



Financial Overview and Forecast as at 31st August 2019

CYNGORSIR POWYS COUNTY COUNCIL

County Councillor Aled Davies

Portfolio Holder for Finance

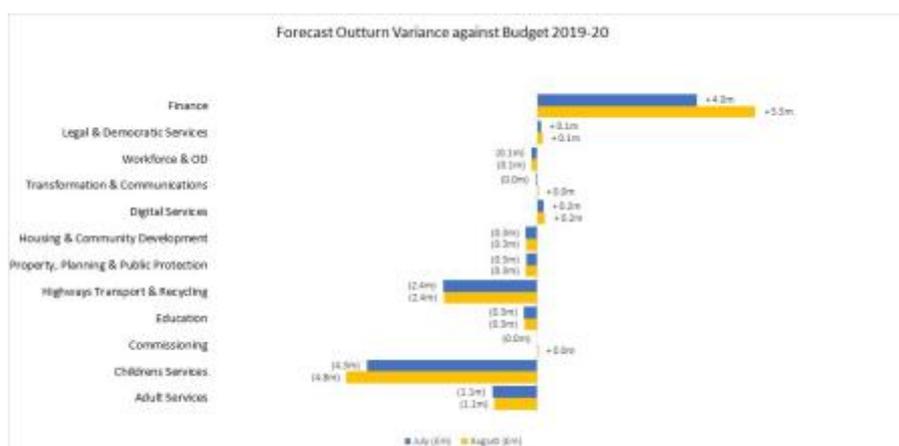
Overview

This report presents the forecast outturn on the 2019-20 revenue budget as at 31st August 2019. The forecast shows an improved position with a projected overspend of £3.460 million by year end (down from £4.623m reported in July). This figure takes account of £11.628 million budget savings that had been achieved by 31 August.

The total budget savings requirement for 2019-20 is £21.692 million (including Social Care), leaving £10.064 million still to be delivered.

Further savings of £6.393m are expected to be delivered by the year end, this will deliver an outturn which underspends against the approved budget but is dependant on whether the service pressures identified within Adult Social Care are all realised, these were estimated at £9m but only £3.428m have materialised at this point in the year.

Revenue Position



1 - The chart shows the projected variance against budget by service area.

The chart above shows the variance against budget for each service, and how this position has changed since that reported in for July. The main changes reflect an increased underspend against Finance, and increased costs for Children's Services.

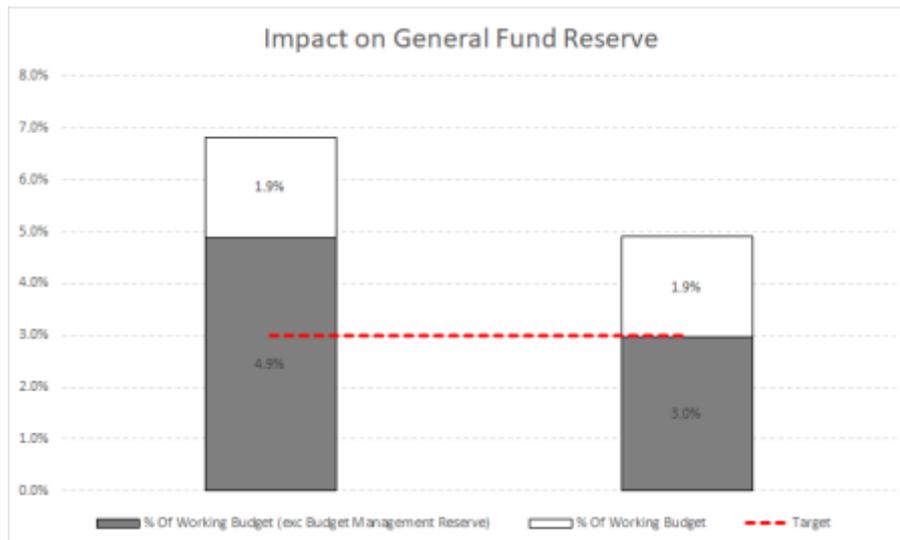
The revenue budget that supports the borrowing requirements of the authorities capital programme has been further reviewed and due to changes and slippage in the programme the need to borrow and make provision for future debt has reduced, this budget is therefore reported with an increased level of underspend.

The Children's services forecast shows a further increase in expenditure due to a net increase in the number of children being supported.

Reserves

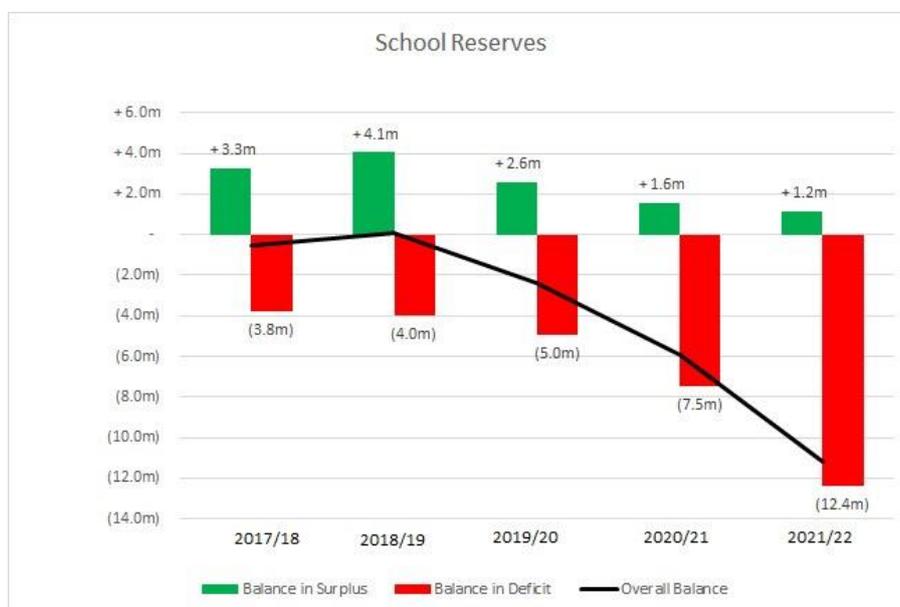
The revenue reserves held at the beginning of the year totalled £27.9 million, with £9.1 million held in the General Reserve and Specific and Ring-fenced reserves of £18.9 million. The planned use of reserves to support the overall revenue budget during the year (excluding Schools and HRA) is £1.317 million.

Savings are not reflected in the outturn position until they are achieved and assurance that further savings can be delivered limits the need to draw on the Councils reserves to balance the budget. Based on this current position and if no further savings were delivered the forecast overspend in-year would need to be financed from the General Fund Reserve reducing it to £5.518 million (3% of the total net revenue budget (excluding Schools and HRA)). When the budget management reserve is included this figure rises to 4.9%. This revised position would be in line with the policy set.



School Budgets and the level of deficit continues to be a significant risk that must be addressed. The opening position on the Schools Delegated Reserves was a balance of £78,000. Budgets for 2019-20 projected a further draw on reserves of £2.924 million. During the year Schools have revised their budget plans and are now projecting a reduced use of reserves by £319,000. On this basis the projected balance at the end of the financial year would be a deficit of £2.5 million.

Compliance work and action is crucial to ensure that this is managed effectively. The issuing of Notices of Concern was the first step in this compliance work and further intervention has been taken at some schools with the issue of formal warning notices reinforcing the need for Governing Bodies to put in place the appropriate action to bring their budgets back into line.

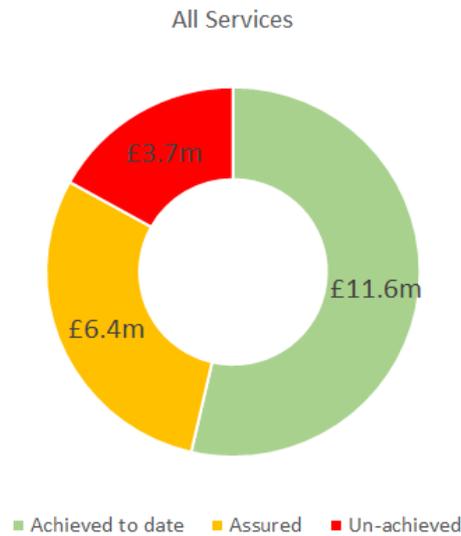


2 - This chart shows the overall School Reserve balances and the total value of Schools which are in Surplus (Green) and Deficit (Red) and the forecast for this financial year and the following two financial years based on the latest budget plans submitted by the schools.

Within the Schools 2019/20 report to Cabinet on the 18th June, 14 schools were identified as having planned surplus balances in excess of the limits set out in the scheme (£50,000 Primary, £100,000 Secondary & Special). Schools were asked to provide an explanation as to the reasons

for the surplus being in excess of the levels set out by the scheme for financing schools and how they intended to use these balances. A review of these responses by the Schools Service Management team will not result in any clawback of any surplus balances.

Efficiency Savings



The 2019/20 budget requires efficiency savings of £12.989m, this includes savings carried forward from previous financial years. Adults and Children Services had also identified savings of £8.703m to mitigate in part the estimated rising cost and demand pressures facing these services in 2019/20. The total savings required in the current financial year is therefore £21.692m.

The total savings delivered to date has increased to £11.628m, 54% of the total. This position is reflected in the Revenue Outturn Forecast reported.

Assurance has been provided that further savings of £6.393m can be delivered this year, these have been allocated an Amber RAG status, but the remaining £3.672m is still considered to be unachievable and are therefore recorded as Red.

Some mitigating action has been taken by services, and alternative means of covering the savings shortfall in the current financial year has been put in place, whilst this resolves the gap for the current financial year it does not remove the requirement to permanently resolve the base budget.

The Senior Leadership Team have looked at how this gap can be closed and the Senior Leadership Team are identifying alternative means of bridging this gap.

Revenue Forecast



Service Area	Working Budget	Forecast Spend	Variance (Over)/ Under Spend	Variance (Over)/ Under Spend %	Variance BBRB State
Adult Services	64,795	65,867	(1,072)	(1.7)	A
Childrens Services	20,221	25,122	(4,801)	(23.4)	R
Commissioning	3,450	3,442	8	0.2	G
Education	21,968	22,518	(330)	(1.5)	A
Highways Transport & Recycling	29,193	31,552	(2,355)	(8.1)	R
Property, Planning & Public Protection	5,694	5,967	(291)	(5.1)	R
Housing & Community Development	8,833	9,119	(286)	(3.2)	R
Digital Services	4,989	4,805	184	3.7	B
Transformation & Communications	1,781	1,776	5	0.3	G
Workforce & OD	1,271	1,512	(341)	(30.3)	R
Legal & Democratic Services	3,159	3,025	134	4.2	B
Finance	19,834	14,349	5,485	27.7	B
Total	185,825	188,886	(3,460)	(1.9)	
Housing Revenue Account (HRA)	0	89	(89)		B
Schools Delegated	69,761	69,442	319	0.5	G

This stack contains the details for each Service together with the comments from the Head of Service. To view all of the text of each card click the expand icon.

Adult Services

- Net Budget - £64.795m
- Forecast - £65.867m
- Variance - (£1.072m) - (1.7%) - Amber

Whilst it is pleasing to see half a million pounds of additional savings achieved during the period, the change in final budget position forecasted does not mirror this and is a result of increased demand through demographic changes and Delayed Transfers of Care. The service will focus on managing the pressure while not increasing spend over the coming months. However, it is understood that the combined full year effects of these increases and anticipated winter pressures will prove challenging.

Childrens Services

- **Net Budget - £20.331m**
- **Forecast - £25.132m**
- **Variance - (£4.801m) - (23.6%) - Red**

The Childrens services outturn position has increased by £0.511m in Period 5, to exceed the baseline budget set by £4.801m. As part of the budget setting process Childrens Services has identified significant service pressures of £6.250m. At the end of Period 5 £5,770m have materialised, additional pressures for new children who are Looked After (CLA) placements of £495.9k, which were not identified in the Finance Resource Model (FRM). There has been a net increase of 6 children this month, 2 new connected persons, 1 new Independent Foster placement (IFA) and 3 new In house Fostering Placements, therefore a net increase of 2 in this financial year.

To counter the pressures, savings were identified of £3.651m in the budget setting process. To date delivery of £1.04m, mitigated by increases in current CLA placement costs of £510k, nett £530k.

The forecast outturn does not account for any future:

- Increase in Children who are Looked After (CLA), as it is a volatile budget area and very difficult to predict.
- Future contract and commissioning uplifts/agreements.
- Any changes to the EDT/Standby/Out of Hours service, a business case has been costed but not signed off.
- Changes in the provision for a current secure placement, as no business case has been seen.
- Outsourcing of the current respite provision, as no business case has been developed.

Education

- **Net Budget - £21.988m**
- **Forecast - £22.318m**
- **Variance - (£0.330m) - (1.5%) - Amber**

Schools Delegated

- **Net Budget - £69.761m**
- **Forecast - (£69.442m)**
- **Variance - £0.319m - 0.5% - Green**

Education:

The service, through close liaison with finance officers, continues to work diligently on identifying efficiencies. This month the central budget position has improved by 164k due to the issue around the shortfall on the EIG match funding which was 70k and the Freedom leisure swimming efficiency target of 93k which has now been identified by the service in alternative ways. The remaining outstanding efficiencies are being looked at in conjunction with the integrated business planning and the ALN review. All senior officers are fully engaging with finance officers over the coming month to identify priorities in line with Vision 2025 and Estyn outcomes as part of the integrated planning process. We have a clearer understanding of the importance of new and efficient ways of working moving forward as a service.

Schools Delegated:

Schools delegated budgets show a slight improvement on last month's position by £2k. As mentioned in this report, a number of warning notices have been issued and recovery plans are expected by the 10th September. Meetings will be held with these schools during September to include school improvement officers, finance officers, head of service and 151 officer. Failure to satisfy the authority will result in further action.

Highways, Transport & Recycling

- **Net Budget - £29.198m**
- **Forecast - £31.553m**
- **Variance - (£2.355m) - (8.1%) - Red**

The forecast budget overspend is a slightly improved position on last month, and includes unachieved savings.

The position is expected to improve further as the year progresses as savings are realised, and as the benefit from operational changes pay dividends, particularly in W & R in connection with reduced external hire costs.

Transport is an area of concern, and we are currently examining what can be done in year to reduce the forecast overspend.

We are still forecasted unachieved savings of approximately £1.3M for this year.

Property, Planning & Public Protection

- **Net Budget - £5.696m**
- **Forecast - £5.987m**
- **Variance - (£0.291m) - (5.1%) - Red**

Unachieved savings and income targets relating to property related projects remain a significant concern for the service area. Measures such as not filling vacant posts and undertaking work for other authorities will help to mitigate the impact but is only likely to have a limited impact given the scale of the savings and income targets. Not filling vacant posts is also has the potential to have an adverse impact on the performance of the service area. Consideration is currently being given to bringing forward 2020/21 savings proposals.

Housing & Community Development

- **Net Budget - £8.833m**
- **Forecast - £9.119m**
- **Variance - (£0.286m) - (3.2%) - Red**

Housing Revenue Account

- **Net Budget - £0m**
- **Forecast - (0.089m)**
- **Variance - £0.089m - Blue**

The Housing & Community Development Service have delivered £1,421,000 of savings in the current financial year. As has been highlighted at Senior Leadership Meetings, there are concerns over the delivery of a small number of savings

1. Increased income for school meals due to the price increases implemented – Q2 statistics show that school meal uptake has reduced since the increase in price. If this trend continues the service will not make the required savings.
2. Increased income targets for the Cleaning Service – the team are picking up contracts around the county and the likelihood of this income target being achieved is looking positive.
3. The Service has transformation funding for the next two years, which will be used to purchase officer time to review, plan and implement alternative delivery models across the Service. This funding offsets the savings required on Leisure & Recreation management.
4. The Economic Development team are currently bidding for Welsh Government Priority 5 funding. The initial business case was assessed in July and the team have been invited to submit a full bid. The team will not find out if the bid is successful until the autumn. If successful, the funding will be backdated to 1st April 2019.
5. The £50,000 savings for y Gaer is unallocated to date. However, the Service is working on a potential partnership arrangement that, if approved, would deliver revenue savings for this and future years.
6. The Head of Service is working closely with Senior Managers to prioritise the reduction in the length of voids and thereby the loss of income. This involves working closely with key partners HOWPS and the Cleaning Service.
7. A HRA Business Plan Project Board has been established to ensure delivery of key service requirements.

Digital Services

- **Net Budget - £4.989m**
- **Forecast - £4.805m**
- **Variance - £0.184m - 3.7% - Blue**

Digital Services are currently reporting a forecast outturn under spend of £184k which is mainly due to staff slippage up to this point of the year. We are in the process of recruiting staff as well as

ensuring that we utilise Capital funding where appropriate. Part of this underspend is related to the ICT Section 33 agreement, which went under review last financial year where it was agreed by the Joint Partnership Board to fund the shortfall in the percentage contributions through the Section 33 pooled reserves

Transformation & Communications

- **Net Budget - £1.781m**
- **Forecast - £1.776m**
- **Variance - £0.005m - 0.3% - Green**

The service has delivered its savings target in full but will continue to be vigilant throughout the year

Workforce and Organisational Development

- **Net Budget - £1.371m**
- **Forecast - £1.512m**
- **Variance - (£0.141m) - (10.3%) - Red**

Out of the revenue savings required for the WOD service in 2019/20, a balance of £226k remains to be achieved. I am confident that a further £26k of base budget savings will be achieved during the current year and that further in-year savings will be achieved to bring our overall forecast overspend down to c£141k at year end.

It should be noted however, that whilst in-year savings will help to part mitigate the pressures in the current year's budget in this way, they will not improve the end of year recurring base budget pressure, which is forecasted to be c£200k.

Legal & Democratic Services

- **Net Budget - £3.159m**
- **Forecast - £3.025m**
- **Variance - £0.134m - 4.2% - Blue**

Elections have received monies from the Acting Returning Officer for previous years amounting to £102k. This has led to the forecast in this area showing a large underspend.

All of the other service areas at present are anticipated to be there or thereabouts in terms of year end forecasts.

Finance

- **Net Budget - £19.834m**
- **Forecast - £14.349m**
- **Variance - £5.485m - 27.7% - Blue**

Financial Services is forecasting a balanced position for the year despite £123,000 savings not yet achieved, which relate to the "Right First Time" project. The recharge of costs across other services as originally proposed is being challenged as a policy decision and this is currently being reviewed, this gap is being offset currently by other areas of the budget.

Corporate Activities is now forecast to be £5.4 million underspent by year end, this is a significant change from that previously reported. Capital charges are now projected to be less than the budget by £3.2m, slippage in the Capital programme last year and the receipt of additional grant have reduced the need to borrow and lessened the increase in the Minimum Revenue Provision. The impact of further changes or slippage in the capital programme for 2019/20 are also impacting on this revenue budget, the position will be continually reviewed and updated. The £2m set aside at budget setting to manage the risk inherent in the budget remains uncommitted and is reflected in the underspend together with the surplus projected on Council Tax collection.

Transformation

Transformation Costs 19-20	Forecast Output	Budget	Variance
	£,000	£,000	£,000
Transformation Projects to be capitalised	1,970	2,000	30
Organisational Transformation	500	500	0
School Redundancies plus Pension Strain	650	650	0
	3,120	3,150	30

Transformation of council services is critical to reducing the cost of delivering essential services to our residents. Maximising the use of the Welsh Government Directive to support the cost of this transformation is a key element of financial strategy. The table above shows the level of support built into the budget for the current financial year and the position to date.

Virements for Approval

Approval is requested for a virement to cover the cost of a replacement sewage plant which will be funded by a drawdown of funds from HRA reserves.

This scheme initially had £90k allocated in 2014/15, since the specified works were identified it has become apparent in 2017/18 the costs would be up to £185k. The works were due to commence in 2018/19, but there have been complex issues with legalities given land ownership, legalities with private owners, and statutory consents.

If approval for this virement is granted the project will commence in 2019/20

Options Considered/Available

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

Preferred Choice and Reasons

None to consider

Impact Assessment

No impact assessment required

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. Capital and revenue budget monitoring reports are used to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

Local Member(s)

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

Other Front Line Services

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

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.

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.

Scrutiny

Has this report been scrutinised? No

The report will be considered by Finance panel when it meets on the 7th August, feedback will be provided to the Portfolio Holder for Finance.

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.

Statutory Officers

The Head of Finance (Section 151 Officer) has provided the following comments:

This month reports an improvement to that reported in July supported by an increase in level of savings delivered.

The significant underspend in year against the capital charges budget is mitigating the gap in delivering our savings and supporting areas of increased expenditure in Children's services.

Assurance continues that further savings can be achieved during this financial year and this ensures that the risk to delivering a balanced budget this year is diminished and protects the revenue reserves.

A collective response by the Senior Leadership Team must ensure that the remaining gap in the budget can be bridged.

The council set aside an additional £2 million in 2019-20 to mitigate the risk inherent in the budget particularly in light of the continued pressure on the Children Services budget, the use of this is included in the projected position but it has not been allocated to any specific service at this point.

The potential pressures identified in Adult Social Care are significant and although to date only 37% of these have materialised this still represents a risk to our projected forecast.

Expenditure on the Capital Programme will also impact on the revenue budget, the effective monitoring of the programme and reprofiling of project spend will improve forecasting for the Capital Charges budget and borrowing costs.

School budgets continue to be a significant risk that needs to be addressed, compliance work and action is crucial to ensure that this is managed effectively. Discussions continue with the schools issued with formal Warning notices. Further action will be taken where recovery plans are not being developed and implemented.

The Monitoring Officer has no specific concerns with this report.

Members Interest

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

That the recovery plan proposed by the Senior Leadership Team be approved to address the budget shortfall .

That the virements proposed are approved.

Reason for Recommendation

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)

Within Policy - Yes

Financial Regulations

Within Budget - N/A

Relevant Local Member

N/A

Person(s) to Implement Decision

Jane Thomas

Decision Implementation Date

Ongoing

Contact Officer

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