

PLYMOUTH CITY COUNCIL

Subject: Capital and Revenue Monitoring Report 2014/15
Committee: Cabinet
Date: 2 September 2014
Cabinet Member: Councillor Lowry
CMT Member: CMT
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Ref:
Key Decision: No
Part: I

Purpose of the report:

This report outlines the finance monitoring position of the Council as at the end of June 2014, updated to incorporate July '14 spend and profile information.

The primary purpose of this report is to detail how the Council is delivering against its financial measures using its capital and revenue resources, to approve relevant budget variations and virements, and approve new schemes to the capital programme.

The estimated revenue overspend is £4.607m as at July 14. The overall net spend equates to £209.387m against a budget of £204.680m, which is a variance of 2.25%. This needs to be read within the context of setting £16m of management and net transformation savings in 2014/15 on the back of balancing the 2013/14 revenue budget where £17.8m of net revenue reductions were successfully delivered.

Key pressure points remain in Adult Social Care where, although client numbers are broadly in line with the set budget, the average cost per care package per client is significantly higher (which reflects the more complex needs of clients that we are supporting). In addition, the number of children within the council's care is approx 40 more than the set budget which equates to an projected overspend of circa £1.45m. A thorough review of all high cost placements is underway and a number of additional actions have been put in place to contain spend on social care in the current year.

The projected council overspend has improved by £1.072m from the position as reported at the end of May '14.

Additional management solutions and escalated action to deliver further savings from the council's transformation programme will be brought to the table over the coming weeks in order to address the in year forecasted overspend.

Table 1: End of year revenue forecast

	Budget £m	Forecast Outturn £m	Variance £m
Total General Fund Budget	204.680	209.287	4.607

The latest capital programme covering 2013/14 to 2016/17 stood at £207.670m which was approved at Full Council on 24 February 2014 (including Tamar Bridge & Torpoint Ferry at £7.445m). Following the approval of new schemes identified in this report, re-profiling and variations, and the inclusion of future years government grants and other identified income streams, (such as increased developer contributions), the revised capital programme for 2013/14 to 2016/17 is £216.398m (an increase of £8.728m)

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

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

Robust and accurate financial monitoring underpins the Council's Medium Term Financial Plan. The Council's Medium Term Financial Forecast is updated regularly based on on-going monitoring information, both on a local and national context.

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

The reducing revenue and capital resources across the public sector has been identified as a key risk within our Strategic Risk register. The ability to deliver spending plans is paramount to ensuring the Council can achieve its objectives to be a Pioneering, Growing, Caring and Confident City.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

That Cabinet:-

1. Note the current revenue monitoring position and action plans in place to reduce/mitigate;
2. Approve the non-delegated revenue budget virements as set out in Table 4;
3. Note the new schemes added to the Capital Programme, totaling £3.866m, by the Leader under delegated authority;
4. Note the increase in the medium term Capital Programme funding to £216.398m;
5. Recommends that the City Council gives the following delegated authority for approval of any changes to existing capital schemes, within the overall affordability envelope, based on a sound rationale -

Up to £200,000	Responsible Finance Officer in consultation with the relevant Cabinet Members
Above £200,000	Leader in consultation with the relevant Cabinet Member(s) (following consultation with the City Council Investment Board)

(Please note that the wording in the above table is the same as that for the existing delegations for new capital schemes and capital programme transfers (virements).)

Alternative options considered and rejected:

None – our Financial Regulations require us to produce regular monitoring of our finance resources.

Published work / information:

2014/15 Budget Reports [Co-operative Council Finance Plan2014~2017](#)
 2014/15 Budget Reports [Delivering the Co-operative Vision within three year sustainable balanced budget](#)

Background papers:

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

Sign off:

Fin	Cr1415.37	Leg	lt2084 0/25/0 7/14	Mon Off	21055/ DVS	HR		Assets		IT		Strat Proc	
Originating SMT Member: Malcolm Coe, AD for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Table 2: Revenue Monitoring Position

Directorate	2014/15 Council Approved Budget	2014/15 Budget Virements	2014/15 Budget	Forecast Outturn	Forecast Year End Overspend / (Underspend)	Movement in Month
	£m	£m	£m	£m	£m	£m
Executive Office	3.697	0.013	3.710	3.910	0.200	0.000
Corporate Items	11.008	5.088	16.097	15.843	(0.254)	(0.094)
Transformation and Change	31.335	(1.302)	30.033	30.313	0.280	0.160
People Directorate	122.746	(1.021)	121.725	125.444	3.719	(1.650)
Public Health	0.184	0.010	0.194	0.194	0.000	0.000
Place Directorate	35.710	(2.788)	32.921	33.583	0.662	0.332
TOTAL	204.680	0.000	204.680	209.287	4.607	(1.072)

Table 3: Key Issues and Corrective Actions

Issue	Variation £M	Direction of Travel	Management Corrective Action
<p>PLACE - Economic Development - Rents</p> <p>The economic climate has resulted in lower rent achievable at rent review and lease renewal. There is often a need to offer rent free incentives to attract tenants. Rent void periods are increasing as some units being more difficult to market. City Centre ground lease income is reducing due to increase in vacant city centre retail units. In addition, the Council is exposed to geared head leases, which are outside the Councils control.</p>	0.100	Same	<p>A further and ongoing review of expenditure and options to increase income will continue in order to meet budget by year end</p> <p>A survey of the estate is in progress to identify the priorities for maintaining the stock and meeting contractual obligations to protect the level of rental income.</p>
<p>PLACE - Street Services - Waste Disposal and Car Parking</p> <p>The Energy from Waste (EfW) plant delay and the Materials Recycling Facility (MRF) procurement together have resulted in a net costs of £720k. We will continue to investigate options around the PFI waste credits to mitigate/reduce the associated £400k+ issue.</p> <p>Car Parking Action Plans are now being deferred in 2014/15 resulting in a pressure of £395k.</p> <p>A range of mitigating actions will be taken, these include expenditure review to reallocate budget, street lighting procurement savings, MRF share of profit in sales above budgeted market rates (50% share as per the contract), bringing forward future action plans where possible.</p>	0.090	Declining	<p>A further and ongoing review of expenditure and options to increase income will continue in order to meet budget by year end</p> <p>MRF Recyclates Market and EfW tonnages continue to be monitored monthly to track any movement</p>

<p>PLACE - Strategic Planning and Infrastructure</p> <p>Estimated part year effect of the restructure</p>	(0.015)	Improving	<p>A further and ongoing review of expenditure and options to increase income will continue in order to meet budget by year end</p> <p>We are expecting increased planning income than currently profiled compared to budgeted level of activity but it is too early to calculate at this stage</p> <p>Continue to review expenditure if this position can be improved further.</p>
<p>PLACE - Business Support</p> <p>Advertising costs of £15k for the vacant Assistant Director for Street Services have been offset against overachieving management actions in Business support.</p>	(0.023)	Improving	<p>Continue to review expenditure if this position can be improved further</p>
<p>PLACE - Management & Support</p> <p>GAME</p> <p><u>Commercialisation</u></p> <p>Whilst the Trade Waste Service will generate a surplus based on normal operational assumptions the stretch target within GAME commercialisation is proving to be unrealistic given the current market conditions</p> <p>Commercialisation activities are now starting to be generated ahead of the key strategic work and the bringing together of the workstreams for further development but it is unlikely to achieve the overall target in the current year.</p> <p><u>Creating a Brilliant Co-operative Street Service (CBCSS)</u></p> <p>The delay in the start of the EfW has impacted on the timing of the savings arising from restructuring and rezoning.</p>	0.510	Declining	<p>Work is ongoing across all GAME work streams to mitigate the reduced income associated with the commercialisation work stream.</p> <p>Further review of Trade Waste continues with an increase in direct sales being planned from August onwards to increase sales potential and gather crucial intelligence for future marketing and business growth</p> <p>The Strategic Business Case for Commercialisation contains several key workstreams which will be implemented on a prioritised basis to generate further income streams. The overall position on commercialisation is expected to be in the region of £350k with every endeavour to maximise as much income as possible.</p> <p>Analysis of the work completed by EDGE is being actioned to determine which additional savings within CBCSS can be implemented in the current financial year</p>

<p>TRANSFORMATION & CHANGE – Legal Services Pressures due to coroner’s office, legal services for children’s placement and Electoral registration succession £50K.</p>	0.080	Declining	Partially off-set by additional income from Devon & Somerset Fire & Rescue SLA (£50K). Management will undertake further reviews.
<p>TRANSFORMATION & CHANGE – Departmental Management Potential pressure due to shortfall on planned efficiency savings.</p>	0.200	Declining	Managers to continue to review budgets to identify potential savings to address issues.
<p>PEOPLE – Children’s Social Care The current pressure can be attributed to an increase in young people’s placements, including an increase in large sibling groups being accommodated. Residential placements have also increased with a significant number of these placements being high cost due to the complex nature of these children’s needs.</p>	1.450	Improving	<p>Work has continued to manage down the pressure created. In order to mitigate the current pressure the annual round of “Star Chambers” together with a number of key activities to address the issues have been put into place.</p> <p>Further work will be undertaken to review high cost placements, commissioned contracts and maximise partnerships contributions to the cost of care packages.</p>
<p>PEOPLE – Homes and Communities</p>	(0.300)	Improving	Assistant Director and Management team continues to review budgets and maximise resources, grant funding, vacancies and project work allocations
<p>PEOPLE – Co-operative Commissioning & Adult Social Care This is a volatile demand led service that has a statutory duty to respond to the needs of vulnerable people as they arise. Whilst numbers of people in the service in receipt of care packages is fairly static because of an enhanced preventative offer and a tightening of the application of eligibility criterion, in keeping with national trends affecting all Local Authorities, Adult Social Care is seeing an increasing frail elderly population with more complex support needs which is impacting on the average cost of care packages.</p>	2.569	Improving	<p>The Assistant Director and Senior Management Team have implemented a rigorous budget containment plan, reviewed on a fortnightly basis, that is focused on reviews and right sizing of high cost care packages; an analysis and right sizing of direct payments and recovery of unspent pre-paid card balances; ensuring all new work coming into the service is reviewed strictly and consistently against eligibility criteria to ensure our finite resources are prioritised on those people with the highest needs; reviewing of all non-essential expenditure and maximising income.</p> <p>Work is underway to review the way we allocate resources in line with the Care Act requirements. A</p>

			<p>further target to review commissioning spend across the Department has been added.</p> <p>A review of all vacancies across People Directorate prior to implementation of IHWB Transformation. Further maximisation of grand funding has also been taken into account.</p>
<p>CORPORATE ITEMS – Treasury Management Reduced borrowing costs</p>	(0.146)	Improving	<p>Re-profiling the borrowing portfolio and seeking greater returns on investments has delivered a surplus against the required £1m revenue savings on Treasury Management in 2014/15.</p> <p>Management will continue to review the borrowing portfolio for further savings opportunities</p>
<p>CORPORATE ITEMS - Transformation Forecast to underspend slightly against the £5.3m transformation spend budget in 2014/15.</p>	(0.108)	Improving	<p>Management will continue to review all costs for further savings opportunities</p>
<p>EXECUTIVE OFFICE - Potential pressure due to shortfall on planned efficiency savings.</p>	0.200	Same	<p>Managers to continue to review budgets to identify potential savings to address issues.</p>
TOTAL	4.607		

Table 4 Virements description (1)

Description	Detail
Grant/Revenue Budget Carry Forwards	To transfer approved revenue grant carry-forwards from 2013/14 to the relevant service areas in the new year.
Transformation Benefits Distribution	Movement of planned transformation savings from corporate items to departments where benefits will be realised
Employee budgets to Transformation	Movement of salary budgets for employees on secondment to transformation
Procurement targets	Transfer of budgets to offset allocated Procurement savings target in current year and future years
Departmental Movement	Creation of Public Health directorate from net budget within People directorate. Including Civil Protection Unit and Public Protection Service. In addition the Revenues and Benefits service has moved from Finance to Customer Services (nil movement within the Transformation & Change Directorate)

Table 4 Virements detail (2)

Directorate	Grants / Carry FWD £m	Transformation Benefits Distribution £m	Employee Budgets to Transformation £m	Move procuremnt savings £m	Department Movement £m	Total virements £m
Corporate Items	(0.747)	5.148	0.120	0.390	0.000	4.910
Transformation and Change	0.362	(0.959)	(0.120)	(0.390)	0.000	(1.106)
People Directorate	0.374	(1.500)	0.000	0.000	0.168	(0.958)
Public Health	0.011	0.000	0.000	0.000	(0.168)	(0.157)
Place Directorate	0.000	(2.689)	0.000	0.000	0.000	(2.689)
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000

Capital Programme 2013/14 – 2016/17

Our capital programme is critical to the growth of this city and how we operate as a Brilliant Co-operative Council. We have transformed the way we make decisions on capital investments by increasing Member involvement whilst also enabling us to react quickly to new opportunities.

At the Full Council meeting in February 2014, the Capital Programme for 2013/14 to 2016/17 was approved to the value of £207.670m. This includes £7.445m for Tamar Bridge and Torpoint Ferry, so a net council programme of £200.225m.

The capital programme contains an element of change between periods to reflect when activity and expenditure will be incurred, movement in funding occurs to match this. A recent example of this is the History Centre funding announcement which places £9m of funding and spend into the 2017/18 financial year (i.e. outside of the period of our current monitoring arrangements). 2017/18 will be added to our rolling four year capital programme in September 2014 in order to retain a forward looking approach to longer term investment.

New projects added to the Capital Programme, under delegated authority, since February 2014, are detailed in Table 5.

Table 5 New Capital Schemes

New Schemes - Already Approved as Delegated Officer Decision	£m
Gypsy and Traveller Site - The Ride	0.026
Foster Carer Grant	0.038
Hoegate House "gap funding"	0.150
Eggbuckland Play area S106	0.040
Midland House Lifts	0.142
Flood Defence Storm Damage Repair Programme	0.040
Grow Wild	0.150
Total	0.586
New Schemes - Requiring Cabinet Approval	£m
Green Deal	3.000
North Corner Pontoon	0.280
Total	3.280
Overall increase to Capital Programme	3.866

Table 6 shows the income projections analysis for the budget set in February 2014, the revised projections as at the end of July 2014, and the movement between the two. The positive movement of capital funding to £216.398m reflects our success in freeing up resources required for much needed investment in the city.

Table 6 Income Assumptions

BUDGET**CURRENT****MOVEMENT**

	Responsible AD	2013/14	2014/15	2015/16	2016/17	Total
		£'000s	£'000s	£'000s	£'000s	£'000s

UNRINGFENCED:

Capital Receipts	David Draffan	2,806	13,373	10,586	2,026	28,791
Un-ring-fenced Grants	Paul Barnard	15,152	18,426	9,241	7,756	50,574
Sub-total unringfenced resources		17,957	31,799	19,827	9,782	79,366

RINGFENCED:

Loans repaid (investment fund)	Paul Barnard	0	109	679	617	1,405
Ring-fenced Grants	Paul Barnard	23,134	19,404	9,000	15,000	66,538
Unsupported / Internal Borrowing (cash flow)	Malcolm Coe	6,219	15,612	8,374	5,000	35,205
Section 106/Community infrastructure Levy	Paul Barnard	774	2,307	2,000	2,000	7,081
External Contributions	Paul Barnard	1,584	850	500	500	3,434
Internal Funds / Revenue	Malcolm Coe	3,447	2,500	750	500	7,197
Sub-total ringfenced resources		35,158	40,781	21,303	23,617	120,859
Total PCC Programme		53,115	72,580	41,130	33,399	200,225
Tamar Bridge - Cornwall County Council Unsupported borrowing		3,615	2,430	1,400	0	7,445
Total Programme		56,730	75,010	42,530	33,399	207,670

2013/14	2014/15	2015/16	2016/17	Total
£'000s	£'000s	£'000s	£'000s	£'000s

3,114	10,078	9,447	2,237	24,875
11,669	16,180	14,360	7,756	49,965
14,783	26,258	23,807	9,992	74,840

0	1,042	109	636	1,786
22,469	20,193	19,678	4,510	66,851
4,545	9,921	9,721	5,000	29,187
539	10,535	7,142	4,704	22,920
992	956	500	500	2,948
3,889	2,925	3,078	528	10,420
32,434	45,573	40,228	15,878	134,113
47,217	71,832	64,035	25,870	208,953
3,615	2,430	1,400	0	7,445
50,832	74,262	65,435	25,870	216,398

2013/14	2014/15	2015/16	2016/17	Total
£'000s	£'000s	£'000s	£'000s	£'000s

308	-3,295	-1,139	210	-3,916
-3,483	-2,245	5,119	0	-609
-3,175	-5,541	3,980	210	-4,525

0	933	-571	19	381
-665	790	10,678	-10,490	313
-1,674	-5,691	1,347	0	-6,017
-235	8,228	5,142	2,704	15,839
-592	106	0	0	-486
442	425	2,328	28	3,224
-2,724	4,792	18,925	-7,740	13,253
-5,899	-749	22,904	-7,529	8,728
0	0	0	0	0
-5,899	-749	22,904	-7,529	8,728

Spend on Interim Support

Our revised Pay Policy Statement presented to Full Council on 31 March 2014, requires us to report on all interim spend where we have used such support for a period of more than 3 months, with a day rate of more than £500. Table 7 details the position for the first quarter of 2014/15.

Table 7: Use of Interim Support @ June '14

Role	Daily Charge Rate (inc agency fee)	Start Date	Finish Date
Interims covering established PCC posts (currently out to advert)			
Director for Corporate Services	£812.00	12/08/2013	27/10/2014
Assistant Director for Street Services	£652.80	16/12/2013	05/11/2014
Human Resource Director - NHS secondment for 2 days per week	£590.00	07/01/2014	30/09/2014
Head of Portfolio Office - post approved by Appointments Panel	£644.00	14/10/2013	07/11/2014
Head of Business & Technical Architecture - approved by App Panel	£840.83	20/01/2014	24/10/2014
Interims providing capacity to transformation programme			
Programme Manager - Growth, Assets & Municipal Enterprise	£560.55	18/11/2013	19/08/2014
Programme Manager - Integrated Health & Wellbeing	£572.00	25/11/2013	22/11/2014
Programme Manager - Co-operative Centre of Operations	£723.30	14/07/2014	13/10/2014
Programme Manager - Shared Services	£560.00	20/01/2014	30/09/2014
Lead Business & Technical Architect - GAME	£725.00	25/11/2013	22/08/2014
Organisational Development Specialist	£644.83	16/12/2013	15/09/2014
Senior Business Architect - IHWB	£672.00	03/02/2014	01/08/2014
Consultant supporting ICT / DELT	£676.00	05/03/2014	30/09/2014
Business Architect - Co-operative centre of operations	£729.30	22/05/2014	21/08/2014
Interim Project Manager - Customer Services	£580.00	16/06/2014	05/09/2014
Other service specific interims			
Subject Matter Specialist (City Deal specialist surveying)	£616.00	06/05/2014	05/09/2014
Interim Commercial Manager	£600.00	18/03/2014	17/09/2014

We have continued to use interims, primarily to support us in the delivery of our Transformation Programme. Moving forward, we have clear plans to reduce the reliance on interim support, imparting knowledge and development on to internal resources within the council.

As at the end of June 2014, the council is utilising 17 interim posts, (compared to 13 as at March 2014), 5 interims are covering established senior management posts for which the council is currently seeking permanent appointments.

The majority of interims, (10), are adding capacity to our transformation programme which aims to deliver over £30m of net revenue benefit over three years. Spend on all interim posts, as detailed in Table 7, is within the approved revenue budget allocations for 2014/15.