

# Cabinet



Date of meeting:	14 August 2023
Title of Report:	<b>Finance Monitoring Report June 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)
Contact Email:	<a href="mailto:David.northey@plymouth.gov.uk">David.northey@plymouth.gov.uk</a>
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 3.

## Recommendations and Reasons

That the Cabinet:

- Notes the forecast revenue monitoring position at Period 3 as set out in this report in the sum of £7.500m.  
*Reason: controlling the outturn within budget is essential to maintain financial control.*
- Notes the Capital Budget 2023-2028 is revised to £556.722m as shown in Table I and agree to recommend these amendments to Full Council for approval.  
*Reason: Cabinet to recommend these amendments to Full Council for approval in line with the Constitution.*

## 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 3 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 1 of the Local Government Act 1972 by ticking the relevant</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	HS0408 23	Leg	LS/000 01312/ AC/2/4 /8/23	Mon Off		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: 02/08/2023											

Cabinet Member approval: Cabinet Member for Finance, after discussion with Cabinet colleagues

Date approved: 03/08/2023

## SECTION A: EXECUTIVE SUMMARY

**Table 1: End of year revenue forecast**

	Budget £m	Forecast £m	Variance £m
<b>Total General Fund Budget</b>	<b>218.440</b>	<b>225.940</b>	<b>7.500</b>

1. This report highlights a revised monitoring position at Month 3 (June 2023) of £7.500m over budget. A breakdown of this is set out in Table 2.
2. Considerable work will be required to reduce spend and increase income. The one off use of reserves has not been considered at this stage.
3. 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**

Directorate	Budget £m	Forecast £m	Forecast Net Variance £m	Status
Executive Office	5.997	6.105	0.108	over
Customer and Corporate Services	49.646	51.205	1.559	over
Children's Directorate	61.883	64.695	2.812	over
People Directorate	95.387	99.108	3.721	over
Public Health	2.628	2.628	0.000	nil variance
Place Directorate	27.086	27.086	0.000	nil variance
Corporate Account & Council wide items	(24.187)	(24.887)	(0.700)	under
<b>Total</b>	<b>218.440</b>	<b>225.940</b>	<b>7.500</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 the decision for planned subscriptions savings being reversed. Work is underway to find management savings to offset this pressure.

**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. The Directorate will continue to seek ways to offset the pressure.

**Children's Directorate**

<b>Children's</b>	<b>Variance £m</b>
<b>Pressures</b>	
Home to School Transport	0.852
High cost childrens placements and pending SGO judicial review	1.960
	<b>2.812</b>

Within Children's social care, June has seen an emerging pressure of £1.960m. This reflects four new high cost placements (£1.342m) and a pending Special Guardianship Order (SGO) Judicial review (£0.618m). We are working with our Improvement Partner on outcomes for children plus a Children's Service Transition Board, chaired by the Chief Executive meet regularly to review the finances of the department.

To date home to school transport additional costs reflect the impact of additional routes and increased number of children requiring transport. This is a statutory function. The department has undertaken a peer review and will consider the findings once the report is received.

**People Directorate**

<b>People</b>	<b>Variance £m</b>
<b>Pressures</b>	
Strategic Commissioning Care Packages	1.298
Community Connections	2.423
	<b>3.721</b>

People Directorate is forecasting a net overspend at month 3 of £3.721m. ASC care packages shows a pressure of £3.499m, this is offset by an increased forecast for client income of an extra (£0.301m) plus grant funding offset (£1.900m) which brings a net pressure of £1.298m.

Community Connections are reporting a pressure of £2.423m relating to BAU pressures within emergency accommodation for homelessness. This is a national issue, with rising demand and falling supply. For Plymouth, a full review is underway to fully understand the drivers of the financial pressures and to look at short, medium and longterm remediations.

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

<b>ODPH</b>	<b>Variance £m</b>
	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**

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

The quarter 1 Place DMT position is a net nil variation to revenue budget.

In summary, £0.902m of savings delivery plans are considered at risk, alongside £0.441m of other BAU pressures.

The BAU pressures include items such as annual legacy savings and increased costs in areas such as grass cutting. The savings risks are attributed to areas such as reduced savings through route optimisation, 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>	0.000
<b>Offset by Savings</b>	
Budget savings identified corporately	(0.700)
	(0.700)

A

A saving of £0.700m is being reported for this first quarter report.

Any uncertainties such as pay award are being monitored closely and potential mitigations are being identified to manage them within budget. In month 3 savings have been identified and reported.

**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 3. The full year forecast is still to fully achieve all savings. The table below sets out the position at month 3.

**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	0.000
ODPH	(0.542)	(0.542)	0.000	0.000	0.000
Place	(7.289)	(6.387)	0.000	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>(16.651)</b>	<b>(0.758)</b>	<b>(1.995)</b>	<b>(1.572)</b>

Further analysis continues to mitigate any shortfalls with alternative savings, and will be reported in full detail in the Quarter 2 (September) Report.

## Section C - Capital Finance Report Quarter I 2023/24

The approved capital budget (representing forecast resources) includes the Capital Programme made up of approved projects and future funding assumptions.

These assumptions 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 forecast for five-year capital budget 2023-2028 is £338.052m as at 30 June 2023. Movement from the previous 2022 – 2027 programme reported to cabinet on 12 June 2023 as part of 2022/23 capital outturn as at 31 March 2023 is detailed in Table 1 with main change being the actual years within the 5 year scope.

Table 2 provides a further breakdown of new projects added to capital programme.

### Capital Programme movement

Table 1 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 to June 2023 breakdown see table 2	7.461
Variations – April to June 2023	(0.620)
Capital Programme as at 30 June 2023	338.052
Future Funding Assumptions	218.670
<b>Total Revised Capital Budget for Approval (2023/24 -2027/28)</b>	<b>556.722</b>

Table 2 Breakdown of new approvals

Governance	New Approvals Q1	5 Year Programme Approvals
		£
S151	Theatre Royal Car Park - Solar Scheme	199,000.00
S151	Eastern Corridor Strategic Cycle Network (Colesdown Hill)	34,108.00
<b>Subtotal Strategic Planning &amp; Infrastructure</b>		<b>233,108.00</b>
S151	Derriford Community Park - Phase 1 Biodiversity Improvements	107,844.59
S151	Central Park Improvements	60,000.00
S151	Ply & S.Devon Community Forest	25,000.00
S151	Street Furniture Replacements	150.00
Exec Decision	TCF T2 Signal Optimisation / ITS (citywide) and Traffic Control Centre	738,815.00
Exec Decision	Various annual Highway projects	3,719,000.00
S151	Tennis Improvements - Devonport Hartley and Tothill Park	680.00
<b>Subtotal Street Services</b>		<b>4,651,489.59</b>
S151	Mount Edgcumbe Mower	9,000.00
Exec Decision	Derriford District Centre	1,036,196.00
<b>Subtotal Economic Development</b>		<b>1,045,196.00</b>
Exec Decision	Local Authority Housing Fund	1,531,181.00
<b>Subtotal People</b>		<b>1,531,181.00</b>
<b>Total Capital Approvals</b>		<b>7,460,974.59</b>

A breakdown of the current approved capital budget by directorate and by funding is shown below in Table 3.

**Table 3 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	3.426	0.130	0.130	-	-	3.687
People	9.576	5.837	0.241	-	-	15.654
Place - Economic Development	49.449	38.666	18.428	7.126	10.397	124.067
Place - Strategic Planning & Infrastructure	72.935	47.317	0.981	-	0.608	121.841
Place - Street Services	35.595	9.523	1.609	0.023	0.023	46.773
Customer & Corporate Services	6.753	4.101	0.582	-	-	11.436
Office for Director of Public Health	11.923	2.671	-	-	-	14.594
<b>Total</b>	<b>189.657</b>	<b>108.246</b>	<b>21.972</b>	<b>7.149</b>	<b>11.028</b>	<b>338.052</b>
Finance by:	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	7.524	1.125	0.811	0.026	0.608	10.094
Grant Funding	74.741	24.158	1.136	0.023	0.023	100.080
Corporate Funded borrowing	51.672	36.902	5.667	0.243	0.043	94.528
Service dept. supported borrowing	50.382	39.855	14.165	6.856	10.336	121.594
Developer contributions	4.599	6.073	0.150	-	0.018	10.840
Other Contributions	0.739	0.133	0.043	-	-	0.916
<b>Total</b>	<b>189.657</b>	<b>108.246</b>	<b>21.972</b>	<b>7.149</b>	<b>11.028</b>	<b>338.052</b>

### Capital Programme 2023/24 monitoring

A review of the annual profiled spend of projects has resulted in spend original forecast for 2023/24 being restated into future years.

Month 2 - May 2023 identified £26.799m reprofiling which included:

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

Month 3 – June 2023 identified a further £22.933m, this included:

- Property Regeneration Fund projects (£15.694m)
- IT projects (£2.376m) including laptop replacement
- Pounds House (£1.702m)

With projects funded by borrowing this is mitigating some of the interest rate risk within the capital programme.

Changes to grant funded projects involves ongoing discussions and approval with grant funders.



Table 4 below includes a breakdown by directorate of actual cash spend as at June 2023 shown as a value and percentage against latest forecast, overall 6.63%. 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 5.3%.

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 4 2023/24 Programme including actual spend and % spent compared to latest forecast**

Directorate	Latest Forecast 2023/24	Actual Spend as at 30 June 2023	Spend as a % of Latest Forecast
	£m	£m	%
Children's Services	3.426	0.022	0.64%
People	9.576	0.609	6.36%
Place – Economic Development	49.449	1.953	6.79%
Place – Strategic Planning & Infrastructure	72.935	4.394	3.95%
Place – Street Services	35.595	4.059	6.02%
Customer & Corporate Services	6.753	0.458	11.40%
Office for Director of Public Health	11.923	1.088	9.12%
<b>Total</b>	<b>189.657</b>	<b>12.582</b>	<b>6.63%</b>

Finance Officers will continue to challenge spending profiles in preparation for 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 2023 to 2028.

### Capital project and funding risk

Originally, the £51.264m TCF2, grant awarded by the DfT, to facilitate more sustainable transport links in the city, was due to be fully spend by 31st March 2023. Following Change Control and an Independent Assurance Reviews, £6.075m has now slipped into 2024/25 and a further £1.656m has slipped beyond into 2024/25. 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 Department for Education with an element at risk of clawback unless specific devolved funds received up to 2020/21 is spent.

Freeport seed capital funding which is currently shown as future funding assumptions with business cases to be approved before added to capital programme have a spend deadline of 31 March 2024 before any further drawdown of funding is approved. Reviews of Plymouth element of programme are ongoing including consideration on interest rate risk.

Individual projects within the National Marine Park programme are being brought forward for approval onto the capital programme where funding is secured, further data submissions to National Lottery Heritage fund is ongoing and the underwriting of final funding is subject to final outcome of bid awarded.

Funding through use of Right to Buy capital receipts are being reviewed by officers to balance both covering asbestos liability on properties transferred to Plymouth Community Homes and availability to release monies for Housing Delivery projects.

Additional risks are arising through the interest rate environment with PWLB short term rates now approaching 6% and Other Local Authority (OLA) borrowing at circa 5.8% for 1 year. Both Arlingclose, the Councils Treasury Management advisors and financial brokers used to secure short-term borrowing with OLA are predicting further increases with the Bank of England base rate.

Challenges with the cost of borrowing to repay existing borrowing maturing during 2023/24 and further management action is needed based on the current forecast of £102.054m being required through corporate and service borrowing for 2023/24.