

PLYMOUTH CITY COUNCIL

Subject: Financial Outturn 2013/14 (including Capital Programme update)

Committee: Cabinet

Date: 17 June 2014

Cabinet Member: Councillor Lowry

CMT Member: Malcolm Coe (Assistant Director for Finance)

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Ref:

Key Decision: No

Part: I

Purpose of the report:

This report is the final monitoring, or outturn, report for 2013/14 and details the financial monitoring position of the Council as at the end of March 2014.

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 £212.618m.

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 £10.739m at 31 March 2014.

The final Capital outturn position for 2013/14 is £47.2174m.

The Brilliant Co-operative Council Corporate Plan 2013/14 – 2016/17:

In July 2013, the Council adopted a new Corporate Plan, to be a Brilliant Co-operative Council. The plan contains ambitious objectives around the themes of Pioneering, Growing, Caring and Confident Plymouth. It focuses on Co-operative values which will inform the way that the Council goes about its business.

This quarterly report is fundamentally linked to delivering the priorities within the Council's Corporate Plan and sets out how the Council allocates its limited resources to key priorities to maximise the benefits to the residents of Plymouth.

Implications for Medium Term Financial Plan and Resource Implications:

The 2013/14 was the final year of our initial three year financial plan covering 2011/12 to 2013/14. The revenue budget set an ambitious target of reducing spend by £17.6m in year, which is over 8% of the total budget. The final outturn at the end of the year was just £0.058m more than the budget target that we set, which is a tremendous achievement and testament to the strong financial management and discipline across all areas of the council.

Balancing the budget without the need to draw down against our financial reserves provides us with a strong foundation to address the challenges ahead. However, there are specific areas of departmental service pressure that continue to present us with significant financial risk moving forward, mainly in relation to our Co-operative Commissioning and Adult Social Care programme where costs exceeded the budget by £2.1m at year end. With increasing client numbers linked to people living longer, there is even more need to join in partnership with colleagues from health to place our combined limited funding into preventative work, supporting people to live healthy live-styles within the community.

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.

All actions taken as part of the Corporate Health adjustments have been considered for their impact on: council priorities, legal obligations, customers and other services and partners.

Equality and Diversity

We have given due-regard to our Public Sector Equality Duty for all relevant management actions.

Recommendations and Reasons for recommended action:

That Cabinet:-

1. note the provisional outturn position as at 31 March 2014
2. note the additional, unbudgeted, income included as part of the “Corporate Health Adjustments” for 2013/14 from:
 - The Devon-wide Business Rates Pool £ (0.479)m
 - Small Business Rates Relief £ (1.004)m
3. approve the additional transfers to and from reserves reflected in the “Corporate Health Adjustments” within the outturn figures:
 - Transfer to Pensions Reserve £ 0.500m
 - Transfer to Redundancy Reserve £ 0.781m
 - Creation of a Skills Agenda Reserve £ 0.100m
 - Creation of a 100th Year Celebration Reserve £ 0.400m
 - Reduce the Insurance Reserve £ (0.454)m

4. note the adjusted revenue deficit for the year of £0.58m and approve that this be met by a transfer from the General Fund Working Balance.
5. approve the following net nil transfers between reserves and provisions:
 - Reduce Bad Debt Provision £(0.510)m
 - Creation of a “City Deal for Young People” Reserve £ 0.100m
 - Transfer to Waste Reserve £ 0.410m
6. Approve the following net nil transfers between reserves and provisions to top up the Transformation Reserve created in March 2013:
 - Reduce Icelandic Bank Reserve £(0.300)m
 - Delete Job Evaluation Contingency Reserve £(0.035)m
 - Reduce Job Evaluation / Equal Pay Reserve £(0.328)m
 - Delete Job Evaluation / Equal Pay Administration Reserve £(0.091)m
 - Delete VAT Repayment Reserve £(0.061)m
 - Delete Invest to Save Reserve £(0.135)m
 - Transfer to Transformation Reserve £ 0.950m
7. note the capital financing requirement of £47.217m and approve the borrowing requirement of £4.545m for 2013/14.
8. note the re-profiling changes to the capital programme identified during the outturn process subsequent to Council approval in February 2014.

Alternative options considered and rejected:

None considered.

Published work / information:

The Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) [Regulations](#) 2003

Capital Financing [Regulations](#) (2012)

Background papers:

None

Sign off:

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Originating SMT Member: Malcolm Coe													
Have the Cabinet Members agreed the contents of the report? Yes													

Plymouth City Council
Finance Monitoring – 2013/14
Quarter 4 Outturn at 31 March 2014

I. Introduction

I.1 This report reviews the Council's financial performance for the year ended 31 March 2014.

I.2 It is appropriate, given the financial challenges facing the Council in the next financial year and the medium term, that as part of reporting the final position for 2013/14 further consideration is now given to future levels of the Working Balance and reserves. As is normal practice at this time of year, the Chief Finance Officer, the Assistant Director for Finance 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 Assistant Director for Finance, as the Council's Section 151 Officer, is required to formally approve the accounts by 30 June 2014. 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 Revenue Finance**
- **Section B Capital Programme**

- Appendix A Revenue outturn variances by department 2013/14
- Appendix B Trading Account outturn 2013/14
- Appendix C Movement in Reserves Summary 2013/14
- Appendix D Movement in Provisions Summary 2013/14

SECTION A REVENUE FINANCE

2. General Fund Revenue Budget

2.1 Council approved a net revenue budget of £212.560m for 2013/14 at its meeting on 25 February 2013. 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

Directorate	Latest Approved Budget	Actual Outturn 2013/14	Variance prior to adjustments	Corporate Health and other adjustments proposed	Adjusted Outturn 2013/14	Variation to budget post proposed adj.
	£m	£m	£m	£m	£m	£m
Executive Office	2.225	2.320	0.095	(0.098)	2.222	(0.003)
Corporate Items	6.285	6.098	(0.187)	(0.058)	6.040	(0.245)
Corporate Services	30.538	30.224	(0.314)	0.000	30.224	(0.314)
People	130.483	131.345	0.862	0.000	131.345	0.862
Place	43.029	42.787	(0.242)	0.000	42.797	(0.242)
Total	212.560	212.774	0.214	(0.156)	212.618	0.058

2.4 The monitoring report received by Cabinet on 11 February 2014 forecast a revenue outturn position of £0.993m over spend at the year end, and officers were tasked with continuing to take actions to reduce the overspend. Revenue spend has reduced by £0.779m over the last three months of the financial year which reduced the end of year overspend, before adjustments, to £0.214m.

2.5 The main overspend was Co-operative Commissioning and Adult Social Care, with a final outturn position of £2.1m overspend. Management action to contain this overspend included measures around sign off of spend at the front door and a review of high cost packages.

2.6 Other savings within the directorate reduced the overall People directorate overspend to £0.862m.

2.7 Across the Council, management actions to reduce the overspend included the introduction of a time-limited Voluntary Release Scheme (VRS) which resulted in 45 members of staff choosing to leave the authority's employment, produced savings in excess of £0.150m; all departments undertook a full review of their discretionary spend and delayed expenditure wherever possible.

- 2.8 The Corporate revenue contingency of £1.3m was established to fund one-off in-year budget pressures; as drawdown against this contingency have been authorised, we have released the unrequired balance of £0.500m has resulted in an increased underspend on Corporate Items.

3 2013/14 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 Assistant Director for Finance and Corporate Management Team (CMT) are recommending the following Corporate Health Adjustments, including transfers to and from reserves, which amount to a net £(0.156)m:

- a. Transfer to Pension Reserve £0.500m

The Council’s contribution rate has increased for 2014/15 following the triennial review which concluded in March 2014. The contribution rate is based on a minimum funding contribution towards the legacy deficit position. With a reducing workforce, it is likely we will face a shortfall in our contribution in 2014/15. Any annual shortfalls are required to be met by the Council and this totalled £1.036m in 2013/14. 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 2014/15.

- b. Transfer to Redundancy Reserve £0.781m

The balance brought forward 1 April 2013 of £1.722m was reduced to £0.922m following the transfer of £0.800m to the Waste Reserve as part of the 2014/15 budget recommendations. During the financial year 2013/14 we drew down £1.071m to fund redundancy payments with a further drawdown of £0.332m spent to fund our Voluntary Release Scheme (VRS), leaving an unadjusted closing balance of £(0.481)m. This transfer into the reserve of £0.781m will give a carry forward balance of £0.300m towards funding redundancies during 2014/15.

- c. Transfer to Skills Agenda Reserve £0.100m

The Council has made a commitment to looking at developing the skills agenda in the city with the expenditure planned during 2014/15.

- d. Creation of a 100th Year Celebration Reserve £0.400m

The Cabinet meeting 10 December 2013 approved the allocation of £0.395m to fund a series of significant events during July 2014, as part of Plymouth’s 100 year celebrations. One of the events, which will showcase the very best that the city has to offer, has subsequently been confirmed as the Music TV channel (MTV) which will “crash” Plymouth with live concerts and inserts of the city being broadcast across the world.

e. Transfer from Insurance Reserve £(0.454)m

Following a full review of our claims history, as part of the closedown procedures, we are able to release the amount of £0.454m from our Insurance Reserve. This will leave a balance to carry forward into 2014/15 of £1.3m.

f. Additional Business Rates 2013/14 £(0.479)m

Following changes to the collection of National Non Domestic Rates (NNDR), more commonly known as Business Rates, all of the Local Authorities across Devon set up a Business Rates Pool. This allows the authorities to share any benefits as a result of growth within the Pool. Plymouth City Council did not include any estimated additional income in the 2013/14 budget; the benefit for the year has now been confirmed as £0.479m and is being recognised as part of the Corporate Health Adjustments.

g. Additional Small Business Rates Relief 2013/14 £(1.004)m

Following changes by Central Government to the allocation of the Small Business Rates Relief for 2013/14, Plymouth City Council did not include any estimated additional income in the 2013/14 budget; the benefit for the year has now been confirmed as £1.004m and is being recognised as part of the Corporate Health Adjustments.

Reserves and Provisions at 31 March 2014

3.3 Working Balance

Table 2 Working Balance

Approval of the actions outlined above would leave a Working Balance at 31 March 2014 of £10.739m.

	31 March 2103	Less Outturn	31 March 2014
Working Balance	£10.797m	£0.058m	£10.739m

A working balance of £10.739m equates to approximately 5.2% of the net revenue budget for 2014/15 of £204.680m 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 £27.366m at 31 March 2014 (up from £24.271m at 31 March 2013). This includes schools balances and reserves of £9.516m (up from £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 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.

3.4.4 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:

- Reduce Bad Debt Provision by £0.510m to reflect increased collection rates
- Transfer £0.100m to a “City Deal for Young People” Reserve

3.4.5 Transformation Reserve

As part of the 2012/13 Outturn Report and following a recommendation from Cabinet to full Council agreed on 10 June 2013, a Transformational Change Reserve was created with a balance of £0.250m. During the financial year 2013-14, up-front costs for the preparation of the Transformation Programme have been met from this reserve. A further recommendation was made by Cabinet on 3 September 2013 to review earmarked reserves and balances to ensure that the Transformational Change Reserve was adequate to cover cash flow requirements for the period of 2013/14 to 2016/17. This recommendation was agreed by Council on 16 September 2013. The 3 Year Sustainable Budget report to Cabinet on 10 December 2013 reported a Transformational Change Reserve of £1.7m, to be fully drawn down by the end of March 2014.

The funding of the £1.7m was made up of the original £0.250m reserve balance, plus £0.500m included as part of the Corporate Items for 2013/14 and the following transfers totalling £0.950m:

• Reduce Icelandic Bank Reserve	£(0.300)m
• Delete Job Evaluation Contingency Reserve	£(0.035)m
• Reduce Job Evaluation / Equal Pay Reserve	£(0.328)m
• Delete Job Evaluation / Equal Pay Administration Reserve	£(0.091)m
• Delete VAT Repayment Reserve	£(0.061)m
• Delete Invest to Save Reserve	£(0.135)m

3.4.6 Schools Balances

At the end of the year there was a total of £9.516m (£6.428m March 2013) 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).

Recommendations:

That Cabinet:-

1. note the provisional outturn position as at 31 March 2014
2. note the additional, unbudgeted, income included as part of the “Corporate Health Adjustments” for 2013/14 from:
 - The Devon-wide Business Rates Pool £ (0.479)m
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3. approve the additional transfers to and from reserves reflected in the “Corporate Health Adjustments” within the outturn figures:
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 - Delete VAT Repayment Reserve £(0.061)m
 - Delete Invest to Save Reserve £(0.135)m

 - Transfer to Transformation Reserve £ 0.950m

SECTION B CAPITAL PROGRAMME

4. Capital Programme

4.1 The final outturn position for 2013/14 is £47.217m which is shown by Directorate in the table below

Table 3 – Capital Outturn 2013/14

Directorate	Latest Budget £m	Re-profiling £m	Variations £m	Year end £m	Change £m	Total %
Place	18.890	(4.603)	(0.007)	14.280	(4.611)	76%
People	30.257	(1.035)	(0.242)	28.980	(1.277)	96%
Corporate Services	5.436	(1.411)	(0.067)	3.957	(1.479)	73%
Total	54.583	(7.049)	(0.316)	47.217	(7.367)	87%

4.2 The 2013/14 programme has enabled investment in some notable schemes, including £20m on building and maintaining schools and academies, £4m on removing potholes in roads, £1.9m on Disabled Facilities Grants, a £2m contribution towards the regeneration and modernisation of Plymouth Theatre Royal, supporting £1.6m of Vehicle and Plant replacement on an invest to save basis.

4.3 The year- end position highlights £7.049m re-profiling of schemes into 2014/15, many of these relate to transactions planned to take place towards the end of the year that have not quite come to fruition in time. The main areas are:

- £2.0m of transport schemes
- £1.0m Seaton Land acquisition
- £0.8m settling final account re Chelson Meadow
- £0.4m vehicle replacement

4.4 The main variation relates to a reduction in education spend because some academies have directly procured elements of wider projects that the Councils originally planned to procure for them.

Capital Financing

4.5 Table 4 below shows the final financing position:

Table 4 – Financing of 2013/14 Capital Programme

Method of Financing	£m
Total Unsupported Borrowing	4.545
Capital Receipts	3.114
Grants	34.138
Contributions	0.992
Section 106 / RIF	1.186
Direct Revenue Financing	3.242
Sub-Total Other Financing	42.672
Total Capital Financing	47.217

Recommendations:

That Cabinet:-

7. note the capital financing requirement of £47.217m and approve the borrowing requirement of £4.545m for 2013/14.
8. note the re-profiling changes to the capital programme identified during the outturn process subsequent to Council approval in February 2014.