

Performance, Finance and Customer Focus Overview and Scrutiny Committee



Date of meeting:	12 September 2022
Title of Report:	Finance Monitoring Report July 2022
Lead Member:	Councillor Mark Shayer
Lead Strategic Director:	Brendan Arnold (Service Director for Finance)
Author:	David Northey Head of Integrated Finance
Contact Email:	David.northey@plymouth.gov.uk
Your Reference:	Click here to enter text.
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report sets out the revenue monitoring position of the Council at Period 4 to the end of the financial year 2022/23.

Recommendations and Reasons

That scrutiny notes the forecast revenue monitoring position at Period 4.

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

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.

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If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 1 of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	2022/23 Savings status							
B	Non Controllable expenditure							
C	Gross to Net Pressures							

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) <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 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: **Brendan Arnold**

Please confirm the Strategic Director(s) has agreed the report? **Yes**

Date agreed: *02/09/2022*

Cabinet Member approval: Deputy Leader and Cabinet member of Finance, after discussion with Cabinet colleagues

Date approved: *06/09/2022*

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

	Budget £m	Net Forecast Outturn £m	Variance £m
Total General Fund Budget	197.750	206.474	8.724

1. The previous Monitoring Report at Month 3 (June 2022) highlighted a gross £13.6m variance in the forecast revenue outturn and set out savings developed by officers. In the process of further forensic reviews of the forecasts, a further £1.238m of pressures were identified, taking the gross position of £14.855m.
2. After accounting for savings of £6.131m, the forecast revenue outturn is currently estimated at a net £8.724m over budget, which is a variance of +4.4% against the net budget. This is set out in Appendix C.
3. Like all Households and Authorities across the country, we are experiencing the financial consequences of both national and international factors. Our position includes around £7m of non-controllable costs which could not have been for-seen at the time of setting the Budget. Of this £4.3m is a direct result of the increasing energy costs. For our buildings and estate, we are forecasting our gas costs to increase from the budget £0.334m to £0.984m; our electricity to increase from the budget £1.363m to £2.712m.
4. Examples of increased energy costs include:
 - The Life Centre increasing by £0.575m
 - Street Lighting increasing by £1.142m
 - The two crematorium sites increasing by £0.345m
5. 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 to our annual collection costs.
6. 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.
7. The Council's Children, Young People and Families department is currently facing additional costs projected at £3.8 million as the cost of specialist residential placements for vulnerable children rises nationally, and costs in care and transport services for young people rise.
8. 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.
9. This variance is considerably higher than we would expect at this point of the financial year but is a reduction of £1.207m from the net £9.931m forecast at the end of June 2022.

10. In response, to eliminate the remaining adverse variance, management have developed an in-year financial recovery plan which will be the subject of further work to crystallise savings.
11. The recovery plan includes full reviews of:
- Full review of all staffing costs including the management of vacancies
 - All Fees and Charges
 - All current procurements and contracts
 - The in-year capital programme spend
 - Debt management
 - Reserves and contingencies
 - Grants and subsidies
 - Our building and estates requirements
 - current transformation initiatives
 - further minor yet contributory initiatives
12. Further savings will be defined and reported in successive reports.
13. 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.
14. 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	63.038	1.928	over
People Directorate	94.751	95.553	0.802	over
Public Health	(0.389)	(0.639)	(0.250)	under
Place Directorate	26.174	29.533	3.359	over
Corporate Account & Council wide items	(34.946)	(34.631)	0.315	over
Total	197.750	206.474	8.724	over

Executive Office

15. 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)

16. 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

17. At Period 4 the Children's Directorate was reporting a gross adverse variance of £3.843m. The principal variations are; £1.404m 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.
18. In response to this the directorate has identified mitigations of £1.915m leading to a net variance of £1.928m.

People Directorate

19. 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.

20. 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. In response, the directorate has identified mitigations of £0.580m leading to a net variance of £0.802m.

Office of the Director of Public Health (ODPH)

21. Services within the Public Health office are reporting an under spend of £0.250m which has contributed to the Period 4 net position.

Place Directorate

22. The directorate is continuing to report a significant gross overspend of £4.104m. This continues to be due to a combination of factors including utility costs and expenditures due to the Pandemic.
23. 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.
24. The Economic Development and Strategic Planning and Infrastructure departments are showing in-year pressures of £0.212m and £0.333m respectively; both departments have committed to finding savings to offset these pressures. The resultant £0.545m has been assumed as delivered within this forecast although the inherent risk needs to be acknowledged. Together, these savings look at reducing costs, identifying income and re-profiling spend. Combined with the further £0.200m of savings approved by Cabinet, the net position for the Place Directorate stands at £0.802m.

Corporate Items & Council wide

25. The overall position shows a net over spend of £0.315m. This position includes the possible value of the 2022/23 pay award offset by underspends in the treasury and corporate areas.

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	3.015	0.025	0.036	2.807	0.147
Place	0.964	0.175	0.263	0.116	0.410
Corporate Items	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	0.066	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 1- 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	0.956	0.758			0.956	
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	
IT Service (Unitary) Charge reduction	0.300	0.000			0.300	
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 Non Controllable Expenditure

The table shows the level of non-controllable pressures within the **Gross overspend** as shown in **Appendix D**.

Non Controllable Budget Pressures	£m
Corporate Estate energy costs	2.999
2022/23 Pay award	2.000
Street Lighting energy costs	1.142
Off Street Parking energy costs	0.132
Streets Services – Fuel / other	0.641
Total	6.914

Appendix C Gross to Net Pressures Month 4

Directorate	Gross pressures Month 3 (June) £m	New pressures Month 4 (July) £m	Gross Pressures Month 4 £m	Management Savings £m	Cabinet Savings £m	Net Pressures £m
Executive Office	0.308	0.000	0.308	(0.131)	0.000	0.177
Customer and Corporate Services	3.218	0.000	3.218	(0.825)	0.000	2.393
Children's Directorate	3.005	0.838	3.843	(1.915)	0.000	1.928
People Directorate	1.382	0.000	1.382	(0.580)	0.000	0.802
Public Health	0.000	0.000	0.000	(0.250)	0.000	(0.250)
Place Directorate	3.704	0.400	4.104	(0.545)	(0.200)	3.359
Corporate Account & Council wide items	2.000	0.000	2.000	(1.685)	0.000	0.315
Total	13.617	1.238	14.855	(5.931)	(0.200)	8.724