



Financial Overview and Forecast as at 30th September 2019

CYNGOR SIR POWYS COUNTY COUNCIL

County Councillor Aled Davies

Portfolio Holder for Finance

Overview

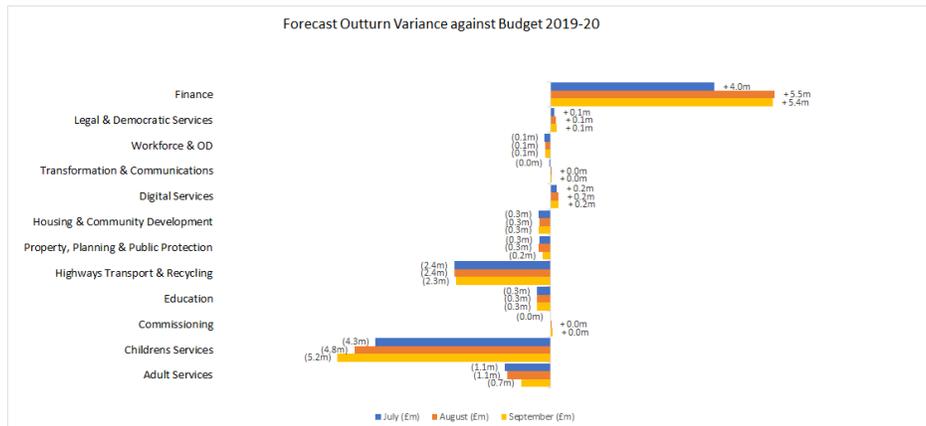
This report presents the forecast outturn on the 2019-20 revenue budget as at 30th September 2019. The forecast shows an improved position with the projected overspend now reported at £3.398 million by year end (down from £3.460m reported in August). This figure takes account of £12.521 million budget savings that had been achieved by 30 September.

The total budget savings requirement for 2019-20 is £21.692 million (including Social Care), leaving £9.171 million still to be delivered.

Further savings of £3.438m are expected to be delivered by the year end, this will deliver an outturn which underspends against the approved budget.

The underspend is dependent on whether Adult Social Care are able to continue to successfully manage the service pressures identified, these were estimated at £9.5m (including £1m additional savings), but as a result of the service's interventions only £3.932m have materialised at this point in the year. £2.746m of these pressures are being mitigated by not awarding an uplift to providers, which comes with a different risk. Likewise, demographic increases to date have been mitigated by preventative measures (such as Technology Enabled Care) and the potential impact has not materialised to the anticipated level, but this could change over the coming months.

Revenue Position



1 - The chart shows the projected variance against budget for each service.

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

The revenue budget that supports the borrowing requirements of the authorities capital programme has been reviewed and due to changes and slippage in the programme the need to borrow and make

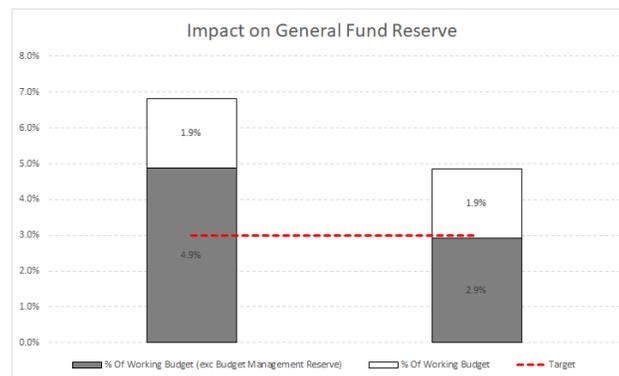
provision for future debt has reduced, this budget is therefore reported with an increased level of underspend and is will be used to support the savings gap on a non-recurrent basis.

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

Reserves

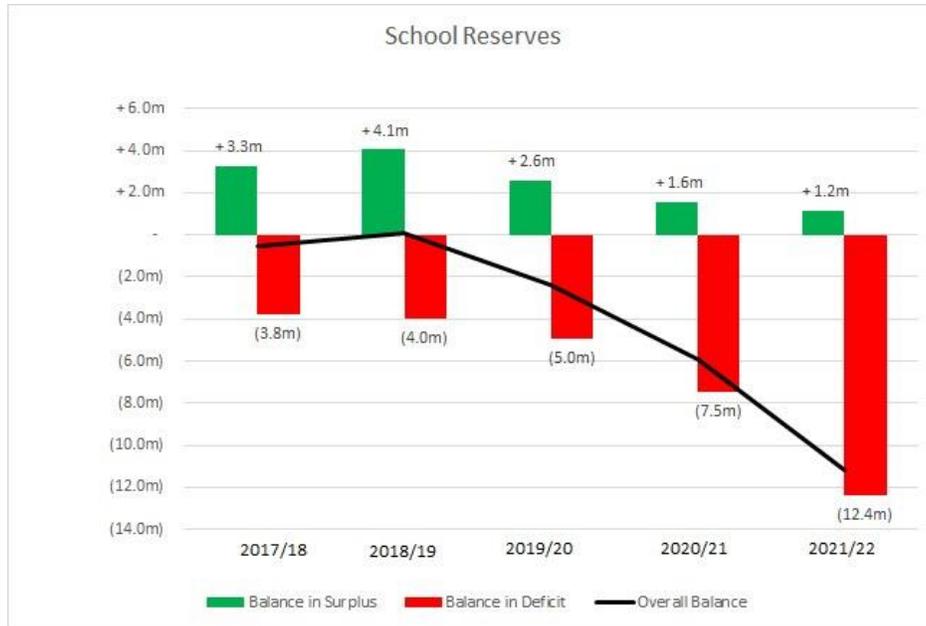
The revenue reserves held at the beginning of the year totalled £27.9 million, with £9.1 million held in the General Reserve and Specific and Ring-fenced reserves of £18.9 million. The planned use of reserves to support the overall revenue budget during the year (excluding Schools and HRA) is £1.441 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 £5.432 million (2.9% 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.



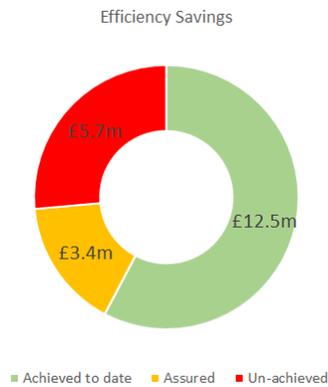
School Budgets and the level of deficit continues to be a significant risk that must be addressed. The opening position on the Schools Delegated Reserves was a balance of £78,000. Budgets for 2019-20 projected a further draw on reserves of £2.924 million. During the year Schools have revised their budget plans and are now projecting a reduced use of reserves by £330,000. 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.

Efficiency Savings



The total savings required in the current financial year is £21.692m.

The total savings delivered to date has increased to £12.521m, 58% of the total. This position is reflected in the Revenue Outturn Forecast reported.

Assurance has been provided that further savings of £3.438m can be delivered this year, these have been allocated an Amber RAG status. The remaining £5.733m is considered to be unachievable and are therefore recorded as Red, this has increased since the last report following a review of the Childrens service efficiencies, with £2.6m now not likely to be achieved this financial year.

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 continue to review how this gap can be closed.

Revenue Forecast

Service Area	Original Budget	Working Budget	Forecast Spend	Variance (Over) / Under Spend	Variance (Over) / Under Spend %	Variance BRAG Status
Adult Services	64,785	64,827	65,546	(719)	(1.1)	A
Childrens Services	20,413	20,331	25,550	(5,219)	(25.7)	R
Commissioning	2,497	3,450	3,408	42	1.2	B
Education	22,138	21,988	22,318	(330)	(1.5)	A
Highways Transport & Recycling	29,053	29,149	31,477	(2,328)	(8.0)	R
Property, Planning & Public Protection	5,652	5,706	5,895	(189)	(3.3)	R
Housing & Community Development	8,583	8,862	9,168	(306)	(3.5)	R
Digital Services	4,781	4,992	4,796	196	3.9	B
Transformation & Communications	3,533	1,784	1,778	6	0.3	G
Workforce & DD	1,508	1,366	1,499	(133)	(9.7)	R
Legal & Democratic Services	3,056	3,159	3,016	143	4.5	B
Finance	19,062	19,810	14,371	5,439	27.5	B
Total	185,061	185,424	188,822	(3,398)	(1.8)	
Housing Revenue Account (HRA)	0	0	(97)	97		B
Schools Delegated	70,124	69,761	69,431	330	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 - £64.827m**
- **Forecast - £65.546m**
- **Variance - (£0.719m) - (1.1%) - Amber**

The savings being achieved are clearly making a significant impact. The forecast for 2019/20 during the budget setting process was a pressure of approximately £10m. The impact of the efficiencies is being countered by additional short-term care required to reduce delayed transfers of care. The variance is reducing and work is ongoing to reduce this further. It is going to be very important to ensure that hospital winter pressures do not increase spend significantly.

Childrens Services

- **Net Budget - £20.331m**
- **Forecast - £25.550m**
- **Variance - (£5.219m) - (25.7%) - Red**

The Service is focussed on delivering the improvements required by Care Inspectorate Wales and Welsh Government. Pressures for 2019-20 of £6.250m were not accounted for in the budget. Plans were proposed to find efficiencies within the service to cover £3.651m of these. The Children's Services budget was set with a deficit of £2.6m (12.8%). The cost of placements for children who are looked after and the continued need for agency social workers to cover vacancies in the service, to deliver the required improvements, has meant the planned savings have not been delivered. Investments in early

help and intervention and prevention services as well as our new practice framework are reducing the number of children looked after and the number of children in need of protection however the cost of placements for children already in our care continue to require placements that meet their needs. The benefit of the investment and changes to practice will be felt in coming years.

Education

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

Schools Delegated

- **Net Budget - £69.761m**
- **Forecast - (£69.431m)**
- **Variance - £0.330m - 0.5% - Green**

Education:

The service, through close liaison with finance officers, continues to work diligently on identifying efficiencies. 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 whilst balancing the need to meet the Estyn recommendations.

Schools delegated budgets show a slight improvement. Meetings were held with schools who had received warning notices during September which included school improvement officers, finance officers, head of service and 151 officer. Officers will now meet to consider any further action that needs to be taken.

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Highways, Transport & Recycling

- **Net Budget - £29.149m**
- **Forecast - £31.477m**
- **Variance - (£2.328m) - (8.0%) - Red**

A key element of this overspend continues to be the under achievement of savings, new cost reduction changes are being considered to mitigate this effect

Property, Planning & Public Protection

- **Net Budget - £5.706m**
- **Forecast - £5.895m**
- **Variance - (£0.189m) - (3.3%) - Red**

An improvement on the previous month, with the slippage on vacancies supporting the under achieved savings to date

Housing & Community Development

- **Net Budget - £8.862m**
- **Forecast - £9.168m**
- **Variance - (£0.306m) - (3.5%) - Red**

Housing Revenue Account

- **Net Budget - £0m**
- **Forecast - (0.097m)**
- **Variance - £0.097m - Blue**

The projected overspend in the Service budget is due to the decline in school meal uptake following the increased prices introduced in April. The Service are currently exploring whether the savings can be achieved in other areas to make up for the shortfall identified.

Digital Services

- **Net Budget - £4.992m**
- **Forecast - £4.796m**
- **Variance - £0.196m - 3.9% - Blue**

Savings have been achieved for this year and any un-planned costs are being managed effectively within current resources.

Transformation & Communications

- **Net Budget - £1.784m**
- **Forecast - £1.778m**
- **Variance - £0.006m - 0.3% - Green**

The service continues to remain vigilant. Savings 100% achieved.

Workforce and Organisational Development

- **Net Budget - £1.366m**
- **Forecast - £1.499m**

- **Variance - (£0.133m) - (9.7%) - Red**

Of the £418,000 recurrent revenue savings required for the WOD service in 2019/20, a balance of £226,000 remains at the end of period 6. The service is on track to deliver a further £26,000 recurrent saving before the end of the financial year and one-off savings in 2019-20 which will bring the forecast outturn to an overspend of £133,000.

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 which will need to be found in 2019-20.

Legal & Democratic Services

- **Net Budget - £3.159m**
- **Forecast - £3.016m**
- **Variance - £0.143m - 4.5% - Blue**

Finance

- **Net Budget - £19.810m**
- **Forecast - £14.371m**
- **Variance - £5.439m - 27.5% - Blue**

Financial Services

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

The forecast for Corporate Activities remains at a £5.4 million underspent by year end. Capital charges are projected to be less than the budget by £2.6, 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. This slippage will be required as part of the core budget in 2020/21. The £2m set aside at budget setting to manage the risk inherent in the service budgets remains uncommitted and is reflected in the underspend together with the surplus projected on Council Tax collection.

Transformation

Transformation Costs 19-20	Forecast Outturn	Budget	Variance
	£,000	£,000	£,000
Transformation Projects to be capitalised	2,070	2,000	-70
Organisational Transformation	1,000	500	-500
School Redundancies plus Pension Strain	650	650	0
	3,720	3,150	-570

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. The funding for this is through the ability to utilise receipts through a capitalisation direction. There are sufficient capital receipts forecast in 2019/20 to cover the forecast spend.

Grants / Virements for Approval

My Travel Pass - Powys county council has taken over the administration of the My Travel Pass for Welsh Government. The budget will need to be amended to reflect the payments made to operators of £1.5m and grant income that will be received of £1.5m from Welsh Government. For administering the grant for Welsh Government PCC have been awarded £60K which will be used to Offset Service Pressures.

Passenger Transport Budget - As a result of the retender for passenger transport and reduced fare income the budget has been restated to reflect the budget shortfall. It is requested that £397K is vired to budget reductions to be found.

Home to School Transport - A virement is required to amend contribution from the schools' transport equalisation reserve to £90K. This is to reflect the change in the number of school days within the financial year.

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 a continued improvement to previous months supported by an increase in level of savings delivered and confirmation of the under utilisation of the cost of borrowing budgets.

Assurance continues that further savings can be achieved during this financial year and this ensures the delivery of a balanced budget this year and reduces the need to draw on the revenue reserves. A

change in the level of assurance now being provided by Heads of Service is of concern, any further changes will increase the risk of delivering a balanced budget.

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. Leadership must ensure that Childrens Service considers how it addresses the continued trend of overspends and under delivery of their savings targets.

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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