

Cabinet



Date of meeting: 11 August 2022
Title of Report: **Finance Monitoring Report June 2022**
Lead Member: Councillor Mark Shayer.
Lead Strategic Director: Brendan Arnold (Service Director for Finance)
Author: Hannah West Senior Business Partner
David Northey Head of Integrated Finance
Contact Email: Hannah.West@plymouth.gov.uk
David.northey@plymouth.gov.uk
Your Reference:
Key Decision: No
Confidentiality: Part I - Official

Purpose of Report

This report sets out (i) the revenue monitoring position of the Council at Period 3 to the end of the financial year 2022/23 (ii) the cash expenditure for the Capital Programme at Period 3 (iii) the Q1 Capital Programme update (iv) a report on the work of the Cabinet Working Group on Commercial Income and (v) an update on revenue virements.

Recommendations and Reasons

That Cabinet notes:

1. The forecast revenue monitoring position at Period 3;

Reason: controlling the outturn within budget is essential to maintain financial control.

2. The expenditure for the Capital Programme at Period 3.

Reason: monitoring the expenditure against the Capital Programme is a key part of maintaining financial control and project delivery.

3. The Q1 Capital Programme Update.

Reason: to permit Cabinet to recommend these amendments to Full Council for approval in line with the Constitution.

4. The work of the Cabinet Working Group on Commercial Income.

Reason: to gain assurance that the requirements set by Council to find a £500,000 saving when the 2022/23 Budget was approved on 28 February 2022 have been met.

5. The update on revenue budget virements; and

Reason: to report in line with the Constitution and Financial Regulations.

That Cabinet approves:

6. That this report is to proceed for onward consideration by the meeting of Full Council on 19 September 2022.

Reason: to comply with the Constitution.

Alternative options considered and rejected

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

Relevance to the Corporate Plan and/or the Plymouth Plan

The financial outturn 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 the Medium Term Financial Plan and Resource Implications:

Robust and accurate financial monitoring underpins the Council's Medium Term Financial Plan (MTFP). The Council's MTFP is updated regularly based on on-going monitoring information, both on a local and national context. Any adverse variations from the annual budget will place pressure on the MTFP going forward and require additional savings to be generated in future years.

Financial Risks

Financial risks are discussed in the body of the report and relate to the attainment of a balanced budget position in financial year 2022/23.

Carbon Footprint (Environmental) Implications:

No impacts directly arising from this report.

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

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 within budget is paramount to ensuring the Council can achieve its objectives.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 1 of the Local Government Act 1972 by ticking the relevant exemption paragraph number.</i>						
		1	2	3	4	5	6	7
A	2022/23 Savings status							
B	Capital Programme New Approvals							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: Brendan Arnold (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 02/08/2022											
Cabinet Member approval: Councillor Mark Shayer (Deputy Leader and Cabinet Member for Finance and Economy)											
Date approved: 04/08/2022											

SECTION A: EXECUTIVE SUMMARY**Table I: End of year revenue forecast**

	Budget £m	Net Outturn £m	Forecast	Variance £m
Total General Fund Budget	197.750	211.367	13.617 (Gross)	

1. The forecast revenue outturn is currently estimated at £13.617m over budget, which is a variance of +6.88% against the net budget.
2. This variance is considerably higher than we would expect at this point of the financial year and includes around £7m of non-controllable costs which could not have been for-seen at the time of setting the Budget. This is largely due to a number of unprecedented pressures caused by global economic and political factors and the ongoing impact of the pandemic on demand and costs. For example, there are large increases in energy costs across the corporate estate, including a £1 million increase in the energy costs for street lighting in the city and a rise of 31% in fuel costs, resulting in an extra £201k for council vehicles e.g. refuse and recycling trucks.
3. The ongoing impact of the pandemic is also being seen in other rising costs and demand pressures. Changes to people's working habits have led to an increase in the amount of domestic waste that needs to be collected, adding £980,000 to annual collection costs.
4. We are continuing to see increasing numbers of people needing support from adult social care services and there has also been a rise this year in the number of people requiring emergency bed and breakfast accommodation from 18 to 180 – due in part to rising costs in the private rented sector, adding £1m of additional costs.
5. The Council's Children, Young People and Families department is currently facing a projected overspend of £3 million as the cost of specialist residential placements for vulnerable children rises nationally, and costs in care and transport services for young people rise.
6. Income that is used to support Council services is also decreasing in a number of areas, including parking and libraries. National pay agreements are also impacting on staff costs, with a projected additional £2m cost included in this forecast.
7. In response to the value of the gross variation of £13.617m directorates have identified management actions (first response mitigations) of £3.686m resulting in a net variation of £9.931m. The remaining adverse variance will be the subject of further work with the aim of eliminating the variance entirely by the end of the financial year. Further savings will be defined and reported at Period 4.
8. As shown in Appendix A, the planned in-year savings targets amount to £11.245m, of which £10.242m are on track or being developed for delivery.

It is still early in the reporting cycle so it should be noted that the financial position will change as we move through the year. Officers and Members will work closely to manage the finances towards a balanced position by the end of the year. Given the value of the forecast overspend it is inevitable that further decisive interventions will be needed to constrain expenditure and to successfully manage the position.

SECTION B: Directorate Review**Table 2: End of year revenue forecast by Directorate**

Directorate	Budget £m	Forecast £m	Forecast Net Variance £m	Status
Executive Office	5.352	5.529	0.177	over
Customer and Corporate Services	45.698	48.091	2.393	over
Children's Directorate	61.110	62.700	1.590	over
People Directorate	94.751	95.553	0.802	over
Public Health	(0.389)	(0.639)	(0.250)	under
Place Directorate	26.174	28.878	3.704	over
Corporate Account & Council wide items	(34.946)	(33.431)	1.515	over
Total	197.750	207.681	9.931	over

Executive Office

9. The Executive Office is reporting a gross pressure of £0.308m, due to rising costs within legal for staffing and court fees, and savings target set for 2022/23 not on track due to service demand. Mitigations of (£0.131m) have been identified leading to a net variance of £0.177m.

Customer and Corporate Services Directorate (CCS)

10. The CCS Directorate is forecasting a gross over spend of £3.218m. This is predominantly due to increased Gas and Electricity costs with further rises predicted in the autumn. Lower than forecast income has also contributed to this pressure. The directorate has identified mitigations of (£0.825m) leading to a net variance of £2.393m.

Children's Directorate

11. At Period 3 the Children's Directorate is reporting a gross adverse variance of £3.005m. The principal variations are; £0.566m relating to new exceptionally high cost bespoke and residential placement above previous growth assumptions, legal costs of £0.385m, specialist assessments £0.529m, pressures within EP&S relating to SEND Short Breaks £0.370m and School Transport £0.634m; there is also a level of savings which appears undeliverable at this juncture.
12. In response to this the directorate has identified mitigations of (£1.415m) leading to a net variance of £1.590m.

People Directorate

13. The People Directorate is currently forecast to overspend by £1.382m. Adult Social Care is facing pressures around higher than anticipated transitions costs within Supported Living and increased client numbers within Direct Payments. Increased demand is also being seen in Residential and Nursing numbers. The savings targets are challenging and will be closely monitored.
14. In line with the national picture, Homelessness demand for both singles and families is continuing to rise and is putting a huge pressure on the system, meaning that B&B numbers are continuing to increase. Notwithstanding the directorate has identified mitigations of (£0.580m) leading to a net variance of £0.802m.

Office of the Director of Public Health (ODPH)

15. Services within the Public Health office are reporting an under spend of (£0.250m) which has contributed to the Period 3 net position.

Place Directorate

16. The directorate is continuing to report a significant overspend, which has increased from month 2 by a further £0.208m to £3.704m. This continues to be due to a combination of factors including utility costs and expenditures due to the Pandemic.
17. Economic development have incurred increased costs they are struggling to mitigate, and Street Services is continuing to experience Covid related pressures which have been compounded further by street lighting, fuel and unscheduled maintenance costs. The uncontrollable costs linked to inflation, lost income and Covid legacy are of the order of £2.5M
18. At this point the directorate is working up savings proposals which will look at reducing costs, identifying income and re-profiling of spend for further discussion and will be brought into the forecast in the near future.

Corporate Items & Council wide

19. The overall position shows a net overspend of £1.515m. This position includes the possible value of the 2022/23 pay award offset by underspends in the treasury and corporate areas.

SECTION C: Revenue Virements and Budget Funding

20. There are no virements that need approval in Period 3.
21. Following a decision of Full Council on 28 February 2022, in May 2022 Cabinet commissioned a Cabinet Working Party on Commercial Income to identify a one off saving of £500,000 from within the Economic Development service area. As planned the saving has been agreed on a one off basis for 2022/23 only, relating to savings from capital projects that are now not coming forward this financial year.

SECTION D: Capital

22. The approved Capital Budget (representing forecast resources) is made up of two elements (i) the Capital Programme representing projects that have been approved and (ii) future funding

assumptions which are estimates of capital funding which the Council expects to have access to in the future.

23. The five year Capital Budget 2022-2027, is currently forecast at £631.366m at 30 June 2022 and has been adjusted for new approvals or changes to the Capital Programme since the Council Budget was approved on 28 February 2022. This is shown in Table 3.

Table 3: Capital Programme Movement

Description	£m
28 February Approved Capital Programme 2021/22-2025/26	402.356
New approvals January 2022 to June 2022 (See Appendix B)	30.363
Less 2021/22 Outturn to restate five year programme from 2022/23	(75.275)
Virements & variations	(1.987)
Subtotal Adjusted Approved Capital Programme	355.457
Future Funding Assumptions (excl. corporate borrowing)	275.909
Total Revised Capital Budget for Approval (2022/23 -2026/27)	631.366

Table 4: Capital Programme by Directorate

Directorate	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
People	11.825	8.219	0.132	0.132	-	20.308
Place - Economic Development	70.956	41.800	11.404	4.787	0.053	129.000
Place – Strategic Planning and Infrastructure	110.095	27.518	10.814	2.426	-	150.853
Place – Street Services	24.883	3.963	2.017	-	-	30.863
Customer & Corporate Services	10.942	3.086	0.582	-	-	14.610
Office for Director of Public Health *	9.823	-	-	-	-	9.823
Total	238.524	84.586	24.949	7.345	0.053	355.457
Financed by:	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	8.283	2.088	0.443	3.000	0.053	13.867
Grant funding	92.112	21.042	2.625	1.804	-	117.583
Corporate funded borrowing	50.875	16.907	13.243	2.541	-	83.566
Service dept. supported borrowing	74.879	38.341	8.414	-	-	121.634
Developer contributions	10.705	6.208	0.224	-	-	17.137
Other contributions	1.670	-	-	-	-	1.670
Total Financing	238.524	84.586	24.949	7.345	0.053	355.457

* excludes July Bereavement project update which will be included in next capital report at Q2.

Capital Programme 2022/23 monitoring

24. As at the end of Q1 the approved Capital Programme for 2022/23 was £238.524m. Table 5 below includes a breakdown by directorate of actual cash spend as at 30 June 2022 shown as a value and percentage against latest forecast.

Table 5: 2022/23 Programme including actual spend and % spent compared to latest forecast

	Forecast June 2022 £m	Actual Spend 2022/23 as at 30 June 2022	Spend as a % of Latest Forecast
People	11.825	1.081	9.1%
Place – Economic Development	70.956	1.695	2.4%
Place – Strategic Planning & Infrastructure	110.095	5.186	4.7%
Place – Street Services	24.883	2.140	8.6%
Customer & Corporate Services	10.942	0.314	2.9%
Public Health	9.823	2.193	22.3%
Total	238.524	12.609	5.3%

25. The actual expenditure in 2022/23 Q1 has resulted from slippage within the 2021/22 Capital Programme. This is because of increased costs linked to fuel and other commodities, disruption to supply chains, other supply issues arising from the Pandemic and the war in Ukraine. The capital spend profile is currently being reviewed to identify areas of potential revenue savings within directorates during 22/23. The overall position will also be taken into account in reviewing the Capital Programme in line with preparations for the 2023/24 Revenue Budget during autumn 2022.

26. The Capital Programme is delivering some major projects across the city; these include :

- Future High Streets Fund grant
- Forder Valley Link Road
- Forder Valley Interchange
- Woolwell to the George
- Transforming Cities Fund (Schemes to support cycling, walking & accessibility)
- Brunel Plaza redevelopment of Plymouth Train Station

- Plymouth Crematorium
- Property & regeneration fund

Appendix A 2022/23 Savings status (I) Summary

	Total	Achieved savings	On track for delivery	Working on for delivery	Planned, internal/external actions required to deliver
	£m	£m	£m	£m	£m
Children's	3.942	1.145	1.968	0.383	0.446
People	2.937	0.000	0.000	2.937	0.000
ODPH	0.037	0.000	0.037	0.000	0.000
Customer & Corporate Place	3.015	0.025	0.036	2.807	0.147
Corporate Items	0.964	0.175	0.263	0.116	0.410
	0.350	0.000	0.350	0.000	0.000
2022/23 Savings	11.245	1.345	2.654	6.243	1.003

Appendix A 2022/23 Savings status (2) Detail

Directorate / Plans	Target Savings	MTFS Savings	Achieved savings	Plans on track for delivery	Plans worked on for delivery	Planned, internal/external actions required to deliver
	£m	£m	£m	£m	£m	£m
Children's						
Placement Review	1.400	1.400	0.400	0.752	0.248	
AST	0.500	0.500	0.225	0.275		
Fostering	0.450	0.450	0.249	0.067	0.135	
Supporting Families	0.650	0.650		0.650		
Management Actions - CYPF	0.225	0.225		0.225		
Management Actions - EPS	0.717	0.717	0.271			0.446
Children - Savings	3.942	3.942	1.145	1.968	0.383	0.446
People						
Care Package Reviews	0.750	0.750			0.750	
Place Holder I- reviews	0.430	0.430			0.430	
CES catalogue review	0.100	0.100			0.100	
Service Reviews	0.300	0.300			0.300	
Grant Maximisation	0.600	0.600			0.600	
Management Actions	0.100	0.100			0.100	
Advice / Information / Advocacy	0.050	0.050			0.050	
Social Inclusion	0.180	0.180			0.180	
Housing Services	0.250	0.250			0.250	
Alarms	0.112	0.112			0.112	
Leisure Management	0.065	0.065			0.065	
People - savings	2.937	2.937	0.000	0.000	2.937	0.000
ODPH						
Additional Income	0.037	0.037		0.037	0.000	
ODPH - savings	0.037	0.037	0.000	0.037	0.000	0.000
CCS and Chief Exec						

Efficiency	0.758	0.758			0.758	
Soft FM Income	0.020	0.020		0.020		
Digital	0.025	0.025	0.025			
SLAs	0.040	0.040			0.040	
Fees and charges Review	0.016	0.016		0.016		
Coroner	0.070	0.030			0.070	
Public Conveniences	0.100	0.100			0.100	
ICT (c/fwd 21/22)	0.691	0.000			0.691	
Hard FM (c/fwd 21/22)	0.550	0.000			0.550	
Business Support c/fwd 21/22)	0.498	0.000			0.498	
CEX	0.100	0.100			0.100	
CEX Review and Scrutiny Panels	0.147	0.147				0.147
Cust. & Corp. Services and CEX savings	3.015	1.236	0.025	0.036	2.807	0.147
Place						
ED - Trust Lease review	0.075	0.075	0.075			
ED - TIC 3 year plan to break even	0.013	0.013			0.013	
ED - Theatre Royal SLA	0.100	0.100	0.100			
ED – Mt Edgcumbe break even position	0.045	0.045			0.045	
SPI - Capitalisation (Environmental Planning)	0.050	0.050		0.050		
SPI - Capitalisation (Strategic Transport)	0.030	0.030		0.030		
SPI – Planning Fee increase (pre-app, S38)	0.058	0.058			0.058	
SPI – Bus Shelter Advertising	0.075	0.075				0.075
SPI - Concessionary fares	0.183	0.183		0.183		
Highways – Invest To Save	0.230	0.230				0.230
Highways – Street Lighting	0.105	0.105				0.105
Place savings	0.964	0.964	0.175	0.263	0.116	0.410
Corporate Items						

Change Reserve	0.350	0.350		0.350		
Corporate savings	0.350	0.350		0.350	0.000	0.000
Overall Total savings	11.245	9.466	1.345	2.654	6.243	1.003

Appendix B Capital Programme - New Approvals

Directorate	Project Name	£m
Place	Ply & S.Devon Community Forest	8.651
Customer & Corporate	ICT Capital	5.951
Place	Central Park Improvements	3.074
People	Disabled Facilities (incl Care & Repair works)	2.814
Place	Home Upgrade Grant	2.254
Place	Social Housing Decarbonisation	0.967
Customer & Corporate	Relocation of Midland House Staff and Services to Ballard House	0.850
Place	A38 Manadon Junction	0.800
Place	Colin Campbell House	0.760
Place	Colin Campbell Court Demolitions	0.613
People	Plymouth for Housing Extra Care Housing Support Millbay	0.597
Place	Charlton Road	0.547
Place	Relocation of Shekinah	0.348
People	Schools - ICT	0.308
	Other (30 Project Values below £0.200m)	1.829
	Total	30.363