performance, particularly around the trading activities.	Present the information in a more commercial format so that the different elements of the business can be scrutinised more effectively	Louise Goad For the 23 July Joint Committee	The overall position is now presented on an activity basis. Detailed management information still needs to be addressed
2	Regular Management information must be provided to the Park Manager	Staff in the park need to be trained to produce relevant information / data to the Accountants to produce more detailed and reliable trading statements Cornwall Council need to provide timely information that feeds into monthly monitoring and trading (and also at year end)	Louise Goad Rachel Dower by the 31 July	Discussions have now begun and financial information will be provided from 31 July as planned
3	Management controls are not sufficient to ensure managers are able to control costs effectively	Improved financial information. Regular stock counts on the trading activities. Analysis of margins and active monitoring undertaken v targets. All orders must be authorised by a responsible officer who has been approved under the scheme of delegation.	Ian Berry David Marshall Louise Goad By the 31 July	Regular stock counts are now happening. EPOS data needs to be reviewed to ensure detailed trading accounts, particularly for catering, can be produced. Events and wedding costings will also be produced to ensure quotations for customers cover costs and profit margin.

Ref	Issue / Risk	Action	Responsible Officer and Target Date	Follow up at the next Joint Committee
4	Capital Assets could be utilised more effectively	Produce a simple asset plan for establishing the potential for revenue income and possible capital receipts	Ian Berry Steven Bolton By the 23 July	
5	Reserves have been fully used and need to be built back up again.	£15k-£30k needs to be transferred back to reserves at year end and so management need to identify savings and generate a surplus	Ian Berry (Park Manager) By December 2010	Subject to the MTFS
6	The medium term financial strategy needs to be based on a more sustainable business model with more robust analysis of growth and assumptions	Produce a medium term financial plan, including the marketing strategy and asset plan	James Coulton Ian Berry David Marshall Louise Goad Rachel Dower By November 2010	Options and address sheet from pressures will be fed into a MTFS model to determine if a sustainable solution can lower costs and pay back loans.
7	A better understanding of the financial position now exists but the budget and operational plans need further work to balance by year end.	Agree savings for operational and commercial activities and ensure they are costed. Ensure Income is profiled seasonally and prices are reviewed against relevant benchmarks	Ian Berry David Marshall Louise Goad Rachel Dower By November 2010	Ongoing discussions held by the MEOW group.
8	The position relating to the treatment of the 2009/10 deficit requires clarification and agreement.	Clarify the position for both constituent authorities and build into the financial position.	James Coulton Charlie David 23 July	Meetings within PCC have been set up as a precursor for discussions with Cornwall Council. The longer term future of Mount Edgcumbe funding needs to be considered

6. Annual Governance Statement and Internal Audit Report

6.1. Further to the previous Joint committee additional evidence regarding the Internal Audit of the Annual Governance statement is now provided (Appendix B). The report contains the areas for improvement and the management intended action (Appendix B, specifically Section 4 Budgetary Control Processes). The Audit Commission Annual Return presented to the last Joint Committee is also attached with Appendix C.

7. Recommendations

7.1. Approves implementation of the saving options detailed in point 3.4, total saving forecast £71k.

7.2. Notes the Internal Audit report and signs off the Annual Governance Statement.

K Lavery and B Keel
Joint Clerks

A Broome and P Lewis
Joint Treasurers