

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

11th July 2017

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 31st May 2017

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 This report provides an update on the Revenue spend against Budget for the year to date, as at 31st May 2017, and provides an early indication of the 2017/18 financial forecast. It is important to note that efficiency savings will be committed when they have been delivered, and we maintain this approach to ensure a prudent position.
- 1.2 The report has been prepared on an exceptions basis, using actual variance against budget to define the RAG (Red, Amber, Green and Blue) status of the services' financial position. This method assists in highlighting those Services areas with significant pressures, which are at most risk to the Authority and where corrective action must be taken to ensure a balanced year end budget, and mitigate any risk for future years.

2. Revenue

- 2.1 The projected revenue forecast, is shown in the table below, with a projected overspend of £5.735m, excluding Housing Revenue Account (HRA) and Delegated Schools. This adverse projection is mainly due to unachieved savings targets at this early point in the year and is therefore likely to improve as the year progresses.

Summary Forecast by Directorate	Total Working Budget	Approved Use To / (From) Reserves	Forecast Spend	Variance (Over) / Under Spend	
	£'000	£'000	£'000	£'000	%
People	70,754	0	73,870	(3,116)	(4.4)
Place	38,172	(428)	38,797	(625)	(1.6)
Schools	25,663	545	26,191	(528)	(2.1)
Resources	18,764	(38)	18,651	113	0.6
Central Activities	42,344	(190)	43,923	(1,579)	(3.7)
Total	195,697	(111)	201,432	(5,735)	(2.9)
Housing Revenue Account (HRA)	0	(90)	(79)	79	
Schools Delegated	74,195	(1,191)	74,195	0	0.0
Total including HRA and Delegated Schools	269,892	(1,392)	275,548	(5,656)	(2.1)

2.2 The table contained in Appendix A provides a forecast spend by service, against approved working budget, which includes budgeted transfers to or from reserves.

3. **Efficiency savings**

3.1 The efficiency saving target is £11.780m and made up of both in year and previous year's targets, as detailed in the table below. For prudence the forecast includes, only savings that have been achieved or have progressed to a point where there is confidence in final delivery taking place. Savings of £5.513m (47% of the total) have been delivered, this leaves £6.267m yet to be achieved.

	Target £'000	Delivered £'000	Variance
2015/16	1,323	44	1,279
2016/17	841	258	583
2017/18	9,616	5,211	4,405
Total	11,780	5,513	6,267

3.2 The table contained in Appendix B provides a service breakdown on the delivery of savings required within the budget.

4. **3rd Party Spend and Income**

4.1 The majority of the unachieved efficiencies relates to unachieved 3rd Party Spend targets. These savings coupled with undelivered Phase 1 income targets from 2016/17 have been amalgamated into a central budget of £1.320m. This is in addition to the further income targets included in the budget plan for 2017/18 and 2018/19 of £0.4m per annum.

4.2 Key to delivery will be the ownership and buy-in from Heads of Service, with the need to be more 'commercial' and realise the necessity to identify new income opportunities, regularly review charging policy and improve supplier negotiations, which will be delivered and monitored by the Income and Cost Improvement Board.

5 **Reserves**

5.1 The revenue reserves held at the beginning of the year totaled £38.8m, with £8.7m held in the General Reserve. The forecast use of reserves to support the revenue budget during the year is £1.4m. Unless the agreed efficiency savings are delivered a further draw on the general reserve will be required, this is currently projected at £5.7m and would reduce the reserve to £2.8m. The revised forecast level of General Fund reserve as at 31st May 2017 is 1.42% of total net revenue budget (excluding Schools and HRA), this rises to 3.2% if you include the budget management reserve in the calculation.

6 **Revenue Forecast**

6.1 Appendix A confirms that the overspend of £5.735m relates to undelivered efficiency savings of £6.2m offset by net over/underspends currently projected on service budgets. RAG status has been applied to service variance based on the categories

below, and those with a variance calculated at “red” have been explained in more detail.

- **Blue** Underspend above 1%
- **Green** +/- 1% (or £0.05m if budget less than £5m)
- **Amber** Overspend of 1-2% (£0.05m - £0.1m if budget less than £5m)
- **Red** Variance above 2% (£0.1m if budget less than £5m)

7. <u>People Directorate</u>	Net Working Budget:	£ 70,754k
	Net Forecast Expenditure:	£ 73,870k
	Variance (Over)/Under Spend:	£ (3,116)k

7.1 Adult Social Care (ASC) Forecast Overspend £(1,664)k

7.1.1 The service have delivered 50% of their £2.2m efficiency target. There is a real risk that £603k project for Reablement Intervention is unrealistic and Peopletoo have been engaged to reassess original assumptions. The remaining £500k savings are still outstanding, but at this point no concerns have been raised about their achievement.

7.1.2 The growth monies provided in the base budget for 2017/18 have been allocated to alleviate most of the historic pressures carried by the service. The remaining pressures including in year inflationary increases remain a concern. The National Living Wage pressures are likely to be funded through a Welsh Government Grant.

7.2 Older people Forecast Overspend £ (1,190)k

7.2.1 Home Care £720k – the overspend is mainly due to the unachieved efficiency savings for Reablement Intervention. The expected consequence was a reduction in Home Care demand, but the project is likely to deliver cost avoidance rather than savings. There is a further efficiency saving of £100k for right sizing Home Care packages, as yet there have been no inroads made into this target. There is increased demand relating to new clients utilising the Extra Care scheme in the north, although it is likely that this service is more cost effective than traditional home care.

7.2.2 Care Homes £250k - as in previous years there is a risk that Care Home deferred charge income, i.e. from clients relating to sale of their property, will not deliver to target, an estimated shortfall of £250k based on the annual trend if forecast.

7.2.3 Day Centres have made a small contribution towards their £150k savings target from renegotiating independent contracts, at this stage of the year until we have greater confidence we have assumed a £120k un-achievement.

7.3 Learning Disabilities (LD) Forecast Over Spend £ (430)k

7.3.1 Resettlement Houses – There are inflation pressures including unfunded uplifts from last year with a cumulative effect of £280k and can only be mitigated by savings or demand management. There is an undelivered savings target of £150k that should be delivered through remodelling of the service, as yet this has not been developed.

7.4 Childrens

£ (1,457)k

- 7.4.1 The overspend in Childrens is largely due to unachieved efficiency savings, mainly within Childrens with Disabilities Residential establishments - Golwg Bannau and Golwg Camlas £556k. The business case and service review have been undertaken to establish the feasibility of the selling of respite placements at Camlas. Further discussions are being arranged with Education and Health re trading of Bannau residential placements, and their ability to meet the needs of children placed without incurring additional costs to their service areas. As yet this remains a RED risk.
- 7.4.2 Looked After Children numbers, are at a five year high, and the service is predicting an overspend of £678k. This area is one of significant risk, due to the demand and complexities with service user need and the month on month fluctuating activity, making it very difficult to forecast.

8. <u>Place Directorate</u>	Net Working Budget:	£ 38,172k
	Net Forecast Expenditure:	£ 38,797k
	Variance (Over)/Under Spend	£ (625)k

8.1 Highways, Transport and Recycling Forecast Over Spend £ (650)k

- 8.1.1 The main reason for the forecast overspend in this area is outstanding efficiency savings of £1.66m. However, the service is confident that further savings within Highways Grounds and Street Scenes of £209k and the remaining fleet saving of £72k will be achieved by year end. This will then improve the overspend by £281k to an over spend of £369k.
- 8.1.2 There key savings risk is labelled RED within the Logistics Project, the £615k target will not be fully realised in 2017/18 due to delays in the implementation of the re-routing of waste rounds. Alternative savings will need to be identified.
- 8.1.3 £20k of the £260k for Waste is achieved through a restructure and other staff savings have been made within and the remaining target of £209k will be found through changes to working practices.
- 8.1.4 Highways commissioning have not yet achieved their £150k savings target linked to the commerciality of Highways.
- 8.1.5 Savings relating to the implementation of the Trade Waste strategy and Waste collections, totalling £50k and £121k respectively, are forecast to be unachieved because of the possible change to the current policy. A cabinet report will be presented on the 11th July to consider whether to reverse the service reduction that was implemented to meet the saving for Household Waste Recycling Centres (HWRC).
- 8.1.6 There are mitigating factors that offset the unachieved savings, these include the use of grant monies allocated to compensate the reduction in Single Environment Grant of £165k, contract savings in relation to Potters Waste and Recycling contract of £317k and savings from Cae Post and Brecon transfer station of £365k, Underspends across the other service areas will also contribute

8.1.7 Management Team have approved a business case to remove Fleet maintenance internal recharging from client budgets, excluding Schools, Joint Venture and the Housing client. The Fleet spend will now be the responsibility of the Fleet department removing the need for the internal billing processes and a more efficient use of staff time.

8.1.8 3 Training posts have been transferred from the Central training team into Highways, Transport and Recycling to eliminate the need to procure external training providers.

8.2 **Regeneration, Commissioning and Property**

8.2.1 This area has a RAG status of green. However, to note, the purchase of the Commercial property at Ladywell House, Newtown is now complete. Additional estimated income is in the region of £336k, and surplus revenue will be used to assist the Service in meeting their savings targets and to reinvest in the Property Rationalisation Strategy.

9	<u>Schools Service</u>	Net Working Budget	£25,663k
	(non delegated)	Net Forecast Expenditure	£26,191k
		Variance (Over)/Under Spend	£ (528)k

9.1 The Schools Service (non delegated) forecast outturn position at the end of May is £528k overspend.

9.2 Home to School/College Transport has a forecast overspend at year end of £542k, including an unachieved savings target of £158k brought forward from 2015/16. Additional costs, in respect of Special Educational Needs (SEN) transport is the main contributor to the adverse position. A Management Team report is currently being written by the Interim Head of Schools Service to highlight the issues in relation to the current forecast overspend and the budgetary shortfall will be addressed going forward.

9.3 School meals are predicting an overspend of £65k at year end due to revenue costs in association with the rollout of the Cashless Project, including bank charges and licenses. The position has been escalated to the Cashless project team, who will provide monthly updates as the project is rolled out.

10	<u>Resources Directorate</u>	Net Working Budget:	£ 18,764k
		Net Forecast Expenditure:	£ 18,651k
		Variance (Over)/Under Spend:	£ 113k

11	<u>Central Activities</u>	Net Working Budget:	£ 42,344k
		Net Forecast Expenditure:	£ 43,923k
		Variance (Over)/Under Spend:	£ (1,579)k

11.1 The large overspend within Central Activities is due to the centralisation of the undelivered 3rd Party and Income savings removed from service areas. The Income and Cost Improvement Board will redistribute these targets as and when savings are identified. The Board is tasked with developing opportunities which will contribute to the significant target of £1.720m, with an additional £400k as part of the budget plan for 2018/19.

12	<u>Schools Delegated</u>	Net Working Budget:	£	74,195k
		Net Forecast Expenditure:	£	74,195k
		Variance (Over)/Under Spend:	£	0

12.1 Some schools have yet to submit approved budgets for the 2017/18 financial year. The Finance team is liaising with these schools in order that the report to Cabinet can be compiled on school balances. As part of the Scheme for Financing schools Secondary Schools are required to submit monthly forecast end of year projections.

12.2 The overall reserves held by schools at the beginning of the year is £353k and it is expected that given the financial situation facing schools the overall reserve balance of schools will move into a significant deficit position by the end of this financial year.

13 Revenue Grants

13.1 Noted as per the virement rules - a revenue grant of up to £134k is available through Arwain, the new LEADER programme in Powys, it is for “Supporting Communities help themselves” for a two year duration. The use of the grant requires match funding up to a value of £34k, which will be funded from the specific Rural Development Plan reserve and Regeneration Strategy budget.

14 Options Considered/Available

No alternative options are considered appropriate as a result of this report.

15 Preferred Choice and Reasons

None to consider.

16 Impact Assessment

Is an impact assessment required? Yes/No

17 Corporate Improvement Plan

To achieve the Corporate Improvement Plan (CIP) objectives the Council undertakes forward planning with its medium term financial strategy (MTFS) - this sets out the financial requirements to deliver the short and longer term council vision. These capital and revenue monitoring reports are used to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

18 Local Member(s)

This report relates to all service areas across the whole County.

19 Other Front Line Services

This report relates to all service areas across the whole County.

20 Communications

This report has no specific communication considerations. Detailed finance reports are presented to Heads of Service, Cabinet and the Audit Committee. These reports

are public and are part of a range of statutory and non-statutory financial information documents including the Statement of Accounts.

21 **Support Services (Legal, Finance, HR, ICT, BPU)**

This report has no specific impact on support services other than reporting on those service areas financial outturns. Financial Services work closely with all service areas in monitoring financial performance against budgets.

22 **Scrutiny**

Has this report been scrutinised? Yes / No

23 **Statutory Officers**

The Strategic Director, Resources (Section 151 Officer) has provided the following comment:

This is the first financial report for 2017/18 and the position is a fair reflection of the projected outturn. The projections will only be adjusted when there is confidence and evidence that savings have been delivered.

As in previous years mitigation from additional sources will be sought and included when identified. The current profile of delivered savings at this stage of the financial year is in line with previous years.

The report draws cabinet’s attention to the work around 3rd party spend and income. A number of opportunities are being explored by the Income and Cost Improvement Board and these will be presented to Cabinet. However, some are longer term in nature. A corporate view on current income performance will be taken with a view to making budget adjustments as agreed by Management Team and the Income and Cost Improvement Board.

The Monitoring Officer has no specific concerns with this report.

24 **Members’ Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:	Reason for Recommendation:
<ul style="list-style-type: none"> a. The contents of this report are noted by Cabinet; and b. Cabinet supports appropriate action by services to curtail or reduce the reported forecasted service deficits. 	<p>To monitor the council’s financial performance and ensure that spending remains within approved limits and that the 3% minimum general fund reserve is maintained.</p>

Relevant Policy (ies):		Financial Regulations	
Within Policy:	Yes	Within Budget:	n/a

Relevant Local Member(s):	
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Person(s) To Implement Decision:	Jane Thomas
Date By When Decision To Be Implemented:	ongoing

Contact Officer Name	Tel	Fax	E mail
Jane Thomas	01597-826341	01597-826290	jane.thomas@powyscc.gov.uk

APPENDIX A

Forecast Outturn and Undelivered Savings as at 31st May 2017

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 31st May 2017	Service Under/(Over) spend excl. unachieved savings	Variance (Over) / Under spend as a % of Net Budget	Variance RAG status
		£'000	£'000	£'000	£'000	%	
People							
Adult & Commissioning	56,821	58,485	(1,664)	(1,112)	(552)	-2.93%	R
Children Services	13,133	14,590	(1,457)	(1,101)	(356)	-11.09%	R
Housing General Fund	800	795	5	0	5	0.63%	G
Place							
Leisure & Recreation	9,256	9,200	56	0	56	0.61%	G
Regeneration, Property & Commissioning	8,473	8,505	(32)	(258)	226	-0.38%	G
Highways, Transport & Recycling	20,443	21,092	(649)	(1,633)	984	-3.17%	R
Schools							
Schools Service	25,663	26,191	(528)	(207)	(321)	-2.06%	R
Resources							
Professional Services	6,510	6,512	(2)	0	(2)	-0.03%	G
Information Services	3,579	3,582	(3)	(32)	29	-0.08%	G
Business Services	3,340	3,238	102	(92)	194	3.05%	B
Chief Executive	5,335	5,319	16	(112)	128	0.30%	G
Service Area Totals	153,353	157,509	(4,156)	(4,547)	391	-2.71%	
Central Activities	42,344	43,923	(1,579)	(1,720)	141	-3.73%	R
Total	195,697	201,432	(5,735)	(6,267)	532	-2.93%	
Housing Revenue Account (HRA)	0	-79	79	0	79	0.00%	G
Schools Delegated	74,195	74,195	0	0	0	0.00%	G
Total including HRA	269,892	275,548	(5,656)	(6,267)	611		

EFFICIENCY TRACKER AS AT 31st MAY 2017

APPENDIX B

Efficiency / Saving	2015/16	2016/17	2017/18	Total to be Achieved 17/18	Total Achieved to Date	Remainder to find	Achieved
	£000's	£000's	£000's	£000's	£000's	£000's	%
Place							
Highways Transport & Recycling	151	364	1,839	2,354	721	1,633	31%
Regeneration, Property & Commissioning	14	35	399	448	190	258	42%
Leisure & Recreation	0	0	730	730	730	0	100%
Place	165	399	2,967	3,532	1,641	1,891	46%
Schools							
Schools	158	88	1,619	1,865	1,658	207	89%
Schools	158	88	1,619	1,865	1,658	207	89%
People							
Adult	0	0	2,231	2,231	1,120	1,112	50%
Children Services	0	1	1,101	1,101	0	1,101	0%
People	0	1	3,332	3,333	1,120	2,213	34%
Chief Executives							
Chief Executives	0	0	250	250	150	100	60%
Legal	0	12	28	40	28	12	69%
Chief Executives	0	12	278	290	178	112	61%
Resources							
Business Services	0	0	278	278	187	92	67%
Information Services	0	0	232	232	200	32	86%
Professional Services	0	20	215	235	235	0	100%
Corporate Activiites	999	320	695	2,015	295	1,720	15%
Resources	999	340	1,421	2,760	917	1,844	33%
Grand Total	1,323	841	9,616	11,780	5,513	6,267	47%