

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

26th March 2019

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 28th February 2019

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 This report provides an update on the projected revenue spend against budget for the 2018/19 financial year and reflects the position as at 28th February 2019, it provides an indication of the 2018/19 full year financial forecast.
- 1.2 The revenue expenditure outturn against budget is now projected to be £2.5m (January £2.7m) over budget, this is based on savings achieved to date but also reflects assurance received from budget managers that further savings will be achieved in year.
- 1.3 Savings of £6.142m have been delivered to date, 50% of the total £12.296m required, with £6.154m yet to be achieved. A further £140k are expected to be delivered by year end.
- 1.4 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. The report only highlights those service areas where projections are forecast to exceed the budget provided, or services that have a significant degree of financial risk on the Council, and where corrective action must be taken to ensure a balanced year end budget, and mitigate any risk for future years.

2 Revenue Position

- 2.1 The revenue forecast is summarised in the table below, underlying expenditure is projected to exceed the budget by £3.316m (January £3.530m), 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, this year's reporting has also provided a forecast based on the expected delivery of savings. This is only included following assurance from Directors that savings will be achieved or that alternative means of delivery are identified and realistic.
- 2.3 On the basis of expected savings delivery and capitalisation of transformation costs the projected position will be an overspend of £2.464m (January £2.737m) against the approved budget.
- 2.4 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	84,442	88,968	(4,526)	(5)	(4,526)	(5)
Environment	30,725	31,777	(1,052)	(3)	(200)	(0)
Schools and Leisure	35,982	35,200	782	2	782	2
Resources	18,230	18,015	215	1	215	1
Central Activities	2,264	999	1,265	56	1,265	56
Total	171,643	174,959	(3,316)	(2)	(2,464)	(1)
Housing Revenue Account (HRA)	0	(70)	70	0	70	0
Schools Delegated	75,358	76,518	(1,160)	(2)	(1,160)	(1)
Total including HRA and Delegated Schools	247,001	251,407	(4,406)	(2)	(3,554)	(1)

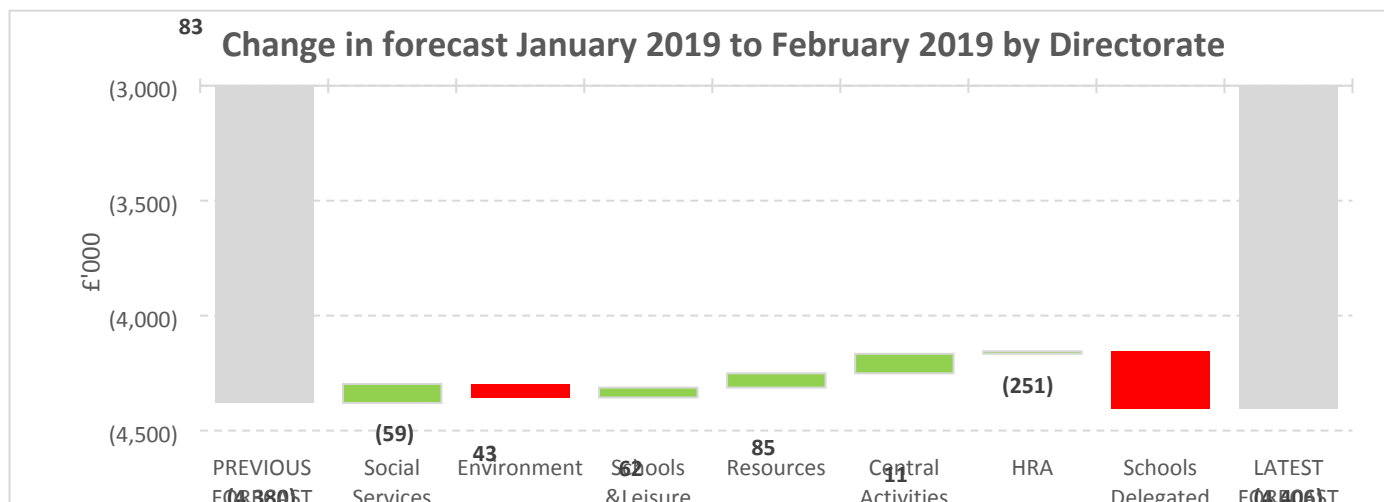
2.5 The table in Appendix A details the forecast spend by Service, against approved working budget and shows the projected position based on savings delivery, capitalisation and service performance.

3 Reserves

- 3.1 The total revenue reserves held at 1 April 2018, together with the forecast addition/(use) of reserves during the year and the projected year end balances, as at 28th February, are set out in the table in Appendix C. The revenue reserves held at the beginning of the year totalled £40.3m, with £9.7m held in the General Reserve and Specific and Ring fenced reserves of £27.4m. The planned use of reserves to support the overall revenue budget during the year (excluding Schools and HRA) is £9.9m.
- 3.2 Based on the projections included in this report the overspend 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 £2.5m, reducing the balance to £7.2m this would then represent 4.2% of the total net revenue budget (excluding Schools and HRA) or 6.3% when including the budget management reserve. This revised position would be in line with the policy set.
- 3.3 Specific reserves will also be reviewed to identify alternative reserve funding to limit the impact on the General Fund Reserve.
- 3.4 The opening position on the Schools Delegated Reserves was a deficit balance of £878k. Budgets for 2018/19 projected a further draw on reserves of £1.7m. During the year Schools are now projecting a further use of reserves of £1.1m which will see the reserves move further into deficit to £3.7m.

4. Revenue Forecast

- 4.1 The graph below shows the change in forecast, from that reported at the end of January to the projected forecast position as at 28th February by Directorate, including HRA and Delegated Schools:



4.2 RAG status has been applied to service variance based on the categories below, and those with a variance calculated as “red” have been explained in more detail below.

- **Red** Overspend above 2%
- **Amber** Overspend of 1-2%
- **Green** +/- 1%
- **Blue** Underspend above 1%

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance RAGB status
	£'000	£'000	£'000	%	
Children Services	18,605	24,288	(5,683)	(30)	R

Projected expenditure within Children services has improved by £42k, spend is now forecast to exceed the budget by £5.683m, due to utilisation of grants and an increase in income.

The appropriate workforce establishment has been agreed and although funding for this is accommodated within the service budget, many posts are being covered by agency staff at a considerably higher cost per post. Based on this, agency is expected to exceed baseline budget by £605k.

There is a continuing upward trend in the number of Children looked after (CLA); this has increased by 4 in month to 250 in February, with a small increase in cost of £30k. The overall budget for CLA is now expected to exceed baseline by £3.48m by the end of the year. Cabinet will note this area sees fluctuations in demand and the levels of complexity make it a very high risk area which is difficult to forecast.

The forecast position also reflects £2.3m of savings that cannot be achieved. This is impacting on the position reported for the current financial year. The Council has now approved that this requirement is removed from the service budget for 2019/20.

There are a number of risks that may further impact the financial position, these include: -

- Additional costs backdated in respect of ‘Sleep-ins’ following the outcome of a judicial review
- Possible compensation payments regarding complaints submitted via the ombudsman
- Holiday pay liability for relief staff at Golwg y Bannau/Camlas
- Legal costs – the baseline budget has been fully utilised and is forecast to exceed baseline budget by £225k.

The financial pressures are mitigated by investment funding that remains unallocated of £810k and additional monies from Welsh Government for “Supporting Sustainable Social Services” totalling approximately £579k.

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Highways, Transport & Recycling (HTR)	21,332	22,950	(1,618)	(7.6)	R

The overspend in this area has increased by £18k since the position reported at the end of January. Forecast unachieved savings at this point in the year total £1.103m and are the main reason for the projected position.

The service is forecasting overspends against some areas of budget: -

- Underachievement of income in respect of Trade Waste collection of £160k and a forecast overspend in Domestic Waste of £510k, due to continuing increased fuel costs, additional costs of depreciation and increased hire costs for vehicles.
- An over spend of £150k within the fleet workshops as a result of an over spend on materials and parts, and a pressure resulting from not being able to negate all income lost with reductions in overheads, due to a decrease in the fleet held by the Council and the associated in-house maintenance.
- The forecast overspend on Public Transport has increased to £570k as a result of the re-tender exercise and a loss of income on the T4 route due to the impact of the commercialisation of part of the route not foreseen during the tender process. Revenue grant anticipated from Welsh Government is not available, however, a capital grant has been received and will be used to reduce revenue costs but the impact will not be realised until 2019/20 financial year.
- These over spends are offset by an under spend of £110k as a result of the spend freeze, the Design team forecast to overachieve their budgeted contribution by £100k, Traffic and Travel are forecasting an under spend of £160k and a £400k underspend is anticipated on waste contracts, due to increased income from sale of recyclable material and lower than budgeted spend on landfill tax.

An additional £140k of savings are expected to be achieved within HTR by the end of the year. This along with other factors; such as grant monies and income expected but not yet confirmed, contribute to the revised forecast which shows a significantly improved year end position for the Environment Directorate projected at a £200k overspend.

4.3 Other Service areas which are not RAG status RED but due to a high level of scrutiny, further information is also provided below.

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Adult Social Care	65,837	64,680	1,157	1.8	B
<p>The forecast underspend position within Adult Social Care has increased by a further £40.5k from January, with the year end position now projected at £1.157m. The improvement is attributed in the main to the Service achieving £35.5k over and above the £1.432m 2018/19 savings target.</p> <p>Of the original £2.2m investment, £691k is included in the forecast position, £200k has been committed to procure external advice for the BUPA re-tender and £491k still remains to be allocated to Service budget headings. As agreed this will only be released on presentation of business cases which satisfy criteria set out by full council.</p>					
Schools Delegated	75,358	76,518	(1,160)	(1.5)	A
<p>The BRAG rating of Amber reflects the projected outturn against budget plans submitted by the Schools. These plans include a significant draw on their delegated reserves. Budget plans across the primary sector expect to draw a net £582k from reserves which is slightly worse than the £406k draw approved at the start of the year. The Special sector are projecting a £142k over the approved draw of £28k. This brings the total draw on Primary and Special sectors to £752k.</p> <p>Approved budget plans and forecasts received for Secondary schools reported to cabinet, projected a net £1.2m in year draw from reserves, however, end of year projections last month showed a further deficit of £728k. In line with the Scheme for Financing schools, Secondary Schools are required to submit monthly forecast end of year projections, and if not received will be notified of the failure to comply with the scheme, continued non-compliance will result in a notice of concern.</p>					

5. Savings

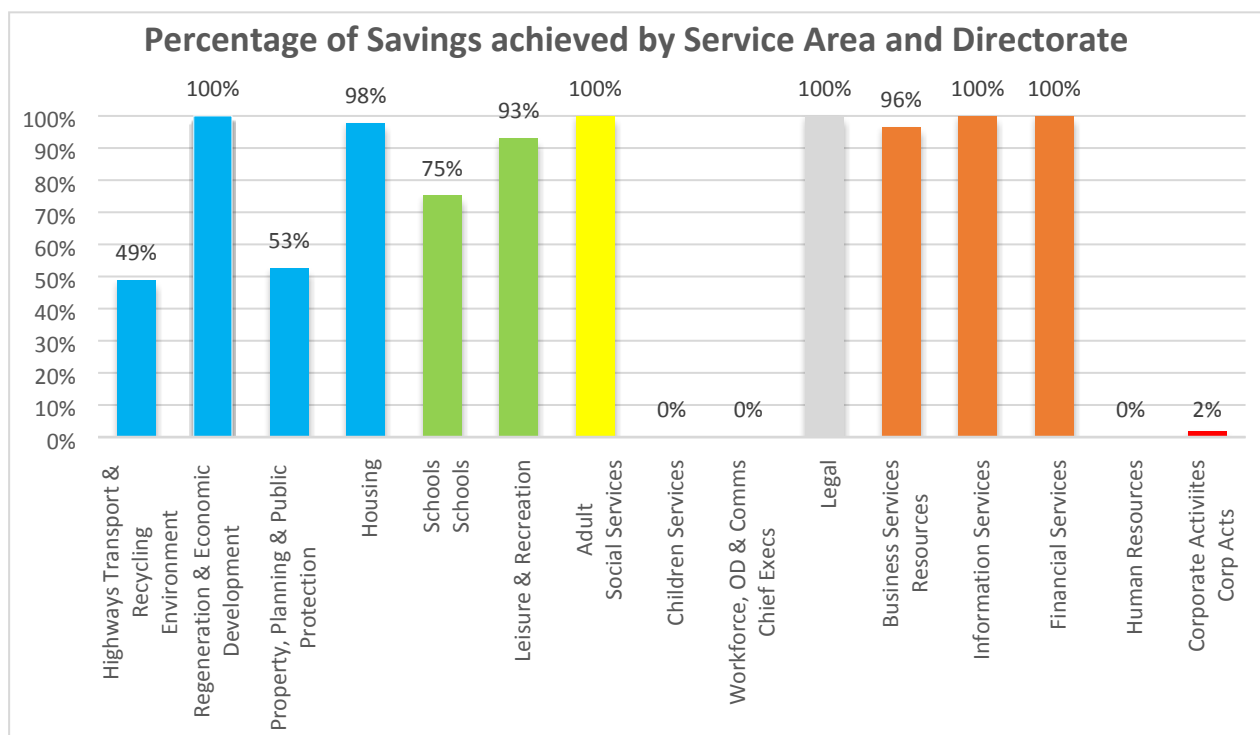
- 5.1 The table below summarises the delivery of the savings including those that remained undelivered in prior years; £6.1m or 50% has been delivered. For prudence the forecast includes savings that have been achieved or have progressed to a point where there is confidence in final delivery taking place. A further £140k is expected to be delivered in the last month of the year.
- 5.2 Savings included in previous budget plans which remain outstanding, and which are now undeliverable, have been removed from the budget plan for 2019/20. £3.9m of these unachieved savings are included in the figures reported below.

	Target £'000	Delivered £'000	Variance £'000
2015/16	1,157	77	1,080
2016/17	321	0	321
2017/18	1,975	420	1,555
2018/19	8,843	5,645	3,198
Total	12,296	6,142	6,154

5.2 Further analysis of the unachieved savings showing the RAG status by Directorate is provided in the table below. Further detail by Service area can be found in Appendix B.

UPDATE ON DELIVERY OF SAVINGS PROPOSALS BY RAG				
Directorate	RED	AMBER	GREEN	TOTAL UNACHIEVED SAVINGS AS AT 28th February 2019
	£'000	£'000	£'000	£'000
Social Services	2,298	0	0	2,298
Environment	0	1,253	15	1,268
Schools	394	49	0	443
Resources	50	26	0	76
Corporate Activities	1,962	0	0	1,962
Chief Executives	107	0	0	107
Total	4,811	1,328	15	6,154

5.3 The graph below shows the percentage of savings achieved to date by Service Area and Directorate.



6 Virements and Grants to be accepted

Virements are required for the following items: -

- 6.1 Application of the contractual inflationary uplift in respect of the Heart of Wales Property Service (HOWPS), Housing Revenue Account (HRA) responsive maintenance team for 2019/20 not previously applied **£155,610**. This annual inflationary uplift is included within the HOWPS contract and is required in the 19/20 budget, this cost is considered as part of the HRA business plan.
- 6.2 Housing Revenue Account (HRA) transfer of funds to cover the cost of a replacement sewage plant due to commence in 2019/20 **£185,000**. This is a roll forward of funding from 18-19 as the scheme has been faced with complex issues in respect of legalities given land ownership, legalities with private owners, and statutory consents

7 Options Considered/Available

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

8 Preferred Choice and Reasons

None to consider.

9 Impact Assessment

Is an impact assessment required? Yes/No

10 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.

11 Local Member(s)

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

12 Other Front Line Services

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

13 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.

14 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.

15 Scrutiny

Has this report been scrutinised? Yes / No

The report has been considered by Finance panel and feedback will be provided to the portfolio holder for finance prior to the cabinet meeting.

16 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.

17 Statutory Officers

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

The projected position continues to report a deficit outturn, however, the level of the deficit has reduced. The capitalisation of transformation costs provided 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 this month reports an increase in the number of Children looked after. This continues to be an area of financial risk for the Council.

The Council needs to continue to reduce the projected deficit, the requirement to further control discretionary expenditure until the end of the financial year will 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.

18 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. To approve the virements detailed in para 6.1 and 6.2</p> <p>c. That given the pressure on the revenue budget the Cabinet supports the S151 Officer’s requirement to control</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>

discretionary expenditure until the end of the financial year.			
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	
Jane Thomas	01597 827789	jane.thomas@powys.gov.uk	

APPENDIX A

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 28th February 2019	Service Under/(Over) spend excl. unachieved savings	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	£'000	£'000	%	
Social Services							
Adult & Commissioning	65,837	64,680	1,157	0	1,157	1.8	B
Children Services	18,605	24,288	(5,683)	(2,298)	(3,385)	(30.5)	R
Environment							
Regeneration	1,411	1,340	71	0	71	5.0	B
Property Planning and Public Protection	7,107	6,664	443	(144)	587	6.2	B
Housing General Fund	875	823	52	(2)	54	5.9	B
Highways, Transport & Recycling	21,332	22,950	(1,618)	(1,122)	(496)	(7.6)	R
Schools							
Schools Service	27,226	26,856	370	(394)	764	1.4	B
Leisure & Recreation	8,756	8,344	412	(49)	461	4.7	B
Resources							
Business Services	6,576	6,430	146	(26)	172	2.2	B
Information Services	4,164	4,162	2	0	2	0.0	G
Legal Services	3,058	3,031	27	0	27	0.9	G
Financial Services	1,892	1,805	87	0	87	4.6	B
Workforce, OD and Comms	2,540	2,587	(47)	(157)	110	(1.9)	A
Service Area Totals	169,379	173,960	(4,581)	(4,192)	(389)	(2.7)	
Central Activities	2,264	999	1,265	(1,963)	3,228	55.9	B
Total	171,643	174,959	(3,316)	(6,155)	2,839	(1.9)	
Housing Revenue Account (HRA)	0	(70)	70	0	70	0.0	G
Schools Delegated	75,358	76,518	(1,160)	0	(1,160)	(1.5)	A
Total including HRA	247,001	251,407	(4,406)	(6,155)	1,749		

EFFICIENCY TRACKER AS AT 28th FEBRUARY 2019

APPENDIX B

Efficiency / Saving	2015/16	2016/17	2017/18	2018/19	Total to be Achieved 18/19	Total Achieved to Date	Remainder to find	Achieved
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	%
Environment								
Highways Transport & Recycling	0	0	270	1,923	2,194	1,071	1,122	49%
Regeneration & Economic Development	0	0	0	100	100	100	0	100%
Property, Planning & Public Protection	0	0	31	272	303	159	144	53%
Housing	0	0	0	86	86	84	2	98%
Environment	0	0	302	2,381	2,683	1,415	1,268	53%
Schools								
Schools	158	0	49	1,376	1,583	1,189	394	75%
Leisure & Recreation	0	0	0	709	709	660	49	93%
Schools	158	0	49	2,085	2,292	1,849	443	81%
Social Services								
Adult	0	0	0	1,432	1,432	1,432	0	100%
Children Services	0	1	1,101	1,197	2,298	0	2,298	0%
Social Services	0	1	1,101	2,629	3,730	1,432	2,298	38%
Chief Executives								
Workforce, OD & Comms	0	0	0	107	107	0	107	0%
Legal	0	0	0	61	61	61	0	100%
Chief Executives	0	0	0	168	168	61	107	37%
Resources								
Business Services	0	0	92	623	715	689	26	96%
Information Services	0	0	32	323	354	354	0	100%
Financial Services	0	0	0	303	303	303	0	100%
Human Resources	0	0	0	50	50	0	50	0%
Resources	0	0	124	1,299	1,422	1,347	76	95%
Corporate Activities	999	320	400	281	2,001	38	1,963	2%
Grand Total	1,157	321	1,975	8,843	12,296	6,142	6,155	50%

RESERVES BALANCES AS AT 28TH FEBRUARY 2019

APPENDIX C

Summary	Opening Balance (1st April 18) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 19) Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
General Fund	9,680	(1)	(2,464)	7,215
	9,680	(1)	(2,464)	7,215
Ringfenced & Specific Reserves				
Budget Management Reserve	3,584	0		3,584
Specific Reserves	2,356	130		2,486
21st Century Schools Reserve	5,524	(5,045)		479
Adult Services Reserve	2,750	(2,004)		746
Regeneration Reserve	100	0		100
HOWPS	185	(185)		0
Mid Wales Growth Fund	150	(25)		125
Highways Reserve	57	(57)		0
Invest to Save & Corporate Initiatives (inc J	5,830	(1,031)		4,799
Insurance Reserve	1,587	0		1,587
Transport & Equipment Funding Reserve	6,163	(1,692)		4,471
Sub-Total	28,286	(9,909)	0	18,377
Schools Delegated Reserves	(693)	(1,693)	(1,160)	(3,546)
School Loans & Other Items	(185)	7		(178)
Net School Delegated Reserves	(878)	(1,686)	(1,160)	(3,724)
Total Ringfenced & Specific Reserves	27,408	(11,595)	(1,160)	14,653
Housing Revenue Account	3,267	212	70	3,549
	3,267	212	70	3,549
Total Revenue Reserves	40,355	(11,384)	(3,554)	25,417