

CYNGOR SIR POWYS COUNTY COUNCIL.

**COUNCIL REPORT
5th March 2014**

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Portfolio Holder for Finance

SUBJECT: Budget for 2014-15, Medium Term Financial Plan 2015-2017 and Capital Programme for 2014-2019

REPORT FOR: Decision

1. Summary

- 1.1 This report and the appendices attached set out the Council's proposals for the Revenue Budget and Capital Programme for the financial year commencing 1st April 2014 with provisional proposals for the next 2 years to 31st March 2017. The Medium Term Financial Plan (MTFP) is attached as Appendix A, with the summary Financial Resource Model attached as Appendix B.
- 1.2 The Council meeting on the 25th February was adjourned to allow Group Leaders to consider the overall budget framework. Group Leaders met with the Council Leader and the Portfolio Holder for Finance to review the overall budget framework to go to Council on the 5th March. The report includes the amendments to savings and pressures agreed at the meeting, covered by the 2 options for a council Tax increase presented in this report. Both of these options have been reflected within the Medium Term Financial Plan and the Financial Resource Model Appendices.
- 1.3 The Council is required under the Local Government Act 2003 to set a balanced budget for the forthcoming financial year, the MTFP reports a balanced budget for 2014/15. The Constitution requires the Executive to agree the proposed budget that goes to Council.
- 1.4 The Council has faced an unprecedented financial challenge in this budget round. The settlement from the Welsh Government saw a decrease of 4.6% meaning a reduction in funding of £8.712m. In addition service and other pressures added to the overall level of savings.
- 1.5 The MTFP for 2014/15 includes investment and service pressures of £12.028m, and in order to produce a balanced budget savings of £17.576m have been identified and included in the plan. The updated savings position includes revised funding assumptions (an increase in council tax level has reduced the savings target that had included a

lower level of increase) and there is now a temporary use of reserves because at a late stage the profile of savings for a key area has changed.

- 1.6 The MTFP provides an additional £325k for schools, this coupled with the increase in the Pupil Deprivation Grant meets the commitment to protect funding for schools at 1% above the overall change in the Welsh budget.
- 1.7 The Council has sought to protect the level of capital investment in the County. It is important that the council continues to renew its core infrastructure such as schools and housing in spite of cuts by central government. The council is also aware that much of its capital investment is spent with businesses within Powys or its near neighbours. Maintaining the capital programme has a significant regeneration impact for the economy of Powys alongside the direct effect of better infrastructure to deliver services.
- 1.8 The budget proposals have been equality impact assessed to ensure that the Council understands the potential impact of the proposals on particular segments of the community and that no particular group is directly discriminated against. Those proposals that are deemed to be high or medium risk require Equality Impact Assessments and these will be available for review, a schedule of these areas is attached.
- 1.9 The financial planning process has been developed alongside the 'Statement of Intent' which captures the financial, regulatory and policy drivers affecting the council and sets the direction and approach for the Councils Medium Term Financial Plan, the investment priorities and savings required have been costed and included within the annual budget.

2. Proposal

Revenue Budget 2014-15

- 2.1 The report includes a summary financial model. This allows members to see the overall financial position as the move commences to seek balanced budget for a three year period. The proposed revenue summary Financial Resource Model for 2014/15 is shown in Appendix B.
- 2.2 The report includes two proposals for a council tax increase. One proposal is for a 4.5% increase and temporary use of reserves of £224k. The second proposal includes an increase in Council Tax of 4.95% and no use of reserves.
- 2.3 The budget is underpinned by the revenue settlement received from the Welsh Government (WG). This is significant because WG fund approximately 76% of the Council's net revenue expenditure through the settlement, in addition WG and other Government departments fund

activities through specific grants. The remaining net expenditure is funded by Council Tax. The final settlement was received on the 11th December 2013. This confirmed that the Council would see a 4.6% reduction in its grant, equivalent to £8.712m. Powys received the second lowest settlement out of the 22 local authorities in Wales with the average being a reduction of 3.4%.

- 2.4 To mitigate the year-on-year impact on any Authority a damping mechanism or 'floor' has been applied within the settlement, this means that no Authority will experience a reduction in funding of more than 4.6%. Powys benefits from this discretionary informal arrangement entered into by all 22 Welsh Authorities and without this safety net would be £1.5m worse off. This arrangement is not guaranteed for future years. This calculation excludes any funding already committed in terms of the Local Government Borrowing Initiative or Private Finance Initiative and after any adjustments for transfers.
- 2.5 The budget has been developed within the framework of the Statement of Intent, a range of issues including community needs and residents' views, financial and inflationary pressures, performance and regulatory reviews from Welsh Audit Office, Estyn and CSSIW have all been considered. As a result it takes account of external factors as well as local issues.
- 2.6 There is an increasing trend to give Authorities greater freedom and flexibility around the use of funding and in line with this the settlement includes a number of grants which have been transferred into the general Revenue Support Grant (RSG). These are :

Transfers In	Grant £000	Transfer £000	Difference £000
First Steps Improvement Package	160	160	0
Council Tax Support Admin	165	165	0
Public Facilities Grant	18	18	0
Council Tax Reduction Scheme Grant for Pensioners	141	141	0
	<u>484</u>	<u>484</u>	<u>0</u>

- 2.7 The settlement also contained £1.112m for new responsibilities. This is for additional funding of £0.791m for the Council Tax Support, which replaced the DWP funded Council Tax Benefit scheme. The budget plan proposes that this funding is passported directly to the service areas. The second responsibility covers the third and final year of the Local Government Borrowing Initiative for highways of £0.321m.
- 2.8 The settlement mechanism usually gives no requirement to specifically fund certain services, nor any specific service levels. However in 2012/13 & 2013/14 WG indicated that it expected Councils to protect funding for Schools and Social Services, this has been extended into 2014/15 for Schools only. The paragraph in the Final Settlement states:

“The settlement reflects the Welsh Government’s commitment to protect schools funding to ensure the delivery of the best outcomes for Welsh children. Together with an element of the Pupil Deprivation Grant, the settlement includes resources necessary to protect funding for schools at 1% above the overall change in the Welsh Budget.”

Accordingly £325k has been included in the proposals to meet this commitment.

2.9 Inflationary pressure has been considered and provided up to a level of £1.228m. Schools have not been included in this provision as it is assumed that these costs will be met from the protection provided.

2.10 Job evaluation was implemented from April 2013 and service budgets were amended in 2013/14 to reflect the impact on staffing costs, posts were funded at the salary point required for the first year with further funding included for incremental rises for the 2nd and 3rd year in the Medium Term Financial Plan, this is included in the budget proposals.

2.11 The budget contains the sum of £2.224m to modernise, improve and fund budget pressures across some services, these are as follows:-

• Landfill Tax	£158k
• Waste Services	£700k
• Home to School Transport	£200k
• School Improvement	£220k
• Increase in School Roll	£6k
• Capacity & Capability	£157k
• Coroners	£11k
• Capital Charges	£300k
• Prudential Borrowing	£72k
• Council Tax Reduction Scheme	£400k

2.12 For a number of years Adult Social Care revenue budgets have experienced significant pressure, costs have escalated and there has not been a track record of delivery of savings, this has resulted in overspends year on year. A detailed analysis of the budget requirements within the service was commissioned by the Strategic Director of People and the evidence highlights that there is insufficient budget to deliver the current model and that further investment is required to meet demographic growth. The service also needs to

ensure delivery of its identified efficiency opportunities. This confirms that the direction of travel needed to change the service delivery model needs to be implemented. The budget proposes a further £3.026m of growth for this service area, which will be held centrally only to be drawn upon by the service as it transforms delivery. In addition to the growth savings are required by the service of £2.7m. The combination of financial pressure, the budget sufficiency position and a minor increase in base budget means that Adult Social Care will need to carefully monitor demographic pressures whilst delivering a significant savings requirement.

- 2.13 The savings proposals include the councils' contribution to funding 2 Rural Housing Enablers. However, there is sufficient underspend and carry forward to provide the funding for the 2 posts for 6 months, during this period the future of the function will be reviewed in order to establish if further Welsh Government funding can be obtained along with contributions from housing providers.
- 2.14 The economic climate has in recent years had an adverse impact on the levels of income generated from Fees and Charges; as a result of this the Council has not assumed a flat rate increase across all fees and charges. Increases have been made in a targeted way with regard to market comparisons in setting charging levels, and by introducing new charges for things not previously charged for with the emphasis on full cost recovery where appropriate. This work will progress under the Income cost improvement stream and will deliver further increases for the future years. There is a need for greater consistency around charging and a policy that aligns charges to the overall One Plan. Some service areas have already identified increases in fees and charges in their individual budget plans and these are included in the budget proposals.
- 2.15 The reduction in funding and increased level of cost has put significant pressure on the budget and in order to produce a balanced budget savings of £17.576m have been identified for 2014/15, these have been categorised under the Cost Improvement Themes. These are listed in Appendix C.
- 2.16 It is important to note that the financial model has consistently identified a 2014/15 shortfall of £20m, this shortfall has now been found from not only the savings proposals above but by a reduction in the budget pressures, the use of reserves and a change in the level of Council Tax proposed. The table below shows the reconciliation of the final proposals back to the original £20m 'gap'.

	Option 1	Option 2
Council Tax Increase	4.5%	4.95%
Savings proposed	£17.576m	£17.576m

Reduction of Pressures following review	£ 0.820m	£ 0.820m
Increase in Council Tax from 2.25%	£ 1.336m	£ 1.560m
Temporary Use of Reserves	£ 0.224m	£ -
Total	£19.956m	£19.956m

- 2.17 Reductions in staff form a significant part of the savings proposals across all services of the council, it is anticipated that around 400 FTE posts will be removed from the organisation. In order to do this in a planned and managed way a Voluntary Severance Scheme has been introduced for employees across the council (other than school based staff). This will incur substantial severance pay costs and the budget proposal includes £2m revenue funding to assist with these. In addition the use of reserves or the capitalisation of these costs will also be considered.
- 2.18 This level of saving is unprecedented and any delays in implementation will impact on the overall finances of the council. This will be closely monitored in 2014/15 and a revised financial reporting timetable and reporting format will assist Cabinet and Audit Committee assess delivery of this challenging requirement in the forthcoming financial year. The reserve position of the Authority is in line with the generally accepted prudent range of 3-5% and these will be utilised to “smooth” any slippage in delivery of the savings. The approach is supported by a new policy around the use of reserves: all reserves will be corporate rather than service based. Any use of the general fund reserve required in 2014/15 will need to be replenished in future years. This is in addition to the achievement of the saving itself. Plans within service area need to be managed robustly with clear delivery plans to achieve the savings.
- 2.19 Grants to external bodies will be reviewed with an expectation that these will be allocated in line with policies and that any double funding of an organisation is addressed. Any identified savings from the overall review will be available for the 2015/16 budget.
- 2.20 Consultation on the proposals within this plan was carried out both within the Council and externally with the Public and the Third Sector. Public consultation took place during January with a series of workshops held throughout the County and also via the completion of an on-line survey. A total of 385 people attended either the workshop or a drop in session and 1,754 residents completed the online survey. The Council adopted a four pronged approach to the budget listing changes as transformational, increases in existing charges, introduction of new charges and service reductions. The savings proposals provided in Appendix C include a column showing whether the proposals were supported by the public, areas shown as ‘Y’ received 50% or more support. The public consultation document is attached.

2.21 The report presented to Council on the 25th February has been amended for the following items:- £000's

Removal of ALN Saving for 2014/15	(87)
Savings from ceasing Red Kite and other publications	36
Lease Car Scheme Saving	65
Reduction in use of external consultants	126
Reduction in annual contribution to election reserve	30
Additional Grant saving following a review of all grants paid across the Authority	65
Reduction in CAB and advice centre savings	(45)
Reduction in Inflation allowance	<u>288</u>
Sub Total of Adjustments included in both options	478

Option 1 : Increase in Council Tax at 4.5%	318
Council Tax Reduction Scheme Impact	(45)
Use of Temporary Reserves	<u>224</u>
Total of Amendments : Option 1	975

Option 2 : Increase in Council Tax at 4.95%	577
Council Tax Reduction Scheme Impact	<u>(80)</u>
Total of Amendments : Option 2	975

2.22 Option 2 temporarily borrows from reserves £224k. This will be paid back the following financial year (2015/16).

2.23 Specific Grants

In 2013/14 the Council relied upon £31.7m of specific grants from Welsh Government to help fund services or deliver Welsh Government policies. The Council has received notification of changes to the following grants;

Grant name	<u>Annual Grant</u>		<u>Change</u>
	2013-14 £00 0's	2014-15 £000' s	2014-15 £00 0's
Pupil Premium Grant	758	1,623	865
Flying Start	1,042	1,713	671
Local Flood Authorities Grant	90	100	10
Post-16 Provision in Schools	6,536	5,882	-654
Supporting People Programme Grant	6,038	5,736	-302
14-19 Learning Pathways	740	479	-261
Foundation Phase Grants	4,325	4,218	-107
Welsh in Education Grant (WEG)	380	335	-45
School Effectiveness Grant	1,250	1,219	-30
Outcome Agreement Grant	1,393	1,363	-30
LA Animal Health & Welfare Framework	165	145	-20
Youth Work Strategy Support Grant / Youth Service Revenue & Training Grant	120	108	-12
Minority Ethnic Achievement Grant	188	179	-9

2.24 The Council has not yet received all notifications of grant allocations for 2014/15 therefore there could be further changes.

2.25 Grants provided by WG often reduce or cease, it is therefore essential that services consider the impact this will have and develop appropriate exit strategies. The default position should be that if a grant ceases the activity funded by this source should also cease.

2.26 Medium Term Financial Plan 2015-16 – 2016-17

It has been assumed that the settlement from WG for 2015/16 will be a decrease of 2.8%. However the working assumption is that there will be a decrease of 4% for 2016/17. This is based on the indicative figure from WG and work undertaken by the WLGA and the Institute for Fiscal Studies focusing on how Local Government Settlements in Wales may be affected in the future.

- 2.27 Forecasting inflation includes a number of assumptions. It is assumed that the modest pay increase of 1% will continue to be awarded from 2015/16. It is also assumed that the protection for schools will remain at 1% above the settlement that WG receives from Central Government in London. Other inflation factors are also included in the plan for these future years. No protection has been included from 2016/17.
- 2.28 A Council tax increase of 2.25% is included in 2015/16 and 2016/17. This will be subject to political determination on an annual basis but if the safety net provided by the floor is removed this would need to be revised upward or further cuts made.
- 2.29 Service pressures particularly around Adult Social Care will continue and pupil numbers in the Primary sector are also forecast to begin to rise, these pressures have been incorporated into the plan for future years but will be subject to review and separate agreement in the future.
- 2.30 These factors will have a significant real terms cut in the Council's spending power. Further savings are required through to 2016/17 so that the Council complies with statute and sets a balanced budget.
- 2.31 The savings identified will continue to reduce headcount, and generate service efficiencies some of which are transformational, however a large number of the proposals put forward will inevitably impact on front line service delivery. The figures beyond 2014/15 are therefore subject to revision as alternative models of delivery and other savings are identified through the Council's budget and cost improvement strategy, these together with any unforeseen budget pressures will be considered as the Council determines its budget.

2.32 Capital

- 2.33 The Council's Capital Programme for 2014/15 shows a budget of £37.4m, and in addition the programme for the Welsh Quality Housing Standard is budgeted at £13.5m, the standard is to be achieved by March 2018. The proposed Capital Programme through to 2018/19 is attached as Appendix D.
- 2.34 The Strategy supports the Council's priorities over the next 5 years and includes the following projects:-
- School Modernisation Programme including Brecon High School Campus, Gwernyfed Catchment and the Severn Valley Welsh Medium School.
 - Highways Improvements, Flood Alleviation Schemes, Replacement Bridges.
 - Waste Management.
 - Brecon Cultural Hub
 - ICT Strategy
 - Welsh Housing Quality Standard
 - Regeneration and Development

- 2.35 The Council receives a core capital allocation from Welsh Government, in 2014/15 this allocation has reduced by £0.027m to £7.567m. The indicative figure for the following year remains at £7.567m and this has been included for future years through to 2018/19.
- 2.36 In addition to the core allocation the programme is funded from supported and un-supported borrowing.

3. Prudential Indicators

- 3.1 The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the local authority are affordable, prudent and sustainable. The Prudential Indicators are shown in full in Appendix E. The tables include the 2012/13 actual figure, the original estimate and revised estimate for 2013/14, as well as the indicators for the next five years, up to 2018/19.
- 3.2 The key indicators of affordability are the estimate of the ratio of financing costs to net revenue stream (Table 1) and the estimates of the incremental impact of capital investment decisions on the council tax (Table 2). The incremental cost on the council tax is £43.50 per band D property by 2018/19, of this £26.27 is due to prudential borrowing. This borrowing is shown in the medium term plan as revenue funding for prudential borrowing. The ratio of financing costs for the council fund shows a slight increase from 5.49% in 2014/15 to 6.05% by 2018/19.
- 3.3 The incremental impact on Housing Rents (Table 3) increases from £0.32 in 2014/15 to £6.39 by 2018/19 of this £4.11 is for Prudential Borrowing. This is in line with the Business Plan submitted to WG in December. The amount of the HRA income required to pay for financing increases from 3.90% in 2014/15 to 6.70% by 2018/19.
- 3.4 The Capital Financing Requirement (CFR) is shown in Table 4 and is the measure of the authority's underlying need to borrow for a capital purpose. It is the amount of capital expenditure that is not yet been financed by capital receipts, capital grants or contributions from revenue.
- 3.5 The CFR is currently £195.4m and will rise to £235.1m by the end of 2018/19. The level of external debt is lower than the CFR reflecting the current Treasury Management policy to internally borrow via reducing investments. The actual external debt at 31st March 2013 was £148.8m and is shown in graph 1.
- 3.6 A new indicator has been introduced to measure the gross debt of the authority against the CFR. This demonstrates that the authority is only borrowing for a capital purpose because the gross debt is below the CFR. This indicator is shown in Table 8.

- 3.7 The Operational Boundary (Table 6) and Authorised Limit for External Debt (Table 5) both reflect the current Treasury Management policy and are set at a level to be affordable as well as prudent.
- 3.8 The Council under the International Financial Reporting Standards (IFRS) has had to recognise a number of leases as Finance Leases. This change in accounting policy has led to the creation of a long term liability.
- 3.9 It is recommended that the level for the Authorised Limit is set at £241.7m. Members are asked to note that the Authorised Limit determined for 2014/15 will be the statutory limit under Section 3(1) of the Local Government Act 2003.

4. Minimum Revenue Provision Statement Annual Statement 2014/15

- 4.1 The Capital Financing Requirement (CFR) is the amount of capital expenditure that is not financed from revenue resources, capital grants and other contributions and capital receipts. Any expenditure that is not financed from these resources increases the authority's underlying need to borrow. The authority has to plan to finance the increase in the CFR by setting aside resources. This is called the Minimum Revenue Provision.
- 4.2 Regulation 21 (Capital Finance and Accounting regulations 2003) places a requirement on local authorities in respect of calculating MRP.
- 4.3 Regulation 22 details how MRP should be calculated. In the new Regulation 22, the previous detailed rules are replaced with a simple duty for an authority each year to make an amount of MRP which it considers to be "prudent".
- 4.4 The regulation itself does not define "prudent amount". However, the MRP guidance makes recommendations to authorities on the interpretation of that term.
- 4.5 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10 and will assess the MRP for 2014/15 using the recommendations.
- 4.6 The guidance on MRP sets out four options for the calculation of MRP. The first two options are to be used for capital expenditure incurred before 1 April 2008 as well as Supported Borrowing after that date. The 3rd and 4th options are to be used with unsupported or prudential borrowing.

Option 1: Regulatory Method – calculated in accordance with regulations 22 of the 2003 Regulations. This is the

previous method used by the authority and for 2014/15 £6.5m will be set aside.

- Option 2: CFR Method – Using the Capital Financing Requirement
This is the simplest method but would require additional resources to be set aside to take account of the statutory “Adjustment A” figure which is removed from Option 1 above, if this was included the MRP would increase by £703K per annum. “Adjustment A” is an adjustment that reconciles the opening CFR on 1st April 2004 to the previous method, called the Credit Ceiling, which ceased on 31st March 2004 and does not change.
- Option 3: Asset Life Method - MRP is made in equal annual instalments over the life of the asset. This method provides some stability to the amount of MRP that is set aside each year. £1m expenditure on a building with a 50 year life would cost £20,000 annually for MRP.
- Option 4: Depreciation Method – MRP is to be equal to the provision required in accordance with depreciation accounting. This method would result in changes to MRP each time an asset was revalued (every 5 years) and would require additional resources to monitor the assets over the life of that asset (up to 50 years).

- 4.7 The major proportion of the MRP for 2013/14 will relate to the more historic debt liability that will continue to be charged at the rate of 4%. It is recommended that the MRP for 2014/15 is calculated in accordance with option 1, the Regulatory Method which has been used since 1st April 2004. The estimate for 2014/15 is currently £6.5m and will be finalised after the accounts have closed in June 2014.
- 4.8 It is recommended that for any Prudential Borrowing undertaken in the current or future years the MRP will be charged over a period which is the estimated life of the asset using the annuity method, Option 3. It is estimated that this cost will be £0.5m for 2014/15.
- 4.9 Estimated life periods will be determined under delegated powers. Whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the components of expenditure and will only be divided up in cases where there are two or more major components with substantially different economic lives.
- 4.10 The share of the Housing Revenue Account Capital Financing Requirement is subject to a 2% MRP and is currently estimated at £298K for 2014/15.
- 4.11 In addition the guidance allows for MRP to be deferred for assets under construction and this part of the guidance should be adopted because

the asset is not used by the authority until it is operational and therefore the MRP will match the life of the asset. This option reduces the MRP by an estimated £200K for 2014/15.

- 4.12 Any MRP requirement for finance leases or PFI schemes will be regarded as being met by a charge equal to the rent/charge that goes to write down the balance sheet liability. The authority has recognised some leases as finance leases under the IFRS.

5. Corporate Improvement Plan

The budget has been developed this year within the framework of the Statement of Intent, a range of issues including community needs and resident's views, financial and inflationary pressures, performance and regulatory reviews from Welsh Audit Office, Estyn and CSSIW have all been considered. The resultant proposals are included in this plan, the council budget, and the One Powys Change Plan.

6. Options Considered/Available

A wide range of options were considered both at an individual service level and corporate level.

7. Preferred Choice and Reasons

The preferred choice is set out in the report.

8. Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc

- 8.1 The Public Sector Equality Duty 2010 and the associated specific equality regulations for Wales require that due regard is given to the impact upon people covered by the protected characteristics when reviewing policies or practices. Changes resulting from budget proposals would be considered to be a 'review'.
- 8.2 To assist that process, the budget proposals have been 'screened' to determine which proposals have a relevance to the Public Sector Equality Duty; and to what level. Following on from this, Equality Impact Assessments (EqIA's) have been conducted on the most relevant budget proposals, to determine (using the available information) the likely impact that these proposals will have on people covered by the protected characteristics.
- 8.3 It is important that Elected Members are aware of their responsibilities and a summary has been provided with this report that is supported by individual EqIA's. This is to ensure Elected Members have an understanding of the possible impacts of the decisions they are making,

and can therefore demonstrate they have given 'due regard' to the public sector Equality Duty when making decisions.

- 8.4 More detailed EqIA work will be required on many of the proposals as they become more defined. As we take proposals contained in the budget forward, EqIA principles will be met, which will include direct engagement with those people who will be most affected by the changes. This may delay implementation beyond the 1st April. Where a known implementation date has been provided the profile of savings has been adjusted. .
- 8.5 If as a result of further EqIA work, significant equality issues emerge requiring a re-evaluation, these will be brought to the Elected Members attention for due consideration.

9. Children and Young People's Impact Statement - Safeguarding and Wellbeing

10. Local Member(s)

Not applicable

11. Other Front Line Services

All Heads of Service, Strategic Directors and Portfolio Holders have been involved in the compilation of the budget.

12. Support Services (Legal, Finance, HR, ICT, BPU)

The Finance function has been closely involved in the process to support the identification and assessment of savings proposals.

13. Local Service Board/Partnerships/Stakeholders etc

The council regularly seeks the views of a number of stakeholders in respect of the needs of the communities within Powys. This year the council has worked with the Local Service Board to undertake a Joint Strategic Needs Assessment (JSNA) of the community to assist with the production of the One Powys Change Plan. The Council has also undertaken a residents survey to ascertain a range of views on current services and future issues. The JSNA and residents survey have helped frame a number of service drivers which are captured by the council's revised priorities.

14. Corporate Communications

The content and implications of the budget, medium term financial plan and capital programme are of significant interest to residents and staff and should be communicated widely via proactive press release, website and social media as well as through internal channels, following decision.

15. Statutory Officers

15.1.1 The Strategic Director Resources (Section 151 Officer) comments as follows:

The reduction in funding from the Welsh Government is outlined in the report and is a significant challenge for all the Councils in Wales but Powys has been affected more than other Councils. It is clear the situation would have been significantly worse without the 'floor' that limits reductions. It is appropriate that the Section 151 Officer draws Councillors' attention to the fact that this is an informal arrangement and is not guaranteed going forward.

15.1.2 The 2014/15 budget setting process has involved a significant level of work within the authority and has involved all senior managers with additional steps taken to gain assurance around savings delivery in the coming financial year.

15.1.3 There remains risk around areas such as Adult Services and the overall budget has sought to take a balanced approach. Going into 2014/15 the People Services directorate will need to address the end of year financial position for 2013/14 which will be an overspend. However given the scale of expenditure in this area it is inevitable that all parts of the Council have to make a contribution. The budget has sought to reinvest in this key area but it is clear that significant pressure on expenditure will remain in 2014/15. In agreeing the signing off of the budget regard has been taken about the ability to deliver the savings and the level of reserves held by the Council.

15.1.4 When setting the budget it is important that Cabinet and all Councillors are aware of the legal requirements and obligations. Councillors are required to act prudently when setting the budget and Council Tax so that they act in a way that considers local taxpayers. This also covers the impact on future taxpayers.

15.1.5 The Local Government Finance Act 1992 requires a Council to set a balanced budget. To do this the Council must prepare a budget that covers not only the expenditure but also the funding to meet the proposed budget. The budget has to be fully funded and the income from all sources must meet the expenditure. The Act also covers the legal issues around Council Tax setting that will be the final part of the budget setting process this year.

15.1.6 Best estimates have to be employed so that all anticipated expenditure and resources are identified. If the budget includes unallocated savings or unidentified income then these have to be carefully handled to demonstrate that these do not create a deficit budget. The budget has taken steps to meet this requirement and because of this it has been necessary to draw on reserves to ensure

the budget is balanced. This will be repaid in future years. By taking this approach the Council will avoid setting a deficit budget (this is not permitted under Local Government legislation).

- 15.1.7 Local authorities must decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the Council Tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned.

Allowance is made for these risks by:

- making prudent allowance in the estimates for services; and
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

- 15.1.8 Local government legislation requires an authority's Chief Finance Officer (the Strategic Director Resources) to make a report to the authority when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals (the statement is contained within the Medium Term Strategy). This is done so that members will have authoritative advice available to them when they make their decisions. As part of the Local Government Act 2003 members have a duty to determine whether they agree with the Chief Finance Officer's statutory report. If they do not they must provide clear reasons for not following the professional advice put forward by the statutory Chief Finance Officer.

- 15.1.9 Chief Finance Officer's Statement :

Having taken account of the overall budget framework I can confirm that the estimates contained in this document are, to the best of my knowledge, realistic, robust and compiled on the best information currently available. The budget sets testing savings targets and overspends in certain service areas are an increasing source of concern. Council and Management need to be diligent to ensure that the savings agreed in the budget are delivered. The Chief Finance Officer (Strategic Director Resources) will require directorates to account for their performance delivering the savings on a monthly basis and this will be shared with Cabinet in order that (where appropriate) corrective action is taken to safeguard the Council's position. I confirm that the financial reserves are adequate for the Council's stated purposes. However this will need to be carefully monitored and if necessary future financial plans will be amended to support the reserves position.

15.2 The Solicitor to the Council (Monitoring Officer) has made the following comment: “the proposals satisfy the duty on the Council to produce a balanced budget and set a Council Tax level for the forthcoming year”.

16. 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. If specific budgetary matters are debated in which a Member has an interest they should declare it at the start of the debate on that budgetary matter and complete the relevant form.

17. Future Status of the Report

Members are invited to consider the future status of this report and whether it can be made available to the press and public either immediately following the meeting or at some specified point in the future.

Recommendation:	Reason for Recommendation:
1. That either Option 1 Budget or Option 2 Budget for 2014/15 shown in the Financial Resource Model in Appendix B is agreed.	Statutory Requirement
2. That a Council Tax increase of 4.5% or 4.95% is approved for 2014/15.	Statutory Requirement
3. That the Medium Term Financial Plan for 2015/16 and 2016/17 be agreed in principle.	To aid business planning and development of the budget over a three year period
4. To set the authorised borrowing limit for 2014/15 as required under section 3(1) of the Local Government Act 2003 at £241.7m	Statutory Requirement
5. To approve the Prudential Indicators for 2014/15.	Statutory Requirement
6. To use Option 1 Regulatory Model for the calculation of MRP in relation to Supported Borrowing.	Statutory Requirement
7. To use Option 3 Asset Life Annuity Method for the calculation of MRP in relation to Prudential Borrowing.	Statutory Requirement
8. To take advantage of the guidance that allows for MRP to be deferred for assets under construction.	To match the cost of MRP to the use of an asset by a service.
9. That the Capital Programme for 2014/15 in Appendix D is accepted.	Statutory Requirement
10. That Strategic Reviews of School Provision and County Farms continue,	To ensure the Council is able to meet the financial challenge resulting from

and that a strategic review in respect of income generation commence as soon as possible with further strategic reviews in other areas to be brought forward for consideration by Cabinet.	the reducing level of funding.

Relevant Policy (ies):			
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	
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Person(s) To Implement Decision:	Chief Executive
Date By When Decision To Be Implemented:	1st April 2014

Contact Officer Name:	Tel:	Fax:	Email:
Jane Thomas	01597826341	01597826290	Jane.thomas@powys.gov.uk

Background Papers used to prepare Report:

Medium Term Financial Strategy
Statement of Intent
Capital Strategy

Appendices:

Appendix A – Medium Term Financial Plan
Appendix B – Financial Resource Model
Appendix C – Detailed Savings Sheets
Appendix D – Capital Programme
Appendix E – Prudential Indicators

Other Documents attached

Equality Impact Assessment Schedule
Feedback Report on the 2014/15 budget proposal discussions and engagement with the public