

PLYMOUTH CITY COUNCIL

Subject: Capital & Revenue Monitoring Report 2015/16 – Quarter2
Committee: Cabinet
Date: 10 November 2015
Cabinet Member: Councillor Lowry
CMT Member: CMT
Author: Chris Randall – Head of Finance Operations
Contact details Tel: 01752 304599
email: chris.randall@plymouth.gov.uk
Ref:
Key Decision: No
Part: I

Purpose of the report:

This report outlines the finance monitoring position of the Council as at the end of June 2015.

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

The estimated revenue overspend is £2.265m. The overall forecast net spend equates to £195.274m against a budget of £193.009m, which is a variance of 1.2%. This needs to be read within the context of needing to deliver £21m of savings in 2015/16 on the back of balancing the 2014/15 revenue budget where £16m of net revenue reductions were successfully delivered.

Additional management solutions and escalated action to deliver further savings from the council's transformation programme will be brought to the table over the coming months in order to address the in year forecasted overspend.

Table 1: End of year revenue forecast

	Budget £m	Forecast Outturn £m	Variance £m
Total General Fund Budget	193.009	195.274	2.265

The latest approved capital programme funding envelope covering 2014/15 to 2017/18 stood at £237.406m which was approved at Full Council on 23 February 2015. The report details new schemes approved within the capital programme envelope under delegated powers and proposed increases to the capital funding envelope of £104m, which net of taking off the expenditure incurred in 2014/15 of £54m results in a proposed envelope of £287m for 2015 – 2020.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

This quarterly 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 Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Robust and accurate financial monitoring underpins the Council's Medium Term Financial Plan. The Council's Medium Term Financial Forecast is updated regularly based on on-going monitoring information, both on a local and national context.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

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 is paramount to ensuring the Council can achieve its objectives to be a Pioneering, Growing, Caring and Confident City.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

That Cabinet:-

1. Note the current revenue monitoring position and action plans in place to reduce/mitigate shortfalls;
2. Approve the non-delegated revenue budget virements (shown in Table 4);
3. Recommend to Council that the Capital Programme 2015 -2020 is increased to £287m (as shown in table 5)
4. Note the new schemes added to the Capital Programme totaling £1.063m (shown in Table 6);

Alternative options considered and rejected:

None – our Financial Regulations require us to produce regular monitoring of our finance resources.

Published work / information:

2015/16 Budget Reports [Delivering the Co-operative Vision within a 4 year budget](#)

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	CDR/ CorpsF FC1516 001 29.10.15	Leg	lt/242 87	Mon Off	dvs/24287 29.10.15	HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, AD for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Table 2 : Revenue Monitoring Position

Directorate	2015/16 Council Approved Budget	2015/16 Budget Virements	2015/16 Latest Budget	Forecast Outturn	Forecast Year End Variation	Movement from previous month
	£m	£m	£m	£m	£m	£m
Executive Office	3.840	0.027	3.867	4.015	0.148	(0.078)
Corporate Items	14.010	(6.094)	7.916	8.201	0.285	0.015
Transformation and Change	26.682	6.608	33.290	34.182	0.892	(0.037)
People Directorate	121.400	1.719	123.119	123.551	0.432	0.051
Public Health	0.194	0.822	1.016	1.016	0.000	0.000
Place Directorate	26.883	(3.082)	23.801	24.309	0.508	0.175
TOTAL	193.009	0.000	193.009	195.274	2.265	0.126

Plymouth Integrated Fund	Section 75 indicative position	2015/16 Latest Budget	Forecast Outturn	Forecast Year End Overspend / (Underspend)
	£m	£m	£m	£m
New Devon CCG – Plymouth locality	331.000	347.381	348.145	0.764
Plymouth City Council	*131.000	135.913	136.353	0.440
TOTAL	462.000	483.294	484.498	1.204

* This represents the net People Directorate budget plus the gross Public Health Commissioning budget (which is financed by a ring fenced Department of Health Grant)

Under the s75 risk share agreement with NEW Devon CCG, the forecast outturn indicates a potential transfer of £0.046m from the CCG to PCC

Table 3: Key Issues and Corrective Actions

Issue	Variation £M	Management Corrective Action
<p>EXECUTIVE OFFICE</p> <p>Democratic support cost pressures. £0.225m relates to a stretch target for efficiencies in this area</p>	0.148	Officers continue to review options including staffing and resource levels through vacancy management which are reducing the pressure
<p>CORPORATE ITEMS</p> <p>The cross cutting savings target linked to a strategic asset review of £0.3m has only identified savings of £0.015m linked to a review of income received from recharging utility costs</p>	0.285	Project managers within the transformation programme are reviewing other potential areas for savings alongside producing a strategic asset strategy framework, although it is unlikely that further savings will be identified this year
<p>TRANSFORMATION and CHANGE – Finance</p> <p>There is a forecast underspend on staffing budgets and previously reported cost issues related to maintenance have now been capitalised</p>	(0.170)	
<p>TRANSFORMATION and CHANGE – Legal</p> <p>The forecast income is lower than previous years and employee turnover assumptions have not been as high as budgeted</p>	0.120	Plans being reviewed to see what opportunities can be achieved to reduce this shortfall in year
<p>TRANSFORMATION and CHANGE – Customer Services</p> <p>There is a shortfall in achieving the transformation saving target of £1.2m due to delays in implementing the service review</p>	0.343	The service are reviewing all current vacancies to assist in managing the shortfall, and the service review will deliver the full year saving in future years following the take-up of the enhanced voluntary release scheme
<p>TRANSFORMATION and CHANGE – Human Resources & OD</p> <p>There is a forecast underspend on staffing costs which is partly offset by reduced income from HR advisory services</p>	(0.126)	

<p>TRANSFORMATION and CHANGE – CCO programme and Departmental</p> <p>The CCO programme has a target of £1.5m to achieve in 15/16.</p> <ul style="list-style-type: none"> - Reviews of business support, HR and Finance service provision were delayed and are now estimated to only achieve £0.160m of the £0.8m target in this financial year. There is also a shortfall savings target of expanding IT services to new customers of £0.3m. The overall in year shortfall against the CCO programme is forecast to be £1.140m. <p>Financial reconciliations of DELT have highlighted a funding shortfall of c£1.0m</p>	<p>0.725</p>	<p>Management are reviewing staffing expenditure to ensure that all opportunities are maximised, including enhanced voluntary release schemes currently being run in the HR and Finance Departments. It is anticipated that service reviews in these areas whilst delayed in year will deliver the full estimated value of the 15/16 target reductions once implemented on an ongoing basis</p> <p>Officers have reviewed insurance provisions and reserves and at this stage anticipate the potential for an in year reduction of up to £1m which will offset delays in achieving the CCO target in year.</p> <p>Corporate management team have allowed that £0.795m of the corporate contingency be used to offset pressures relating to the IT service provision, and that these issues will be addressed as part of setting the 2016/17 budget. Officers are reviewing options with DELT, including ensuring that project income is maximised</p>
<p>PEOPLE – Children Young People and Families</p> <p>The Children Young People and Families Service is reporting a budget pressure of £0.671m</p> <p>As part of the transformation project for 2015/16, the CYP&F was expected to make savings of over £1.5m (in order to contribute to the £8.045m Directorate target).</p>	<p>0.671</p>	

<p>There are risks that will require close monitoring and management during the year:</p> <ul style="list-style-type: none"> - Starting point in April of 88 Independent Foster Care (IFA's) placements with budget for only 68 achieving savings from interim and transformation wrap-around placements. - Lack of availability of the right in-house foster care placements creating overuse of IFA's. - High number of placements in Welfare Secure, there are currently 2 in situ. - - Unexpected court ordered spend on Parent & Child Assessment placements. <p>The overall number of children in care at the end of September has increased by 3 to now stand at 389.</p> <p>The number of children placed with independent fostering agencies has increased by 4 to 88 which is above the budgeted target of 68. Residential placements have increased by 1 to 21 against a budget of 26 with a significant number being high cost due to the complex nature of these children's needs. In particular 3 young people with complex needs are in high cost placements currently at a higher cost than welfare secure. The number of young people placed in 'welfare' secure placements remains the same, with 2 young people currently in situ. The In-House Foster Care placements have increased by 1 to 197 placements against a budget of 209, with 2 in 'Other Local Authority' Foster Care. There is currently 3 In House Parent & Child Assessment Placements, 4 court ordered Independent foster care placement and 4 high cost Residential placements. The number of young people 16+ placed in supported living has remained at 24 against a budget of 22 where young people have stepped down from secure or residential care. However, this has had an adverse affect on the average placement cost although this should improve as their level of support is stepped down.</p>		<p>Against the target of £1.5m, £0.605m has been saved to date through the first phase of wraparound, phase two will be implemented but there will be a real challenge in achieving the full saving in the face of increased pressures. However, a further £0.485m saving to year end is projected of which £0.200m is one off.</p>
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<p>There is changing behaviour in court in relation to both Parent & Child Residential and Independent Foster Care (IFA's) assessment placements. This is under review and to some extent is led by guardian recommendations. The service are not able to address individual guardian recommendations whilst proceedings are live and this represents a significant challenge in managing spend on these placements.</p> <p>The service has received 450 referrals in September 2015 which was 15.1% more than September 2014 (530). The YTD figure for referrals is 2725 compared to 2695 for the same period in 14/15. This is an increase of 1.0%.</p>		<p>The current commissioning arrangements for Supported Accommodation are being reviewed in order to provide more capacity at a reasonable price.</p> <p>Ten new In House Foster carers are anticipated coming on line between now and the end of the financial year in order to increase placement sufficiency and reduce costs.</p>
<p>PEOPLE – Strategic Co-operative Commissioning</p> <p>The Strategic Co-operative Commissioning (SCC) service is reporting to come in (£0.231m) under budget. The overall variation is mainly in the following areas:</p> <ul style="list-style-type: none"> - Leisure Management – mainly due to a saving on utilities, there is expected to be a saving of (£0.091m) against budget this year. - Salaries and related costs – an adverse variation of £0.259m is being forecast, mainly around the In-House provision which is being closely monitored. - Non Residential Income – currently there is a favourable variation of (£0.414m) which has arisen due to the change in the Fairer Charging policy and the Direct Payment income that is being collected as a result. - Day Care costs – there is currently an adverse variation on day care of £0.281m which is due to both increased costs and usage of the service, along with a movement of clients from a block contract. - PCH Contract – an assumption has been made of a saving against the full year contract of (£0.200m) <p>As part of the transformation project for 2015/16, the SCC budget will need to make savings of over £5m (in order to contribute to</p>	<p>(0.231)</p>	<p>So far, SCC has achieved in the region of £2.4m of savings around reduced client numbers in residential and nursing, reviews of high cost packages and contract savings, however there are £1.3m of delivery plans for 2015/16 that are currently showing as RAG rated red or amber, ie reviews to care packages, and further use of ECH housing instead</p>

<p>the £8.045m Directorate target) with the activities and actions that will drive delivery forming part of the transformation programme</p> <p>Two risks that will require close monitoring and management during the year are:</p> <ul style="list-style-type: none"> - DoLS assessments – over the past year there has been a very significant increase in Deprivation of Liberty Safeguard (DoLS) applications. Official data from the Health and Social Care Information Centre (HSCIC) show that there has been a ten-fold increase on previous activity levels. A DOLS action plan has now been developed and is being monitored through the year. - Care Coordination Team clients – there are currently a large number of clients that are waiting for an assessment which could result in the costs being charged to SCC – see monitoring variations above. A working group has been established to ensure reviews are completed in a planned and managed way. 		<p>of higher cost placements, that will need to be reviewed and, if necessary, alternative plans put in place to make the savings.</p> <p>A DOLS action plan has now been developed and will be monitored through the year.</p> <p>A working group has been established to ensure reviews are completed in a planned and managed way.</p>
<p>PEOPLE – Housing Services</p> <p>The Housing Service is reporting a balanced forecast outturn, containing budget pressures reported in July within existing budgets through an improvement in quarter due to a reduction in monthly demand on emergency accommodation, together with management reviewing future commitments.</p>	-	
<p>PEOPLE – Learning & Communities</p> <p>Learning and Communities is reporting to come in on budget at the end of month 6. As part of the transformation project for 2015/16 the Learning and Communities budget will need to make savings of £0.600m (in order to contribute to the £8.045m Directorate target) with activities and actions that will drive delivery forming part of the transformation programme.</p>	-	<p>The department is reviewing any potential pressures with the intention of mitigating these with off-setting actions, including employee savings, and maximising grants</p>
<p>PUBLIC HEALTH –</p> <p>The public health ring-fenced grant has been identified as one of the areas targeted for in year budget cuts as part of the government. Indications are of a circa 7% reduction which</p>	-	<p>The Public Health Management team have fed back on the consultation around the allocation of reductions which closed on</p>

would equate to £0.9m		28 th August, and are considering potential options for reducing expenditure once the final details on reductions are released
<p>PLACE - Economic Development</p> <p>Economic Development is currently forecasting to deliver within budget by year end, although this is not without risk.</p> <p>Economic pressure on commercial rents continues. The return on head leases is outside of the Councils control and far from being a risk has now become an issue to mitigate.</p> <p>The Events programme will deliver within the overall budget for events.</p>	-	<p>The Economic Development Service is endeavouring to identify savings to offset these costs pressures but the ability to generate one off or recurring options continues to reduce year on year as the portfolio is systematically reviewed to maximise opportunities.</p> <p>The Council continues to sponsor and promote major events across the city underwriting from Council budgets. Officers continue to work to seek to manage the budget and ensure a positive economic benefit for the local economy.</p>
<p>PLACE - Strategic Planning and Infrastructure</p> <p>SP&I are projecting an estimated outturn variation of (£0.154m). It has additional favourable variations in relation to staffing costs, and planning and building control income, with improvements in both of these areas since last month. This has more than countered cost pressures within other parts of the budget.</p>	(0.154)	Income and Expenditure is routinely reviewed each cycle to control spend and maximise income.
<p>PLACE - Street Services</p> <p>Street Services is currently forecasting a £0.147m overspend due to reduced forecasts around car parking income.</p> <p><u>Waste Services</u> One off savings continue at the Energy from Waste Plant during the extended commissioning period, and these will offset pressures within other areas within Street Services.</p>	0.147	New opportunities to reduce costs are currently being modelled to ensure key services can be delivered within existing budget whilst also planning ahead for longer term service delivery as available resources are reduced. Officers will also continue to explore opportunities to maximise income and

<u>Highways Parking & Marine Service</u> Monitoring of car parking income is showing a reduction which is likely to have an adverse impact on the Parking Trading account contribution to Highways.		productivity. The impact of any changes to parking income needs to be considered in setting the overall 16/17 budget
PLACE - GAME The Commercialisation Workstream is making a significant contribution of £1m towards the transformation programme although the integrated transport projects will result with in-year cost pressures in the region of £0.420m.	0.515	Organisation wide commercialisation opportunities will continue to be explored and accelerated to address the current projected shortfall. The favourable position in the core Place budget is contributing to mitigating the Staff and Passenger Transport pressures in the GAME programme.
TOTAL	2.273	

Virements

Cabinet are required to approve all non delegated revenue budget virements over £0.1m and these are shown in the table below.

Recommendation

It is recommended that Cabinet approve the non delegated virements which have occurred in the period since the September Cabinet report

Table 4 Virements detail

Directorate	Transfer from Transformation Reserve to fund Customer Transformation Programme in respect of Digital Platform implementation	Realignment of democratic support efficiency target between Directorates	Realignment of Corporate Delivery Plans within Corporate Items and Transformation & Change	Total
	£m	£m	£m	£m
Executive Office	0	(225)	0	(225)
Corporate Items	(200)	0	(110)	(310)
Transformation and Change	200	225	110	535
People Directorate	0	0	0	0
Public Health	0	0	0	0
Place Directorate	0	0	0	0
Total	0	0	0	0

Capital Programme 2015/16 – 2017/18

The Council's approved Capital Budget for 2014 – 2018 represents its overall "affordability envelope" within which a Capital Programme of projects for delivery is agreed, this is currently £237m

Since the approval at Council further work has been undertaken to update income projections and the current estimated funding envelope for the 2015 – 2020 period now stands at £287m. The movement is set out in Table 5 below.

TABLE 5 - Capital Programme Budget Movements	£m
Total 2014 -18 Approved capital budget	237
Removal of 2014/15 outturn	(54)
Addition of 2018/19 income projections	30
Addition of 2019/20 income projections	28
<u>OTHER CHANGES:</u>	
Addition of ring-fenced Forder Valley Link Rd grant	22
Addition of ring-fenced Dft Challenge Fund grant for capitalised maintenance	8
Net result of the changes in methodology for forecasting the timing of future S106 and Community Infrastructure Levy income.	6
Increase in forecast borrowing requirements for regeneration initiatives	10
Total Revised Capital Budget 2015 -20 for approval	287

Recommendation

It is recommended that the Cabinet recommend to Council that the 2015 -2020 capital budget be increased to £287m.

Table 6 New or increased allocations for Capital Schemes

Delegated Approvals by S151 Officer	£m	Funding
City Centre Wild Flower Meadows – Urban Buzz	0.015	S106
Lipson Vale – Relocation of Foundation Unit	0.050	S106
Public Conveniences	0.043	Unringfenced resources *
Mayflower Coach Station	0.138	Unringfenced resources
Cremyll Lodge Holiday Let & Shop	0.006	Revenue
Total (S151 Officer)	0.252	
Executive Decisions by Leader (after CCIB approval)	£m	
Heritage Asset Maintenance	0.411	78% Ringfenced Grant 22% Unringfenced
City Centre Shop Fronts	0.400	Unringfenced resources
Total (Leader Approvals)	0.811	
Total Approvals (August & September)	1.063	

- *The term unringfenced resources refers to a mixed pool of funding including capital receipts, capital grants, borrowing etc with no restrictions (other than funding capital) which can be applied strategically to fund any capital expenditure schemes