

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

13th March 2018

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

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

REPORT FOR: Decision / Discussion / Information

1. **Summary**

- 1.1 This report provides an update on the revenue spend against budget for the year to date, as at 31st January 2018, and provides an early indication of the 2017/18 end of year financial forecast.
- 1.2 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. This method assists in highlighting those service areas with significant pressures which carry the most financial risk to the Authority and where corrective action must be taken to ensure a balanced year end budget, and mitigate any risk for future years.

2. **Revenue**

- 2.1 The projected revenue forecast, is shown in the table below, with a projected overspend of £751k (December £4.536m, before MRP adjustment), excluding Housing Revenue Account (HRA) and Delegated Schools.

Summary Forecast by Directorate	Total Working Budget	Approved Use To / (From) Reserves	Forecast Spend	Variance (Over) / Under Spend	
	£'000	£'000	£'000	£'000	%
People	71,056	2	77,271	(6,215)	(9)
Place	38,359	(3,353)	37,291	1,068	3
Schools	24,590	(1,370)	24,948	(358)	(1)
Resources	17,249	(466)	17,041	208	1
Central Activities	13,277	1,358	13,355	(78)	(1)
Total	164,531	(3,829)	169,906	(5,375)	(3)
Technical adjustment - MRP			(4,624)	4,624	
Total	164,531	(3,829)	165,282	(751)	(0.5)
Housing Revenue Account	0	(53)	(284)	284	
Schools Delegated	75,449	(1,884)	75,589	(140)	(0)
Total including HRA and Delegated Schools	239,980	(5,766)	240,587	(610)	(0.2)

2.2 The overspend is largely the result of non-delivery of savings targets. There has been limited improvement in recent months and it is of concern that savings delivery is becoming increasingly difficult.

2.3 The table contained in Appendix A provides a forecast spend by service, against approved working budget, which includes budgeted transfers to / from reserves. It shows the projected position on both savings delivery and service performance.

3. **Efficiency savings**

3.1 The efficiency saving target of £11.78m includes both in year and undelivered previous year targets. 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.

3.2 An additional £602k of savings has been achieved during the month; Highways, Transport and Recycling £336k and Adult Social Care £266k, all other Service's unachieved savings remain the same. To date, £7.799m has been achieved (66% of the total), leaving £3.981m yet to be attained.

Financial Year	Target £'000	Delivered £'000	Variance £'000
2015/16	1,323	165	1,157
2016/17	841	476	365
2017/18	9,616	7,158	2,459
Total	11,780	7,799	3,981

3.3 The table contained in Appendix B provides a service breakdown on the delivery of savings required within the budget.

4 **Reserves**

4.1 The total revenue reserves held at 1 April 2017, together with the forecast addition/ (use) of reserves during the year and the projected year end balances as at 31st January, are set out in the table in Appendix C.

4.2 The revenue reserves held at the beginning of the year totalled £38.8m, with £8.6m held in the General Reserve and Specific and Ring fenced reserves of £28.4m.

4.3 The forecast use of reserves to support the revenue budget during the year, (excluding Schools and HRA) is £3.8m, a reduction of £4.8m from December, due to the rolling forward of monies in respect of the fleet replacement programme, funded via the Transport and Equipment funding reserve.

4.4 The revised forecast level of General Fund reserve as at 31st January 2018 is 4% of total net revenue budget (excluding Schools and HRA). This increases to 6.5% if the budget management reserve is included, just over twice the 3% agreed strategy.

5 Revenue Forecast

5.1 Appendix A confirms the overspend of £5.375m which reduces to £751k after the MRP adjustments. The service deficit relates mainly to undelivered efficiency savings of £4m, offset in part by net over/underspends currently projected on service budgets. RAG status has been applied to service variance based on the categories below, and those with a variance calculated at "red" have been explained in more detail.

- **Blue** Underspend above 1%
- **Green** +/- 1% (or £0.05m if budget less than £5m)
- **Amber** Overspend of 1-2% (£0.05m - £0.1m if budget less than £5m)
- **Red** Variance above 2% (£0.1m if budget less than £5m)

6.	<u>People Directorate</u>	Net Working Budget:	£ 71,056k
		Net Forecast Expenditure:	£ 77,271k
		Variance (Over)/Under Spend:	£ (6,215)k
		December Forecast (Over)/Under Spend:	£ (6,589)k
		Change in Forecast	£ 374k

6.1 **Adult Social Care (ASC) - Net Budget £57,108k, Forecast Overspend £(1,032)k**

6.1.1 The forecast position has improved by £552k from December and the Service is no longer RAG status RED. This has been achieved through the delivery of additional savings from reablement and right sizing of packages and the maximisation of grant monies.

6.2 **Children's – Net Budget £13,150k, Forecast Overspend £ (5,229)k**

6.2.1 The forecast overspend for Childrens Services has increased by £178k to that reported at the end of December, mainly due to additional agency required to increase capacity, to enable delivery of the Childrens Improvement Plan. Finance have been working with the service to fully cost this plan, cross referencing the spend requirements to the recommendations and outcomes in the Improvement Plan. It is likely there will be further costs that are not yet included in the forecast.

.7.	<u>Place Directorate</u>	Net Working Budget:	£ 38,359k
		Net Forecast Expenditure:	£ 37,291k
		Variance (Over)/Under Spend:	£ 1,068k
		December Forecast (Over)/Under Spend:	£ 810k
		Change in Forecast	£ 258k

7.1 It is worth noting in this area, that additional savings identified from Waste contracts, due to the budgeted provision for the use of external sorting facilities no longer required, have been utilised to offset unachieved savings on Waste collections £121k and Staff Savings £215k.

7.2 The 2016-17 Rhayader Leisure Centre Trust Fund Accounts (the elected members of the Council are the Trustees of the Charity) have been independently examined and were filed with the Charity Commission before the 31st January 2018 deadline.

8	<u>Schools Service</u> (non delegated)	Net Working Budget	£ 24,590k
		Net Forecast Expenditure	£ 24,948k
		Variance (Over)/Under Spend:	£ (358)k
		December Forecast (Over)/Under Spend:	£ (449)k
		Change in Forecast	£ 91k

9	<u>Resources Directorate</u>	Net Working Budget:	£ 17,249k
		Net Forecast Expenditure:	£ 17,041k
		Variance (Over)/Under Spend:	£ 208k
		December Forecast (Over)/Under Spend	£ 222k
		Change in Forecast	£ (14)k

10	<u>Central Activities</u>	Net Working Budget:	£ 13,277k
		Net Forecast Expenditure:	£ 13,355k
		Variance (Over)/Under Spend:	£ (78)k
		December Forecast (Over)/Under Spend	£ 1,470k
		Change in Forecast	£ (1,548)k

10.1 The change in forecast on Central relates to the removal of the planned £1m call on reserve to support the deficit and £500k for capitalisation. The latter may still be required at year end to balance the budget, but is not yet accounted for.

10.2 There has been no further decrease due to discounts and exemptions in respect of Council Tax; the surplus remains at £500k.

11	<u>Schools Delegated</u>	Net Working Budget:	£ 75,449k
		Net Forecast Expenditure:	£ 75,589k
		Variance (Over)/Under Spend:	£ (140)k
		December Forecast (Over)/Under Spend	£ (67)k
		Change in Forecast	£ (73)k

11.1 The individual Schools Delegated budgets are forecasting a deficit reserves balance at the 31st March 2018 of £1.6m. The figures, where available, incorporates figures provided from the High Schools and the All Through School in accordance with the Scheme for Financing Schools and reflects any update to their previous available forecast year end position.

11.2 The primary schools forecast is based on their latest budget plan. Primary schools update their budgets on a regular basis when changes occur, it has therefore been assumed that the schools are working to their latest budget plan held by finance. Financial surgeries have taken place. Additional meetings have been organised where necessary to ensure timely action of forecast deficits.

11.3 The budgeted and forecast use of Schools Reserves is shown in the table below. The current information projects a £1.883m use of reserves.

	Opening Balance	Original Budgeted Contribution/ (Use)	Revised Budgeted Contribution/ (Use)	Forecast Underspend/ (Overspend)	Forecast Closing Balance
School Sector	£'000	£'000	£'000	£'000	£'000
Primary	1,608	(503)	(329)	0	1,298
Special	(259)	42	19	2	(238)
Secondary	(864)	(1,522)	(1,643)	(142)	(2,649)
Total	485	(1,983)	(1,934)	(140)	(1,589)
School Loans/Other	(493)	55	51	0	(442)
Total Balance	(8)	(1,928)	(1,883)	(140)	(2,031)

12 Housing Revenue Account

- 12.1 The Housing Revenue Account (HRA) is forecasting an underspend of £284k, however, an update on the void properties is worth noting:-
- 12.2. The number of void properties has fallen slightly between quarter 2 and quarter 3, and now stands at 163, after a spike of 193 at the end of November. Of these 163 properties, 93 have been empty longer than 12 weeks and 42 have been empty longer than 26 weeks. If this void issue is not addressed and the situation was to continue over a 12 month period for the 93 void properties, based on the average rent, approximately £396k of rental income would be lost.

13 Deficit Recovery Plan

- 13.1 An improved financial forecast within Place and Adult Social Care, has reduced the overspend and the need to draw down £1m from reserves, as previously expected.
- 13.2 The use of £4.624m Minimum Revenue Provision has been approved, and now a key part of the improved forecast.
- 13.3 With further grants expected in February to support the ASC budget, and uncertainty about the Childrens forecast, it may be necessary to capitalise the £500k of transformation costs, as previously explained, to support a balanced budget at year end.

14 Options Considered/Available

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

15 Preferred Choice and Reasons

None to consider.

16 Impact Assessment

Is an impact assessment required? Yes/No

17 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.

18 Local Member(s)

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

19 Other Front Line Services

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

20 Communications

This report has no specific communication considerations. 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.

21 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.

22 Scrutiny

Has this report been scrutinised? Yes / No

23 Statutory Officers

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

As with previous reports to Cabinet the position is a prudent reflection of the projected 2017/18 revenue budget outturn. The projections will only be adjusted when there is confidence and evidence that savings have been delivered.

The improved financial position helps to reduce the call on reserves, the budget will be balanced by the use of MRP and capitalisation, if necessary.

The increasing demand within Children Services and the implementation of the improvement plan continues to be the main financial challenge for the Authority. It is essential that the costings developed to support the plan are robust in order to provide the appropriate level of financial resource and governance.

The overall schools' balance position remains a risk that needs to be addressed and will require concerted effort to ensure it is managed effectively.

The Monitoring Officer has no specific concerns with this report.

24 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. The contents of this report are noted by Cabinet; and</p> <p>b. Cabinet supports appropriate action by services to curtail or reduce the reported forecasted service deficits.</p>	<p>To monitor the council's financial performance and ensure that spending remains within approved limits and that the 3% minimum general fund reserve is maintained.</p>

Relevant Policy (ies):		Financial Regulations	
Within policy:	Yes	Within Budget:	n/a
Relevant Local Member(s):			
Person(s) To Implement Decision:		Jane Thomas	
Date By When Decision To Be Implemented:		ongoing	
Contact Officer	Tel	Fax	E mail
Jane Thomas	01597 826341	01597 826290	jane.thomas@powys.gov.uk

Forecast Outturn and Undelivered Savings as at 31st January 2018

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 31st January 2018	Service Under/(Over) spend excl. unachieved savings	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
		£'000	£'000	£'000	£'000	%	
People							
Adult & Commissioning	57,108	58,140	(1,032)	(159)	(873)	(1.8)	A
Children Services	13,150	18,379	(5,229)	(1,101)	(4,128)	(39.8)	R
Housing General Fund	798	752	46	0	46	5.8	B
Place							
Leisure & Recreation	9,069	8,939	130	0	130	1.4	B
Regeneration, Property & Commissioning	8,906	8,648	258	(63)	321	2.9	B
Highways, Transport & Recycling	20,384	19,704	680	(607)	1,287	3.3	B
Schools							
Schools Service	24,590	24,948	(358)	(207)	(151)	(1.5)	A
Resources							
Business Services	6,275	6,238	37	(92)	129	0.6	G
Information Services	3,579	3,576	3	(32)	35	0.1	G
Legal Services	3,030	2,997	33	0	33	1.1	B
Financial Services	1,877	1,778	99	0	99	5.3	B
Workforce, OD & Comms	2,488	2,452	36	0	36	1.4	B
Service Area Totals	151,254	156,551	(5,297)	(2,261)	(3,036)	(3.5)	
Central Activities	13,277	13,355	(78)	(1,720)	1,642	(0.6)	G
Total	164,531	169,906	(5,375)	(3,981)	(1,394)	(3.3)	
Housing Revenue Account (HRA)	0	(284)	284	0	284		G
Schools Delegated	75,449	75,589	(140)	0	(140)	(0.2)	G
Total including HRA	239,980	245,211	(5,231)	(3,981)	(1,250)		

EFFICIENCY TRACKER AS AT 31st JANUARY 2018

APPENDIX B

Efficiency / Saving	2015/16	2016/17	2017/18	Total to be Achieved 17/18	Total Achieved to Date	Remainder to find	Achieved
	£000's	£000's	£000's	£000's	£000's	£000's	%
Place							
Highways Transport & Recycling	151	364	1,839	2,354	1,747	607	74%
Regeneration, Property & Commissioning	14	35	399	448	385	63	86%
Leisure & Recreation	0	0	730	730	730	0	100%
Place	165	399	2,967	3,532	2,862	670	81%
Schools							
Schools	158	88	1,619	1,865	1,658	207	89%
Schools	158	88	1,619	1,865	1,658	207	89%
People							
Adult	0	0	2,231	2,231	2,073	159	93%
Children Services	0	1	1,101	1,101	0	1,101	0%
People	0	1	3,332	3,333	2,073	1,260	62%
Chief Executives							
Chief Executives	0	0	250	250	250	0	100%
Legal	0	12	28	40	40	0	100%
Chief Executives	0	12	278	290	290	0	100%
Resources							
Business Services	0	0	278	278	187	92	67%
Information Services	0	0	232	232	200	32	86%
Professional Services	0	20	215	235	235	0	100%
Corporate Activiites	999	320	695	2,015	295	1,720	15%
Resources	999	340	1,421	2,760	917	1,844	33%
Grand Total	1,323	841	9,616	11,780	7,799	3,981	66%

RESERVES TABLE AS AT 31st JANUARY 2018

APPENDIX C

Summary	Opening Balance (1st April 17) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 18) Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
General Fund	8,585	(678)	(751)	7,156
	8,585	(678)	(751)	7,156
Ringfenced & Specific Reserves				
Budget Management Reserve	3,484	100		3,584
Specific Reserves	1,902	(497)		1,405
21st Century Schools Reserve	6,297	(1,580)		4,717
Adult Services Reserve	2,750	0		2,750
Regeneration Reserve	100	0		100
Invest to Save & Corporate Initiatives (inc J)	5,300	(562)		4,738
Insurance Reserve	2,394	(46)		2,348
Transport & Equipment Funding Reserve	6,199	(537)		5,662
Sub-Total	28,426	(3,122)	0	25,304
Schools Delegated Reserves	486	(1,935)	(140)	(1,589)
School Loans & Other Items	(494)	51		(443)
Net School Delegated Reserves	(8)	(1,884)	(140)	(2,032)
Total Ringfenced & Specific Reserves	28,418	(5,006)	(140)	23,272
Housing Revenue Account	1,761	(82)	284	1,963
	1,761	(82)	284	1,963
Total Revenue Reserves	38,764	(5,766)	(607)	32,391