

Cabinet



Date of meeting: 12 August 2024

Title of Report: **Finance Monitoring Report June 2024**

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

Lead Strategic Director: David Northey (Service Director for Finance)

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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 2024/25 at Period 3.

Recommendations and Reasons

1. Note the forecast revenue monitoring position at Period 3 as set out in this report is nil variance.

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

2. Recommend the Director for Children's Services reports back to the next Cabinet meeting with a detailed plan on the mitigations of £4.942m to achieve a balanced position;

Reason: each directorate must mitigate their own financial pressures, to achieve a balanced position.

3. The Capital Budget 2024-2029 is revised to £360.488m as shown in Table I, noting the removal of projects totalling £6.171m from the capital programme and recommend these amendments to Full Council for approval;

Reason: Cabinet to recommend these amendments to Full Council for approval in line with the Constitution.

4. Note Prudential Indicators Q1.

Reason: controlling the outturn within budget is essential to maintain financial control with full transparency on the Capital Investments.

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Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.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)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

Fin	CH.2 4.25. 021	Leg	LS/0 0003 197/ 11/L B/12/ 08/2 4	Mon Off	LS/00 0031 97/11 /LB/1 2/08/ 24	HR		Assets		Strat Proc	
Originating Senior Leadership Team member: David Northey (Service Director for Finance)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 12/08/2024											
Cabinet Member approval: Councillor Mark Lowry, Cabinet Member for Finance											
Date approved: 12/08/2024											

SECTION A: EXECUTIVE SUMMARY**Table 1: Revenue Forecast**

	Budget £m	Forecast £m	Variance £m
Total General Fund Budget	241.622	241.622	0.000

This report highlights a nil variance monitoring position at Month 3 (June 2024). This is the first reported position for 2024/25. A breakdown of this is set out in Table 2.

SECTION B: Directorate Review**Table 2: Revenue Forecast by Directorate**

Directorate	Budget £m	Forecast £m	Forecast Net Variance £m	Status
Chief Executive's Office	6.851	6.851	0.000	nil variance
Resources Directorate	35.426	35.426	0.000	nil variance
Children's Directorate	74.479	74.479	0.000	nil variance
Adults, Health and Communities Directorate	108.513	108.513	0.000	nil variance
Public Health	2.557	2.557	0.000	nil variance
Place Directorate	30.175	30.175	0.000	nil variance
Corporate Account & Council wide items	(16.379)	(16.379)	0.000	nil variance
Total	241.622	241.622	0.000	nil variance

Chief Executive's Office

Month 3 Position - Chief Executive's Office	Variance £m	RAG Rating
Pressures		
Potential shortfall on Legacy Savings Plans	0.179	Amber
Mitigations		
Planned review on budget to identify management actions	(0.179)	Amber
Variance to report	0.000	

Although there is a nil variance reported for the Executive Office at Month 3, we are reporting a potential shortfall on legacy Savings Plans (£0.179m). There is a Departmental Management Team meeting scheduled for a full review where mitigations will be identified.

Resources Directorate

Month 3 Position – Resources Directorate	Variance £m	RAG Rating
Pressures		
Holding Costs - Windsor House (six months)	0.208	Amber
Holding Costs – Midland House	0.142	Amber
IT Unitary Charge pressure	0.379	Amber
Payroll Unitary Charge pressure	0.120	Amber
Mitigations		
Exploring use of new Capital Receipts flexibilities (Midland House)	(0.142)	Amber
Ongoing review IT Unitary Charge	(0.200)	Amber
Planned review on budget to identify management actions	(0.507)	Amber
Variance to report	0.000	

Although there is a nil variance reported for the Resources Directorate at Month 3, there are emerging pressures and mitigations as detailed above. There is a Departmental Management Team meeting scheduled for a full review where further mitigations will be identified.

Children's Directorate

Children, Young People & Families	Variance £m	RAG Rating
Pressures		
Looked After Children – Placements	4.642	Red
0-25 SEND Staffing Costs	0.300	Amber
Mitigations		
Planned step forwards into alternative placements and other management actions (as detailed below)	(4.942)	Red
Variance to report	0.000	

At Month 3 there is a nil variance being reported within Children's Directorate however the following should be noted:

In year Placement monitoring shows a pressure of £4.642m, this is an increase of £1.899m since Month 2. Two high-cost new Placements started in month, one at £21k p/week and one at £17k p/week, also the number of Residential beds being paid for at Quarter 1 is 63 which is 8 above the starting point for the year.

Agency staff costs have increased because the number of agency social work managers and staff has increased to 27%. The recently re-branded and re-launched recruitment campaign has successfully recruited to some senior positions, but it has not attracted permanent experienced social workers. In order to meet statutory requirements and maintain caseloads at a manageable level, agency workers are employed.

Within Education, Participation and Skills there are potential risks being flagged within the Short Breaks Service budget, as further analysis is being undertaken by the Service at this point the Directorate expects to cover the pressure. There is also a forecast pressure within staffing costs for the 0-25 SEND Team, of approximately £0.300m

Management Actions

Extensive work is taking place through the Homes for Cared for Children Programme to address this increase through planning for 17 children to move on from a residential placement in this financial year and assessments are taking place for other young people whose needs can be better met with a family member, in foster care or in supported living. Children have also been identified whose needs can be well met from reunification home or with extended family members or with a move from Independent Foster Carer to a Plymouth Foster Carer.

A Children's Brokerage team has been recruited to strengthen market engagement, placement finding and market management and monitoring and quality assurance.

Options for greater Plymouth based provision for children and young people are being developed.

Recruitment campaign and retention initiatives are being reviewed again and priority posts are being recruited to. The Director of Children's Services chairs a weekly recruitment panel, attended by the Director of Human Resources and Service Directors, to scrutinise and approve recruitment to every post within the Directorate. Only posts that are essential and where the role cannot be delivered in another way are approved.

The financial and support offer to Plymouth Foster Carers has been improved and there are some early signs in Quarter 1 that this is starting to have an impact with more enquiries (25) which has resulted in 13 applications received and proceeding to stage 1 (this conversation rate of over 50% is significantly higher than last year).

Adults, Health and Communities Directorate

Adult Social Care

Month 3 Position – Adult Social Care	Variance £m	RAG Rating
Pressures		
Reduction in client income – Fairer Charging	1.857	Amber
Mitigations		
Care Package Net Savings	(0.731)	Amber
Budget containment planned activity and income maximisation	(1.126)	Amber
Variance to report	0.000	

At Month 3 pressures within Nursing Long Stay Care Packages (£0.918m) are being offset by savings in other package types including Dom Care, Supported Living and Residential Care, resulting in a net saving of (£0.731m) on Care Package expenditure budgets.

The Service are also flagging potential pressures within Client Income which could have a significant impact on the budget. During Month 4 further analysis will be carried out on all income assumptions and trends to better understand the issue and the impact on budgets.

The Service will carry out budget containment activity including package rate reviews, deep dives in to Nursing volume pressures and vacancy management including slowing recruitment.

At Month 3 all brought forward and in year savings plans (total £8.881m) are forecast to be met.

Community Connections

Month 3 Position – Community Connections	Variance £m	RAG Rating
Risk: Increase in numbers in Temporary Accommodation	0.223	Green
Mitigation: Additional Homelessness Prevention Grant	(0.237)	Green
Risk: Delivery Plans – Expected delays in planned activity	0.618	Amber
Mitigation: Expediting planned activity and alternative property purchases	(0.604)	Amber
Position to report at Month 3	0.000	

Community Connections has a delivery plan target of £1.000m in this financial year. Currently there are delays in delivery of the plans associated with this target which is creating a pressure of £0.618m at Month 3. To mitigate this, further work is being undertaken alongside the larger property purchase projects to find alternative properties, with the Service also continuing to try bring the Royal project on line as soon as possible.

The Service is also seeing continued growth in numbers of people needing temporary accommodation. This was despite the Service achieving delivery of an additional 12 units via Bournemouth Churches Housing Association in June. This growth is expected to be offset by additional grant funding.

Office of the Director of Public Health (ODPH)

Month 3 Position – ODPH	Variance £m	RAG Rating
Risk: Bereavement Service (increased Service Borrowing, reduced income)	0.639	Amber
Mitigation: Leisure Management efficiencies (Service Borrowing and Electricity)	(0.117)	Amber
Mitigation: Reviewing forecast expenditure, income and capitalisation of costs associated with the new Crematorium.	(0.522)	Amber
Position to report at Month 3	0.000	

Additional service borrowing and reduced income within Bereavement are creating forecast pressures of £0.639m within the Service's budgets, which is offset in part by savings within Leisure Management. Work is ongoing to explore expenditure containment, increased income opportunities and ensuring spend on the new Crematorium is capitalised where appropriate. The intention is that the overall pressure will be mitigated so there is currently nil variance reported.

Place Directorate

Place	Variance £m	RAG Rating
Pressures		
Shortfall on Legacy Delivery Plan savings	0.900	Amber
In year pressures within Street Scene and Waste	0.700	Amber
Mitigations		
Income Maximisation – incl. commercial contracts and leases	(1.600)	Amber
Variance to report	0.000	

Place are working towards a balanced revenue position for 2024-25 which is considered to be a realistic reporting position for Place as at quarter one.

It is expected that £1.600m of total pressures can be met from £1.600m of mitigation measures. There is the possibility that further risks may materialise over the coming months. These risks will be closely monitored, with a view to Directorate mitigations.

£0.900m of the £1.600m forecast pressure is from a shortfall in savings delivery plans. This is as a result of delayed route optimisation, garden waste pressures and historical legacy targets. £0.700m is from identified pressures in the delivery of Street Scene & Waste services. It is forecast that £1.600m of pressures can be mitigated through income maximisation, including from commercial contracts & leases.

Corporate Items & Council wide

Month 3 Position – Corporate Items	Variance £m	RAG Rating
Pressures		
Core Resources – pressure on assumed Business Rates pooling gain	0.550	Amber
Mitigations		
Awaiting confirmation of additional Section 31 grants (expected July)	(0.200)	Amber
Full analysis of additional Council Tax underway	(0.350)	Amber
Variance to report	0.000	

There is no monitoring variance reported within the Corporate Items budgets at Month 3, however the following should be noted.

Managing the Treasury Management budget continues to be difficult. Finance work closely with the Portfolio Holder to control costs associated with funding the capital programme. As at Quarter 1 there are no pressures to report.

There is ongoing uncertainty around the pay award for 2024, figures included in current negotiations would exceed the budgeted allowance.

A quarterly review of Business Rates, including the Business Rates Pool, and Council Tax collections versus assumptions will be undertaken during July. We have already identified that estimates for Business Rates Pooling Gain were too high at the end of 2023/24 which will have an accounting impact in this financial year. The risk associated with this will be offset by increased Council Tax collection, alongside additional Section 31 grant funding.

Savings Budgets 2024/25

The additional savings built into Directorate budgets for 2024/25 are set out below:

Directorate	Savings 2024/25 £m	Plan	RAG Rating
Children's	Total Savings (1.873) Related Growth 0.777 Net Savings Target (1.096)	Net savings associated with profile of placement types	Amber
Adults, Health and Communities	(1.500)	£1.000m reduction in Homelessness spend	Amber
		£0.500m release of Bad Debt Provision	Green
ODPH	(0.200)	Contribution to revenue budgets	Green
Corporate Items	(0.900)	Minimum Revenue Provision and Bad Debt Provision release	Green
	(3.696)		

CAPITAL

The capital programme as at 30 June 2024 incorporates the movement from capital outturn position as at 31 March 2024 with the five year capital budget 2024-2029 currently forecast at £360.488m.

Table I reflects the change in 5 year programme scope and movement through new approvals and variations.

Capital Programme Movement

Table I The Capital Budget consists of the following elements:

Description	£m
Capital Programme as at 31 March 2024 for 5 year period 2023 - 2028	436.246
Change of years within 5 year scope – remove 2023/24	(91.361)
Addition of 2028/29 to 5 year scope	2.062
New Approvals – April to June see table 3 for breakdown	13.748
Variations – April to June 2024	(0.207)
Total Revised Capital Budget for Approval (2024/25 -2028/29)	360.488

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

Table 2 Capital Programme by Directorate

Directorate	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Children's Services	0.551	0.114	-	-	-	0.665
People	26.187	10.172	0.220	-	-	36.579
Place - Economic Development	44.470	50.418	32.520	18.005	2.199	147.612
Place - Strategic Planning & Infrastructure	63.692	43.756	15.347	0.897	-	123.692
Place - Street Services	30.248	7.265	0.105	0.044	0.083	37.745
Customer & Corporate Services	4.714	2.118	0.710	0.280	0.101	7.923
Office for Director of Public Health	6.167	0.105	-	-	-	6.272
Total	176.029	113.948	48.902	19.226	2.383	360.488
Finance by:	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Capital Receipts	3.695	1.864	0.245	0.273	1.7560	7.833
Grant Funding	86.424	41.950	0.197	0.298	0.0810	128.950
Corporate Funded borrowing	39.999	26.067	16.906	0.897	0.5460	84.415
Service dept. supported borrowing	39.153	37.432	28.331	17.726	-	122.642
Developer contributions	4.747	5.821	3.180	0.032	-	13.780
Other Contributions	2.011	0.814	0.043	-	-	2.868
Total	176.029	113.948	48.902	19.226	2.383	360.488

Based on the latest 2024/25 forecast totalling £176.029m, actual spend as at 30 June 2024 was £15.902m which equates to 9.03% of forecast figure of the Capital Programme for 2024/25.

Finance officers continue to work with Project Officers reviewing forecasts to ensure any necessary re-profiling is reported.

Of the 5-year programme, £84.415m is forecast to be funded from corporate borrowing which equates to 23.42% of programme. Work is ongoing to update the capital pipeline which will identify further corporate borrowing requirements. The affordability of the capital programme and future funding assumptions is under review.

Table 3 Capital new approvals Q1 including funding

Service / Directorate	Governance	New Approvals	5 Year Programme Approvals	Financed By
			£m	
ED	Exec Dec*	Plymouth and South Devon Freeport Langage Core Infrastructure	0.925	RF Grant
SPI	Exec Dec*	Zero Emission Bus Regional Areas	12.281	Cont/S106/RF Grant
SPI	S151	Weston Mill Flood Defence	0.068	RF Grant
ED	S151	Plymouth Health and Wellbeing Hub at Colin Campbell Court	0.175	Cont
ED	S151	Mount Edgumbe Orangerie Toilets	0.007	RF SB
SPI	S151	Civic Centre District Energy - Phase 2	0.050	RF Grant
SPI	S151	Woolwell to The George (Widening & Park & Ride)	0.207	URF Grant
SPI	S151	Armada Way	0.035	RF Grant
Total Capital Approvals			13.748	

*Executive Decision (Published)

Glossary	
SPI	Strategic Planning & Infrastructure
ED	Economic Development

Glossary	
RF	Ring Fenced
URF	Unring Fenced
Cont	Contribution
S106	Section 106 monies
SB	Service Borrowing

Capital Programme 2024/25 monitoring

The opening budget for 2024/25 was £193.902m, against this £24.878m has been reprofiled into future years to reflect latest project plans.

This includes the following projects:

- Chelson Meadow Solar Farm (£4.700m)
- Plymouth Railway Station (£5.757m)
- Property Regeneration Fund (£6.699m)
- Plymouth & S. Devon Community Forest (£3.147m)
- National Marine Park (£0.673m)

Together with new approvals programmed for 2024/25 and variations produces a latest forecast for 2024/25 totalling £176.029m.

As part of quarterly monitoring the following projects were identified for removal from the capital programme as the source of financing was no longer eligible. The governance to add these projects to the capital programme was through executive decision process therefore seeking formal approval to remove from Cabinet and Full Council.

Table 4 2024/25 project removal

Project Name	Amount £m	Funding	Comments
Home Upgrade Grant Phase I	0.064	DESNZ grant	Deadline for spending grant expired, grant has been returned to funder
Green Homes (LAD3)	0.411	The Local Authority Delivery grant, phase 3 (LAD3)	Deadline for spending grant expired, grant has been returned to funder
Social Housing Decarb Funding Wave 2.1	5.606	BEIS grant	PCH unable to meet grant terms and conditions therefore returning grant.
Social Housing Decarb Funding	0.010	BEIS grant	Deadline for spending grant expired, grant monies returned to funder
Home Energy	0.080	S106 EfW	S106 reallocated to other projects to meet deadline for spend
TOTAL to be removed	6.171		

Table 5 below includes a breakdown by directorate of actual cash spend as at 30 June 2024 shown as a value and percentage against latest forecast, overall 9.03%. This low figure reflects outstanding accruals processed in 2023/24 accounts which are yet to be matched off with actual invoice payments. Comparable percentage for 2023 was 13.78%.

Table 5 2024/25 Programme including actual spend and % spent compared to latest forecast

Directorate	Latest Forecast 2024/25	Actual Spend as at 30 June 2024	Spend as a % of Latest Forecast
	£m	£m	%
Children's Services	0.551	0.082	14.92%
People	26.187	1.089	2.66%
Place – Economic Development	44.470	5.618	14.46%
Place – Strategic Planning & Infrastructure	63.692	3.869	12.63%
Place – Street Services	30.248	2.674	6.07%
Customer & Corporate Services	4.714	0.682	8.84%
Office for Director of Public Health	6.167	1.888	30.61%
Total	176.029	15.902	9.03%

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.

A detailed monitoring project forecast has been issued to Service Directors highlighting projects with grant risk, specifically within Children's services £16m grant funding has been awarded by Department for Education with an element at risk of clawback unless specific devolved funds received in 2020/21 is spent.

Progression of grant funding with government departments has been impacted by general election restrictions, risk is held with National Marine Park project awaiting approval for LUF grant.

Short term borrowing with other local authorities is currently being secured at 4.95% to 5.15% and current one year PWLB at 5.23%.

The borrowing impact to future revenue budgets to fund capital programme remains high, with additional revenue resources being required circa £5m based on projected slippage to current approved capital programme. This is based on bank of England borrowing rate reductions indicated by Treasury Management advisors starting in September 2024 with a levelled Bank of England rate of 3% by 2026.

Prudential Indicators Q1 2024/25

The Authority measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

Capital Financing Requirement: The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loans fund repayments and capital receipts used to replace debt.

The actual CFR is calculated on an annual basis.

	2023/24 actual £m	2024/25 forecast* £m	2025/26 budget £m	2026/27 budget £m
General Fund services	866.405	903.196	932.195	958.201

* Arlingclose have been commissioned to review impact for accounting for a change in the accounting for leases.

Gross Debt and the Capital Financing Requirement: Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	2023/24 actual £m	2024/25 forecast* £m	2025/26 budget £m	2026/27 budget £m	Debt at 30.6.2024 £m
Debt (incl. PFI & leases)	739.506	799.432	878.196	931.823	739.506
Capital Financing Requirement	866.405	903.196	932.195	958.201	

Debt and the Authorised Limit and Operational Boundary: The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	Maximum debt Q1 2024/25 £m	Debt at 30.6.24 £m	2024/25 Authorised Limit £m	2024/25 Operational Boundary £m	Complied? Yes/No
Borrowing	649.532	649.532	900.000	800.000	Yes
PFI and Finance Leases	89.974	88.900	269.000	269.000	Yes
Total debt	739.506	738.432	1169.000	1069.000	

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Provision for £100m has been included in authorised limit and operational boundary in 2024/25 for a CFR increase arising from a change in the accounting for leases

Proportion of Financing Costs to Net Revenue Stream: Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2023/24 actual £m	2024/25 forecast* £m	2025/26 budget £m	2026/27 budget £m
Financing costs (£m)	38.590	45.877	52.212	53.931
Proportion of net revenue stream	17.75%	19.39%	21.33%	21.35%