

**Cabinet**

|                          |  |
|--------------------------|--|
| Date of meeting:         | 06 October 2022  |
| Title of Report:         | <b>Finance Monitoring Report August 2022</b>                                     |
| Lead Member:             | Councillor Mark Shayer.  |
| Lead Strategic Director: | Brendan Arnold (Service Director for Finance)                                    |
| Author:                  | David Northey Head of Integrated Finance   |
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| Your Reference:          |  |
| Key Decision:            | No   |
| Confidentiality:         | Part I - Official  |

**Purpose of Report**

This report sets out the revenue monitoring position of the Council forecast to the end of the financial year 2022/23 at Period 5.

**Recommendations and Reasons**

That Cabinet notes:

1. The forecast revenue monitoring position at Period 5;  
*Reason: controlling the outturn within budget is essential to maintain financial control.*
2. To apply reserves that are no longer needed for their original purposes to offset the in year overspend (£1.585m)  
*Reason: to assist in maintaining expenditure levels within agreed Budget constraints set by Council.*

**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)<br><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)<br><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:**

|  |                   |     |                            |            |  |    |  |        |  |               |  |
|--|-------------------|-----|----------------------------|------------|--|----|--|--------|--|---------------|--|
| Fin  | pl.22.2<br>3.233. | Leg | EJ/388<br>51/30.<br>9.22/1 | Mon<br>Off |  | HR |  | Assets |  | Strat<br>Proc |  |
| Originating Senior Leadership Team member: Brendan Arnold (Service Director for Finance)                       |                   |     |                            |            |  |    |  |        |  |               |  |
| Please confirm the Strategic Director(s) has agreed the report? Yes  |                   |     |                            |            |  |    |  |        |  |               |  |
| Date agreed: 29/09/2022  |                   |     |                            |            |  |    |  |        |  |               |  |
| Cabinet Member approval: Deputy Leader and Cabinet member of Finance, after discussion with Cabinet colleagues |                   |     |                            |            |  |    |  |        |  |               |  |
| Date approved: 29/09/2022  |                   |     |                            |            |  |    |  |        |  |               |  |

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

|                                  | <b>Budget</b><br>£m | <b>Net Forecast</b><br><b>Outturn</b><br>£m | <b>Variance</b><br>£m |
|----------------------------------|---------------------|---|-----------------------|
| <b>Total General Fund Budget</b> | <b>197.750</b>      | <b>204.406</b>                              | <b>6.656</b>          |

1. The previous Monitoring Report at Month 4 (July 2022) highlighted a gross £14.855m variance in the forecast revenue outturn and set out savings developed by officers. Following the application of identified net savings the forecast overspend reduced to £8.724m.
2. After accounting for savings of £7.716m, the forecast revenue outturn is currently estimated at £6.656m over budget, which is a variance of +3.4% against the net budget. This is set out in Appendix C.
3. Like all households and local authorities across the country, the Council is experiencing considerable inflationary pressure in the economy generally and especially in respect of fuel and pay. The current position includes c. £6m of non-controllable costs which could not have been foreseen at the time of Budget setting. Of this figure, £3.3m relates to energy price inflation and following the Chancellor's Mini-Budget of 23 September it has been possible to reduce this element of the forecast to reflect the Government's intention to support business and the public sector in meeting the additional costs associated with price inflation seen in energy supplies. Accordingly at the time of writing it is considered prudent to reduce the outturn forecast by £1.000m.
4. In understanding the increases experienced to date the following *examples* may be helpful.
  - The Life Centre has additional costs of £0.575m.
  - Street Lighting costs have increased by £0.898m
  - The two crematoria have increased costs of £0.345m
5. Aside from energy, the ongoing impact of the pandemic remains evident in terms of demand pressures and other changes which have seen a persistent increase in volumes of domestic waste and reductions in parking revenues as employees generally maintain homeworking. In adult social care and following the dislocation of the pandemic the numbers of people presenting as homeless has become more costly. The Council is not able to influence such demand pressures in the short term.
6. The Council's Children, Young People and Families Directorate is currently facing additional gross costs of £3.8 million regarding specialist residential placements for vulnerable children and other demand pressures – part of a national trend.
7. Negotiations at national level for pay in Local Government in 2022/23 are nearing agreement, and we anticipate this being settled by December. We have now allowed for an additional 2% increase on top of the 2% provision set aside in the Budget. This is a national issue.
8. For the reasons described the variance is considerably higher than would normally be expected at this point of the financial year and in response management have developed a financial recovery plan with the aim of eliminating the forecast overspend.

9. The recovery plan includes searching reviews of:

- Fees and charges.
- Staffing costs.
- Procurement
- External contracts
- The Capital Programme
- Debt
- Reserves
- Grants and Subsidies
- Buildings and Estates
- Transformation

10. At Period 4 savings of £6.131m were applied to achieve the net overspend forecast of £8.724m. In order to achieve the Period 5 forecast, the following additional adjustments have been applied.

- a. Application of reserves that are no longer required for their original purposes in the sum of £1.585m.
- b. Following the Mini Budget of 23 September it is considered prudent to reduce the amount identified for energy price inflation within the forecast. This is because the Government has committed to assist businesses and the public sector in meeting the additional cost of energy. The adjustment is a reduction of £1.000m and is based on a preliminary view of the value which should accrue to the Council following the Government's proposals.

11. Given that additional pressures (£0.517m) have been identified during the latest review the forecast overspend at Period 5 is reported in the sum of £6.656m. Further savings will be identified at Period 6.

12. As shown in Appendix A, the planned in-year savings targets amount to £11.245m, of which £9.942m are reported as on track or scheduled for delivery. A more searching review is planned for the half year position at Period 6.

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

| Directorate                            | Budget<br>£m   | Forecast<br>£m | Forecast Net<br>Variance<br>£m | Status      |
|--|----------------|----------------|--------------------------------|-------------|
| Executive Office                       | 5.352          | 5.604          | 0.252                          | over        |
| Customer and Corporate Services        | 45.698         | 47.509         | 1.811                          | over        |
| Children's Directorate                 | 61.110         | 63.038         | 1.928                          | over        |
| People Directorate                     | 94.751         | 94.853         | 0.102                          | over        |
| Public Health                          | (0.389)        | (0.639)        | (0.250)                        | under       |
| Place Directorate                      | 26.174         | 28.946         | 2.772                          | over        |
| Corporate Account & Council wide items | (34.946)       | (34.905)       | 0.041                          | over        |
| <b>Total</b>                           | <b>197.750</b> | <b>204.406</b> | <b>6.656</b>                   | <b>over</b> |

**Executive Office**

13. The Executive Office is reporting a gross pressure of £0.383m which is an increase of £0.075m on month 4 and is due to rising costs the Directorate. To date pressures include additional member allowances, plus 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 £0.252m.

**Customer and Corporate Services Directorate (CCS)**

14. The CCS Directorate is forecasting a net over spend of £1.811m which is net of £1.407m of savings, representing a reduction of 44%. The original overspend was significantly driven by energy supply pressures; new pressures of £0.442m at period 5 relate to unmet licence fee savings due to maintained levels of recruitment and demand pressures on business support services and library income.

**Children's Directorate**

15. At Period 5 there is no change from Period 4, 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.
16. In response to this the directorate has identified mitigations of £1.915m leading to a net variance of £1.928m.

**People Directorate**

17. The People Directorate is currently forecast to overspend by £0.102m which is a £0.700m reduction on month 4 and is due to the release of unused reserves, maximisation of grants and further management actions and contract negotiations to bring the homelessness spend down.
18. The Department has challenging in year savings of £2.937m and whilst actions and plans are in progress a further stocktake as to progress will be made at Month 6.

**Office of the Director of Public Health (ODPH)**

19. Services within the Public Health office are reporting an under spend of £0.250m which has contributed to the Period 5 net position.

**Place Directorate**

20. The directorate is continuing to report a significant gross overspend of £3.860m. The net pressure is down on Period 4 by £0.587m due to Street lighting energy being lower as a result of the cap on energy and a release of unused reserves. The overall pressure is due to a combination of factors including utility costs and expenditures due to the Pandemic.
21. There is £1.088m of savings to reduce this to a net variance of £2.772m.

**Corporate Items & Council wide**

22. The overall position shows a net overspend of £0.041m. This position includes the possible value of the 2022/23 pay award offset by underspends in the treasury and corporate areas. Additional savings have been applied through use of reserves (£0.274m).

**Appendix A 2022/23 Savings status (I) Summary**

|                        | <b>Total</b>  | <b>Achieved savings</b> | <b>On track for delivery</b> | <b>Working on for delivery</b> | <b>Planned, internal/external actions required to deliver</b> |
|------------------------|---------------|-------------------------|------------------------------|--------------------------------|---|
|                        | <b>£m</b>     | <b>£m</b>               | <b>£m</b>                    | <b>£m</b>                      | <b>£m</b>   |
| Children's             | <b>3.942</b>  | 2.000                   | 1.029                        | 0.467                          | 0.446   |
| People                 | <b>2.937</b>  | 0.000                   | 0.000                        | 2.937                          | 0.000   |
| ODPH                   | <b>0.037</b>  | 0.000                   | 0.037                        | 0.000                          | 0.000   |
| Customer & Corporate   | <b>3.015</b>  | 0.025                   | 0.036                        | 2.507                          | 0.447   |
| Place                  | <b>0.964</b>  | 0.175                   | 0.308                        | 0.071                          | 0.410   |
| Corporate Items        | <b>0.350</b>  | 0.000                   | 0.350                        | 0.000                          | 0.000   |
| <b>2022/23 Savings</b> | <b>11.245</b> | <b>2.200</b>            | <b>1.760</b>                 | <b>5.982</b>                   | <b>1.303</b>  |

## 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   |
| <b>Children's</b>               |                |              |                  |                             |                              |  |
| Placement Review                | 1.400          | 1.400        | 0.510            | 0.423                       | 0.467                        |  |
| AST                             | 0.500          | 0.500        | 0.334            | 0.166                       |                              |  |
| Fostering                       | 0.450          | 0.450        | 0.450            | 0.000                       | 0.000                        |  |
| Supporting Families             | 0.650          | 0.650        | 0.435            | 0.215                       |                              |  |
| Management Actions - CYPF       | 0.225          | 0.225        |                  | 0.225                       |                              |  |
| Management Actions - EPS        | 0.717          | 0.717        | 0.271            |                             |                              | 0.446  |
| <b>Children - Savings</b>       | <b>3.942</b>   | <b>3.942</b> | <b>2.000</b>     | <b>1.029</b>                | <b>0.467</b>                 | <b>0.446</b>   |
| <b>People</b>                   |                |              |                  |                             |                              |  |
| 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                        |  |
| <b>People – savings</b>         | <b>2.937</b>   | <b>2.937</b> | <b>0.000</b>     | <b>0.000</b>                | <b>2.937</b>                 | <b>0.000</b>   |
| <b>ODPH</b>                     |                |              |                  |                             |                              |  |
| Additional Income               | 0.037          | 0.037        |                  | 0.037                       | 0.000                        |  |
| <b>ODPH – savings</b>           | <b>0.037</b>   | <b>0.037</b> | <b>0.000</b>     | <b>0.037</b>                | <b>0.000</b>                 | <b>0.000</b>   |
| <b>CCS and Chief Exec</b>       |                |              |                  |                             |                              |  |
| 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        |
| <b>Cust. &amp; Corp. Services and CEX savings</b> | <b>3.015</b>  | <b>1.236</b> | <b>0.025</b> | <b>0.036</b> | <b>2.507</b> | <b>0.447</b> |
| <b>Place</b>                                      |               |              |              |              |              |              |
| 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        |
| <b>Place savings</b>                              | <b>0.964</b>  | <b>0.964</b> | <b>0.175</b> | <b>0.308</b> | <b>0.071</b> | <b>0.410</b> |
| <b>Corporate Items</b>                            |               |              |              |              |              |              |
| Change Reserve                                    | 0.350         | 0.350        |              | 0.350        |              |              |
| <b>Corporate savings</b>                          | <b>0.350</b>  | <b>0.350</b> |              | <b>0.350</b> | <b>0.000</b> | <b>0.000</b> |
| <b>Overall Total savings</b>                      | <b>11.245</b> | <b>9.466</b> | <b>2.200</b> | <b>1.760</b> | <b>5.982</b> | <b>1.303</b> |

**Appendix B Non Controllable Expenditure**

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

| <b>Non Controllable Budget Pressures</b> | <b>£m</b>    |
|--|--------------|
| Corporate Estate energy costs            | 2.243        |
| 2022/23 Pay award                        | 2.000        |
| Street Lighting energy costs             | 0.898        |
| Off Street Parking energy costs          | 0.132        |
| Streets Services – Fuel / other          | 0.641        |
| <b>Total</b>                             | <b>5.914</b> |

**Appendix C Gross to Net Pressures Month 5**

| <b>Directorate</b>                     | <b>Gross pressures Month 4 (July) £m</b> | <b>Add't Pressures Movement Month 5 (Aug) £m</b> | <b>Energy Pressure Reduction Month 5 (Aug) £m</b> | <b>Gross Pressures Month 5 £m</b> | <b>Month 4 Savings £m</b> | <b>Month 5 Savings £m</b> | <b>Net Pressures £m</b> |
|--|--|--|---|-----------------------------------|---------------------------|---------------------------|-------------------------|
| Executive Office                       | 0.308                                    | 0.075  | 0.000   | 0.383                             | (0.131)                   | 0.000                     | 0.252                   |
| Customer and Corporate Services        | 3.218                                    | 0.442  | (0.756)   | 2.904                             | (0.825)                   | (0.268)                   | 1.811                   |
| Children's Directorate                 | 3.843                                    | 0.000  | 0.000   | 3.843                             | (1.915)                   | 0.000                     | 1.928                   |
| People Directorate                     | 1.382                                    | 0.000  | 0.000   | 1.382                             | (0.580)                   | (0.700)                   | 0.102                   |
| Public Health                          | 0.000                                    | 0.000  | 0.000   | 0.000                             | (0.250)                   | 0.000                     | (0.250)                 |
| Place Directorate                      | 4.104                                    | 0.000  | (0.244)   | 3.860                             | (0.745)                   | (0.343)                   | 2.772                   |
| Corporate Account & Council wide items | 2.000                                    | 0.000  | 0.000   | 2.000                             | (1.685)                   | (0.274)                   | 0.041                   |
| <b>Total</b>                           | <b>14.855</b>                            | <b>0.517</b>                                     | <b>(1.000)</b>                                    | <b>14.372</b>                     | <b>(6.131)</b>            | <b>(1.585)</b>            | <b>6.656</b>            |