

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

28th November 2018

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 31st October 2018

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 This briefing paper provides an update on the projected revenue spend against budget for the 2018/19 financial year and reflects the position as at 31st October 2018, it provides an updated estimate of the 2018/19 full year financial forecast.
- 1.2 The revenue expenditure outturn against budget is now projected to be £3.7m (September £3.8m) over budget, this is based on savings achieved to date but also reflects assurance that further savings will be achieved in year.
- 1.3 All mitigating actions previously identified and reported are now reflected in the revised position. These include £3.2m of costs relating to transformation which have been capitalised under the Welsh Government capitalisation direction.

2 Revenue Position

- 2.1 The revenue forecast is summarised in the table below, underlying expenditure is projected to exceed the budget by £5.217m (September £8.676m), excluding Housing Revenue Account (HRA) and Delegated Schools. It is important to note that this position is reported based on the current delivery of efficiency savings and does not reflect those that remain to be achieved, we maintain this approach to ensure a prudent position.
- 2.2 To counter the prudent approach to reporting savings and better predict the year-end position, a second forecast is provided which includes the savings projected to be achieved following assurance from Directors.
- 2.3 The flexibility offered by the Welsh Government capitalisation directive has been utilised, with £3.2m of costs relating to transformation being funded from Capital receipts, this will release the revenue budget originally set aside to fund these costs to reduce the projected deficit.
- 2.4 On the basis of expected savings delivery and capitalisation of transformation costs the projected position will be an overspend of £3.7m (September £3.8m) against the approved budget
- 2.5 Both projections are included in the table below.

Summary Forecast by Directorate	Total Working Budget	Forecast Spend	Variance (Over) / Under Spend		Variance including expected savings delivery	
	£'000	£'000	£'000	%	£'000	%
Social Services	84,347	90,036	(5,689)	(7)	(5,388)	(6)
Environment	30,809	32,221	(1,412)	(5)	(70)	(0)
Schools	36,014	35,407	607	2	607	2
Resources	18,091	18,015	76	0	76	0
Central Activities	2,405	1,204	1,201	50	1,101	46
Total	171,666	176,883	(5,217)	(3)	(3,674)	(2)
Housing Revenue Account (HRA)	0	(18)	18		18	
Schools Delegated	75,337	75,822	(485)	(1)	(485)	(0)
Total including HRA and Delegated Schools	247,003	252,687	(5,684)	(2)	(4,141)	(2)

2 Reserves

- 2.1 Based on the projections included in this report the overspend position would be financed from the General Fund Reserve. With the assurance around the delivery of savings and the capitalisation of transformation costs the impact on the General fund would be £3.7m, reducing the balance to £6m, this would then represent 3.5% of the total net revenue budget (excluding Schools and HRA) or 5.6% when including the budget management reserve. This revised position would be in line with the policy set.
- 2.2 Specific reserves will also be reviewed to identify alternative reserve funding to limit the impact on the General Fund Reserve.

3 Revenue forecast

- 3.1 The forecast at the end of October remains in line with that reported for September. Further capitalisation of redundancy costs borne by the Schools Service has improved the forecast for this area. Expenditure in Childrens Services has again increased due to additional placements and changes in provision, mitigated by a reduction in agency costs as a result of the recruitment of permanent staff. Expenditure is now projected to exceed the budget by £6.23m.
- 3.2 The projected outturn against budget plans submitted by the Schools has increased by £217k to a forecast deficit position of £485k. This will be scrutinised and challenged by the Schools finance support team to ensure the figures are robust and accurate.

4 Options Considered/Available

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

5 Preferred Choice and Reasons

None to consider.

6 Impact Assessment

Is an impact assessment required? Yes/No

7 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.

8 Local Member(s)

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

9 Other Front Line Services

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

10 Communications

Budget information is of interest to internal and external audiences and regular updates are provided by the Portfolio Holder for Finance. 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.

11 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.

12 Scrutiny

Has this report been scrutinised? Yes / No

13 Data Protection

If the proposal involves the processing of personal data then the Data Protection Officer must be consulted and their comments set out below.

14 Statutory Officers

The Head of Financial Services (Deputy Section 151 Officer) has provided the following comment:

The projected position continues to report a deficit outturn. The option to capitalise transformation costs provides an opportunity to improve the revenue position and this together with assurance that savings for some Directorates will be delivered significantly reduces the overall deficit projected.

The Council has made a significant level of investment into social care services in Powys. The additional funding provided budget to support the increased level of demand experienced in both service areas and also funded the detailed plans for improvement. Demand within Children's services continues and placement costs are already exceeding the increased level of budget. This continues to be an area of financial risk for the Council.

Assurance received that further savings will be delivered is reassuring, however the outstanding savings removed from the base budget within children's services remain an issue, further consideration of these will to be taken through the budget process, any change in this requirement will add to the savings gap for 2019/20. A further report will be submitted on a quarterly basis detailing the position on the delivery of savings. This report will assist Cabinet in tracking and challenging savings delivery.

The council needs to further address the projected deficit and deliver an outturn more in line with the approved budget. The actions taken to date have improved the projected forecast, but further action to limit or delay spend will improve the position further and limit the impact on the general fund reserve.

School budgets particularly those within the secondary sector, remain a risk that needs to be addressed, compliance work and action is crucial to ensure that this is managed effectively.

The Monitoring Officer has no specific concerns with this report.

15 **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. That the contents of this report are noted.</p> <p>b. That a further specific report on savings is submitted to Cabinet on a quarterly basis.</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):			
Person(s) To Implement Decision:		Jane Thomas	
Date By When Decision To Be Implemented:		Ongoing	
Contact Officer	Tel	E mail	
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