



# Financial Overview and Forecast as at 31st July 2019

CYNGORSIR POWYS COUNTY COUNCIL

County Councillor Aled Davies

Portfolio Holder for Finance

## Overview

**This report presents the forecast outturn on the 2019-20 revenue budget as at 31st July 2019. The forecast shows a projected overspend of £4.623 million by year end (increased from £4.357m reported in June). This figure takes account of £10.876 million budget savings that had been achieved by 31 July.**

**The total budget savings requirement for 2019-20 is £21.692 million (including Social Care), leaving £10.816 million still to be delivered.**

**A review of the outstanding savings shows that a further £6.851m is expected to be delivered by the year end, this will deliver an outturn which underspends against the approved budget but is dependant on whether the service pressures identified within Adult Social Care are all realised, these were estimated at £9m but only £3.428m have materialised at this point in the year.**

## Revenue Position



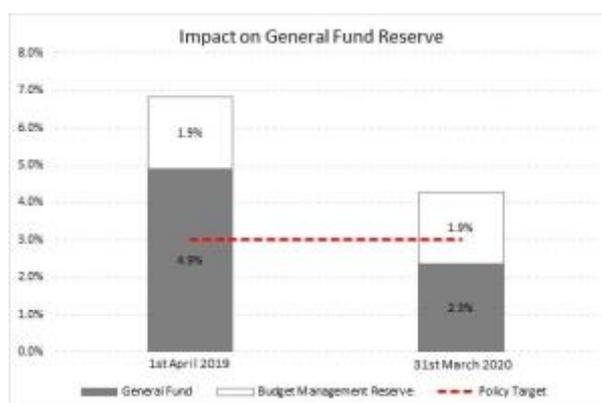
The table shows the projected variance against budget by service area.

Whilst the assurance provided by Heads of Service around the expected delivery of savings shows an improved position, the base budget is reliant on all savings being achieved, the outstanding savings cannot be left unresolved. This gap is currently being offset by the positive variance projected in Finance which includes the £2 million set aside to mitigate the risk inherent in the budget, £1 million reduction in the capital charges requirement and around £1 million forecast surplus on Council Tax collection. Whilst this bridges the gap for 2019/20, it is critical that we remedy this gap in our budget plan on a permanent basis to limit the impact that this would have on the Council's Reserves.

## Reserves

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 £1.363 million.

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 £4.355 million (2.3% of the total net revenue budget (excluding Schools and HRA)). When the budget management reserve is included this figure rises to 4.3%. This revised position would be in line with the policy set.

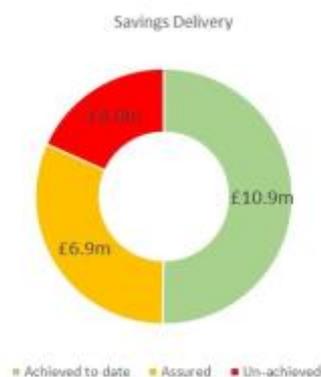


The opening position on the Schools Delegated Reserves was a balance of £78,000. Budgets for 2019-20 projected a further draw on reserves of £2.969 million. During the year Schools have revised their budget plans and are now projecting a reduced use of reserves by £362,000. On this basis the projected balance at the end of the financial year would be a deficit of £2.6 million.

School deficits continue to be a significant risk that must be addressed, compliance work and action is crucial to ensure that this is managed effectively. The issuing of Notices of Concern was the first step in this compliance work and further intervention has been taken at some schools with the issue of formal warning notices reinforcing the need for Governing Bodies to put in place the appropriate action to bring their budgets back into line.



## Efficiency Savings



The 2019/20 budget requires efficiency savings of £12.989m, this includes savings carried forward from previous financial years. Adults and Children Services had also identified savings of £8.703m to mitigate in part the estimated rising cost and demand pressures facing these services in 2019/20. The total savings required in the current financial year is therefore £21.692m.

The total savings delivered to date stands at £10.876m, 50% of the total. This position is reflected in the Revenue Outturn Forecast reported.

The delivery of savings has been challenged with Heads of Service, they have provided assurance that further savings of £6.851m can be delivered this year, these have been allocated an Amber RAG status, but the remaining £3.965m they consider to be unachievable and are therefore recorded as Red.

Some mitigating action has been taken by services, and alternative means of covering the savings shortfall in the current financial year has been put in place, whilst this resolves the gap for the current financial year it does not remove the requirement to permanently resolve the base budget.

At budget setting last year some savings were targeted late in the process, these were identified corporately without direct input from services. It is now apparent that some of these savings are not sustainable.

Of the undelivered savings, £1.809m of these are expected to be achieved in full next year, but there remains a further £2.156m of savings that are considered unachievable on a permanent basis. It is important to understand why this is now the position and Heads of Service will be challenged to fully understand this revised position. This creates a gap in our budget plan which needs to be resolved or it will impact negatively on our reserves position.

It is proposed that the Senior Leadership Team look at how this gap can be closed and that recommendations are brought to Cabinet within the budget monitoring report for period 5.

## Revenue Forecast



Service Area	Approved Contribution To / (From) Reserves	Total Working Budget	Forecast Spend	Variance (Over) / Under Spend		Variance BRAG Status
	£'000	£'000	£'000	£'000	%	
Adult Services	0	64,787	68,973	(4,186)	(6.5)	B
Childrens Services	0	20,393	24,823	(4,430)	(21.7)	C
Commissioning	0	3,484	3,474	10	(0.3)	A
Education	(42)	23,990	22,324	(1,666)	(6.9)	A
Highways Transport & Recycling	(2,307)	29,229	31,694	(2,465)	(8.4)	C
Property, Planning & Public Protection	(144)	5,638	5,920	(282)	(5.0)	C
Housing & Community Development	(29)	8,833	9,122	(289)	(3.3)	B
Digital & Communication Services	(943)	5,554	5,399	155	2.8	B
Strategy, Performance & Transformation Programmes	0	1,208	1,242	(34)	(2.8)	B
Workforce & OD	(220)	1,373	1,529	(156)	(11.3)	C
Legal & Democratic Services	36	3,159	3,069	90	2.9	B
Finance	3,520	29,884	35,857	(5,973)	(20.0)	C
<b>Total</b>	<b>(3,382)</b>	<b>188,438</b>	<b>196,049</b>	<b>(7,611)</b>	<b>(4.0)</b>	
Reserve Revenue Account (RRA)	2,500	0	(200)	200	0.0	B
Schools Delegated	(3,382)	69,783	69,870	(87)	(0.1)	B
<b>Total including RRA and Delegated Schools</b>	<b>(2,082)</b>	<b>258,187</b>	<b>265,889</b>	<b>(7,702)</b>	<b>(3.0)</b>	

This stack contains the details for each Service together with the comments from the Head of Service. To view all of the text of each card click the expand icon.

## Adult Services

- **Net Budget - £64.787m**
- **Forecast - £65.911m**
- **Variance - (£1.124m) - (1.7%) - Amber**

Adult Social Care started the year facing a projected budget pressure of £9.5m, of which to date £3.5m has already materialised. The improved current projected overspend is the result of additional efficiencies/savings of £100k, a total of £2.2m from the projected target of £7.8m being realised. Additionally, due to cost avoiding services put in place to mitigate demography e.g. Telecare, Reablement this pressure is not materialising to date. This projection neither considers the savings unachieved to date, nor the impact of the zero uplift (currently circa £2.8m). There are challenges facing the service into the autumn and winter with delayed transfers of care and it is important that financial control is not lost.

## Childrens Services

- **Net Budget - £20.331m**
- **Forecast - £24.621m**
- **Variance - (£4.290m) - (21.1%) - Red**

The Childrens Services forecast outturn overspend has increased by £810k which is due to changes in residential placements of Children who are looked after (CLA) in the month, one has stepped up from an Independent Fostering (IFA), 1 new placement and 4 changes in provision at higher weekly costs due to changes in assessed need. There has been a net reduction of 3 children in the month.

## Education

- **Net Budget - £21.990m**
- **Forecast - £22.324m**
- **Variance - (£0.334m) - (1.5%) - Amber**

## Schools Delegated

- **Net Budget - £69.761m**
- **Forecast - (£69.570m)**
- **Variance - £0.191m - 0.3% - Blue**

## Education:

The service, through close liaison with finance officers, continues to work diligently on identifying efficiencies. This month the central budget position has improved by 164k due to the issue around the shortfall on the EIG match funding which was 70k and the Freedom leisure swimming efficiency target of 93k which has now been identified by the service in alternative ways. The remaining outstanding efficiencies are being looked at in conjunction with the integrated business planning and the ALN review. All senior officers are fully engaging with finance officers over the coming month to identify priorities in line with Vision 2025 and Estyn outcomes as part of the integrated planning

process. We have a clearer understanding of the importance of new and efficient ways of working moving forward as a service.

### **Schools Delegated:**

Schools delegated budgets show a slight improvement on last month's position by 47k. A number of warning notices have been issued and recovery plans are expected by the 10th September. Meetings will be held with these schools during September to include school improvement officers, finance officers, head of service and 151 officer. Failure to satisfy the authority will result in further action.

### **Highways, Transport & Recycling**

- **Net Budget - £29.229m**
- **Forecast - £31.596m**
- **Variance - (£2.367m)\* - (8.1%) - Red**

(\*includes £48k forecast underspend against the Director Environment and Economy budget)

A revenue budget overspend of £2.415M is forecast for this period. This overspend is made up of £1.66M of savings unachieved at this point of the year, and a budget overspend of £755k.

As detailed in the report, the main areas of forecast overspend are in Waste & Recycling Operations and Transport.

The Waste and Recycling Operations overspend is due to a number of elements.

- Trade - much work has already been undertaken on the trade service, which is now operating well on a day to day basis. The focus now is to market the service to increase the income to nearer that which is budgeted. This element of the service currently attracts around £800k surplus, and requires a further £245k to reach income target.
- Green Waste – this newly implemented service is reliant on income from customers matching operating costs. The take-up of the service is lower than expected, but an increase in take up is expected next year, which will provide additional income. With the customer base for this current year now stabilising, routes and resources are under review to increase efficiency and reduce costs.
- Domestic collections – all expenditure is being scrutinised, with much tighter controls now introduced on vehicle hires etc. Costs are reducing, but it is considered too early to recognise a stable trend and to adjust the forecast position at this stage.
- Contracts – there is an underspend in disposal costs due to more residual material being processed through the Mechanical Biological Treatment at the landfill site. Transport - Costs will reduce this year due to the positive impact of capital grants received late in the last financial year. A review of the revised routes costs is underway, which could identify some over-commitment. It should be noted that decisions on service provision and costs in Transportation, cannot be made independently of the Education Service, and that for efficiency Public Transport is fully integrated with School Transport. *£990,610 of unachieved savings have been rolled forward from 18/19 and added to this year's Central Savings target of £1.975M; of which £765,430 has been achieved to date. We forecast achieving £1,620,140 and therefore forecast an overspend of £1.381M. Plans are in place for the majority of the unachieved savings, however progress is slower than anticipated, for*

*instance seasonal working hours, reduced sickness absence, SAB, however we remain quite confident that they will be partially delivered with full year effects expected next year.*

### **Property, Planning & Public Protection**

- **Net Budget - £5.638m**
- **Forecast - £5.920m**
- **Variance - (£0.282m) - (5.0%) - Red**

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 also has the potential to have an adverse impact on the performance of the service area.

### **Housing & Community Development**

- **Net Budget - £8.831m**
- **Forecast - £9.122m**
- **Variance - (£0.291m) - (3.3%) - Red**

### **Housing Revenue Account**

- **Net Budget - £0m**
- **Forecast - (£0.206m)**
- **Variance - £0.206m - Blue**

The Housing & Community Development Service have delivered £1,421,000 of savings in the current financial year. As has been highlighted at Senior Leadership Meetings, there are concerns over the delivery of a small number of savings:-

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 – the team are picking up contracts around the county and the likelihood of this income target being achieved is looking more positive.
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.

#### **Digital & Communication Services**

- **Net Budget - £5.554m**
- **Forecast - £5.399m**
- **Variance - £0.155m - 2.8% - Blue**

The under-spend is primarily due to current vacancies and associated recruitment lead times.

#### **Strategy, Performance & Transformation Programmes**

- **Net Budget - £1.208m**
- **Forecast - £1.242m**
- **Variance - (£0.034m) - (2.8%) - Red**

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 the forecasted overspend relates to staff working their notice period in line with Council policy and this cannot be mitigated within the service.

#### **Workforce and Organisational Development**

- **Net Budget - £1.371m**
- **Forecast - £1.519m**
- **Variance - (£0.148m) - (10.8%) - Red**

Out of the revenue savings required for the WOD service in 2019/20, a balance of £226k remains to be achieved. I am confident that a further £26k of base budget savings will be achieved during the current year and that further in-year savings will be achieved to bring our overall forecast overspend down to £148k at year end.

It should be noted however, that whilst in-year savings will help to part mitigate the pressures in the current year's budget in this way, they will not improve the end of year recurring base budget pressure, which is forecasted to be c£200k.

#### **Legal & Democratic Services**

- **Net Budget - £3.159m**
- **Forecast - £3.068m**
- **Variance - £0.091m - 2.9% - Blue**

Elections have received monies from the Acting Returning Officer for previous years amounting to £102k. This has led to the forecast in this area showing a large underspend.

All of the other service areas at present are anticipated to be there or thereabouts in terms of year end forecasts.

### **Finance**

- **Net Budget - £19.864m**
- **Forecast - £15.853m**
- **Variance - £4.011m - 20.2% - Blue**

**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 set aside to mitigate the risk inherent in the budget particularly in light of the continued pressure on the Children Services budget; £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).

## Corporate

### **Options Considered/Available**

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

### **Preferred Choice and Reasons**

None to consider.

### **Impact Assessment**

No impact assessment required

### **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.

### **Local Member(s)**

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

### **Other Front Line Services**

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

### **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.

### **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.

### **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.

### **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.

## **Statutory Officers and Members Interest**

### **Statutory Officers**

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

Whilst 50% of the planned savings have been delivered as at 31st July it is critical that the remaining £10.186m million are achieved or alternative action identified and implemented to bring the budget into balance. Assurance from Heads of Service that £6.95 million will be achieved, improves the position significantly and ensures that the risk to our budget and ultimately our reserves is diminished.

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 is included in the projected position but it has not been allocated to any specific service at this point.

The potential pressures identified in Adult Social Care are significant and although to date only 37% of these have materialised this still represents a risk to our projected forecast. In order to mitigate this risk further I have requested that services take action to limit discretionary areas of spend to that which are absolutely essential.

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 was the first step in this compliance work and further intervention has been taken at some schools with the issue of formal warning notices reinforcing the need for Governing Bodies to put in place the appropriate action to bring their budgets back into line. Further action will be taken where this has not been implemented.

The Monitoring Officer has no specific concerns with this report.

### **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.

## Recomendation

### **Recomendation**

That the contents of this report are noted.

That the Senior Leadership Team review the projected delivery of savings and propose alternative means of addressing the shortfall.

### **Reason for Recommendation**

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)**

Within Policy - Yes

### **Financial Regulations**

Within Budget - N/A

### **Relevant Local Member(s)**

N/A

### **Person(s) to Implement Decision**

Jane Thomas

### **Decision Implementation Date**

Ongoing

### **Contact Officer**

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