

City Council



Date of meeting:	21 November 2022
Title of Report:	Month 6 Financial Monitoring Report
Lead Member:	Councillor Mark Shayer (Deputy Leader and Cabinet Member for Finance and Economy)
Lead Strategic Director:	David Northey, (Interim Service Director for Finance)
Author:	Stephen Coker Interim Finance Business Partner (CEO & C&CS)
Contact Email:	David.northey@plymouth.gov.uk
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 6; the cash expenditure for the Capital Programme at Period 6; the Quarter 2 Capital Programme update; a report on the work of the Cabinet Working Group on Commercial Income and an update on revenue virements.

Recommendations and Reasons

That Council notes:

1. The forecast revenue monitoring position at Period 6 as set out in this report in the sum of £5.991m.

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

2. The expenditure for the Capital Programme at Period 6.

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

Alternative options considered and rejected

There are no alternative options – our Financial Regulations require us to produce regular monitoring of our finance resources.

Relevance to the Corporate Plan and/or the Plymouth Plan

The 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 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 concerning period 6 reporting 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

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:

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: David Northey (Interim Service Director for Finance)

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

Date agreed: 03/11/2022

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

Date approved: 03/11/2022

SECTION A: EXECUTIVE SUMMARY**Table 1: End of year revenue forecast**

	Budget £m	Net Forecast Outturn £m	Variance £m
Total General Fund Budget	197.750	203.741	5.991

1. This report highlights a revised monitoring position at Month 6 (September 2022) of £5.991m over budget, which is a variance of +2.9% against the net budget. This is set out in Appendix C.
2. The previous Monitoring Report at Month 5 (August 2022) highlighted a net forecast overspend of £6.656m.
3. Like all households and local authorities across the country, the Council continues to experience considerable inflationary pressure in the economy generally and especially in respect of fuel and pay. The current position again includes c. £6m of non-controllable costs which could not have been foreseen at the time of Budget setting; £3.3m relates to energy price inflation.
4. The £3.3m energy price pressure is broken down below. Further update on the forecast will be made in month 7.
 - 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
 - Corporate estate & car parking £1.455m
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 £4.4 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 have reached agreement and we have now costed in the additional £2.9m 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. At Period 5 savings of £7.716m were applied; in order to achieve the Period 6 forecast, the following additional savings have been applied.
 - a. Additional car parking income £629k, reflecting increased usage and charges
 - b. Further savings within the Children's Directorate £289k
 - c. Further savings from the corporate account £906k

10. As shown in Appendix A, the planned in-year savings targets amount to £11.245m, of which £8.275m are reported as on track or scheduled for delivery. Officers will continue to pursue these savings to ensure full delivery by the end of the financial year.

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	5.398	5.650	0.252	over
Customer and Corporate Services	45.664	47.475	1.811	over
Children's Directorate	61.110	63.327	2.217	over
People Directorate	94.443	94.545	0.102	over
Public Health	(0.297)	(0.547)	(0.250)	under
Place Directorate	26.170	28.312	2.142	over
Corporate Account & Council wide items	(34.738)	(35.021)	(0.283)	under
Total	197.750	203.741	5.991	over

Executive Office

11. The Executive Office is reporting a gross pressure of £0.383m which is no change on month 5. 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)

12. The CCS Directorate is forecasting no change to the net over spend of £1.811m which is net of £1.093m of savings. The overspend is significantly driven by energy supply and unmet licence fee savings due to maintained levels of recruitment, other inflationary pressures and demand pressures on business support services and library income. To mitigate these pressures recruitment and all non-essential spend has been delayed or frozen.

Children's Directorate

13. At Period 6 the pressure increased by £0.578m due to placements and school transport. This gives a gross adverse variance of £4.421m. The principal variations are; £1.806m relating to new exceptionally high cost bespoke and residential placement above previous growth assumptions, legal costs, specialist assessments, pressures within EP&S relating to SEND Short Breaks and School Transport. There is also a level of savings which appears undeliverable at this juncture.
14. In response to this the directorate has identified mitigations of £2.204m leading to a net variance of £2.217m.

People Directorate

15. The People Directorate forecast remains unchanged with an overspend of £0.102m.
16. 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.

Office of the Director of Public Health (ODPH)

17. Services within the Public Health office are reporting an under spend of £0.250m which has contributed to the Period 6 net position.

Place Directorate

18. The directorate is continuing to report a significant gross overspend of £3.860m. The net pressure is down on Period 5 by £0.630m due to a reduction in forecast costs and increased parking income . The overall pressure is due to a combination of factors including utility costs and expenditures due to the Pandemic.
19. There is £1.718m of savings to reduce this to a net variance of £2.148m.

Corporate Items & Council wide

20. The overall position shows a net underspend of £0.283m. Pressures have increased by £0.582m in Month 6 due to additional pressure for the 2022/23 pay award offset by the recently announced national insurance changes. The pressure is offset by underspends in the treasury and corporate areas and additional fees income.

Capital Finance Report Month 6 2022/23

The approved capital budget (representing forecast resources) is made up of two elements. One is the Capital Programme representing projects that have been approved and the other is future funding assumptions which are estimates of capital funding the Council is likely to receive in the future.

The five year capital budget 2022-2027, is currently forecasted at £585.951m (Month 5 £620.189m) as at 30 September 2022. Movement since 30 June 2022 is detailed in Table 1; the main change is due to lower funding assumptions in 2022/23.

Capital Programme movement

Table 1 The Capital budget consists of the following elements:

Description	£m
Approved Capital Programme as at 30 June 2022	354.589
New approvals July 2022 & August 2022	16.914
New approvals September	2.882
Virements & variations	(1.904)
Capital Programme as at 30 September 2022	372.481
Future Funding Assumptions	213.470
Total Revised Capital Budget for Approval (2022/23 -2026/27)	585.951

A targeted exercise reviewing the cashflow profile of projects solely funded from borrowing identified £32.7m of budgeted spend in 2022/23 being slipped to 2023/24.

This has delivered revenue savings through lower borrowing which formed part of £0.200m reported at Month 4.

A breakdown of the current approved capital budget by directorate and by funding is shown below in Table 2.

Table 2 Capital Programme by Directorate

Directorate	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
People	9.010	7.644	3.668	0.132	-	20.453
Place - Economic Development	22.073	92.161	12.927	4.530	0.053	131.744
Place – Strategic Planning and Infrastructure	94.649	37.197	16.804	2.484	-	151.134
Place – Street Services	23.168	5.573	2.377	-	-	31.118
Customer & Corporate Services	7.852	6.424	0.582	-	-	14.858
Office for Director of Public Health	9.823	10.682	2.670	-	-	23.175
Total	166.575	159.679	39.027	7.147	0.053	372.481
Financed by:	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	5.636	4.735	0.443	3.000	0.053	13.867
Grant funding	83.250	29.559	2.625	1.803	-	117.238
Corporate funded borrowing	34.065	44.397	18.621	2.259	-	99.342
Service dept. supported borrowing	31.714	78.951	11.950	0.026	-	122.641
Developer contributions	10.443	2.036	5.388	0.058	-	17.925
Other contributions	1.468	-	-	-	-	1.468
Total Financing	166.575	159.679	39.027	7.147	0.053	372.481

Capital Programme 2022/23 monitoring

As at the end of Month 6 the approved Capital Programme forecast for 2022/23 was £166.575m.

Table 3 below includes a breakdown by directorate of actual cash spend as at 30 September 2022 shown as a value and percentage against latest forecast, overall 19.34%. The comparable percentage for 2021 was 18.98%. Profiling of the capital programme will continue to review robustness of forecasts to spend as project officers assess the inflationary impact to schemes and challenges to meet grant funding conditions.

Table 3 2022/23 Programme including actual spend and % spent compared to latest forecast

Directorate	Latest Forecast 2022/23 £	Actual Spend 2022/23 as at 30 Sept 2022 £	Spend as a % of Latest Forecast %
People	9.010	2.752	30.55
Place – Economic Development	22.073	2.656	12.03
Place – Strategic Planning & Infrastructure	94.649	16.626	17.57
Place – Street Services	23.168	5.651	24.39
Customer & Corporate Services	7.852	0.840	10.69
Office for Director of Public Health	9.823	3.697	37.64
Total	166.575	32.223	19.34

The 2022/23 forecast has reduced by £32m with a further £5.532m actual spend processed in the quarter which has increased percentage spend from 13.44% to 19.34%.

Finance Officers will continue to challenge spending profiles as part of the budget setting. With further work planned to incorporate an assessment of inflationary impact to overall capital programme and project officer review planned project delivery across 2022 to 2027.

Work with Project Officers is ongoing to mitigate the risk with S106 funding underwritten by corporate borrowing. A total £2m has been identified in September with circa £3.2m remaining a risk in 2022/23, this has arisen with projects where there is a delay in the receipt of S106 in time to fund expenditure.

Change requests have been submitted to Department of Transport for Transforming Cities Funding Tranche 2 totalling £24m, this will be a funding risk if an extension into 2023/2024 is not agreed. Conditions previously required the grant to be spent by 31 March 2023. The TCF2 quarter 2 return has been submitted to the DfT, and approval of first tranche of change request, is anticipated following a review of this submission.

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	2.073	0.956	0.467	0.446
People	2.937	1.392	1.545	0.000	0.000
ODPH	0.037	0.037	0.000	0.000	0.000
Customer & Corporate	3.015	0.407	0.000	0.494	2.114
Place	0.964	0.175	0.308	0.071	0.410
Corporate Items	0.350	0.000	0.350	0.000	0.000
2022/23 Savings	11.245	4.047	3.196	1.097	2.970

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	0.510	0.423	0.467	
AST	0.500	0.500	0.407	0.093		
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
Children - Savings	3.942	3.942	2.073	0.956	0.467	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	1.392	1.545	0.000	0.000
ODPH						
Additional Income	0.037	0.037	0.037	0.000	0.000	
ODPH – savings	0.037	0.037	0.037	0.000	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	0.346		0.184	0.161
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	0.407	0.000	0.494	2.114
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	0.308	0.071	0.410
Corporate Items						
Change Reserve	0.350	0.350	0.350			
Corporate savings	0.350	0.350	0.350	0.000	0.000	0.000
Overall Total savings	11.245	9.466	2.655	3.043	2.577	2.970

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	2.243
2022/23 Pay award	2.592
Street Lighting energy costs	0.898
Off Street Parking energy costs	0.132
Streets Services – Fuel / other	0.641
Total	6.496

Appendix C Gross to Net Pressures Month 6

Directorate	Gross pressures Month 5 (Aug) £m	Add't Pressures Movement Month 6 (Sept) £m	Gross Pressures Month 6 £m	Month 5 Savings £m	Addt Month 6 Savings £m	Net Pressures £m
Executive Office	0.383	0.000	0.383	(0.131)	0.000	0.252
Customer and Corporate Services	2.904	0.000	2.904	(1.093)	0.000	1.811
Children's Directorate	3.843	0.578	4.421	(1.915)	(0.289)	2.217
People Directorate	1.382	0.000	1.382	(1.280)	0.000	0.102
Public Health	0.000	0.000	0.000	(0.250)	0.000	(0.250)
Place Directorate	3.860	0.000	3.860	(1.088)	(0.630)	2.142
Corporate Account & Council wide items	2.000	0.582	2.582	(1.959)	(0.906)	(0.283)
Total	14.372	1.160	15.532	(7.716)	(1.825)	5.991