

CITY OF PLYMOUTH

Subject: Financial Outturn 2012/13 (including Capital Programme update)

Committee: Cabinet

Date: 21 May 2013

Cabinet Member: Councillor Lowry

CMT Member: CMT

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Ref:

Key Decision: No

Part: I

Purpose of Report:

This report is the final monitoring, or outturn, report for 2012/13 and details the financial monitoring position of the Council as at the end of March 2013.

The Revenue position for the year, assuming the transfers to and from reserves as proposed in the report are approved, is a net spend of £204.270m.

As is normal practice, this report proposes a number of adjustments to the financial accounts following the 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 £10.797m at 31 March 2013.

The final Capital outturn position for 2012/13 is £46.504m.

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.

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

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 2013
2. approve the additional transfers to reserves reflected in the outturn figures:
 - Transfer to Plymouth Life Centre Dowry for 2012/13 £ 0.150m
 - Transfer to Pensions Reserve £ 0.150m
 - Transfer to general reserve for CEDT development £ 0.050m
3. note the adjusted revenue deficit for the year of £0.504m and approve that this be met by a transfer from the General Fund Working Balance
4. approve the following net nil transfers between reserves and provisions:
 - Creation of a Transformational Change Reserve £ 0.250m
 - Transfer to the Plymouth Life Centre Dowry (2013/14) £ 0.150m
 - Transfer to the Pension Reserve £ 0.600m
 - Net reduction in Insurance Provision & Reserves £ (0.394)m
 - Reduce VAT repayment reserve £(0.185)m
 - Reduce Icelandic Bank legal reserve £(0.164)m
 - Reduce Housing Rents provision £(0.171)m
 - Reduce general commuted maintenance reserve £(0.086)m
5. note the capital financing requirement of £46.504m and approve the borrowing requirement of £4.806m for 2012/13.
6. Cabinet approve the additional use of capital receipts totaling £0.840m and increasing the revenue Investment Fund Reserve by the same amount.
7. 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 £122.670m for 2013/14 – 2015/16 which also include new approvals since February.

Alternative options considered and reasons for recommended action:

None

Published work / information:

None

Background papers:

None

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	

Sign off:

Fin	mc13 14.01	Leg	1747 8/DV S.	Mon Off	TH01 10	HR	MGI 213/0 05- 002	Assets	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member (s). Malcolm Coe													
Has the Cabinet Member(s) agreed the content of the report? Yes / No													

Plymouth City Council
Finance Monitoring – 2012/13
Quarter 4 Outturn at 31 March 2013

I. Introduction

- I.1 This report reviews the Council's financial performance for the year ended 31 March 2013 and is written in the context of the Medium Term Financial Strategy (MTFS).
- I.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 2012/13 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 is recommending a number of adjustments to provisions and reserves within the report.
- I.3 The outturn figures will now feed into the Council's formal Statement of Accounts, which will include the balance sheet position. Under the Accounts and Audit Regulations 2011 the Director for Corporate Services, as the Council's Section 151 Officer, is required to formally approve the accounts by 30 June 2013. 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.
- I.4 This report contains the following sections and Appendices:-

Section A Finance

- Revenue
- Capital

Section B Human Resources

Appendices

Appendix A	Outturn Variances (Net spend) against budget by Department
Appendix B	Trading Accounts Outturn 2012/13
Appendix C	Movement in Reserves 2012/13
Appendix D	Movement in Provisions 2012/13
Appendix E	Human Resources and Organisational Development data

SECTION A FINANCE

2. General Fund Revenue Budget

2.1 Council approved a net revenue budget of £203.766m for 2012/13 at its meeting on 27 February 2012. Table I below provides a summary of the Council's overall revenue expenditure and compares the draft outturn with the latest approved budget.

2.2 The trading accounts are all within the Place Directorates and a summary is provided at Appendix B.

2.3 Table I End of year revenue outturn by Directorate

Department	Latest Approved Budget £000	Actual 2012/13 £000	Variance prior to adjustments £000	Corporate Health and other adjustments proposed £000	Adjusted Outturn for year £000	Variation to budget post proposed adj. £000
Executive Office	2,449	2,311	(138)	0	2,311	(138)
Corporate Items	2,789	(292)	(3,081)	150	(142)	(2,931)
Corporate Services	31,499	31,205	(294)	0	31,205	(294)
People	123,639	126,671	3,032	150	126,821	3,182
Place	43,390	44,025	635	50	44,075	685
Total	203,766	203,920	154	350	204,270	504

2.4 The monitoring report received by Cabinet on 12 February 2013 forecast a revenue outturn position of £1.4m overspend, however officers were tasked with continuing to take actions to reduce the overspend. Revenue spend has reduced by £1.350m over the last three months of the financial year which reduced the end of year overspend to £0.154m and enabled transfers to reserves of £0.350m to meet specific spending demands.

2.5 The main overspend was Joint Commissioning and Adult Social Care, with a final outturn position of £4.6m overspend. Management action to contain the overspend included measures around sign off of spend at the front door and a review of high cost packages.

2.6 The People Directorate's overall overspending has reduced in the quarter by £0.4m, mostly due to increased grant and other income in the Education, Learning and Family Support Department.

- 2.7 Other management actions to reduce the overspend included the introduction of a time-limited Voluntary Release Scheme (VRS) which produced savings of £0.250m; Carbon Reduction Cost savings £0.2m; all departments undertook a full review of their discretionary spend and delayed expenditure wherever possible.
- 2.8 Corporate contingencies that were being held against the achievement of savings plans have been released monthly as figures have become certain, and has resulted in an increased underspend on Corporate Items of over £1.0m.

3 2012/13 Financial Health Review

- 3.1 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.
- 3.2 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 reserves, which amount to £0.350m:

- 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 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 (this is also a funding condition of Sport England).

- b. Transfer to Pensions Reserve £0.150m

The Council's contribution rate has been maintained at the rate in place before the last triennial review. Any annual shortfalls are required to be met by the Council and this totalled £0.735m in 12/13. It is proposed to top-up the balance from this outturn adjustment and a review of reserves and provisions to allow for potential payments in 13/14 ahead of the next actuarial review.

- c. Transfer to general reserves to fund CEDT development work £0.050m

The Council has made a commitment to looking at developing a new Community Economic Development Trust in the north of the city led by the Place Directorate. This initial expenditure is now planned during 2013/14.

Reserves and Provisions at 31 March 2013

3.3 Working Balance

Approval of the actions outlined above would leave a Working Balance at 31 March 2013 of £10.797m. Transfers to and from the Working Balance during the year were as follows:

	£000
Working Balance at 1 April 2012	11,301
Less : revised outturn position 2012/13	504
Working Balance at 31 March 13	10,797

A working balance of £10.797m equates to approximately 5.1% of the net revenue budget for 2013/14 and remains in line with the approved Medium Term Financial Strategy (MTFS) which is to maintain a Working Balance of at least 5%.

3.4 Earmarked Reserves and Provisions

3.4.1 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 £24.271m at 31 March 2013. This includes schools balances and reserves of £6.428m. At this point the details of the Tamar Bridge and Torpoint Ferry accounts have not been received from Cornwall Council who prepare the accounts and so any balances relating to this activity cannot be updated.

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

3.4.3 Schools Balances

At the end of the year there was a total of £6.428m (£4.449m March 2012) unspent monies against schools' delegated budgets and other reserves. 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).

3.4.4 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 D.

3.4.5 Officers have undertaken a review of provisions and reserves to assess their adequacy to meet known or estimated commitments. As a result of this the following net nil transfers between reserves and provisions are suggested:

- £0.250m is transferred to a transformational change reserve
- A further £0.150m, covering the 2013/14 year, is transferred to the Life Centre Dowry for future maintenance
- £0.600m is transferred to the Pension Reserve
- Reduction in VAT repayment reserve of £0.185m leaving £0.060m to meet potential VAT assessments
- Reduction in Icelandic Bank legal reserve of £0.164m leaving £0.400m to meet potential joint legal costs
- Net reduction in Insurance Provisions and Reserves of £0.394m following year end outstanding claims analysis
- Housing rents provision is reduced by £0.171m
- General commuted maintenance reserve is reduced by £0.086m

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 Plymouth Life Centre Dowry £ 0.150m
 - Transfer to Redundancy Reserve £ 0.150m
 - Transfer to General Reserve for CEDT work £ 0.050m
3. Cabinet note the adjusted deficit for the year of £0.504m and approve that that this be met by a transfer from the General Fund Working Balance.
4. Cabinet approve the following net nil transfers between reserves and provisions:
 - Creation of a transformational change reserve £ 0.250m
 - A further transfer to the Plymouth Life Centre Dowry £ 0.150m
 - Transfer to the Pension Reserve £ 0.600m
 - Net reduction in Insurance Provision & Reserves £ (0.394)m
 - Reduce VAT repayment reserve £ (0.185)m
 - Reduce Icelandic Bank legal reserve £ (0.164)m
 - Reduce Housing Rents provision £ (0.171)m
 - Reduce general commuted maintenance reserve £ (0.086)m

4. Capital Programme

- 4.1 The final outturn position for 2012/13 is £46.504m which is shown by Directorate in the table below

Table 3 – Capital Outturn 2012/13

Directorates	Movement in Period			2011/12 Outturn £000
	Budget Report Feb 13	Reprofiling	Variations	
	£000	£000	£000	
People	33,628	(2,406)	115	31,337
Place	10,980	(1,932)	(104)	8,944
Corporate Services	7,738	(1,785)	271	6,223
Total	52,346	563	281	46,504

Capital Financing

- 4.2 Table 4 below shows the final financing position:

Table 4 – Financing of 2012/13 Capital Programme

Method of Financing	£'000
Supported Borrowing	107
Unsupported Borrowing	4,699
Total Borrowing	4,806
Capital Receipts	6,874
Grants	31,975
Contributions	1,171
Section 106 / RIF	705
Direct Revenue Financing	973
Sub-Total Other Financing	41,698
Total Capital Financing	46,504

- 4.3 The Council has created an investment fund of £20.0m funded from a mixture of capital and revenue resources. As part of reviewing the financing of the overall 2012/13 capital programme officers have identified an opportunity to increase the funding from capital receipts in 2012/13 (which were originally due to fund the Investment Fund in future years) rather than planned revenue reserves. This if approved will increase the revenue financing portion available within the £20m Investment Fund, thereby increasing the flexibility of the Fund to support more revenue initiatives if required.

Recommendations:

5. Cabinet note the capital financing requirement of £46.504m and approve the borrowing requirement of £4.806m for 2012/13.
6. Cabinet approve the additional use of capital receipts totalling £0.840m and increasing the revenue investment fund reserve by the same amount.

Capital Medium Term Forecast

- 4.4 The capital programme approved at February Council was £115.909m for the period 2013/14 – 2015/16. The closure of accounts process has identified further changes due to re-profiling and other variations, and there are also a number of new schemes for approval.

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

	Feb'13 Budget £000	New Schemes £000	Re-profiling £000	Variations £000	Revised Medium Term forecast £000
2013/14	64,016	762	6,379	(55)	71,102
2014/15	35,159	202	(185)	(292)	34,884
2015/16	16,734	0	(50)	0	16,684
Total	115,909	964	6,144	(347)	122,670

New Schemes for approval	2013/14 £000	2014/15 £000	Total £000
Additional DfT grant for carriageway resurfacing	383	202	585
Flood defence works at Arnold Point funded by Environment Agency flood defence grant	337	0	337
Explorers Park at Lancaster Gardens funded by S106 and ringfenced contribution	42	0	42
Total	762	202	964

Recommendations:

7. Cabinet approve the new schemes and the revised capital programme for 2013/14 – 2015/16 totalling £122.670m.

SECTION B HUMAN RESOURCES

5. Human Resources Key Messages

- 5.1 At the end of March 2013, there were 3838 employees (3063.0 FTE) compared to 4155 employees (3248.5 FTE) in March 2012. This is a reduction of 317 employees (185.5 FTE).
- 5.2 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 2012/13, 6% was spent on agency staff.
- 5.3 Sickness absence continues with a downward trend and departmental targets have been introduced during 2012/13. The sickness outturn for 2012/13 is 9.23 days per FTE (excluding schools) compared to 9.78 days per FTE for 2011/12 and 12.92 days per FTE in 2010/2011.
- 5.4 During 2012/13 (April 2012-March 2013), 48 people have been made redundant and left the Authority.
- 5.5 A total of 97 joined the redeployment register between 1 April 2012 and 31 March 2013 for the following reasons:-

End of apprenticeship	1
Capability	1
Ill Health	12
Redundancy	78
Other (e.g. disciplinary outcome, end of particular temp contracts)	5
Total	97

- 5.6 26 people were redeployed during 2012/2013.
- 5.7 An additional 11 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.
- 5.8 A 'time limited' voluntary release scheme operated during part of 2012/13, and 101 choose to leave the authority.
- 5.9 Detailed information on staff numbers and sickness absence by Directorate and Department is contained in Appendix E.