



# Financial Overview and Forecast as at 31st December 2019

**CYNGORSIR POWYS COUNTY COUNCIL**

**County Councillor Aled Davies**

**Portfolio Holder for Finance**

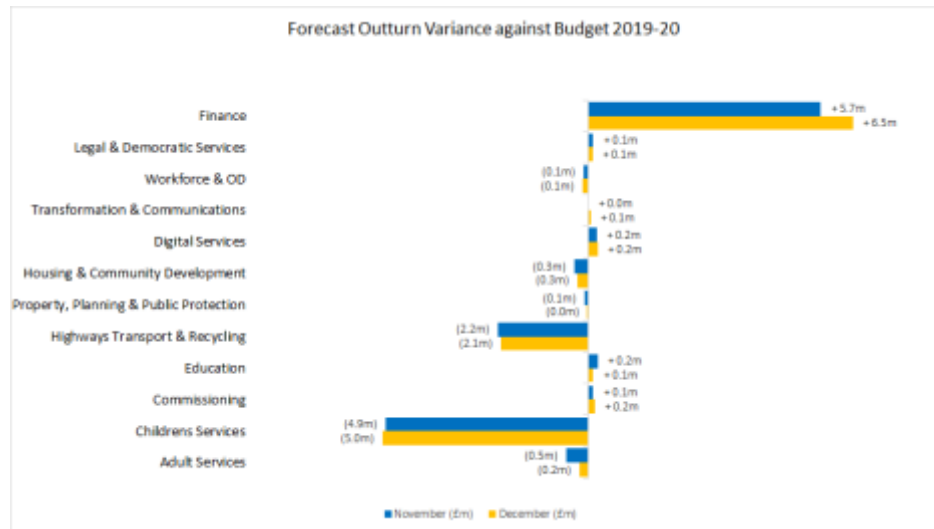
## Purpose

**This report presents the forecast outturn on the 2019-20 revenue budget as at 31st December 2019. The forecast shows an improved position with the projected overspend now reported at £0.57 million by year end (down from £1.77 million reported in November). The improved position reflects the delivery of additional savings with £14.58 million achieved by December 31st.**

Further delivery of savings is expected in the last quarter of the year which will further improve the Outturn position, a prudent forecast of £0.62 million surplus is anticipated.

The position remains dependent on whether Adult Social Care are able to continue to manage service pressures, this is particularly relevant at this time of year with increasing pressure from the Health service to get patients out of hospital and supported back in their own home.

## Revenue Position



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

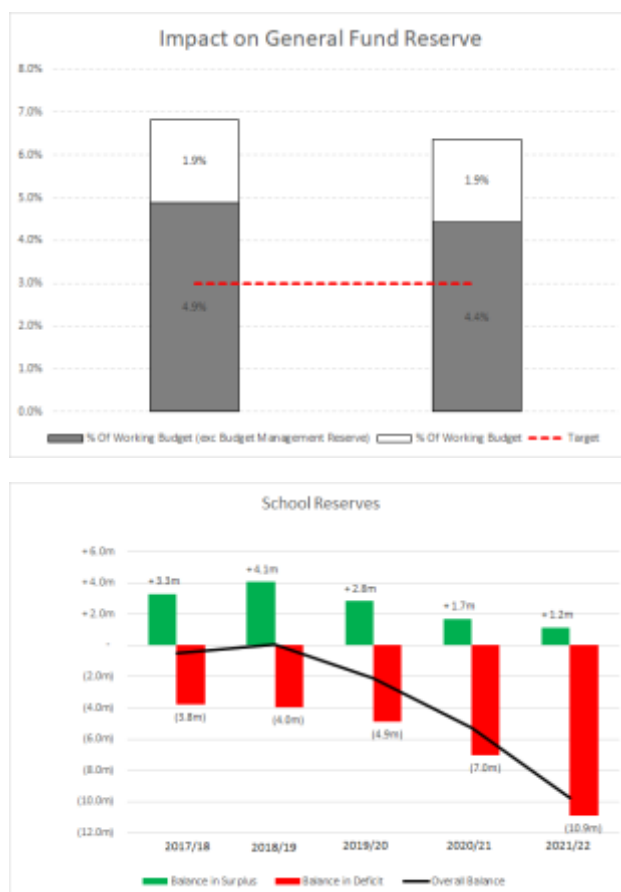
The revenue budget that supports the borrowing requirements of the Council's capital programme is under constant review and due to changes and slippage in the capital programme the need to borrow and make provision for future debt has reduced, this budget is therefore reported with a significant level of underspend which is offsetting overspends in other services and non delivery of savings on a non recurrent basis.

## Reserves

The revenue reserves held at the beginning of the year totalled £27.90 million, with £9.10 million held in the General Reserve and Specific and Ring-fenced Reserves of £18.80 million. The planned use of reserves during the year (excluding Schools and HRA) is £1.20 million.

Cost reductions are not reflected in the outturn position until they are achieved. Based on this current position and if no further cost reductions were delivered the forecast overspend of £0.57 million would need to be financed from the General Fund Reserve, alongside other small planned

contributions from reserve, reducing it to £8.20 million (4.4% of the total net revenue budget (excluding Schools and HRA)). This revised position remains in line with the policy set.

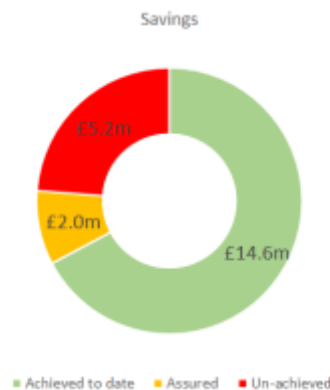


1 - This chart shows the overall School Reserve balances and the total value of Schools which are in Surplus (Green) and Deficit (Red) and the forecast for this financial year and the following two financial years based on the latest budget plans submitted by the schools but excludes the 2020-21 Draft Budget proposals.

School Budgets and the level of deficits continue 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 £2.65 million. During the year schools have revised their budget plans reducing the projected balance at the end of the financial year to £2.37 million.

The draft budget 2020-21 approved by Cabinet on 21st January includes funding to meet the pressures faced by schools, including pay and price pressures which will assist in stabilising school budgets. This will not remove the need for Governing bodies to take action to reduce deficits and further compliance work is crucial to ensure that these are managed effectively. Follow up work will continue with those schools under Notices of Concern and Warning Notice and further intervention will be taken if necessary.

## Efficiency Savings



In February 2019 the Council approved cost reduction proposals of £12.99 million. In addition Council was advised that Social Services (Children's and Adults Services) would offset or absorb £8.70 million of service pressures within the 2019-20 budget allocations. Together these total £21.69 million. As at 31st December, £14.58 million of this figure had been delivered, 67% of the total, comprising £5.33 million of pressures managed by Social Care and £9.266 million of cost reductions from other services. This position is reflected in the Revenue Outturn Forecast reported.

Assurance has been provided that further cost reductions / pressures of £2.00 million can be delivered or managed this year although as there are only three months of the financial year remaining the full year effect may not materialise. These have been allocated an Amber RAG status. The remaining £5.16 million is considered to be unachievable in the current financial year and is therefore recorded as Red. These comprise of £3.04 million of cost reductions and £2.12 million of pressures within Social Care.

Some mitigating action has been taken by services, and alternative means of covering the 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 £2.00 million uncommitted budget held centrally which is being used to offset the pressure that has materialised within Social Care.

Services have confirmed that £1.00 million of the cost reductions will be delivered in 2020-21.

The remaining undeliverable cost reductions or pressures have to be resolved and the draft budget for 2020-21 addresses this shortfall.

## Revenue Forecast

Service Area	Working Budget	Forecast Spend	Variance (Over) / Under Spend	Variance (Over) / Under Spend %	Variance BRAG Status
Adult Services	64,562	64,775	(213)	(0.3)	G
Childrens Services	20,625	25,634	(5,009)	(24.3)	R
Commissioning	3,438	3,270	168	4.9	P
Education	21,968	21,860	108	0.4	G
Highways Transport & Recycling	29,075	31,192	(2,117)	(7.3)	R
Properties, Planning & Public Protection	5,784	5,798	(14)	(0.2)	G
Housing & Community Development	8,939	9,201	(262)	(2.9)	R
Digital Services	4,963	4,718	245	4.9	P
Transformation & Communications	1,766	1,706	60	3.4	P
Workforce & OD	1,368	1,501	(135)	(9.9)	R
Legal & Democratic Services	3,159	3,045	114	3.6	P
Finance	19,759	13,294	6,465	32.7	P
Total	385,424	385,994	(570)	(0.1)	G
Housing Revenue Account (HRA)	0	(120)	120		G
Schools Delegated	89,761	89,564	197	0.2	R

2 - The status criteria is as follows

- Overspend greater than 2% - Red
- Over/Underspend between 1 & 2% - Amber
- Over/Underspend less than 1% - Green
- Underspend greater than 2% - Purple
- Schools Delegated status is 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 forecast 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 - £64.56m
- Forecast - £64.78m
- Variance - (£0.22m) - (0.3%) - Green

Having faced significant pressures at the start of the year it is pleasing that the mitigation actions put in place have been effective and that the current position of £0.20 million overspend continues to reduce. We are confident that by the end of the financial year we will be within budget.

### Children's Services

- Net Budget - £20.63m
- Forecast - £25.63m
- Variance - (£5.001m) - (24.3%) - Red

At the start of the financial year the service had pressures to manage of £6.25 million and they agreed to deliver savings of £3.65 million. £6.48 million of pressures have materialised in-year, with an increase in the forecast overspend of £81,000 since November 2019. £2.20 million of savings are now deemed

unachievable. The pressures are mainly linked to spend exceeding the budget by £5.43 million for Children Looked After (CLA), Resources by £0.55 million and mitigated by the difference between staff slippage and Agency costs of £0.97 million.

There has been a 'net increase' to date of 1 CLA placement in 2019-20 but the budget pressure has increased by £1.60 million from the beginning of the year due to throughput, changes in complexity of need and provider uplifts. For example 16 of the CLA placements that have left the care system were nil cost to the authority because placed with own parents or person with parental responsibility, placed for Adoption or Independent Living.

The number of Agency staff has decreased by 3 in December due to the service recruiting permanent employees, which is more cost effective.

### **Commissioning**

- **Net Budget - £3.44m**
- **Forecast - £3.27m**
- **Variance - £0.17m - 4.9% - Purple**

The variance is as a result of staffing vacancies which have been held to deliver a budget reduction in 2020-21.

### **Education**

- **Net Budget - £21.99m**
- **Forecast - £21.86m**
- **Variance - £0.13m - 0.6% - Green**

### **Schools Delegated**

- **Net Budget - £69.76m**
- **Forecast - £69.56m**
- **Variance - £0.20m - 0.3% - Red**

Schools delegated variance demonstrates an in-year underspend. However, the RAG status demonstrates the overall cumulative projected deficits across the sectors. The service and finance officers continue to work with all secondary schools and the position is updated monthly once the schools have supplied their revised forecast positions.

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

- **Net Budget - £29.08m**
- **Forecast - £31.19m**
- **Variance - (£2.12m) - (7.3%) - Red**

£1.50 million of the forecast overspend relates to cost reductions that have not yet been delivered in 2019-20, however £0.31 million are due to have been delivered by 31 March 2020. There has been steady improvement in Waste & Recycling Operations to reduce the budget overspend suffered last year. Transport remains the area of highest overspend, additional funding is being sought from Welsh Government, along with the planned Transport Review. Latest weather forecast predicts a continuation of the relatively mild winter, which could also influence the forecast budget position in the final quarter.

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

- **Net Budget - £5.78m**
- **Forecast - £5.79m**
- **Variance - (£0.01m) - (0.2%) - Green**

Unachieved savings and income targets relating to property related projects remain a concern for the service area. Measures such as not filling vacant posts and undertaking work for other authorities have helped to mitigate the impact.

#### **Housing & Community Development**

- **Net Budget - £8.94m**
- **Forecast - £9.20m**
- **Variance - (£0.26m) - (2.9%) - Red**

#### **Housing Revenue Account**

- **Net Budget - £0m**
- **Forecast - (0.12m)**
- **Variance - £0.12m - Green**

The Catering Service is forecasting an overspend and will not achieve its savings target for this financial year. There was a reduction in the uptake of school meals following the price increase in April 2019. The Service has worked hard to mitigate these impacts and reduce the overspend as far as possible, by monitoring staffing hours and promoting school meals. As a result there has been some increase in uptake since the summer, compared to last year. It should be noted that there is an outstanding -£0.09 million in school meal debt, this has been raised with Finance and the Portfolio Holder and actions are in progress to deal with this issue.

#### **Digital Services**

- **Net Budget - £4.96m**
- **Forecast - £4.72m**
- **Variance - £0.25m - 4.9% - Purple**

A large number of projects with late confirmation of funding has resulted in current staff being quickly seconded to projects with their own funding streams. This has resulted in an underspend on unfilled posts. Contract costs have also reduced further than anticipated in year.

#### **Transformation & Communications**

- **Net Budget - £1.76m**
- **Forecast - £1.70m**
- **Variance - £0.06m - 3.4% - Purple**

The forecast underspend is due the service holding a vacancy to deliver a proposed cost reduction in 2020-21. The forecast underspend at year end could be slightly highly subject to possible increased income.

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

- **Net Budget - £1.36m**
- **Forecast - £1.50m**
- **Variance - (£0.14m) - (9.9%) - Red**

The forecast overspend is due to undelivered cost reduction proposals that were placed on the Service late in the last financial year offset by the delivery of one-off savings in year.

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

- **Net Budget - £3.15m**
- **Forecast - £3.04m**
- **Variance - £0.11m - 3.6% - Purple**

The underspend is due to income received to reimburse the costs for the 2017 general election, the costs were funded from the general fund reserve when they were incurred.

#### **Finance**

- **Net Budget - £19.75m**
- **Forecast - £13.29m**
- **Variance - £6.46m - 32.7% - Purple**

Financial Services has maintained its projected position to achieve a balanced budget for the year despite £0.12 million 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, but these will not be available in next year's budget.

There is a £3.50 million forecast underspend on the capital charges' budget due to slippage in the Capital Programme. Last years position, the receipt of additional grant and slippage in this years



projects have all reduced the need to borrow and lessened the increase in the Minimum Revenue Provision. The position will be continually reviewed and updated as we move towards year end. The forecast outturn also takes into account the £2.00 million set aside to manage the risk inherent in the budget, 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	1,886	2,000	114
Organisational Transformation	1,100	990	-110
School Redundancies plus Pension Strain	470	650	180
	<b>3,456</b>	<b>3,640</b>	<b>184</b>

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 can be provided through the ability to utilise capital receipts through a capitalisation direction, or supported by revenue underspends. The level of Capital receipts is expected to increase during the year, the level held will be in excess of that needed to cover the costs incurred in the current financial year.

## Resource Implications

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

This month reports a continued improvement in the Outturn projected, this is supported by an increase in the level of savings delivered and confirmation that the cost of borrowing remains significantly lower than the budget.

Assurance continues that further savings can be achieved during the last quarter, 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 £2.00m set aside to mitigate the risk inherent in the budget, particularly the continued pressure on the Children Services budget, is contributing to the delivery of a balanced budget. This 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, particularly as the pressure of the winter period is now clearly upon us.

Any further slippage in the Capital Programme or the receipt of additional grant funding will also impact on the revenue budget.

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.

## Legal Implications

**The Monitoring Officer has no specific concerns with this report.**

## Comment from Local Member(s)

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

## Integrated Impact Assessment

**No impact assessment required**

## Recommendation

**That Cabinet note the budget position.**

## Contact Officer

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