

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

18th September 2018

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

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

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 This report provides an update on the projected revenue spend against budget for the 2018/19 financial year and reflects the position as at 31st July 2018, it provides an early indication of the 2018/19 full year financial forecast.
- 1.2 The revenue expenditure outturn against budget is projected to be £4.9m over budget, this is based on savings achieved to date but also reflects assurance that further savings will be achieved in year.
- 1.3 This position is not dissimilar to that reported at the same point last financial year. However, the outturn position improved significantly by year end, and was finally reported as an underspend. A number of factors contributed to the improved position including the receipt of additional unexpected funding from Welsh Government, improved income collection, previously unreported underspending in some budgets and capitalisation of transformation costs, all of which eased the pressure on the revenue budget.
- 1.4 Although not yet known some of these factors may again impact on the final outturn position.
- 1.5 Savings of £4.588m (£4.327m June) have been delivered to date, 37% (35% June) of the total £12.296m required, with £7.708m yet to be achieved.
- 1.6 The report has been prepared on an exceptions basis, using actual variance against budget to define the RAG (Red, Amber, Green and Blue) status of the services' financial position. The report only highlights those service areas where projections are forecast to exceed the budget provided, or services that have a significant degree of financial risk on the Council, and where corrective action must be taken to ensure a balanced year end budget, and mitigate any risk for future years.

2 Revenue Position

- 2.1 The revenue forecast is summarised in the table below, expenditure is projected to exceed the budget by £7.504m (June £6.142m), excluding Housing Revenue Account (HRA) and Delegated Schools. It is important to note that efficiency savings will be accounted for when they have been delivered, and we maintain this approach to ensure a prudent position. This is reflected in the figures as the majority of savings have not yet been achieved at this early point in the year and is therefore likely to improve as the year progresses.

- 2.2 To counter this prudent approach and better predict the year end position, this year's reporting also provides a forecast based on the expected delivery of savings. This is only included following assurance from Directors that savings will be achieved or that alternative means of delivery are identified and realistic.
- 2.3 On this basis the projected position will be an overspend of £4.917m against the approved budget.
- 2.4 Both projections are included in the table below.

Summary Forecast by Directorate	Total Working Budget	Forecast Spend	Variance (Over) / Under Spend		Variance including expected savings delivery	
	£'000	£'000	£'000	%	£'000	%
Social Services	84,327	88,547	(4,220)	(5)	(3,298)	(3.9)
Environment	30,648	32,567	(1,919)	(6)	(408)	(1.3)
Schools	36,021	36,142	(121)	(0)	25	(0.1)
Resources	18,137	18,073	64	0	72	(0.4)
Central Activities	2,584	3,892	(1,308)	(51)	(1,308)	(51)
Total	171,717	179,221	(7,504)	(4)	(4,917)	(2.9)
Housing Revenue Account (HRA)	0	(2)	2		2	0
Schools Delegated	75,287	75,418	(131)	(0)	(19)	(0)
Total including HRA and Delegated Schools	247,004	254,637	(7,633)	(3)	(4,934)	(2)

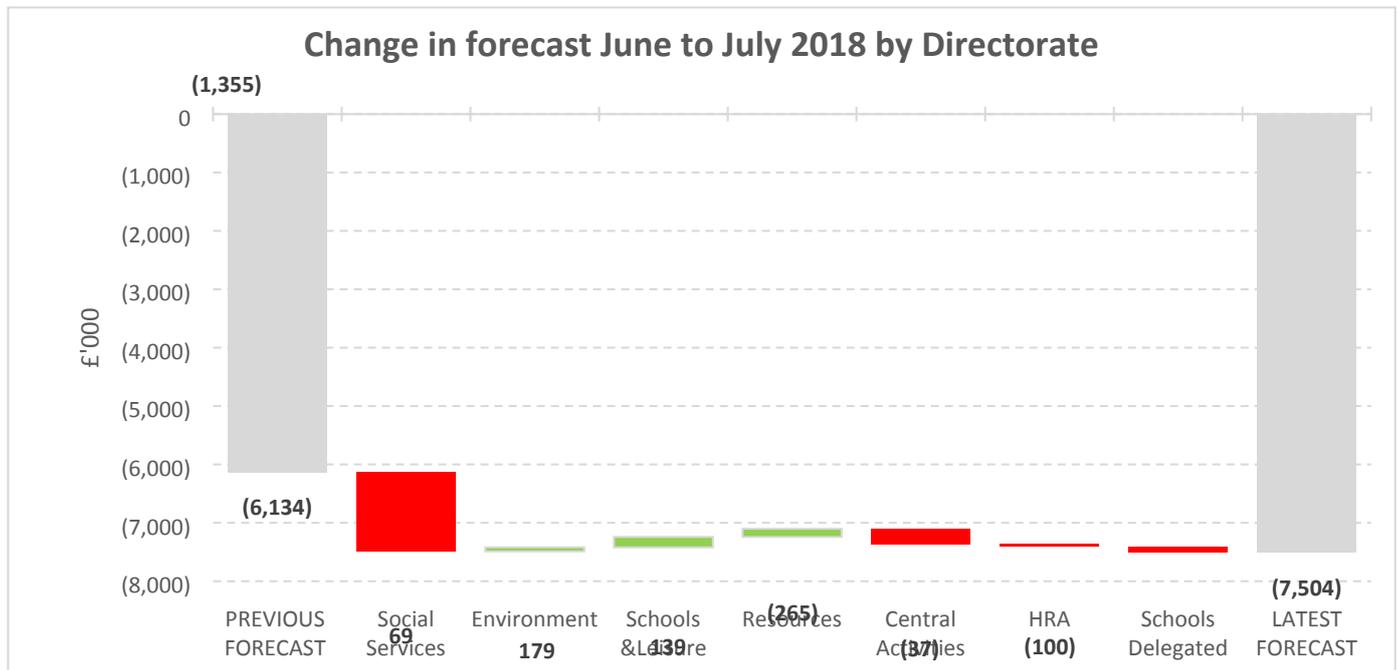
- 2.5 The table in Appendix A details the forecast spend by Service, against approved working budget and shows the projected position on both savings delivery and service performance.

3 Reserves

- 3.1 The total revenue reserves held at 1 April 2018, together with the forecast addition/(use) of reserves during the year and the projected year end balances, as at 31st July, are set out in the table in Appendix C. The revenue reserves held at the beginning of the year totalled £40.3m, with £9.7m held in the General Reserve and Specific and Ring fenced reserves of £27.4m. The planned use of reserves to support the overall revenue budget during the year (excluding Schools and HRA) is £9.9m.
- 3.2 Based on the projections included in this report the overspend position would be financed from the General Fund Reserve. With the assurance around the delivery of savings the impact on the General fund would be £4.860m, reducing the balance to £4.820m this would then represent 2.8% of the total net revenue budget (excluding Schools and HRA) or 4.9% when including the budget management reserve. This revised position would be in line with the policy set.

4 Revenue Forecast

4.1 The graph below shows the change in forecast, from that reported at the end of June to the projected forecast position as at 31st July by Directorate, including HRA and Delegated Schools:



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

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

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance RAGB status
	£'000	£'000	£'000	%	
Children Services	18,503	23,779	(5,276)	(28.5)	R

There has been a further increase in the projected spend for the service with the outturn position now projected to exceed the budget by £5.276m a further £1.375m since that reported in June.

The appropriate workforce establishment has now been agreed and although funding for this is accommodated within the service budget, following the investment provided, many posts are being covered by agency staff at a higher cost per post. The projected position includes the

continuation of agency staff through this financial year and this adds an additional pressure of £964k on the budget.

The predicted spend on Looked after Children (LAC) continues to be higher than the budget allocated due to the increased number of placements currently 229, this represents an additional pressure of £2.774m. Fluctuations in demand and levels of complexity make it a very high risk area which is difficult to forecast, and we must assure that the appropriate level of support is in place and reviewed regularly.

The forecast position also reflects £2.208m of undelivered efficiencies which remain in the base budget.

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

- Additional costs backdated in respect of 'Sleepins' following the outcome of a judicial review
- Holiday pay liability for relief staff at Golwg y Bannau/Camlas
- Legal costs – baseline budget has already been utilised

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Highways, Transport & Recycling (HTR)	21,246	23,310	(2,064)	(10)	R

The overspend in this area has reduced slightly to that reported in June due to the achievement of savings of £107k in relation to the commissioning project. Unachieved savings at this point in the year total £1.4m and are the main reason for the projected position.

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

- Training cost spend is currently projected to exceed budget by £85k, this is now being reviewed to re-align costs back to the budget.
- Trade Waste collection and Domestic Waste are forecast to overspend by £220k and £150k respectively, due to a forecast reduction in income from Trade Waste and continuing increased fuel costs for domestic waste vehicles.
- An increase in the usage of materials within the fleet workshops and a shortfall in income due to the transfer of vehicles to HOWPS no longer maintained in-house, resulting in a forecast overspend at year end of £300k.

The revised forecast based on the expected delivery of savings and other service factors shows that the position will be improved by year end with a forecast overspend reduced to approximately £400k.

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 and Comms	2,432	2,571	(139)	(5.7)	R

The position within Workforce, OD and Comms remains the same, with unachieved savings of £144k being the main reason for the overspend in this area. The saving is to be found from a new service delivery model and a review of all corporate budget headings. However, no plans are currently in place to deliver this.

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	%	
Central Activities	2,584	3,892	(1,308)	(51)	R

The forecast overspend for this area has increased by £265k from that projected at the end of June, the Council Tax surplus previously projected at £1m, is revised to £700k. The surplus is as a result of the change in Council policy whereby a premium of 50% has been charged in respect of properties that are periodically occupied, i.e.: holiday homes/second homes and long term empty properties.

Savings of £1.7m for third party and additional income will not be achieved and remain a pressure on the budget.

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

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	%	
Adult Social Care	65,824	64,639	1,056	1.6	B

The underspend position within Adult Social Care has reduced by £109k from June with a forecast year end position as at the end of July of £1.056m. £1.963m of the original £2.2m investment still remains to be allocated to Service budget headings, this will only be released on presentation of business cases which satisfy criteria set out by full council. The Service continue to deliver on their savings programme with an additional £100k achieved during the month. Savings of £509k or 36% have been achieved to date.

The forecast does not account for future demography, learning disability transitions, contractual agreements including uplifts or winter pressures. In addition, the liability associated with the recent judicial review relating to the payment of the National Living Wage in respect of "Sleep-ins" is still being calculated for the in-house service and legal direction has been sought re external providers.

Schools Delegated	75,287	75,418	(131)	(0.17)	G
<p>The BRAG rating of Green reflects the projected outturn against budget plans submitted by the Schools. These plans include a significant draw on their delegated reserves.</p> <p>Budget plans across the primary sector expect to draw a net £338k from reserves, a slight reduction on that previously reported, £61k in the Special sector. This will be updated monthly going forward.</p> <p>Budget Plans and forecasts received for Secondary schools are projecting a net £1.2m in year draw from reserves.</p> <p>In line with the Scheme for Financing schools, Secondary Schools are required to submit monthly forecast end of year projections. Of the 12 secondary schools 5 schools failed to submit the forecast by the agreed deadline and will be notified of the failure to comply with the scheme, 2 of which have failed 2 months in a row and it is proposed that they now receive a notice of concern.</p>					
Schools Services	27,235	27,448	(213)	(0.78)	G
<p>The significant variances within the Schools Service are detailed below:</p> <p>Schools Improvement – the position has improved by £90k since last month but a forecast overspend of £86k is still expected, this is mainly due to unachieved savings in respect of the change in admission age and the transformation of the 3 year plus provision. Alternative delivery options are being considered by the Service.</p> <p>Home to School Transport – the forecast position is an overspend of £147k including an unachieved saving of £81k and a projected overspend of £80k in respect of 14-19 provision.</p> <p>The centrally retained provision for supply costs has a projected overspend of £105k, in line with last month’s projection, this is due to ongoing supply commitments, further work is required to determine when the projected costs will cease.</p> <p>Schools delegated central – expenditure is projected to exceed budget by £193k and is due to an over commitment on the contingency for class size protection provided to schools and £120k unachieved saving relating to small school closures.</p> <p>These overspends are being offset by an underspend of £408k within the Special other budget this is mainly due to increased income for inter-authority recoupment.</p>					

5 Savings

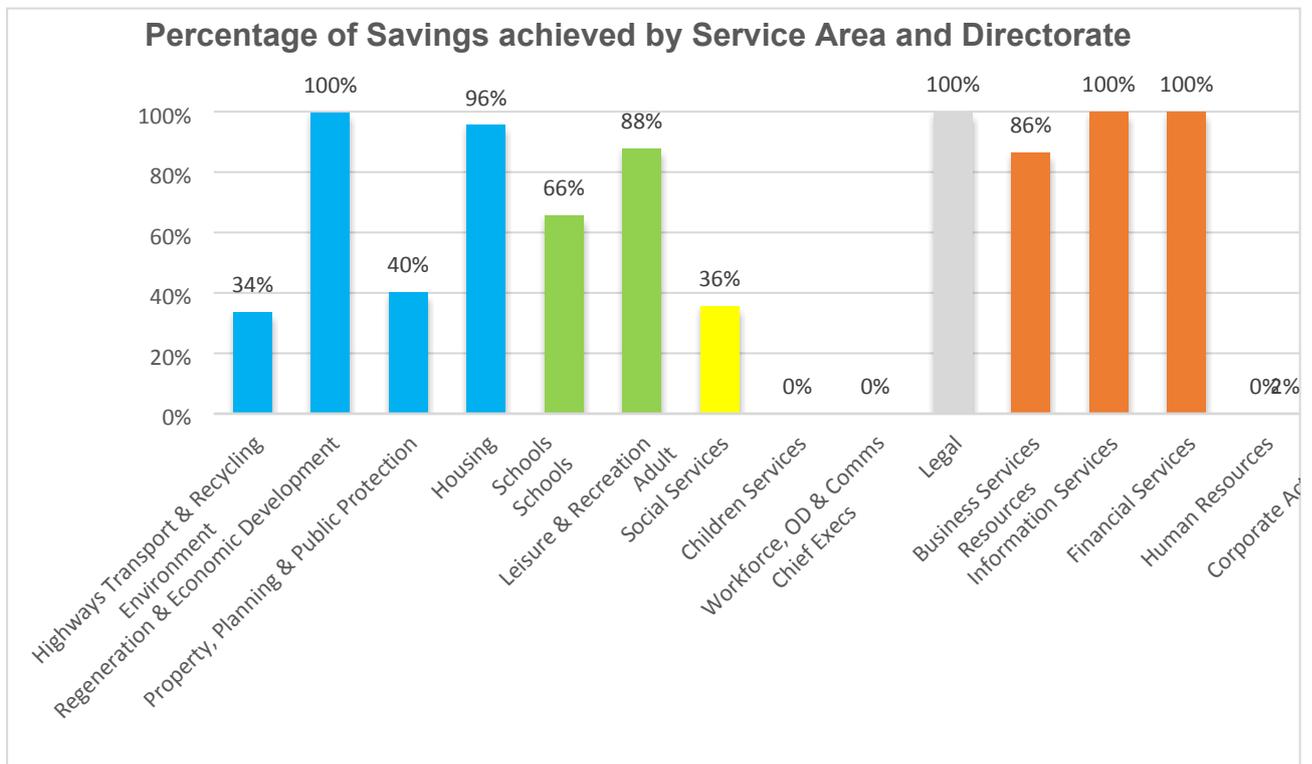
5.1 The table below summarises the delivery of the savings including those that remained undelivered in prior years; £4.6m or 37% has been delivered. For prudence the forecast includes savings that have been achieved or have progressed to a point where there is confidence in final delivery taking place. It does not reflect expectations that are not currently being realised.

	Target £'000	Delivered £'000	Variance £'000
2015/16	1,157	77	1,080
2016/17	321	0	321
2017/18	1,975	351	1,624
2018/19	8,843	4,160	4,683
Total	12,296	4,588	7,708

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

UPDATE ON DELIVERY OF SAVINGS PROPOSALS BY RAG				
Directorate	RED	AMBER	GREEN	TOTAL UNACHIEVED SAVINGS AS AT 31ST JULY 2018
	£'000	£'000	£'000	£'000
Social Services	2,298	911	11	3,220
Environment	131	1,509	0	1,641
Schools	543	87	0	630
Resources	2,013	97	0	2,110
Chief Executives	107	0	0	107
Total	5,092	2,605	11	7,708

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



6 Virements and Grants for Approval

The following are virements for approval and grants to be accepted:-

Grants to be accepted

- 6.1 Regional Tourism Engagement Fund 2018-19 – Three Sisters Digital Discoveries, £95,275 funded by Visit Wales, £10,000 match funded by Powys County Council. The project title, the Three Sisters of Plynlimon, is an old Welsh legend that follows three sisters as they travel along the rivers Wye, Severn and Ystwyth and this project will bring alive the legend and market the Mid Wales area to new visitors. Through a range of product development and event based activity the project will enhance awareness and engagement within the uplands of mid Wales and see year around use of our tourism assets.

7 Options Considered/Available

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

8 Preferred Choice and Reasons

None to consider.

9 Impact Assessment

Is an impact assessment required? Yes/No

10 Corporate Improvement Plan

To achieve the Corporate Improvement Plan (CIP) objectives the Council undertakes forward planning with its medium term financial strategy (MTFS) - this sets out the financial requirements to deliver the short and longer term council vision. These capital and revenue monitoring reports are used to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

11 Local Member(s)

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

12 Other Front Line Services

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

13 Communications

Budget information is of interest to internal and external audiences and regular updates are provided by the Portfolio Holder for Finance. Detailed finance reports are presented to Heads of Service, Cabinet and the Audit Committee. These reports are public and are part of a range of statutory and non-statutory financial information documents including the Statement of Accounts.

14 Support Services (Legal, Finance, HR, ICT, BPU)

This report has no specific impact on support services other than reporting on those service areas financial outturns. Financial Services work closely with all service areas in monitoring financial performance against budgets.

15 Scrutiny

Has this report been scrutinised? Yes / No

16 Data Protection

If the proposal involves the processing of personal data then the Data Protection Officer must be consulted and their comments set out below.

17 Statutory Officers

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

The position projected at the end of July reports a higher level of projected expenditure than that reported for June and although some assurance has been provided that savings for some Directorates will be delivered the overall position remains in an overspend position.

The Council has made a significant level of investment into social care services in Powys. The additional funding provided budget to support the increased level of demand experienced in both service areas and also funded the detailed plans for improvement. Demand within Children's services continues and placement costs are already exceeding the increased level of budget. This continues to be an area of financial risk for the Council.

Assurance received that further savings will be delivered is reassuring, however the outstanding savings removed from the base budget within children's services remain an issue, further consideration of these will to be taken through the budget process, any change in this requirement will add to the savings gap for 2019/20.

Some of the factors which led to an improved outturn position last year arose from within the organisation, it is crucial that the forecasting of income and potential underspends are reported more readily as the year progresses to avoid significant fluctuations at year end.

It is therefore proposed that a review off all budget lines be undertaken and where underspends are already being reported and unlikely to change, or where income is higher than expected and projected to continue the 151 officer has delegated authority in consultation with the Portfolio Holder for Finance to freeze or realign these budgets for the remainder of this financial year.

The use of reserves to fund the projected overspend is significant and although the projected year end balance for general fund reserves is in line with policy it would be at the lower level of acceptability.

School budgets particularly those within the secondary sector, remain a risk that needs to be addressed, compliance work and action is crucial to ensure that this is managed effectively.

The Monitoring Officer has no specific concerns with this report.

17 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</p> <p>b. The virements and grants are approved and accepted in para 6.1</p> <p>c. That a review off all budget lines be undertaken and where underspends are already being reported and unlikely to change, or where income is higher than expected and projected to continue the 151 officer has delegated authority in consultation with the Portfolio Holder for Finance to freeze or realign these budgets for the remainder of this financial year.</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	E mail	
Jane Thomas	01597 827789	jane.thomas@powys.gov.uk	

APPENDIX A

Forecast Outturn and Undelivered Savings as at 31st July 2018

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 31st July 2018	Service Under/(Over) spend excl. unachieved savings	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
		£'000	£'000	£'000	£'000	%	
Social Services							
Adult & Commissioning	65,824	64,768	1,056	(922)	1,978	1.6	B
Children Services	18,503	23,779	(5,276)	(2,298)	(2,978)	(28.5)	R
Environment							
Regeneration	1,327	1,311	16	0	16	1.2	B
Property Planning and Public Protection	7,129	7,001	128	(182)	310	1.8	B
Housing General Fund	946	945	1	(4)	5	0.1	G
Highways, Transport & Recycling	21,246	23,310	(2,064)	(1,455)	(609)	(9.7)	R
Schools							
Schools Service	27,235	27,448	(213)	(543)	330	(0.8)	G
Leisure & Recreation	8,786	8,694	92	(87)	179	1.0	B
Resources							
Business Services	6,622	6,540	82	(97)	179	1.2	B
Information Services	4,125	4,058	67	0	67	1.6	B
Legal Services	3,066	3,035	31	0	31	1.0	B
Financial Services	1,892	1,869	23	0	23	1.2	B
Workforce, OD and Comms	2,432	2,571	(139)	(157)	18	(5.7)	R
Service Area Totals	169,133	175,329	(6,196)	(5,745)	(451)	(3.7)	
Central Activities	2,584	3,892	(1,308)	(1,963)	655	(50.6)	R
Total	171,717	179,221	(7,504)	(7,708)	204	(4.4)	
Housing Revenue Account (HRA)	0	(2)	2	0	2	0.0	G
Schools Delegated	75,287	75,418	(131)	0	(131)	(0.2)	G
Total including HRA	247,004	254,637	(7,633)	(7,708)	75	(7,708)	

EFFICIENCY TRACKER AS AT 31st JULY 2018

APPENDIX B

Efficiency / Saving	2015/16	2016/17	2017/18	2018/19	Total to be Achieved 18/19	Total Achieved to Date	Remainder to find	Achieved
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	%
Environment								
Highways Transport & Recycling	0	0	270	1,923	2,194	739	1,455	34%
Regeneration & Economic Development	0	0	0	100	100	100	0	100%
Property, Planning & Public Protection	0	0	31	272	303	122	182	40%
Housing	0	0	0	86	86	82	4	96%
Environment	0	0	302	2,381	2,683	1,042	1,641	39%
Schools								
Schools	158	0	49	1,376	1,583	1,040	543	66%
Leisure & Recreation	0	0	0	709	709	623	87	88%
Schools	158	0	49	2,085	2,292	1,662	630	73%
Social Services								
Adult	0	0	0	1,432	1,432	509	922	36%
Children Services	0	1	1,101	1,197	2,298	0	2,298	0%
Social Services	0	1	1,101	2,629	3,730	509	3,221	14%
Chief Executives								
Workforce, OD & Comms	0	0	0	107	107	0	107	0%
Legal	0	0	0	61	61	61	0	100%
Chief Executives	0	0	0	168	168	61	107	37%
Resources								
Business Services	0	0	92	623	715	618	97	86%
Information Services	0	0	32	323	354	354	0	100%
Financial Services	0	0	0	303	303	303	0	100%
Human Resources	0	0	0	50	50	0	50	0%
Corporate Activities	999	320	400	281	2,001	38	1,963	2%
Resources	999	320	524	1,580	3,424	1,313	2,111	38%
Grand Total	1,157	321	1,975	8,843	12,296	4,588	7,708	37%

RESERVES BALANCES AS AT 31ST JULY

APPENDIX C

Summary	Opening Balance (1st April 18) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 19) Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
General Fund	9,680	57	(4,917)	4,820
	9,680	57	(4,917)	4,820
Ringfenced & Specific Reserves				
Budget Management Reserve	3,584	0		3,584
Specific Reserves	2,356	50		2,406
21st Century Schools Reserve	5,524	(5,000)		524
Adult Services Reserve	2,750	(2,000)		750
Regeneration Reserve	100	0		100
HOWPS	185	0		185
Mid Wales Growth Fund	150	0		150
Highways Reserve	57	(57)		0
Invest to Save & Corporate Initiatives (inc J)	5,830	(858)		4,972
Insurance Reserve	1,587	0		1,587
Transport & Equipment Funding Reserve	6,163	(2,082)		4,081
Sub-Total	28,286	(9,947)	0	18,339
Schools Delegated Reserves	(693)	(1,651)	(131)	(2,475)
School Loans & Other Items	(185)	7		(178)
Net School Delegated Reserves	(878)	(1,644)	(131)	(2,653)
Total Ringfenced & Specific Reserves	27,408	(11,591)	(131)	15,686
Housing Revenue Account	3,267	212	2	3,481
	3,267	212	2	3,481
Total Revenue Reserves	40,355	(11,322)	(5,046)	23,987