

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

28th February 2017

REPORT AUTHOR: County Councillor Wynne Jones

Portfolio Holder for Finance

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

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 This report provides an update on the Revenue and Capital spend against Budget for the year to date as at 31st January 2017, and provides an early indication of the 2016/17 financial forecast. It is important to note that savings will be committed when they have been delivered, and we maintain this approach to ensure a prudent position.
- 1.2 The Revenue section of this report has been prepared on an exceptions basis, using the actual variance against budget to define the RAG (Red, Amber, and Green) 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 £4,357k against the approved budget, an improvement of £493k on the December position. The position excludes the Housing Revenue Account (HRA) and Schools Delegated Budgets.

Summary Forecast by Directorate	Original Budget	Total Working budget	Contribution to / (Use) of Reserves	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend
	£'000	£'000	£'000	£'000	£'000	%
People	71,546	72,907	4	77,730	(4,823)	-6.62%
Place	38,792	40,020	(4,328)	40,240	(220)	-0.55%
Schools	29,029	22,954	(1,235)	23,363	(409)	-1.78%
Resources	6,456	7,449	(1,125)	7,286	163	2.19%
Central Activities	21,317	17,535	1,579	16,603	932	5.32%
Total	167,140	160,865	(5,105)	165,222	(4,357)	-2.71%

3. Capital

3.1 Actual capital budget and committed expenditure is £33.262m which represents 68% of the full year revised budget, it includes approved and required virements.

4. Efficiency savings

4.1 The revised revenue saving target is £12,139k and made up of in year and previous year's targets. Savings of £9.067m have been achieved to date representing 75% of the total required. This leaves £3.072m yet to be achieved.

	Target £'000	Delivered £'000	Variance
2014/15	51	51	0
2015/16	2,534	830	1,704
2016/17	9,554	8,186	1,368
Total	12,139	9,067	3,072

4.2 The table contained in Appendix B summarises the current position in the delivery of savings required within the budget. A prudent approach is adopted and only when savings are delivered are they built into the projections as achieved

5. 3rd Party Spend and Income

5.1 The Income and Cost Improvement Board will reconvene on the 17th February, to monitor income management and improvement activity across the Council, particularly 3rd party spend, ensuring that the Income Management and Service Cost Recovery Policy is implemented and adhered to.

5.2 The carry forward gap into 2017/18 for 3rd Party Spend and Income targets is £705k and £619k respectively. This is in addition to the further income targets included in the budget plan for 2017/18 and 2018/19 of £400k per annum. Key to delivery will be the ownership and buy-in to the need to be more 'commercial' and realise the available income opportunities, which will be monitored and addressed by the Board.

6 Reserves

6.1 The forecast use of reserves to support the revenue budget during the year is £7.532m. Unless the agreed budget savings are delivered a further draw on the general reserve will be required, this is currently projected at £4.104m. The revised forecast level of General Fund reserves as at 31st March 2017 is 3.11% of total net revenue budget less Schools. This excludes all specific and ring fenced reserves which equate to £6.209m. This level of reserve is marginally above the 3% agreed strategy.

7 Revenue Forecast

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

7.2 The forecast outturn for the year excluding Delegated Schools and the HRA is a net overspend of £4.357m or 2.71% of the working budget, outside the performance indicator set at 0.5% variance against net budget.

8. <u>People Directorate</u>	Net Working Budget:	£ 72,907k
	Net Forecast Expenditure:	£ 77,730k
	Variance (Over)/Under Spend:	£ (4,822)k
	December Forecast (Over)/Under Spend	£ (5,256)k
	Change in Forecast	£ 434k

The People directorate have not made any inroads into the 3rd Party Savings and £490k has yet to be delivered. The main variances within the People directorate are as follows:-

8.1 Adult Social Care (ASC) Forecast Overspend £(4,570)k

8.1.1 Efficiency targets are being delivered through right-sizing of packages and the recovery of under-utilised Direct Payments totalling £562k

8.2 Older people Forecast Overspend £(3,792)k

8.2.1 Home Care – forecast overspend of £3,161k mainly due to increased demand across in house and the independent sector, other obligations include funding the national living wage and inflationary uplifts. This month the home care activity, in terms of hours and clients, has reduced slightly.

8.2.2 Residential Care – forecast overspend of £677k, because of increased demand from 55 service users. There is reduced income from respite care clients due to the change in legislation on respite charging and a 5% top slice on intermediate care funding. The Bupa contract credit note of £183k agreed as part of the renegotiated contract has now been factored into the forecast.

8.2.3 Day Centres – the £675k forecast overspend in this area is mainly due to unachieved efficiency savings targets, and an acknowledgement that the future shape of the service needs to be replanned.

8.2.4 Staff and travel slippage provides a mitigating £230k underspend.

8.3 Learning Disabilities (LD) Forecast Over Spend £ (1,169)k

8.3.1 Residential Nursing – is forecast to be overspent by £797k due to 11 new placements being made.

8.3.2 An underspend on staffing across all LD services is mitigating the pressures from a reduction in funding from the Independent Living Fund and the costs to providers of funding the National Living Wage.

8.4 Mental Health Forecast Overspend Spend £ (103)k

8.4.1 Residential and Nursing Care is forecast to overspend by £288k, equating to 4 additional placements, mitigated by staff slippage and over-achieved income.

9. <u>Place Directorate</u>	Net Working Budget:	£ 40,020k
	Net Forecast Expenditure:	£ 40,240k
	Variance (Over)/Under Spend	£ (220)k
	Dec Forecast (Over)/Under Spend	£ (193)k
	Change in Forecast	£ (27)k

9.1 Highways, Transport and Recycling Forecast Over Spend £ (779)k

9.2 Highways Transport and Recycling prepared a recovery plan that would reduce the over spend to £389k in year. The overspend has increased to £521k, £132k short of the target. Also, included in the figure above are the non-achieved 3rd party savings for the Place directorate of £258k.

9.3 The recovery plan included a saving for waste disposal of £150k, which is still yet to conclude due to legal documentation, and reducing costs within the trade waste service which are implemented until April. If these were achieved the service would have exceeded the current target set, but due to timescales it is unlikely they will be realised in 16/17. Forecast unachieved efficiency savings in this area are £689k.

9.4 An area of concern is the NMWTRA income, of the £6.5m forecast to be received only £3.7m or 56.5% has been billed to date. This has been reflected in the forecast, and is one of the main reasons for the change from Decembers forecast figure.

10 Schools Service (non-delegated)

Net Working Budget:	£22,954k
Net Forecast Expenditure:	£23,363k
Variance (Over)/Under Spend:	£ (409)k
Dec Forecast (Over)/Under Spend	£ (438)k
Change in Forecast	£ 29k

10.1 Overall the Schools Service has a RAG status of Amber, however, there are areas with significant overspends forecast as follows:-

10.2 Schools Operational costs are projecting an overspend of £1,015k, mainly due to:

- Forecast overspend of £579k relating to Home to School/College Transport. The 14-19 transport forecast has increased due to an increased uptake in pupils attending the futures programme.
- The severance pay forecast overspend has increased to £426k, based on an estimate of future redundancy costs that will be incurred by the Service as part of the Voluntary Severance Scheme (Wave 1a). The position has worsened due to large redundancy costs in January and further updates will be provided.

11 <u>Resources Directorate</u>	Net Working Budget:	£ 7,449k
	Net Forecast Expenditure:	£ 7,286k
	Variance (Over)/Under Spend:	£ 163k
	Dec Forecast (Over)/Under Spend	£ 139k

Change in Forecast £ 24k

11.1 Information Services is reporting an overspend of £45k, due to the allocation of 3rd party savings which are forecast to be unachieved. A plan to meet the remaining savings has been identified and will be made by year end, however, these are only temporary savings and will therefore still be a pressure going forward into 2017/18.

12	<u>Central Activities</u>	Net Working Budget:	£	17,535k
		Net Forecast Expenditure:	£	16,603k
		Variance (Over)/Under Spend:	£	932k
		Dec Forecast (Over)/Under Spend	£	898k
		Change in Forecast	£	34k

13	<u>Schools Delegated</u>	Net Working Budget:	£	76,254k
		Net Forecast Expenditure:	£	76,498k
		Variance (Over)/Under Spend:	£	(244)k
		Dec Forecast (Over)/Under Spend	£	(79)k
		Change in Forecast	£	(165)k

14 CAPITAL PROGRAMME

14.1 The revised Capital programme after virements approved is £48.865m. The table in Appendix C summarises the position for each directorate.

14.2 There are 17 virements requiring approval this month, along with 1 Capital grant received, details as follows:-

- Roll forward £141k of monies relating to the roll out of the cashless system to all Primary Schools.
- Recommended virement for £1.981m to use Capitalisation Direction powers given to the Authority to fund the identified costs of Service Reform and Transformation.
- £290k roll forward of monies to replace the Finance System, now going to take place in 17/18.
- Roll forward £428k for 2 jet patchers due to be delivered in 2017/18.
- Roll forward of £1m for the supply and installation of Street Lighting LED lanterns not completed by the end of March.
- Roll forward of £200k for the Bailing equipment project.
- Roll forward £197k for the Bulking Station in the North.
- Roll forward £240k for the Household Waste Recycling Centre which will be completed in 2017/18.
- Roll forward £420k in respect of the Mobile Working and Transformation project which has been delayed in parallel with the Integration project with the LTHB.
- Roll forward £170k of monies in respect of Ysgol Bro Hyddgen.
- Roll forward £1.564m in respect of the Gwernyfed catchment project which is now in the construction phase.

- Roll forward of £2.3m in respect of Brecon Cultural Hub, due to delays with the project earlier in the year.
- Removal of £2.137m from the HRA Welsh Housing Quality Standards (WHQS) budget for 2016/17, due to contractors ending contracts early.
- Roll forward £495k to 2019/20. Funding may be required to complete the work on older person dwellings.
- Roll forward £440k for the Fairview budget, construction work will now take place in 2017/18.
- Roll forward £245k to the WHQS budget for 17/18 to complete rewiring work in order to achieve standard.
- Roll forward £850k of the Housing new build/repurchase budget to 2017/18.

Grants

- Capital – Welsh Government has awarded a grant of £500k to be used for major renovation of Knighton Community Centre.

14.3 **Place** - A spend of £12.530m against a total budget of £22.6m, including virements required of £6.310m, is reported, 45% of the capital budget remains unspent.

14.3.1 Highways – Monies in respect of fleet replacements, still has £768k budget to be committed, the next fleet board will determine whether a virement is required to roll forward funding. All other allocations will be spent by year end.

14.3.2 Leisure - the largest scheme is in respect of Brecon Hub which amounts to £6.1m of which £2.3m is being rolled forward into the next financial year. The other major works relates to the Archives scheme amounting to £1.3m of which only £0.2m has been spent or committed to date. It is anticipated that part of this cost will need to be rolled forward into the next financial year.

14.3.3 Regeneration, Property and Commissioning – a grant has recently been received of £500k for Knighton Community Centre roof but as yet no commitments have been placed. Monies of £419k for the purchase of a workshop in Brecon may need to be rolled forward due to delays in the purchase process. The budget allocated to depots for the development of fleet facilities has been rolled forward to 2017/18.

14.4 **Schools** - Actual Expenditure represents 51.3% of total budget as at the 31st January, the capital programme for Schools consists of:-

14.5.1 The Major improvement programme with 63 schemes including schemes carried forward from 2015/16. There are 2 projects under Schools other; Crickhowell Sports Centre, £450k has been rolled forward to 17/18 and a small extension at Penygloddfa.

14.5.2 21st Century schools has 6 programmes which are at varying levels of progress. The Gwernyfed Catchment projects are now in the construction phase. The Welsh Government Grant for 16/17 will be spent.

15 HRA

- 15.1 The Housing Stock, which is funded by £3.71m Major Repairs Allowance from Welsh Government, Housing reserves, receipts and prudential borrowing.
- 15.2 The HRA Capital includes the Welsh Housing Quality Standards (WHQS) plan of £14.96m for 2016/17, to enable the council to achieve WHQS by March 2018. Actuals and commitments to the end of January are £13.095m.
- 15.3 Of other capital works total £3.772m, only £1.177m has been spent and committed to the end of January leaving just under 69% of the budget to be utilised. As agreed at the Service Management meeting the £0.2m previously allocated for IT mobile working has been requested to be rolled forward in to 2017/18, a budget virement has been completed and will be presented at council to be agreed.
- 15.4 There are 2 projects within the WHQS plan, Windows and Doors North and Roofing North which currently have outstanding commitments of £954k and £746k respectively. However, assurances have been given by the Contractors that the work will be completed by year end. The Service area has confirmed that this will not impact on the achievement of the WHQS by March 2018.
- 15.4 The Housing General Fund, capital budget is £603k; £200k budget funded from prudential borrowing to search for a new Gypsy site in Machyllneth, of which £66k has been spent and committed. In addition, £100k funded from capital receipts, has been allocated to search for a new Gypsy site in Welshpool and there has been £8k committed to date. A Welsh Government grant of £304k has been awarded to complete the two outstanding pitches on Kings Meadow by end of this financial year, as a need was identified from the Gypsy Traveller Accommodation Assessment, £6k has been committed to date. Once planning permission for Machyllneth is granted a bid for Welsh Government Grant will be submitted with a view for work to begin in 2017/18.

16 Options Considered/Available

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

17 Preferred Choice and Reasons

None to consider.

18 Sustainability and Environmental Issues/Equalities/Crime and Disorder, /Welsh Language/Other Policies etc.

The proper management and control of the Council's finances together with the associated delivery of services will have an impact across all Council services. It is not sustainable to allow service areas to overspend without a plan to address the underlying cause of the overspending.

19 Children and Young People's Impact Statement - Safeguarding and Wellbeing

This report presents the financial position for Children's services and forecasts a near balanced budget for the year. The budgets must continue to be monitored to ensure the allocated resources meet service need.

20 **Local Member(s)**

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

21 **Other Front Line Services**

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

22 **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.

23 **Local Service Board/Partnerships/Stakeholders etc.**

This report presents financial information which will help inform the future medium term financial plan and therefore has implications for any related organisation.

24 **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.

25 **Statutory Officers**

The Strategic Director, Resources (Section 151 Officer) notes the overall financial position. It is essential that agreed savings are delivered in order to safeguard the council's financial position. The savings that were not delivered in 2015/16 will need to be delivered in 2016/17 because they remain in the base budget.

If not addressed the projected outturn will have an impact on the council's reserves. It is important to note that there is unlikely to be any one-off adjustments available as in financial year 2015/16 that had a considerable positive impact on the end of year position.

The main area of concern is Adult Services and the Strategic Director People is bringing forward a recovery plan to mitigate the position.

The Monitoring Officer has no specific concerns with this report.

26 **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:
<p>a. The contents of this report are noted by Cabinet; and</p> <p>b. Cabinet supports appropriate action by services to curtail or reduce the reported forecasted service deficits.</p> <p>c. The Capital virements set out in paragraph 14.2 are approved, and those over £500k be submitted to full council for approval.</p>	<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:	

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 January 2017

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 31st January 2017	Of which Unachieved savings 15/16 b fwd	Service Under/(Over) spend excl. unachieved savings	Variance (Over) / Under spend as a % of Net Budget	Variance RAG status
		£'000	£'000	£'000	£'000	£'000	%	
People								
Adult & Commissioning	55,798	60,368	(4,570)	(756)	(506)	(3,814)	-8.19%	R
Children Services	16,247	16,519	(272)	(105)	(105)	(167)	-1.67%	A
Housing General Fund	862	843	19	0	0	19	2.20%	B
Place								
Leisure & Recreation	11,924	11,723	201	0	0	201	1.69%	B
Regeneration, Property & Commissioning	7,414	7,056	358	(149)	(14)	507	4.83%	B
Highways, Transport & Recycling	20,682	21,461	(779)	(950)	(408)	171	-3.77%	R
Schools								
Schools Service	22,954	23,363	(409)	(98)	(158)	(311)	-1.78%	A
Resources								
Professional Services	1,249	1,214	35	(98)	(78)	133	2.80%	B
Information Services	188	233	(45)	(176)	(68)	131	-23.94%	R
Business Services	1,823	1,762	61	(148)	(117)	209	3.35%	B
Chief Executive	4,189	4,077	112	(101)	0	213	2.67%	B
Service Area Totals	143,330	148,619	(5,289)	(2,582)	(1,454)	(2,707)	-3.69%	
Central Activities	17,535	16,603	932	(300)	(250)	1,232	5.32%	B
Total	160,865	165,222	(4,357)	(2,882)	(1,704)	(1,475)	-2.71%	
Housing Revenue Account (HRA)	0	-90	90	0	0	90	0.00%	G
Schools Delegated	76,254	76,498	-244	(190)	0	(54)	-0.32%	G
Total including HRA	237,119	241,630	(4,511)	(3,072)	(1,704)	(1,439)		

EFFICIENCY TRACKER AS AT 31ST JANUARY 2017

APPENDIX B

Efficiency / Saving	2014/15	2015/16	2016/17	Total to be Achieved 16/17	Total Achieved to Date	Remainder to find	Achieved
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%
Place							
Highways Transport & Recycling	0	400	1,283	1,682	989	694	59%
Regeneration, Property & Commissioning	0	14	528	542	393	149	72%
Leisure & Recreation	0	52	438	491	491	0	100%
Place	0	398	0	398	141	257	35%
Place	0	864	2,249	3,113	2,014	1,100	65%
Schools							
Schools	51	158	1,846	2,055	1,767	288	86%
Schools	51	158	1,846	2,055	1,767	288	86%
People							
Adult	0	868	450	1,318	562	756	43%
Children Services	0	105	511	616	510	105	83%
Housing	0	7	0	7	7	0	100%
People	0	979	961	1,940	1,079	861	56%
Chief Executives							
Chief Executives	0	1	183	184	130	54	71%
Legal	0	0	251	251	204	47	81%
Chief Executives	0	1	434	434	334	101	77%
Resources							
Business Services	0	117	531	648	500	148	77%
Information Services	0	68	143	210	34	176	16%
Professional Services	0	78	180	258	160	98	62%
Corporate Activities	0	269	3,211	3,480	3,180	300	91%
Resources	0	532	4,064	4,596	3,874	722	84%
Grand Total	51	2,534	9,554	12,139	9,067	3,072	75%

CAPITAL TABLE AS AT 31ST JANUARY 2017

APPENDIX C

Service	Original Budget 2016/17	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2016/17 as at 31 st Jan 2017 (after virements approved and required)	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
People								
Adult Services & Commissioning	443	568	-420	0	591	74	517	87.5%
Housing	1,948	817	0	0	2,765	1,913	852	30.8%
Schools and Inclusion	4,872	2,552	-870	-1,564	4,990	3,365	1,625	32.6%
Chief Executive	0	98	0	0	98	-19	117	119.4%
Resources								
Business Services	87	388	-141	0	334	307	27	8.1%
Professional Services	532	-518	0	0	14	0	14	100.0%
Information Services	820	399	-290	0	929	819	110	11.8%
Corporate activities	0	0	0	1,981	1,981	0	1,981	100.0%
Place								
Highways, Transport & Recycling	7,696	6,067	-1,065	-1,000	11,698	9,056	2,642	22.6%
Leisure & Recreation	8,445	1,336	0	-2,300	7,481	3,118	4,363	58.3%
Regeneration, Property & Commissioning	4,284	1,082	-775	-1,170	3,421	357	3,064	89.6%
Total Capital	29,127	12,789	-3,561	-4,053	34,302	18,990	15,312	44.6%
Housing Revenue Account	18,550	430	-1,430	-2,987	14,563	14,272	291	2.0%
TOTAL	47,677	13,219	-4,991	-7,040	48,865	33,262	15,603	31.9%