

**Performance, Finance and Customer Focus  
Overview and Scrutiny Committee**



Date of meeting:	26 July 2023
Title of Report:	<b>Finance Monitoring Report May 2023</b>
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey, (Interim Service Director for Finance)
Author:	Stephen Coker, Lead Accountancy Manager (CEO & CCS) Wendy Eldgridge, Lead Accountancy Manager (Capital and Treasury Management)
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Your Reference:	
Key Decision:	No
Confidentiality:	Part I - Official

### **Purpose of Report**

This report sets out the revenue and capital monitoring position of the Council forecast to the end of the financial year 2023/24 at Period 2.

### **Recommendations and Reasons**

That the Committee notes:

1. The forecast revenue monitoring position at Period 2 as set out in this report in the sum of £8.140m.
2. The Capital Budget 2023-2028 is revised to £544.214m as shown in Table 4.  
*Reason: controlling the outturn within budget is essential to maintain financial control.*

### **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 2 reporting are discussed in the body of the report and relate to the attainment of a balanced budget position in financial year 2023/24.

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

**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:**

Fin	CH 12.07.23 0900	Leg	EJ/1114 /12.7.2 3	Mon Off	Click here to enter text.	HR		Assets		Strat roc	
Originating Senior Leadership Team member: David Northey (Interim Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes CMT Date agreed: 23/06/2023											
Cabinet Member approval: Cabinet Member for Finance, after discussion with Cabinet colleagues Date approved: 10/07/2023											

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

	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Total General Fund Budget</b>	<b>218.440</b>	<b>226.580</b>	<b>8.140</b>

1. This report highlights a revised monitoring position at Month 2 (May 2023) of £8.140m over budget. A breakdown of this is set out in Table 2.
2. The movement reflects volume pressures in Childrens and People and legacy saving pressure in Customer & Corporate Services and Chief Executives Office.
3. Considerable work will be required to reduce spend and increase income. The one off use of reserves has not been considered at this stage.
4. The planned in-year savings targets amount to £23.435m. A review of the delivery of these savings has taken place and an update of this is included below. 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**

<b>Directorate</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast Net</b>	<b>Status</b>
	<b>£m</b>	<b>£m</b>	<b>Variance</b>	
			<b>£m</b>	
Executive Office	5.997	6.105	0.108	over
Customer and Corporate Services	49.646	51.205	1.559	over
Children's Directorate	61.858	62.710	0.852	over
People Directorate	95.387	101.008	5.621	over
Public Health	2.628	2.628	0.000	nil variance
Place Directorate	26.961	26.961	0.000	nil variance
Corporate Account & Council wide items	(24.037)	(24.037)	0.000	nil variance
<b>Total</b>	<b>218.440</b>	<b>226.580</b>	<b>8.140</b>	<b>over</b>

**Executive Office**

<b>Executive Office</b>	<b>Variance £m</b>
<b>Pressures</b>	
3 x By Elections	0.080
Other	0.028
	<b>0.108</b>

Executive Office pressure is due to 3 by-elections which were not budgeted and planned subscriptions saving not taking place.

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

<b>Customer and Corporate Services</b>	<b>Variance £m</b>
<b>Pressures</b>	
Legacy savings from 2022/23	1.559
	<b>1.559</b>

The Directorate is forecasting an overall pressure of £1.559m. This is due to legacy savings budgets brought forward from 2022/23 relating to ICT, Business Support and Directorate savings.

**Children's Directorate**

<b>Children's</b>	<b>Variance £m</b>
<b>Pressures</b>	
Home to School Transport	0.852
	<b>0.852</b>

Home to school transport additional costs reflect the impact of additional routes and increased number of children requiring transport. This is a statutory function.

**People Directorate**

<b>People</b>	<b>Variance £m</b>
<b>Pressures</b>	
Strategic Commissioning Care Packages	3.198
Community Connections	2.423
	<b>5.621</b>

People Directorate is forecasting an overspend at month 2 of £5.621m. ASC care packages shows a pressure of £3.499m, this is offset by an increased forecast for client income of an extra (£0.301m) which brings a net pressure of £3.198m.

Community Connections are reporting a pressure of £2.423m relating to BAU pressures within emergency accommodation for homelessness.

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

ODPH	Variance £m
	0.000
	<b>0.000</b>

No variance is reported for ODPH. The net budget now includes Registration Service (previously CCS) and Leisure Management (previously People).

### Place Directorate

Place	Variance £m
<b>Pressures</b>	
<b>Offset by Savings</b>	
	<b>0.000</b>

The May 2023 (month 2) Place DMT position is a net nil variation to revenue budget.

In summary, £1.515m of savings delivery plans are considered at risk, alongside £0.560m of other BAU risks. The BAU risks include items such as annual legacy savings and increased costs in areas such as grass cutting and pollarding; plus lost income due to a policy change to corporate parking permits. The savings pressures are attributed to areas such as the non-charging at park and ride sites, reduced savings through route optimisation and street lighting CMS, as well as a lack of clarity on funding support linked to the Environment Act.

Management actions are in place and being pursued which will monitor all spend profiles, to seek additional and new income, to minimise spend and to re-negotiate commercial contracts to seek higher income.

### Corporate Items & Council wide

Corporate Items	Variance £m
<b>Pressures</b>	
<b>Offset by Savings</b>	
	<b>0.000</b>

Corporate Items is reporting a balanced budget at month 2. Any uncertainties such as pay award are being monitored closely and potential mitigations are being identified to manage them within budget.

### Savings Budgets

The budget includes £23.435m of savings to be delivered in 2023/24. The current position is that full delivery is still being forecast but some have not been fully achieved by month 2. The full year forecast is still to fully achieve all savings. The table below sets out the position at month 2.

**Table 3 Savings Status**

Savings Proposals 2023/24	Achievability Forecast £m				
	£m	Q1	Q2	Q3	Q4
Customer & Corporate services	(3.898)	(3.026)	0.000	0.000	0.000
Chief Executives Office	(0.601)	(0.416)	0.000	0.000	0.000
Childrens	(4.575)	(0.250)	(0.758)	(1.995)	(1.572)
People	(5.780)	(5.280)	0.000	0.000	(0.500)
ODPH	(0.542)	(0.542)	0.000	0.000	0.000
Place	(7.289)	(5.754)	(0.020)	0.000	0.000
Corporate Items	(0.750)	(0.750)	0.000	0.000	0.000
<b>Grand Total Savings 23-24</b>	<b>(23.435)</b>	<b>(16.018)</b>	<b>(0.778)</b>	<b>(1.995)</b>	<b>(2.072)</b>

## Capital Finance Report Month 2 2023/24

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 or has received and is awaiting business case approval to add to the capital programme.

The five year capital budget 2023-2028, is currently forecasted at £332.584m as at 31 May 2023. Movement from the previous 2022 – 2027 programme was reported to Cabinet on 12 June 2023 as part of 2022/23 Capital Outturn Report as at 31 March 2023. This is detailed in Table 4. The main change is to the actual years within the 5 year scope. A further breakdown of new projects that have been added to capital programme is listed in table 5.

### Capital Programme movement

Table 4 The Capital budget consists of the following elements:

Description	£m
Capital Programme as at 31 March 2023 for 5 year period 2022 - 2027	407.502
Change of years within 5 year scope – remove 2022/23	(86.653)
Addition of 2027/28 to 5 year scope	10.454
Slippage to 2028/29 now outside 5 year scope	(0.092)
New Approvals – April / May 2023 breakdown see table 2	1.881
Variations – April / May 2023	(0.508)
Capital Programme as at 31 May 2023	332.584
Future Funding Assumptions	211.630
<b>Total Revised Capital Budget for Approval (2023/24 -2027/28)</b>	<b>544.214</b>

Table 5 Breakdown of new approvals

Governance	New Approvals as at 31 May 2023	5 Year Programme Approvals
		£
S151 <a href="#">?</a>	Theatre Royal Car Park - Solar Scheme	199,000
S151 <a href="#">?</a>	Eastern Corridor Strategic Cycle Network (Colesdown Hill)	34,108
	<b>Subtotal Strategic Planning &amp; Infrastructure</b>	<b>233,108</b>
S151 <a href="#">?</a>	Derriford Community Park - Phase 1 Biodiversity Improvements	107,845
	<b>Subtotal Street Services</b>	<b>107,845</b>
S151 <a href="#">?</a>	Mount Edgcombe Mower	9,000
	<b>Subtotal Economic Development</b>	<b>9,000</b>
Exec Decision	Local Authority Housing Fund (passporting monies)	1,531,181
	<b>Subtotal People</b>	<b>1,531,181</b>
	<b>Total Capital Approvals</b>	<b>1,881,134</b>



A breakdown of the current approved capital budget by directorate and by funding is shown below in Table 6.

**Table 6 Capital Programme by Directorate**

Directorate	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Children's Services	3.423	0.130	0.130	-	-	3.684
People	9.576	5.837	0.241	-	-	15.654
Place - Economic Development	65.818	38.666	5.279	2.868	10.397	123.029
Place - Strategic Planning & Infrastructure	74.982	46.126	0.831	-	0.018	121.958
Place - Street Services	31.605	8.269	2.309	0.023	0.023	42.229
Customer & Corporate Services	10.831	0.605	-	-	-	11.436
Office for Director of Public Health	11.923	2.671	-	-	-	14.594
<b>Total</b>	<b>208.158</b>	<b>102.305</b>	<b>8.791</b>	<b>2.892</b>	<b>10.438</b>	<b>332.584</b>
Finance by:	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	8.137	0.512	0.811	0.026	0.608	10.094
Grant Funding	71.463	22.331	1.836	0.023	0.023	95.675
Corporate Funded borrowing	55.567	33.489	5.185	0.243	0.043	94.528
Service dept. supported borrowing	67.528	39.768	0.916	2.598	9.746	120.556
Developer contributions	4.749	6.073	-	-	0.018	10.840
Other Contributions	0.714	0.133	0.043	-	-	0.891
<b>Total</b>	<b>208.158</b>	<b>102.305</b>	<b>8.791</b>	<b>2.892</b>	<b>10.438</b>	<b>332.584</b>

## Capital Programme 2023/24 monitoring

Further changes within table 1 is the reprofiling to projects totalling £26.799m. This is included at the end of month 2 against an opening budget of £233.592m.

Specific projects reprofiled include:

- Chelson Meadow Solar Farm (£6.574m)
- Woolwell to the George (£9.774m)
- Armada Way (£4.217m)
- St Budeaux to Dockyard TCF (£2.491m)

Table 7 below includes a breakdown by directorate of actual cash spend as at 31 May 2023 shown as a value and percentage against latest forecast, overall 3.27%. This low figure reflects outstanding accruals processed in 2022/23 accounts which are yet to be matched off with actual invoice payments.

Comparable percentage for 2022 was 2.47%.

Profiling of the capital programme will continue to review the robustness of forecasts to spend as project officers assess the inflationary impact to schemes and challenges to meet grant funding conditions.

**Table 7 2023/24 Programme including actual spend and % spent compared to latest forecast**

Directorate	Latest Forecast 2023/24 £m	Actual Spend 2023/24 as at 31 May 2023 £m	Spend as a % of Latest Forecast %
Children's Services	3.423	0.011	0.33
People	9.576	0.335	3.50
Place – Economic Development	65.818	0.377	0.57
Place – Strategic Planning & Infrastructure	84.431	2.566	3.42
Place – Street Services	22.156	2.782	8.80
Customer & Corporate Services	10.831	0.212	1.96
Office for Director of Public Health	11.923	0.529	4.44
<b>Total</b>	<b>208.158</b>	<b>6.812</b>	<b>3.27</b>

Finance Officers will continue to challenge spending profiles in preparation for budget setting. With further work planned to incorporate an assessment of the inflationary impact to the overall capital programme and a project officer review to planned project delivery across 2023 to 2028.

Originally, the £51.264m TCF2 grant awarded by the DfT (to facilitate more sustainable transport links in the city), was due to be fully spent by 31st March 2023. Following Change Control and an Independent Assurance Review, £6.075m has now slipped into 2024/25 and a further £1.656m has slipped beyond into 2025/26. The delivery of the Western Corridor, City Centre, Woolwell to the George and the Mobility Hubs programmes have all been re-profiled.

A detailed monitoring project forecast has been issued to Service Directors highlighting projects with grant risk, specifically within Children's services. £15m grant funding has been awarded by the Department for Education with an element of risk of clawback unless specific devolved funds which were received before 2021/22 is spent.

Freeport seed capital funding (which is currently shown within future funding assumptions) with business cases to be approved before they are added to the capital programme have a spend deadline of 31 March 2024. Reviews of the Plymouth element of the programme are ongoing including consideration on the interest rate risk to this and wider projects.

Further analysis will be included in next month's monitoring report covering the interest rate risk, with PWLB short term rates now approaching 6%.

The financial cost of borrowing to fund existing borrowing maturing during 2023/24 needs consideration and action is required to reduce the element of the capital programme which is reliant on corporate and service borrowing this financial year.

This is currently forecast at £123.095m (Corporate £55.567m and Service borrowing £67.528m) as per breakdown in table 6. This represents 59% of the year's funding, which is too high and not sustainable.