CITY OF PLYMOUTH

Subject:	Performance and Finance Report (including Capital Programme update)
Committee:	Cabinet
Date:	12 June 2012
Cabinet Member:	Councillor Lowry
CMT Member:	CMT
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Ref:	fin/djn06/12
Key Decision:	No
Part:	I

Executive Summary:

This report is the final monitoring, or outturn, report for 2011/12 and details the final performance and finance monitoring position of the Council as at the end of March 2012.

The primary purpose of this report is to detail how the Council has delivered against its key indicators in terms of performance, and its financial measures using its capital and revenue resources. It is deliberately strategic in focussing on key areas of performance, expenditure, and risk, and includes under each Departmental Business a section detailing key issues.

With effect from 1 January 2012, the Council restructured its Directorates to move from five to three, with a corresponding reduction in Directors. However, for comparison purposes, this report continues to monitor against the “old” five directorate model.

Performance summary

The council monitors 96 level 2 and 3 indicators that contribute towards achieving Plymouth’s four priorities of Growth, Aspiration, Inequality and Value for Communities. This year 50% of indicators met target with 59% showing actual improvement between 2010/11 and 2011/12.

Finance summary – 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 £208.350m giving a deficit of £0.113m. 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.

Following approval there will be a requirement for a transfer from the Working Balance, leaving a net working balance of £11.299 at 31 March 2012. This represents 5.5% of the net revenue budget for 2012/13. 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 but we have always been confident as a management team that we would come in very close to budget

The main adverse variation relates to Community Services, forecasting before corporate adjustments an over spend of £2.141m. against the £107.9m budget. This reflects increases in supported living packages across the Adult Social Care service, with some continuing healthcare funded cases becoming the Council responsibility in the Learning Disability Service. Environmental Services are reporting an overspend of £1.074m.

Children and Young People have consolidated the reported savings in previous reports with a final saving, before corporate adjustments, of £1.829m

Children's Social Care is reporting a favourable variance of £0.345m; Learner and Family Support are reporting a favourable variance of £0.808m; Lifelong Learning reports an under spend of £0.615m

Details can be found in the C&YP section of this report.

Finance summary - Capital

The 27 February 2012 Council approved a revised Capital Programme for 2011/12 of £78.661m. The final outturn position for 2011/12 is £72.472 which is 92.13% of the final approved programme, and 81.09% of the original programme as at April 2011, both of which are within the financial target of 80% capital expenditure achieved within the year.

Corporate Plan 2012-2015:

This quarterly report is fundamentally linked to delivering the priorities within the Council's Corporate Plan. Allocating limited resources to key priorities will maximise the benefits to the residents of Plymouth.

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 and reported to Cabinet with this report.

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

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:

That Cabinet:-

1. note the provisional outturn position as at 31 March 2012

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

• Transfer to Bad debt provisions	£ 0.325m
• Transfer from Insurance provisions	£ (0.325)m
• Transfer from Waste Management reserve	£ (0.800)m
• Transfer to Bad Debt provision	£ 0.279m
• Transfer to Plymouth Life Centre Dowry	£ 0.150m
• Transfer to pay settlement	£ 0.350m
• Transfer to Schools PFI	£ 0.200m

3. Recommend no departmental budget under or over spends be carried forward in 2012/13, other than those previously agreed by Cabinet.

4. note the adjusted revenue deficit for the year of £0.113m and approve that this be met by a transfer from the General Fund Working Balance

5. note the capital financing requirement of £72.472m and approve the borrowing requirement of £18.103m for 2011/12

6. note the re-profiling changes to the capital programme identified during the outturn process subsequent to Council approval in February, and approve the latest revised forecasts totalling £117.8m which also include new approvals since February

7. 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 21 June 2012 and Council on 30 July 2012

8. note the position regarding the Icelandic Banks

Alternative options considered and reasons for recommended action:

Actions are recommended in response to specific variances in either performance and / or finances identifed throughout the report.

Background papers:

- Sustainable Community Strategy
- 2012 Plymouth City Council Corporate Plan
- Joint Performance and Finance Report – February 2012

Sign off:

Fin	MC121 3.002	Leg	TH 0046	HR	MG	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member M Coe											

Plymouth City Council
Performance and Finance Monitoring – 2011/12
Quarter 4 Outturn at 31 March 2012

1. Introduction

1.1 This report reviews the Council's performance for the year ended 31 March 2012 and is written in the context of the Medium Term Financial Strategy (MTFS).

1.2 The Budget report 2012/13 (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 2011/12 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 Services, 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 prior to the new three directorate model. We have continued to report in this way to ensure consistency and easier comparisons with previous reports in the year, plus the budget reports. The new director structures will be reported on with effect from the first quarterly report of 2012/13.

1.4 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 again be produced on an International Financial Reporting Basis (IFRS).

1.5 The Accounts and Audit Regulations were revised last year and the Director for Corporate Services, as the Council's Section 151 Officer, is now required to formally approve the accounts by 30 June 2012. The external auditor is required to audit the accounts by 30 September – the statutory deadline for their publication; the Audit Committee will be formally asked to approve the final accounts for the year following completion of the audit

1.6 The performance data in this report presents the latest position on information currently available.

1.7 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

1.8 This report contains the following sections and Appendices:-

Section 'A' – Executive Summary - Performance

Section 'B' – Executive Summary – Finance

- Revenue
- Capital

Section 'C' – Executive Summary – Human Resources

Section 'D' – Departmental Performance & Finance Report

Section 'E' – Treasury Management

Section 'F' - Concluding Remarks

Appendices:

Appendix A	Graphs- General Fund revenue monitoring comparison 2010/11 and 2011/12
Appendix B	Final revenue position for the year
Appendix C	Net spend per service
Appendix D	Trading Accounts
Appendix E	Reserves
Appendix F	Provisions

SECTION A - EXECUTIVE SUMMARY PERFORMANCE

2. Performance Management arrangements

2.1 The council monitors 96 level 2 and 3 indicators that contribute towards achieving Plymouth's four priorities of Growth, Aspiration, Inequality and Value for Communities. This year 50% of indicators met target with 59% showing actual improvement between 2010/11 and 2011/12. Critical performance issues are raised in the summary below. More details are provided in section D of this report.

Children's Services

2.2 Despite the economic environment NEET's (Young people Not in Education Employment or Training) has improved on last year's performance down from 7.1% to 6.1%. However, the number of Primary Schools not exceeding "Floor Standards has increased to 15 this year from 9 last year. There is 'Below Floor Standards' action plan' approved by DfE to support schools failure to meet Statutory targets. In social care, overall performance within the department has been good and key areas of good performance/improvement include stability of children in care and assessment timescales over the last 12 months.

2.3 **Community Services**

There has been a positive trend with the amount of waste sent to landfill reducing in 2011/12 by 2.4% or 15.9kg lower per household than the previous year. However, recycling and composting tonnages fell short of the 33% target with yearend performance at 32.18%. Domestic burglary increased by 23% contributing to the serious acquisitive crime target being missed. At the end of the year the final rate per 1000 population was 10.83 i.e. 231 over target. Whilst the self-directed support / direct payment target was not achieved, performance has still improved on last year's outturn position of 31%. Significant change is being rolled out across the service in a managed and phased way which will have long term benefits

2.4 **Corporate Support**

Improvements to Revenues and Benefits processing times are starting to materialise. The service will continue to reduce processing times and the service is now looking at achieving an overall target of 15 days by August 2012 (compared to 30 days as at the beginning of 2011). For the third year in a row, the actual percentage of income collected for Council Tax has improved and now stands at 96.30%.

2.5 **Development and Regeneration**

The overall economic environment remains challenging and worklessness, particularly amongst the young, is a major concern though our performance here is around the national average. Work on delivering new and affordable homes and bringing empty homes back into use both perform above target. Significant planning applications have been approved, including the Energy from Waste Scheme, and bids have been made to a number of government funding streams.

Critical performance issues raised in this report will be priorities for action in the new Corporate Plan 2012-15

SECTION B - EXECUTIVE SUMMARY – FINANCE

3. General Fund Revenue Budget

3.1 Council approved a net revenue budget of £208.237m for 2011/12 at its meeting on 28 February 2011. Table 1 below provides a summary of the Council's overall revenue expenditure and compares the draft outturn with the latest approved budget.

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.

Table 1End of year revenue outturn *NB Brackets ( ) reflect a favourable variation*

Fund	Latest Approved Budget £000	Final position for the year £000	Budget Variation for year £000	% variation
General Fund	208,237	208,350	113	0.05%
Trading Accounts	(2,347)	(2,059)	288	12.27%

3.3 The individual Directors reports in section B give more detail of the reasons for the variations on their budget. A more detailed breakdown of the actual spend by service is included at Appendix C

Table 2 End of year revenue outturn by department

Department	Latest Approved Budget £000	Actual 2011/12 £000	Variance prior to adjustments £000	Corporate Health and other adjustments proposed £000	Adjusted Outturn for year £000	Variation to budget £000
Children's Services	49,292	47,463	(1,829)	230	47,693	(1,599)
Community Services	107,905	110,046	2,141	225	110,271	2,366
Development & Regeneration Services	18,326	18,404	78	118	18,522	196
Corporate Support	29,566	29,428	(138)	6	29,434	(132)
Chief Executive	2,611	2,636	25	0	2,636	25
Corporate Items	537	(362)	(899)	156	(206)	(743)
Total	**208,237**	**207,615**	**(622)**	**735**	**208,350**	**113**

4 2011/12 Financial Health Review

4.1 The budget variation targets of no more than 1% overspend or 2% underspend remained in place for 2011/12 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.

4.2 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.

Draw down from the Waste Management Reserve	£(0.800m)
Increase to Bad Debt Provision	£0.325m
Reduction to Insurance Provision	£(0.325m)

The first transfer is reflected in the Environmental Services department's outturn; the remaining transfers have been met from the Corporate Items budget.

4.3 As an integral part of the financial health review the Director for Corporate Services and Corporate Management Team (CMT) are recommending the following transfers to/from provisions and reserves, which amount to £0.735m:

4.4 <u>Transfer to Bad Debt Provision £0.279m</u>
In the current uncertain economic climate, we have taken a further forensic approach to our review of bad debts, and are recommending that further provision is set aside against aging debts.

4.5 <u>Transfers to/from Reserves</u>

a. Transfer to Plymouth Life Centre Dowry £0.150m

The approved budget for 2012/13 does not include any allocated resource towards the cost of future running repairs to the new Plymouth Life Centre. We need to ensure we put aside monies each year to avoid facing the requirement to fund large sums of money in the future, as the building matures and repairs are needed.

b. Transfer to Pay Settlement Reserve- £0.350m

The Council continues to progress towards settlements of potential equal pay claims following due diligence. An anticipated amount of £1.8million remains the Council's recommended reserve amount for potential liabilities. The transfer to reserves of £0.350m provides a total of £0.7m towards this sum within the council's reserves.

c. Transfer to Schools PFI Reserve £0.200m

In the current economic climate, the investment returns the Council is able to achieve are falling short of the targets required when the PFI scheme was secured. It is therefore prudent that we allocate this notional sum and look to further increases in the coming years.

d. Balance Sheet Offset £(0.244m)

Following a full review of our balance sheet accounts we are able to release the sum of £0.244m as being previous year balances no longer required.

4.6 Approval of the above would result in a net deficit for the year of £0.113m as shown below:

	£000	£000
Net Surplus (as per Table 2)		(622)
Transfers to/(from) provisions:		
Bad Debt provision	279	
Transfers to/(from) Reserves:		
Life Centre Dowry	150	
Pay Settlement claims	350	
Schools PFI Reserve	200	
		979
Off set by		
Various balance sheet balances no longer required		(244)
Final Deficit for the year to be met from Working Balance		**113**

4.7 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 2012

4.8 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.

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4.9 Working Balance

Approval of the actions outlined above would leave a Working Balance at 31 March 2012 of £11.299m. Transfers to and from the Working Balance during the year were as follows:

	£000
Working Balance at start of year	11,412
Revised outturn position 2011/12	113
Working Balance at 31 March 12	**11,299**

A working balance of £11,299m 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%.

4.10 Earmarked Reserves

4.10.1 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 £24.557m at 31 March 2012. This includes schools balances and reserves of £5.675m.

4.10.2 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.

4.10.3 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 actual spend is incurred. A sum of £1.192m (last year £3.071m) has been transferred to the grants reserve in 2011/12.

4.10.4 Schools Balances

At the end of the year there was a total of £4.449m unspent monies against schools' delegated budgets. The equivalent sum at 31 March 2011 was £7.240, which included £1.700m of grant funding unspent. 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.

4.11 Provisions

4.11.1 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.

4.11.2 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.

4.11.3 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. We have set aside a further £0.350m as detailed in an earlier section, which brings our total funding towards the 2008/9 claims to £0.700m.

4.11.4 Contingent Liabilities

4.11.5 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 £0.660m at 31 March 12.
- 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.

4.11.6 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.

Recommendations:

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

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

• Transfer to Bad debt provisions	£	0.325m
• Transfer from Insurance provisions	£	(0.325)m
• Transfer from Waste Management reserve	£	(0.800)m
• Transfer to Bad Debt provision	£	0.279m
• Transfer to Plymouth Life Centre Dowry	£	0.150m
• Transfer to pay settlement	£	0.350m
• Transfer to Schools PFI	£	0.200m

3. Cabinet recommend no departmental budget under or over spends be carried forward in 2011/12, other than those previously agreed by Cabinet.

4. Cabinet note the adjusted deficit for the year of £0.113m and approve that that this be met by a transfer from the General Fund Working Balance.

5. Capital Programme

5.1 The 27 February 2012 Council approved a revised Capital Programme for 2011/12 of £78.661m. The final outturn position for 2011/12 is £72.472 which is 92.13% of the final approved programme, and 81.09% of the original programme as at April 2011, both of which are within the financial target of 80% capital expenditure.

Table 3 – Capital Outturn 2011/12

		Movement in Period			
Directorates	**Budget Report Feb 12**	**Reprofiling**	**Variations**	**2011/12 Outturn**	**Outturn as % of Budget Report**
	£000	**£000**	**£000**	**£000**	
Children's Services	15,727	(1,161)	267	**14,833**	94%
Community Services	29,951	(1,291)	37	**25,697**	95%
Corporate Support	7,662	(1,202)	(85)	**6,375**	83%
Development	28,321	(2,421)	(333)	**25,567**	90%
Total	**78,661**	**(6,075)**	**(104)**	**72,472**	**92%**

Capital Financing

5.2 The total amount required to be financed in 2011/12 is £72.472m.

5.3 The Capital Programme for 2011/12 has been fully financed.

5.4 Table 4 below shows the final financing position:

Table 4 – Financing of 2011/12 Capital Programme

Method of Financing	**£'000**
Supported Borrowing	485
Unsupported Borrowing	17,618
Total Borrowing	**18,103**
Capital Receipts	18,526
Grants	27,391
Contributions	2,331
Section 106 / RIF	2,400
Direct Revenue Financing	3,721
Sub-Total Other Financing	**54,369**
Total Capital Financing	**72,472**

Recommendations:

5. Cabinet note the capital financing requirement of £72.472m approve the borrowing requirement of £18.103m for 2011/12.

Capital Medium Term Forecast

5.5 The Council has adopted a four year Capital MTFF (current year plus three) aligning it with the number of years over which the revenue MTFF is based. The programme will grow in future years when we receive more certainty around future funding streams. The capital programme approved at February Council was £173.461m for the period 2011/12 – 2014/15, updating this to take out the 2011/12 £78.661m and include the next year 2015/16 £14.8m would have given an anticipated programme of £109.6m for the period 2012/13 – 2015/16. The closure of accounts process has identified further changes due to reprofiling and other variations, and there have also been a number of new approvals. The most up to date summary of changes to the capital medium term forecast, new approvals and funding are shown in the tables 5 and 6 below.

Table 5 – Changes to Capital Medium Term Forecast & New Approvals

	Budget Book £000	New Schemes £000	Reprofiling £000	Variations £000	**Revised Medium term forecast £000**
2012/13	51,121	1,123	6,792	(656)	**58,380**
2013/14	28,798	825	(809)	(321)	**28,493**
2014/15	14,881	750	(291)	(400)	**14,940**
2015/16	14,800	500	383	349	**16,032**
Total	**109,600**	**3,198**	**6,075**	**(1,028)**	**117,845**

New Approved Scheme	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	**Total £000**
Design & Implement Modernised Ways of Working (approved at April Council)	1,000	750	750	500	**3,000**
Lipson School S106 (approved under delegated powers)	123	0	0	0	**123**
North Prospect Library (approved under delegated powers)	0	75	0	0	**75**
Total	**1,123**	**825**	**750**	**500**	**3,198**

Table 6 - Capital Medium Term Forecast by Directorate & Funding

	2012/13 Revised £000	2013/14 Revised £000	2014/15 Revised £000	2015/16 Revised £000	**Total £000**
Children's Services	27,169	15,177	5,657	1,982	**49,985**
Community Services	10,302	1,230	1,062	0	**12,594**
Corporate Support	8,750	1,271	750	500	**11,271**
Development & Regeneration	12,159	10,815	7,471	13,550	**43,995**
	58,380	**28,493**	**14,940**	**16,032**	**117,845**

Funding Source	**2012/13 £000**	**2013/14 £000**	**2014/15 £000**	**2015/16 £000**	**Total £000**
Capital Receipts	11,420	5,152	0	0	16,572
Unsupported Borrowing	7,649	750	750	500	9,649
Supported Borrowing	107	0	0	0	107
Grants & Contributions	36,551	22,343	12,603	12,432	83,929
S106 / Tariff	1,163	50	1,250	3,100	5,563
Revenue & Funds	1,490	198	337	0	2,025
Total	**58,380**	**28,493**	**14,940**	**16,032**	**117,845**

Recommendations:

6. Cabinet note the re-profiling changes to the capital programme identified during the outturn process subsequent to Council approval in February, and approve the latest revised forecasts totalling £117.8m which also include new approvals since February.

SECTION C – EXECUTIVE SUMMARY – HUMAN RESOURCES

6. Human Resources Key Messages

6.1 A major review of terms and conditions took place in 2011/12 and new local terms and conditions, 'the Plymouth Book' were agreed in September 2011. Implementation took place in accordance with an agreed timetable.

6.2 At the end of March 2012, there were 4155 employees (3248.5 FTE) compared to 4713 employees (3671.6 FTE) in March 2011. This is a reduction of 558 employees (423.1 FTE).

6.3 Corporately, a threshold of 5% of the total wage bill has been set, to monitor the use of agency staff. The % fluctuates during the year, but based on the total actual salary spend for 2011/12, 4.88% was spent on agency staff.

6.4 Sickness absence continues with a downward trend towards the council's target of 6 days per FTE. The sickness outturn for 2012/13 is 9.78 days per FTE (excluding schools) compared to 12.92 days per FTE for 2011/12. This is a reduction of 3.14 days per FTE.

6.5 During 2011/12 (April 2011-March 2012), 68 people have been made redundant and left the Authority.

6.6 A total of 160 joined the redeployment register between 01/04/11 and 31/03/12 for the following reasons:-

End of apprenticeship	6
Capability	1
Ill Health	5
Redundancy	130
Other (e.g. disciplinary outcome, end of particular temp contracts)	18
Total	**160**

6.7 54 people were redeployed within 2011/2012 and assistance was give to 1 person to start their own business.

6.8 An additional 34 people are classed as 'no longer at risk', but were provided alternative employment by some other means i.e. funding extended / slotted in to other roles.

6.9 A 'time limited' voluntary release scheme operated during part of 2011/12, and 85 choose to leave the authority.

6.10 At the end of 2011-2012, a 100% completion rate for appraisals had been achieved. 97% of staff had met or exceeded expectations, with only 30% not meeting expectations.

6.11 The Interim Staff Survey results in 2011 showed an increase in staff engagement of 5% to 62%. Every department registered an increase in staff engagement compared to 2010.

6.12 A Senior Management Review took place for the top two layers of management, Directors and Assistant Directors, with implementation in January 2012 and March 2012 respectively.

SECTION D – DEPARTMENTAL PERFORMANCE & FINANCE REPORT

7 Children & Young People's Services

7.1. Revenue Position – 2011/12 Year-end

Latest Approved Budget	Actual Outturn	Corporate Health Adjs	Final Outturn	2011/12	Variance – Adv/(Fav)
£000	**£000**	**£000**	**£000**	**CHILDRENS SERVICES**	**£000**
0	0		0	Schools	0
206	178		178	Performance and Policy	(28)
9,018	8,210		8,210	Learner and Family Support	(808)
12,163	11,318	230	11,548	Lifelong Learning	(615)
28,102	27,757		27,757	Social Care	(345)
197)	0		0	Budget Savings	197
49,292	**47,463**	**230**	**47,693**	**TOTAL GENERAL FUND**	**(1,599)**

Responsible Officers: Maggie Carter / Colin Moore / Mairead MacNeil

Services for Children and Young People
The Directorate continued to challenge spend in all areas throughout the year. The year end underspend of (£1.829m), before corporate year-end adjustments, includes slippage in commissioned spend, staffing savings and also early achievement of 2012/13 delivery plans. The Directorate identifies three areas where performance is a concern: the number of NEET's, KS 2 Floor Target and the number of children in residential care.

Life Long Learning year end position is favourable position of (£0.845m) before year-end adjustments. Savings relate to the early achievement of 2013/14 delivery plans and vacancy savings. Additional savings have occurred due to redundancy costs planned to be met from the restructuring savings being met centrally. The department is currently focusing on the levels of young people not in employment, education or training (NEET). Latest data from Careers South West shows that at 6.1% the percentage of NEETs is below 2010 levels. In order to help reduce NEETs, we are implementing an 'Increasing Participation' Plan partly funded by the DfE through our involvement in 'Raising the Participation Age' trial work. This quality of intelligence should help to identify and tailor support to individuals and move us closer to target. Primary School "Floor Target' is also a concern, however, we have a 'Below Floor action plan' approved by DfE to support schools failure to meet Statutory targets. We will be working with schools to use available resources to support most challenged schools. Finally there is also growing concern that teenage conception figures will rise as a result of increases in factors such as deprivation.

Learner and Family Support report a favourable year-end position of (£0.808m). Savings relate mainly to delivery plans achieving more savings than originally forecast and efficiencies within the Education Catering Service. Previously reported budget pressure in transport has been managed down. Delays in recruiting to new structures have led to additional in-year savings against some planned projects.

During the year there were concerns regarding Common Assessment Framework (CAF) performance. However, the final few months of the year reported increased activity and improved processes and the latest data indicates that the year-end target (788) was almost achieved (743). The expansion of the CAF team is underway. Once all posts are in place closer working links will be made with partner agencies to support them with the CAF process. As a consequence, we anticipate the number of assessments will increase in the near future. The take up of school lunches in Primary Schools has increased for the third year in a row, out performing Cornwall, Devon, Dorset and Somerset, but unfortunately has not reached its 2011/12 target. There are concerns that the impact of universal credit and benefit changes will impact upon levels of eligibility in 2012/13. Despite this the meal price (£2.00) remains one of the lowest in the South West region. It is recognised that the general economic climate is now beginning to have an effect on take-up amongst those families not eligible for free school meals, under the current criteria who are having to make difficult decisions about how to make best use of household income.

Children's Social Care:
Social Care year-end position is a favourable variation of (£0.346m), even allowing for increased expenditure in the final quarter. The year-end position includes slippage in commissioning and the youth crime prevention activity. The number of residential placements has increased from 20 to 21 (against a target of 13) and the number of Independent Sector Foster placements has increased from 65 to 67 (against a target of 56). Overall numbers and cost of those placed within Independent and residential settings has increased particularly around parent and child assessment placements.

Overall performance within the department has been good and key areas of good performance/improvement include stability of children in care and assessment timescales over the last 12 months. There is still significant pressure from increased rates of referrals and caseloads undergo continual scrutiny. Plymouth is performing well against comparator information available which shows a 6% rise in children in care compared to a 4% (approx) in Plymouth. However in light of this pressure the achievement of 2011/12 targets for Residential and Independent Sector Foster Care, as well as the overall number of children in care target, has not been possible. This is because we will always put the safety of children first.

7.2 Risks and Issues

- The numbers of Children in Care can change quickly and so Diversion from Care strategies and related initiatives will continue to be implemented – this will impact on the revenue budget and future years' delivery plans.
- Looked after Children numbers are monitored on a weekly basis and currently based on trends being experienced by other local authorities, there is a risk of increased numbers which could result in higher costs in the latter end of the year. Savings currently achieved

to some extent mask the underlying cost pressures meaning activity still needs to be addressed to address underlying trends.

- Demand for Transport could increase and result in higher costs
- Capacity to achieve the Delivery Plans continues to be managed through the Commissioning and Finance Programme board
- Changes to grants and funding streams could have an adverse impact on the service
- Invest to save projects to deliver reductions in current and future costs need to be monitored for progress against the targets in the original business cases.

7.3 Invest to Save

The department has two invest to save projects. Parent and Child Assessments and Intensive Support for Young People with Multiple and Complex Needs.

Parent and Child Assessments

The Parent and Child Assessment team have been fully staffed as of 2nd February 2012. This includes a part time team manager, a full time assessing social worker, a full time assessing family support worker and a temporary administrator. The team have completed evidence based assessment training and are currently investigating different models of assessment to support this for use in assessing parents according to their needs, for example learning disability, substance misuse etc.
The Parent and Child Assessment team have had four assessments in the year and currently have two in situ.

Assessment Type	Business Plan	Revised Plan	Actual to date
Court Ordered External	14	15	15
In-house	9	3	4

Autistic Spectrum Disorder (ASD) and Complex Needs

The project design and timing has been updated following the planning and consultation period. Whilst the aim and service delivery plans remain the same, the building has had to be scaled down from 6 to 4 classrooms in order to meet planning requirements. Final plans have been agreed, tenders issued and a contractor selected pending contract signature. Work is due to start on site in June 2012 with completion by January 2013. The project will be completed in phases to minimise disruption to the existing service at Downham House.

7.4 Medium Term Issues

The level of Schools buy back and Academy business may impact on the level of income and the net cost of services. Furthermore, a significant increase in the central government top slicing of the overall local authority formula grant, which is then used to fund academies, may result in less resources being passed to the council and in particular children's services and schools. The Changes to the way schools and academies are funded could also potentially impact on the Council's resourcing.

8. Community Services

8.1 Revenue Position – 2011/12 Year-end

Latest Approved Budget	Actual Outturn	Corporate Health Adjs	Final Outturn	2011/12	Variance – Adv/(Fav)
£000	£000	£000	£000	COMMUNITY SERVICES	£000
71,845	71,845	75	71,920	Adult Health and Social Care	75
9,835	10,263	150	10,413	Culture, Sport & Leisure	578
25,482	26,556		26,556	Environmental Services	1,074
2,126	1,895		1,895	Safer Communities	(231)
597	286		286	Service, Strategy and Regulation	(311)
(1,980)	(800)		(800)	Budget Savings	1,180
107,905	**110,046**	**225**	**110,271**	**TOTAL GENERAL FUND**	**2,366**

Responsible Officers: Pam Marsden, James Coulton, Jayne Donovan and Pete Aley

Environmental Services
The year-end position of £26.556m has resulted in a £1.074m overspend, explained by partially unachieved saving targets, increased waste tonnages for the year of 78,665 compared to forecast 78,000, higher waste collection vehicle charges, A38 litter clearance costs and the write off of the Landfill Allowance Tax balances due to this year being a "target year" (surpluses cannot be carried forward). This has been offset by transport savings through new glass recycling contract, slippage with spend on in-cab technology for trade waste service and washer unit repairs.

There has been a positive trend with the amount of waste sent to landfill (NI 191) reducing in 2011/12 by 2.4% or 15.9kg lower per household than the previous year, which is a reduction of over 1,500 tonnes citywide, and 2.6kg per household better than the annual target. The new waste minimization and recycling education program has worked well since being introduced in April 2011. However despite these improvements, and alongside increased recovery at Household Waste and Recycling sites and the expansion of the garden waste service during 2011/12, recycling and composting tonnages (NI 192) fell short of the 33% target with year end performance at 32.18%. The provisional capital outturn for Environmental Services is £2.259m which is 94.13% of the latest approved budget of £2.400m.

Safer Communities
The favourable year-end position of (£0.231m) is broken down as underspend Troubled Families grant, savings in staffing, commissioning and office running costs in Community Safety and Management & Support.

In 2011/12 domestic burglary increased by 23% (203 more crimes) compared to 2010/11. Levels of vehicle related theft reduced in 2011/12 compared to 2010/11 with a fall in the number of theft from vehicle and theft of vehicle crimes recorded. The increase in Burglary contributed to us missing our serious acquisitive crime target i.e. to reduce the rate of overall serious acquisitive crime by 2% to 9.94 per 1000 population . At the end of the year the final rate per 1000 population was 10.83 i.e. 231 over target. Efforts by the Council and partners during the year to tackle this resulted in an improvement in performance, particularly with regard to Burglary. In Quarter 4 we recorded 221 burglaries, which is a reduction of 87 crimes on quarter 3 and also considerably lower than quarters 1 and 2. We also saw an increase (2.6% i.e. 69 crimes) in violence with injury .Total incidents recorded were 2749 compared to 2680 in 2010/11 equivalent to 10.6 per 1000 population against a target of 10.23. This means we missed our target i.e. to reduce this crime by 106 crimes to 10.23. Council and partners continue to respond to violence issues with a number of initiatives in place and under development, particularly relating to the evening and night time economy. We achieved the target to increase reporting of racist, disablist, homophobic and faith incidents and exceeded the satisfaction rate among victims to these types of incidents. In 2011/12 the satisfaction rate among victims was 93% against a target of 87%. We have a success rate of 65% for resolved/ concluded, this is against a target of 50% meaning this target has been exceeded.

Culture Sport & Leisure
The net spend of £10.263m at year-end has resulted in a £0.428m overspend which includes undeliverable saving target £0.250m, variance in costs of £0.055m relating to transfer of leisure facilities, closure of Mayflower Centre and opening event. A review of outstanding debt has required an additional provision for irrecoverable debt £0.030m to be made. The savings on the Leisure Management contract will be profiled to see if these can be aligned to the targets built into the medium term to avoid reporting undelivered savings when the contract will deliver the savings during the life of the contract

Libraries continue to outperform the national average and 2012/13 sees a number of new customer focussed initiatives, such as the Our Health pilot where customers get information to help manage their condition. The outturn position for the number of museum visits for 2011-2012 is 184,260, which falls below the target of 241,000. This is due to the difference between those venues hosting the museum's touring exhibitions during 2011-2012 compared with those for 2010-2011. Those venues used for the touring exhibitions in 2010-2011 were sizeable tourist attractions with a large visitor base, compared with those used during 2011-2012. For that reason, only 15,677 out of the 184,260 total museum visits were visitors to touring exhibition during 2011-2012 compared with 200,820 out of a total of 334,997 for 2010-2011. When the visitor numbers for touring exhibitions are taken out of the final total for the year, the visitor numbers to museum sites has increased from 134,177 in 2010-2011 to 168,583 in 2011-2012. This is due to the impact of the British Art Show in 2011 and the popularity of the Scott show in January 2012. The provisional capital outturn for Culture, Sport & Leisure is £21.901m which is 97.29%of the latest approved budget of £22.512m.

Adult Social Care
The year-end position, before corporate adjustments is break even against a budget of £71.845m. Health and social care funds have enabled the service to continue to meet demands for care and avoid raising the eligibility criteria for the service, mitigating an adverse impact upon the whole health and social care system. The strategy to utilise health and social care funds has been agreed with colleagues in Health and approved by Cabinet. The main pressures within Adult Social Care have been reported during the year and include increased supported living costs across a range of client groups in particular Learning Disability. In addition, health funds for social care have also been used to implement more preventative services such as reablement, practical support to live at home and improving information, advice and advocacy. Not all the £6.213m health

for social care fund could be utilised in 2011/12 and so £2.234m will be carried forward to fund activities within the programme that have slipped into 2012/13 such as disabled facilities grants and a number of smaller projects in addition to continuing to address known pressures.

Whilst we have not achieved the self-directed support / direct payment target at year end, we have still improved on last year's outturn position of 31%. We are rolling out significant change across the service in a managed and phased way which will have long term benefits. Sickness in the service, although high, is being actively managed and has continued to fall since April 2011. Transformation requires significant culture change and not all staff have yet received the necessary induction and training to operate in a personalised way. However, although performance has been affected in the short term, we remain confident that we will achieve the 100% personal budget target by March 2013. On a more positive note, delayed transfers of care have performed strongly. Adults with mental health problems living independently or in employment have ended the year above target. Our Learning Disability performance has improved over the year and this is expected to continue in 2012/13. The provisional capital outturn for Adult Social Care is £1.562m which is 76.61% of the latest approved budget of £2.039m.

8.2 Risks and Issues

- Maintaining front line services whilst implementing a number of Delivery plans will be challenging.
- Managing expectations of enhanced level of service against the current budget, particular in the service area of Waste Collection ,Street Scene and Parks
- Achieving Adult Social Care Delivery Plans and associated budget reductions without compromising safeguarding issues and ensuring sufficient scope to develop the market successfully to meet the requirements of the personalisation agenda.
- Growth in demography and increasing levels of long term care needs for high dependency within Adult Social Care
- Impact on social care of the Primary Care Trust QIPP (Quality, Innovation, Productivity & Prevention) efficiencies and the Health Service Transformation.
- Reductions in ad hoc and SLA income from Plymouth Community Homes

8.3 Medium Term Issues

- Gypsy & Travelers permanent site provision
- Downturn in Economy leading to less opportunity to maximise discretionary fees
- The effect of demographic increases on demand led services with stand still budgets.

9. Development and Regeneration

9.1 Revenue Position – 2011/12 Year-end

Latest Approved Budget	Actual Outturn	Corporate Health Adjs	Final Outturn	2011/12	Variance – Adv/(Fav)
£000	£000	£000	£000	DEVELOPMENT & REGENERATION	£000
1,485	1,485		1,485	Planning Services	0
3,629	3,459		3,459	Strategic Housing	(170)
96	267		267	Business Support	171
14,059	14,176		14,176	Transport	117
419	22		22	Waste Management Project	(397)
(1,205)	(1,005)		(1,005)	Economic Development	200
(157)	0	118	118	Budget Savings	275
18,326	**18,404**	**118**	**18,522**	**TOTAL GENERAL FUND**	**196**

Responsible Officers: Clive Perkin/Gill Peele/David Draffan/Paul Barnard/Stuart Palmer/Mark Turner

Overall the Directorate has remained within budget tolerance and is performing favourably with few current high risks. The overall economic environment remains challenging and worklessness, particularly amongst the young, is a major concern – though our performance here is around the national average. Recent proposals for building a new ice rink and remodelling the Pavilions indicates that there is confidence in the city's future. The East End public transport scheme has been completed, while a cross sector task force is trying to influence the forthcoming Greater Western rail franchise. Work on delivering new and affordable homes and bringing empty homes back into use both perform above target. Significant planning applications have been approved, including the Energy from Waste Scheme, and bids have been made to a number of government funding streams. BT has announced the further roll out of superfast broadband across more parts of the city. An Urban and Community Asset Transfer Policy is currently being developed.

Economic Development
Initiatives around worklessness are progressing, including developing placements for 18-24 year olds. BT has announced the further roll-out of superfast broadband across more parts of the city. The Growth Acceleration and Enterprise Network (GAIN) is now the main delivery body for technology businesses for the Peninsula's two Local Enterprise Partnerships (LEPs) and its portal will be launched in April. A number of bids are being worked up to put into the Growing Places, Coastal Communities and Regional Growth

Funds. Some further signs of private sector optimism on funding include Wolf Minerals securing funding for tungsten mining at Hemerdon. The provisional capital outturn for Economic Development is £6.037m which is 95.99% of the latest approved budget of £6.289m. An Urban and Community Asset Transfer Policy is currently being developed.

Strategic Housing
260 new affordable homes have been built in 2011/12, exceeding the yearly target of 200. In addition, 60 "long term" empty private sector homes have been brought back into use against a target of 50. In total 95 empty private sector homes which have been brought back into use, which exceeds the overall target of 65. On home energy improvements, whilst information is not yet available for quarter 4, provisional information shows we are on target to achieve the 2011/12 target of installing 500 measures to help priority group households save on their energy bills. We removed 248 Category 1 Hazards against a target of 150 . The provision of Disabled Facilities Grants to help people live independently in their homes has also exceeded target, 209 against 140, though referrals are likely to continue to grow. The overall figure for 2010/11 was187 Disabled Facilities Grants delivered. In addition to this the average cost of an adaptation has been reduced from £6775 in 10/11 to £4709, through leaner procurement and effective specification. Waiting times for actual delivery have also been reduced from 20 weeks in 10/11 to 15 weeks in 11/12. We prevented nearly 500 households from becoming homeless and expect to do more in the coming year. Homelessness is increasing, including dramatic increases in the number of households in temporary accommodation which has risen to 101 households. This equates to a rise of 58% compared to the average in 2010/11. Increasing levels of homelessness and numbers of households in temporary accommodation is a continuing risk due to further welfare reforms being implemented.. The provisional capital outturn for Strategic Housing is £1.478m which is 93.72% of the latest approved budget of £1.577m.

Transport
Final works on the public realm aspects of the East End transport scheme have now been completed. The rail franchise consultation comments have been submitted to the Department for Transport. We will also be submitting our views to the rail franchise bidders, following a 'bidder's workshop' we held. We are looking at local responsibilities for local rail and the role that Plymouth might play in this initiative. Year on year bus punctuality has reduced from 85% in 2010/11 to 81% in 2011/12. This reduction was largely a result of work affecting major bus corridors throughout the year including the East End Scheme, Wales and West Gas replacement works and works on Outland Road. Since the completion of the East End Scheme the operators have seen significant improvements and consistent journey times through the corridor, which is beneficial for both passengers and route planning. The provisional capital outturn for Transport & Highways is £13.892m which is 86.86% of the latest approved budget of £15.994m.

Regarding Highways Agency: Following the very successful work with the Highways Agency on the management of the local and strategic road network during the America's Cup event last year, we are continuing to work with the HA to assist the management of traffic moving between strategic and local networks using variable message signing and on preparing bids to secure "Pinch Point Funding" - the objective being to stimulate economic growth by reducing stress on the strategic road network.

Planning
The service has enabled £1.5 Billion of development to be approved in the last 3 years with £748.1 of development approved last year. Of this £538 Million has been completed or is under construction. The service has dealt with 83 major developments last year approving 90.8% including the North Yard Energy from Waste Plant and Sherford. Planning Application performance in 2011/2012 was the highest ever with 80.7% for majors, 85.2% for minors and 90.7% for householder applications determined within time. Plymouth has been part of the national front-runner project and has published its draft Community Infrastructure Levy Charging Schedule. Consultations on the exciting proposals for the creation of the Derriford Community Park and revisions to the Planning Obligations and Affordable Housing SPD were also undertaken in the year. Successful bids for Local Nature Partnerships and Get Britain Building, together with £12.7 Million of negotiated Section 106 contributions, has helped to maintain the momentum of the growth agenda. In addition over 500 planning compliance cases were resolved during the year and numerous community events delivered through the innovative Stepping Stones to Nature project.

Waste PFI
The Energy from Waste scheme was approved at planning stage. The provisional capital outturn for Waste Management Projects is £4.039m which is 93.73% of the latest approved budget of £4.309m.

9.2 Medium Term Issues

- In terms of policy the recently launched Growing Places Fund of which £21.5 million has been allocated to the Heart of the West LEP, places an onus on councils to provide the 'technical and financial expertise' to deliver projects which unlock growth and the ED service will make an essential contribution to this policy and challenge for Plymouth as an authority.

- Community Infrastructure Levy: will replace Section 106 agreements and has major resourcing implications for future infrastructure planning and coordination of resources to support growth.

- Economic Climate: fragile economy has necessitated radical and innovative approach to overcome development viability through Market Recovery Scheme. Planning application fee income is still weak as a consequence although applications are rising raising workload implications if not managed carefully.

10. Corporate Support

10.1 Revenue Position – 2011/12 Year-end

Latest Approved Budget	Actual Outturn	Corporate Health Adjs	Final Outturn	2011/12	Variance – Adv/(Fav)
£000	£000	£000	£000	CORPORATE SUPPORT	£000
180	176		176	Departmental Management	(4)
13,939	13,972		13,972	Finance, Assets & Efficiencies	33
3,231	3,191		3,191	HR & Organisational Development	(40)
5,439	5,439		5,439	ICT Information Systems	0
2,072	1,976		1,976	Customer Services	(96)
5,062	4,931		4,931	Democracy & Governance	(131)
(357)	(257)	6	(251)	Budget Savings	106
29,566	**29,428**	**6**	**29,434**	**TOTAL GENERAL FUND**	**(132)**

Responsible Officers: JP Sanders / Tim Howes / Malcolm Coe / Mark Grimley / Neville Cannon

Customer Services
Customer Service performance has been excellent in Q4 as the new structure bedded in quicker than anticipated and individual frontline staff performed well across the range of services we deliver. We have had a record quarter for compliments. Main reception continues to struggle with ever increasing face to face visitors caused by the economic situation. All information measures continue to be a concern, but the initial ILOG meeting has set a platform for a renewed focus on improving corporate performance across these areas.
Libraries continue to outperform the national average and 2012/13 sees a number of new customer focussed initiatives, such as the Our Health pilot where customers get information to help manage their condition.

Democracy and Governance
Close monitoring and review of all budget heads has enabled the forecasts to be met despite the unforeseen budget pressures. An additional benefit has been the ability of the Legal service to increase their fee income through shared working/services. The year-end figures shows an overall underspend of £0.131m against budget.

ICT
The provisional capital outturn for ICT Information Systems is £0.605m which is 80.77% of the latest approved budget of £0.749m.
Availability of the top 14 services has consistently remained above target throughout the year. A bug in the Microsoft software affected performance for March 2012, however relevant fixes have addressed this problem.

HR

An average of 9.78 days per FTE across the Council is the sickness absence outturn for 2011/12. This is an improvement of 2.14 days per employee compared with 2010/11 where the end of year outturn was 12.92 days.

Finance, Assets and Efficiencies

Improvements to Revenues and Benefits processing times are starting to materialise. The backlog of 'change in notification' cases, which stood at 2,600 when the new structure was implemented in November 2011, has now been cleared. We have absorbed a significant increase in service demand bought about by the economic environment and response to a successful benefit take up campaign. The new structure, coupled with a detailed improvement plan for the service, will continue to reduce processing times and we are now looking at achieving an overall target of 15 days by August 2012 (compared to 30 days as at the beginning of 2011 12). The financial target for reducing spend across the service has been achieved and exceeded. The provisional capital outturn for Finance, Assets & Efficiencies is £5.020m which is 83.53% of the latest approved budget of £6.010m.

Core income targets for the year have been narrowly missed. However, for the third year in a row, the actual percentage of income collected for Council Tax has improved.

10.2 Risks and Issues

- Challenge of improving support services whilst managing down spend and meeting delivery plan savings targets;
- Capacity within the department to support the Council's change agenda and challenging financial targets
- Ensuring that expertise is retained throughout the service and redundancy costs are minimised
- Accommodation Strategy – risk of not achieving required revenue long term savings through delays in obtaining a long term solution for the future of the Civic Centre.
- Any delay in the implementation of the new Customer Relationship Management system will delay the move of services into the Customer Service team and subsequent cross cutting delivery plan.

10.3 Medium Term Issues

HR

The Council is replacing its HR and Payroll systems and has entered into contracts for the implementation of these new systems. The proposal is to go live during the middle of 2012/13.

Finance, Efficiencies, Technology and Assets (FETA)

Provision has been made in the revenue budget to meet the costs of the routine maintenance of the Council's operational buildings. Improvement works are charged to the capital budget. The asset management strategy identifies that there is a significant backlog in maintenance obligations. Risks include health and safety issues that may arise during the year and the uncertainties over the future of the Civic Centre.

The national economic climate is having an impact on the local authority. This may result in reduced collection rates for the Authority.

ICT continues working on vital projects such as HR Payroll, new way of working roll-out, the building of the new data centre, the designing and provisioning of services to facilitate the co-location with Health, and the planning for an eventual move out of the Civic Centre.

Within revenues and benefits department, officers are working closely with central government and DWP and other local authorities to ensure as smooth a transition as possible to the new ways of processing benefit claims. This is part of the Government's Welfare Reform initiative, with a proposed implementation date of April 2013.

Democracy & Governance

There are potential pressures for 12/13 and beyond around known and potential elections. For example, if a referendum on executive arrangements for the Council is "Yes" for a Mayor then there has to be a full election within 6 months, with the costs associated with this a pressure to revenue budget.

11. Executive Office

11.1 Revenue Position – 2011/12 Year-end

Latest Approved Budget	Actual Outturn	Corporate Health Adjs	Final Outturn	2011/12	Variance – Adv/(Fav)
£000	**£000**	**£000**	**£000**	**DEVELOPMENT & REGENERATION**	**£000**
479	438		438	Departmental	(41)
1,661	1,720		1,720	Performance & Policy	59
471	478		478	Corporate Communications	7
0	0	0	0	Budget Savings	0
2,611	**2,636**	**0**	**2,636**	**TOTAL GENERAL FUND**	**25**

Responsible Officers: Giles Perrit, Richard Longford

Chief Executive

The final outturn position for the Executive office is a minor over spend of £0.025m detailed above.

12. Corporate Items and Cross Cutting Issues

Revenue budget forecasted out-turn

12.1 **Corporate Items - Revenue Budget Monitoring – underspend (£0.899m), prior to corporate health adjustments**

A summary of the main variations for the year is outlined below:

	£000
Capital Financing - other	(389)
Low paid employees pay award, not used	(200)
Enhanced superannuation	(55)
Support Service recharges	(61)
NNDR Refunds from revaluation	(148)
Contingency	(500)
Additional bad debt provision	325
Insurance provision	(325
Carbon Reduction Commitment CRC 2011/12	240
Additional Pension contributions	297
Insurance premium savings	(144)
Other variances	61
TOTAL VARIANCE	**(899)**

Further details on the main variations are given below.

(a) Capital Financing Budget – favourable variation (£0.389m)

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 21 June 2012. 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.

(b) Low paid pay award – (£0.200m)

Included in the 2011/12 budget was an allowance for "low paid" employees to receive a one-off pay increase of a flat £250. This was following guidance from central government. As we were unsure of the timing of the award, the money was set aside in corporate items rather than being charged to each department. This award was not actioned as advice changed and we maintained our pay freeze across all levels of staff.

(c) Carbon reduction Commitment levy – £0.240m

This was the first year of the government's new levy on carbon reduction. The cost was not included in the budget as it was not clear how and when the charge would first be implemented. The total charge for the city is estimated at £.400m but we have ensured the schools and academies have taken their share at £0.160m. we are working with Salix to progress green schemes to reduce both the council's and the schools' future exposure to the levy.

(d) Additional pension contributions - £0.297m

The Council is subject to a rolling three year valuation of its pension fund. This valuation sets the level of pension contributions required from both employees and the council. At the end of 2011/12 being the first of the three years, the pension administrator has advised us of an in-year funding gap of £0.297m. This is expected to be repeated in the next two years also.

(e) Additional transfer to bad debt provision £0.325m offset by reduction in insurance provision £(0.325m)

These movements are detailed in an earlier section of this report.

Section E – Treasury Management

13. Treasury Management Activity

13.1 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 2012. However, Treasury Management activity forms an integral part of the Council's budget and this section summarises the main financial implications for the year.

13.2 The Council's borrowings and investments at the end of March 2012 are shown below. In accordance with the Council's treasury management strategy no long term borrowing was taken in 11/12 with any borrowing requirement met from short-term borrowing and internal balances to reduce credit risk. At 31 March 2012, the Council's investments had reduced from £165.802m to £62.486m and its borrowings from £286.383m to £206.398m. A further £21.89m of deposits had been made on behalf of the Heart of the South West Local Enterprise Partnership (LEP) with Plymouth City Council acting as the accountable body for the Growing Places Fund.

13.3 The Council received investment interest of £2.08m and paid out £9.234m in interest against borrowings during the year as shown in the table below. External interest payments increased as a result of short-term borrowing taken for part of the year as an alternative to using internal balances to meet cashflow requirements. The use of short-term borrowing allowed for increased investment income from cashflow and longer-dated deposits increasing investment income.

Table 7

	2010/11 Budget £000	**2010/11 Outturn £000**	**Variance £000**
External Interest payable	8,872	9,234	362
External Interest receivable	(1,593)	(2,080)	(487)
Net Interest payable for year	**7,279**	**7,154**	**(125)**

Borrowing

13.4 The Council's loans at 31 March 2012 were:

	Principal O/S £000	**Average Rate %**
PWLB (Public Works Loan Board)	61,315	5.4001
Market Loans	130,000	4.4202
Bonds	83	1.1668
Temporary Loans	15,000	0.2900
Total Borrowing @ 31/03/12	**206,398**	**4.4098**
PFI	31,017	
Finance Leases	2,585	
Total Debt 31/03/12	**240,000**	

13.5 The borrowing limits for 2011/12, originally approved by Council in March 2011 were as follows:

- Authorised limits £368m
- Operational Boundary £343m

The revised prudential indicators, as presented to Cabinet on the 7 February 2012 and subsequently approved by Full Council on 27 February 2012, reduced the limits to fall in line with the Council's strategy to reduce debt when credit conditions worsened as was the case during the second half of the year. The approved updated limits were as follows:

- Authorised limits £291m
- Operational Boundary £271m

13.6 The maximum debt outstanding in 2011/12 was £325.959m on 11 April 2011 (including £31.753m for the PFI scheme and £3.263m of Finance Leases). This was within both the authorised limit and the operational boundary. Following the reduction in borrowing limits in February 2012 the maximum debt outstanding reached £241.414m on 20 March 2012. This was again within both the updated authorised limit and operational boundary.

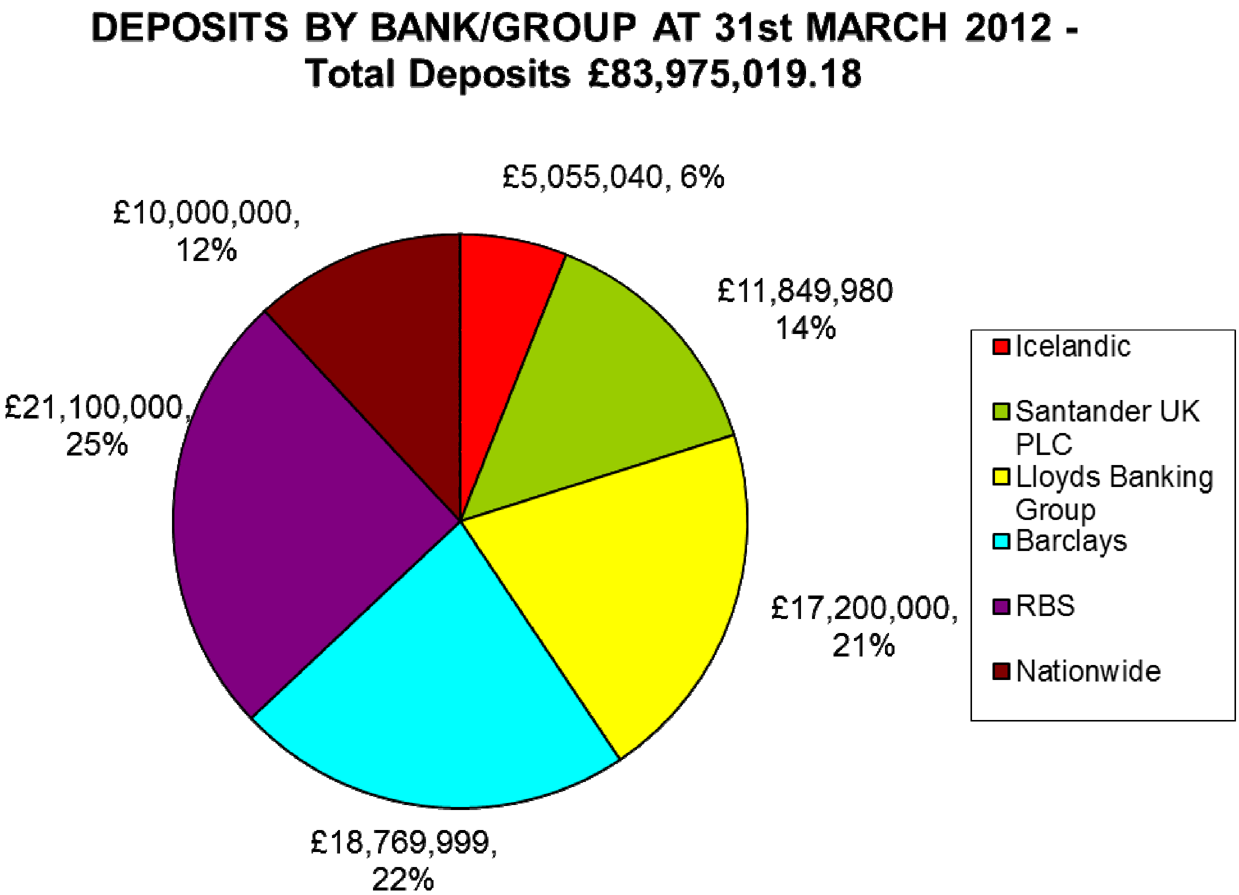
13.7 Overall Debt Performance for the year

The average interest rate on the Council's borrowing has increased over the course of the year from 3.3222% to 4.4098%. This rate reflects the position at the end of each financial year (i.e. at 31 March for 2011 and 2012). The increase in rates is due to the repayment of low rate short-term loans using internal balances as credit conditions worsened over the second half of the year. 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 2011/12 was 3.9652% compared with a rate of 3.5476% for 2010/11.

Investments

13.8 At 31 March 2012 the Council's investments stood at £62.586m with a further £21.49m invested on behalf of the Heart of the South West LEP. This has reduced from £165.802m at 31 March 2011due to the repayment of short-term loans and the use of internal balances to cover the capital financing requirement.

13.9 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 with investment limited to the use of call accounts to manage cash flow.



13.10 <u>Overall Investment performance for the year</u>

During 2011/12 the Council invested for a range of periods from overnight to 15 months, 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 1.02978% was achieved for new investments (including investments made on behalf of the LEP) in the year against a budget of 1%.

Table 8

	Average Investment	Benchmark Rate %	Actual Return %
Internally Managed	£127.035m	0.54	1.3647

The table shows that the internal performance exceeded the benchmark for the year, despite the restricted investment counterparty list and tighter limitations placed on deposits in the second half of the year.

13.11 Icelandic Banks Update

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

13.12 Heritable Bank £3m

The Council received further dividends totaling 17.81p in the £ in 2011/12, made up of principal of £0.534m and interest of £0.027m, bringing total dividends paid to 31st March 2012 to 67.92%.

13.13 Glitnir £6m

In March 2012 the council received £5.033m made up of principal of £4.742m and interest of £0.291m.

13.14 Landsbanki £4m

In February 2012 the Council's receipt amounted to £1.230m made up of principal of £1.165m and interest of £0.065m.

13.15 The Council continues to pursue the recovery of the outstanding monies through the Icelandic Courts in partnership with the LGA.

13.16 The cost of the continuing external legal advice has been met from the Council's internal reserve set up for Icelandic bank issues. A sum of £0.020m has been incurred in 2011/12.

13.17 Impairment of Icelandic bank deposits

In the 09-10 Accounts impairment was calculated based on an estimate of future collections. At this point the impairment of the deposits was calculated as £5,903,956.28. To cover this impairment a capital direction was applied for and agreed to the value of £5.7m. This allowed the Council to capitalise this expenditure and spread the charge to revenue over 20 years. The remaining balance of £203,956.28 was met by a transfer from the internal Icelandic Bank reserve. This reserve had been created to cover Icelandic legal costs and losses on recovery of the Icelandic deposits. Following the receipt of dividends in 2011-12 and 2012-13 this impairment has been recalculated and reduced by £767,371.45 so the impairment is in line with the unrecovered deposits. This reductions means that part of the accounting entries made in 2009-10 can be reversed resulting in a transfer back to the Icelandic bank reserve of £203,956.28 increasing the balance in this reserve to £563,886.77. The remaining adjustment £563,415.17 reduces the Council's borrowing requirement and the annual revenue charge over the next 18 years. Any additional receipts prior to the publication of the 11-12 will result in an amendment to these accounts and a further reduction in the impairment.

REVENUE IMPLICATIONS OF TREASURY MANAGEMENT

13.18 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 2011/12.

13.19 The net cost of capital financing to the General Fund in 2011/12 reduced by £0.388m from the 2011/12 budget due to a reduction in MRP of £0.267m, reduced treasury management costs of £0.190m and other cost increases of £0.039m. The MRP is a statutory charge to revenue based on the Council's capital expenditure financed from borrowing. The reduction in treasury management costs is due to use of low rate short term borrowing as an alternative to the use of internal balances to fund capital expenditure and a reduction in debt management costs. Additional MRP and interest payments resulted from PFI schemes however this was matched by grant funding.

Summary of Capital Financing Costs 2011/12

Table 9

	2011/12 Budget £000	2011/12 Outturn £000	Variance £000
External Interest payments	8,872	9,234	362
Interest payable (PFI)	0	2,773	2,773
External Interest received	(1,593)	(2,080)	(487)
Interest transferred to other accounts	50	140	90
Premiums / Discounts written out to Revenue	(189)	(189)	0
Debt Management Expenses	130	115	(15)
Treasury Management Cost	**7,270**	**9,993**	**2,723**
Minimum Revenue Provision	7,285	7,018	(267)
Minimum Revenue Provision (PFI)	0	737	737
Recharges for unsupported borrowing	(1,588)	(1,512)	76
Recovered from trading Accounts	(3,332)	(3,480)	(148)
PFI Grant	0	(3,510)	(3,510)
Net Cost to General Fund	**9,635**	**9,246**	**(389)**

Recommendations:

7. 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 21 June 2012 and Council on 30 July 2012 .

8. Cabinet note the position regarding the Icelandic Banks

SECTION F - CONCLUDING REMARKS

14.1 This report represents a review of the Council's performance for 2011/12. It is the financial position as a t 31 march 2012. 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.

14.2 Council continues to be facing a series of challenging issues into the medium term. Despite the challenge of delivery over £13m of savings in-year, we have achieved a close to budget result of a small over spend of £0.113m. However, we cannot afford to be complacent. To achieve a balanced outturn in 2012/13 we need to deliver a further target of £7.1m of savings.

14.3 In response to this, the Corporate Management Team is working with the Cabinet to develop a change programme that fundamentally challenges the organisation's culture, structure and approach to service delivery. This change programme will continue to progress and be reported on throughout 2012/13.

14.4 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 proved successful during 2010/11 and 2011/12. 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 MTFS regularly as things change will ensure we are able to proactively plan for the future.

14.5 Our result for 2011/12 shows we have come very close to achieving the very challenging budget. We have been able to maintain our Working Balance at £11.3m representing 5.5% of our 2012/13 net budget spend requirement. This is in line with both our MTFS and Unitary Treasurer comparators.

14.6 As stated in our revised June 2012 Medium Term Financial Strategy (MTFS), following the new political administration taking control in May 2012, we will need to flex our future resource allocations to meet our revised priorities.