

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET EXECUTIVE**

**16th June 2020**

**REPORT AUTHOR: County Councillor Aled Davies  
Portfolio Holder for Finance, Countryside and Transport**

**REPORT TITLE: Financial Outturn for the year ended 31<sup>st</sup> March 2020**

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**REPORT FOR: Decision**

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**1. Purpose**

1.1 To provide Cabinet with the revenue budget outturn position for the financial year ending 31<sup>st</sup> March 2020. The report provides an explanation of any significant movements against February's forecast and reports on the impact on the Council's reserves.

**2. Overview**

2.2 The Council has encountered unprecedented challenges since the COVID crisis began, business critical activity has been prioritised and this has directed resource away from normal activities. Despite the additional pressures the Council has completed the closure of its accounts and produced the year end management accounts to report the financial position. This provides a firm basis from which to move into the new financial year and our focus now turns to the financial aspects of supporting the crisis, understanding the financial implications on the 2020/21 budget and assessing the medium and longer term implications in order to review the Council's Medium Term Financial Strategy.

2.3 The revenue outturn position for 2019/20 is an underspend of £1.46 million against the working budget (excluding Schools and the Housing Revenue Account (HRA)). This compares with a projected underspend of £0.58 million at the end of February 2020. The figures include cost reductions delivered of £15.79 million, 73% of the £21.20 million target, this compares with 58% delivered in the previous year.

2.4 In delivering the outturn position, consideration has been given to the balance between the use of capitalisation, maintaining a prudent level of reserves, and the subsequent demand on future year budgets. It is important that the council's reserves are protected given the given the inherent risks arising from COVID 19 and the significant challenge to balance the budget over the medium term.

2.5 This approach has increased the overall level of useable reserves and maintained a general fund reserve at year end of £9.47 million representing 5.1% of total net revenue budget excluding Schools and the HRA. This maintains reserves in line with the Council's policy.

2.6 The response to the COVID 19 pandemic has had some impact on the 2019/20 financial year although this has been limited. Welsh Government has provided Local Authorities with additional funding through the COVID 19 hardship fund, the first claim made for actual spend incurred in March was £33,698. Monthly claims will continue to be made to draw down funding to reimburse additional costs incurred.

2.7 Costs incurred in managing the consequences of the February Storms were not known or included in the previous February report. The immediate response and relief costs incurred

in 2019/20 were £549,233. These costs have been in part (£26,625) supported through the Welsh Government Emergency Financial Assistance Scheme (EFAS), the support is subject to a £517,909 threshold to be met by the Council together with capital costs that are incurred outside available grants. Costs above the threshold are funded by the scheme at 85% of the cost incurred. The majority of the claim costs relate to Highways, although Schools have incurred some costs.

### 3. Revenue Position

3.1 The outturn position is an underspend against budget of £1.46 million and demonstrates an improved position against the February forecast of £0.58 million, this is summarised by service in the Table below.

Service Area	Working Budget	Actual Spend	Variance (Over) / Under Spend	Variance (Over) / Under Spend %	Variance BRAG Status
Adult Services	64,936	64,918	18	0.0	G
Childrens Services	20,680	25,333	(4,653)	(22.5)	R
Commissioning	3,143	2,758	385	12.2	P
Education	21,594	21,766	(172)	(0.8)	G
Highways Transport & Recycling	31,568	33,242	(1,674)	(5.3)	R
Property, Planning & Public Protection	6,952	7,068	(116)	(1.7)	A
Regeneration	1,097	1,052	45	4.1	P
Housing & Community Development	5,984	5,771	213	3.6	P
Digital Services	5,071	4,694	377	7.4	P
Transformation & Communications	1,968	1,779	189	9.6	P
Workforce & OD	1,367	1,276	91	6.7	P
Legal & Democratic Services	3,302	3,123	179	5.4	P
Finance	5,035	5,262	(227)	(4.5)	R
Corporate Activities	12,728	5,925	6,803	53.4	P
<b>Total</b>	<b>185,425</b>	<b>183,967</b>	<b>1,458</b>	<b>0.8</b>	
Housing Revenue Account (HRA)	0	(463)	463		G
Schools Delegated	69,761	68,435	1,326	1.9	R

3.2 The Revenue outturn (excluding Schools Delegated and the HRA) reports a surplus of £1.46 million against the overall budget, however as seen in the table above there are significant variances in some areas. Costs in excess of the approved budget are reported for Childrens Services, Education, Highways Transport and Recycling, Property Planning and Public Protection and Finance, these overspends are being offset by underspends across other services of the council and most notably within Corporate Activities where expenditure was 53% below that budgeted.

3.3 Social Services were seen as a key area of financial risk in the 2019-20 budget, and it was recognised that in order to improve outcomes and address the findings in the poor Children's Service inspection report that a whole Council approach would be required. The council's budget included a £2 million corporate revenue budget to address this potential risk.

#### 3.4 **Childrens Services**

The Outturn position for Childrens services shows costs exceeding the budget by £4.65 million, an improvement of £0.18 million from that projected in February as further costs were

able to be allocated against specific grants. As part of the 2019/20 budget setting process Childrens Services had identified significant potential service pressures of £6.25 million, £5.78 million of these have materialised. To mitigate these pressures, cost reductions of £3.65 million were proposed by the service and approved by council, but only £1.26 million (34.5%) have been delivered. The shortfall in the cost reductions achieved together with an increase in the average placement cost has resulted in the position reported.

Welsh Government grants including the Integrated Care Fund (ICF) and Supporting Sustainable Social Services has contributed £0.961 million during the year.

### 3.5 Highways, Transport and Recycling

Highways, Transport and Recycling reported an overspend of £1.67 million against the service budget, an improvement to the £2.05 million projected in February. The majority of this relates to undeliverable cost reductions of £1.32 million. The service incurred significant costs in March in response to the floods but these have been offset by an improved trading position on NMWTRA work.

### 3.6 Corporate Services

The outturn position surplus of £6.80 million remains consistent with previous forecasts, the receipt of additional capital grant and slippage in the capital programme has reduced the need to borrow and lessened the increase in the Minimum Revenue Provision. This together with a surplus on the level of Council Tax collected and the unallocated corporate risk budget held within this service area results in the surplus reported.

### 3.7 Schools Delegated

School budgets for 2019/20 were set with an expected £3.17 million call on reserves, however, schools are now collectively reporting an improved position which has reduced the need to draw so heavily on their reserves, with £0.99 million being used. This use of reserves sees school balances moving from a surplus position of £0.08 million on the 1<sup>st</sup> April 2019 to a deficit of £0.91 million. Appendix A provides school balances for each school, and highlights those schools who currently have a warning notice. Schools with deficit balances will be reviewed as part of agreeing their budgets for the next three years. The primary sector balances remain in a surplus of £2.6 million but of most concern is the £3.4 million deficit balance for the secondary sector as shown in the table below.

School Sector	Opening Balance	Cabinet Budgeted Contribution/ (Use)	Actual contributions to/from reserves	Closing Balance 31/3/20
	£'000	£'000	£'000	£'000
Primary	2,582	(1,330)	64	2,646
Special	(123)	(165)	(1)	(124)
Secondary	(2,381)	(1,673)	(1,051)	(3,432)
<b>Total</b>	<b>78</b>	<b>(3,168)</b>	<b>(989)</b>	<b>(911)</b>

### 3.8 Housing Revenue Account

A surplus of £0.46 million is reported for the HRA this is due staff slippage and underspends on the building maintenance and fixtures and fittings budgets.

Further explanation across all service areas is provided by the individual Heads of Service in Appendix B.

#### **4. Reserves**

- 4.1 In closing the accounts this year consideration has been given to the impact that the COVID 19 pandemic will have on the Council's finances in subsequent years. In order to add resilience to our planning the use and holding of reserves has been a key part of our assessment.
- 4.2 This approach has enabled us to increase the level of useable reserves to provide greater flexibility should it be needed to support the financial position due to COVID 19 in 2020/21. Loss of income, and the impact on the delivery of cost reductions will inevitably impact on the revenue budget and in these exceptional circumstances there may be a need to use reserves to support the budget.
- 4.3 The revenue reserves held at the beginning of the year totalled £27.87 million, with £9.06 million held in the General Fund Reserve and £17.99 million in Earmarked (Specific and Ring-fenced) Reserves. The opening balance on the School and HRA reserves totalled £0.81m.
- 4.4 The final position reports an increase in the overall level of useable reserves of £2.8 million to £29.85 million. Schools delegated budgets have drawn £0.98 million from reserves leaving the overall school reserves in a deficit balance of £0.91 million. The HRA has increased by £2.81 million to £3.92 million.
- 4.5 Part of the revenue surplus reported has been generated by an over recovery of pension contributions, it is proposed that a specific pension reserve is set up to manage any under/over recovery of pensions contributions on an annual basis. The deficit contribution to the Pension Fund is paid on a lump sum basis, and in order to fund this, contributions are collected via a percentage of pay. This can result in an annual under or over recovery per year. The lump sum has been put in place to protect the fund against a potential falling payroll. In 2019/20 the contributions collected through payroll, were in excess of the lump sum payment by £0.75 million. The reserve will support potential Pension Fund gaps that may arise over the next two years, through to the next actuarial valuation.
- 4.6 The Transport and Equipment Funding Reserve is set aside to fund a rolling programme of Highways, Transport and Recycling vehicle and equipment replacement. During the year £2.45m depreciation and £0.32 of income from the sale of assets were added to the reserve. Assets totalling £2.38m were purchased in year, originally these costs were budgeted to be funded from the specific reserve, but in order to provide greater flexibility these costs have been funded through supported borrowing.
- 4.7 The reserves position can be reviewed as we move through the new financial year and we can redirect reserves to support capital spend if appropriate.

Summary	Opening Balance (1st April 19) Surplus / (Deficit)	Actual Addition / (Use) of Reserves	Balance (31st March 20) Surplus/ (Deficit)
General Fund	9,065	407	9,472
Budget Management Reserve	3,584	0	3,584
Specific Reserves	7,909	(385)	7,524
Transport & Equipment Funding Reserve	6,493	2,774	9,267
<b>Council Usable Reserves</b>	<b>27,051</b>	<b>2,796</b>	<b>29,847</b>
Schools Delegated Reserves	78	(989)	(911)
School Loans & Other Items	(371)	22	(349)
Housing Revenue Account	1,111	2,807	3,918
<b>Total Reserves</b>	<b>27,869</b>	<b>4,636</b>	<b>32,505</b>

4.8 School Budgets and the level of deficits continue to be a significant risk although the outturn position reduced the call on reserve to £0.99 million, from an original forecast of over £2.00 million. The revised position will have a significant impact on the forward projections for school reserves. Schools have been given additional time to submit their budget plans for 2020/21 and is important that all schools review these plans in light of the improved outturn position in 2019/20.

4.9 The HRA specific reserve has increased to £3.92 million and will be used to support the HRA Business Plan.

## 5. **Cost reductions**

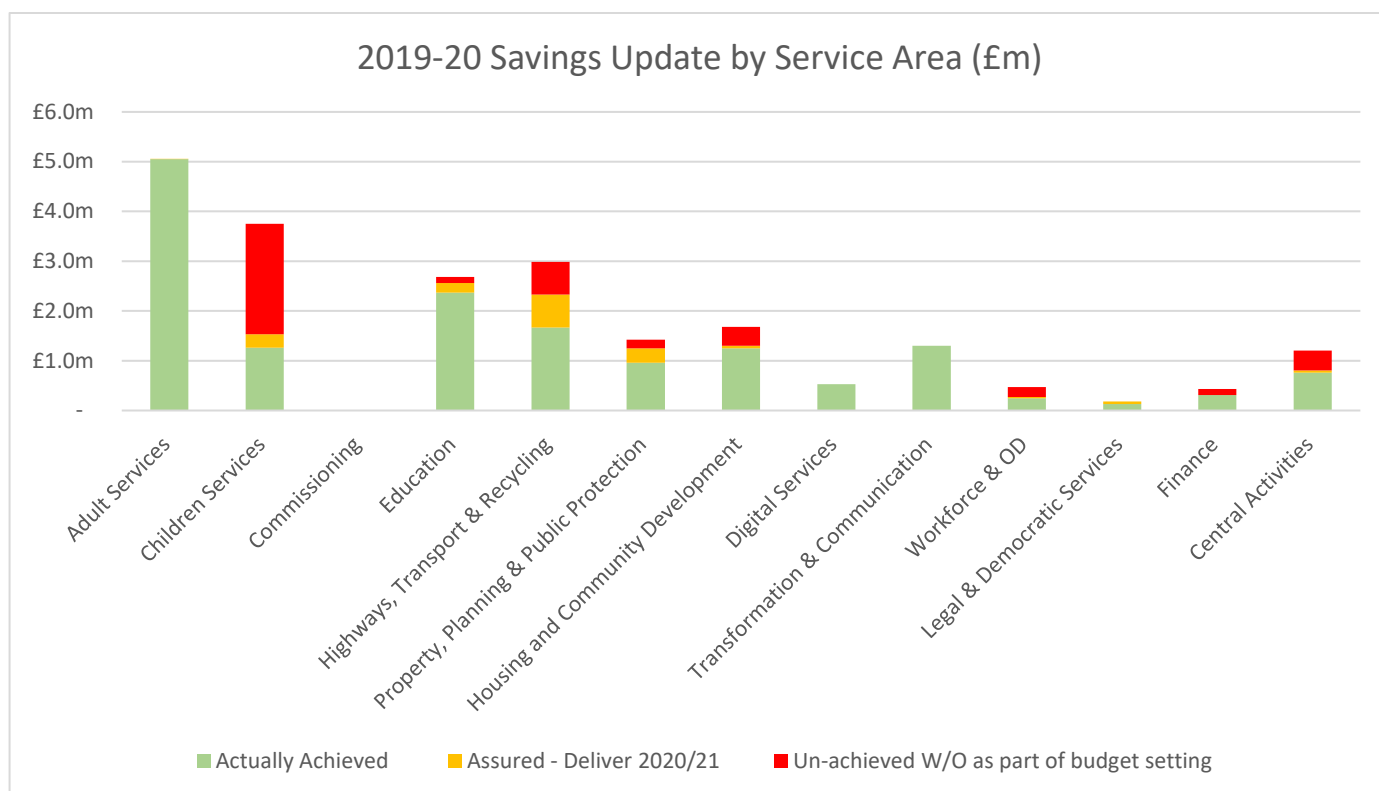
5.1 Cost reductions of £12.99 million were included in the budget approved by Council in March 2019, a further £8.70 million were identified by Social Care to mitigate the potential cost pressures identified by both Childrens and Adult services. Together these total £21.69 million to be delivered during 2019/20. £15.83 million (73%) have been delivered by year end, comprising £9.52 million of service cost reductions and £6.31 million of pressures managed by Social Care.

5.2 Undelivered cost reductions of £5.86 million have been managed in part by some services who have identified mitigating actions using alternative means of covering the shortfall in 2019-20 together with the £2.00 million risk management budget which is held in the Corporate Services budget. £1.60 million of the undelivered cost reductions have been rolled forward into the new financial year (specific targets at service level are set out in Appendix C), assurance has been provided by the Heads of Service that they can be delivered in 2020-21.

5.3 Budgets were rebased as part of budget setting for 2020/21 with many of the undeliverable cost reductions addressed as part of that process.

5.4 An overall summary by service is set out in the diagram below:

## 2019-20 Savings Update by Service Area (£m)



## 6. Transformation

6.1 Transformation of the councils services is critical in providing an appropriate level of service to our residents at a much lower cost ensuring that the councils budget is maintained on a sustainable footing for the future. Transformation activities totalling £3.18 million were funded through Capital Receipts utilising the Welsh Government Capitalisation Directive a key part of the our financial strategy through to 2021-22.

6.2 The table below summarises the costs incurred against the budgets agreed. Some costs were unable to be capitalised as they did not meet the criteria set by the directive and these have been charged back to service budgets.

Transformation Costs 19-20	Actual Outturn	Budget	Variance
	£,000	£,000	£,000
Transformation Projects to be capitalised	1,640	2,000	360
Organisational Transformation	1,120	990	-130
School Redundancies plus Pension Strain	420	650	230
	<b>3,180</b>	<b>3,640</b>	<b>460</b>

## 7. Impact of Capital

7.1 Capital investment and the financing of capital activities have a significant impact on the authority's revenue position. In 2019/20 £62.36m was actually spent (including HRA) on capital investments versus the revised budget of £72.60 million. This resulted in an underspend of £10.23 million (14%) on the council's Capital Budget.

- 7.2 The majority of the underspend can be attributed to delays in the delivery of the capital programme. The budgets associated with these projects will be rolled forward into 2020/21. The virements required to do this are outlined in the Capital monitoring report and are subject to approval by Cabinet or full Council.
- 7.3 The revenue budget supports the cost of borrowing for capital purposes and recognises the future need to borrow through the minimum revenue provision budget. The revenue budgets were approved to support the original capital programme of £92.34 million. The actual capital spend was 30% less, and grants were maximised to reduce the call on borrowing. The actual cost of borrowing was £11.79 million, an underspend of £3.30 million which helped support the wider service revenue budget deficits.

## **8. Resource Implications**

### **The Head of Finance (Section 151 Officer) has provided the following comment:**

- 8.1 The delivery of a surplus budget for the 2019/20 is consistent with previous forecasts and is commendable considering the financial impact of the February Storms and the onset of the COVID 19 pandemic, and although the overall position is pleasing to report, the variances within the budget do not demonstrate the robust delivery of the budget plan. The Council can only ensure its financial resilience with the consistent delivery of services within budget, successful delivery of planned cost reductions and the delivery of an accurately profiled capital programme. Without these fundamental elements the Council has had to realign its budget plan during the year in order to maintain a balanced budget and limit the impact on reserves. This flexibility cannot be relied upon in future years.
- 8.2 The setting of the budget for 2020/21 addresses many of these elements, undelivered savings have been removed from service budgets, service cost pressures have been fully recognised and cost reduction proposals have been included with the assurance of delivery by Heads of Service. But already our budget for the new financial year is under significant and unprecedented pressure due to the impact of the COVID 19 pandemic. An early assessment highlighted many of the issues now facing the council, loss of income, delays in delivering cost reduction proposals and the redeployment of staff across council services have had an immediate impact on our budget plans.
- 8.3 The delivery of a surplus for 2019/20 and the increase in the level of reserves held will provide some added flexibility to our financial position.
- 8.4 Reserves will be drawn upon only when all other options are exhausted. Services will need to ensure they remain within budget in 2020/21, avoiding cost where possible and ensuring that all additional costs arising out of the response are identified for inclusion in claiming support from the Welsh Government's COVID 19 hardship fund.
- 8.5 The budget position will be reviewed on a month by month basis and the budget may need to be realigned as the position changes.
- 8.6 Schools have yet again delivered an improved outturn on their delegated budgets to that which was being forecasted, but the overall deficit balance of school reserves must be addressed. The additional funding provided to schools through the 2020/21 budget has improved the funding made available to schools and this will in part address the position, particularly in the secondary sector, but significant risk remains, compliance work and recovery action is crucial to ensure that schools budgets are managed effectively. Discussions continue with the schools issued with formal Warning

Notices. Further action will be taken where recovery plans are not being developed and implemented and evidence of delivery will be needed before warning notices and notices of concern are lifted.

8.7 The impact of COVID 19 has seen a government response greater than has ever been seen before. The increase in the national debt will undoubtedly have repercussions that could last for decades. How this will impact on future local government settlements remains to be seen but we can learn from the positives seen over the last couple of months, a whole council response, delivered at pace collectively with our partners has supported our residents and businesses through this challenging time. The Council must grasp the benefits seen as it turns its focus to recovery, reviewing its priorities and plans and reassessing both revenue and capital budgets. We will need to revisit and realign our Medium Term Financial Strategy to ensure the Council is sustainable and resilient for the short, medium and longer term.

**9 Legal implications**

The Monitoring Officer has no specific concerns with this report.

**10. Comment from local member(s)**

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

**11. Integrated Impact Assessment**

No impact assessment required

**12. Recommendations**

That Cabinet note the budget position.

That the proposal to put in place a specific Pension Fund reserve is approved.

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## Appendix A – Delegated School Balances

School	2019/20 Actual Outturn	
Abermule CP School	34,865	
Archdeacon Griffiths C in W A School	16,883	
Arddleen C P School	35,845	
Banw C P School	47,885	
Berriew C P School	(13,392)	
Brynhafren C P School	(144,431)	wn
Builth Wells C P School	88,912	
Buttington/Trewern C P School	33,828	
Caersws C P School	27,072	
Carreghofa C P School	17,895	wn
Castle Caereinion C in W School	64,593	
Churchstoke C P School	4,266	
Clyro C in W Controlled School	19,706	
Cradoc C P School	34,631	
Crickhowell C P School	34,240	
Crossgates C P School	55,144	
Forden C in W School	20,013	
Franksbridge C P School	13,535	
Gladestry C in W Controlled School	52,642	
Guilsfield C P School	80,622	
Hafren C P Junior School	96,062	
Hay-On-Wye C P School	33,032	
Irfon Valley C P School	5,303	
Knighton C in W Controlled School	82,389	
Ladywell Green Infants School	82,473	
Leighton C P School	39,535	
Llanbedr C in W Aided School	5,673	
Llanbister C P School	(12,965)	
Llandinam C P School	60,106	
Llandrindod Wells C P School Cefnlllys	24,811	wn
Ysgol Trefonnen	23,095	
Llandysilio C in W School	26,462	
Llanelwedd C in W Primary School	(40,392)	
Llanerfyl C in W Foundation School	(14,098)	wn
Llanfaes C P School	44,678	
Llanfair Caereinion C P School	103,281	
Llanfechain C in W School	(59,587)	
Llanfihangel Rhydithon C P School	(970)	
Llanfyllin C P School	40,957	
Llangattock C in W Controlled School	77,116	
Llangedwyn C in W Voluntary Controlled School	3,760	
Llangors C in W Controlled School	10,187	
Llangynidr C P School	63,983	

Llanidloes C P School	128,712	
Llanrhaeadr Ym Mochnant C P School	42,152	
Llansantffraid C in W Aided School	(5,929)	
Maesyrrhandir C P School	(2,516)	
Montgomery C in W School	79,169	
Mount Street C P Infants School	66,083	
Mount Street C P Junior School	50,080	
Newbridge-On-Wye C in W Controlled School	46,437	
Penygloddfa C P School	21,794	
Presteigne C P School	25,042	wn
Priory C in W Aided School	79,166	
Radnor Valley C P School	39,749	
Rhayader C in W Controlled School	(45,860)	
Sennybridge C P School	62,597	
St Mary's Catholic School	47,236	
St Michael's C in W V A School	14,814	
Treowen C P School	67,921	
Welshpool C in W	192,093	
Ysgol Bro Cynllaith	(10,108)	
Ysgol Bro Tawe	78,317	
Ysgol Dafydd Llwyd	31,831	
Ysgol Dolafon	36,318	
Ysgol Dyffryn Trannon	34,537	
Ysgol Glantwymyn	45,559	
Ysgol Gynradd Carno	5,444	
Ysgol Golwg Y Cwm	66,571	
Ysgol Gymaeg Dyffryn Y Glowyr	(84,702)	wn
Ysgol Gymraeg Y Trallwng	82,218	
Ysgol Llanbrynmair	38,173	
Ysgol Meifod	(31,684)	
Ysgol Pennant	50,346	
Ysgol Pontrobert	23,969	
Ysgol Rhiw Bechan	47,788	
Ysgol Y Cribbarth	48,533	
Ysgol-Y- Bannau	17,735	wn
Ysgol Y Mynydd Du	36,433	
<b>Total Primary</b>	<b>2,645,666</b>	
Brecon High School	(1,618,678)	wn
Gwernyfed High School	280,513	
Ysgol Maesydderwen	(309,720)	wn
Crickhowell High School	(1,002,764)	wn
Ysgol Uwchradd Caereinion	(6,123)	
Llanfyllin High School	(87,784)	
Llanidloes High School	(62,745)	
Ysgol Bro Hyddgen	(162,071)	wn
Newtown	396,501	
Welshpool High School	(728,216)	wn

Ysgol Calon Cymru	(131,302)	wn
<b>Total Secondary</b>	<b>(3,432,389)</b>	
Brynlywarch Hall Residential	64,093	
Ysgol Cedewain Special School	(297,296)	wn
Ysgol Penmaes Special School	108,959	
<b>Total Special</b>	<b>(124,244)</b>	
Wn = Warning Notice		

**Appendix B****Head of Service Commentary**

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Adult Services	64,936	64,918	18	0.0	<b>G</b>

**HOS Comment**

The service began the financial year with a budget pressure of approximately £10m. The savings and early intervention and prevention through strengths-based practice and Technology Enabled Care (TEC) has enabled a balanced budget at the end of the year. This is pleasing and demonstrates a robust approach to financial management for the 3<sup>rd</sup> year in a row. However, the failure to give an uplift to providers during the year has left the care market in a fragile position and this may need to be addressed in the future.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Childrens Services	20,680	25,333	(4,653)	(22.5)	<b>R</b>

**HOS Comment**

The Children's Services budget for 19/20 was set with unfunded pressures of £6.25m. The service identified where savings of £3.651m could potentially be made but these were high risk and left a budget deficit of £2.699m. The service delivered £1.26 million savings. The two main areas for expenditure over budget for the service are agency staff and placements costs. The Service reduced the number of Children who are Looked After is bringing fewer children into care. During 2019-20, 29 fewer children had entered the care of Powys County Council, than during 2018-19. This represents a cost avoidance of £49,000 average full year effect per child or a total of £1.421 million. The service recruited 65 permanent staff in 2019-20 and the number of agency staff reduced from 34 to 29. The service is committed to reducing costs in these areas whilst continuing to ensure children are safeguarded and the changes and improvements to practice are made. We have made full use of grants.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Commissioning	3,143	2,758	385	12.2	<b>P</b>

**HOS Comment**

The service went through 2 restructures during the year and held vacancies as a result of that action. The service has also maximised grants in order to enable this very positive position at the year end.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Education	21,594	21,766	(172)	(0.8)	G
Schools Delegated	69,761	68,435	1,326	1.9	R

#### **HOS Comment**

Overall, the outturn shows an over spend of £172k. The main reasons behind this are as follows

- Pupil inclusion - The ALN area has a further £220k underspend due to reduction in out of county placements costs and increased income from inter authority recoupment.
- Schools Operational - Revenue costs relating to feasibility studies for specific capital projects that are no longer feasible as per the original project outline and therefore cannot be capitalised. This amounts to £266k.
- Schools Delegated Other – Delayed saving achievement in 19-20 of £120k which has been found during 20-21 budget setting.

The service are continually working on meeting the requirements of the post inspection action plan (PIAP) and delivering the strategy for transforming education in Powys, focusing on learner entitlement.

The service is keen to move ahead with a staffing re-structure. Key roles need to be established in order to support the necessary changes to education in Powys, and to provide effective business support for senior managers within the service.

#### **HOS Comment**

In schools' delegated budgets there is a significant shift in the outturn than was predicted. Much of this can be attributed to the work of the finance officers and school service officers identifying areas for efficiency savings with individual schools' leadership teams. However, there is further work to do in reducing the deficit budgets in some schools and in ensuring all school business managers are trained in budget management so that predictions for year-end are more accurate and that coding is undertaken appropriately.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Highways Transport & Recycling	31,568	33,242	(1,674)	(5.3)	R

#### **HOS Comment**

Highways, Transport and Recycling are reporting an outturn overspend of £1.674m; 5.3%, at the end of 2020 financial year, compared to £2.062m at the end of period 11, February 2019. The majority of this overspend is due to unachieved savings amounting to £1.321M. If savings are excluded from the forecast the overspend reduces to £325k

The areas of overspend remain consistent, with £395K in Waste Collection Services and £679k on Home to School and Public Transport. This overspend is offset by underspends/surpluses in Highways Design and Waste Compliance and Strategy.

The overspend in Waste Collection Services has reduced through the year due to efficiency improvements, and this will continue into 2020/21.

Transport Services overspend is a result of the re-tendered costs exceeding the budget available for Public Transport. A review of the services provided is underway along with the expectation of increased funding from Welsh Government.

£1.665M savings are achieved in year, from a target of £2.986M with a further £240k of budget pressures being absorbed.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Property, Planning & Public Protection	6,952	7,068	(116)	(1.7)	A

#### **HOS Comment**

The overspend principally relates to Catering, Strategic Property and Trading Standards.

Strategic Property reports an outturn over spend principally as a result of savings not being achieved with regards to corporate property cleaning and the closure of Neuadd Maldwyn and rental income targets not been reached. Progress is continuing to be made with regards to Neuadd Maldwyn but the savings are yet to be realised. Negotiation are ongoing between Strategic Property and the Cleaning Service regarding securing a safe cleaning regime. This has however been complicated by Covid-19. Rental income is increasing as units become occupied but unfortunately this has not taken place within the timeframe originally thought.

Catering is reporting an outturn overspend of £177k. The reason for the overspend is a reduction in income from the income forecast. The Catering service were tasked with making savings of £230k to be met by an increase in the price of school meals. The 15p increase in the meal prices has led to a reduction in take up.

Trading Standards are reporting an outturn over spend of £155K. The overspend reported is as a result of an overspend on Feed Hygiene, an unachieved saving of £20k, under achieved income in Animal Licensing and an overspend on the Consumer Fraud Team. A review of this service area is to take place to understand the late increase in the overspend.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Regeneration	1,097	1,052	45	4.1	P
Housing & Community Development	5,984	5,771	213	3.6	P
Housing Revenue Account (HRA)	0	(463)	463		G

#### **HOS Comment**

Housing & Community Development achieved savings of £1,248,000 in the 2019/20 financial year, as well as delivering a £258,000 underspend. The underspend is more than anticipated due to the receipt of additional grant income for a number of service areas, late in the financial year. Some areas within the Service were overspent; this was forecast early on within the financial year, with other budgets adjusted

accordingly where possible. Leisure had an overspend of £72,000 due to costs at the former Staylitttle Outdoor Centre (which had no core budget allocated) and increased leisure centre costs. Y Gaer reported an overspend of £71,000 which had been forecasted. Work is ongoing to look at options for this facility.

The Housing General Fund shows a £98,000 underspend, much of which is due to work not progressing on Gypsy and Traveller sites. Homeless work is showing an underspend in areas such as staff training, tax, legal fees and other services, however, expenditure on rent and B&B's was £79,000 over budget due to the increased number of homeless presentations.

In terms of the Housing Revenue Account there is an underspend of £463,000 much of which is due to reduced bad debt provision and vacant posts. Rent collected has been £304,000 less than anticipated in part due to void times, this is a priority for the 20/21 financial year.

Plans are in place to meet the efficiency savings required for the 20/21 financial year, however, it must be noted that the Covid19 pandemic may have an impact on deliverability

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Digital Services	5,071	4,694	377	7.4	P

**HOS Comment**

Postage and general office expenses were £70k lower than forecast in the last period of the year which potentially reflects the change in working practices due to COVID19. Savings have also been made due to staff vacancies with some posts having delayed recruitment and other posts held when vacant to support savings due in 2020/21.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Transformation & Communications	1,968	1,779	189	9.6	P

**HOS Comment**

The service held one vacancy as planned ready for 2020/21 cost reduction requirements, had two vacancies which the service failed to recruit to and overachieved on income generation.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Workforce & OD	1,367	1,276	91	6.7	P

**HOS Comment**

Once our final income was clarified the service was able to deliver an overall underspend against budgetary provision.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Legal & Democratic Services	3,302	3,123	179	5.4	P

Corporate Legal & Democratic Services year-end outturn for 2019-20 was an underspend of £179k. This was a decrease of £17k compared with the forecast underspend of £196k at the end of February 2020. £36k was paid into the County Council elections reserve to fund the costs of the next County Council election.

Elections have received monies from the Acting Returning Officer for previous years amounting to over £100k which contributed to the overall under spend position. The Solicitor to the Council budget also underspent by £75k on non staff areas.

Service Area	Net Budget	Actual Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Finance	5,035	5,262	(227)	(4.5)	R
Corporate Activities	12,728	5,925	6,803	53.4	P

#### **HOS Comment**

The Finance Service budget reports an overspend of £227k against budget. Insurance excesses were significantly more than the budget allocated. The shortfall will be funded from the insurance reserve. The pressure on the insurance budget has been recognised in the budget for 20/21. Other areas of the service were within budget despite £0.12 million of savings not being achieved.

The outturn position surplus of £6.80 million for Corporate Activities remains consistent with previous forecasts, but there were a number of movements against budgets in March.

The cost of borrowing was set to support the original capital programme but the outturn capital spend was 30% less, and grants were maximised to reduce the call on borrowing. The actual cost of borrowing was £11.79 million an underspend of £3.30 million which helped supported the wider service budget deficits particularly in Childrens Services. The outturn also takes into account the £2.00 million set aside to manage the risk inherent in the budget, together with a surplus of £0.70 million on Council Tax collection

Two elements of the outturn affected specific reserves:

- £0.59 million required from the Insurance reserve, needed to cover the costs of claims and their defence in excess of the budget.
- £0.75 million transferred to a specific pension reserve which was collected through contributions not required to be paid into the pension fund.



## Appendix C

### Cost Reductions Rolled Forward to be Delivered in 2020/21

Reference	Title	Service	2020/21 Reduction £
Carried Forward from 18/19	Small school closures	Education	120,000
Carried Forward from 18/19	Corporate increase in income	Education	10,220
Carried Forward from 19/20	Review and restructure of staff teams	Education	43,000
Carried Forward from 19/20	Staffing review	Education	17,000
Carried Forward from 18/19	Commissioning of Services	Highways Transport & Recycling	20,000
Carried Forward from 18/19	Blue Badges	Highways Transport & Recycling	50,000
Carried Forward from 18/19	Parking Charges	Highways Transport & Recycling	-23,680
Carried Forward from 19/20	Rationalisation of Household Waste Recycling Centres- Share facility with other LA, renegotiate third party contract	Highways Transport & Recycling	100,000
Carried Forward from 19/20	Introduction of chargeable garden waste collection service	Highways Transport & Recycling	91,490
Carried Forward from 19/20	Review car parking charges, increase income.	Highways Transport & Recycling	100,000
Carried Forward from 19/20	Review street light provision (non-statutory) and limit PCC funding to conflict areas only. Encourage Town & Community Councils to support any additional local lighting requirements.	Highways Transport & Recycling	49,000
Carried Forward from 19/20	Further efficiencies through better productivity, improved sickness absence management, developing additional income streams, internal cost reduction and reduced 3rd party spend.	Highways Transport & Recycling	255,960
Carried Forward from 19/20	Reduction in urban verge cutting.	Highways Transport & Recycling	25,000
Carried Forward from 19/20	Exit Neuadd Maldwyn	Property, Planning & Public Protection	141,590
Carried Forward from 19/20	Reduced cleaning in our corporate buildings	Property, Planning & Public Protection	75,000
Carried Forward from 19/20	Increased rental income from properties, Ladywell House, Business unit portfolio, County Farms	Property, Planning & Public Protection	75,480
Carried Forward from 19/20	Reduction of Y Gaer operating budget. Longer term MTFS aspiration is either shared use of charitable trust status.	Housing & Community Development	50,000

Carried Forward from 19/20	Reduction in service delivery through review in staffing	Workforce & OD	26,000
Carried Forward from 19/20	Legal and Democratic Services Restructure	Legal & Democratic Services	52,000
Carried Forward from 19/20	Senior restructure as part of organisational transfer	Central Activities	44,587
Carried Forward from 19/20	Shared Costs - Joint funding. Continuing Health Care	Childrens Services	190,000
Carried Forward from 19/20	Reduce Costs - 10% Travel	Childrens Services	20,000
Carried Forward from 19/20	Reduce Costs - Restructure and reduce agency/consultants	Childrens Services	64,549
		<b>TOTAL</b>	<b>1,597,196</b>

