

Date of meeting:	19 June 2023
Title of Report:	Provisional Capital and Revenue Outturn Report 2022/23
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey, (Interim Section 151 Officer)
Author:	David Northey, (Interim Section 151 Officer) Stephen Coker, (Lead Accountancy Manager)
Contact Email:	David.northey@plymouth.gov.uk
Your Reference:	DJN/Fin2023Outturn
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report outlines the Provisional Outturn position of the Council for the year ending 31 March 2023.

Full details of the Provisional Outturn position for each directorate is set out in the body of the report.

An Executive Summary setting out the key areas is included in Section A.

The figures remain provisional at this stage and will be confirmed once the external audit is complete.

Recommendations and Reasons

Council is recommended to:

1. Note the Provisional Revenue Outturn position for the year to 31 March 2023 and
2. Note the Provisional Capital Programme Outturn position for that year including the Capital Financing Requirement of £86.653m

It is a statutory requirement to provide an outturn report and is provisional as it is subject to external audit.

Alternative options considered and rejected

None – our Financial Regulations require us to produce regular monitoring of our finance resources including a revenue and capital outturn position which culminates in the production of the 2022/23 annual statement of accounts.

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. This outturn position will feed into the revised MTFP to be presented to Full Council at the meeting in September 2023.

Financial Risks:

Financial risks concerning period 12 reporting are discussed in the body of the report and relate to the attainment of a balanced outturn position in financial year 2022/23.

Carbon Footprint (Environmental) Implications:

There are 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
I	Use of available (un-earmarked) Reserves							

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
The Budget Report 2023/24 – Council 27 February 2023							

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: 23/05/2023

Cabinet Member approval: Councillor Mark Lowry (Cabinet Member for Finance)

Date approved: 31/05/2023

Plymouth City Council
Finance Monitoring – 2022/23
Provisional Outturn for year to 31 March 2023

SECTION A: EXECUTIVE SUMMARY PROVISIONAL REVENUE FINANCE OUTTURN

The primary purpose of this report is to detail how the Council has delivered against its financial measures using its capital and revenue resources, to approve relevant budget variations and virements, and report new schemes approved in the capital programme.

Table I: End of year revenue forecast

	Net Budget	Outturn	Variance
	£m	£m	£m
Total General Fund Budget	197.750	197.750	0.000

As shown in Table I, the Council has balanced its budget reporting a breakeven position. The overall net spend matches the net budget of £197.750m.

Within this overall balanced position the following headline financial issues are reported:

- A nil variance on a gross expenditure budget of £540m. Given the character of the financial year in question and the continuing impact of national inflation and cost increases outside our control, this is a noteworthy achievement.
- The Council has overcome £20m of additional in-year costs and pressures
- The drawdown of £7.9m of usable reserves throughout the year and the use of £1.1m of Corporate Adjustments.
- Drawdown from the Working Balance of £8.4m has not been required.

The Provisional Capital Outturn for 2022/23 is £86.653m. This is within the approved Capital Budget of £363.957m for 2022-2027 reported to Full Council on 27 February 2023. Please see Table 3 in Section C of this report.

The Outturn position remains 'Provisional' pending audit review.

SECTION B: PROVISIONAL REVENUE FINANCE OUTTURN

I. Introduction

- I.1 This Outturn Report is the final report in the monitoring cycle for the financial year 2022/23 and reviews the Council's financial performance for the year ended 31 March 2023. The year was again affected by the legacy of COVID-19 and other costs outside the Council's control, including general inflation increases plus the exceptional rise in the cost of fuel. There was a need for the Council to respond to and mitigate the effects of these additional costs in terms of service delivery and additional savings.
- I.2 It became evident very early in the financial year that the Council would be facing unprecedented increases in its cost base for 2022/23. In the first monitoring report for May 2022, we reported additional cost pressures of £5.9m; this figure rose to £13.6m in June and the cumulative impact by period ten (January 2023) we were reporting additional pressures of £17.3m. We ended the year in March 2023 with additional costs to cover totalling £20.4m. Details of how these costs were offset are shown later in the report.
- I.3 The following examples highlight the utility increases experienced during 2022/23:
- The Life Centre had additional costs of £0.575m.
 - Street Lighting saw costs increased by £0.919m
 - The two crematoria experienced increased costs of £0.545m
 - Utility costs for the general council estate cost an additional £1.974m
- I.4 Negotiations at national level for pay in Local Government in 2022/23 reached agreement in December 2022. We were required to top up the 2% provision set aside in the Budget, resulting in an additional cost of £2.582m.
- I.5 Aside from energy and wage inflation, 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.
- I.6 The Council's Children, Young People and Families Directorate ended the financial year with additional net costs of £6.0m million regarding specialist residential placements for vulnerable children and other demand pressures – part of a national trend. This result was after the allocation of £0.461m support from the Office of Director of Public Health and the transfer of one maintained school to an academy which resulted in the Council covering a forecasted deficit of £0.414m.
- I.7 Within the Place Directorate, the impact of the pandemic was also evident with additional costs of a further £3m on top of the aforementioned energy costs.
- I.8 The People Directorate saw additional demand and costs within the homelessness and bed and breakfast budgets, resulting in additional costs of £1.3m and additional demand within Adult Social Care resulting in additional costs of £0.848m.

- I.9 The Customer and Corporate Directorate, as well as the utility costs, experienced a drop in Library income, through a lower footfall, and increased facilities management and IT costs totalling £1.5m plus the non-delivery of savings allocated in the previous financial year adding a further pressure of £0.600m.
- I.10 Also within the Customer and Corporate Services Directorate we have reflected £0.400m of costs incurred for the inquest into the August 2021 Keyham shootings. The inquest was held recently at Exeter Racecourse, with the costs falling to Plymouth City Council. The latest estimate of the total costs stands at £0.400m which have been charged to the Coroner Service. Negotiations are on-going with the Ministry of Justice for compensation for these costs. For the purposes of the outturn, and until details of any available compensation are known, this cost has been offset by the release of a bad debt provision.
- I.11 In response management developed a financial recovery plan with the aim of eliminating the forecast overspend. The recovery plan included searching reviews of:
- All Fees and charges.
 - Staffing costs.
 - Procurement / External contracts
 - The Capital Programme
 - Reserves
 - Grants and Subsidies
 - Buildings and Estates
- I.12 The November Cabinet approved an increase to all Fees and Charges, where possible and appropriate by 10% and further approved, with effect from 1st April 2023, a further 10% increase or, where CPI was more than 10%, an increase by CPI.
- I.13 All departments across the Council have managed their staffing costs by delaying and deferring the replacement of staff who have left during the year, and by managing the vacancies within the service.
- I.14 Each directorate was charged with undertaking a full review of their major procurement activity with a view to stopping the expenditure; delaying or renegotiating existing contracts in order to reduce costs in-year.
- I.15 The Capital Programme has an impact on the revenue budget, in terms of the borrowing costs for projects. A full review was undertaken to consider the current programme and whether contracts had been let or could be influenced, and the pipeline of projects yet to be approved.
- I.16 The Treasury Management function had to deal with the increasing cost of borrowing as a result of the increase in interest rates. During the financial year, published one year fixed borrowing rates through Public Works Loan Board (PWLB) increased from 2.15% to 4.98% by the end of the year. Borrowing requirements are managed through cashflow, short term borrowing with other local authorities and long term borrowing (PWLB).
- I.17 Throughout the year, officers have been closely monitoring all opportunities to maximise grant income and confirming subsidies to third parties.

- 1.18 The Facilities Management (FM) department, working closely with colleagues in the transformation team, have identified opportunities to vacate premises and reduce usage, in order to reduce running costs.
- 1.19 The overall outturn is a balanced budget position, however this has been achieved with the drawdown of £7.900m of general reserves. Full details are set out in Appendix I.
- 1.20 In addition to these additional costs, the Council has also been delivering a savings target of £11.245m in 2022/23.
- 1.21 The Provisional Revenue Outturn figures will now feed into the Council's formal Statement of Accounts, which will include the Balance Sheet position. The Council's Section 151 Officer must publish the draft Statement of Accounts by 31 May 2023 at the latest.

2. Revenue Finance Outturn 2022/23

- 2.1 Council approved a gross revenue budget of £527.575m with a net revenue budget of £197.750m for 2022/23 at its meeting in February 2022. Table 2 below provides a summary of the Council's overall revenue expenditure and compares the Provisional Outturn with the approved net budget.

Table 2 End of Year Revenue Outturn by Directorate.

Directorate	Net Budget	Additional Pressures	Additional Savings achieved	Provisional Outturn	Over / (Under) Spend	Status
	£m	£m	£m	£m	£m	
Executive Office	5.605	0.443	(0.316)	5.732	0.127	Over
Customer and Corporate Services *	47.636	4.338	(3.205)	48.769	1.133	Over
Children's Directorate	62.162	6.447	(0.430)	68.179	6.017	Over
People Directorate	95.208	2.625	(2.780)	95.053	(0.155)	Under
Office for the Director of Public Health	(0.309)	0.000	(0.236)	(0.545)	(0.236)	Under
Place Directorate	27.417	3.982	(4.824)	26.575	(0.842)	Under
Corporate Items	(39.969)	2.582	(8.626)	(46.013)	(6.044)	Under
TOTAL	197.750	20.417	(20.417)	197.750	0.000	Even

*The Customer and Corporate Services Directorate includes the Council's Treasury Management activities which are subject to a separate outturn report considered by Audit and Governance Committee.

- 2.2 The Executive Office, Customer and Corporate Directorate plus the Children's Directorate recorded overspends against budget; the remainder coming in under budget. Expenditure on Corporate Items shows a large underspend mainly due to the release of available reserves.
- 2.3 The balanced position to the net budget as shown above in Table 2 needs to be considered in the context of the already challenging financial year, which required the delivery of £11.245m of planned savings. More than 60% of these savings were targeted to the major demand-led areas, namely the Children's Directorate with a target of £3.942m to achieve, and the People Directorate £2.937m.

3. Position by Directorate

Executive Office

- 3.1 The Executive Office, which includes policy, communications, the legal department, the electoral team plus Member Support, ended the financial year with an overspend of £0.127m on a budget of £5.605m. The legal departments saw increased pressures related to Children's court fees; the electoral function had additional costs related to the required by-election and Member Support had additional special responsibility allowances for committee Chairs. The majority of the additional costs were offset by vacancy savings across all areas.

Customer and Corporate Services

- 3.2 With a budget of £47.635m, the Directorate finished the financial year £1.132m over budget. This reflects a mix of variations across the departments.
- 3.3 The Finance Department recorded an overall underspend of £2.358m reflecting staff vacancies, additional grant income, and treasury management activity contributing £0.960m improvement. The Customer Service Department recorded an adverse outturn position of £0.153m mainly related to the balance of the brought forward legacy savings but also includes the additional costs associated with the Keyham Inquest. The management of vacancies has offset some of the additional costs. Human Resources (HR) & Organisational Development (OD) are reporting an underspend of £0.275m due to staff and training savings. There were also additional cost pressures on the ICT budget, coming in with a ten percent (10%) overspend of £0.871m due to unachieved savings targets and a higher unitary charge.
- 3.4 Facilities Management (FM) budgets in aggregate show an overall pressure of £2.373m. This is a mixture of savings not achieved; additional maintenance costs and higher gas and electricity costs, offset by additional income. The utility costs for the council estate recorded a pressure of £1.974m.

Children's Directorate

- 3.5 The Children's Directorate reported an adverse outturn position of £6.017m against the £62.162m budget. This reflects a mix of variations across the service areas within the Children, Young People and Families (CYPF) department which recorded £4.413m overspend, and the Education, Participation and Skills (EPS) department with an overspend of £1.604m.
- 3.6 Within CYPF, placements pressure was due to increased packages in Residential, Supported Living & Bespoke settings, with an increased number of placements costing between £10k – £19k per week plus Supported Living placements in situ averaging 10 more than the previous financial year. Bespoke placements, although they did come down, remained above the budget level. Children in Care accounted for £4.227m of the overall additional costs.
- 3.7 Within EPS, Home to School transport saw additional costs of £1.273m, reflecting the impact of increased fuel costs plus additional routes commissioned after the budget was set.
- 3.8 At the end of the financial year, one of the maintained schools converted to an academy. The school left a deficit on conversion of £0.414m with the responsibility for the costs falling to the Council.

People Directorate

- 3.9 The People Directorate is reporting an overall underspend of £0.155m as a result of management savings and grant maximisation. Due to the increased use of bed and breakfast to meet the increasing homelessness demand, the Community Connections Department recorded an overspend of £1.262m. Within adult social care, the cost of care packages showed an overspend of £0.848m, which was more than offset by savings contract savings from children's commissioning and overall vacancy management. The directorate includes the budget for leisure management, which saw additional utility costs resulting in an overspend at the yearend of £0.495m.

Office of the Director of Public Health (ODPH)

- 3.10 The office of the Director of Public Health is reporting an underspend of £0.236m. Although the Public Health grant is ringfenced, and not included in the outturn position of the council, the other departments have mainly reported underspend in the year. Departments include the Public Protection Service; Trading Standards; Environmental Health; and the Civil Protection Unit. The majority of the savings are due to the management of staff vacancies, with some additional income

Place Directorate

- 3.11 The Place Directorate's outturn position is an underspend of £0.841m. The principal variations within this sum are; Economic Development underspent by £0.525m which includes £0.343m year-end release of Bad Debt provision to support the overall PCC adverse outturn position. Strategic Planning and Infrastructure underspent by £1.680m with substantial one-off savings relating to decisions earlier in the year to freeze recruitment and curtail non-essential spend plus an additional £0.300m end of year corporate capital/revenue funding switch. Street Services reported an overspend of £1.148m mainly due to significant increases to the street-lighting utility costs and fleet fuel costs.

Corporate Items

- 3.12 Corporate Items is showing a favourable variation of £6.044m. The budget included allowance for a two percent (2%) pay award; the nationally agreed award of a flat £1,965 per employee resulted in an additional cost of £2.582m, equivalent to nearer five percent (5%). The main contribution to the overall favourable position was the drawdown of £7.9m of usable reserves, which are detailed in Appendix I. There were additional savings from income generation and pension and general contingencies set up as part of the budget.

Recommendation

That Cabinet:-

- I. Note the Provisional Revenue Outturn position for the year to 31 March 2023.

SECTION C: CAPITAL FINANCE REPORT FOR THE CAPITAL PROGRAMME OUTTURN 2022/23

4.0 Capital Programme outturn 2022/23

4.1 The capital programme expenditure for 2022/23 is £86.653m. This is an increase of £11.378m (15%) from 2021/22 outturn at £75.275m. This is shown by Directorate in Table I below and within the approved five year Capital Programme of £363.957m for 2022/23 - 2026/27 reported to Full Council on 27 February 2023.

Table I – Capital Spend - Outturn 2022/23

Approved Capital budget 2022/23	Directorate	Latest Forecast December 2022	Approvals post December	Re-profiling	Variation & virements	2022/23 Capital Spend	% Spend against December Forecast / (Budget)
£m		£m	£m	£m	£m	£m	%
174.125	Place	85.269	2.425	(20.129)	(1.860)	65.705	77 / (37)
11.363	People	7.514	0.451	(2.538)	0.054	5.481	73 / (48)
0.513	Children's Services	1.090	0.784	(0.533)	(0.007)	1.334	122 / (260)
3.193	Customer & Corporate Services	6.979	1.130	(2.337)	(0.220)	5.552	80 / (174)
0.000	Office for Director of Public Health	9.823	0.000	(1.242)	0.000	8.581	87 / (-)
189.194	TOTAL	110.675	4.790	(26.779)	(2.033)	86.653	78 / (46)

(Brackets) denote underspend

4.2 The 2022/23 programme outturn expenditure totals **£86.653m** which equates to 78% of the 2022/23 capital programme forecast at quarter 3 (December 2022) being spent by year end and an improvement compared to 2021/22 that totalled £75.275m with a 52% comparison.

4.3 The capital programme changed during the year as the phasing of schemes was reviewed, approvals for additional schemes and resourcing were agreed. As part of the original five year capital programme set in February 2022 for £402.356m, this included £189.194m forecast for 2022/23.

4.4 Throughout the year the capital programme has experienced many challenges not least through high inflation, supply chain disruptions and labour shortages seen nationally in the building and construction industry and has played a part in projects being re-profiled. Financing was also re-profiled as a result of a successful change request submitted to Department of Transport for Transforming Cities Funding Tranche 2 being granted allowing an extension of spending plans into 2023/2024.

4.5 Regular quarterly capital monitoring has been reported during the year that has summarised changes to the capital programme. Further re-profiling during quarter 4 totalled (£26.779m). This change occurred across 235 schemes/subjects with notable variations in value below:

- Transforming Cities Funded projects (£2.451m)
- Colin Campbell Court development (£1.648m)
- Woolwell to the George (£1.249m)
- New Crematorium (£1.241m)

4.6 The 2022/23 capital investment in the City includes some notable schemes listed below:

- Forder Valley Link Road and Interchange £13.029m
- New crematorium £8.581m
- Transforming Cities Fund programme £7.060m
- City Centre schemes £6.319m
- Highway maintenance and essential engineering £5.804m
- Decarbonisation projects and home energy efficiency £4.524m
- Morlaix Drive Access Improvements £4.293m
- Sustainable Transport Schemes £2.977m
- Property and regeneration £2.189m
- Street lighting and traffic signals £2.576m
- Environmental service vehicles/containers £1.957m
- Disabled Facilities £3.730m
- Corporate Property improvements £2.496m
- Accommodation Transformation £2.274m
- Information Systems £0.629m
- Various School Projects £1.124m

5.0 Capital Financing 2022/23

5.1 The table below shows the final financing of the 2022/23 capital programme.

Table 2 – Financing of 2022/23 Capital Programme

Method of financing	Total £m	Funding %
- Capital receipts	2.297	3%
- Grants (e.g. gov't, HLF, LEP, Environment Agency)	35.347	41%
- Contributions, SI06 & CIL (neighbourhood element)	4.535	5%
- Borrowing:		
- Corporately funded (corporate revenue budget)	26.245	30%
- Service borrowing (service held revenue budget funded)	18.229	21%
CAPITAL PROGRAMME FINANCING 2022/23	86.653	

6.0 **Grants:** The Council has been successful in obtaining grants from government agencies and other sources to help fund 41% of the capital programme and in 2022/23 it spent £35.347m of grant funding.

7.0 **Corporate Borrowing:** Over recent years there has been a large increase in corporate borrowing to help fund capital projects. The cost of interest and loan repayments MRP (Minimum Revenue Provision) is directly charged to the revenue budget through Treasury Management. Additional

budget will be required to fund the future interest and loan repayments and this will be reviewed each year as part of the capital and the revenue plans in the MTFP.

8.0 Service Borrowing: Service departments that pay for their capital project to make changes to their service will pay for the cost of borrowing from savings made from the improved services. The cost of borrowing is 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

9.0 Revised Capital Programme 2022 – 2027

Table 3 - The revised Capital Programme for the period 2022 – 2027:

Directorate	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	Total Programme
	£m	£m	£m	£m	£m	£m
Place	65.705	199.152	66.458	8.498	2.911	342.724
People	5.481	8.270	5.613	0.241	0.000	19.605
Children's Services	1.334	3.416	0.130	0.130	0.000	5.010
Customer & Corporate Services	5.552	10.831	0.605	0.000	0.000	16.988
Office for the Director of Public Health	8.581	11.923	2.671	0.000	0.000	23.175
TOTAL	86.653	233.592	75.477	8.869	2.911	407.502

Recommendation

That Cabinet:-

- Note the Capital Outturn Report including the Capital Financing Requirement of £86.653m.

Appendix I.**Use of available (un-earmarked) Reserves**

Item	£m	Comment
Redundancy / EVRS	(1.490)	
Resource adjustments	(2.154)	
EL Reserve	(0.400)	
South Yard	(1.340)	
Economic Development Bad Debt	(0.343)	
Adult Education	(0.050)	
Integrated Finance	(0.250)	
Life Centre (Capital Swap)	(0.150)	
Multi Occupancy Licensing	(0.250)	
School Library	(0.050)	
Investment Fund	(0.218)	
Court Fees	(0.218)	
2021/22 Outturn c/forward	(0.320)	
Insurance Reserve	(0.567)	2021/22 £0.367m 2022/23 £0.200m
Pounds House	(0.100)	
Total	(7.900)	