

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

10th July 2018

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 31st May 2018

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 This report provides the first update on the projected revenue spend against budget for the 2018/19 financial year and reflects the position as at 31st May 2018, it provides an early indication of the 2018/19 full year financial forecast.
- 1.2 The revenue expenditure outturn against budget is projected to be £7.27m over budget, based on the level of savings delivered to date, this reduces to £3.67m based on assurance that savings will be delivered.
- 1.3 Savings of £3.792m have been delivered to date (31% of the total £12.296m required), this leaves £8.504m yet to be achieved.
- 1.4 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.

2 Revenue Position

- 2.1 The revenue forecast is summarised in the table below, with a projected overspend of £7.270m, excluding Housing Revenue Account (HRA) and Delegated Schools. It is important to note that efficiency savings will be accounted for when they have been delivered, and we maintain this approach to ensure a prudent position. This is reflected in the figures as the majority of savings have not yet been achieved at this early point in the year and is therefore likely to improve as the year progresses.
- 2.2 To counter this prudent approach and better predict the year end position, this year's reporting will also provide 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 this basis the projected position will be an overspend of £3.67m.
- 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	84,225	86,712	(2,487)	(3)	(1,239)	(1.5)
Environment	30,523	32,914	(2,391)	(8)	(408)	(1.3)
Schools	35,975	36,193	(218)	(1)	147	(0.4)
Resources	17,857	17,934	(77)	(0)	(69)	(0.4)
Central Activities	3,277	5,374	(2,097)	(64)	(2,097)	(64)
Total	171,857	179,127	(7,270)	(4)	(3,666)	(2.3)
Housing Revenue Account (HRA)	0	(54)	54		54	
Schools Delegated	75,146	75,165	(19)	(0)	(19)	(0)
Total including HRA and Delegated Schools	247,003	254,238	(7,235)	(3)	(3,631)	(1.5)

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 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 31st May, 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 forecast use of reserves to support the overall revenue budget during the year, (excluding Schools and HRA) is £9.4m.

3.2 Based on the projections included in this report the overspend position would be financed from the General Fund Reserve. Should the position not change the level of General Fund reserve would fall to £428k or 0.25% of total net revenue budget (excluding Schools and HRA). This increases to 2.3% when the budget management reserve is included. This would not meet the policy set at 3%. With the assurance around the delivery of savings the impact on the General fund would reduce with £5.6m utilised, the yearend balance would then represent 2.5% of the total net revenue budget (excluding Schools and HRA) or 4.9% when including the budget management reserve.

4 Revenue Forecast

4.1 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.

- **Red** Variance 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	18,503	22,357	(3,854)	(21)	R

Investment of £6.416m has been made in Childrens Services following an adverse inspection; £3.530m for Improvement Capacity and £2.886m to address service pressures. There are £2.208m of undelivered efficiencies; £1.011m brought forward from 2017/18 and a further £1.197m for 2018/19 for which there are currently no plans in place to deliver.

Looked after Children are at the highest levels for a number of years with a predicted overspend of £2.634m, despite investment of £2.463m. Fluctuations in demand and levels of complexity make it a very high risk area which is difficult to forecast, a recent placement of £4,500k per week demonstrates the potential levels of financial risk and we must assure that the appropriate level of support is in place and reviewed regularly.

Agency costs are forecast to the 30th September funded through the improvement capacity monies and in line with the Service plan, therefore if the current levels of agency are maintained beyond this point then this will lead to further financial pressure.

Improvement capacity monies of £775k not yet utilised, along with small underspends across a number of other budget heads, currently mitigate the overspend and the financial pressures above.

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)	21,064	23,599	(2,535)	(12)	R

The overspend in this area is mainly due to unachieved savings of £1.872m; £1,577m relating to the Commissioning project, £250k logistics project and £45k additional income target as a result of a 3% increase in fees and charges, approved during the budget process. There are a number of projects making up the overall Commissioning target with £832k of the £1,577m estimated to be achieved. The action of re-routing the rounds as part of the logistics project has been carried out, work is currently being undertaken to ascertain the total saving achieved.

A forecast overspend of £100k on training across the HTR service is expected, however, this is currently being reviewed to re-align costs with budget.

Inflationary pressures within Public Transport are projected to result in an overspend of £100k.

Trade Waste and Domestic Waste are forecast to overspend by £250k and £100k respectively, due to a forecast reduction in income from Trade Waste and projected increased fuel costs for domestic waste vehicles.

An increase in 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 £220k.

It is expected that the over spend reported of £2,391k for the Environment Directorate will reduce to £408k by the end of this financial year. It is expected that the £2,003k savings currently forecast as unachieved will reduce to £620k by the end of the year reducing the over spend to £1,008k, with the use of one off grants and capitalisation totalling £600k this would further reduce the over spend to £408k.

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	2,310	2,455	(145)	(6.3)	R

The projected overspend in this area relates to unachieved savings, to be found from a new service delivery model and a review of all corporate budget headings. However, no plans are currently in place to deliver this.

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	%	
Corporate Activities	3,277	5,374	(2,097)	(64)	R

Third party savings and additional income targets for delivery by the Income and Cost Improvement Board totalling £1.850m are unachieved and remain a pressure in this financial year.

The centrally held budget to cover the cost of the rates for all Council property, is forecast to be overspent by £126k, this is due to the additional funding required for Ladywell House.

It should be noted that insurance is forecast to have a balanced budget by year end, however there are a number of claims, estimated at £1m, which could come into fruition this year and will be charged against the insurance reserve, which is currently £1.587m.

4.2 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	65,722	64,355	1,367	2.1	B
<p>The underspend of £1.367m within Adult Social Care takes into account £2.2m of investment which has not been allocated to Service budget headings, this will only be released on presentation of business cases which satisfy criteria set out by full council. In addition £352k to reflect the increase in the Care Home Capital Threshold to £40k, has not been drawn down. This will be released when need can be demonstrated following the completion of client annual financial re-assessments.</p> <p>This growth is offset by unachieved savings of £1.258m. Savings of 13% have been achieved to date, however, there was a known risk around the £400k associated with rightsizing of packages through accelerated reablement, and the service is now working on delivering this through alternative means.</p> <p>The forecast does not account for future demography, learning disability transitions, contractual agreements including uplifts or winter pressures.</p>					
Schools Delegated	75,146	75,165	(19)	0	G
<p>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.</p> <p>Budget plans across the primary sector expect to draw a net £406k from reserves, £28k in the Special sector. This will be updated monthly going forward.</p> <p>Budget Plans and forecasts received for Secondary schools are projecting a net £1.2m in year draw from reserves.</p> <p>In line with the Scheme for Financing schools, Secondary Schools are required to submit monthly forecast end of year projections. Of the 12 secondary schools 1 school failed to submit the forecast by the agreed deadline and will be notified of the failure to comply with the scheme.</p>					
Schools Services	27,215	27,580	(365)	(1.3)	A
<p>The significant variances within the Schools Service are detailed below:</p> <p>Schools Improvement – a forecast overspend of £227k is expected due to unachieved savings in respect of the change in admission age and the transformation of the 3 year plus provision. Alternative delivery options are being considered by the Service.</p> <p>Home to School Transport – the forecast position is an overspend of £148k including an unachieved saving of £81k.</p> <p>Special other – A £452k underspend is projected in this area, mainly due to additional income from the net effect of inter-authority recoupment.</p> <p>Schools delegated central – a forecast overspend of £193k is expected due to a projected overspend on the contingency for class size protection and £120k unachieved saving relating to small school closures.</p>					

5 Revenue Grants/Virements

5.1 The following sections report the grants to be accepted and virements requiring approval:

5.1.1 Grants

- Welsh Government (WG) Facilitations grant of £21.5k, previously administered by the BSU, so not additional resources.
- Welsh Government (WG) Deprivation of Liberties (DOLS) grant of £14.4k, to assist in the reduction of Best Interest Assessments (BIA's) currently outstanding.
- Welsh Government Communities for Work Plus (CfW+) grant funding of £150k, to enable employability support to be provided to people either in or at risk of poverty who are not eligible for other ESF programmes (including Workways+ Powys). This funding is being provided to all local authorities in Wales and on a year by year basis. Within Powys, the Council is planning to deliver it internally through the recruitment of 2 full-time Community Employment Mentors and one part-time Engagement and Media Support Assistant, as well as allocated time by existing staff.

5.1.2 Virements

- Previous Welsh Government (WG) Independent Living Grant £1.262m has now been rolled into Revenue Settlement (RSG) and needs to be vired to cost centres that are incurring costs following reassessment of clients, which has resulted in a funding pressure of £365k for the Council.
- Transfer the Supporting People budget of £102.2k from Housing Revenue Fund to Adults Contracts and Commissioning based on recent restructure following staff consultation.
- To vire £210k from the Management of Change fund to Highways, Transport and Recycling, following the approval of a business case for project support for the HTR Transformation Project.
- To increase the budget for additional staff within the Highways Design Team by £199.5k, and the associated income target by £218.2k, to provide sufficient capacity within the service to carry out work in respect of the Capital Programme and the North and Mid Wales Trunk Road Agency (NMWTRA).
- Transfer of staffing budgets for 15 posts equating to £612k from Highways, Grounds and Street Scene (HGSS) to Waste in respect of street cleansing. This will enable the Service to reduce the levels of agency within waste services, through utilisation of the street cleansing staff to manage sickness/absence cover arrangements.
- A business case has been submitted and approved by HGSS which requires additional staff to be appointed to enable the generation of extra income; £150k grounds maintenance on Cemeteries, £1.2m Capital projects, £950k additional NMWTRA works, and £123.5k for 2 additional work supervisors to oversee the above funded by NMWTRA. The virement required is to increase the income budget by £2,423k. This additional income will support the appointment of 26 additional staff (circa £782K), provision of additional fleet/plant (circa £673K), and purchase of materials (circa £795K), with a target profit of £173K.

6 Savings

6.1 The table below summarises the delivery of the savings including those that remained undelivered in prior years. £3.8m or 3% 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.

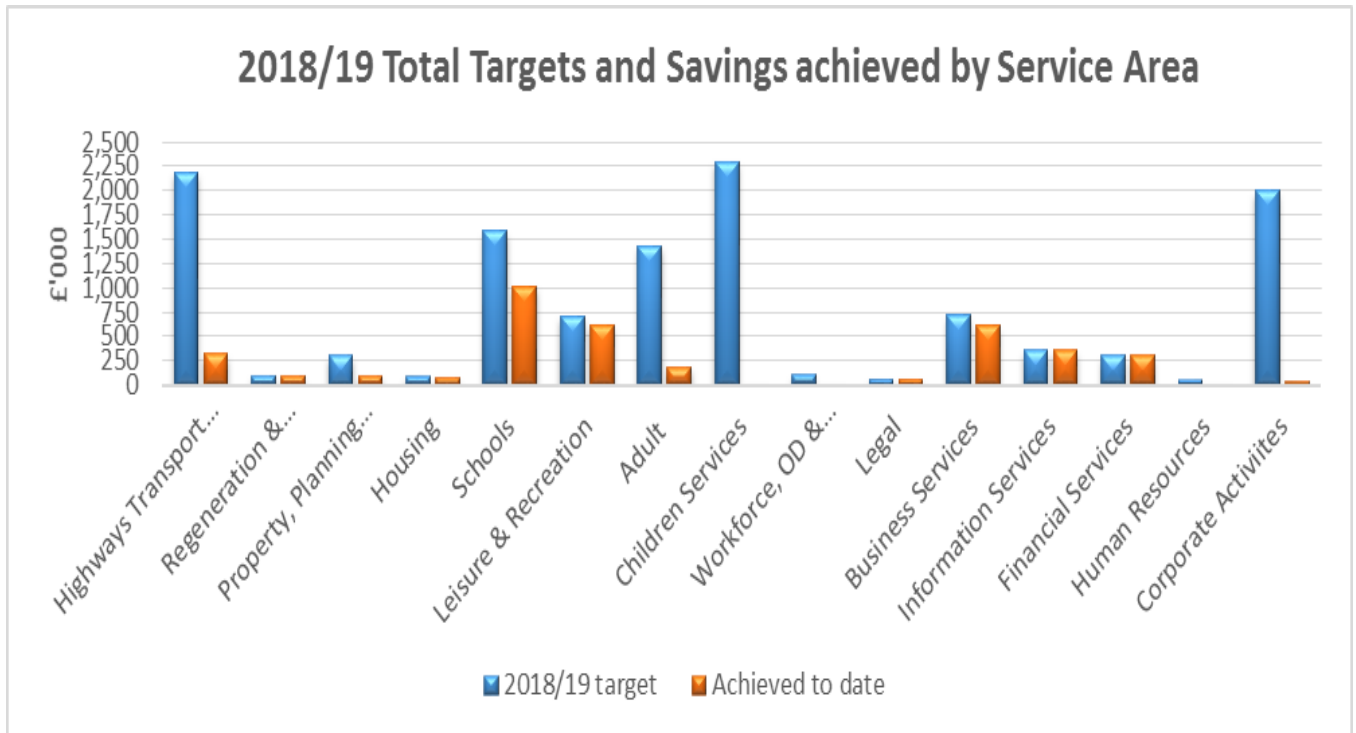
6.2 Further savings RAG provided below. by can be found in Appendix B.

	Target £'000	Delivered £'000	Variance £'000
2015/16	1,157	77	1,080
2016/17	321	0	321
2017/18	1,975	102	1,873
2018/19	8,843	3,613	5,230
Total	12,296	3,792	8,504

analysis of the showing the status by Directorate is in the table Further detail Service area

UPDATE ON DELIVERY OF SAVINGS PROPOSALS BY RAG				
Directorate	RED	AMBER	GREEN	TOTAL UNACHIEVED SAVINGS AS AT 31ST MAY 2018
	£'000	£'000	£'000	£'000
Social Services	2,298	1,248	0	3,546
Environment	1,708	124	250	2,081
Schools	570	87	0	657
Resources	2,013	100	0	2,114
Chief Executives	107	0	0	107
Total	6,697	1,558	250	8,504

6.3 The graph below shows the total savings target and savings achieved to date by Service Area.



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 Statutory Officers

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

This is the first financial report for the 2018/19 financial year and the position is a fair reflection of the projected outturn. In previous years the projections have only been adjusted when there is confidence and evidence that savings have been delivered. This inevitably leads to an improving position as the year progresses. This year the monitoring reports will also provide a projection based on assurance given by Directors that savings are expected to be delivered by year end.

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 Childrens services continues to increase and placement costs are already exceeding the increased level of budget. This continues to be an area of financial risk for the Council.

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. The contents of this report are noted by Cabinet; and b. To approve the virements and accept the grants detailed in para 5.1.1. and 5.1.2			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	Fax	E mail		
Jane Thomas	01597 826341	01597 826290	jane.thomas@powys.gov.uk		

Forecast Outturn and Undelivered Savings as at 31st May 2018

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 31st May 2018	Service Under/(Over) spend excl. unachieved savings	Variance (Over) / Under spend as a % of Net Budget	Variance BRAG status
		£'000	£'000	£'000	£'000	%	
Social Services							
Adult & Commissioning	65,722	64,355	1,367	(1,248)	2,615	2.1	B
Children Services	18,503	22,357	(3,854)	(2,298)	(1,556)	(20.8)	R
Environment							
Regeneration	1,325	1,307	18	(72)		1.4	A
Property Planning and Public Protection	7,136	7,019	117	(131)	248	1.6	A
Housing General Fund	998	989	9	(6)	15	0.9	G
Highways, Transport & Recycling	21,064	23,599	(2,535)	(1,872)	(663)	(12.0)	R
Schools							
Schools Service	27,215	27,580	(365)	(570)	205	(1.3)	A
Leisure & Recreation	8760	8,613	147	(87)	234	1.7	B
Resources							
Business Services	6,501	6,470	31	(100)	131	0.5	G
Information Services	4,125	4,124	1	0	1	0.0	G
Legal Services	3,098	3,075	23	0	23	0.7	G
Financial Services	1,823	1,810	13	0	13	0.7	G
Workforce, OD and Comms	2,310	2,455	(145)	(157)	12	(6.3)	R
Service Area Totals	168,580	173,753	(5,173)	(6,541)	1,278	(3.1)	
Central Activities	3,277	5,374	(2,097)	(1,963)	(134)	(64.0)	R
Total	171,857	179,127	(7,270)	(8,504)	1,144	(4.2)	
Housing Revenue Account (HRA)	0	(54)	54	0	54	0.0	G
Schools Delegated	75,146	75,165	(19)	0	(19)	(0.0)	G
Total including HRA	247,003	254,238	(7,235)	(8,504)	1,269		

EFFICIENCY TRACKER AS AT 31ST MAY 2018

APPENDIX B

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	322	1,872	15%
Regeneration & Economic Development	0	0	0	172	172	100	72	58%
Property, Planning & Public Protection	0	0	31	200	231	100	131	43%
Housing	0	0	0	86	86	80	6	93%
Environment	0	0	302	2,381	2,683	602	2,081	22%
Schools								
Schools	158	0	49	1,376	1,583	1,012	570	64%
Leisure & Recreation	0	0	0	709	709	623	87	0%
Schools	158	0	49	2,085	2,292	1,635	657	71%
Social Services								
Adult	0	0	0	1,432	1,432	184	1,248	13%
Children Services	0	1	1,101	1,197	2,298	0	2,298	0%
Social Services	0	1	1,101	2,629	3,730	184	3,546	5%
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	615	100	86%
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%
Corporate Activities	999	320	400	281	2,001	38	1,963	2%
Resources	999	320	524	1,580	3,424	1,310	2,114	38%
Grand Total	1,157	321	1,975	8,843	12,296	3,792	8,504	31%

RESERVES BALANCES

APPENDIX C

Summary	Opening Balance (1st April 17) 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	(1,982)	(7,270)	428
	9,680	(1,982)	(7,270)	428
Ringfenced & Specific Reserves				
Budget Management Reserve	3,584	0		3,584
Specific Reserves	2,356	210		2,566
21st Century Schools Reserve	5,524	(5,045)		479
Adult Services Reserve	2,750	0		2,750
Regeneration Reserve	100	0		100
HOWPS	185	0		185
Mid Wales Growth Fund	150	0		150
Highways Reserve	57	(57)		0
Invest to Save & Corporate Initiatives (inc JE)	5,830	(578)		5,252
Insurance Reserve	1,587	(1,000)		587
Transport & Equipment Funding Reserve	6,163	(961)		5,202
Sub-Total	28,286	(7,431)	0	20,855
Schools Delegated Reserves	(693)	(1,805)	(19)	(2,517)
School Loans & Other Items	(185)	7		(178)
Net School Delegated Reserves	(878)	(1,798)	(19)	(2,695)
Total Ringfenced & Specific Reserves	27,408	(9,229)	(19)	18,160
Housing Revenue Account	3,267	(2,653)	54	668
	3,267	(2,653)	54	668
Total Revenue Reserves	40,355	(13,864)	(7,235)	19,256