

## PLYMOUTH CITY COUNCIL

**Subject:** Capital and Revenue Monitoring Report 2016/17 – Quarter2  
**Committee:** Cabinet  
**Date:** 8 November 2016  
**Cabinet Member:** Councillor Darcy  
**CMT Member:** CMT  
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**Ref:**  
**Key Decision:** No  
**Part:** I

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### Purpose of the report:

This report outlines the finance monitoring position of the Council as at the end of September 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 I below, the estimated revenue overspend is £2.822m, reflecting an improved financial position of £0.979m since the previous quarter. The overall forecast net spend equates to £189.524m against a budget of £186.702m, which is a variance of 1.51%. 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 I: End of year revenue forecast**

	Budget £m	Forecast Outturn £m	Variance £m
Total General Fund Budget	186.702	189.524	2.822

The latest approved Capital Budget covering 2015/16 to 2019/20 stands at £447m which was agreed at Council on 19 September 2016. The report sets out in Table 6 proposed increases to the Capital Budget of £28m, which results in a proposed budget of £475m, now for the period 2016 – 2021.

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## **The Council Corporate Plan 2016/19**

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.

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### **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.

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### **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.

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### **Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No

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**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. Increase the Capital Budget 2016-21 is increased to £475m (shown in Table 6);

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**Alternative options considered and rejected:**

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

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**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	dn1617.36	Leg	DVS2 6692	Mon Off		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													

## SEPTEMBER 2016 FINANCE MONITORING

**Table2: Revenue Monitoring Position**

Directorate	Gross Expenditure	Gross Income	2016/17 Latest Approved Budget	Forecast Outturn	Forecast Year End Variation	Movement from previous quarter
	£m	£m	£m	£m	£m	£m
<b>Executive Office</b>	4.429	(0.414)	4.015	4.040	0.025	0.025
<b>Corporate Items</b>	11.153	(10.007)	1.146	1.146	0.000	(0.792)
<b>Transformation and Change</b>	150.219	(115.542)	34.677	35.700	1.023	1.006
<b>People Directorate</b>	275.598	(153.282)	122.316	123.375	1.060	(0.642)
<b>Public Health</b>	20.007	(19.644)	0.363	0.363	0.000	0.000
<b>Place Directorate</b>	69.644	(45.459)	24.185	24.899	0.714	(0.576)
<b>TOTAL</b>	<b>531.050</b>	<b>(344.348)</b>	<b>186.702</b>	<b>189.524</b>	<b>2.822</b>	<b>(0.979)</b>

**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
<b>New Devon CCG – Plymouth locality</b>	331.000	354.026	354.026	0.000
<b>Plymouth City Council</b>	*131.000	137.000	137.000	0.000
<b>TOTAL</b>	<b>462.000</b>	<b>491.026</b>	<b>491.026</b>	<b>0.000</b>

The financial position above for the Plymouth Integrated Fund is at August 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><b>EXECUTIVE OFFICE</b></p> <p>Democracy and Governance support cost pressures. £0.224m relates to a stretch target for efficiencies in this area.</p>	0.025	<p>The £0.224m Democracy &amp; Governance Legacy received in October 2015 and the addition of the reallocation of the MTFS 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><b>CORPORATE ITEMS</b></p>	0.000	<p>The centrally held pressures have been apportioned out to each directorate.</p>
<p><b>TRANSFORMATION and CHANGE – Finance</b></p> <p>Currently forecast to come in on budget despite the significant savings target set for 2016/17.</p>	0.195	<p>Finance Fit is delivering savings, 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>

<b>TRANSFORMATION and CHANGE – Legal</b>	(0.020)	Small underspend due to Court costs currently being less than budgeted for.
<b>TRANSFORMATION and CHANGE – Customer Services</b>	1.047	<p>Following a full review of the HB subsidy a significant pressure has been identified. £1.000m relates to the subsidy gap; a significant proportion of this is due to claimant error, much of which is notified through the HMRC/DWP RTI system.</p> <p>A further £1.150m pressure is the expected contribution to bad debt provision which will be addressed in line with the end of year adjustments that are reviewed at outturn. This reflects the difficulties of recovering this type of debt, even allowing for the predicted improvement in collection as a result of a pilot scheme to collocate debt recovery specialists from Customer Services and Finance. The resources devoted to overpayment debt recovery have also been increased.</p>
<b>TRANSFORMATION and CHANGE – Human Resources &amp; OD</b>	(0.388)	£0.310m efficiency target delivered in full. Underspend reflects the reduction in training budget as agreed.
<b>TRANSFORMATION and CHANGE – Departmental</b>	0.189	Reallocation of Commercialisation and CST programme targets as agreed. Further apportionment to take place within Directorate.

<p><b>TRANSFORMATION and CHANGE – Transformation and Portfolio</b></p>	<p>0.000</p>	<p>£0.500m efficiency target on track for delivery.</p>
<p><b>TRANSFORMATION and CHANGE – ICT Commissioned Service</b></p> <p>There is currently a nil variance to report.</p>	<p>0.000</p>	<p>Processes and Service Levels monitored through the ICT Review Group.</p>
<p><b>PEOPLE – Children Young People and Families</b>  The Children Young People and Families (CYP&amp;F) Service are continuing to report a budget pressure of £0.643m.</p> <p>The Service continues to face unprecedented pressures, care applications are up, and the service are struggling to purchase cost effective placements to adequately meet demand. In the last 11 months, Plymouth has observed an increase in the number of children in care of 5.4%. The number of children in care has decreased by 1 in September 2016 to now stand at 406 however the overall increase in numbers of children in care is in line with national and regional trends.</p> <p>There are risks that continue to require close monitoring and management:</p> <ul style="list-style-type: none"> <li>• Increased number of young people in care since budget setting autumn 2015.</li> <li>• Lack of availability of the right in-house foster care placements creating overuse of IFA's.</li> </ul>	<p>0.643</p>	<p>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>

<ul style="list-style-type: none"> <li>• Use of Residential Placements due to lack of foster care placement sufficiency across the Peninsula. The lack of availability of foster care is leading to a small number of children being placed in residential care as an alternative to fostering.</li> <li>• Court ordered spend continues on Parent &amp; Child Assessment placements.</li> <li>• There are still a small number of individual packages of care at considerably higher cost due to the needs of the young person.</li> <li>• There are currently 27 Residential Placements with budget for only 20. We are currently forecasting for 27 placements in line with young peoples plans.</li> <li>• There are currently 98 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.</li> <li>• A region wide lack of placements due to an increase in demand for placements.</li> </ul>		<p>As part of the transformation project for 2016/17, CYP&amp;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 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>In addition, Children's Improvement Board will be considering a project to address in year pressures including accelerating the In House Fostering Action Plan.</p>
<p><b>PEOPLE – Strategic Co-operative Commissioning</b></p> <p>The Strategic Co-operative Commissioning (SCC) service is again reporting a budget pressure of £0.542m. 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:</p> <ul style="list-style-type: none"> <li>• Supported Living</li> <li>• Residential &amp; Nursing, and</li> <li>• Day Care</li> </ul> <p>being offset, in part, by underspends on Domiciliary Care and Direct Payments. Although overall client numbers seem to be</p>	0.542	<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 £9.214m Directorate target) with the activities and actions that will drive delivery forming part of the transformation programme. These will be achieved via savings around reduced client numbers, reviews of high cost packages and contract.</p>



<p>fairly static at the moment, the cost of the care packages is increasing significantly, and is currently being reviewed by commissioning officers.</p>		
<p><b>PEOPLE – Learning &amp; Communities</b></p> <p>Learning and Communities is reporting an overspend of £0.025m at the end of month 6.</p> <p>This pressure is 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>0.025</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. Approximately £0.967m has been saved to date through EVRS and the transformation of services.</p>
<p><b>PEOPLE – Housing Services</b></p> <p>The Housing Service is forecasting a budget savings of (£0.150m) from month 5 following a detailed budget review identifying saving options and maximising income to the service.</p> <p>Emergency B &amp; B placements average April - September is 30 per week. This exceeds the profiled budget of 28 placements per week and action is ongoing to contain the overall cost pressure through lower placements and prevention work.</p>	<p>(0.150)</p>	

<p><b>PEOPLE – Management &amp; Support</b></p> <p>A balanced budget is projected for 2016/17 however further plans are needed to offset the recent movement of additional delivery plans into the Directorate of £0.667m.</p>	<p>0.000</p>	
<p><b>PUBLIC HEALTH</b></p> <p>Although the 16/17 Public Health ring-fenced grant was cut by £1.293m for Plymouth City Council, the Directorate is on track to achieve a balanced budget.</p> <p>Through additional management activity, Public Health is able to make contributions of £0.400m towards schemes in other Council departments, and will continue to prepare plans to achieve the anticipated further reduction of approx. £0.400m in the ring fenced grant in 2017/18.</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><b>PLACE - Strategic Planning and Infrastructure</b></p> <p>Planning application fees are still uncertain due to Brexit but are currently slightly behind budget. This is being mitigated by increasing commercialisation opportunities, reduced take-up of concessionary fares based on monitoring to date and reducing non-essential spend in general across the whole service..</p>	<p>(0.165)</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><b>PLACE - Economic Development</b></p> <p>Previously reported pressures within Economic Development will be mitigated via management actions and the use of reserves.</p>	0.000	Internal pressures within Economic Development are being managed through one off actions to remove the pressure whilst additional steps are being taken to remove the one-off pressures for next year focusing on an ability to generate income in future years.
<p><b>PLACE - Management Support</b> (Director's budget)</p> <p>£127k Redistribution of formerly centrally held targets for 2016/17. A thorough review of all areas has identified savings of (£114k) in consultancy spend.</p>	0.013	Review all areas to identify savings and the removal of non-essential spends.
<p><b>PLACE - Street Services</b></p> <p><b>Waste:</b> There is a projected overspend within the waste service of £749K. The main pressures that account for this projected overspend are on-going vehicle cost pressures (£120K), staffing cost (£140K), loss of income at the RTS which is now close to being resolved with a new occupant (£220K) but the financial effect will not materialise until next year, and the decision not to charge for non-domestic waste at Household Waste Recycling Centres (HWRCs) (£140K).</p> <p>Costs at HWRCs (£174k) are being managed through better resource allocation at Recycling centres and capitalisation of certain items.</p>	0.866	<p>Plan for Waste has been prepared and is due to be considered by Cabinet. It is a 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 mitigate pressures until 2017/18.</p>

<p><b>Fleet and Garage:</b> The fleet and garage has delivered savings and income of £1.335M over two years. There is still an additional target of £445K, however the handing back of certain parts of the fleet are linked to changes to operational arrangements that are still be to be completed. This pressure has been mitigated by (£177k) through delays in purchasing and therefore a reduction in borrowing costs. They are also looking to find (£50k) of additional savings within the service. Fleet are therefore forecasting an overspend of £217k.</p> <p><b>Street Cleansing and Grounds:</b> Street Cleansing and Grounds are reporting to budget.</p> <p><b>Highways and Car Parking:</b> Highways, Parking &amp; Marine will find savings of (£100k) within the service to contribute to Street Services overall gap by a range of one-off efficiency savings, service reductions and increased income has been exhausted presently until the next phase of service modernisation commences. This requires political approval.</p>		<p>The re-profiling of fleet vehicle purchases has reduced borrowing costs by £170k.</p> <p>An Immediate Action plan has been put in place to reduce any unnecessary spend across the whole of street services to mitigate the budget pressures.</p>
<p><b>TOTAL</b></p>	<p><b>2.822</b></p>	

### Overall Comments Finance AD

At this mid-point of the financial year it is expected that the reported adverse variances can 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. However, directors were confident that working with Portfolio holders these plans would deliver the savings required in year. Progress is being made in Directorates, but the increasing adverse variance on housing benefit will need to be managed.

The position with housing benefit overpayments is particularly difficult because of subsidy losses and the need to put an adequate year-end bad debt provision in place. If the pilot scheme is successful and the team is able to make a significant impact, the need for additional bad debt provision could be substantially reduced. The continued delivery of Transformation and Change savings already assumed in the 2016-17 budget will need to be watched carefully. These include Customer Services Transformation and Commercialisation.

There continue to be 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 the position on children's and adults' placements is being carefully monitored throughout the year. Ongoing demographic pressures that cannot be resolved are being considered in setting the Council's 2017-18 budget and Medium Term Financial Strategy.

### **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 MTFS (16/17)	*Transfer from/to Corporate Items Departments.	Transfer of inter- departmental budgets; see Note below.	Totals
Directorate	£m	£m	£m	£m
<b>Executive Office</b>	(0.023)	0.091		0.068
<b>Corporate Items</b>	1.008	(2.927)		(1.919)
<b>Transformation and Change</b>	(0.189)	0.432	0.000	0.243
<b>People Directorate</b>	(0.667)	1.003	0.000	0.336
<b>Public Health</b>	(0.002)	0.067		0.065
<b>Place Directorate</b>	(0.127)	1.334		1.207
	0.000	0.000	0.000	0.000

\*Note: Team moves within department and seed fund for Commercialisation.

### **Recommendation**

It is recommended that Cabinet approve the non-delegated virements which have occurred since 1<sup>st</sup> July 2016.

## **Capital Programme 2016-2021**

The latest approved capital budget was reported to Council on 19 September 2016, as £447m. This covered the 5 year period 2016 –2021.

The budget has since been reviewed resulting in an increase in the overall funding for the period 2016 – 21, by £28m to £475m. This is set out in Table 6 below.

**Table 6: Current Capital Resources**

Description	£m
Latest Approved Budget 2016 - 2021	447
Addition of ring-fenced grants 2016-2021	5
Increase in Asset Investment Fund (Borrowing) *	24
Other Changes	(1)
<b>Total Revised Capital Budget for Approval (2016 – 21)</b>	<b>475</b>

\* The Asset Investments principle objective is to invest in land and property to create a future rental income stream for the Council. Business cases will be brought forward for approval as acquisition and investment opportunities arise. The initial fund of £25 million of borrowing has been exceeded and the Asset Investment Fund is currently forecast to invest in projects to the value of £49m.

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 September 2016.

**Table 7: Revised Capital Programme**

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Directorate	£m	£m	£m	£m	£m	£m
Transformation & Change	4.626	1.145				5.771
People	12.839	4.726	0.464			18.029
Place	68.715	44.368	17.142	10.823	2.738	143.786
<b>Total</b>	<b>86.180</b>	<b>50.239</b>	<b>17.606</b>	<b>10.823</b>	<b>2.738</b>	<b>167.586</b>

### **Recommendation**

Cabinet are asked to recommend to Council that the Capital Budget 2016 -2021 is increased to £475m (as shown in Table 6).