

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

10th April 2018

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance, Countryside and Transport

SUBJECT: Financial Overview and Forecast as at 28th February 2018

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 28th February 2018, and provides an indication of the 2017/18 end of year financial forecast.
- 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 service areas with significant pressures which carry the most financial 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 £141k (January £751k) excluding Housing Revenue Account (HRA) and Delegated Schools.

Summary Forecast by Directorate	Total Working Budget	Approved Use To / (From) Reserves	Forecast Spend	Variance (Over) / Under Spend	
	£'000	£'000	£'000	£'000	%
People	71,134	2	76,837	(5,703)	(8)
Place	38,386	(4,209)	37,279	1,107	3
Schools	24,576	(212)	24,936	(360)	(1)
Resources	17,174	(754)	16,949	225	1
Central Activities	13,246	1,358	13,280	(34)	(0)
Total	164,516	(3,815)	169,281	(4,765)	(3)
Technical adjustment – MRP			(4,624)	4,624	
Total	164,516	(3,815)	164,657	(141)	(0)
Housing Revenue Account	0	(53)	(403)	403	
Schools Delegated	75,463	(1,870)	75,845	(382)	(0.5)
Total including HRA and Delegated Schools	239,979	(5,738)	240,099	(120)	(0)

- 2.2 The overspend, before the technical adjustment is largely the result of non-delivery of savings targets, having seen limited improvement in recent months.

- 2.3 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.
- 2.4 The overall position indicates the council will be close to balancing its revenue budget in the 2017/18 financial year. However a combination of the response to this year's Children's Services inspection, on-going financial pressures and undelivered savings has been met by a one-off adjustment.

3. **Efficiency savings**

- 3.1 The efficiency saving target of £11.78m includes both in year and undelivered previous year targets. The inclusion of previous year targets ensures there is a focus on the overall position rather than concentrating on the in-year position. The 2017/18 savings target of £9.6m equates to 82% of the overall total, as at the end of February £7m or 75% 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.
- 3.2 A small contribution towards the savings target of £12k has been achieved during the month within Adult Social Care, all other Service's unachieved savings remain the same. To date, £7.811m has been achieved (66% of the total), leaving £3.969m yet to be attained.

Financial Year	Target £'000	Delivered £'000	Variance £'000
2015/16	1,323	165	1,157
2016/17	841	476	365
2017/18	9,616	7,169	2,447
Total	11,780	7,811	3,969

- 3.3 The table contained in Appendix B provides a service breakdown on the delivery of savings required within the budget. Both Children's and the Corporately held budget have yet to make inroads into the £2.8m target, this is 71% of the variance still to be delivered.

4 **Reserves**

- 4.1 The total revenue reserves held at 1 April 2017, together with the forecast addition/ (use) of reserves during the year and the projected year end balances as at 28th February, are set out in the table in Appendix C.
- 4.2 The revenue reserves held at the beginning of the year totalled £38.8m, with £8.6m held in the General Reserve and Specific and Ring fenced reserves of £28.4m.
- 4.3 The forecast use of reserves to support the revenue budget during the year, (excluding Schools and HRA) is £3.8m, the same position as reported in January.

4.4 The revised forecast level of General Fund reserve as at 28th February 2018 is 5% of total net revenue budget (excluding Schools and HRA). This increases to 7% if the budget management reserve is included, more than twice the 3% agreed strategy.

5 Revenue Forecast

5.1 Appendix A confirms the overspend of £4.765m (January £5.375m) which reduces to £141k (January £751k) after the technical MRP adjustment. The service deficit relates mainly to undelivered efficiency savings of £4m, offset in part 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:	£ 71,134k
	Net Forecast Expenditure:	£ 76,837k
	Variance (Over)/Under Spend:	£ (5,703)k
	January Forecast (Over)/Under Spend:	£ (6,215)k
	Change in Forecast	£ 512k

6.1 **Adult Social Care (ASC) - Net Budget £57,183k, Forecast Overspend £(240)k**

6.1.1 The Adult Social Care position has improved by £792k since January, mainly due to non-recurring additional winter pressures monies from Welsh Government of £519k to support domiciliary care spend and Powys Teaching Health Board £125k, for which virements need to be approved.

6.2 **Children’s – Net Budget £13,153k, Forecast Overspend £ (5,509)k (Jan £(5,229)k)**

6.2.1 The forecast overspend for Childrens Services has increased by £279k to that reported at the end of January, mainly due to the following:

6.2.2 Additional agency required to increase capacity, to enable delivery of the Childrens Improvement Plan. Finance have worked with the service to fully cost this plan, cross referencing the spend requirements to the recommendations and outcomes in the Improvement Plan. It is likely there will be further costs that are not yet included in the forecast.

6.2.3 Increase in cost of existing Looked after Children placements of £63k.

7. <u>Place Directorate</u>	Net Working Budget:	£ 38,386k
	Net Forecast Expenditure:	£ 37,279k
	Variance (Over)/Under Spend:	£ 1,107k
	January Forecast (Over)/Under Spend:	£ 1,068k
	Change in Forecast	£ 39k

8	<u>Schools Service</u> (non delegated)	Net Working Budget	£ 24,576k
		Net Forecast Expenditure	£ 24,936k
		Variance (Over)/Under Spend:	£ (360)k
		January Forecast (Over)/Under Spend:	£ (358)k
		Change in Forecast	£ (2)k
9	<u>Resources Directorate</u>	Net Working Budget:	£ 17,174k
		Net Forecast Expenditure:	£ 16,949k
		Variance (Over)/Under Spend:	£ 225k
		January Forecast (Over)/Under Spend	£ 208k
		Change in Forecast	£ 17k
10	<u>Central Activities</u>	Net Working Budget:	£ 13,246k
		Net Forecast Expenditure:	£ 13,280k
		Variance (Over)/Under Spend:	£ (34)k
		January Forecast (Over)/Under Spend	£ (78)k
		Change in Forecast	£ 44k
11	<u>Schools Delegated</u>	Net Working Budget:	£ 75,463k
		Net Forecast Expenditure:	£ 75,845k
		Variance (Over)/Under Spend:	£ (382)k
		January Forecast (Over)/Under Spend	£ (140)k
		Change in Forecast	£ (242)k

11.1 Schools have a BRAG rating of Green, because they can use reserves as a buffer to balance their outturn, but there is a worsening forecast due to an increase in overspends in the Secondary sector, with no reserve available to support these deficits. Their forecasts are based on updated figures gleaned through individual school meetings to discuss recovery plan actions to address current and forecast deficits.

11.2 The individual Schools Delegated budgets are forecasting a deficit reserves balance at the 31st March 2018 of £1.8m, excluding School loans and other items. The figures, incorporate information provided from the High Schools and the All Through School in accordance with the Scheme for Financing Schools. All schools should provide a monthly update to their forecast, but they have not been received regularly through the year. We have now insisted that monthly updates are provided and reported so remedial action can be taken promptly.

11.3 The primary schools forecast is based on their latest budget plan. Primary schools update their budgets on a regular basis when changes occur, it has therefore been assumed that the schools are working to their latest budget plan held by finance. Financial surgeries have taken place and additional meetings have been organised where necessary to ensure timely action to improve forecast deficits.

11.4 The budgeted and forecast use of Schools Reserves, in year, is shown in the table below. The current information projects a £1.869m use of reserves. A grant of £645k from WG has been received in March with the aim to reimburse schools for

maintenance related costs so the funding can be redirected to front line services. Once this virement request is approved the grant will be allocated across all schools and reduce the forecast deficit.

	Opening Balance	Original Budgeted Contribution/ (Use)	Revised Budgeted Contribution/ (Use)	Latest Forecast Underspend/ (Overspend)	Forecast Closing Balance
School Sector	£'000	£'000	£'000	£'000	£'000
Primary	1,608	(503)	(296)	0	1,312
Special	(259)	42	19	(14)	(254)
Secondary	(864)	(1,522)	(1,643)	(368)	(2,875)
Total	485	(1,983)	(1,920)	(382)	(1,817)
School Loans/Other	(493)	55	51	0	(442)
Total Balance	(8)	(1,928)	(1,869)	(382)	(2,259)

12 Housing Revenue Account

12.1 The Housing Revenue Account (HRA) is forecasting an underspend of £403k, an improvement of £119k on that reported at the end of January. This is due to the Service utilising the Integrated Care Fund and Enable monies in respect of adaptations. A substantial amount of the adaptations work, due to the size and complexity has been capitalised.

13 Virements

13.1 Virements are required to accept the following Welsh Government (WG) grants:

- £519k from the additional Welsh Government £10m for social services in Wales to deal with winter pressures.
- £125k allocation from Powys Teaching Health Board additional Winter Pressures monies to reduce Delayed Transfers of Care.
- £645k allocated to schools for maintenance related costs from WG

14 Deficit Recovery Plan

- 14.1 An improved financial forecast within Place and Adult Social Care, has reduced the overspend and the need to draw down £1m from reserves, as previously expected.
- 14.2 The use of £4.624m Minimum Revenue Provision has been approved, and now a key part of the improved forecast.
- 14.3 With further grants expected in March to support the ASC and Schools delegated budget, and uncertainty about the Childrens forecast, it may be necessary to capitalise transformation costs, as previously explained, to support a balanced budget at year end.

15 Options Considered/Available

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

16 Preferred Choice and Reasons

None to consider.

17 Impact Assessment

Is an impact assessment required? Yes/No

18 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.

19 Local Member(s)

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

20 Other Front Line Services

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

21 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.

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 Scrutiny

Has this report been scrutinised? Yes / No

24 Statutory Officers

The Head of Financial Services (Acting Section 151 Officer) has provided the following comment:

As with previous reports to Cabinet the position is a 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.

The improved financial position helps to reduce the call on reserves, the budget will be balanced by the use of MRP and capitalisation, if necessary.

The increasing demand within Children Services and the implementation of the improvement plan continues to be the main financial challenge for the Authority. It is

essential that the costings developed to support the plan are robust in order to provide the appropriate level of financial resource and governance.

The overall schools' balance position, particularly the secondary sector, remains a risk that needs to be addressed and will require concerted effort to ensure it is managed effectively.

The Monitoring Officer has no specific concerns with this report.

25 **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. To approve the virements detailed in para 13.1</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):			
Person(s) To Implement Decision:		Jane Thomas	
Date By When Decision To Be Implemented:		Ongoing	
Contact Officer	Tel	Fax	E mail
Jane Thomas	01597 826341	01597 826290	jane.thomas@powys.gov.uk

Forecast Outturn and Undelivered Savings as at 28th February 2018

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 28th February 2018	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	57,183	57,423	(240)	(147)	(93)	(0.4)	G
Children Services	13,153	18,662	(5,509)	(1,101)	(4,408)	(41.9)	R
Housing General Fund	798	752	46	0	46	5.8	B
Place							
Leisure & Recreation	9,112	8,932	180	0	180	2.0	B
Regeneration, Property & Commissioning	8,889	8,633	256	(63)	319	2.9	B
Highways, Transport & Recycling	20,385	19,714	671	(607)	1,278	3.3	B
Schools							
Schools Service	24,576	24,936	(360)	(207)	(153)	(1.5)	A
Resources							
Business Services	6,204	6,158	46	(92)	138	0.7	G
Information Services	3,575	3,569	6	(32)	38	0.2	G
Legal Services	3,030	3,001	29	0	29	1.0	G
Financial Services	1,877	1,768	109	0	109	5.8	B
Workforce, OD & Comms	2,488	2,453	35	0	35	1.4	B
Service Area Totals	151,270	156,001	(4,731)	(2,249)	(2,482)	(3.1)	
Central Activities	13,246	13,280	(34)	(1,720)	1,686	(0.3)	G
Total	164,516	169,281	(4,765)	(3,969)	(796)	(2.9)	
Housing Revenue Account (HRA)	0	(403)	403	0	403		G
Schools Delegated	75,463	75,845	(382)	0	(382)	(0.5)	G
Total including HRA	239,979	244,723	(4,744)	(3,969)	(775)		

EFFICIENCY TRACKER AS AT 28th FEBRUARY 2018

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	1,747	607	74%
Regeneration, Property & Commissioning	14	35	399	448	385	63	86%
Leisure & Recreation	0	0	730	730	730	0	100%
Place	165	399	2,967	3,532	2,862	670	81%
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	2,084	147	93%
Children Services	0	1	1,101	1,101	0	1,101	0%
People	0	1	3,332	3,333	2,084	1,248	63%
Chief Executives							
Chief Executives	0	0	250	250	250	0	100%
Legal	0	12	28	40	40	0	100%
Chief Executives	0	12	278	290	290	0	100%
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	7,811	3,969	66%

RESERVES TABLE AS AT 28th FEBRUARY 2018

APPENDIX C

Summary	Opening Balance (1st April 17) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 18) Surplus/ (Deficit)
	£'000	£'000	£'000	£'000
General Fund	8,585	(677)	(141)	7,767
	8,585	(677)	(141)	7,767
Ringfenced & Specific Reserves				
Budget Management Reserve	3,484	100		3,584
Specific Reserves	1,902	(497)		1,405
21st Century Schools Reserve	6,297	(423)		5,874
Adult Services Reserve	2,750	0		2,750
Regeneration Reserve	100	0		100
Invest to Save & Corporate Initiatives (inc J)	5,300	(1,418)		3,882
Insurance Reserve	2,394	(46)		2,348
Transport & Equipment Funding Reserve	6,199	(825)		5,374
Sub-Total	28,426	(3,109)	0	25,317
Schools Delegated Reserves	486	(1,921)	(382)	(1,817)
School Loans & Other Items	(494)	51		(443)
Net School Delegated Reserves	(8)	(1,870)	(382)	(2,260)
Total Ringfenced & Specific Reserves	28,418	(4,979)	(382)	23,057
Housing Revenue Account	1,761	(82)	403	2,082
	1,761	(82)	403	2,082
Total Revenue Reserves	38,764	(5,738)	(120)	32,906