

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

11th April 2017

REPORT AUTHOR: County Councillor Wynne Jones

Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 28th February 2017

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 This report provides an update on the Revenue and Capital spend against Budget for the year to date as at 28th February 2017, and provides an early indication of the 2016/17 financial forecast. It is important to note that savings will be committed when they have been delivered, and we maintain this approach to ensure a prudent position.
- 1.2 The Revenue section of this report has been prepared on an exceptions basis, using the 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 Services areas with significant pressures, which are at most 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 £3,675k against the approved budget, an improvement of £682k on the January position. The position excludes the Housing Revenue Account (HRA) and Schools Delegated Budgets.

Summary Forecast by Directorate	Original Budget	Total Working budget	Contribution to / (Use) of Reserves	Forecast Spend	Variance (Over) / Under spend	Variance (Over) / Under spend
	£'000	£'000	£'000	£'000	£'000	%
People	71,546	73,180	4	77,769	(4,589)	-6.27%
Place	38,792	40,198	(3,922)	40,262	(64)	-0.16%
Schools	29,029	22,950	(1,095)	23,387	(437)	-1.90%
Resources	6,456	7,514	(981)	7,309	205	2.73%
Central Activities	21,317	17,019	1,579	15,809	1,210	7.11%
Total	167,140	160,861	(4,415)	164,536	(3,675)	-2.28%

3. Capital

3.1 Actual capital budget and committed expenditure is £36.142m which represents 77% of the full year revised budget, it includes approved and virements awaiting approval.

4. Efficiency savings

4.1 The revised revenue saving target is £12.139m and made up of in year and previous year's targets. Savings of £9.343m have been achieved to date representing 77% of the total required. This leaves £2.796m yet to be achieved by 31st March.

	Target £'000	Delivered £'000	Variance
2014/15	51	51	0
2015/16	2,534	918	1,616
2016/17	9,554	8,374	1,180
Total	12,139	9,343	2,796

4.2 The table contained in Appendix B summarises the current position across service on the delivery of savings required within the budget. A prudent approach is adopted and only when savings are delivered are they built into the projections as achieved

5. 3rd Party Spend and Income

5.1 The Income and Cost Improvement Board held its first meeting on the 17th February. Terms of reference were agreed by the Board and a number of actions were identified to provide information for discussion and challenge at future meetings.

5.2 The carry forward gap into 2017/18 for 3rd Party Spend and Income targets is £705k and £619k respectively. This is in addition to the further income targets included in the budget plan for 2017/18 and 2018/19 of £400k per annum. Key to delivery will be the ownership and buy-in to the need to be more 'commercial' and realise the available income opportunities, which will be monitored and addressed by the Board.

6 Reserves

6.1 The forecast use of reserves to support the revenue budget during the year is £4.939m. Unless the agreed budget savings are delivered a further draw on the general reserve will be required, this is currently projected at £3.422m. The revised forecast level of General Fund reserves as at 31st March 2017 is 3.52% of total net revenue budget less Schools. This excludes all specific and ring fenced reserves which equate to £5.679m. This level of reserve is marginally above the 3% agreed strategy.

7 Revenue Forecast

7.1 The table contained in Appendix A provides a forecast spend by service, against approved working budget, which includes budgeted transfers to or from reserves. 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)

8. <u>People Directorate</u>	Net Working Budget:	£ 73,180k
	Net Forecast Expenditure:	£ 77,769k
	Variance (Over)/Under Spend:	£ (4,589)k
	January Forecast (Over)/Under Spend	£ (4,822)k
	Change in Forecast	£ 233k

The People directorate have not made any inroads into the 3rd Party Savings and £477k has yet to be delivered. The main variances within the People directorate are as follows:-

8.1 Adult Social Care (ASC) Forecast Overspend £(4,252)k

8.1.1 Efficiency targets are being delivered through, right-sizing of packages and the recovery of under-utilised Direct Payments, totalling £650k, 87% of the target.

8.2 Older people Forecast Overspend £(3,469)k

8.2.1 Home Care – forecast overspend of £2,719k mainly due to increased demand across in house and the independent sector, other obligations include funding the national living wage, inflationary uplifts and service delivery. This month the home care activity, has seen an increase in hours in the independent sector but a reduction for in-house, and a reduction in total numbers of clients in both areas.

8.2.2 Residential Care – forecast overspend of £756k, due to reduced income from deferred charges compared to budget, and the change in legislation on respite charging. There has been an overall reduction of 62 residential beds (38 of which relate to Bupa) offset by an increase of 5 nursing beds overall. In addition there has been 2766 days of residential/nursing respite beds utilised.

8.2.3 Day Centres – the £695k forecast overspend in this area is mainly due to unachieved efficiency savings targets, and an acknowledgement that the future shape of the service needs to be replanned.

8.2.4 Staff and travel slippage provides a mitigating £238k underspend.

8.3 Learning Disabilities (LD) Forecast Over Spend £ (1,270)k

8.3.1 Residential Nursing – is forecast to be overspent by £789k due to 11 new placements being made.

8.3.2 An underspend on staffing across all LD services, is mitigating the pressures from a reduction in funding from the Independent Living Fund and Supporting People Grant in relation to voids, along with costs to providers of funding the National Living Wage.

8.4 Mental Health Forecast Overspend Spend £ (86)k

8.4.1 Residential and Nursing Care is forecast to overspend by £277k, equating to 4 additional placements, mitigated by staff slippage and over-achieved income.

8.5 Childrens £ (368k)

8.5.1 The overspend in Childrens is due to unachieved third party savings and Looked after Children (LAC) numbers, which are at a 5 year high, predicting an overspend of £707k. These are offset by staff slippage and small underspends in other areas of the service.

9. <u>Place Directorate</u>	Net Working Budget:	£ 40,198k
	Net Forecast Expenditure:	£ 40,262k
	Variance (Over)/Under Spend	£ (64)k
	January Forecast (Over)/Under Spend	£ (220)k
	Change in Forecast	£ 156k

9.1 Highways, Transport and Recycling Forecast Over Spend £ (354)k

9.2 Highways Transport and Recycling has seen a significant improvement of £425k from the January forecast which brings them within their recovery plan target. All areas have seen an improvement during February due to reductions in standby and overtime along with additional income in Waste and Technical Services. The remaining overspend is mainly due to unachieved savings totalling £664k.

9.3 The recovery plan included a saving for waste disposal of £150k, which is still yet to conclude due to legal documentation, and reducing costs within the trade waste service which are implemented in April 2017.

9.4 An area of concern is the NMWTRA income, of the £6.76m forecast to be received only £4.94m or 73% has been billed to date. Significant work is required within Street Lighting to ensure Powys can claim £567k of outstanding funding, along with 528 tickets still to be completed as of the 10th March with a value of £1.1m.

9.5 Leisure and Recreation – Rhayader Leisure Centre Trust Fund Accounts to be noted

9.5.1 Due to the cessation of the Consultative Committee at Rhayader Leisure Centre, to maintain member awareness of the Fund, it was felt that the annual accounts should be included in the finance report to Cabinet annually after submission.

9.5.2 The 2015-16 Rhayader Leisure Centre Trust Fund Accounts have been independently examined and filed with the Charity Commission. The elected members of the Council are the Trustees of the Charity. The management of the Centre was transferred to Freedom Leisure in July 2015. Whilst under Powys County Council management the centre held regular consultative committees every six months at which there was Elected Member representation. These committees are no longer operational under Freedom Leisure management. As a result, to keep members aware of developments at the Centre, the cabinet should expect to receive the accounts in February or March annually, after submission to the Charity Commission.

9.5.3 The independent examiner statement (the Trusts in year income was below the level required for an audit) highlighted no material matters that gave the Auditor General

for Wales reasonable cause to believe that the appropriate accounting requirements had not been met.

**10 Schools Service
(non-delegated)**

Net Working Budget:	£22,950k
Net Forecast Expenditure:	£23,387k
Variance (Over)/Under Spend:	£ (437)k
January Forecast (Over)/Under Spend	£ (409)k
Change in Forecast	£ (28)k

10.1 Overall the Schools Service has a RAG status of Amber, however, there are areas with significant overspends forecast as follows:-

10.2 Schools Operational costs are projecting an overspend of £1,020k, mainly due to:

- Forecast overspend of £586k relating to Home to School/College Transport. The 14-19 transport forecast has increased due to an increased uptake in pupils attending the futures programme.
- The severance pay forecast overspend has increased to £436k, based on an estimate of future redundancy costs that will be incurred by the Service as part of the Voluntary Severance Scheme (Wave 1a).

11 Resources Directorate

Net Working Budget:	£ 7,514k
Net Forecast Expenditure:	£ 7,309k
Variance (Over)/Under Spend:	£ 205k
January Forecast (Over)/Under Spend	£ 163k
Change in Forecast	£ 42k

12 Central Activities

Net Working Budget:	£ 17,019k
Net Forecast Expenditure:	£ 15,809k
Variance (Over)/Under Spend:	£ 1,210k
January Forecast (Over)/Under Spend	£ 932k
Change in Forecast	£ 278k

12.1 The Management of Change costs are held within this area and due to the Welsh Government's capitalisation direction on transformation costs an increase in underspend of £740k has been anticipated. The position will continue to be reviewed as part of the final accounts process. The projected outturn also includes a one-off virement of £390k between the General Fund and Pension Fund to ensure the General Fund's liabilities are properly reflected.

13 Schools Delegated

Net Working Budget:	£ 76,256k
Net Forecast Expenditure:	£ 76,589k
Variance (Over)/Under Spend:	£ (333)k
January Forecast (Over)/Under Spend	£ (244)k
Change in Forecast	£ (89)k

14 CAPITAL PROGRAMME

14.1 The revised Capital programme after virements approved is £47.108m. The table in Appendix C summarises the position for each directorate.

14.2 There are 8 virements requiring approval this month, along with 2 Capital grants received, details as follows:-

- Increase Capitalisation Direction by a further £575k
- Create a £130k budget in 2017/18 for the Planning and Building Control Software funded from the invest to save reserves.
- Roll forward £410k for the Household Waste Recycling Centre in Newtown.
- Roll forward £200k in respect of the new pay and display machines.
- Remove £925k from the Fleet replacement programme monies as the 17/18 budget is already sufficient.
- Roll forward £294k to cover the setting up of Archives and Modern Records in the refurbished Unit 29.
- Roll forward £130k to obtain planning permission and resolve any land issues in respect of the Machynlleth Gypsy and Traveller site.
- Roll back £235k in respect of the Sports Provision at Crickhowell High School to cover recent payments not previously anticipated.

Grants

- Capital – Welsh Government has awarded a grant of £410k to fund the purchase of the Household Waste Recycling Centre in Newtown. Additional monies of £72k have been awarded by Welsh Government to fund additional expenditure at Heol Meurig Ystradgynlais flood alleviation scheme.

14.3 **Place** - A spend of £13.841m against a total budget of £21.117m, including virements required of £4.835m, is reported, 34% of the capital budget remains unspent.

14.3.1 Highways –virements have been put forward in respect of the following projects: pay and display machines and waste monies in relation to the development of household waste recycling sites, for which £410k grant monies have been received from Welsh Government.

14.3.2 Leisure - the largest scheme is in respect of Brecon Hub which amounts to £6.1m of which £2.3m is being rolled forward into the next financial year. The other major works relates to the Archives scheme amounting to £1.3m, of which only £200k has been spent or committed to date, a virement has been completed to roll forward £294k.

14.3.3 Regeneration, Property and Commissioning – there is an allocation of £1.4m within Office Accommodation for project Lemar which is yet to be committed but will be spent by the end of 2016/17. A grant has been received of £500k for Knighton Community Centre roof but as yet no commitments have been placed. The workshop in Brecon

has now been purchased for £278k, any underspend will be rolled forward to pay for the refurbishment.

14.4 **Schools** - Actual Expenditure represents 84% of total budget as at the 28th February, the capital programme for Schools consists of:-

14.5.1 The Major improvement programme with 63 schemes including schemes carried forward from 2015/16. There are 2 projects under Schools other; Crickhowell Sports Centre, £450k has been rolled forward to 17/18 and a small extension at Penygloddfa.

14.5.2 21st Century schools has 6 programmes which are at varying levels of progress. The Gwernyfed Catchment projects are now in the construction phase. The Welsh Government Grant for 16/17 will be spent.

15 **HRA**

15.1 The Housing Stock, is funded by £3.71m Major Repairs Allowance from Welsh Government, Housing reserves, receipts and prudential borrowing.

15.2 The HRA Capital includes the Welsh Housing Quality Standards (WHQS) plan of £14.272m for 2016/17, to enable the council to achieve WHQS by March 2018. Actuals and commitments to the end of February are £13.656m.

15.3 Of other capital works total £3.293m, only £1.494m has been spent and committed to the end of February leaving just under 54.6% of the budget to be utilised. As agreed at the Service Management meeting the £0.2m previously allocated for IT mobile working has been requested to be rolled forward in to 2017/18, a budget virement has been completed and agreed.

15.4 The Housing General Fund, capital budget is £604k; £200k budget funded from prudential borrowing to search for a new Gypsy site in Machyllneth, of which £76k has been spent and committed. In addition, £100k funded from capital receipts, has been allocated to search for a new Gypsy site in Welshpool and there has been £11k committed to date. A Welsh Government grant of £304k has been awarded to complete the two outstanding pitches on Kings Meadow by end of this financial year, as a need was identified from the Gypsy Traveller Accommodation Assessment, £23k has been paid and committed to date. Once planning permission for Machyllneth is granted a bid for Welsh Government Grant will be submitted with a view for work to begin in 2017/18.

16 **Options Considered/Available**

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

17 **Preferred Choice and Reasons**

None to consider.

18 **Sustainability and Environmental Issues/Equalities/Crime and Disorder, /Welsh Language/Other Policies etc.**

The proper management and control of the Council's finances together with the associated delivery of services will have an impact across all Council services. It is not sustainable to allow service areas to overspend without a plan to address the underlying cause of the overspending.

19 **Children and Young People's Impact Statement - Safeguarding and Wellbeing**

This report presents the financial position for Children's services and forecasts a near balanced budget for the year. The budgets must continue to be monitored to ensure the allocated resources meet service need.

20 **Local Member(s)**

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

21 **Other Front Line Services**

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

22 **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.

23 **Local Service Board/Partnerships/Stakeholders etc.**

This report presents financial information which will help inform the future medium term financial plan and therefore has implications for any related organisation.

24 **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.

25 **Statutory Officers**

The Strategic Director, Resources (Section 151 Officer) notes the overall financial position. It is essential that agreed savings are delivered in order to safeguard the council's financial position. The savings that were not delivered in 2015/16 will need to be delivered in 2016/17 because they remain in the base budget.

If not addressed the projected outturn will have an impact on the council's reserves. It is important to note that there is unlikely to be any one-off adjustments available as in financial year 2015/16 that had a considerable positive impact on the end of year position.

The main area of concern is Adult Services and the Strategic Director People is bringing forward a recovery plan to mitigate the position.

The Monitoring Officer has no specific concerns with this report.

26 **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>c. The Capital virements set out in paragraph 14.2 are approved, and those over £500k be submitted to full council for approval.</p> <p>d. The virement between the General Fund and the Pension Fund as set out in paragraph 12.1 be approved.</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):	
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Person(s) To Implement Decision:	Jane Thomas		
Date By When Decision To Be Implemented:			

Contact Officer Name	Tel	Fax	E mail
Jane Thomas	01597-826341	01597-826290	jane.thomas@powyscc.gov.uk

APPENDIX A

Forecast Outturn and Undelivered Savings as at 28th February 2017

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 28th February 2017	Of which Unachieved savings 15/16 b fwd	Service Under/(Over) spend excl. unachieved savings	Variance (Over) / Under spend as a % of Net Budget	Variance RAG status
		£'000	£'000	£'000	£'000	£'000	%	
People								
Adult & Commissioning	56,072	60,324	(4,252)	(668)	(418)	(3,584)	-7.58%	R
Children Services	16,246	16,614	(368)	(105)	(105)	(263)	-2.27%	R
Housing General Fund	862	831	31	0	0	31	3.60%	B
Place								
Leisure & Recreation	11,982	11,781	201	0	0	201	1.68%	B
Regeneration, Property & Commissioning	7,494	7,146	348	(127)	(14)	475	4.64%	B
Highways, Transport & Recycling	20,722	21,335	(613)	(923)	(408)	310	-2.96%	R
Schools								
Schools Service	22,950	23,387	(437)	(98)	(158)	(339)	-1.90%	A
Resources								
Professional Services	1,302	1,253	49	(98)	(78)	147	3.76%	B
Information Services	198	234	(36)	(68)	(68)	32	-18.18%	R
Business Services	1,806	1,742	64	(117)	(117)	181	3.54%	B
Chief Executive	4,208	4,080	128	(101)	0	229	3.04%	B
Service Area Totals	143,842	148,727	(4,885)	(2,306)	(1,366)	(2,579)	-3.40%	
Central Activities	17,019	15,809	1,210	(300)	(250)	1,510	7.11%	B
Total	160,861	164,536	(3,675)	(2,606)	(1,616)	(1,069)	-2.28%	
Housing Revenue Account (HRA)	0	-64	64	0	0	64	0.00%	G
Schools Delegated	76,256	76,589	-333	(190)	0	(143)	-0.44%	G
Total including HRA	237,117	241,061	(3,944)	(2,796)	(1,616)	(1,148)		

EFFICIENCY TRACKER AS AT 28th FEBRUARY 2017

APPENDIX B

Efficiency / Saving	2014/15	2015/16	2016/17	Total to be Achieved 16/17	Total Achieved to Date	Remainder to find	Achieved
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	%
Place							
Highways Transport & Recycling	0	400	1,283	1,682	1,016	667	60%
Regeneration, Property & Commissioning	0	14	528	542	414	127	76%
Leisure & Recreation	0	52	438	491	491	0	100%
Place	0	398	0	398	141	257	35%
Place	0	864	2,249	3,113	2,062	1,051	66%
Schools							
Schools	51	158	1,846	2,055	1,767	288	86%
Schools	51	158	1,846	2,055	1,767	288	86%
People							
Adult	0	868	450	1,318	650	668	49%
Children Services	0	105	511	616	510	105	83%
Housing	0	7	0	7	7	0	100%
People	0	979	961	1,940	1,167	773	60%
Chief Executives							
Chief Executives	0	1	183	184	130	54	71%
Legal	0	0	251	251	204	47	81%
Chief Executives	0	1	434	434	334	101	77%
Resources							
Business Services	0	117	531	648	531	117	82%
Information Services	0	68	143	210	143	68	68%
Professional Services	0	78	180	258	160	98	62%
Corporate Activities	0	269	3,211	3,480	3,180	300	91%
Resources	0	532	4,064	4,596	4,013	583	87%
Grand Total	51	2,534	9,554	12,139	9,343	2,796	77%

CAPITAL TABLE AS AT 28th FEBRUARY 2017

APPENDIX C

Service	Original Budget 2016/17	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2016/17 as at 28 th Feb 2017 (after virements approved and required)	Actuals & Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
People								
Adult Services & Commissioning	443	198	0	0	641	100	541	84.4%
Housing	1,948	817	-130	0	2,635	2,154	481	18.3%
Schools and Inclusion	4,872	1,690	0	-2,156	4,406	3,705	701	15.9%
Chief Executive	0	98	0	0	98	-19	117	119.4%
Resources								
Business Services	87	246	0	0	333	383	-50	-15.0%
Professional Services	532	-463	0	0	69	0	69	100.0%
Information Services	820	109	0	0	929	827	102	11.0%
Corporate activities	0	0	0	2,556	2,556	0	2,556	100.0%
Place								
Highways, Transport & Recycling	7,696	5,107	-610	-1,925	10,268	9,650	618	6.0%
Leisure & Recreation	8,445	1,423	-294	-2,006	7,568	3,397	4,171	55.1%
Regeneration, Property & Commissioning	4,284	-1,003	0	0	3,281	794	2,487	75.8%
Total Capital	29,127	8,222	-1,034	-3,531	32,784	20,991	11,793	36%
Housing Revenue Account	18,550	-984	0	-3,242	14,324	15,151	-827	-5.8%
TOTAL	47,677	7,238	-1,034	-6,773	47,108	36,142	10,966	23.3%