

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

30th July 2019

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 30th June 2019

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 This report presents the forecast outturn on the 2019-20 revenue budget as at 30th June 2019. The forecast shows a projected overspend of £4.357 million by year end. This figure takes account of £7.848 million budget savings that had been achieved by 30 June.
- 1.2 The total budget savings requirement for 2019-20 is £12.989 million, leaving £5.141 million still to be delivered. A review of the outstanding savings is currently being undertaken and will be reported in the period 4 (July) report with a clear action plan to bring the 2019-20 revenue budget back into balance.
- 1.4 The report has been prepared on an exception basis, using forecast variance against budget to define the RAG (Red, Amber, Green and Blue) status of each service's financial position.

2 Revenue Position

- 2.1 Table 1 below shows a forecast overspend on the Council's net revenue budget of £4.357 million (excluding Housing Revenue Account (HRA) and the Delegated Schools budget). A RAG status has been applied to each service as follows:

Red	Forecast overspend above 2%
Amber	Forecast overspend of 1-2%
Green	+/- 1%
Blue	Forecast underspend above 1%

Services with a Red RAG Status are explained in more detail in section 4 below.

- 2.2 The forecast outturn and the impact that this level of overspend would have on the Council's Reserves if not remedied is not acceptable. Critically, delivery of the remaining £5.141 million savings would bring the budget into balance, but some of these are at risk. The Section 151 Officer is therefore urgently reviewing delivery of the savings plans with Heads of Service and the Executive Management Team to agree actions required to bring the budget back into balance. The output of this review will be reported to Cabinet in the period 4 (July) budget monitoring report.

Table 1

Service Area	Total Working Budget	Approved Contribution To / (From) Reserves	Forecast Spend	Variance (Over) / Under Spend		Variance BRAG Status
	£'000	£'000	£'000	£'000	%	
Adult Services	64,787	0	66,015	(1,228)	-1.90	A
Childrens Services	20,455	0	23,935	(3,480)	-17.01	R
Commissioning	3,339	0	3,306	33	0.99	G
Education	21,990	(40)	22,486	(496)	-2.26	R
Highways Transport & Recycling	29,229	(2,307)	31,793	(2,564)	-8.77	R
Property, Planning & Public Protection	5,638	(140)	5,980	(342)	-6.07	R
Housing & Community Development	8,831	(29)	9,119	(288)	-3.26	R
Digital & Communication Services	5,554	(909)	5,444	110	1.98	B
Strategy, Performance & Transformation Programmes	1,208	0	1,242	(34)	-2.81	R
Workforce & OD	1,371	(220)	1,519	(148)	-10.80	R
Legal & Democratic Services	3,159	0	3,080	79	2.50	B
Finance & Corporate Activities	20,242	2,302	16,241	4,001	19.77	B
Total	185,803	(1,343)	190,160	(4,357)	-2.34	
Housing Revenue Account (HRA)	0	2,386	(173)	173		B
Schools Delegated	69,761	(2,120)	70,559	(798)	-1.14	A
Total including HRA and Delegated Schools	255,564	(1,077)	260,546	(4,982)	-1.95	

3 Reserves

- 3.1 The total revenue reserves held at 1 April 2019, together with the forecast addition/(use) of reserves during the year and the projected year end balances, as at 30th June, are set out in the table in Appendix A. The revenue reserves held at the beginning of the year totalled £27.9 million, with £9.1 million held in the General Reserve and Specific and Ring-fenced reserves of £17.9 million. The planned use of reserves to support the overall revenue budget during the year (excluding Schools and HRA) is £1.343 million.
- 3.1 If the Council is unsuccessful in addressing the forecast overspend in-year it would need to be financed from the General Fund Reserve reducing it to £4.621 million (2.5% of the total net revenue budget (excluding Schools and HRA)). When the budget management reserve is included this figure rises to 4.4%. This revised position would be in line with the policy set.
- 3.2 The opening position on the Schools Delegated Reserves was a balance of £78,000. Budgets for 2019-20 projected a further draw on reserves of £2 million. During the year Schools are now projecting a further use of reserves of £798,000 which, if actually required, would see the reserves move further into deficit to £2.75 million.

4. Revenue Forecast

- 4.1 The tables below provide more detail on the projected outturn positions.

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 Services	64,787	66,015	(1,228)	(1.90)	A

As part of the budget setting process Adult Social Care identified inescapable service pressures of £9+ million. To mitigate these pressures, savings of £7.837m were identified. To date £2.099m have been achieved and at the end of Quarter 1, £3.428 million pressures had materialised. leaving a current projected shortfall of £1.329m.

Additionally, other minor budget variances of £104,000 are included in the forecast.

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	%	
Childrens Services	20,455	23,935	(3,480)	(17.0)	R

At budget setting Children services identified £6.25m of service pressures, £6.19m of these pressures are due to levels of provision actually in place from the previous year and therefore are reflected in the forecast. The majority of the pressure relates to the number of children who are looked after (CLA) and the associated cost of placements, the number of placements remain at the levels seen in March.

To mitigate these pressures the Service identified £3.65 million of savings and as at quarter 1 £2 million of these have been achieved. The £1.65 million savings still to be delivered, £577,000 slippage against the staffing restructure and the budget gap identified at the start of the financial year explains the forecast overspend of £3.48 million.

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	%	
Education	21,990	22,486	(496)	(2.3)	R
Schools Delegated	69,761	70,559	(798)	(1.1)	A

Education:

The majority of the overspend in Education relates to savings yet to be delivered. The detail and subsequent action required will be provided in the period 4 (July) budget monitoring report.

Schools Delegated:

School balances were considered by Cabinet on the 18th June 2019 with a predicted £3.168 million call on reserves for 2019-20, which is now forecast to be £2.467 million. This is due to confirmation of grant funding for Teachers' pension and the Regional Consortia School improvement grant, which were slightly higher than anticipated. Some schools have also worked closely with the authority around recovery plans to reduce predicted deficits. The £798,000 overspend reported in the table above increases the draw on reserves in addition to that budgeted by schools.

Notices of concern were issued to 22 schools that had failed to submit budget plans that complied with the Scheme for the Financing of Schools. These schools were required to review and submit budget recovery plans by the 5th July. These plans are being reviewed by the authority, if necessary further action will be considered for those schools that remain non-compliant with the scheme.

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	29,229	31,793	(2,564)	(8.8)	R

The forecast overspend largely reflects as yet unachieved savings and will improve as the year progresses and savings are achieved. Within the operational areas the forecast is based on last year's trends at this quarter end position and is therefore fairly conservative. Overspends in Waste & Recycling Operations should show improvement through the year, as reliance in external hires and resources are reduced.

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	%	
Property, Planning & Public Protection	5,638	5,980	(342)	(6.1)	R

The forecast outturn reflects as yet unachieved savings and income targets relating to property related projects. Measures such as not filling vacant posts and undertaking work for other authorities will help improve the position, but will not mitigate the impact entirely due to the scale of the savings and income targets. Not filling vacant posts is also has the potential to have an adverse impact on the performance of the service area.

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	%	
Housing & Community Development	8,831	9,119	(288)	(3.3)	R
Housing Revenue Account	0	(173)	173		B

The Housing & Community Development Service have delivered £1.421 million savings in the current financial year, but there are concerns over the delivery of those remaining as follows:

1. Increased income for school meals due to the price increases implemented - Q1 statistics show that school meal uptake has reduced since the increase in price. If this trend continues the service will not make the required savings.
2. Increased income targets for the Cleaning Service – it is too early in the year to predict whether these targets will be met. By the end of Q2 we should have a clearer indication.
3. The Service has transformation funding for the next two years, which will be used to purchase officer time to review, plan and implement alternative delivery models across the Service. This funding offsets the savings required on Leisure & Recreation management.
4. The Economic Development team are currently bidding for Welsh Government Priority 5 funding. The initial business case is being assessed in July and the team then hope to be invited to submit a full bid. The team will not find out if the bid is successful until the autumn. If successful, the funding will be backdated to 1st April 2019. Head of Service is monitoring this carefully, the decision in July is key.
5. The £50,000 savings for y Gaer is unallocated to date. However, the Service is working on a potential partnership arrangement that, if approved, would deliver revenue savings for this and future years.
6. The Head of Service is working closely with Senior Managers to prioritise the reduction in the length of voids and thereby the loss of income. This involves working closely with key partners HOWPS and the Cleaning Service.
7. A HRA Business Plan Project Board has been established to ensure delivery of key service requirements.

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	%	
Strategy, Performance & Transformation Programmes	1,208	1,242	(34)	(2.8)	R

At quarter one the Business Support Unit formed part of the Strategy, Performance and Transformation team, however, during this period, it has been disbanded to respective service areas. The Service has delivered its savings target in full, but then forecasted overspend relates to staff working their notice period in line with Council policy and this cannot be mitigated within the service.

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	%	
Workforce & OD	1,371	1,519	(148)	(10.8)	R

The Service has delivered the savings identified for 2019-20, excluding the additional requirement of £200,000 that was identified in January 2019. The service plan to part mitigate the impact of the additional savings requirement by £50k in the current year, and the outcome of actions to date have been reflected in the forecast outturn. However the residual £150,000 is not achievable in 2019-20.

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	%	
Finance	20,242	16,241	4,001	19.8	B

Financial Services: is forecasting a balanced position for the year despite £123,000 savings not yet achieved, which relate to the “Right First Time” project. This will be progressed over coming months this gap is being offset currently by other areas of the budget.

Corporate Activities: is forecast to be £3.9 million underspent by year end, comprising: £2 million agreed to increase the budget management reserve; £1 million reduction in capital charges requirement resulting from slippage in the Capital programme last year and the receipt of additional grant which has reduced the need to borrow and lessened the increase in the Minimum Revenue Provision (further changes or slippage in the capital programme for 2019-20 would impact on this budget in-year); and around £1 million forecast surplus on Council Tax collection (in respect of properties that are periodically occupied ,ie: holiday homes/second homes and long term empty properties).

5 Options Considered/Available

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

6 Preferred Choice and Reasons

None to consider.

7 Impact Assessment

Is an impact assessment required? Yes/No

8 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. Capital and revenue budget

monitoring reports are used to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

9 Local Member(s)

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

10 Other Front Line Services

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

11 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.

12 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.

13 Scrutiny

Has this report been scrutinised? No

The report will be considered by Finance panel when it meets on the 7th August, feedback will be provided to the Portfolio Holder for Finance.

14 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.

15 Statutory Officers

The Head of Finance (Section 151 Officer) has provided the following comments:

While 60% of the planned savings have been delivered as at 30 June it is critical that the remaining £5.141 million are achieved or alternatives identified and delivered to bring the budget into balance by year end.

The council set aside an additional £2 million in 2019-20 to mitigate the risk inherent in the budget particularly in light of the continued pressure on the Children Services budget, the use of this will now be considered as part of my review of the savings plans.

My review will include all budget lines and where underspends are already being reported and unlikely to change, or where income is higher than expected and projected to continue, the freezing or realignment of these budgets for the remainder of the financial year will be considered.

Expenditure on the Capital Programme will also impact on the revenue budget, the effective monitoring of the programme and reprofiling of project spend will improve forecasting for the Capital Charges budget and borrowing costs.

School budgets continue to be a significant risk that needs to be addressed, compliance work and action is crucial to ensure that this is managed effectively. The issuing of Notices of Concern is the first step in this compliance work and it is essential that further intervention action is taken where Governing Bodies are not putting in place the appropriate action to bring their budgets back into line.

The period 4 budget monitoring report will include the outcome of my review and specify actions being taken to bring the budget into balance by year end.

The Monitoring Officer has no specific concerns with this report.

16 **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:	
a. That the contents of this report are noted.		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.	
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	

RESERVES BALANCES AS AT 30TH JUNE 2019

APPENDIX A

Summary	Opening Balance (1st April 19) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 20) Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
General Fund	9,065	(87)	(4,357)	4,621
	9,065	(87)	(4,357)	4,621
Ringfenced & Specific Reserves				
Specific Reserves	7,909	(1,079)		6,830
Budget Management Reserve	3,584	0		3,584
Transport & Equipment Funding Reserve	6,493	(273)		6,220
Sub-Total	17,986	(1,352)	0	16,634
Schools Delegated Reserves	78	(2,031)	(798)	(2,751)
School Loans & Other Items	(371)	7		(364)
Net School Delegated Reserves	(293)	(2,024)	(798)	(3,115)
Total Ringfenced & Specific Reserves	17,693	(3,376)	(798)	13,519
Housing Revenue Account	1,111	2,386	173	3,670
	1,111	2,386	173	3,670
Total Revenue Reserves	27,869	(1,077)	(4,982)	21,810