

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

15th January 2019

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 30th November 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 30th November 2018, it provides an indication of the 2018/19 full year financial forecast.
- 1.2 The revenue expenditure outturn against budget is now projected to be £3.6m (October £3.7m) over budget, this is based on savings achieved to date but also reflects assurance received from budget managers that further savings will be achieved in year.
- 1.3 A number of actions were identified in the previous report which could assist in reducing the level of deficit projected by year end. The impact of these actions has now been reflected in the revised position leading to the improved outturn now projected.
- 1.6 Savings of £5.791m have been delivered to date, 47% of the total £12.296m required, with £6.505m yet to be achieved.
- 1.7 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.
- 1.8 The overall position now requires further control of expenditure and the S151 Officer has recommended this is now adopted.

2 Revenue Position

- 2.1 The revenue forecast is summarised in the table below, underlying expenditure is projected to exceed the budget by £5.074m (October £5.217m), excluding Housing Revenue Account (HRA) and Delegated Schools. It is important to note that this position is reported based on the current delivery of efficiency savings and does not reflect those that remain to be achieved, we maintain this approach to ensure a prudent position. Given previous years' trends and performance this position is likely to improve as the year progresses.
- 2.2 To counter the prudent approach to reporting savings 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 the basis of expected savings delivery and capitalisation of transformation costs the projected position will be an overspend of £3.618m (October £3.674) 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	84,347	89,823	(5,476)	(6)	(5,314)	(6)
Environment	30,817	32,181	(1,364)	(4)	(70)	0
Schools and Leisure	36,008	35,369	639	2	639	2
Resources	18,169	18,044	125	1	125	1
Central Activities	2,319	1,317	1,002	43	1,002	43
Total	171,660	176,734	(5,074)	(3)	(3,618)	(2)
Housing Revenue Account (HRA)	0	(19)	19	0	19	0
Schools Delegated	75,343	75,948	(605)	(1)	(605)	(1)
Total including HRA and Delegated Schools	247,003	252,663	(5,660)	(3)	(4,204)	(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, capitalisation and service performance.

3 Reserves

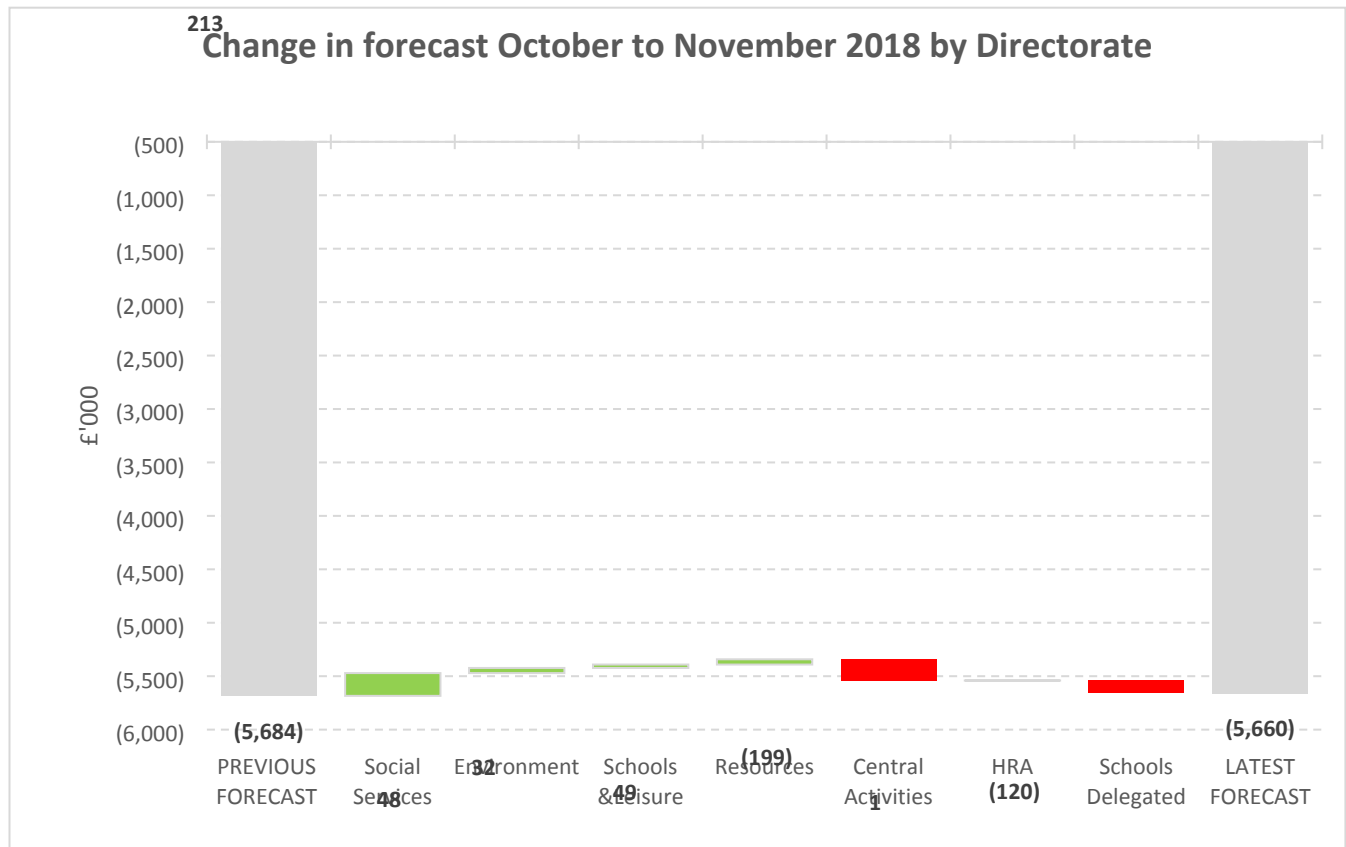
3.1 The total revenue reserves held at 1 April 2018, together with the forecast addition/(use) of reserves during the year and the projected year end balances, as at 30th September, are set out in the table in Appendix C. The revenue reserves held at the beginning of the year totalled £40.3m, with £9.7m 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 £10.3m.

3.2 Based on the projections included in this report the overspend would be financed from the General Fund Reserve. With the assurance around the delivery of savings and the capitalisation of transformation costs the impact on the General fund would be £3.6m, reducing the balance to £6.062m this would then represent 3.5% of the total net revenue budget (excluding Schools and HRA) or 5.6% when including the budget management reserve. This revised position would be in line with the policy set.

3.3 Specific reserves will also be reviewed to identify alternative reserve funding to limit the impact on the General Fund Reserve.

4. Revenue Forecast

4.1 The graph below shows the change in forecast, from that reported at the end of July to the projected forecast position as at 30th November 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	18,513	24,574	(6,061)	(33)	R

Costs continue to rise within Children services with expenditure projected to exceed the allocated budget by £6.061m for the year, a reduction of £169k since that reported in October.

The appropriate workforce establishment has been agreed and although funding for this is accommodated within the service budget, many posts are being covered by agency staff at a considerably higher cost per post. The projected position includes the continuation of agency staff through to the end of this financial year, with costs exceeding baseline budget by £722.5kk.

There has been a slight reduction in the number of Children looked after (CLA), 226 in November compared to 235 in September, however the predicted spend continues to increase and is forecast to exceed the baseline by £4.087m by the end of the year with an increase of £376k realised in November due to changes to placements during the month. Fluctuations in demand and levels of complexity make it a very high risk area which is difficult to forecast.

The forecast position also reflects £2.2m of savings that are not going to be achieved. This is impacting on the position reported for the current financial year. As part of the 2019/20 budget process this has been removed as part of the Council's overall budget strategy.

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

- Additional costs backdated in respect of 'Sleep-ins' following the outcome of a judicial review
- Holiday pay liability for relief staff at Golwg y Bannau/Camlas
- Legal costs – the baseline budget has already been utilised and costs now exceeds budget by £203.3k.

The financial pressures are mitigated by investment funding that remains unallocated of £810k. Additional monies from Welsh Government for "Supporting Sustainable Social Services" have also been received totalling approximately £579k and this is included as income to reduce forecast net spend for Childrens Services, further details on the intended use of the grant is contained within section 6 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	%	
Highways, Transport & Recycling (HTR)	21,340	23,040	(1,700)	(8)	R

The overspend in this area has reduced by £66k from October. Unachieved savings at this point in the year total £1.2m and are the main reason for the projected position.

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

- Trade Waste collection and Domestic Waste are forecast to overspend by £157k and £367k respectively, due to a forecast reduction in income from Trade Waste and continuing increased fuel costs and depreciation 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 £156k.

- An overspend of £278k on Public Transport is forecast as a result of the re-tender exercise and loss of income on the T4 route due to the impact of the commercialisation of part of the route not foreseen during the tender process.
- These over spends are offset by an under spend of £110k as a result of the spend freeze, forecast profit of £100k in the Design Team and an underspend of £265k on waste contracts, due to increased income from sale of recyclable material and lower than budgeted spend on landfill tax.

The revised forecast based on the expected delivery of savings and other service factors shows that the position will be significantly improved by year end with a forecast overspend reduced to approximately £70k.

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	2,522	2,602	(80)	(3)	R

The forecast position within Workforce, OD and Comms has remained at a similar position to September with only a small increase in forecast overspend of £6k from that previously reported. Unachieved savings of £144k remain the main reason for the overspend in this area.

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	65,834	65,249	585	0.9	G

The forecast underspend position within Adult Social Care has increased by a further £44k from October with a year end position as at the end of November projected at £585k. Undelivered savings equate to £162k but there are plans in place to deliver the remaining target by the end of the financial year which is reflected in the assured forecast position for Social Services. Of the original £2.2m investment £491k still remains to be allocated to Service budget headings, as agreed this will only be released on presentation of business cases which satisfy criteria set out by full council.

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.

Projected increases in demand within Adult Social Care are being managed in part by prevention and cost avoidance, through the following: -

- Telecare- £319k
- Direct Payments as opposed to traditional Home Care £132.5k
- Shared Lives instead of a Residential placement/Supported Tenancy – £58.3k
- Reablement – 3% of ongoing packages

If these preventative and early intervention measures were not in place, costs would be increased.

Schools Delegated	75,343	75,948	(605)	(0.8)	G
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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. Budget plans across the primary sector expect to draw a net £458k from reserves, and £127k in the Special sector. This will be updated monthly going forward.

Budget Plans and forecasts received for Secondary schools are projecting a net £1.2m in year draw from reserves. In line with the Scheme for Financing schools, Secondary Schools are required to submit monthly forecast end of year projections, and if not received will be notified of the failure to comply with the scheme, continued non-compliance will result in a notice of concern.

5. Savings

5.1 The table below summarises the delivery of the savings including those that remained undelivered in prior years; £5.8m or 47% 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.

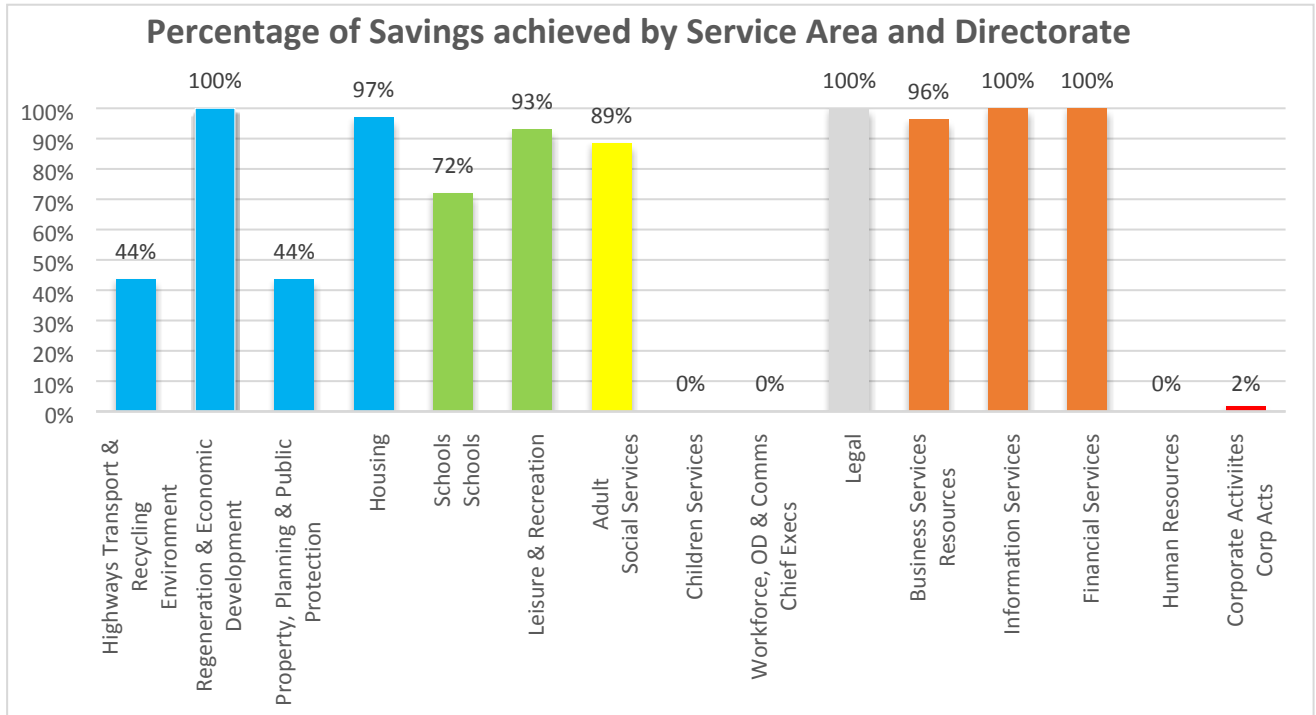
	Target £'000	Delivered £'000	Variance £'000
2015/16	1,157	77	1,080
2016/17	321	0	321
2017/18	1,975	420	1,555
2018/19	8,843	5,294	3,549
Total	12,296	5,791	6,505

5.2 Further analysis of the unachieved 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	TOTAL UNACHIEVED SAVINGS AS AT 30th November 2018
	£'000	£'000	£'000
Social Services	2,298	162	2,460
Environment	0	1,408	1,408
Schools	442	49	491
Resources	50	26	76

Corporate Activities	1,963	0	1,963
Chief Executives	107	0	107
Total	4,860	1,645	6,505

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



6 Grant to be accepted

6.1 Supporting Sustainable Social Services £579,066 – Payment of the grant will help to address workforce challenges; focus on mitigating existing children’s services pressures; respond to current pressures in core social services to be better positioned to manage unexpected or increased demands and to plan for and respond to additional demands on social care resources as a result of winter pressures.”

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 projected position continues to report a deficit outturn. The option to capitalise transformation costs provides an opportunity to improve the revenue position and this together with assurance that savings for some Directorates will be delivered significantly reduces the overall deficit projected.

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.

The council needs to further address the projected deficit and deliver an outturn more in line with the approved budget. The actions taken to date have improved the projected forecast, but further action to limit or delay spend will improve the position further and limit the impact on the general fund reserve.

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:	
a. That the contents of this report are noted. b. That the grant in section 6.1 is accepted. c. That given the pressure on the revenue budget the Cabinet supports the S151 Officer's requirement to control discretionary expenditure until the end of the financial year		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):		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 30th November 2018

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 30th November 2018	Service Under/(Over) spend excl. unachieved savings	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
	£'000	£'000	£'000	£'000	£'000	%	
Social Services							
Adult & Commissioning	65,834	65,249	585	(162)	747	0.9	G
Children Services	18,513	24,574	(6,061)	(2,298)	(3,763)	(32.7)	R
Environment							
Regeneration	1,412	1,354	58	0	58	4.1	B
Property Planning and Public Protection	7,114	6,854	260	(171)	431	3.7	B
Housing General Fund	951	933	18	(3)	21	1.9	B
Highways, Transport & Recycling	21,340	23,040	(1,700)	(1,234)	(466)	(8.0)	R
Schools							
Schools Service	27,232	26,908	324	(442)	766	1.2	B
Leisure & Recreation	8,776	8,461	315	(49)	364	3.6	B
Resources							
Business Services	6,533	6,423	110	(26)	136	1.7	B
Information Services	4,164	4,162	2	0	2	0.0	G
Legal Services	3,058	3,021	37	0	37	1.2	B
Financial Services	1,892	1,836	56	0	56	3.0	B
Workforce, OD and Comms	2,522	2,602	(80)	(157)	77	(3.2)	R
Service Area Totals	169,341	175,417	(6,076)	(4,542)	(1,534)	(3.6)	
Central Activities	2,319	1,317	1,002	(1,963)	2,965	43.2	B
Total	171,660	176,734	(5,074)	(6,505)	1,431	(3.0)	
Housing Revenue Account (HRA)	0	(19)	19	0	19	0.0	G
Schools Delegated	75,343	75,948	(605)	0	(605)	(0.8)	G
Total including HRA	247,003	252,663	(5,660)	(6,505)	845		

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	959	1,234	44%
Regeneration & Economic Development	0	0	0	100	100	100	0	100%
Property, Planning & Public Protection	0	0	31	272	303	132	171	44%
Housing	0	0	0	86	86	83	3	97%
Environment	0	0	302	2,381	2,683	1,275	1,408	48%
Schools								
Schools	158	0	49	1,376	1,583	1,141	442	72%
Leisure & Recreation	0	0	0	709	709	660	49	93%
Schools	158	0	49	2,085	2,292	1,801	491	79%
Social Services								
Adult	0	0	0	1,432	1,432	1,270	162	89%
Children Services	0	1	1,101	1,197	2,298	0	2,298	0%
Social Services	0	1	1,101	2,629	3,730	1,270	2,460	34%
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	689	26	96%
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%
Resources	0	0	124	1,299	1,422	1,347	76	95%
Corporate Activities	999	320	400	281	2,001	38	1,963	2%
Grand Total	1,157	321	1,975	8,843	12,296	5,791	6,505	47%

RESERVES BALANCES AS AT 30th NOVEMBER 2018

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	0	(3,618)	6,062
	9,680	0	(3,618)	6,062
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	(2,004)		746
Regeneration Reserve	100	(100)		0
HOWPS	185	(185)		0
Mid Wales Growth Fund	150	0		150
Highways Reserve	57	(57)		0
Invest to Save & Corporate Initiatives (inc J	5,830	(1,031)		4,799
Insurance Reserve	1,587	40		1,627
Transport & Equipment Funding Reserve	6,163	(2,082)		4,081
Sub-Total	28,286	(10,369)	0	17,917
Schools Delegated Reserves	(693)	(1,566)	(605)	(2,864)
School Loans & Other Items	(185)	7		(178)
Net School Delegated Reserves	(878)	(1,559)	(605)	(3,042)
Total Ringfenced & Specific Reserves	27,408	(11,928)	(605)	14,875
Housing Revenue Account	3,267	212	19	3,498
	3,267	212	19	3,498
Total Revenue Reserves	40,355	(11,716)	(4,204)	24,435