

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

6th November 2018

REPORT AUTHOR: County Councillor Aled Davies

Portfolio Holder for Finance

SUBJECT: Financial Overview and Forecast as at 30th September 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 September 2018, it provides an early indication of the 2018/19 full year financial forecast.
- 1.2 The revenue expenditure outturn against budget is now projected to be £3.8m (August £5.8m) over budget, this is based on savings achieved to date but also reflects assurance 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 £5.125m (£4.997m August) have been delivered to date, 42% (41% August) of the total £12.296m required, with £7.171m 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.

2 Revenue Position

- 2.1 The revenue forecast is summarised in the table below, underlying expenditure is projected to exceed the budget by £8.676m (August £7.917m), 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. This position is likely to improve as the year progresses.
- 2.2 A detailed review of all budget headings has been carried out and this has identified areas of underspending or higher than expected levels of income, these budgets have been frozen or realigned for the remainder of the financial year and now contribute to the improved forecast. In addition, some vacant posts will remain unfilled for the remainder of the year.

- 2.3 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.
- 2.4 Costs relating to transformation can be capitalised under the Welsh Government capitalisation direction. £2.6m of costs projected to be incurred will be funded from Capital receipts, this will release the revenue budget originally set aside to fund these costs to reduce the projected deficit.
- 2.5 On the basis of expected savings delivery and capitalisation of transformation costs the projected position will be an overspend of £3.8m (August £5.804m) against the approved budget.
- 2.6 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	89,847	(5,500)	(7)	(5,039)	(6)
Environment	30,703	32,158	(1,455)	(5)	(67)	0
Schools	36,063	36,740	(677)	(2)	(56)	0
Resources	18,191	18,096	95	1	95	1
Central Activities	2,413	3,552	(1,139)	(47)	1,201	50
Total	171,717	180,393	(8,676)	(5)	(3,866)	(2)
Housing Revenue Account (HRA)	0	(13)	13		2	
Schools Delegated	75,287	75,555	(268)	(0)	(19)	(0)
Total including HRA and Delegated Schools	247,004	255,935	(8,931)	(4)	(3,883)	(2)

- 2.7 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

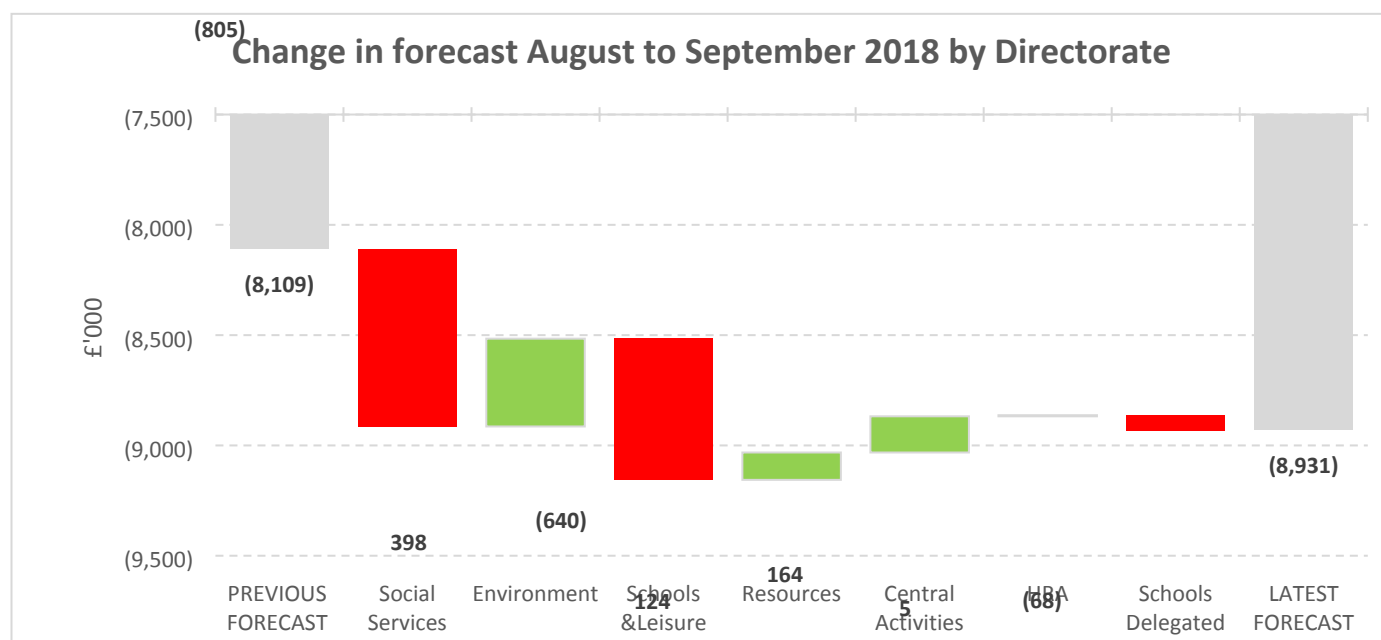
- 3.1 The total revenue reserves held at 1 April 2018, together with the forecast addition/(use) of reserves during the year and the projected year end balances, as at 30th September, are set out in the table in Appendix C. The revenue reserves held at the beginning of the year totalled £40.3m, with £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 position 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 £3.8m,

reducing the balance to £5.835m this would then represent 3.4% of the total net revenue budget (excluding Schools and HRA) or 5.5% 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 September 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	24,539	(6,026)	(32)	R

Costs continue to escalate within Children services with a projected overspend of £6.026m for the year, an increase of £483k since that reported in August, due to an increased cost of placements, agency staff and legal fees.

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 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 £751k. There are currently 14.5 Fte's over the agreed establishment.

The predicted spend on Looked after Children (LAC) continues to be higher than the budget allocated due to the increased number of placements currently 235, this represents a pressure of £3.455m and additional £377k 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 £2.208m of undelivered efficiencies that remain in the base budget. Cabinet are reviewing this position as part of their budget setting for 2019/20.

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

- Additional costs backdated in respect of 'Sleepins' following the outcome of a judicial review
- Holiday pay liability for relief staff at Golwg y Bannau/Camlas
- Legal costs – baseline budget has already been utilised

The overspend and financial pressures are mitigated by growth not allocated of £875k; Improvement capacity monies £775k and change in legislation in respect of "When I'm ready" allocation of £100k.

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)	21,259	23,057	(1,798)	(8)	R

The overspend in this area has reduced by £237k from that reported in August. Unachieved savings at this point in the year total £1.3m and are the main reason for the projected position. The change in forecast is mainly in relation to additional income identified in relation to the Design Team and £110k from the review of all budgets carried out across the Council.

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

- Trade Waste collection and Domestic Waste are forecast to overspend by £145k and £271k respectively, due to a forecast reduction in income from Trade Waste and continuing increased fuel costs 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 £311k.
- These over spends are reduced by an under spend of £165k 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 £67k.

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	%	
Schools Service	27,288	28,243	(955)	(3.5)	R

The projected overspend within Schools service has increase significantly since that reported in August with a projected overspend at the end of September of £955k. The significant variances contributing to the adverse position are as follows:

Severance Pay – current projections indicate an overspend of £772k within this area, however some of these costs can be capitalised under transformation.

Schools Improvement – the projected forecast overspend within this area has risen to £104k from the £49k projected at the end of August. This is mainly 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. Underspends offsetting costs have now been removed as part of the corporate budget review which is also a contributing factor.

Home to School Transport – the forecast position remains the same with an overspend of £147k projected, not including any re-tender price changes. The forecast includes unachieved savings of £81k and a projected overspend of £80k in respect of 14-19 provision as previously reported.

The centrally retained provision for supply costs projected overspend has reduced to £81k, this is due to ongoing supply commitments, further work is required to determine when the projected costs will cease.

Schools delegated central – expenditure is projected to exceed budget by £193k and is due to an over commitment on the contingency for class size protection provided to schools and £120k unachieved saving relating to small school closures.

These overspends are being offset by an underspend of £302k within the Special other budget this is mainly due to increased income for inter-authority recoupment.

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	2,479	2,553	(74)	(3)	R

The position within Workforce, OD and Comms has improved by £43k from that reported at the end of August, due to the corporate budget review. Unachieved savings of £144k remain the main reason for the overspend in this area.

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	%	
Central Activities	2,413	3,552	(1,139)	(47)	R

The position within this area has improved by £164k compared to the previous forecast due to the corporate budget review. The Council Tax surplus remains at a projected £700k. The £1.7m saving for third party spend and additional income remains a pressure on the current year's budget. Additional income is being generated but is included in service specific proposals, this pressure will be removed as part of next year's budget plan. The capitalisation of transformation costs held within these budgets will significantly improve the projected outturn.

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	65,308	526	0.8	G

The forecast underspend position within Adult Social Care has reduced by a further £321k from August with a year end position as at the end of September projected at £526k. A further £100k of savings have been delivered during the month, with £461k still remaining. £767k of the original £2.2m investment still remains to be allocated to Service budget headings, 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.

The Adult Social Care projected "Demography" in the Financial Resources Model (FRM) 2018/19 is being managed in part by prevention and cost avoidance, through the following:-

- Telecare- £270k
- Direct Payments as opposed to traditional Home Care £75.9k
- Shared Lives instead of a Residential placement/Supported Tenancy – £56.9k
- Reablement

If these preventative and early intervention measures were not in place, then costs would be reflected in the forecast outturn position in line with the FRM.

Schools Delegated	75,287	75,555	(268)	(0.36)	G
--------------------------	---------------	---------------	--------------	---------------	----------

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 £541k from reserves, an increase of £63k on that reported at the end of August, £86k 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. Recovery plans have been requested by the end of September for all schools with unlicensed deficit budgets.

5. Savings

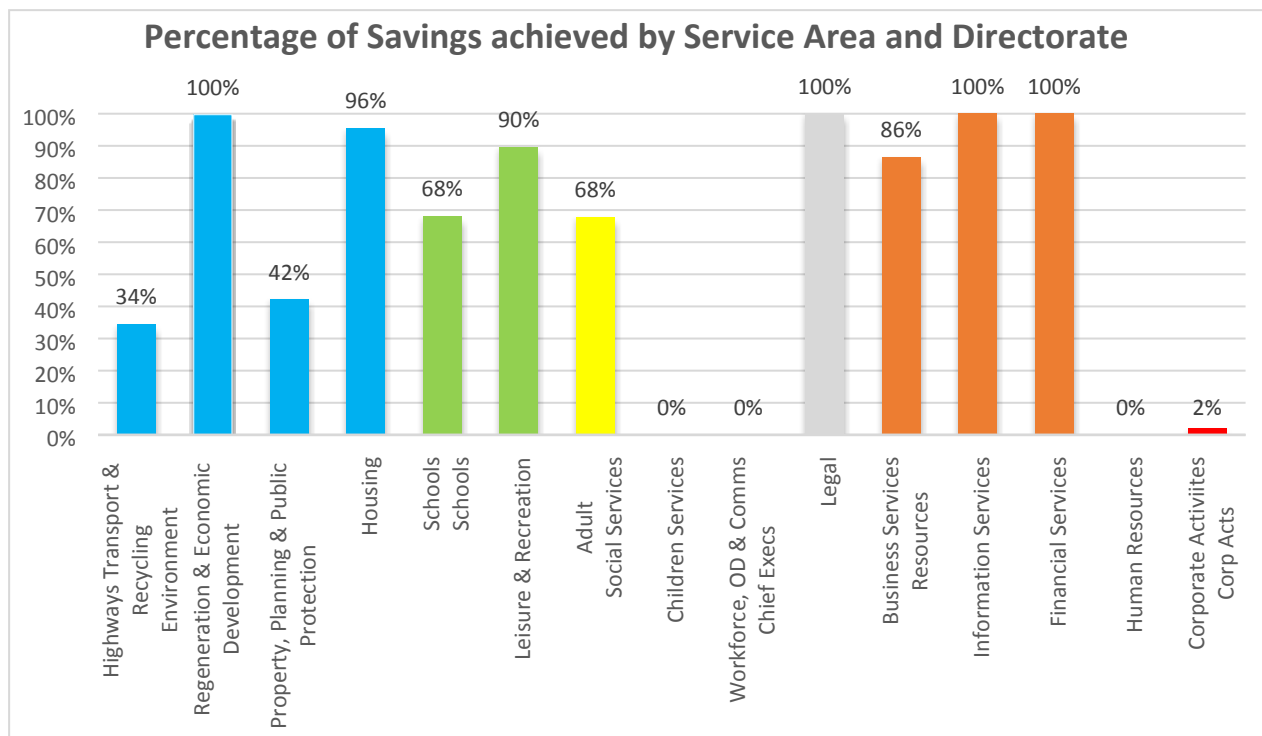
5.1 The table below summarises the delivery of the savings including those that remained undelivered in prior years; £5.1m or 41% has been delivered. For prudence the forecast includes savings that have been achieved or have progressed to a point where there is confidence in final delivery taking place. 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	351	1,624
2018/19	8,843	4,697	4,146
Total	12,296	5,125	7,171

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	GREEN	TOTAL UNACHIEVED SAVINGS AS AT 30TH SEPT 2018
	£'000	£'000	£'000	£'000
Social Services	2,298	461	0	2,759
Environment	0	1,617	0	1,617
Schools	504	74	0	578
Resources	50	97	0	147
Corporate Activities	1,963	0	0	1,963
Chief Executives	107	0	0	107
Total	4,922	2,249	0	7,171

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



6 Virements and Grants for Approval

6.1 Virement for £55k from reserve to cover the cost of inspections of non-adopted roads and pavements on Housing Services Estates. This activity is not within the Highways Inspection Programme, and relates to HRA land assets. Therefore, it requires separate funding. It is proposed to place the work with Powys County Council Highways Department.

6.2 Virement for £176k from reserve to cover the cost of weed spaying, and subsequent removal of dead weeds, from the non-adopted Housing Estates. This activity is not within the grounds maintenance contract, and therefore requires separate funding. It is proposed to place the work with Powys County Council Highways Department.

6.3 Intermediate Care Fund (ICF) £805k – Powys County Councils allocation to help health boards and partners in local authorities, housing and the voluntary and independent sectors to work together to support frail and older people, people with a learning disability, children with complex needs due to disability or illness, carers, including young carers.

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.

Assurance received that further savings will be delivered is reassuring, however the outstanding savings removed from the base budget within children's services remain an issue, further consideration of these will to be taken through the budget process, any change in this requirement will add to the savings gap for 2019/20.

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:	
<p>a. That the contents of this report are noted.</p> <p>b. That the virements proposed in sections 6.1 to 6.3 are 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):			
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 September 2018

Service Area	Net Budget	Forecast Spend	Variance (Over) / Under spend	Total Unachieved Savings as at 30th September 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	65,308	526	(461)	987	0.8	G
Children Services	18,513	24,539	(6,026)	(2,298)	(3,728)	(32.6)	R
Environment							
Regeneration	1,392	1,347	45	0	45	3.2	B
Property Planning and Public Protection	7,101	6,836	265	(176)	441	3.7	B
Housing General Fund	951	918	33	(4)	37	3.5	B
Highways, Transport & Recycling	21,259	23,057	(1,798)	(1,437)	(361)	(8.5)	R
Schools							
Schools Service	27,288	28,243	(955)	(504)	(451)	(3.5)	R
Leisure & Recreation	8,775	8,497	278	(74)	352	3.2	B
Resources							
Business Services	6,633	6,553	80	(97)	177	1.2	B
Information Services	4,121	4,118	3	0	3	0.1	G
Legal Services	3,066	3,007	59	0	59	1.9	B
Financial Services	1,892	1,865	27	0	27	1.4	B
Workforce, OD and Comms	2,479	2,553	(74)	(157)	83	(3.0)	R
Service Area Totals	169,304	176,841	(7,537)	(5,208)	(2,329)	(4.5)	
Central Activities	2,413	3,552	(1,139)	(1,963)	824	(47.2)	R
Total	171,717	180,393	(8,676)	(7,171)	(1,505)	(5.1)	
Housing Revenue Account (HRA)	0	(13)	13	0	13	0.0	G
Schools Delegated	75,287	75,555	(268)	0	(268)	(0.4)	G
Total including HRA	247,004	255,935	(8,931)	(7,171)	(1,760)		

EFFICIENCY TRACKER AS AT 30th SEPTEMBER 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	756	1,437	34%
Regeneration & Economic Development	0	0	0	100	100	100	0	100%
Property, Planning & Public Protection	0	0	31	272	303	128	176	42%
Housing	0	0	0	86	86	82	4	96%
Environment	0	0	302	2,381	2,683	1,066	1,617	40%
Schools								
Schools	158	0	49	1,376	1,583	1,079	504	68%
Leisure & Recreation	0	0	0	709	709	636	74	90%
Schools	158	0	49	2,085	2,292	1,714	578	75%
Social Services								
Adult	0	0	0	1,432	1,432	971	461	68%
Children Services	0	1	1,101	1,197	2,298	0	2,298	0%
Social Services	0	1	1,101	2,629	3,730	971	2,759	26%
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	618	97	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%
Resources	0	0	124	1,299	1,422	1,275	147	90%
Corporate Activities	999	320	400	281	2,001	38	1,963	2%
Grand Total	1,157	321	1,975	8,843	12,296	5,125	7,171	42%

RESERVES BALANCES AS AT 30th SEPTEMBER

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	21	(3,866)	5,835
	9,680	21	(3,866)	5,835
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	(137)		48
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	0		1,587
Transport & Equipment Funding Reserve	6,163	(2,082)		4,081
Sub-Total	28,286	(10,340)	0	17,925
Schools Delegated Reserves	(693)	(1,705)	(268)	(2,666)
School Loans & Other Items	(185)	7		(178)
Net School Delegated Reserves	(878)	(1,698)	(268)	(2,844)
Total Ringfenced & Specific Reserves	27,408	(12,038)	(268)	15,081
Housing Revenue Account	3,267	212	13	3,492
	3,267	212	13	3,492
Total Revenue Reserves	40,355	(11,826)	(4,121)	24,408