PLYMOUTH CITY COUNCIL

Subject:	Financial Outturn 2016/17 - including Capital Programme (Subject to External Audit)
Committee:	Council
Date:	3 July 2017
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham, Interim Joint Strategic Director for Transformation and Change
Authors:	Paul Looby, Head of Financial Planning and Reporting Hannah West, Business Partner (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 2016/17 and details the financial position of the Council as at the end of March 2017.

The Council's gross revenue budget for 2016/17 was £531.615m which after allowing for income and grant was £186.702m. The financial outturn position before any adjustments is an overspend of £1.272m. Assuming the transfers to and from reserves and making use of capital receipts as proposed in the report are approved, a breakeven position will be declared i.e. an outturn of £186.702m.

As is normal practice, this report proposes a number of adjustments to the financial accounts following the financial 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. The external audit is expected to commence in June 2017 with the final accounts approved and signed off by our external auditors in September 2017.

As at 31 March 2017 the Working Balance stands at £9.701m and the final Capital outturn position is £90.423m. The Working Balance represents 5.2% of the net revenue budget which remains above the 5% recommended minimum as set out in the budget approved by Council.

Council approved the use of £0.150m from the Working Balance to support the 2017/18 budget. As there is scope to release a further £0.350m from the Working Balance it is recommended this amount is transferred to the Redundancy Reserve. After this transfer the Working Balance will be 5% of the net revenue budget for 2017/18.

The Corporate Plan 2016/17-2018/19

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

Implications for Medium Term Financial Strategy and Resource Implications

The overall outturn position is break even against our gross budget of £531.615m which is testament to the robust financial management and discipline across all areas of the Council.

Given the size of the financial challenge faced for 2017/18, with a total savings target of £18.231m, balancing the budget is a major achievement for the Council. This continues to put the Council in a strong position going into the even more financially challenging 2017/18.

A range of financing options are available in order to balance the budget and without working balances are maintained at 5% of the net revenue budget. By using a nominal sum of £0.267m of capital receipts the Council has protected its General Fund Balance and therefore declared a balanced budget position at year end.

The Medium Term Financial Strategy (MTFS) 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 and risk assess the delivery of approved budget savings in 2017/18. These will be monitored as part of the corporate reporting process.

All actions taken as part of the Corporate 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 managers.

Recommendations and Reasons for Recommended Action

That Council -

1. Notes the provisional outturn position as at 31 March 2017

2. Notes the use of capital receipts - £0.267m - to write down Minimum Revenue Provision (MRP) to ensure a balanced budget position is achieved in 2016/17.

3. Notes the additional transfers to and from reserves reflected within the outturn figures:

    - Release the Business Rates Reserve (£1.000m).
    - Transfer to Housing Benefits Overpayments Provision £1.000m.
    - Release of Stock Transfer Release (£1.005m).

4. Notes the release of £0.350m from Working Balances and transfer to the Redundancy reserve.

5. Notes the Capital Report including the Capital Financing Requirement of £90.423m.

Alternative Options Considered and Rejected

None considered as it is a statutory requirement to report on the use of the Council's budget funds.

Published Work / Information

- The Local Government Act 2003
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2015
- Capital Financing Regulations (2012)
- 2016/2017 Annual report

Sign off

Fin	DJN1718.24	Leg	DVS28143.	Mon Off		HR		Assets		IT		Strat Proc	
Originating CMT Member: Andrew Hardingham													
Have the Cabinet Members agreed the contents of the report? Yes													

Plymouth City Council

Finance Monitoring – 2016/17

Quarter 4 Outturn at 31 March 2017

1. Introduction

1.1 This report reviews the Council's financial performance for the year ended 31 March 2017.

1.2 The provisional outturn position (subject to external audit review) for 2016/17 is showing a breakeven position after the application of reserves and capital receipts. This outturn position needs to be seen in context of the financial challenges the Council faced during the year.

1.3 Despite significant pressures within Social Care due to increasing demands arising from demographic growth and complex client needs a small overspend has been declared within People Services which will compare favourably with other Unitary and Upper Tier authorities. However, caution needs to be exercised when making comparisons as budgets for 2016/17 were developed from widely differing starting points.

1.4 Within the Place Directorate identified pressures within Waste Services and Fleet and Garage have been managed by identifying savings and maximising income across Directorate. Where pressures have been identified earlier in the year decisions were made to address some of these challenges to assist the Council and reaching this position.

1.5 Further details of the main variations are contained within section A of this report.

1.6 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 2016/17 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 Interim Joint Strategic Director for Transformation & Change is recommending adjustments to provisions and reserves within the report. Full details of the Council's reserves and provisions will be set out within the Statement of Accounts.

1.7 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 Interim Joint Strategic Director for Transformation & Change, as the Council's Section 151 Officer, is required to formally approve the Accounts by 30 June 2017. The External Auditor is required to audit the accounts by 30 September 2017 – 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.

1.8 This report contains the following sections and appendices:-

- **Section A** **Revenue Finance Outturn 2016/17**
- **Section B** **Capital Programme Outturn 2016/17**

- Appendix A Revenue Outturn Variances by Department 2016/17
- Appendix B Capital Programme additions January 2017 – March 2017
- Appendix C Capital Budget (Priority List).

1.9 Full details of how we have allocated our financial resources to our priorities are set out in our Annual Report 2016/17, which can be accessed using the link on page three. The Annual Report summaries how we are delivering the priorities for Plymouth.

1.10 It sets out what we aim to achieve going forward and details what we achieved during 2016/17 despite the financial challenges we are facing including the creation of more jobs and homes for the city and our ambitious capital investment.

SECTION A: REVENUE FINANCE OUTTURN

2. Revenue Finance Outturn 2016/17

2.1 Council approved a gross revenue budget of £531.615m with a net revenue budget of £186.702m for 2016/17 at its meeting 29 February 2016. Table 1 below provides a summary of the Council's overall revenue expenditure and compares the provisional (outturn subject to Audit) with the latest approved budget.

2.2 The financial outturn position before any adjustments is an overspend of £1.272m which is a 0.68% variance. The outturn position needs to be considered in the context of a challenging financial climate and the continuation of the Government's austerity programme with respect to public finances. In 2016/17 the Council has managed a £23.871m savings programme in addition to increasing service demands and customer expectations. In addition increased pension costs have arisen due to reducing workforce numbers and pressures have been experienced within housing benefit subsidy and recovery of overpayments.

Table 1 End of Year Revenue Outturn by Directorate

Directorate	2016/17 Gross Expenditure	2016/17 Gross Income	2016/17 Council Approved Net Budget	2016/17 Budget Virements	2016/17 Latest Budget	2016/17 Outturn	Year End Over / (Under) Spend
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive Office	4.419	(0.409)	4.010	(0.075)	3.935	3.914	(0.021)
Corporate Items	11.012	(10.094)	0.918	(1.154)	(0.236)	0.929	1.165
Transformation and Change Directorate	150.335	(115.629)	34.706	0.796	35.502	35.408	(0.094)
People Directorate	275.807	(153.318)	122.489	0.262	122.751	122.910	0.159
Public Health	20.007	(19.644)	0.363	(0.001)	0.362	0.362	0.000
Place Directorate	70.035	(45.819)	24.216	0.172	24.388	24.451	0.063
TOTAL	**531.615**	**(344.913)**	**186.702**	**0.000**	**186.702**	**187.974**	**1.272**

2.3 The following proposals have been recommended to reach a breakeven position for the Council.

- use of capital receipts - £0.267m - to reduce the MRP budget.
- release of Stock Transfer Reserve - £1.005m.

2.4 Further details for other adjustments and reserve movements are set out in section 5 of the report.

2.5 Across the Council, management actions to reduce the overspend being reported over the last months of the financial year included a review of all discretionary spend and delayed expenditure wherever possible.

2.6 Given the closedown timetable, both PCC and N.E.W. Devon CCG have agreed to formalise the financial position as shown in Table 2 for the Plymouth Integrated Fund as at February 2017.

2.7 We have therefore closed the books with the risk share for 2016/17 being a transfer to PCC of £0.088m.

Table 2 Plymouth Integrated Fund for Period 11

Plymouth Integrated Fund	Section 75 indicative position	2016/17 Latest Budget	Forecast Outturn	Forecast Year End Over / (Under) Spend
	£m	£m	£m	£m
N.E.W. Devon CCG – Plymouth locality	356.000	357.727	358.346	0.619
Plymouth City Council	*136.000	137.665	138.090	0.425
TOTAL	**492.000**	**495.392**	**496.436**	**1.044**

*This represents the net People Directorate budget plus the gross Public Health Commissioning budget (which is financed by a ring fenced Department of Health Grant).

3. Analysis of the Final Outturn Position by Directorate

Executive Office

3.1 This service area has recorded a small underspend for the year of (£0.021m) arising mainly as a consequence of a restructure of the department.

Corporate Items

3.2 Corporate items is showing an overspend position for the year of £1.165m. The key variations are;

3.3 Significant pressure of approximately £0.500m Pension Deficit which reflects the reduction in the Council's workforce since the last actuarial valuation in 2013 and the impact this has on our pension contribution to Devon County Pension Fund.

3.4 Other adverse movements on the Corporate Items budget include reduced trading activity on recharges (£0.500m) and a shortfall on corporate efficiency savings. These have partially been offset by a better than budgeted Treasury Management outturn performance.

3.5 As part of Council's Treasury Management function the Council will borrow and make investments in accordance with its Strategy. Inevitably such activities do expose the Council to financial risks as well as opportunities which impact upon revenue budget. The Treasury Management budget is held within the Corporate Items Budget and includes the Minimum Revenue Provision (MRP) which is the amount charged to for the repayment of debt arising from capital investment.

3.6 Local authorities have an option that part or all of the MRP payment could be funded from capital receipts. Use of capital receipts to write down MRP realises a revenue underspend that could be applied should it be considered prudent to do so. Capital receipts to the value of £0.267m have been applied in 2016/17 to ensure a balanced budget position is achieved in 2016/17.

3.7 Further capital receipts realised in 2016/17 have been carried forward for use in future years either to support capital expenditure as per the capital programme or to use in accordance with the Council's decision regarding the "Flexible use of Capital Receipts".

3.8 Performance of the treasury management function is reported to the Audit Committee in accordance with the Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code). This will include a commentary on the Council's investment and borrowing strategy and a review of the Prudential Indicators set in 2016/17. This report will be presented to the Audit Committee on 29 June 2017.

Transformation and Change

3.9 Transformation and Change Directorate has achieved a £0.094m underspend at year end. This has primarily been achieved through Human Resources (HR) & Organisational Development (OD) and Transformation's service reviews both achieving their efficiency targets in full. This has been partly offset by pressures that have arisen elsewhere within the Directorate. The biggest pressure is within Finance following a review of Facilities Management staffing costs and increase in postage costs and the reallocation of corporate savings to the directorate.

3.10 Delt was set the challenge of delivering efficiencies of £0.400m which was built into the base budget and achieved in full as part of the outturn position. Delt delivered over 100 projects during the year with a total value of £2.600m and increased opening hours with no additional cost to the Council. The ICT budget declared a small overspend due to additional licensing costs incurred as a consequence of not being able to decommission some software as early as planned Firmstep (our digital platform) was fully commissioned.

3.11 Legal Services generated a small underspend following efforts to generate additional income.

3.12 As identified in the first half of the year there were pressures identified with Housing Benefit subsidy and recovery of overpayments. Actions were taken during the year to address this which resulted in improved recovery assisted by improved processing of Housing Benefit claims. New claims are now being processed within 17 days which is below the national average and change of circumstances processed within 13 days. However, there remain challenges in ensuring all housing benefit overpayments are recovered and that the provision for bad debt can be minimised in future years.

People Directorate

3.13 In the December 2016 quarter 3 report, the People Directorate was showing a forecast £0.973m overspend. The directorate has continued to work closely with finance colleagues to minimise the outturn overspend. The improvement in the quarter is £0.814m leaving an over spend for the year of £0.159m.

3.14 This is a fantastic result given the complexity of the demand-led budgets and the requirement to find £9.144m of savings in the year.

3.15 This is the second year of our Integrated Fund with the Plymouth locality of the N.E.W. Devon CCG and represents a major step in working closer with our health partner to improve outcomes for the people of Plymouth.

3.16 Our integrated budget for 2016/17 was £495.392m and we have closed the books with the risk share for 2016/17 being a transfer to PCC of £0.088m. This reflects a combined over spend of £1.044m or 0.21% against the integrated budget.

3.17 The detail of this final outturn position for People includes:

- Children Young People and Families (CYP&F) Service is reporting a budget outturn overspend position of £0.208m. There have been a number of factors that have contributed to this final position.

- The number of children placed with independent fostering agencies stands at 100 against a target budget of 70 placements. Residential placements stands at 28 against a target of 20 budgeted placements with a number of these placements being high cost due to the complex nature of these children's needs.

- The 2017/18 budget allocation acknowledges the continued increase in numbers of children in care is in line with national and regional trends.

- Additional costs have been offset wherever possible. As part of the transformation project for 2016/17, CYP&F was tasked to make savings of over £2.100m (in order to contribute to the £9.214m Directorate target). £1.000m has been saved through enhanced voluntary release scheme (EVRS) and the Transformation of Services together with a further £0.800m through review and commissioning of placements. In addition, there have been further one-off savings due to vacancy savings and management interventions such as review of high cost care packages plus challenge and review sessions with budget holders and finance review.

3.18 Adult Social Care ended the year with a favourable variance against budget of £0.007m with a total expenditure of £75.785m against the budget of £75.805m.

- Management action to contain spend included measures around sign off of spend by Senior Management before approving care packages, reviewing contracts and a further review of high cost packages.

- The service also delivered £5.400m of savings as part of the transformation project.

3.19 Education Participation and Skills are reporting a favourable position of £0.009m at the end of the financial year mainly due to a reduction in Special Education Needs and Disability (SEND) care packages.

3.20 The newly formed Community Connections has a final outturn position of £3.060m against the budget of £3.154m a saving of £0.033m with lower than forecast B&B accommodation costs and reduced agency worker spend as a result of implementation of a new structure.

Office of the Director of Public Health (ODPH)

3.21 The directorate of Public Health has ended the year on budget.

3.22 Public Health came in as a balanced budget within the ring fenced grant.

- The Directorate achieved its savings targets for 2016/17 of £1.493m and made further in-year savings of £1.014m totalling £2.500m.

- Savings were achieved through a mix of contract renegotiations for commissioned public health services; a directorate restructure which created multi-disciplinary teams and an integrated management structure, vacancy savings and increased activity in chargeable services and enforcement.

- As part of this balanced budget, ODPH made contributions of £0.625m towards schemes in other Council departments, and prepared contingency plans to achieve the anticipated further reduction to the ring fenced grant in 2017/18.

Place Directorate

3.23 The Directorate had been forecasting an overspend position for the year but has managed to recover its position to an almost balanced position with just a small overspend of £0.063m against a total net budget of £24.388m which is less than 0.25% of net budget. The final outturn position is summarised in the following paragraphs.

3.24 Economic Development ended the year with a £0.412m underspend against a net budget of £0.869m. The favourable variation is as a result of a continued drive to increase income from land and property assets (see capital section below), overachieving on commercial income targets, the capitalisation of costs and savings across the economic development service.

3.25 Strategic Planning and Infrastructure (SP&I) ended the year with a £0.754m underspend against a net budget of £9.945m. This significant underspend has been achieved through a number of actions and one off savings including re-financing of significant areas of public transport spend, the use of grants to mitigate service costs and ongoing savings arising from vacancy management, increased income from commercialisation of viability services and capitalisation of staffing costs on transport projects. SP&I have taken a proactive role in budget monitoring which has helped in identifying opportunities to mitigate known pressures such as the shortfall in planning applications and building control fees.

3.26 Street Services had been forecasting a significant overspend throughout the year but have managed to improve their position to a £1.229m overspend which is 6.83% of their net budget of £18.000m.

3.27 The final outturn position for Waste was £0.783m overspend. The overspend was due to a number of issues which included, for example, staffing pressures, tonnage increases and a loss of income at the Refuse Transfer Station. Negotiations are taking place to find a resolution for next year.

3.28 Street Cleansing and Grounds did achieve a balanced position for the year-end through a series of savings targets which included a restructure of the service.

3.29 The Fleet and Garage service have made considerable savings over a number of years. There have been savings of over £1.600m made and circa 25 vehicle reduction of fleet been delivered in terms of fleet capacity. The ambitious in-year targets associated with further reduction of fleet numbers and increased commercialisation income targets were not fully met in year; plans are being put in place to deliver against them for next year. The main element of the unachieved savings/income (£0.611m) relate to non-achievement of commercialisation targets (£0.445m) and further fleet reduction (£0.092m).

3.30 Highways and Car Parking final outturn position resulted in an underspend of £0.164m. The underspend was due to a number of reasons, including an increase in capitalisation of front line work, salary savings and an increase in commuted maintenance income.

3.31 The GAME growth dividend programme delivered its targeted level of income of £4.932m through the New Homes Bonus initiative.

4. Other Financial Performance

4.1 In addition to the financial outturn reports within this report there were a range of other significant performance achievements which have contributed to the year-end position. In-year collection targets are set for our Council Tax, Business Rates, Commercial Rent, and Sundry Debt Income including our Trade Waste Income. The 2016/17 revenue budget was based on the achievement of the required targets.

We continue to increase our collection rates in core income streams and explore alternative ways of making further improvements. For example, we created a new team within existing resources to focus on recovering debt due to the Council with a specific focus on reducing housing benefit over payments.

4.2 Some Key Indicators are:

- The Miscellaneous Debt Management Team raised invoices to the total value of £103.000m in 2016/17 compared with £111.000m in 2015/16, collecting 96.9% of this debt within 30 days (96.4% in 2015/16) against a target of 95%.
- 96.9% of Council Tax collected against a target of 98.5% (15/16 = 96.8%).
- 99.1% of NNDR collected against a target of 95.6% (15/16 = 98.5%).
- Average borrowing rate of 2.61% was achieved against target of 3.4% (15/16 = 3.5%).
- Average investment return of 1.7% was achieved against target of 1.1% (15/16 = 1.3%).
- 98.6% of all supplier invoices were paid within 30 days against a target of 95%.
- VAT partial exemption at 4.6% (15/16 = 3.9%) – see below.
- 56% of the Council's spend was incurred businesses within the "PL" post code against target of 52% (15/16 = 53.2%).

VAT

4.3 The Council has a special exemption under VAT legislation that allows it to reclaim VAT from exempt activity as if standard rated so long as the amount remains under 5% of the total amount of VAT on expenditure claimed. If the 5% limit is breached the Council has to repay HMRC all the exempt VAT claimed, in the region of £1.500m.

4.4 During the year the Council has been monitoring its partial exemption limit for VAT which must remain below 5%. If this limit is breached the Council would have to pay approximately £1.500m to HMRC.

4.5 As identified above the outturn position is 4.6% which is lower than previous months due to some slippage in capital schemes related to VAT exempt activities but higher than 2015/16.

4.6 A Strategic approach to tax planning has been required to ensure we manage our tax affairs efficiently without incurring additional costs. This includes solutions such as the creation of a wholly owned council company to enable the Council to take advantage of innovative solutions with respect to capital expenditure. Officers will continue to proactively monitor the position over the medium term to ensure effective tax planning.

5. 2016/17 Financial Review

5.1 As part of consideration of the outturn position, and before officially closing the accounts, it is necessary to review the Council's overall financial position, looking not only at the general fund revenue outturn position for the year, but reviewing the adequacy of reserves and provisions in the light of financial liabilities identified over the short to medium term. Decisions made feed into the Council's statutory Statement of Accounts which is subject to external audit.

5.2 As an integral part of the financial review the Interim Joint Strategic Director for Transformation & Change - Finance and Corporate Management Team (CMT) are recommending the following corporate adjustments, including transfers to and from reserves.

a. <u>Transfer to Housing Benefits Overpayments Provision £1.000m</u>

5.3 The review of the level of provision for the Council's liability for Housing Benefit Overpayment resulted in the requirement for an increase to the provision of £1.000m to move in line with standard corporate bad debt provision rates and to make provision adequate to cover the non-recovery of overpayments outstanding at the end of the year. The level of provision continues to be monitored and a further sum was approved in 2017/18 as part of the budget. The contribution to this provision in 2016/17 has been funded from the release of the Business Rates Reserve (see below) and has been fully applied during the year.

b. <u>Release of Redundancies Reserve £1.000m</u>

5.4 £1.000m was released from the Redundancies Reserve in 2016/17 to fund the cost of departures arising from restructures and the EVRS. The Interim Joint Strategic Director for Transformation & Change - Finance has recommended a further contribution of £0.350m to the reserve as set out within this report.

c. <u>Release of</u> <u>Business Rates Reserve £1.000m</u>

5.5 As part of last year's outturn a Non Domestic Rates (Business Rates) reserve was created to mitigate against any bad debts, in particular any arising a consequence of large Business Rates appeals. The Government is consulting on 100% localisation of Business Rates and has released a number of papers during 2016/17. The Government has decided that under the new system appeals will be funded centrally which will reduce the risk and volatility to local authorities. Having undertaken a review it is considered prudent to release this reserve (to fund the Housing Benefit bad Debt Provision) as a result of the Government's proposals and the NNDR Collection Fund has been assessed as being sufficient to meet any future obligations.

d. <u>Stock Transfer Reserve £1.005m</u>

5.6 Following the Housing Stock Transfer in 2009, a reserve was created to provide for any residual liabilities which may arise from the transfer. Only one payment was made from the reserve during 2009/10. Following a review no further liabilities are expected to arise from the transfer. The release of the Stock Transfer Reserve will be used to support the council achieving a balanced outturn position.

e. Release of Capital Receipts

5.7 As set out in paragraph 3.6, local authorities have an option that part or all of the MRP payment could be funded from capital receipts. Capital receipts to the value of £0.267m have been applied to ensure a balanced budget position is achieved in 2016/17.

5.8 Full details of the Council's Reserves and Provisions will be set out within the Statement of Accounts for 2016/17.

Working Balance

5.9 The Working Balance as at 31 March 2017 is £9.701m. This represents 5.2% of the net revenue budget which remains above the 5% recommended minimum approved within the MTFS. Council approved the release of £0.150m from the Working Balance to support the 2017/18 budget as part of the MTFS. A further £0.350m could be released which would reduce the balance to £9.200m. This will equate to 5% of the 2017/18 net revenue budget.

Table 3 Working Balance

	March 2016	MTFS adjustment	March 2017
	£m	£m	£m
Working Balance	**10.652**	**(0.951)**	**9.701**

Schools Balances

5.10 At the end of the year there was a total of £4.383m 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 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 Council:-

1. Notes the provisional outturn position as at 31 March 2017.

2. Notes the use of capital receipts - £0.267m - to write down MRP to ensure a balanced budget position is achieved in 2016/17.

3. Notes the additional transfers to and from reserves reflected within the outturn figures:

▪ Release the Business Rates Reserve	(£1.000m)
▪ Transfer to Housing Benefits Overpayments Provision	£1.000m
▪ Release of Stock Transfer Release	(£1.005m)

4. Notes the release of £0.350m from Working Balances and transfer to the Redundancy reserve.

SECTION B: CAPITAL PROGRAMME OUTTURN 2016/17

6. Capital Programme outturn 2016/17

6.1 The provisional capital programme outturn position for 2016/17 is £90.423m. This is shown by Directorate in Table 1 below. This is within the approved Capital programme budget of £205.000m reported to Full Council in February 2017.

Table 1 – Capital Outturn 2016/17

Directorate	Latest Forecast December 2016	Re-profiling	Approvals post Dec	Variations & virements	2016/17 Outturn	Variance	%
	£m	£m	£m	£m	£m	£m	
Place	86.182	(13.548)	3.299	(0.408)	**75.525**	(10.657)	88
People	12.182	(0.734)	0	0.122	**11.570**	(0.612)	95
Transformation & Change	4.628	(1.451)	0.155	(0.228)	**3.104**	(1.524)	67
Public Health	0.224	0	0	0	**0.224**	0	100
TOTAL	**103.216**	**(15.733)**	**3.454***	**(0.514)**	**90.423**	**(12.793)**	**88**

* See **Appendix B** List of Capital Programme Additions

6.2 The 2016/17 programme outturn of **£90.423m** has enabled investment in some notable schemes, including:

- **£30.800m** Asset Investment acquisitions:
  £4.400m Bell Park Industrial Estate.
  £1.700m 34-36 New George Street.
  £24.700m Friary Retail Park.

- **£7.300m** Strategic Property Acquisitions for regeneration and housing developments:
  £1.000m Prince Maurice Road.
  £3.800m Colin Campbell Court.
  £2.500m Bath Street.

- **£5.800m** of capitalised carriageway resurfacing.

- **£5.500m** to continue with the major infrastructure projects to support growth along the Northern Corridor:
  £1.400m Derriford Hospital Interchange.
  £2.200m Derriford Transport Scheme (Derriford Roundabout and Tavistock Road / William Prance Road junction.
  £1.900m Outland Road junction improvements.

- **£1.700m** for the redevelopment of the City Museum and Library into the new History Centre complex.

- **£3.200m** of works to enable the redevelopment of Oceansgate as a Marine Industries Production Campus.

- **£2.000m** for the major refurbishment of the City Market.
- **£3.500m** City College, a loan and grant provided to assist with the Science, Technology, Engineering and Maths development of the college.

- **£1.600m** in Basic Need improvements to local schools:
  £0.900m Pennycross Primary.
  £0.400m Stoke Damerel Primary.
  £0.300m Pomphlett Primary.

- **£1.900m** in condition works to local schools
  £0.800m Mount Tamar Special School.
  £0.700m Cann Bridge Special School.
  £0.400m Salisbury Road Primary.

- **£2.000m** Disabled Facilities Grant.

- **£1.100m** for the on-going replacement of street lighting bulbs to provide energy and carbon savings.

- **£0.900m** to demolish the former Quality Hotel site.

- **£3.200m** completion of the new Coach Station at Mayflower West, to enable the redevelopment of a leisure complex at the existing Bretonside Bus Station site.

- **£1.400m** of Green Deal grant awards to Plymouth private households, for solid wall insulation.

- **£2.900m** loan to Ernesettle Community Solar Farm.

- **£1.300m** ICT provision, upgrading and creating new capabilities including investment into Customer Transformation ICT.

6.3 The year-end position highlights **£15.700m** of re-profiling of schemes into 2017/18. This is spend which was scheduled to be delivered in 2016/17, but is now forecast to be delivered in 2017/18. Explanations for the most significant project re-profiling are given below:

- **(£2.400m) Derriford Transport Scheme**

  Works commenced in 2015/16 and have continued throughout 2016/17 on the £12.700m Derriford Transport scheme, which are planned for 2015-19. At the time of the latest capital programme approval (Dec 2016) it was anticipated that 2016/2017 spend would be £4.700m. However, due to the discovery of phosphorous grenades on Tavistock Road with associated road closures and changes to construction methods, delays in land acquisition and some re-design works, there will be slippage of £2.400m into 2017/18.

- **(£1.300m) Oceansgate**

  Construction work to progress separation, enclaving and provision of new infrastructure at South Yard Oceansgate has been slower than anticipated due to ongoing delays associated with transferring the Area 1 West land, interfacing with the MoD and additional survey/investigation works. This has resulted in slippage of £1.300m of anticipated expenditure which will now occur in 2017/18.

- **(£3.000m) Acquisition of a Plymouth Freehold Property Investment**

  At the time of approval (Feb 2017), it was anticipated that £3.000m would be spent during 2016/2017 on the land purchase. Due to on-going negotiations over the structure and terms of the acquisition, the land purchase will now not take place until the new-year.

- **(£1.000m) Bath Street & Colin Campbell Court**

  At the time of the latest capital programme approval (Dec 2016) it was anticipated that 2016/17 spend would be £7.400m (Bath Street £3.300m and Colin Campbell Court £4.100m). However due to an error in processing the acquisition payments, completion of the purchase of the Bath Street property didn't take place until April 2017. The demolition works in Colin Campbell Court have also been delayed resulting in slippage of £1.000m into 2017/18 across the two projects.

- **(£1.800m) History Centre**

  At the time of the latest capital programme approval (Dec 2016) it was anticipated that 2016/17 spend would be £3.500m. However, a number of technical issues have been discovered during the development stage. These include the discovery of asbestos, Japanese Knot Weed, water ingress and a collapsed drain in the road which needs to be replaced. Ground condition surveys have also revealed more rock than expected which will impact on the formation of the basement areas. As a result of all these technical issues there have been some redesigns, resulting in the need to re-profile £1.800m worth of spend from 2016/17 into 2017/18.

Capital Financing 2016/17

6.4 The table below shows the final financing of the 2016/17 programme.

Table 2 – Financing of 2016/17 Capital Programme

Method of financing	Un ring-fenced £m	Ring – fenced £m	Total £m
- Capital receipts	0.252	0.964	1.216
- Grants (e.g. gov't, HLF, LEP, Environment Agency)	9.217	24.190	33.407
- Internal PCC Balance Sheet Funds	0.030	0.807	0.837
- Contributions, S106 & CIL (neighbourhood element)	0	4.184	4.184
- Direct Revenue Funding from service areas	0	0.340	0.340
- Borrowing:			
- Corporately funded	9.372	0	9.372
- Service revenue budget funded	0	40.699	40.699*
- External Borrowing	0	0.368	0.368
TOTAL CAPITAL FINANCING 2016/17	**18.871**	**71.552**	**90.423**

* Service borrowing is paid for by the Revenue Budget and is provided from savings made from the capital investment or from additional income such as the Asset Investment Fund investments (£30.800m).

6.5 Service departments will make a revenue contribution for their borrowing based on the amount of the loan, the interest rate and the life of the individual assets. The interest cost is calculated using interest rates provided by the Treasury Management Team and is based on the term of the borrowing. The interest rates are fixed for the full term of the borrowing so that the service knows the full cost of borrowing.

6.6 The cost of borrowing is charged the year after the assets comes into use. The service would cover the cost of borrowing from the benefits gained once the scheme has been completed and commissioned. There should therefore be no additional cost to service budgets as the budgets will receive both the benefits derived and cost of debt financing.

6.7 The financing of the additional borrowing will be managed through the Council's Corporate Treasury Management Team who seek to minimise the cost of borrowing through the daily cash management process. This may result in a slightly reduced cost to the Council as the team maximise opportunities to borrow at rates which maybe more competitive than the estimates provided in the business case. If the interest rates rise over the term of the borrowing then the Treasury Management team will manage this increase.

6.8 Corporately funded schemes are charged to the Corporate Items budget. Over recent years the cost of such schemes has been absorbed into that cost centre. However, this is unsustainable going forward. A provision of £0.250m has been included in the 2017/18 revenue budget with further provisions included within the MTFS but these will have to be reviewed each year as the projects are completed.

6.9 In February 2017 the Council agreed a priority list of capital projects to add to £417.200m to the Capital Budget and this will increase corporate borrowing by £266.200m over the next 5 years. This includes £100.000m borrowing towards the Asset Investment Fund but this will generate an income to more than fund the finance costs. See Appendix C.

Revised Capital Programme 2016 – 2021

6.10 The table below sets out the revised capital programme for the 2016 – 2021 period, now updated for 2016/17 outturn:

Directorate	2016/17 Outturn	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	Total Programme
	£m	£m	£m	£m	£m	£m
Place	75.525	84.466	23.351	9.414	2.713	195.469
People	11.570	6.244	2.065	0	0	19.879
Transformation and Change	3.104	5.399	0	0	0	8.503
Public Health	0.224	0	0	0	0	0.224
TOTAL	**90.423**	**96.109**	**25.416**	**9.414**	**2.713**	**224.075**

Recommendations

That Council:-

4. Notes the Capital Report including the Capital Financing Requirement of £90.423m.

REVENUE OUTTURN VARIANCES MARCH 2017 — APPENDIX A

DEPARTMENTS	2016/17 Gross Expenditure	2016/17 Gross Income	Latest Approved Final	Outturn	Outturn Variation
	£'000	£'000	£'000	£'000	£'000
Total Executive Office	**4,419**	**(0,409)**	**3,935**	**3,914**	**(21)**
Capital Financing	5,124	(1,257)	3,702	2,994	(708)
Other Corporate Items	5,888	(8,837)	(3,938)	(2,065)	1,873
Total Corporate Items	**11,012**	**(10,094)**	**(236)**	**929**	**1,165**
Finance	19,630	(3,520)	16,110	16,528	418
Legal	3,808	(863)	2,964	2,915	(49)
Customer Services	113,074	(110,160)	2,766	2,864	99
Human Resources & OD	3,369	(741)	3,218	2,728	(490)
Management and Support	58	0	58	58	0
Transformation	3,452	97	3,885	3,609	(276)
ICT	6,944	(442)	6,502	6,707	204
Total Transformation and Change	**150,335**	**(115,629)**	**35,502**	**35,408**	**(94)**
Children's Social Care	37,727	(3,566)	34,161	34,369	208
Co-operative Commissioning & Adult Social Care	99,354	(24,000)	75,805	75,798	(7)
Education, Learning & Family Support Services	134,848	(124,421)	10,087	10,078	(9)
Homes & Communities	4,334	(1,331)	3,154	3,121	(33)
Management and Support	(456)	0	(456)	(456)	0
Total People Directorate	**275,807**	**(153,318)**	**122,751**	**122,910**	**159**
Economic Development	10,512	(9,644)	869	457	(412)
Strategic Planning	12,603	(3,115)	9,945	9,191	(754)
Street Services	46,293	(28,000)	18,008	19,237	1,229
Management & Support	627	(5,060)	(4,433)	(4,433)	0
Total Place Directorate	**70,035**	**(45,819)**	**24,389**	**24,452**	**63**
Public Health	16,801	(16,370)	430	430	0
Operational and Development	288	(68)	220	364	144
Trading Standards	440	(17)	423	393	(30)
Environ Health (Food & Safety)	425	(38)	387	369	(18)
Bereavement Services	1,024	(2,636)	(1,612)	(1,612)	0
Licensing	228	(336)	(108)	(101)	7
Environmental Protection	596	(163)	433	421	(12)
Civil Protection Unit	205	(16)	189	99	(90)
Total Office of Director of Public Health (ODPH)	**20,007**	**(19,644)**	**362**	**362**	**0**
Total General Fund budget	**531,615**	**(344,913)**	**186,702**	**187,974**	**1,272**

CAPITAL PROGRAMME ADDITIONS APPENDIX B

Approvals secured January - March 2017 through Executive Decisions and S151 Officer Approval

Year of Programme Addition						
Scheme Name	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**TOTAL**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Place Directorate						
Acquisition of a Plymouth Freehold Property Investment	3.000	12.210				**15.210**
Carriageway Resurfacing	0.242					**0.242**
Woolwell to the George	0.030	0.390				**0.420**
Dunstone Woods	0.004	0.013				**0.017**
Mount Edgecumbe Marquee Floor	0.023					**0.023**
Development Fund		0.500				**0.500**
Total Place Directorate	**3.299**	**13.113**	**0.000**	**0.000**	**0.000**	**16.412**
People Directorate						
Oreston Academy Basic Need		0.226				**0.226**
Pomphlett Basic Need			1.600			**1.600**
Plympton St Maurice - Condition Works		0.069				**0.069**
Woodford Primary School Basic Need		0.059				**0.059**
MAP – Early Years Capital Fund		0.300				**0.300**
Total People Directorate	**0.000**	**0.654**	**1.600**	**0.000**	**0.000**	**2.254**

Year of Programme Addition						
Scheme Name	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**TOTAL**
Transformation and Change Directorate						
Phase 1 - Depot Strategy	0.002	0.747				**0.749**
Customer Services Accommodation Transformation	0.010	0.095				**0.105**
Modern Government - Council House Phase 1		0.078				**0.078**
Kay Close Roof	0.143					**0.143**
Foreshore Repairs		1.044				**1.044**
Lifecycle Maintenance 17/18		0.320				**0.320**
Total Transformation and Change Directorate	**0.155**	**2.284**	**0.000**	**0.000**	**0.000**	**2.439**
Total Capital Programme Additions Jan – Mar 17	**3.454**	**16.051**	**1.600**	**0.000**	**0.000**	**21.105**

			£m Total cost	£m Plymouth Contribution
To deliver the Plymouth Plan by investing in the infrastructure necessary to enable the city to grow (based on the comprehensive assessment of infrastructure needs contained within the Infrastructure Needs Assessment)	Transport and other infrastructure that eases traffic flow and improves facilities for public and active transport, enabling housing growth and reducing the impact of development on local communities	Woolwell to The George widening	£15.7m	£15.7m
		Northern corridor transport schemes	£43.6m	£24.6m
		Forder Valley Link Road (only project development costs in the current programme). This is additional scheme cost.	£3.9m	£3.9m
		Schools	£26.0m	£5.0m
		Derriford Park	£12.0m	£6.0m
		Total	**£101.2m**	**£55.2m**
	Transport, public realm and business infrastructure that eases the flow of traffic, provides essential business premises and creates a more attractive environment, improving business productivity, and enabling economic growth	Public realm improvements at Armada Way and other schemes which will encourage further private investment in the city centre	£49.0m	£27.0m
		A cruise terminal which will support the viability of local hospitality and retail businesses by increasing visitor numbers	£8.0m	£5.0m
		The Mayflower 2020 celebration, which will increase visitor numbers and provide a lasting economic legacy. A detailed report on this project is on the 7 February 2017 Cabinet agenda	£10.0m	£5.0m
		Plymouth Central Station	£40.0m	£5.0m
		Oceansgate	£4.0m	£4.0m
		Millbay Boulevard	£10.0m	£3.0m
		Total	**£121.0m**	**£49.0m**

			£m Total cost	£m Plymouth Contribution
To generate an increased level of sustainable rental income for the Council by investing in new land and property assets. £100m investment is planned. The further £100m programme is self-financing and will generate income in excess of the cost of borrowing of £0.300m in 2019-20, £0.300m in 2019-20 and £0.400m 2020-21			**£100.0m**	**£100.0m**
To maintain and improve the Council's assets		Maintaining the highway network	£50.0m	£20.0m
		Maintenance of other city assets	£15.0m	£15.0m
		Undertaking a series of improvements to Central Park, delivering the masterplan	£9.0m	£6.0m
		Total	**£74.0m**	**£41.0m**
To transform service delivery by building and procuring infrastructure and assets that enables the Council to change the way it delivers services		Extra care facilities which provide a supported housing environment for elderly people. The capital financing cost would need to be covered in the project business case	£4.0m	£4.0m
		IT infrastructure that enables more efficient ways of delivering services giving residents an improved customer experience. This investment would need to have a self-financing business case.	£11.0m	£11.0m
		An improved bereavement service model, that future proofs the delivery of bereavement services including new and replacement cemetery and crematorium facilities. This will have a self-financing business case.	£6.0m	£6.0m
		Total	**£21.0m**	**£21.0m**
Total Proposed Investments			**£417.2m**	**£266.2m**