PLYMOUTH CITY COUNCIL

Subject:	Capital and Revenue Monitoring Report 2014/15
Committee:	Cabinet
Date:	11 November 2014
Cabinet Member:	Councillor Lowry
CMT Member:	CMT
Author:	David Northey, Head of Corporate Strategy
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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 September 2014.

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 note the new schemes added to the Capital Programme in the quarter. It also updates Cabinet on the Interim staff spend and numbers as at the end of September 2014.

The estimated revenue overspend at the end of the financial year is £3.703m as at September 2014. The overall net spend equates to £208.383m against a budget of £204.680m, which is a variance of 1.81%. 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.

As reported last quarter, the key pressure points are still 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).

Also, the summer has seen a significant increase in placements with young people placed in Independent foster care increasing by 5 to 74 against the target budget of 60. Residential placements have reduced by 3 to 27 against a target budget of 18 but with a significant number of these placements being high cost due to the complex nature of these children's needs. Due to 'Operation Triage' taking place in September an additional 15 young people had to be accommodated and this has put additional pressure on the placement budget.

Additional management solutions and escalated action to deliver further savings from the council's transformation programme are being worked up in order to address the in-year forecasted overspend.

Table 1: End of revenue forecast

	Budget £m	Forecast Outturn £m	Variance £m
Total General Fund Budget	204.680	208.383	3.703

This is an improvement of £0.904m on the previous quarter.

The latest Capital Budget, covering 2013/14 to 2016/17 stood at £216.398m which was approved at Full Council on 15th September 2014 (including Tamar Bridge & Torpoint Ferry at £7.445m). The forecast has now been amended to remove estimates in relation to 2013/14 and to incorporate income projections in respect of 2017/18 together with updated forecasts for the 2014-18 period. The Tamar Bridge & Torpoint Ferry element has also been removed from the reported value; this means we are now reporting Plymouth City Council's Capital only. The revised 2014-18 Capital Budget for approval is £210.154m.

Within this overall funding "envelope" the approved Capital Programme of projects for delivery totals £110.387m, a summary of which is attached. This report notes the new schemes and other movements for the quarter 2 period.

It should be noted that much of the Budget (or affordability envelope) is ring-fenced to the approval of specific projects in the pipeline, and that if these capital funding bids are unsuccessful, or a decision is taken not to progress these specific projects further, that the opportunity for the Council to make use of these ring-fenced budgeted capital resources will be lost to the Council, and the budget reduced.

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 Implication: 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. The City Council is recommended to approve the revised Capital budget for 2014-18 of £210.154m;
4. Note the movements to the approved Capital Programme;

Alternative options considered and rejected:

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

Published work / information:

2014/15 Capital & Revenue Monitoring Report Quarter 1 2014/15 Report
2014/15 Budget Reports Co-operative Council Finance Plan 2014-2017
2014/15 Budget Reports Delivering the Co-operative Vision within three years sustainable balanced budget

Background Papers:

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

Sign off:

Fin	mc1415.49	Leg	DVS/21467	Mon Off	DVS/21467	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	0.143	3.840	3.976	0.136	(0.064)
Corporate Items	11.008	4.283	15.291	14.396	(0.895)	(0.200)
Transformation and Change Directorate	31.335	(1.297)	30.038	30.038	0.000	0.000
People Directorate	122.746	(0.901)	121.845	126.307	4.462	0.000
Public Health	0.184	0.010	0.194	0.194	0.000	0.000
Place Directorate	35.710	(2.238)	33.472	33.472	0.000	0.000
TOTAL	**204.680**	**0.000**	**204.680**	**208.383**	**3.703**	**(0.264)**

Table 3: Key Issues and Corrective Actions

Issue	Variation £M	Direction of Travel	Management Corrective Action
PLACE - Economic Development - Rents - The economic climate is resulting in lower rental income and current market position exposes the Council to a reduction in income on geared head leases, which are outside the Council's control. Increased pressure arising from the events programme	0.168	Declining	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. Additional fee income and vacancies in strategic development are assisting the position
PLACE – Street Services Impact of delay in 'readiness date' of Energy from Waste Plant has resulted in a corresponding delay in receipt of PFI grant. Some Car Parking Action Plans are now being deferred in 2014/15 resulting in a pressure of £395k. The bus lane enforcement action plan will not deliver fine income as expected as driver behaviour has changed. This will be offset by maximising (£160k) highways capital grants in order to reduce revenue expenditure.	0.225	Declining	A further and ongoing review of expenditure and options to increase income will continue in order to meet budget by year end MRF Recyclates Market and EfW tonnages continue to be monitored monthly to track any movement Agency spend continues to be reduced. But until front line structures are reviewed, agency staff need to be employed to maintain services. The best example of this is the drop of use when the Waste Collection Rezoning takes place. Analysis of the work completed by EDGE is being actioned to determine which additional savings can be implemented in the current financial year
PLACE - Strategic Planning and Infrastructure There is more planning fee income than originally forecast and restructures have generated additional savings	(0.170)	Improving	Planning fee income will continue to be monitored closely

PLACE - Management & Support **GAME** <u>Commercialisation</u> 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 **OTHER INCOME and COST REDUCTIONS** The Directorate has significant income streams as a whole, and are always looking to ensure that these are maximised for the benefit of the Community and the Council.	(0.223)	Improving	The GAME Programme Team are continuously exploring new commercial income streams The management team have also put in place additional controls to prioritise and limit expenditure
TRANSFORMATION & CHANGE – Legal Trend increase in Child placement court fees £70k partly offset by new income streams	0.060	Declining	Managers are reviewing further income generation opportunities to offset this pressure

TRANSFORMATION & CHANGE – Departmental Management Potential pressure due to shortfall on planned efficiency savings.	0.200 (0.260)	Same Improving	Some planned efficiency savings have not been realised fully Further areas for savings that have been identified include: • Integrated Assurance and Compliance Unit • Improve controls around external procurement and recruitment • Review of business requirements for elements of support services
PEOPLE – Children's Social Care Pressure with Children & Young People's placement numbers and costs. Significant increase in placements during the summer, young people placed in Independent foster care has increased by 5 to 74 against target budget of 60. Residential placements have reduced by 3 to 27 against a target budget of 18 with a significant number of these placements being high cost due to the complex nature of these children's needs. Due to 'Operation Triage' taking place in September an additional 15 young people had to be accommodated this has put additional pressure on the placement budget. However, if it had not been for 'Operation Triage' there would have been a significant reduction in the number of children in care.	2.454	Declining	The annual round of 'Star Chambers' together with all external placements being reviewed and challenged. People DMT saving target (£200k) from negotiation with providers on commissioned contracts and maximisation of health and education funding against secure welfare placements There are a number of initiatives either implemented or in the process of being implemented as part of a containment plan to address the increasing numbers of children in care including: • Completed reconfiguration of the Childrens Social Care family support service to create an intensive family support team focusing on children on the cusp, at risk of coming into care, as well as working to return children home from care where possible • Regular review of internal and external

			placements, including requesting external providers to review costs. Block contracts for suitable providers being considered where appropriate • New emergency placements for 16 year olds have been commissioned • The fostering recruitment campaign earlier this year has shown very promising signs that we will be successful in reaching our target to increase the number of in house carers to 200 A bid to the Department of Education Innovation fund for £3.5m to implement a new multi-agency way of meeting the needs of our most complex adolescents in care. An outcome is expected in early October. Whilst this grant will be ring-fenced to new activities only, the impact of these activities is anticipated to reduce costs in other areas.
PEOPLE – Co-operative Commissioning & Adult Social Care There has been a significant pressure created by cost and volume changes, and a reduction in income The impact of a Supreme Court judgement in relation to Deprivation of Liberty Safeguarding (DoLS) assessments have impacted the service significantly, with resources having to be diverted to meet this statutory requirement	2.570	Same	The department are reviewing and right sizing packages of care, as well as reviewing the budget for any savings to be made. These include: • Reviewing the way resources are allocated through the Resource Allocation System (RAS) to ensure a consistent approach • Review of Service vacancies and management costs • Further review of Commissioning spend

PEOPLE – Homes & Communities Identification of additional external funding.	(0.493)	Improving	People DMT agreed increase from maximisation of external funding (Families with a Future) and reviewing the commitments against specific reserves
PEOPLE – ELAFs Release of contingency for legal costs.	(0.070)	Improving	Release of contingency relating to expected legal costs not materialising.
PUBLIC HEALTH There is a pressure resulting from lower cemetery and cremation fees of £240k	0.000	Same	Officers continue to review other areas of expenditure to alleviate £240k pressure.
CORPORATE ITEMS - Transformation Currently forecasting an underspend in transformation.	(0.099)	Same	Forecast continually under review.
CORPORATE ITEMS - Capital Financing Reduction in interest payable on loans	(0.646)	Improving	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. Management will continue to review the borrowing portfolio for further savings opportunities
CORPORATE ITEMS – Business Rates The Council is part of a business rates pool with other Local Authorities in the Devon which is in its second year of operation.	(0.150)	Same	The current forecasts indicate additional income due to the Council from the pooled arrangement
EXECUTIVE OFFICE Pressure due to shortfall on planned efficiency savings.	0.136	Improving	Managers to continue to review budgets to identify potential savings to address issues, and hold positions vacant where possible.
TOTAL	**3.702**		

Table 4 Virements description (1)

Description	Detail
ICT staff not transferring to DELT	ICT staff supporting Carefirst that are not transferring to DELT moved to be part of people directorate and the Intelligent client function that will manage the relationship between PCC and Delta will sit within the Chief Executive directorate
Transformation	Budget adjustment to transfer back budget for HR & OD employees now working in Transformation
Corporate transfers from reserves	Moving agreed amounts from reserves to fund Real-Time Passenger Info Project, Community Transport and Summer Concerts

Table 4 Virements detail (2) £m

	ICT staff not transferring to DELT	Transformation	Corporate transfers from reserves	Total virements
Executive Office	0.130	0.000	0.000	**0.130**
Corporate Items	0.000	(0.154)	(0.481)	**(0.635)**
Transformation and Change	(0.250)	0.154	0.000	**(0.096)**
People Directorate	0.120	0.000	0.000	**0.120**
Public Health	0.000	0.000	0.000	**0.000**
Place Directorate	0.000	0.000	0.481	**0.481**
TOTAL	**0.000**	**0.000**	**0.000**	**0.000**

Capital Programme 2014/15 – 2017/18

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.

The Council approves a **Capital Budget**, representing the overall "affordability envelope" within which a **Capital Programme** of projects for delivery is agreed.

Changes to Capital Budget

The latest approved capital budget of £216.398m (including Tamar Bridge & Torpoint Ferry at £7.445m) was approved at Full Council on 15th September 2014. The forecast has now been amended to remove estimates in relation to 2013/14 and to add income projections in respect of 2017/18, together with other updates to income forecasts for the 2014-18 period. The revised 2014-18 budget for approval is £210.154m (excluding the Tamar Bridge & Torpoint Ferry).

A summary of the Capital Budget and changes for the Quarter 2 period are detailed in the following Table 6.

Changes to Capital Programme (Approved projects within the Capital Budget)

Within the above Capital Budget or "affordability envelope", authority has been delegated to the Leader (or responsible finance officer for items below £0.2m), to add new or approve changes to existing capital schemes.

New projects added to the Capital Programme, under delegated authority, together with other changes for the Quarter 2 period, are detailed in Table 5 below.

Table 5 Capital Programme Movements £m

TABLE 5 - Capital Programme Movements	£m
Total Approved Programme - June 2014 (Q1)	103.997
Flood Defence Schemes (EA Funded)	1.225
Demolition of Mayflower Car Park (Additional Costs)	0.629
Traffic Control Unit and CCTV (Additional Costs)	0.920
Green Deal - Funding from DECC	3.069
Drug and Alcohol Prevention Grants - Health England	0.186
Repairs to Midland House Lifts	0.142
Separation of Council House (Additional Costs)	0.128
Other Programme Movements	0.091
Total Approved Capital Programme - September 2014	110.387

TABLE 6 - INCOME ASSUMPTIONS

	Responsible AD	Original Budget Total	LATEST APPROVED (Q1) 2013/14	2014/15	2015/16	2016/17	Total	CURRENT (Q2) 2014/15	2015/16	2016/17	2017/18	Total	Overall Movement Q1 to Q2	Removal of 2013/14	Addition of 17/18 (As Introduced Aug 14)	Other Movment (Q1 to Q2)
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
UNRINGFENCED:																
Capital Receipts	David Draffan	28,791	3,114	10,078	9,447	2,237	**24,875**	17,632	3,783	7,236	1,577	**30,227**	5,352	-3,114	513	7,952
Un-ring-fenced Grants	Paul Barnard	50,574	11,669	16,180	14,360	7,756	**49,965**	24,202	6,257	6,256	5,905	**42,619**	-7,346	-11,669	5,315	-992
Unsupported Borrowing	Malcolm Coe	0	0	0	0	0	**0**	905	1,422	0	2,396	**4,723**	4,723	0	2,396	2,327
Developer Contributions - CIL (123 List)	Paul Barnard	0	0	0	0	0	**0**	425	1,536	1,582	1,072	**4,615**	4,615	0	1,072	3,543
Developer Contributions - CIL (Neighbourhood Use)	Paul Barnard	0	0	0	0	0	**0**	75	271	279	189	**814**	814	0	189	625
Sub-total unringfenced resources		**79,366**	14,783	26,258	23,807	9,992	**74,840**	43,238	13,268	15,352	11,139	**82,998**	**8,158**	**-14,783**	**9,485**	**13,455**
RINGFENCED:																
Capital Receipts	David Draffan	**0**	0	0	0	0	**0**	2,014	455	5	0	**2,474**	2,474	0	0	2,474
Loans repaid (investment fund)	Paul Barnard	**1,405**	0	1,042	109	636	**1,786**	21	1,040	636	109	**1,806**	20	0	109	-89
Ring-fenced Grants	Paul Barnard	**66,538**	22,469	20,193	19,678	4,510	**66,851**	16,899	28,481	11,690	7,170	**64,240**	-2,611	-22,469	3,370	16,488
Unsupported / Internal Borrowing (cash flow)	Malcolm Coe	**35,205**	4,545	9,921	9,721	5,000	**29,187**	9,336	7,980	5,000	2,000	**24,315**	-4,872	-4,545	2,000	-2,327
Section 106 - Negotiated Obligations and Tariff	Paul Barnard	**7,081**	539	10,535	7,142	4,704	**22,920**	12,303	6,525	3,628	2,169	**24,624**	1,705	-539	2,169	75
External Contributions	Paul Barnard	**3,434**	992	956	500	500	**2,948**	837	500	500	500	**2,337**	-611	-992	500	-119
Internal Funds / Revenue	Malcolm Coe	**7,197**	3,889	2,925	3,078	528	**10,420**	1,878	4,425	528	528	**7,359**	-3,061	-3,889	528	300
Sub-total ringfenced resources		**120,859**	32,434	45,573	40,228	15,878	**134,113**	43,288	49,406	21,987	12,476	**127,156**	**-6,957**	**-32,434**	**8,676**	**16,802**
Total PCC Programme		**200,225**	**47,217**	**71,832**	**64,035**	**25,870**	**208,953**	**86,526**	**62,675**	**37,339**	**23,615**	**210,154**	**1,201**	**-47,217**	**18,161**	**30,257**
Tamar Bridge - Cornwall County Council Unsupported borrowing		**7,445**	3,615	2,430	1,400	0	**7,445**	0	0	0	0	**0**	-7,445	-3,615	0	-3,830
Total Programme		**207,670**	**50,832**	**74,262**	**65,435**	**25,870**	**216,398**	**86,526**	**62,675**	**37,339**	**23,615**	**210,154**	**-6,244**	**-50,832**	**18,161**	**26,427**

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 at September 2014, the end of the second quarter of 2014/15.

The majority of interims 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.

As at the end of September 2014, the council is utilising 11 interim posts, (compared to 17 as at June 2014), of which 6 contracts, covering established senior management posts, end during October 2014. Permanent appointments have now been made for the majority of these posts.

Table 7 Summary of Interim Appointments @ September 2014

Plymouth City Council - Summary of Interim Appointments as at September 2014

Role	Daily Charge Rate (inc agency fee)	Start Date	Finish or Estimated Finish Date
Interims covering established PCC posts (currently out to advert)			
Director for Corporate Services	£812.00	12/08/2013	24/10/2014
Assistant Director for Street Services	£652.80	16/12/2013	31/05/2015
Human Resource Director - NHS secondment for 2 days per week	£590.00	07/01/2014	31/03/2015
Head of Portfolio Office - post approved by Appointments Panel	£644.00	14/10/2013	24/10/2014
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 - Children & Young People	£669.50	21/07/2014	20/01/2015
Programme Manager - Integrated Health & Wellbeing	£572.00	25/11/2013	24/10/2014
Programme Manager - Co-operative Centre of Operations	£723.30	14/07/2014	13/10/2014
Organisational Development Specialist	£644.83	16/12/2013	22/10/2014
Business Architect - Co-operative centre of operations	£729.30	22/05/2014	21/11/2014
Interim Project Manager - Customer Services	£580.00	16/06/2014	05/12/2014