

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

19th September 2017

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 31st July 2017

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 July 2017, and provides an early indication of the 2017/18 end of year financial forecast. It is important to note that efficiency savings are only included when they have been delivered, and we maintain this approach to ensure a prudent position.
- 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 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 £4.302m (June £4.190m), excluding Housing Revenue Account (HRA) and Delegated Schools. This adverse projection is mainly due to unachieved savings targets at this early point in the year and is therefore likely to improve as the year progresses. Sensitivity Analysis, shown in 3.3 below, demonstrates the impact of the future delivery of savings on the outturn position.

Summary Forecast by Directorate	Total Working Budget	Approved Use To / (From) Reserves	Forecast Spend	Variance (Over) / Under Spend	
	£'000	£'000	£'000	£'000	%
People	70,845	2	74,824	(3,979)	(6)
Place	37,166	(8,153)	37,623	(457)	(1)
Schools	25,643	497	26,163	(520)	(2)
Resources	18,096	(405)	17,878	218	1
Central Activities	13,994	(415)	13,558	436	3
Total	165,744	(8,474)	170,046	(4,302)	(3)
Housing Revenue Account	0	(49)	(3)	3	
Schools Delegated	74,236	(1,608)	74,701	(465)	(1)
Total including HRA and Delegated Schools	239,980	(10,131)	244,744	(4,764)	(2)

2.2 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. Services are collectively forecasting an underspend of £1.4m for general delivery of service, which is in part mitigating the current £5.7m underachievement in the delivery of savings.

3. **Efficiency savings**

3.1 The efficiency saving target of £11.78m includes both in year and previous year's 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. The projected outturn has improved by £229k on last month, £6.075m has now been achieved (52% of the total), leaving £5.705m yet to be achieved.

Financial Year	Target £'000	Delivered £'000	Variance £'000
2015/16	1,323	44	1,279
2016/17	841	283	558
2017/18	9,616	5,748	3,868
Total	11,780	6,075	5,705

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

3.3 A sensitivity analysis has been introduced on the delivery of savings and the impact on the outturn position. The table below shows a range of forecasts, based on the level of confidence in the delivery of the remaining targets. The analysis uses a rating of High, Medium or Low; High being the current forecast position and includes savings already delivered; Medium based on savings with RAG status Amber; and Low, the position if all savings are delivered.

FORECAST SENSITIVITY ANALYSIS OF SAVINGS DELIVERY			
Confidence in savings delivery	HIGH	MEDIUM	LOW
Directorate	Current forecast - includes savings already delivered	Forecast if savings with RAG status Amber are delivered	Forecast if all savings are delivered
	£'000	£'000	£'000
People	-3979	-3851	-1,891
Place	-457	86	1,097
Schools	-520	-520	-313
Resources	218	342	354
Central Activities	436	436	2,156
Outturn Position	-4302	-3,507	1,403

- 3.4 To achieve an outturn position of £3.507m overspend, (medium confidence in savings delivery) an additional £796k of savings, will need to be delivered. All services must aim to deliver their targets in order to achieve a balanced budget by year end.
- 3.5 The greatest risk is within Childrens services where no savings have been achieved. With a current overspend on Looked After Children (LAC), additional staff needs and resource demands linked to the current inspection, it is unlikely there will be capacity or mitigation to deliver the £1.1m target. But the service has now commenced dialogue on an alternative savings list and are committed to have a savings plan delivered in year.

4 Reserves

- 4.1 The revenue reserves held at the beginning of the year totaled £38.8m, with £8.7m held in the General Reserve. The forecast use of reserves to support the revenue budget during the year, (excluding Schools and HRA) is £8.5m, including £7.5m that will be transferred to Capital through the revenue account for Fleet Replacements £7m and £0.5m to address the condition of the County Farms.
- 4.2 Unless the agreed efficiency savings are delivered a further draw on the general reserve will be required, this is currently projected at £4.3m and would reduce the reserve to £3.7m. The revised forecast level of General Fund reserve as at 31st July 2017 is 4.4% of total net revenue budget (excluding Schools and HRA).

5 Revenue Forecast

- 5.1 Appendix A confirms that the overspend of £4.302m relates to undelivered efficiency savings of £5.7m offset 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:	£ 70,845k
	Net Forecast Expenditure:	£ 74,824k
	Variance (Over)/Under Spend:	£ (3,979)k
	June Forecast (Over)/Under Spend:	£ (3,597)k
	Change in Forecast	£ (382)k

6.1 Adult Social Care (ASC) Forecast Overspend £(1,681)k

- 6.1.1 The service have delivered 55.8% of their £2.2m efficiency target. There is a real risk that the £603k project for Reablement Intervention cannot be delivered within the current financial year but over a longer timescale and alternative projects will need to be implemented to deliver the full target. The remaining £382k savings are still

outstanding, but at this point no concerns have been raised about their achievement, which would reduce the overspend to £1.3m.

6.1.2 The growth monies provided in the base budget for 2017/18 have been allocated to alleviate most of the historic pressures carried by the service. The in-year pressures including in year inflationary increases remain a concern, although the National Living Wage pressures are likely to be funded through a Welsh Government Grant.

6.2 Older people Forecast Overspend £ (1,609)k

6.2.1 Home Care £(1,440)k – the overspend is partly due to the unachieved efficiency savings for Reablement Intervention of £603k. This was a known risk when the overall targeted was adopted, and further clarification was sought from the consultants about the strength of this proposal. The expected consequence was a reduction in Home Care demand, but the project is likely to support cost avoidance rather than savings. There is increased demand relating to new clients utilising the Extra Care scheme in the north, although it is likely that this service is more cost effective than traditional services. Reclassification of Physically Disabled spend to Older of £211k, (a virement is required to realign budgets) and increased cost from supplier inflation of £200k also contribute to the overspend.

6.2.2 A shortfall of £90k is estimated in respect of Care Home deferred charge income, i.e. from clients relating to sale of their property, based on the annual trend.

6.3 Learning Disabilities (LD) Forecast Over Spend £ (764)k

6.3.1 Resettlement Houses and Independent Residential Care £(944)k – there are inflation pressures that are in part covered by a Welsh Government Grant and corporate monies available totalling just over £1m. But the overall quantum is likely to be greater and for prudence we have assume a pressure of £280k on supplier demands, which can only be mitigated by savings or demand management. An increase in support hours has resulted in an additional budget pressure of £105k and two new service users are accessing Independent Residential Care with no funding identified to cover their costs.

6.3.2 Home Care £207k – The reclassification of out of county supported tenancies has resulted in a transfer of £311k of client costs to Residential Care. However, a virement is required to realign the budgets.

6.4 Mental Health and Physically Disabled(PD) Forecast Underspend £551k

6.4.1 Underspends in both Mental Health and PD of £185k and £366k respectively, mitigate the overspend within the service. A reduction in client numbers for Mental Health and a reclassification of clients to older category are the main reasons for the underspends in these areas and budget virements will be completed to mirror the change in clients.

6.5 Childrens £ (2,312)k

6.5.1 Following the outcome of the CSIW inspection, the service, through the autumn, will be reviewing the whole budget position and savings strategy as part of the service improvements needs to be delivered as part of the wider Improvement Plan.

- 6.5.2 The overspend in Children's is largely due to non-delivery of the efficiency savings, partly within Children with Disabilities Residential establishments - Golwg Bannau and Golwg Camlas of £556k. As yet this remains a RED risk. Savings of £388k in relation to the new model for delivery of Childrens Services and the partnership working with the Powys Teaching Health Board and third sector, have not been delivered.
- 6.5.3 Looked After Children numbers, are at a five year high, and the service is predicting an overspend of £1.428m. This area is one of significant risk, due to the demand and complexities with service user need and the month on month fluctuating activity, (4 new placements in July), making it very difficult to forecast.
- 6.5.4 An increase in spend in Leaving Care relating to the rent commitments for young adults, has resulted in a forecast overspend of £47k.

7. <u>Place Directorate</u>	Net Working Budget:	£ 37,166k
	Net Forecast Expenditure:	£ 37,623k
	Variance (Over)/Under Spend:	£ (457)k
	June Forecast (Over)/Under Spend:	£ (705)k
	Change in Forecast	£ 248k

7.1 Highways, Transport and Recycling Forecast Over Spend £ (570)k

- 7.1.1 The main reason for the forecast overspend in this area are outstanding efficiency savings of £1.45m. The position has improved by £236k from June, due to additional savings made on the waste contracts budgets as a result of changes to service delivery. A virement from reserves has been actioned to fund £100k of the £200k Household Waste Recycling Centres (HWRC) target, following the decision by cabinet to partially reverse the service proposals
- 7.1.2 The service is confident that the remaining unachieved savings within Highways Grounds and Street Scenes of £184k and the remaining fleet saving of £72k will be achieved by year end. This will improve the position by £256k to an overspend of £314k. The delivery of projects with RAG status amber included in the sensitivity analysis (para 3.3), would further reduce the overspend by £512k to £58k.
- 7.1.3 The key savings risk is labelled RED and relates to the Logistics Project, the £615k target will not be fully realised in 2017/18 due to delays in the implementation of the re-routing of waste rounds. Alternative savings will need to be identified and delivered.
- 7.1.4 The unachieved saving of £121k for Waste collections brought forward from 2015/16 has now been transferred to the Fleet Service, as part of the removal of the internal recharging from client budgets. This is now a budget pressure for the fleet service and is forecast to be unachieved.
- 7.1.5 Savings attributable to Trade Waste totalling £50k (£25k rolled forward from 16/17) have been achieved due to changes in the rural trade routes.
- 7.1.6 Highways commissioning have not yet achieved their £150k savings target linked to the commerciality of Highways.
- 7.1.7 There are mitigating factors that offset the unachieved savings, these include the use of grant monies allocated to compensate the reduction in Single Environment Grant

of £165k, contract savings in relation to Potters Waste and Recycling contract of £317k and savings from Cae Post and Brecon transfer station of £365k, Underspends across the other service areas also contribute to the forecast.

7.2 Regeneration, Commissioning and Property

7.2.1 This area has a RAG status of green. However, to note, the purchase of the Commercial property at Ladywell House, Newtown is now complete. A £336k virement is proposed to amend the budget to reflect the rental income, part of which will assist the Service in meeting their savings targets and the remainder to reinvest in the Property Rationalisation Strategy.

8	<u>Schools Service</u>	Net Working Budget	£25,643k
	(non delegated)	Net Forecast Expenditure	£26,163k
		Variance (Over)/Under Spend:	£ (520)k
		June Forecast (Over)/Under Spend:	£ (488)k
		Change in Forecast	£ (32)k

8.1 Home to School/College Transport has a forecast overspend at year end of £600k, including an unachieved savings target of £158k brought forward from 2015/16. Additional route costs and the realignment of income streams within Special Educational Needs (SEN) transport, resulting in a £50k loss of income, are the main contributors to the adverse position.

8.2 School meals are predicting an overspend of £66k at year end due to revenue costs in association with the rollout of the Cashless Project, including bank charges and licenses. The position has been escalated to the Cashless Project Board.

8.3 Staff slippage of £72k within the Pupil Inclusion budget relating to the Additional Learning Needs team offsets the overspends, along with other small underspends across the other service areas.

9	<u>Resources Directorate</u>	Net Working Budget:	£ 18,096k
		Net Forecast Expenditure:	£ 17,878k
		Variance (Over)/Under Spend:	£ 218k
		June Forecast (Over)/Under Spend:	£ 162k
		Change in Forecast	£ 56k

10	<u>Central Activities</u>	Net Working Budget:	£ 13,994k
		Net Forecast Expenditure:	£ 13,558k
		Variance (Over)/Under Spend:	£ 436k
		June Forecast (Over)/Under Spend:	£ 438k
		Change in Forecast	£ (2)k

10.1 This area has a RAG status blue, however there are some significant variances to note:

The decision to hold centrally the undelivered savings for 3rd Party expenditure and Income savings arises because these have been removed from service areas. The Income and Cost Improvement Board is now responsible for identifying opportunities

to meet the current year target of £1.72m. The achievement of this is a significant risk as the alternative business cases being developed have longer timeframes for delivery and will feature as part of the budget setting process for 2018/19. This overspend is offset by the following:

- 10.2 The capital charges forecast predicts an under spend of £817k due to delays on capital spending, in turn reducing the prudential borrowing requirement.
- 10.3 Council agreed in March 2016 to adopt the changes set out in the new sections (12a and 12b) of the Local Government Finance Act 1992. This allows authorities in Wales the discretion to charge up to a 100% council tax premium on long-term empty dwellings (both unoccupied and substantially unfurnished) and dwellings occupied periodically (second homes/holiday homes that are furnished and not a main residence). The application of the premium is generating a Council Tax surplus estimated at £1.2m, £800k above the plan.

11	<u>Schools Delegated</u>	Net Working Budget:	£	74,236k
		Net Forecast Expenditure:	£	74,701k
		Variance (Over)/Under Spend:	£	(465)k
		June Forecast (Over)/Under Spend:	£	0k
		Change in Forecast	£	(465)k

- 11.1 The individual Schools Delegated budgets are forecasting a net £465k overspend as at the end of July. The figures from the High Schools and the All Through School have been incorporated where available, in accordance with the Scheme for Financing Schools. There are 6 Schools closing at the 31st August 2017, once a final financial position has been confirmed for each of these schools the cumulative deficit/surplus balances will be reported.
- 11.2 The budgeted and forecast use of Schools Reserves is shown in the table below. The current information projects a £1.665m use of reserves.

School Sector	Opening Balance	Cabinet Budgeted Contribution/ (Use)	Budgeted Contribution/ (Use)	Forecast Underspend/ (Overspend)	Forecast Closing Balance
	£'000	£'000	£'000	£'000	£'000
Primary	1,608	(503)	(430)	(127)	1,051
Special	(259)	42	22	(18)	(255)
Secondary	(864)	(1,522)	(1,257)	(320)	(2,441)
Total	485	(1,983)	(1,665)	(465)	(1,645)

- 11.3 The balance of reserves held by schools at the beginning of the year was £485k, the projected draw will move these into a significant deficit balance by the end of this financial year.

12 Options Considered/Available

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

13 **Preferred Choice and Reasons**

None to consider.

14 **Impact Assessment**

Is an impact assessment required? Yes/No

15 **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.

16 **Local Member(s)**

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

17 **Other Front Line Services**

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

18 **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.

19 **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.

20 **Scrutiny**

Has this report been scrutinised? Yes / No

21 **Statutory Officers**

The Strategic Director, Resources (Section 151 Officer) has provided the following comment:

The report, and the position it presents, is a fair and 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.

As in previous years mitigation from additional sources will be sought and included when identified. The current profile of delivered savings at this stage of the financial year is in line with previous years.

The report draws cabinet's attention to the work around 3rd party spend and income. A number of opportunities are being explored by the Income and Cost Improvement Board and these will be presented to Cabinet. However, some are longer term in nature. A corporate view on current income performance will be taken with a view to making budget adjustments as agreed by Management Team and the Income and Cost Improvement Board.

The Monitoring Officer has no specific concerns with this report.

22 **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. Virements to be approved:</p> <ul style="list-style-type: none"> • Para 6.2.1 - Physically Disabled to Older People - £211k • Para 6.3.2 - Learning Disabilities to Older People - £311k • Para 7.2.1 - Ladywell House - £336k 	<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:	ongoing

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

Forecast Outturn and Undelivered Savings as at 31st July 2017

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 31st July 2017	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	56,920	58,601	(1,681)	(986)	(695)	(3.0)	R
Children Services	13,127	15,439	(2,312)	(1,101)	(1,211)	(17.6)	R
Housing General Fund	798	784	14	0	14	1.8	B
Place							
Leisure & Recreation	8,963	8,860	103	0	103	1.1	B
Regeneration, Property & Commissioning	8,152	8,143	9	(96)	105	0.1	G
Highways, Transport & Recycling	20,051	20,620	(569)	(1,458)	889	(2.8)	R
Schools							
Schools Service	25,643	26,163	(520)	(207)	(313)	(2.0)	R
Resources							
Business Services	6288	6,283	5	(92)	97	0.1	G
Information Services	4,416	4,411	5	(32)	37	0.1	G
Legal Services	3,037	2,988	49	(12)	61	1.6	B
Financial Services	1,875	1,760	115	0	115	6.1	B
Chief Executive	2,480	2,436	44	0	44	1.8	B
Service Area Totals	151,750	156,488	(4,738)	(3,984)	(754)	(3.1)	
Central Activities	13,994	13,558	436	(1,720)	2,156	3.1	B
Total	165,744	170,046	(4,302)	(5,704)	1,402	(2.6)	
Housing Revenue Account (HRA)	0	(3)	3	0	3		G
Schools Delegated	74,236	74,701	(465)	0	(465)	(0.6)	G
Total including HRA	239,980	244,744	(4,764)	(5,704)	940		

EFFICIENCY TRACKER AS AT 31st JULY 2017

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	896	1,458	38%
Regeneration, Property & Commissioning	14	35	399	448	352	96	79%
Leisure & Recreation	0	0	730	730	730	0	100%
Place	165	399	2,967	3,532	1,977	1,554	56%
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	1,245	986	56%
Children Services	0	1	1,101	1,101	0	1,101	0%
People	0	1	3,332	3,333	1,245	2,088	37%
Chief Executives							
Chief Executives	0	0	250	250	250	0	100%
Legal	0	12	28	40	28	12	69%
Chief Executives	0	12	278	290	278	12	96%
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	6,075	5,705	52%