

Financial Overview and Forecast as at 30th November 2019

CYNGOR SIR POWYS COUNTY COUNCIL

County Councillor Aled Davies

Portfolio Holder for Finance

Overview

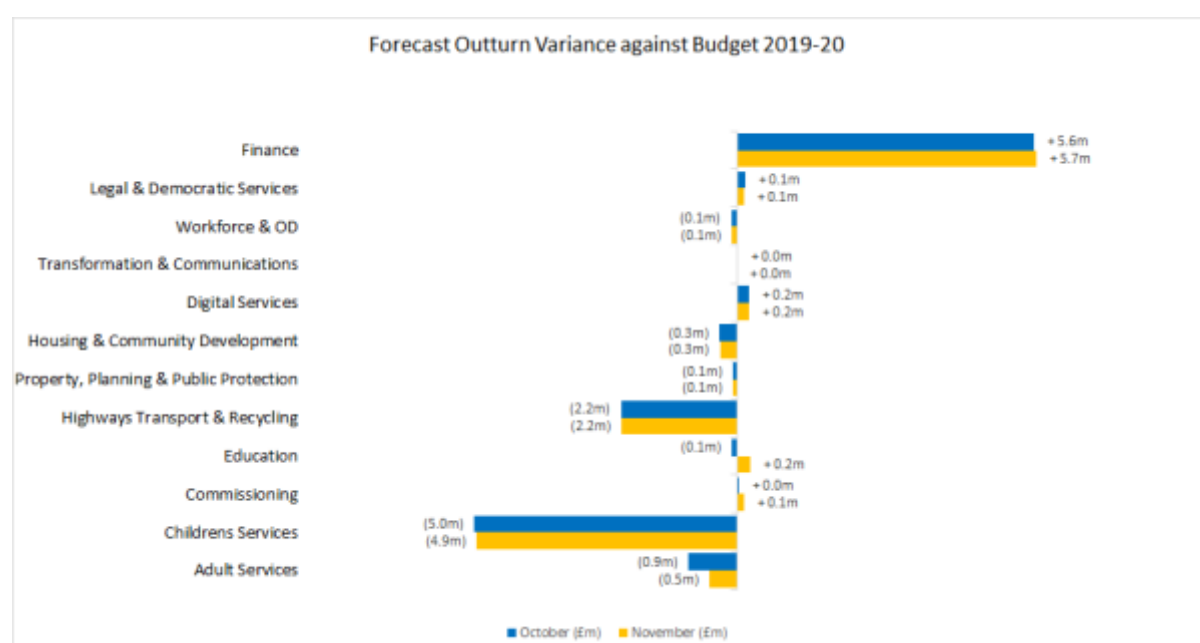
This report presents the forecast outturn on the 2019-20 revenue budget as at 30th November 2019. The forecast shows an improved position with the projected overspend now

reported at £1.765 million by year end (down from £2.715 million reported in October). The improved position reflects the delivery of additional savings with £14.004 million achieved by November 30th.

The total budget savings requirement for 2019-20 is £21.692 million, leaving £7.688 million still to be delivered. There are further savings of £2.377 million expected to be delivered by the year end, and reduces the undelivered savings figure to £5.311m. The delivery of these savings will ensure a surplus position at year end estimated at £0.612 million.

The position is dependent on whether Adult Social Care are able to continue to successfully manage the service pressures identified when setting the budget, these were estimated at £9.5 million but as a result of the service's interventions only £4.246 million have materialised at this point in the year. Demographic increases to date have been mitigated by preventative measures (such as Technology Enabled Care), but this could change over the coming months.

Revenue Position



The chart above shows the variance against budget for each service, and how this position has changed since that reported in October. The variance continues to reflect the significant underspend against Finance due to the reduced cost of borrowing to support the capital programme, which is covering the overspend in Children's Services.

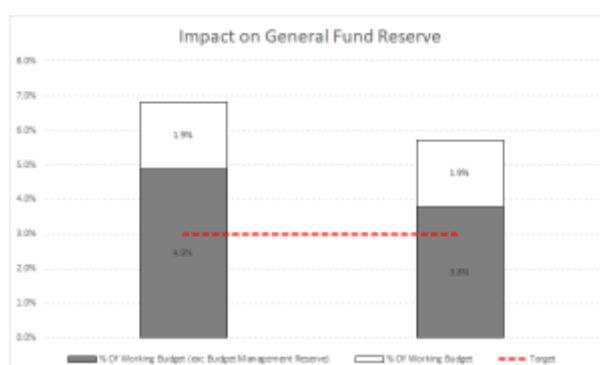
The revenue budget that supports the borrowing requirements of the authorities capital programme is under constant review and due to changes and slippage in the capital programme the need to borrow and make provision for future debt has reduced, this budget is therefore reported with a significant level of underspend and is used to support the savings gap on a non recurrent basis.

The overall forecast has improved since October, the two main areas of improvement are Education and Adults which have realised planned savings.

Reserves

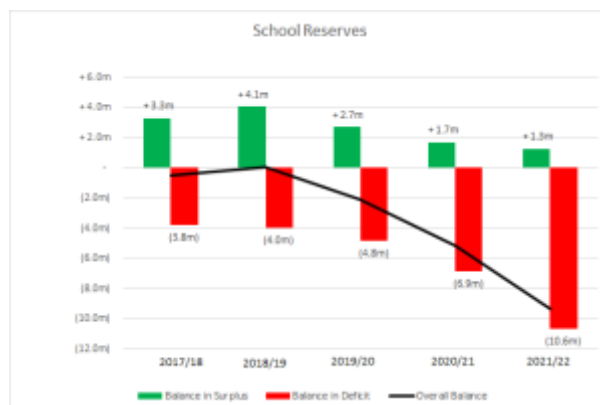
The revenue reserves held at the beginning of the year totalled £27.9 million, with £9.1 million held in the General Reserve and Specific and Ring-fenced reserves of £18.9 million. The planned use of reserves to support the overall revenue budget during the year (excluding Schools and HRA) is £1.256 million.

Savings are not reflected in the outturn position until they are achieved and assurance that further savings can be delivered limits the need to draw on the Councils reserves to balance the budget. Based on this current position and if no further savings were delivered the forecast overspend in-year would need to be financed from the General Fund Reserve reducing it to £7 million (3.8% of the total net revenue budget (excluding Schools and HRA)). When the budget management reserve is included this figure rises to 5.7%. This revised position would be in line with the policy set.



School Budgets and the level of deficit continues to be a significant risk that must be addressed. 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 £2.755 million. During the year Schools have revised their budget plans and are now projecting a reduced use of reserves by £482,000. On this basis the projected balance at the end of the financial year would be a deficit of £2.195 million.

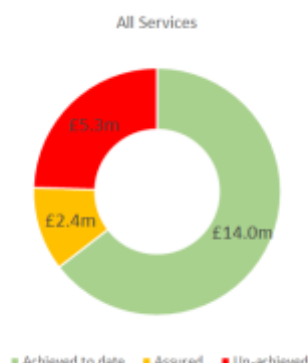
Compliance work and action is crucial to ensure that this is managed effectively. The issuing of Notices of Concern was the first step in this compliance work and further intervention has been taken at some schools with the issue of formal warning notices reinforcing the need for Governing Bodies to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



1 - This chart shows the overall School Reserve balances and the total value of Schools which are in Surplus (Green) and Deficit (Red) and the forecast for this financial year and the following two financial years based on the latest budget

plans submitted by the schools. Governing Bodies have not yet finalised their recovery plans to reduce the deficits they face from 2020/21 and support with this work continues.

Efficiency Savings



The total savings required in the current financial year is **£21.692 million**.

The savings delivered to date have increased by **£0.415 million** to **£14.004 million**, 70% of the total. This position is reflected in the Revenue Outturn Forecast reported.

Assurance has been provided that further savings of **£2.377 million** can be delivered this year, these have been allocated an Amber RAG status. The remaining **£5.311 million** is considered to be unachievable in the current financial year 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. There is a **£2m uncommitted budget** held centrally to part fund the in year savings gap, originally set aside for the risk on savings delivery within Social Care.

Services have confirmed that **£1m** of the unachieved savings will be delivered in 2021. The undeliverable savings have been included in the budgetary requirements for 2020/21 and will be considered as part of the overall budget setting process once the draft settlement is provided by Welsh Government.

Revenue Forecast

Service Area	Working Budget	Forecast Spend	Variance (Over)/Under Spend	Variance (Over)/Under Spend %	Variance BRAG Status
Adult Services	64,887	65,413	(526)	(0.8)	G
Children's Services	20,300	25,229	(4,929)	(24.3)	R
Commissioning	3,438	3,313	125	3.6	R
Education	21,988	21,747	241	1.1	A
Highways Transport & Recycling	29,075	31,266	(2,191)	(7.5)	R
Property, Planning & Public Protection	5,755	5,837	(82)	(1.4)	A
Housing & Community Development	8,923	9,347	(324)	(3.6)	R
Digital Services	4,992	4,773	219	4.4	R
Transformation & Communications	1,783	1,781	2	0.1	G
Workforce & OD	1,266	1,472	(306)	(7.8)	R
Legal & Democratic Services	3,159	3,691	532	4.1	R
Finance	25,759	14,061	5,678	28.7	R
Total	185,625	187,190	(1,765)	(1.0)	
Housing Revenue Account (HRA)	0	(107)	107		G
Schools Delegated	89,761	69,279	482	0.7	R

2 - The BRAG status criteria is as follows

- *Over/Underspend greater than 2% - Red*
- *Over/Underspend between 1 & 2% - Amber*
- *Over/Underspend less than 1% - Green*
- *Schools Delegated status is now shown as Red. Expenditure is reported broadly in line with budgets demonstrated by a small variance, however some schools are in an unlicensed budget position with deficit reserve balances and this position is highlighted through the revised RED status.*

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 - £64.887m**
- **Forecast - £65.413m**
- **Variance - (£0.526m) - (0.8%) - Green**

Having managed a £9.5m pressure in year, the projected variance has reduced by approximately £400k. The savings being achieved are making a significant difference to the anticipated final position. The service continues to aim to end the year with a balanced budget. However, the potential impact of the winter pressures are yet to be realised and this remains a significant risk.

Childrens Services

- **Net Budget - £20.300m**
- **Forecast - £25.229m**
- **Variance - (£4.929m) - (24.3%) - Red**

Commissioning

- **Net Budget - £3.438m**
- **Forecast - £3.313m**
- **Variance - £0.125m - 3.6% - Red**

Education

- **Net Budget - £21.988m**
- **Forecast - £21.747m**
- **Variance - £0.241m - 1.1% - Amber**

Schools Delegated

- **Net Budget - £69.761m**
- **Forecast - £69.279m**
- **Variance - £0.482m - 0.7% - Red**

We are continuing to monitor schools' delegated budgets with follow up meetings for those schools with warning notices undertaken this month. The warning notices remain in place until the

schools act on the proposals in the recovery plans submitted. The consultation on some amendments to the funding formula has concluded and the paper will be taken to cabinet this week.

School service budget is under review with each budget holder looking at what level of staffing is required to deliver the Post Inspection Action Plan. Gaps in provision for ALN in particular have been identified as a pressure going forward. Through working closely with finance officers, the pressures have been identified.

Highways, Transport & Recycling

- Net Budget - £29.075m
- Forecast - £31.266m
- Variance - (£2.191m) - (7.5%) - Red

Of the original £3m budget reduction target for HTR at the outset of 2019/20 (savings and budget pressures), we forecast that that approximately £1.2m will remain at year end. We have identified £653k as unachievable; £400k of which is part of the £3m saving allocated at the very end of 2018/19.

Excluding the savings, the overspend is approximately £600k; mainly in waste & recycling collections and School & Public transport. Transport cost increased after the last re-tendering process, and Public Transport is insufficiently supported by Welsh Government (WG). We are currently in dialogue with WG regarding additional funding, whilst also making plans for necessary changes to reduce this overspend going forward. The overspend in Waste & Recycling collections is due to additional vehicle hires; which is reducing, an over ambitious income target against Trade Waste services, and increased costs for diverting waste to energy recovery facility

Property, Planning & Public Protection

- Net Budget - £5.755m
- Forecast - £5.837m
- Variance - (£0.082m) - (1.4%) - Amber

Housing & Community Development

- Net Budget - £8.923m
- Forecast - £9.247m
- Variance - (£0.324m) - (3.6%) - Red

Housing Revenue Account

- Net Budget - £0m
- Forecast - (0.107m)
- Variance - £0.107m - Green

Digital Services

- Net Budget - £4.992m

- Forecast - £4.773m
- Variance - £0.219m - 4.4% - Red

All savings have been achieved and plans in place to deliver within budget variance.

Transformation & Communications

- Net Budget - £1.783m
- Forecast - £1.781m
- Variance - £0.002m - 0.1% - Green

All savings achieved. The forecast is anticipated to increase in the forthcoming months due to over-achievement of income. The service remains vigilant with its spending.

Workforce and Organisational Development

- Net Budget - £1.366m
- Forecast - £1.472m
- Variance - (£0.106m) - (7.8%) - Red

Out of the revenue savings required for the WOD service in 2019/20, a balance of £226k remains. 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 c£140 to £150k by the 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 - £3.031m
- Variance - £0.128m - 4.1% - Red

The underspend has been created by a one off additional income this year for the elections service which will not be replicated in future years.

Finance

- Net Budget - £19.759m
- Forecast - £14.081m
- Variance - £5.678m - 28.7% - Red

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. The recharge of costs across other services as originally proposed is being challenged as a policy decision and this is currently being reviewed, this gap is being offset currently by other areas of the budget.

The forecast for Corporate Activities is now £5.5 million underspend by year end. Capital charges are projected to be less than the budget by £2.6m, slippage in the Capital programme last year and the receipt of additional grant have reduced the need to borrow and lessened the increase in the Minimum Revenue Provision. The impact of further changes or slippage in the capital programme for 2019/20 are also impacting on this revenue budget, the position will be continually reviewed and updated. The £2m set aside at budget setting to manage the risk inherent in the budget remains uncommitted and is reflected in the financial position, together with the surplus projected on Council Tax collection.

Transformation

Transformation Costs 19-20	Forecast Outturn	Budget	Variance
	£,000	£,000	£,000
Transformation Projects to be capitalised	2,070	2,000	-70
Organisational Transformation	1,100	990	-110
School Redundancies plus Pension Strain	470	650	180
	3,640	3,640	0

Transformation of council services is critical to reducing the cost of delivering essential services to our residents. Maximising the use of the Welsh Government Directive to support the cost of this transformation is a key element of our financial strategy. The table above shows the level of support built into the budget for the current financial year and the position to date. The funding for this is provided through the ability to utilise capital receipts through a capitalisation direction. The level of Capital receipts is expected to increase during the year and will be in excess of that needed to cover the costs incurred in the current financial year.

Grants / Virements for Approval

Children's service have accepted an additional in-year grant allocation for parental and family relationship support of £129,000. This will in part fund training for social workers and agency back fill to cover those undertake the courses. Digital Transformation Programme Grant has been awarded by Welsh Government, this will be used to support the acceleration and scaling up of the implementation of Powys' Digital Transformation Programme through 'Customer Centred Digital Solutions' and 'Information Excellence' workstreams, it will be allocated as follows, 2019/20 - £304,564, 2020/21 - £299,438 and in 2021/22 £304,564.

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, 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

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

This month reports a continued improvement to previous months supported by an increase in level of savings delivered and confirmation of the under utilisation of the cost of borrowing budgets.

Assurance continues that further savings can be achieved during this financial year and this ensures the delivery of a balanced budget and reduces the need to draw on the revenue reserves. A change in the level of assurance by Heads of Service would be of concern, any further changes will increase the risk of delivering a balanced budget. The continued gap in the delivery of savings and the proposals to address this must be resolved quickly, as this will continue to impact on the budget in future years. As is highlighted in the report the council set aside an additional £2m to mitigate the risk inherent in the budget particularly in light of the continued pressure on the Children Services budget and delivery of savings, the use of this is included in the projected position but it has not been allocated to any specific service.

The potential pressures identified in Adult Social Care are significant and although to date only 45% of these have materialised this still represents a risk to our projected forecast.

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. Discussions continue with the schools issued with formal Warning notices. Further action will be taken where recovery plans are not being developed and implemented.

The Monitoring Officer has no specific concerns with this report.

Members Interest

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

That Cabinet note the budget position.

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

N/A

Person(s) to Implement Decision

Jane Thomas

Decision Implementation Date

Ongoing

Contact Officer

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