

PLYMOUTH CITY COUNCIL

Subject: Capital and Revenue Monitoring Report 2016/17 – Quarter 1
Committee: Cabinet
Date: 9 August 2016
Cabinet Member: Councillor Darcy
CMT Member: CMT
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Ref:
Key Decision: No
Part: 1

Purpose of the report:

This report outlines the finance monitoring position of the Council as at the end of June 2016.

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, and report new schemes approved in the capital programme.

As shown in Table 1 below, the estimated revenue overspend is £3.801m. The overall forecast net spend equates to £190.503m against a budget of £186.702m, which is a variance of 2.04%. This needs to be read within the context of needing to deliver £24m of savings in 2016/17 on the back of balancing the 2015/16 revenue budget where £21m 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	186.702	190.503	3.801

The latest approved capital budget covering 2015/16 to 2019/20 stood at £419m which was agreed at Council on 29th February 2016. The report details proposed increases to the capital budget of £28m, which results in a proposed budget of £447m, now for the period 2016 – 2021.

The 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? There are no specific implications from this report. Any implications will be addressed within the relevant services.

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 5);
3. Are asked to recommend to Council that the Capital Budget 2016 -2021 is increased to £447m (as 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	akh1617.15	Leg	26119 /AG	Mon Off	DVS26 260	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													

JUNE 2016 FINANCE MONITORING

Table 2: Revenue Monitoring Position

Directorate	Gross Expenditure	Gross Income	2016/17 Latest Approved Budget	Forecast Outturn	Forecast Year End Variation	Variance as % of 16/17 Latest Approved Budget	Movement from previous month
	£m	£m	£m	£m	£m		£m
Executive Office	4.501	(0.414)	4.087	4.087	0.000	0.00	(0.158)
Corporate Items	13.237	(10.16)	3.077	3.869	0.792	25.73	0.087
Transformation and Change	149.702	(115.386)	34.316	34.333	0.017	0.05	(0.011)
People Directorate	277.691	(155.712)	121.979	123.681	1.702	1.39	1.702
Public Health	20.120	(19.822)	0.298	0.298	0.000	0.00	0.000
Place Directorate	69.190	(46.245)	22.945	24.235	1.290	5.62	0.461
TOTAL	534.441	(347.739)	186.702	190.503	3.801	2.04%	2.081

Table 3: Plymouth Integrated Fund

Plymouth Integrated Fund	Section 75 indicative position	2016/17 Latest Budget	Forecast Outturn	Forecast Year End Overspend / (Underspend)
	£m	£m	£m	£m
New Devon CCG – Plymouth locality	331.000	360.069	360.044	(0.025)
Plymouth City Council	*131.000	135.909	137.611	1.702
TOTAL	462.000	495.978	497.655	1.677

The financial position above for the Plymouth Integrated Fund is at June 2016.

*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)

Table 4: Key Issues and Corrective Actions

Issue	Variation £M	Management Corrective Action
<p>EXECUTIVE OFFICE</p> <p>Democracy and Governance support cost pressures. £0.224m relates to a stretch target for efficiencies in this area.</p>	0.000	<p>The £0.224m Democracy & Governance Legacy received in October 2015 is continuing to be actively managed. Further savings plans are being developed but are difficult to quantify at present including the upcoming service review. Despite this, there is confidence this variation will be reduced.</p>
<p>CORPORATE ITEMS – Commercialisation</p> <p>The 15/16 Game Commercialisation unachieved target has been brought forward and has now been placed within Corporate Items due to its cross cutting focus. It is a risk as it was not in the 16/17 budget.</p>	0.792	<p>The Commercial Enterprise Board (CEB) has prioritised commercial ideas identifying strategic projects with potential for income generation and smaller, low risk projects for departments to take forward. These smaller projects will only require a light touch of support and will be reviewed and discussed with Directors and Assistant Directors to secure support and buy-in for departments to deliver this year.</p> <p>The CEB is continuing to explore strategic areas that will generate the income to meet the target alongside the areas referred to above.</p>

<p>CORPORATE ITEMS – CST Programme</p> <p>The CST programme has an ambitious benefits target of £1.349m to achieve in 16/17. Efforts have been made to determine the specific areas but further clarity is required.</p>	0.000	The programme's benefits are undergoing a detailed review and it is anticipated that some of the benefits not delivered in 2016/17 will be delivered in 2017/18.
<p>TRANSFORMATION and CHANGE – Finance</p> <p>Currently forecast to come in on budget despite the significant savings target set for 2016/17.</p>	0.000	Finance Fit phase I is nearing completion, with over £0.700m banked towards the £1.500m target. Plans are in place to deliver the sustainable project benefits. Any shortfall will be met from one off in year savings.
<p>TRANSFORMATION and CHANGE – Legal</p> <p>Increase costs with new ambulance contract and staffing requirements.</p>	0.046	Opportunities are being sought to reduce these pressures.
<p>TRANSFORMATION and CHANGE – Customer Services</p> <p>There is currently a nil variance to report.</p>	0.000	£0.160m efficiency target on track for delivery.

<p>TRANSFORMATION and CHANGE – Human Resources & OD</p> <p>There is a favourable variation due to the improved position on income from buy back services for Payroll & HR advisory services.</p>	(0.029)	£0.310m efficiency target on track for delivery.
<p>TRANSFORMATION and CHANGE – Transformation and Portfolio</p> <p>There is currently a nil variance to report</p>	0.000	£0.500m efficiency target on track for delivery.
<p>TRANSFORMATION and CHANGE – ICT Commissioned Service</p> <p>There is currently a nil variance to report.</p>	0.000	Processes and Service Levels monitored through the ICT Review Group.
<p>PEOPLE – Children Young People and Families</p> <p>The Children Young People and Families Service are reporting a budget pressure of £1.179m for Month 3. The Service is facing unprecedented pressures, care applications are up, and the service is struggling to purchase cost effective placements to adequately meet demand.</p> <p>As part of the transformation project for 2016/17, CYP&F are expected to make savings of over £2.100m (in order to contribute to the £9.214m Directorate target). Circa £1.000m has been saved to date through EVRS and the Transformation of Services together with an anticipated £0.800m through review</p>	1.179	A piece of work has been undertaken to ensure a systematic review of all young people in supported living and new arrangements for plans for them are in place. This will ensure appropriate plans are in place for young people improving timeliness and reducing cost pressure.

<p>and commissioning of placements and a further £0.300m from an extensive piece of work across the peninsular to provide children's secure places.</p> <p>There are risks that continue to require close monitoring and management:</p> <ul style="list-style-type: none"> • Increased number of young people in care since budget setting autumn 2015. • Lack of availability of the right in-house foster care placements creating overuse of IFA's. • Court ordered spend continues on Parent & Child Assessment placements. • There are still a small number of individual packages of care at considerably higher cost due to the needs of the young person. • There are currently 24 Residential Placements with budget for only 20. We are currently forecasting for 27 placements in line with young people's plans with a number of these placements being high cost due to the complex nature of these children's needs. • There are currently 106 Independent Foster Care (IFA's) placements with budget for only 70. We are aiming to achieve savings from the transformation of our In House Foster Care Service. • A region wide lack of placements due to an increase in demand for placements. • The overall number of children in care at the end of June stands at 410 a reduction of 1 in the month. 		<p>The In House Foster Care Service has been reviewed and recommendations have been agreed, with an action plan forthcoming to achieve an increase in In House foster care placements and a reduction in IFA placements.</p> <p>Extensive work is underway to review all placements in order to reduce the pressure on cost and volume where appropriate.</p>
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<ul style="list-style-type: none"> • There is currently one young person placed in 'welfare' secure. • The In-House Foster Care placements have 184 including connected carers' placements and 7 Foster to Adopt placements against a target budget of 219 placements, with 2 placements in 'Other Local Authority' Foster Care. • There are currently 2 In House Parent & Child Assessment Placement, 4 court ordered Independent foster care placement and no high cost Residential placements. • There are 19 young people 16+ placed in supported living against a target budget of 20. 		
<p>PEOPLE – Strategic Co-operative Commissioning</p> <p>The Strategic Co-operative Commissioning (SCC) service is reporting a budget pressure of £0.498m at month 3. There are a number of areas that are contributing to this pressure around increased costs and client numbers of care packages, with particular areas of pressure including Supported Living and Residential Care and a large increase of numbers in Nursing Care.</p>	0.498	<p>As part of the transformation project for 2016/17, the SCC budget will need to make savings of over £5m (in order to contribute to the £9.124m Directorate target) with the activities and actions that will drive delivery forming part of the transformation programme. To date, SCC has plans for approximately £2.8m of savings around reduced client numbers, reviews of high cost packages and contract savings and will be working up plans for the remainder in the next few months.</p>
<p>PEOPLE – Management and Support</p> <p>Projecting a balanced budget for 2016/17.</p>	0.000	
<p>PEOPLE – Housing Services</p> <p>Projecting a balanced budget for 2016/17.</p> <p>Emergency B & B placements for April to June average 32.3 per</p>	0.000	

<p>week, this exceeds profiled budget of 28 placements per week, action ongoing to contain overall cost pressure through lower placements and prevention work.</p>		
<p>PEOPLE – Learning & Communities</p> <p>Learning and Communities is reporting a small overspend of £0.025m at the end of quarter 1. Within Home to School Transport service a pressure of £0.347m is being reported. This is linked to the retendering exercise that took place in December 2015 which resulted in an increase to the price of services contracted in.</p> <p>During 2016/17 the Learning and Communities budget will need to make savings of £1.269m (in order to contribute to the £9.214m Directorate target) with activities and actions that will drive delivery forming part of the transformation programme. Circa £0.750m has been saved to date through EVRS and the transformation of services.</p> <p>Education Services Grant is received for the provision of Local Authority services to maintained schools in the city. We are working through the possible financial impact to the Council of academy conversions.</p> <p>When schools convert to Academy status the LA loses funding to the value of £77 per annum, per pupil. There have been 3 schools converting to Academy status since 1st April 2016 with a further 20 known schools due to convert between now and 1st December 2016.</p> <p>These conversions were unforeseen when the budget was set for 2016/17 as the Government only recently changed its policy on</p>	<p>0.025</p>	<p>These pressures are being offset in part due to Star Chamber exercises that have taken place within the Service and these will continue to drive out savings during the year, to mitigate emerging pressures.</p>

<p>academisation. The adverse impact could be in the region of £0.400m; we will update the status during the next quarter's monitoring.</p>		
<p>PUBLIC HEALTH</p> <p>The cut in the Public Health ring-fenced grant for 2016/17 was £1.293m for Plymouth City Council.</p> <p>The Directorate restructure delivered £400k savings and the Directorate is on track to achieve a balanced budget.</p>	<p>0.000</p>	<p>This will be achieved through management of vacancies, contract activity and values, and a focus on increased commercialisation and income generation.</p>
<p>PLACE - Strategic Planning and Infrastructure</p> <p>Planning application fees are sluggish not only in relation to the higher income target that was agreed as part of the 2016/2017 budget but also in relation to the previous income targets by over £200,000.</p>	<p>0.135</p>	<p>We are monitoring the impact of Brexit in relation to intelligence being gathered around property and housing investment decisions which are being widely reviewed by investors. This is partly being mitigated by other income lines in transport and the withdrawal of the Boringdon planning inquiry.</p>
<p>PLACE - Economic Development</p> <p>The main pressure on the ED budget is driven by the MTV project where full cost recovery is not possible due to the contractual cap on the ticket price.</p>	<p>0.215</p>	<p>To help offset the delivery risks in Events and Tourist Information, the plan is to:</p> <ul style="list-style-type: none"> • Get more sponsorship – Events & promotions and MTV, and sell more MTV tickets • Sell more merchandise and increase non-book prices by 2 – 5% in TIC • New commercial opportunities especially in TIC

<p>PLACE - Street Services</p> <p>There is a projected overspend on the Waste Service of £494k. A thorough review of every budget line has been undertaken and there are significant pressures on vehicles £120k and staffing £140k. The balance arises largely as a result of a number of savings targets not being met owing to delays in implementation.</p> <p>There is also a projected unachievable target of £445k on the handing back of fleet that is no longer required for operational purposes. A major overhaul of fleet requirements across the council began in 2014 resulting in 70 vehicles from a fleet of over 300 being handed back, for auction or off hire, as services reduced requirements. This has been exhausted presently until the next phase of service modernisation commences. This requires political approval.</p>	<p>0.940</p>	<p>A Plan for Waste has been presented to leading members. It is a two year savings plan of extensive modernisation through changes in working practices and implementation of revised waste policies to deliver savings and generate income.</p> <p>This will address both the waste demand pressure, and the fleet size – which is tied together intrinsically. This will not mitigated pressures until 2017/18.</p>
<p>TOTAL</p>	<p>3.801</p>	

Overall Comments Finance AD

At this early stage of the financial year it is expected that all the reported adverse variances will be addressed by management action, either within the relevant service area or across a directorate as a whole. At the time the budget was approved there were some plans still to be finalised. Included in the Transformation Programme are targets for savings to be delivered through increased commercialisation (£790k) and through the Customer and Services review (£650k) (systems review) projects. However, directors were confident that working with Portfolio holders plans as developed would deliver the savings required in year. Since the Referendum there has been some negative impact on Council budgets (e.g. reduced planning applications, forecast reduced returns on treasury investments as The Bank of England Monetary Policy Committee (MPC) consider cutting interest rates) but it is still too early forecast with any certainty the year end effect. Officers continue to monitor the council's treasury management activities closely and are taking steps to mitigate a forecast rate reduction. Business rate income and the projections for new homes are also being closely monitored as business and markets consider the impact of Brexit.

The continued delivery of Transformation and Change savings already assumed in the 2016-17 budget will need to be watched carefully. These include Customer and Services Transformation and Commercialisation.

There are a number of adverse variances in Place. Some of these reflect a reduced level of economic activity and others reflect the implementation timeline of planned savings but it is too early to forecast the full year effect.

Within People Directorate the position on children's and adults' placements will need to be carefully monitored throughout the year. Ongoing demographic pressures that cannot be resolved will need to be considered in setting the Council's 2017-18 budget and Medium Term Financial Strategy. The progress of the delivery of benefits from Integration will also need to be watched.

Recommendation

It is recommended that Cabinet note the current monitoring position and action plans in place to reduce/mitigate shortfalls.

VIREMENTS

Table 5 below includes a number of virements between specific directorate budgets. All virements in excess of £0.1m are required to be approved by Cabinet and are shown below.

Table 5 Virements detail

	Transfer of approved Grant c/f's 15/16 back to services in the new year (16/17)	Transfer from Reserves - TCA - IHWB	Transfer of income generation from Corporate Items to Executive Office.	Transfer of inter-departmental budgets; see Note below.	Totals
Directorate	£m	£m	£m	£m	£m
Executive Office			0.107	0.346	0.486
Corporate Items	(2.307)	(0.178)	(0.107)		(2.625)
Transformation and Change	0.822	0.178		0.000	1.,000
People Directorate	0.828			(0.346)	0.482
Public Health	0.442			0.000	0.442
Place Directorate	0.215				0.215
	0.000	0.000	0.000	0.000	0.000

Note: Transfer of budgets for Children's Centre contracts from Early Years to Strategic Co-operative Commissioning, Advocacy & Independent Visitor PEO/09055Var3, Apportionment of Delivery Plan Savings, Transfer of Career South West contract budgets from Youth to Co-operative Commissioning budget, and Transfer of Training budget to HR.

Recommendation

It is recommended that Cabinet approve the non-delegated virements which have occurred since 1st April 2016.

Capital Programme 2016-2021

The latest approved capital budget was reported to Council on 29th February 2016, as £419m. This covered the 5 year period 2015 –20.

The budget has since been reviewed to include the removal of resources funding the 2015/16 outturn, and the inclusion of forecast resources for 2020/21. This has increased the overall funding for the period 2016 – 21, by £28m to £447m. This is set out in Table 6 below.

Table 6: Current Capital Resources

Description	£m
Latest Approved Budget 2015 - 20	419
Less 2015/16 Outturn	(62)
Addition of financial year 2020/21	28
Addition of ring-fenced grants 2016-20	55
Increased use of Borrowing (Including proposed ICT Transformation) 2016-20	9
Reduction in S106 and CIL Forecast 2016-20	(2)
Removal of School Maintenance Funding 2019/20 re Academy Proposals	(2)
Other Changes	2
Total Revised Capital Budget for Approval (2016 – 21)	447

Within the approved budget (representing forecast resources), the Capital Programme represents projects approved for delivery. Table 7 below shows the revised annual programme for the 2016 – 21 period, as at the end of June 2016.

Table 7: Revised Capital Programme

Directorate	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m	£m
Transform & change	5.584	0.080				5.664
People	14.564	3.813	0.464			18.841
Place	70.563	34.368	14.192	10.602	2.738	132.463
Public Health						0.000
Total	90.711	38.261	14.656	10.602	2.738	156.968

Recommendation

Cabinet are asked to recommend to Council that the Capital Budget 2016 -2021 is increased to £447m (as shown in Table 6).