

## PLYMOUTH CITY COUNCIL

**Subject:** Capital and Revenue Monitoring Report 2014/15  
**Committee:** Cabinet  
**Date:** 10 February 2015  
**Cabinet Member:** Councillor Lowry  
**CMT Member:** CMT  
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**Ref:**  
**Key Decision:** No  
**Part:** I

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### **Purpose of the report:**

This report outlines the finance monitoring position of the Council as at the end of December 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 December 2014.

The estimated revenue overspend at the end of the financial year is £1.746m as at December 2014. The overall net spend equates to £206.426m against a budget of £204.680m, which is a variance of 0.85%. 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 in previous reports, 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).

Within Children Social Care, the number of children placed with independent fostering agencies has increased by 11 to 83, which is above the budgeted target of 60. Residential placements have increased by 4 to 28 against a target of 18 budgeted placements with a significant number of these placements being high cost due to the complex nature of these children's needs.

There are a number of processes and strategies in place to address the rising numbers of children in care 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**

	<b>Budget £m</b>	<b>Forecast Outturn £m</b>	<b>Variance £m</b>
Total General Fund Budget	204.680	206.426	1.746

This is an improvement of £1.957m on the previous quarter.

The latest Capital Budget, covering 2014-18 stands at £210.154m which was approved at Full Council on 24<sup>th</sup> November 2014. The revised 2014-18 Capital Budget for approval is now £237,406m, based on forecasts at 30<sup>st</sup> December.

Within this overall funding “envelope” the approved Capital Programme of projects for delivery totals £128.999m. This report notes the new schemes and other movements for the quarter three 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, and the budget reduced.

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### **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.

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### **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.

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### **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.

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### **Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Yes attached as a background paper

although no impacts identified. However, this report monitors our performance against our approved budget 2014/15 and as part of the budget setting process, EIA were undertaken for all areas.

Recommendations and Reasons for recommended action:

That Cabinet:-

1. Note the current revenue monitoring position and action plans in place to reduce/mitigate;  
*For Cabinet to be aware of the current financial position and management actions in place*
2. Approve the non-delegated revenue budget virements as set out in Table 4;  
*Our Financial Regulations require Cabinet approval of virements over £100k*
3. The City Council is recommended to approve the revised Capital budget for 2014-18 of £237.406m;  
*Our Financial regulations require Full Council to approve revisions to the Capital Programme*
4. Note the movements to the approved Capital Programme;  
*For Cabinet to be aware of the current 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	
Equality Impact Assessment	X									

Sign off:

Fin	Mc1415.38	Leg	Lt22178	Mon Off	Lt22178	HR	n/a	Assets	n/a	IT	n/a	Strat Proc	n/a
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 Latest Budget	2014/15 Forecast Outturn	Forecast Year End Overspend / (Underspend)	Movement in Quarter
	£m	£m	£m	£m	£m	£m
Executive Office	3.697	0.116	3.813	3.813	0.000	(0.136)
Corporate Items	11.008	4.340	15.348	12.242	(3.106)	(2.211)
Transformation and Change Directorate	31.335	(0.791)	30.544	30.544	0.000	0.000
People Directorate	122.746	(1.030)	121.716	126.568	4.852	0.390
Public Health	0.184	0.008	0.192	0.192	0.000	0.000
Place Directorate	35.710	(2.643)	33.067	33.067	0.000	0.000
<b>TOTAL</b>	<b>204.680</b>	<b>0.000</b>	<b>204.680</b>	<b>206.426</b>	<b>1.746</b>	<b>(1.957)</b>

Table 3: Key Issues and Corrective Actions

Issue	Variation £M	Direction of Travel	Management Corrective Action
<p><b>PLACE - Economic Development –</b></p> <p>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 Additional income from Enterprise and Employment helping to mitigate in part</p>	0.041	Improving	<p>Continuing to review expenditure tightly.</p> <p>Mt. Edgcumbe Joint Committee have tasked joint officers to deliver a balanced budget.</p>
<p><b>PLACE – Street Services</b></p> <p><u>Highways, Parking and Marine</u> There are pressures within the highways, parking and marine department which are being mitigated by management through a range of actions such as expenditure controls and parking back office contract procurement. There has also been an improvement of £40k pay and display car parking income within the month.</p> <p><b>Fleet and Garage</b></p> <p>Realignment of budgets has identified capital costs within fleet and garage which will not now be required in 2014/15 saving £109k. Additional fuel savings of £20k above the GAME fleet</p>	0.418	Improving	<p>Expenditure reduction and options to increase income will continue in order to meet budget by year end, recent examples include further reduction in agency spend across the whole of Street Services, fuel efficiency, additional income.</p>

<p>target have been identified in the revenue budgets</p> <p>Across the wider Street Services a range of mitigation has taken place, including reducing the use of agency staff, additional income and salary recharges for staff involved on other projects.</p>			
<p><b>PLACE - Strategic Planning and Infrastructure</b></p> <p>The overall position is favourable due to the estimated part year effect of the restructure, vacancy savings, together with increased public transport income of £108k. There are increases in Planning Application fees and other income streams (grant and s38/278 income)</p> <p>There are also provisional estimated savings on concessionary fares of £100k.</p>	(0.337)	Improving	<p>There is more planning fee income than originally forecast, restructures have generated additional savings, and management actions on spending have been implemented.</p>
<p><b>PLACE - Management &amp; Support</b></p> <p><b>GAME</b> <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. However this is being offset by other savings within the programme and budget, including fleet savings.</p> <p><b>OTHER INCOME and COST REDUCTIONS</b></p> <p>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.</p>	(0.122)	Declining	<p>The GAME Programme Team are continuously exploring new commercial income streams</p> <p>The management team have also put in place additional controls to prioritise and limit expenditure and will be undertaking a review of Directorate bad debt provisions. These are materialising within the individual Departments.</p>

<p><b>TRANSFORMATION &amp; CHANGE – Legal</b></p> <p>Trend increase in Child placement court fees £70k partly offset by new income streams</p>	0.021	Improving	Managers are reviewing further income generation opportunities to offset this pressure, one of which is recharges related to licensing
<p><b>TRANSFORMATION &amp; CHANGE – Departmental Management</b></p> <p>Potential pressure due to shortfall on planned efficiency savings.</p>	0.200  (0.221)	Same  Declining	<p>Some planned efficiency savings have not been realised fully</p> <p>Departmental management continue to hold vacancies and reduce expenditure where possible to offset this.</p> <p>Going forward further areas for savings that have been identified include which will be considered as part of the 15/16 CCO programme:</p> <ul style="list-style-type: none"> <li>• Integrated Assurance and Compliance Unit</li> <li>• Transfer of functions into transaction centre</li> <li>• Review of business requirements for elements of support services</li> </ul>
<p><b>PEOPLE – Children’s Social Care</b></p> <p>Pressure with Children &amp; Young People’s placement numbers and costs. There has been a significant increase in placements during the year. The number of young people placed in Independent foster care has increased by 11 to 83 against an original estimate of 60. Residential placements have increased by 4 to 28 against an original estimate of 18 with a significant number of these placements being high cost due to the</p>	2.517	Same	<p>The annual round of ‘Star Chambers’ together with all external placements being reviewed and challenged. People DMT saving target of £100k is looking to be achieved through maximisation of health and education funding against secure welfare placements</p> <p>There are a number of initiatives either implemented or in the process of being</p>

<p>complex nature of these children's needs.</p> <p>The number of young people placed in 'welfare' secure placements has remained static at 3 in situ. The In-House Foster Care placements have reduced by 3 to 193 during the month against an original estimate of 227 placements, however provision has been included within Month 9 monitoring for numbers to increase by 3 from December to end of year, with 4 placements in 'Other Local Authority' Foster Care. There are currently 2 In House Parent &amp; Child Assessment Placements and 2 court ordered Independent foster care placement. The number of young people 16+ placed in supported living has reduced by 1 to 22 placements.</p> <p>The current increase in placement costs has been offset by maximising grant funding in 14/15.</p>			<p>implemented as part of a containment plan to address the increasing numbers of children in care including:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Regular review of internal and external placements, including requesting external providers to review costs. Block contracts for suitable providers being considered where appropriate</li> <li>• New emergency placements for 16 year olds have been commissioned</li> <li>• 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</li> </ul> <p>An 'Invest to Save' Business Case has been completed in order to implement a new multi-agency way of meeting the needs of our most complex adolescents in care (ie those in the high cost placements) and those on the cusp of care. This is now expected to commence in April 15.</p>
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<p><b>PEOPLE – Co-operative Commissioning &amp; Adult Social Care</b></p> <p>There has been a significant pressure created by cost and volume changes, and a reduction in income, especially from the delay on the implementation of the Fairer Charging Policy</p> <p>A Supreme Court judgement in relation to Deprivation of Liberty Safeguarding (DoLS) assessments has impacted the service significantly, with resources having to be diverted to meet this statutory requirement.</p>	2.974	Same	<p>The Department is managing a Budget Containment Plan focused around reviews of High Cost Supported Living and Direct Payments, along with other packages of care.</p> <p>All spend is being reviewed to ensure that any savings possible are being captured and, at the same time, the department is looking for other ideas to help to bring down the current forecast overspend.</p>
<p><b>PEOPLE – Homes &amp; Communities</b></p> <p>Identification of additional external funding.</p> <p>The change this month is due to the cost of support to Care Leavers arising increased placements in the second half of the year as a result of the ‘Staying Put’ legislation.</p>	(0.330)	Declining	<p>People DMT agreed increase from maximisation of external funding (Families with a Future) and reviewing the commitments against specific reserves and further vacancy savings.</p> <p>There is a risk of c£150k around emergency temporary accommodation but this is currently being contained within existing resources</p>
<p><b>PEOPLE – ELAFs</b></p> <p>Release of contingency for legal costs.</p> <p>The additional saving is being achieved through maximising grant funding to cover the overall cost of the SEND service</p>	(0.308)	Improving	<p>Release of contingency relating to expected legal costs not materialising.</p> <p>Additional savings have been forecast through overachievement of vacancy savings, General resource savings across the department.</p>
<p><b>PUBLIC HEALTH</b></p>	0.000	Same	<p>Plans are in place within the Directorate to cover any shortfalls in cemetery income levels and to come in on budget.</p>

<b>CORPORATE ITEMS – Transformation</b> Currently forecasting an under spend in transformation.	(0.385)	Same	Forecast continually under review.
<b>CORPORATE ITEMS - Capital Financing</b> Reduction in interest payable on loans and improved return on investments Saving on Capital Financing Requirement (CFR) due to reduced borrowing for Capital Programme	(0.846) (0.125)	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
<b>CORPORATE ITEMS – Business Rates</b> 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
<b>CORPORATE ITEMS – Prior Year Council Tax Collection</b> The current forecast is an improved collection rate for historic council tax debt	(0.250)	Same	The is the current estimate of the impact of a review of improved debt collection processes
<b>CORPORATE ITEMS – Reserves + Provisions</b> Release insurance provision Release pension top-up provision	(0.750)	Improving	Insurance £0.700m plus pension top-up £0.150m
<b>CORPORATE ITEMS – Contingency</b> Release of part of the central contingency budget	(0.500)	Same	The £1m contingency budget was set for 15/16, half of it has been released at this point
<b>EXECUTIVE OFFICE</b> Pressure due to shortfall on planned efficiency savings.	0.000	Improving	Continued restrictions on expenditure and vacancies have reduced the overspend to a balanced position
<b>TOTAL</b>	<b>1.746</b>		

## Virements

Table 4 Virements description (1)

Description	Detail
Transformation Secondments	Movement of salary budgets for staff on secondment to transformation programme.
Realignment of Departmental Management Actions	Movement of Management Actions within Directorate following realignment of services within the Directorate.
Customer Service Realignment	Movement of Customer Service function within Homes & Communities department into Customer Services department to allow alignment with Customer transformation programme and consistency of service to users

Table 4 Virements detail (2) £m

Directorate	Transformation Secondments	Realignment of Dept Actions	Customer Services Realignment	Total Virements
Executive Office	0.028	0.000	0.000	0.028
Corporate Items	0.250	0.000	0.000	0.250
Transformation & Change	(0.222)	0.000*	0.207	(0.015)
People	0.000	0.000	(0.207)	(0.207)
Public Health	0.000	0.000	0.000	0.000
Place	0.000	0.000	0.000	0.000
Total	0.000	0.000	0.000	0.000

\* £0.214m Movement between Legal and Departmental Management within Transformation & Change Directorate, net nil effect at Directorate level

Details of Virements shown in table 4 relate to virements over £0.100m that have taken place in quarter 3 and require approval. Details of virements in quarters 1 and 2 have been reported in previous quarterly reports.

## 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. The table below details the position at December 2014, the end of the third 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 below, is within the approved revenue budget allocations for 2014/15. As at the end of December 2014, the council was utilising seven interim posts.

Table 5 Summary of Interim Appointments @ December 2014

Role	Daily Rate	Start	Finish
<b>Interims covering established PCC posts (currently out to advert)</b>			
Assistant Director Street Services	£652.80	Dec 2013	May 2015
Human Resource Director	£590.00	Jan 2014	Mar 2015
Interim Senior Manager	£730.00	Jan 2015	Apr 2015
<b>Interims providing capacity to Transformation Programme</b>			
Programme Manager	£669.50	Jul 2014	Jan 2015
Business Architect	£729.30	May 2014	Feb 2015
Interim Project Manager	£580.00	Jun 2014	Apr 2015
Senior Business Architect	£624.00	Dec 2014	Apr 2015

At the date of publication, the seven interims shown in the table above has further reduced to six.

Since the end of quarter one (June 2014) when we first reported, the number of interims stood at seventeen (reducing to eleven at the end of September, quarter two) the number of interim appointments has reduced to six. This represents a reduction of eleven, being 65% since the Pay Policy Statement was presented and in line with our stated strategy.

## 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 £210.154m was approved at Full Council on 24<sup>th</sup> November 2014. The forecast has now been amended to reflect known changes for the Quarter 3 period. The latest forecast is now £237,406m and a summary of the movements is detailed in Table 6 below.

### 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 3 period, are detailed in Table 6 below.

Table 6 Capital Programme Movements £m

<b>TABLE 6 - Capital Programme Movements</b>	<b>£m</b>
<b>Total Approved Programme - September 2014 (Q2)</b>	<b>110.387</b>
<b>Mayflower Coach Station</b>	<b>4.169</b>
<b>Development of the Marine Industries Production Campus (South Yard)</b>	<b>13.298</b>
<b>Ernesettle Extra Care Housing</b>	<b>0.200</b>
<b>Enabling project separation of Council House &amp; Civic</b>	<b>0.507</b>
<b>Car Park lighting</b>	<b>0.136</b>
<b>The Ride</b>	<b>0.200</b>
<b>Other Programme Movements</b>	<b>0.102</b>
<b>Total Approved Capital Programme - December 2014</b>	<b>128.999</b>

TABLE 7 - INCOME ASSUMPTIONS			LATEST APPROVED (Q2)					CURRENT (Q3)					
Description	Responsible AD	Original Budget Total	2014/15	2015/16	2016/17	2017/18	Total	2014/15	2015/16	2016/17	2017/18	Total	Total Movement Q2 - Q3
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>UNRINGFENCED:</b>													
Capital Receipts	David Draffan	28,791	17,632	3,783	7,236	1,577	30,227	13,053	6,751	6,910	2,507	29,221	-1,006
Un-ring-fenced Grants	Paul Barnard	50,574	24,202	6,257	6,256	5,905	42,619	24,211	6,620	6,427	6,011	43,269	650
Unsupported Borrowing	Malcolm Coe	0	905	1,422	0	2,396	4,723	3,603	2,801	947	1,396	8,748	4,025
Developer Contributions - CIL (123 List)	Paul Barnard	0	425	1,536	1,582	1,072	4,615	314	1,536	1,582	1,072	4,504	-111
Developer Contributions - CIL (Neighbourhood Use)	Paul Barnard	0	75	271	279	189	814	55	271	279	189	795	-20
<b>Sub-total unringfenced resources</b>		<b>79,366</b>	<b>43,238</b>	<b>13,268</b>	<b>15,352</b>	<b>11,139</b>	<b>82,998</b>	<b>41,237</b>	<b>17,980</b>	<b>16,144</b>	<b>11,176</b>	<b>86,537</b>	<b>3,539</b>
<b>RINGFENCED:</b>													
Capital Receipts	David Draffan	0	2,014	455	5	0	2,474	2,014	455	5	0	2,474	0
Loans repaid (investment fund)	Paul Barnard	1,405	21	1,040	636	109	1,806	24	1,046	700	140	1,910	104
Ring-fenced Grants	Paul Barnard	66,538	16,899	28,481	11,690	7,170	64,240	15,630	23,947	32,360	11,178	83,115	18,875
Unsupported / Internal Borrowing (cash flow)	Malcolm Coe	35,205	9,336	7,980	5,000	2,000	24,315	6,580	10,727	5,000	5,000	27,307	2,992
Section 106 - Negotiated Obligations and Tariff	Paul Barnard	7,081	12,303	6,525	3,628	2,169	24,624	11,600	7,117	3,253	2,169	24,138	-486
External Contributions	Paul Barnard	3,434	837	500	500	500	2,337	527	1,997	500	500	3,524	1,187
Internal Funds / Revenue	Malcolm Coe	7,197	1,878	4,425	528	528	7,359	2,915	3,819	528	1,137	8,399	1,040
<b>Sub-total ringfenced resources</b>		<b>120,859</b>	<b>43,288</b>	<b>49,406</b>	<b>21,987</b>	<b>12,476</b>	<b>127,156</b>	<b>39,290</b>	<b>49,109</b>	<b>42,346</b>	<b>20,123</b>	<b>150,869</b>	<b>23,713</b>
<b>Total PCC Programme</b>		<b>200,225</b>	<b>86,526</b>	<b>62,675</b>	<b>37,339</b>	<b>23,615</b>	<b>210,154</b>	<b>80,527</b>	<b>67,088</b>	<b>58,491</b>	<b>31,299</b>	<b>237,406</b>	<b>27,252</b>
Tamar Bridge - Cornwall County Council Unsupported borrowing		7,445	0	0	0	0	0	0	0	0	0	0	0
<b>Total Programme</b>		<b>207,670</b>	<b>86,526</b>	<b>62,675</b>	<b>37,339</b>	<b>23,615</b>	<b>210,154</b>	<b>80,527</b>	<b>67,088</b>	<b>58,491</b>	<b>31,299</b>	<b>237,406</b>	<b>27,252</b>