

CITY OF PLYMOUTH

Subject: 'Invest to Save' Initiatives and Financial Update
Committee: Cabinet
Overview and Scrutiny Board
Date: 29 March 2011
6 April 2011
Cabinet Members: Cabinet
CMT Members: Corporate Management Team
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Ref: Your ref.
Key Decision: Yes
Part: I

Executive Summary:

This report seeks Cabinet Approval for the 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.

It also requests approval to change the technical method for calculating the costs of supported borrowing within the statutory accounts.

Cabinet are also asked to approve further changes to fees and charges.

Corporate Plan 2011-2014 as amended by the four new priorities for the City and Council:

Delivering Growth Attract jobs, encourage enterprise, improve skills and make Plymouth a thriving regional centre. Ensure land, property and transport infrastructure is in place to support growth and that jobs and wealth targets are met.

Raising Aspiration Promote Plymouth and encourage people to aim higher and take pride in the city. Promote the positive image of Plymouth through city and regional leadership and support the population in achieving better qualifications and skills

Reducing Inequalities Reduce the inequality gap between communities, particularly in health. Take targeted actions to reduce inequality gaps, including in housing and education

Value for Communities Work together to maximise resources to benefit communities and make internal efficiencies. Achieve efficiency through transforming our service delivery and support arrangements, and our approach to Customers.

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

This report includes recommendations for a number of invest to save projects which are estimated to result in ongoing service revenue savings of up to £1.7m in 2011/12, £ 5.6m in 2012/13, and £6.1m in 2013/14 and thereafter. There will be some additional revenue and capital service expenditure required to achieve these which will be financed in the short term by reserves until they can be repaid from ongoing service savings.

The capital programme if the recommendations are approved will be increased as follows:

Project	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	Total £000
Autistic Spectrum Disorder	2	655				657
CareFirst	831	832	106	177	377	2,545
Accommodation Strategy Phase II		2,106	1,008	500		3,614
Flood Defence / Coastal Erosion		581				581
Total	833	4,174	1,114	677	377	7,397

The capital expenditure on flood and coastal erosion schemes will reduce the Council's potential liabilities in relation to the areas where the schemes are proposed.

The delay in implementing the changes to 'fairer charges' fees until the 1st July 2011 to allow all clients to be assessed, will result in a net one-off cost of £0.420m which officers will be looking to identify alternative delivery plans to offset the effect of this.

Removing the charges for Tinside pool for the summer of 2011 is estimated to be a net cost of £0.055m dependent on the weather during the summer. Officers will be reviewing other revenue income opportunities associated with this facility to offset the additional net costs.

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

Both the increase in highways maintenance and flood/coastal erosion scheme expenditure will assist in reducing the Council's risk exposure and improve the health and safety for the residents of Plymouth

The two Childrens Services 'Invest to Save' schemes will help to address inequality issues around access to education and quality of family life for families and children in the City.

Recommendations & Reasons for recommended action:

Cabinet are asked to recommend the following:

1. That Council 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. That Council approve the inclusion of the Autistic Spectrum Disorder (ASD) '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. That Council approve the continuation of the Carefirst project and the capital programme be increased 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. That Council approve the Accommodation Strategy Phase 2 'invest to save' project and the capital programme be increased 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. That Council approve an increase in the Transport capital and revenue allocation (from 2010/11 levels) towards highway maintenance (which includes 'pot hole' maintenance) of £0.750m. This will be financed from an estimated increase in revenue government grant of £0.180m and a reallocation within the Transport capital programme approved at 28 February 2011 Council from the 'integrated transport block' and street lighting maintenance.
6. That Council 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. That Council approve that the Minimum Revenue Provision (MRP) policy for 2010/11 and 2011/12 be amended to reflect Option 1 (the Regulatory Method) for borrowing supported by the Government through the Revenue Support Grant (RSG) mechanism
9. That Council 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.
10. That Council approve making the use of Tinside pool free to all users during the summer of 2011.

11. That the Invest to Save projects are referred to Overview and Scrutiny Management Board on 6 April 2011 to reflect previous recommendations for scrutiny involvement in Invest to Save projects. The views of scrutiny can then be provided to Full Council on 11 April to inform the decision making process.

Cabinet are asked to resolve the following:

12. That delivery of the procurement 'invest to save' project with an estimated cost of up to £1.2m is delegated to the Cabinet Member for Finance, Property, People and Governance in consultation with the Director for Corporate Support who will have to regard the success in achieving/identifying savings in the initial period.

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

Alternative options considered and reasons for recommended action:

None.

In the case of the projects for Parent and Child Assessments, Autistic Spectrum Disorder, Carefirst, Accommodation Strategy Phase II, and Procurement they are considered the most appropriate solutions to deliver service improvements and long term financial savings.

The additional funding towards highway maintenance enables increased investment into this area to address some of the problems raised by a recent scrutiny report and further compounded by the inclement weather this winter. This will be coupled by reviewing operational activities to ensure value for money

Background papers:

Part II – Capital Board Delivery business cases

Sign off:

Fin CDR/ Corp F101 101/1 8.03. 11		Leg TH 0019		HR		Corp Prop CJT / 068/16 0311		IT		Strat Proc JK/247/ SPU/03 11	
Originating officer : Chris Randall											

1.0 Introduction

- 1.1 Budget reports to Cabinet during December 2010 and February 2011, and scrutiny reports considered during January 2011 indicated that officers have been finalising a number of 'invest to save' projects to improve service delivery and save revenue costs. In all cases they require initial upfront investment which will be recovered by revenue savings delivered in future years.
- 1.2 The Overview and Management Scrutiny Board on the 26 January 2011 on scrutinising the budget and corporate plan came up with the following recommendations:

Ref	Recommendation	Responses	By who	By when
2.6	That governance and scrutiny arrangements are agreed between the Scrutiny Management Board and the Cabinet and the Corporate Management Team with regard to the prioritisation of the capital programme and the 'invest to save' programme.	A review of capital programme arrangements is to be carried out, focussing firstly on governance arrangements, and secondly on prioritisation of schemes based on reduction of available resources. Involvement of scrutiny will be included within this review.	Anthony Payne	June 2011

- 1.3 Following notification from central government of additional external funding towards 'pot hole' maintenance and reviewing options within the already approved Transport capital programme, officers recognise the need for a focussed and planned increase in the allocation to highway maintenance.
- 1.4 The Minimum Revenue Provision (MRP) policy for the year is required to be approved by Council at the start of the year. This determines how the costs of supported borrowing are calculated and treated in the statutory accounts. The MRP policy for 2011/12 was included within the Treasury Management Strategy report that was approved at the Council meeting on 28 February 2011.
- Revisions to the policy are permitted during the year providing these are also approved by Council, and officers have identified, following external advice that the Council should adopt a slightly different approach. There are no financial implications to this approach and it is purely a technical adjustment more consistent with the guidance.
- 1.5 There are several areas relating to fees and charges for adult social care and the use of outdoor swimming pools for which proposals are made in the report to make changes to the estimates currently included in the budget approved at Council on 28th February 2011.

2.0 Invest to Save - Parent and Child Assessments – ‘Service Improvement Project’

2.1 A Parent and Child Placement arises when a child is potentially being brought into care and the case is in court for approval. The judge has to strike a balance between the children’s right to a family life and their welfare; to this end the court will sometimes request or even order the Local Authority (LA) to facilitate a Parent and Child Placement. This placement is a time when both the parent and child are assessed for a period of time and the findings are reported back to the court before Judgment is passed. In such a case the Local Authority must commission a residential or parent and child foster placement. These are for a number of weeks and as the Council has no direct arrangement in place these are often residential placements and assessments with external providers; most of which are based out of Plymouth which is more disruptive for the child and increases costs.

2.2 The aim of the project is to provide an internal, yet independent, team to perform Parent and Child assessments to avoid out of city placed assessments, enabling the assessments to be conducted in more familiar surroundings and reducing costs. Thus the strategy will be:-

1. Improve casework, option appraisal prior to court
2. Introduce a more cost effective internal team to ‘independently’ assess and also reduce the time taken to complete assessments

2.3 The reason this business case is being brought forward, rather than simply being commenced within budget is to seek approval to switch external costs to internal staffing and recognise that the temporary funding shortfall in years 1 and 2 will need to be met from the revenue invest to save reserve. The project pays back in year three and

Year		2011/12 £000	2012/13 £000	2013/14 £000	Total for 3 years £000
Budget	A	455	455	455	1,365
Current Expenditure Levels	B	608	608	608	1,824
Proposal	C	528	465	320	1,313
Variation to Spend	(C-B)	-80	-143	-288	-511
Variation to Budget	(C-A)	73	10	-135	-52
Investment required		73	10	0	

3.0 Invest to Save - Intensive Support for Young People (11-18) with Multiple and Complex Needs Autistic Spectrum Disorder (ASD) – ‘Service Improvement Project’

- 3.1 This project, which will be jointly funded by schools dedicated schools grant (DSG) and the Council’s revenue and capital budgets, has been developed in response to the current challenges services are facing in meeting the needs of individual young people with ASD and a range of complex needs.
- 3.2 The ASD strategic review recognises that there are those young people whose range of needs are so complex that our established services are unable to meet those needs.
Currently these young people are placed in high cost residential care when mainstream school, or special school placements break down and the family are unable to manage the extremely challenging behaviour. This project will establish alternative ways to deliver appropriate education that is accessible for these individual young people. The packages are developed to support the families to care for the young person and prevent the breakdown of family relationships.
- 3.3 The project will also involve a capital element to extend and adapt an existing Council building. Officers have started preparing a tender specification for the anticipated works which will be pursued subject to Council approving this proposal.
- 3.4 The basis for deciding that a bespoke service is the appropriate response to need is based upon:-
- a) Maintaining the child/young person in their own community
 - b) Parental desire/ability to maintain the child in the home
 - c) A local skills base that can meet their legal entitlement to an education
 - d) Appropriate access and continuity of health care including CAMHS support as required.
 - e) A capacity to oversee and support transitions to higher/further education and support through adult health and social care
- 3.5 The capital project costs are shown in the table below:

Capital Project Costs and Financing	2010/11 £000	2011/12 £000	Total £000
Capital - expenditure	2	655	657
Financed by - Reserves	1	262	263
- Schools Reserves	1	393	394

3.6 The revenue position and case estimates are shown below:

Revenue Position

	2012/13	2013/14	Future Yrs
Est No of Cases	6	6	6
Externally supported	2	0	0
Internally supported	4	6	6

Estimated Costs of Proposal:

	£000	£000	£000
Externally supported	413		
Internally supported	705	830	830
Total est. Cost of Proposal	1,118	830	830

Compared to:

All cases Externally supported	1,239	1,239	1,239
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Potential Revenue Saving arising from Proposal	121	409	409
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Note: 60% of the revenue saving will be to the Dedicated Schools Grant

4.0 CareFirst

- 4.1 There has been a requirement to upgrade the CareFirst Information Technology system to support Adults Social Care and Childrens Social Care which are key priority areas for the Council. The project to deliver this has already been partially implemented in the Childrens Social Care area, however in order to maximise the business benefit in this area and implement within Adult Social Care further revenue and capital investment is needed over the next four years.
- 4.2 Officers have been assessing progress of the implementation to date to ensure that further investment is targeted at the system and process changes that will deliver the best value improvements to the front line services. The following estimated project expenditure is required:

Year	Capital Expenditure £000	Revenue Expenditure £000
2010/11	831	479
2011/12	832	529
2012/13	106	529
2013/14	177	520
2014/15	377	488
Total	2,545	3,023

4.3 The technical solutions being delivered by the project are as follows:

- Operational efficiencies will be realised as a result of the implementation
- Meet central government standards and statutory requirements from the personalisation agenda

- Reducing the administrative burden on practitioners and allowing more time to spend on client based activities
- Meet all Department for Childrens Schools and Families (DSCF) requirements for Children's Social Care record keeping and for production of statutory returns directly from the CareFirst system for both Children's and Adult's Social Care.
- Make information provided to clients and external organisations more user friendly

4.4 Critical success factors are variable across the many projects associated within the overall programme. These are difficult to confirm for the Adult Social Care transformation programme since this will see such a radical change to the current business operating models. However these will include the following:

- Improvements in KPIs
- Reduction in backlogs of work as a result of increased capacity realised through process efficiencies and usability enhancements
- Reductions in numbers in caseloads
- Improved management oversight of cases

5.0 Accommodation Strategy Phase II

5.1 The objectives of the accommodation strategy are the following:

- More efficient use of space and reduction of costs
- Greater co-location
- Reduction in on-going liabilities
- Fit for purpose accommodation

5.2 Phase I which was approved by Cabinet in August 2010 dealt with the main corporate office accommodation and phase II deals with the remainder of the corporate estate reviewed against the following criteria:

- Condition, including asbestos and maintenance spend and backlog
- Suitability and sufficiency
- Legislative compliance eg DDA, Fire
- Energy Performance
- Running costs
- Alternative building/ site uses

5.3 The results of the above review has informed the proposal which seeks to-

- Vacate 3 leases in properties
- Vacate/dispose 15 Freehold properties/sites.
- Generate £0.475 annual revenue saving
- Generate £2.95 million additional capital receipt
- £3.6 million capital investment
- Reduction of £1.2 million backlog maintenance

5.4 The scope of buildings leased and freehold, both occupied and vacant that are to be released or disposed of are as follows-

1). Leased, to be released

- Palace Court
- West Devon Records Office
- The Crescent

2). Freehold and Occupied, to withdraw from and dispose of

- Maya Centre
- Manamead Centre
- 36, 37, 38 and 40 Tavistock Place
- Library annexe
- Camden Street Office
- Schools Library Service building
- Gingko House
- Catherine Street annexe
- Lockyer Street register office

3). Freehold and Vacant, to dispose of

- Former Manadon daycare centre
- Trelawney CC site
- Whitleigh residential home
- Former Chaucer Primary School

5.5 To enable the Council to vacate the properties referred to above, investment is required to the following properties to make more efficient use of them.

- Martins Gate- Centre for Pupil Referral Units
- Parkside school site- Library, Museum, records site and relocated schools library site
- Midland House- Relocation of Gingko house
- Pounds House- Relocation of Register office and coroner

5.6 As detailed by the Business Case the Finance and Expenditure is as follows

- Capital Costs of £3.6m
 - Remodelling of £3.356m
 - Removal costs of £0.028m
 - Demolition costs of £0.230m
- Capital Receipts of £2.95m
- Annual Revenue savings of £0.475m. This is comprised of a £0.435m reduction in running costs and a further £0.040m increase in revenue income.
- The cash flow for 11/12 to 16/17 is shown in the table below:

(k)	11/12	12/13	13/14	14/15	15/16	16/17	Total
	£000	£000	£000	£000	£000	£000	£000
Cap Cost	2,106	1,008	500				3,614
Cap Receipt		(2,955)					(2,955)
Revenue Saving	(375)	(375)	(390)	(435)	(435)	(435)	(2,430)
Revenue Income	(40)	(40)	(40)	(40)	(40)	(40)	(240)
Total	1,691	(2,362)	70	(475)	(475)	(475)	(2,026)
Cumulative	1,691	(671)	(601)	(1,076)	(1,551)	(2,026)	(2,026)

5.7 The project will commence immediately following approval and is estimated to be completed within two years

6.0 Procurement 'Invest to Save'

6.1 Procurement efficiencies have been identified nationally as one of the most significant contributions to achieving budget savings within the public sector. Our plans already show an existing commitment to deliver £4m per year of procurement cashable savings by the end of the next 3 years and this initiative proposes to save an additional £5m pa on top of this after 3 years

6.2 The £4m per year of already committed procurement savings are based on the adoption of the procure to pay strategy for purchases of less than £75k

6.3 This project will bring to Plymouth some senior external procurement support to establish the principles of category management. The use of external support for the first 18 months of this work will also deliver the first sets of savings and build skills and confidence in PCC staff so that it can be operated by PCC without external intervention. The business case requests approval for up to £1.2m of estimated spend to cover the cost of externally sourcing category managers for 18 months. In return for which over the course of the 18 month engagement the category managers will be contracted to deliver at least £1.2m revenue saving and the plan to deliver around £5m pa savings thereafter.

6.4 The contract has a break clause in it at the end of the first 6 weeks work. At this point the Alternative Delivery Board (on behalf of the Council) will have received the category management plan and will be required to make a judgement on whether or not the plan delivers what is required and is sufficiently robust to be credible. If the decision is that the plan is flawed the contract will break at that point and the financial exposure of the Council to this contract would be limited to what is likely to be around £100k.

6.5 Category management will focus on purchases over £75k in value and on capital spend. The expertise bought in will deliver savings through:

- Being able to build compelling cases that question demand for external spend, either by showing that the need is not valid or that the specification is greater than the real need

- Analysing spend by type and consolidating spend across the organisation (and possibly with partners too) in order to drive greater economies of scale and exploit greater purchasing power
- PCC already has skilled staff, predominantly in commissioning roles, who are operating what is understood to be best practise, however this expertise is not widespread.

6.6 In summary this project is planned to:

- Reduce our predicted external spend in FY 13/14 by £9m pa (4.1%) through procurement initiatives (This compares with other authorities targeting 7 and 8% savings rates from procurement)
Support our strategy of protecting front line services
- Achieve payback to PCC within 18 months by obliging the supplier to deliver at least £1.2m revenue savings before the contract finishes

7.0 Highway Maintenance

7.1 The increasing rate at which highway defects are being reported has affected the service's ability to use its resources in the most effective and efficient manner. This combined with the recommendations of scrutiny panel meetings have required officers to reassess the resources allocated to highway maintenance.

7.2 It is therefore proposed that the highways maintenance capital and revenue budgets are increased by £0.750m from 2010/11 levels. This will be financed from the additional ringfenced revenue government grant for highway maintenance which is estimated at £0.180m and re-allocating capital resources from street lighting maintenance and the 'integrated transport' allocation

7.3 Officers will work with the Council's transport partner (AMEY) to ensure this is targeted at appropriate areas (including the significant increase in potholes as a result of the adverse weather experienced this winter). The additional resources address a number of identified issues including those contained in recent scrutiny reports around public insurance claims linked to highways (approximately 75% of insurance claims by value relate to footways).

7.4 Consequently, the additional investment in maintenance will allow the service to implement a sustained programme of permanent solutions in order to reduce the back log of temporary repairs. Over the course of the year, this should free up resources that would otherwise be used reactively, thus 'buying time' to better plan and manage the services.

8.0 Flood and Coastal Erosion Risk Management – Capital Grant Allocation

8.1 Following a bid from the City Council for grant support towards flood and coastal erosion capital schemes the Council received formal written confirmation on 11th February 2011 that it had been allocated £0.581m capital grants towards flood and coastal erosion schemes. The final business cases for these schemes are being worked up for consideration by the capital delivery board and are as follows:

- Cattedown / Oreston Quay Sea Wall refurbishment £0.137m
- Marsh Mills tidal flood alleviation scheme £0.1m
- Stonehouse Creek tidal flood alleviation scheme £0.1m
- Durnford Street sea wall refurbishment £0.244m

9.0 MRP calculation for supported borrowing

- 9.1 The MRP policy for 2011/12 was included within the Treasury Management Strategy report that was approved at the Council meeting on 28 February 2011.

Revisions to the policy are permitted during the year providing these are also approved by Full Council.

- 9.2 The Local Authority (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 replaced detailed rules with a simple duty for an authority to make an amount of MRP which it considers to be 'prudent'. Although the regulation does not define 'prudent provision', supplementary guidance makes recommendations to authorities on the interpretation of that term, and outlines four options:

- Option 1 Regulatory method
- Option 2 CFR method
- Option 3 Asset Life method
- Option 4 Depreciation method

- 9.3 A technical amendment to the MRP policy in respect of supported borrowing has been identified and for which Council approval is now requested. The policy for supported borrowing should read as follows:

Supported Borrowing

For borrowing supported by Revenue Support Grant the Council will use the Regulatory Method (option 1) to calculate MRP. For the purposes of the calculation, an adjustment, referred to as adjustment A, will continue to be made to the CFR at the value attributed to it in financial year 2004-05.

This revision will also need to be applied to the MRP policy statement for 2010/11.

As the change is required to more accurately reflect the current calculation of MRP, there would be no financial implications from the change

10.0 Fees and Charges

- 10.1 'The Fairer Charging Policy' was agreed at Cabinet in November 2010. It was agreed that the Director for Community Services was delegated responsibility to implement the policy from 1st April 2011 in consultation with the Portfolio Holder for Adult Health and Social Care.

- 10.2 The implementation will be delayed until 1st July 2011 because of the need to review all current clients. This will take until the end June 2011 to complete.
- 10.3 There will be a budget pressure of circa £0.420m. A new delivery plan will be put in place to cover this shortfall.
- 10.4 The use of Tinside pool during the summer period varies greatly from year to year dependent on weather conditions. Given the current challenges being faced by the residents of Plymouth and the tourism industry due to the recession members are asked to consider making the use of Tinside pool free during the 2011 summer period. It is hoped that this will engage the younger population in particular to increase the amount of physical exercise they are undertaking and also stimulate more tourist interest in the Hoe area.
- 10.5 The loss of budgeted income will be £0.035m. There will also be additional staffing costs, the size of which will be dependent on the weather experienced but given an average summer are estimated to be £0.020m making a total net cost of £0.055m. Officers will be reviewing other revenue income opportunities associated with this facility to offset the additional net costs.