

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET EXECUTIVE
11th September 2012**

**REPORT AUTHOR: County Councillor Dai Davies
Portfolio Holder for Finance**

SUBJECT: Financial Overview and Forecast as at 30th June 2012

REPORT FOR: Decision / Discussion / Information

1. Summary

- 1.1 The original revenue budget approved by the Council for 2012/13 was £233.841m.
- 1.2 The actual position as at the 30th June 2012 shows an under spend against the working budget of £5.931m. After considering all known factors the forecast to the 31st March 2013 is a forecast underspend of £69k. Included within this forecast is an underspend on the Housing Revenue Account of £3.332m which means the forecast deficit falling on the Council's General Fund reserves is £2.934m.
- 1.3 The current financial position of the Council is concerning. There appears to be overspending across many services with no action plans in place to mitigate these cost pressures and remain within budget. The council services are experiencing increasing demands with reducing Revenue Support Grant (RSG) and specific grant funding and no grant exit plans or plans to manage the pressures are in place.
- 1.4 The Council's reserves are forecast to reduce by the end of the financial year from £52m to £40m, this takes account of the current forecast deficit position of £2.934m, however £34.69m is ring fenced reserves, leaving a general reserve for the council of £9.5m, this is further reduced by the accumulated forecast service deficit reserve of £3.920m, which is as a result of services continuing to use their reserves to deliver the service in addition to the base budget set by the Council. If this position continues the reserves would be depleted by 2015.
- 1.5 Adult Social Care is reporting a year end overspend of approximately £3.585m. Included in this overspend is a potential overestimation of £1.2m due to the volatility of the Domiciliary Care Commitments on the Financial system. It is difficult to predict the true extent of the overspend due to the issue with commitments but it is estimated to be in the region of £2.2m and this does not take account of demographic pressure between quarter 1 and quarter 4 of this year. Approximately 50% of the overspend relates to increasing demand on Domiciliary Care services with the remainder across Residential Care, Mental Health and other services. A further report on this will be forwarded to Cabinet during September.
- 1.6 Children services are experiencing increasing demand in Looked After Children services, and the forecast overspend is £200k. In addition Legal services costs continue to increase.

- 1.7 There continues to be significant slippage on the Capital Programme with spend currently only at 11.5% of the full year budget.
- 1.8 Strategic Waste services are projected to overspend by £860k this year as the roll out of the new Waste Service Strategy is funded without being able to totally avoid the costs associated with the previous way of working.

2. Revenue Position and Forecast

- 2.1 The table below provides an overview of the financial position as at 30th June 2012 and projected forecast to the 31st March 2013.

<u>Position at 30 June 2012</u>				
Service Area	Working budget	Actual Spend	Variance (Over) / Under spend	
	£'000	£'000	£'000	%
Care and Wellbeing				
Adult & Commissioning	47,569	44,718	2,851	6.0%
Children Services	6,965	6,868	97	1.4%
Housing & Regulatory Services	(2,061)	(2,134)	73	(3.5%)
Finance and Infrastructure				
Finance & Corporate Perf	1,322	1,293	29	2.2%
Local Environmental Services	7,766	8,102	(336)	(4.3%)
Business Performance Unit	2,178	2,155	23	1.1%
Law and Governance				
Legal, Scrutiny & Democratic	1,058	973	85	8.0%
Information & Customer Servs	2,226	2,109	117	5.3%
Human Resources	1,136	1,107	29	2.6%
Skills and Learning				
School & Inclusion	25,624	22,467	3,157	12.3%
Leisure & Recreation	3,080	3,722	(642)	(20.8%)
Regeneration & Development	1,167	1,074	93	8.0%
Service Area Totals	98,030	92,454	5,576	5.7%
Central Activities	8,121	7,766	355	4.4%
Total	106,151	100,220	5,931	5.6%

<u>Forecast to 31st March 2013</u>				
Service Area	Working budget	Actual Spend	Variance (Over) / Under spend	
	£'000	£'000	£'000	%
Care and Wellbeing				
Adult & Commissioning	42,001	45,587	(3,586)	(8.5%)
Children Services	14,228	14,593	(365)	(2.6%)
Housing & Regulatory Services	(769)	(4,066)	3,297	(428.7%)
Finance and Infrastructure				

Finance & Corporate Perf	4,359	4,240	119	2.7%
Local Environmental Services	31,454	32,174	(720)	(2.2%)
Business Performance Unit	7,680	7,582	98	1.3%
Law and Governance				
Legal, Scrutiny & Democratic	3,796	3,644	152	4.0%
Information & Customer Servs	5,268	5,104	164	3.1%
Human Resources	3,463	3,404	59	1.7%
Skills and Learning				
School & Inclusion	89,014	89,039	(25)	(0.0%)
Leisure & Recreation	8,970	9,136	(166)	(1.9%)
Regeneration & Development	2,598	2,753	(155)	(6.0%)
Service Area Totals	212,062	213,190	(1,128)	(0.5%)
Central Activities	39,741	38,544	1,197	3.0%
Total	251,804	251,734	69	0.0%

(N.B The forecast working budget is provided at Net controllable expenditure before internal recharges.)

2.2 The revenue outturn performance indicator target is to be within 0.5% of net budget. Currently the revenue position shows a variance of 5.6% and at this stage the forecast outturn for the year is a net under spend of £69k or 0.02% of the working budget. However the forecast includes significant over and under spending across most of the services.

2.3 Adult Social Care projected year end overspend of approximately £3.585m before variances are adjusted

2.3.1 The forecast needs to be treated with caution, as there is still a lack of robust service activity and associated financial information within Home Care. There continues to be variances between the commitments for client care on the financial system and the cost of the care from the care providers of approximately 16%. As a result the forecast should be treated with caution as the activity and associated financial information is not robust. There is an improvement in the variances but still equates to a potential £1.3m, this figure has been included in the £3.585m forecast and until further confidence in the figures is obtained it is not prudent to reduce the figure. The forecast does not include further demographic pressures that may occur between quarter one and quarter four. An update on the variances is included in Appendix A although the reasons for variance are currently only up to the end of Period 2.

2.3.2 This forecast outturn takes no account of future demand. A piece of work is currently under way to predict demographic pressures and this will be reflected in the quarter 2 report.

2.3.3 The forecast deficit after taking account of the £1.3m is £2.2m, the key reasons causing this is approx £1.1m Home Care Costs, £245k mental health service costs, £146k on the transition of clients from children's to adult services, £170k shortfall on staff costs due to the appointment of consultants, £218k on reablement and increasing residential care placements of £300k.

2.4 Children's Services projected over spend of £365k

2.4.1 The demand for Care for Looked After Children (LAC) has increased over time. If the current trend continues the LAC numbers will be 185 by April 2015, with an estimated

addition cost requirement of £828k. The LAC budget is reporting a £200k overspend and the remainder is pressure on legal fees.

Activity

No Looked After Children (LAC)

July 09	Dec 09	Mar 10	July 10	Dec 10	Mar 11	July 11	Jan 12	Mar 12	Jun 12
143	144	147	153	160	168	157	171	172	161

No Children In Need (CIN)

July 09	Dec 09	Mar 10	July 10	Dec 10	Mar 11	July 11	Jan 12	Mar 12	Jun 12
1217	1180	1098	1212	932	831	918	846	716	682

No Children on the Child Protection Register

July 09	Dec 09	Mar 10	July 10	Dec 10	Mar 11	July 11	Jan 12	Mar 12	Jun 12
82	84	89	106	87	84	103	92	74	62

2.5 Housing & Regulatory services is showing an underspend of £73k at the end of June but is projected to be £3.297m underspent at the end of the financial year

2.5.1 The Housing General fund is currently underspent by £22k but is forecast to be £35k overspent by the year end; this is due to unachieved efficiency targets within the Private Sector Housing service and Homelessness service budgets. The service has not addressed this shortfall.

2.5.2 The Housing Revenue Account (HRA) currently reports an underspend of £51k across various budget headings. The ringfenced HRA is currently expected to have a surplus position of £3.332m at the year end which will be transferred to its specific reserve. Rents have been increased since 2010/11 in accordance with the Welsh Government guideline to raise sufficient funds to implement the investment programme and ensure the council meets the Welsh Housing Quality Standard (WHQS) by March 2018.

2.5.3 New framework agreements for contracting the work have been delayed and will not be in place until December 2012. This further delays the programme of works and reduces the need to draw down the £6.685m funding currently held in reserve for this.

2.6 Finance under spend of £29k reported at the end of June forecast under spend at year end of £119K.

2.6.1 The underspends in Accountancy and Audit are due to current staff vacancies. The post of Revenues & Benefits manager shared with Ceredigion Council will cease from September 12, due to the capacity required by both Councils to manage the localisation of Council Tax benefit and meet the demands to implement to welfare reform.

2.7 Local and Environmental Services are overspent by £336k, forecast full year overspend of £720k

2.7.1 The On Street Services which includes Highways, Grounds, Street Lighting, Street Cleaning, Toilet Cleaning, Refuse/Recycling and Fleet Management are overspent by

£276k at the end of June with the forecast reducing to £195k by year end. Many of the Services within this area are now carried out under the new Local Environment Initiative (LEI) regime. The reasons for the overspend are Flooding in the south of the county £122k, the landslip at Ynyswen £42k, and £80k on emergency assistance and remedial work. Overspends are recorded on Street and Toilet Cleaning, weekend working arrangements have been changed under the LEI but costs against this heading are higher than anticipated, this is currently being investigated. The Fleet Management Pool Car budget is being supported by £53k from reserves. The numbers of vehicles employed have been reduced and work is continuing to design a strategy which meets both the needs of users and minimises any financial cost to the Fleet Service.

2.7.2 Strategic Waste Services is showing an overspend of £168k currently with the forecast at year end rising to an overspend of £860k. Currently the Service is continuing to roll out the new Waste Service Strategy. During this transition phase the Service is funding the new costs of the roll out without being able to totally avoid the costs associated with the previous way of working whilst new vehicles and new routes are established. This has had an adverse impact on the budget in respect of operatives and vehicles. In addition, there has been a greater than expected cost associated with the delivery of bins and containers. Costs are being actively reviewed to ensure that by the end of the financial year costs are as close to budget as possible whilst being consistent with achieving the WG's recycling target. It should be noted that if the recycling target is not met, the Council maybe liable to fines equivalent to £200 per tonne.

2.7.3 The closed landfill sites budget is showing an overspend of £25k and an expected outturn of £100k deficit. Unexpected costs have been incurred at Carreghofa for the treatment and removal of leachate.

2.7.4 The Highways and Transportation budget is reporting an overall balanced budget position, however, the Parking Service budget shows a £47k overspend with a forecast overspend of £79k .The budget is supported by reserves totalling £323k in the current year. The Service is working towards a strategy to bring the budget back into balance for 2013/14.

2.7.5 There are a number of challenges facing Property & Design as the Central Wales Infrastructure Collaboration arrangements with Ceredigion begin to become fully operational. It is important that the Service ensures that the Authority are not exposed to any unnecessary financial risk and that good corporate governance principles are considered in all decision making.

2.8 Business & Performance Unit under spend of £23k at the end of June forecast under spend amounts to £98k

Staff vacancies and small under spends across other areas are responsible for this.

2.9 Legal, Scrutiny & Democratic Service under spend of £85k at the end of June and a forecast year end under spend position of £152k.

The under spent is due to members allowances and staffing vacancies.

2.10 Information and Customer services under spend of £117K at the end of June, forecast year end under spend of £164K.

ICT are under spent by £78K with a year end forecast under spend of £116K. This is due to a projected under spend against the ICT Strategy, the Strategy has been delayed due to difficulties in staffing the project, however agency staff have now been recruited.

There is also an under spend projected of £95k within areas such as the Service Desk, Computers for Resale, and Admin.

2.11 Human Resources under spent by £29K at the end of June with a forecast under spend of £59K at year end.

The under spend is as a result of staff vacancies. There is a budgeted contribution from reserves of £546K to support the Job Evaluation project in terms of staffing requirements.

2.12 Schools Service under spend £3.157m at the end of June, but is forecast to be in an overspend position at year end.

2.12.1 Included in the under spend are £1.8m grants that are yet to be drawn down by schools. Spending plans are being prepared Schools and we forecast the funding to be spent by the year end.

2.12.2 Schools Delegated budgets are showing an under spend of £702k; the variance represents 1% of the total budget. Finance staff are currently working with schools and will identify specific concerns at individual school level.

2.12.3 A cabinet report was presented on the 31st July 2012 to review and approve the individual school budgets. Budget plans submitted by Governing Bodies show the following cumulative surplus or deficit reserves for each sector.

	Planned Deficits	No.	Planned Surpluses	No.	Planned Net Budgets	Percentage deficits to surpluses
	£		£		£	%
Primary	277,222	16	1,905,115	71	1,627,891	15
Special	0	0	425,910	3	425,910	0
Secondary	1,322,613	6	784,651	7	(537,962)	168
Total	1,599,835	22	3,115,676	81	1,515,838	51

2.12.5 Home to School Transport is showing an overspend against budget of £85k, however initial projections for the full year indicate a substantial increase in costs for this budget. This will increase the forecast deficit for the Council. Detailed costings are being reviewed due to the changes in provision recently approved due to the cessation of Aston Coaches contracts and the extension of other contracts to January 2013 when the services will be retendered. The contracts are uplifted annually using the CPI figure in August, with effect from September; this will add additional pressure on the budget. Further details will be provided at Quarter 2.

2.12.6 Current under spends of £213k and £461k within Adult Education and Powys Training are not expected to remain at year end as they are due to the timing of receipts and payments.

2.13 Leisure & Recreation overspend £642k projected year end overspend £136k

2.13.1 The current overspend position relates in the main to the Catering service and is due to the profiling of the food provisions budget compared to actual cost, the pattern of spend is difficult to predict as the service is driven by changes in daily demand. The full year projection for the service is currently a balanced position, but if take up of meals in schools declines over the remainder of the year this may change.

2.13.2 This years income levels across Sports and Leisure centres remains low with a projected shortfall of £42k by the year end.

2.14 Regeneration and Development under spend £93k for quarter 1, projected £155k overspend at year end.

2.14.1 There continues to be forecast overspends on Building Control and Development Management attributable to underachieved planning and building regulation fee income of £94k and £67k respectively. This will continue to be an issue over the next few years if the economy remains as it is.

2.14.2 Economic Development is forecast to be in deficit by £68k mainly due to underachieved workshop income due to the current level of empty units.

2.15 Corporate Activities under spend of £355k is reported at the end of June with a forecast under spend of £1.447m at year end.

2.15.1 The under spend includes £150k on levies and precepts, the Fire service precept the Authority at the beginning of the year and if they fail to spend the precept any unspent funds are returned to the Council, this came to light after closing last years accounts.

2.15.2 This budget heading includes a £5.433m budget for allocation to manage growth and cost pressures across the services, it is anticipated that £5.202m of this will be called upon leaving £231k unallocated.

2.15.4 There will be approximately a £1m under spend on real capital charges (interest payments on borrowing and the statutory amount set aside to repay debt) this is due to an over estimate of the amount set aside to repay debt.

2.15.5 The Council Tax collection rate of 98% is forecast to be exceeded causing a surplus of £250k.

3. Reserves

3.1 The total revenue reserves held at 31 March 2012, together with the forecast use of reserves during the year and the projected year end balances at 31 March 2013, are set out in the table below.

Summary	Reserves 01/04/12 £`000	(Reduction)/ Increase £`000	Forecast 31/3/13 £`000
Care and wellbeing			
Adult and Commissioning	976	(3,529)	(2,553)
Children Services	836	(335)	501
Housing and Regulatory Services (exc HRA)	(110)	(44)	(154)
Finance and infrastructure			
Finance and corporate performance	299	57	356
Local environmental services	1,438	(2,240)	(802)
Public Protection	227		227
Business performance unit	545	59	604
Law and governance			
Legal, scrutiny and democratic	234	148	382
Information and customer services	313	26	339
Human Resources	158	123	281
Skills and learning			
Schools and Inclusion	(3,133)	356	(2,777)

Leisure and recreation	(500)	(143)	(643)
Regeneration and development	422	(91)	331
Performance partnerships and modernisation	(12)		(12)
Total Service Area Reserves	1,693	(5,613)	(3,920)
Ring fenced & Non Service Area Reserves			
Invest to Save & Corporate Initiatives (inc JE)	12,997	(31)	12,966
Insurance Reserve	3,002		3,002
Local environmental services - Ring fenced	5,906	(1,979)	3,927
Transport & Equipment Funding Reserve	3,603	(2,193)	1,410
Schools Delegated Reserves	1,767	(346)	1,421
General Fund	8,344	1,162	9,506
Housing Revenue Account	4,364	(3,351)	1,013
21st Century Schools Reserve	7,091		7,091
BPU - Business Replacement Reserve	1,769	11	1,780
Legal - Coroners & Elections Reserve	259	(29)	230
HR - Other Reserve	239		239
ICT - Infrastructure Reserve	1,203	(288)	915
Total Ring fenced & Non Service Area Reserves	50,543	(7,044)	43,499
Total Revenue Reserves	52,236	(12,657)	39,579

- 3.2 Under spend and overspends recorded in the previous sections of the report have been included in the forecast above.
- 3.3 There is concern over the amount of reserves services are using to fund budget pressures and overspending and support the base budget, with no mitigating plans in place. The forecast service reserves are forecast to reduce by £5.613m, resulting in an overall deficit reserve which will put pressure on the £9.506m general reserve figure thus reducing the overall corporate and service reserves to £5.586m. The recommended reserve level has been set at 7% or £16.338m, based on reserves that can be re-committed. Against this target reserves stand at 8.45%. However, the current forecast level of General Fund reserves at 31st March 2013 will be 2.38%. A prudent range for the General Fund Reserve is 3 - 5% of net expenditure. This excludes all the ring fenced reserves in the table above including 21st Century Schools, replacement of the Draig system, and the coroner and elections reserves. In setting the MTFP for 13/14 onwards it is recommended that the council replenish these reserves and take action to ensure that service areas do not continue to overspend.
- 3.4 Adult Services, Housing and Regulatory (exc HRA), Local Environmental Services, Schools service (exc delegated), and Leisure & Recreation are all forecast to hold deficit reserves by 31st March 2013.

4. Efficiency Savings

- 4.1 The Medium Term Financial Plan for 2012/13 established total savings to be made by service areas of £5.992m, the service area budgets has been reduced accordingly.
- 4.2 Children Services efficiency of £7k from the Children and Young Peoples Training budget is yet to be identified, and within Local and Environmental services £25k relating

to proposed increases in farm rents cannot be achieved as leases are for fixed terms and increases cannot be put into place until renewal. It is proposed to recover the saving from the maintenance budget.

- 4.3 The school service have achieved the efficiencies for the new financial year however, £195k of the efficiencies expected in 2011/2012 was not achieved, and these have yet to be found.

5. Capital Programme

- 5.1 The original Capital programme approved by Council totalled £69.017m and during the first quarter virements of £9.054m were approved increasing the working budget as at 30th June 2012 to £78.072m. Further virements are now required and this will reduce the Capital Programme to £68.246m.
- 5.2 The Capital Programme represents a significant annual investment in the infrastructure of Powys County Council. The key objective is to deliver the right projects to the desired quality standards, on time and within budget. The Capital Programme Board monitors projects over £250k in value or which are of strategic significance.

Service Area	Working Budget at 30/06/12	Virements Approved	Working Budget 2012/13	Virements Required	Revised Working Budget at 30/06/12
	£,000	£,000	£,000	£,000	£,000
Chief Executive					
Information & Customer Services	1,828	1,077	2,905	0	2,905
Human Resources	0	0	0	0	0
Care and Wellbeing					
Adult & Commissioning	4,972	259	5,231	76	5,307
Children Services	0	58	58	0	58
Housing & Regulatory Services	18,364	52	18,416	-7,428	10,988
Finance and Infrastructure					
Finance	505	86	591	0	591
Local and Environmental Services	14,909	3,600	18,508	-1,436	17,072
Business Performance Unit	0	0	0	0	0
Law and Governance					
Legal, Scrutiny & Democratic	0	0	0	0	0
Communities, Skills & Learning					
Schools and Inclusion	22,514	2,667	25,181	-338	24,842
Leisure and Recreation	3,543	365	3,909	0	3,909
Regeneration & Development	2,382	891	3,273	0	3,273
Total Capital	69,017	9,054	78,072	-9,126	68,946
Funded By:					
Supported Borrowing	15,642	3,128	18,770	-178	18,592
Prudential Borrowing	17,419	712	18,131	-3,351	14,780
General Capital Grant	3,114	-6	3,108	0	3,108
Receipts	4,512	1,690	6,202	-164	6,038
Grants	16,085	1,274	17,358	-760	16,599
Revenue / Reserves	12,245	2,257	14,502	-4,673	9,829
Total Funding	69,017	9,054	78,072	-9,126	68,946

5.3 Capital Virements of £9.126m require approval as detailed below, which reduce the working budget for 2012/13.

	Amount £000
Local and Environmental Services	
Erwood Bridge is a sensitive environmental designated area and consents need to be put in place before work commences. Also, there are issues with access over private land which will take time to complete. In these circumstances it has been decided that the strengthening works should be carried out in 2013/14.	-1,458
Budget needed for the Tawe Uchaf Walking and Cycling Scheme in Ystradgynlais funded by TRACC	80
Create budget for 2012 Montgomery Canal Greenway TRACC scheme	80
Create budget for 2012 A44 Radnor Forest Bends TRACC scheme	82
CADW consent is required to carry out the Llansantfraid Bridge strengthening work. The Environment Agency will only allow the work to be done between May and October so by the time the consent is received it will be too late to carry out the work in this financial year. Roll forward £150k to 2013/14 leaving the balance of the budget to fund works to ensure that the existing weight limit is maintained.	-150
The Welsh Government have approved grant funding this year for the Phase 1 flood alleviation works at Gilfach, Kerry. Roll forward balance of budget to 2013/14 in anticipation of WG approval of Phase 2 works next year.	-770
This Virement is required to continue the rollout of the waste collection Project. This is to fund the new collection containers required in 12/13. Reserves have been earmarked for this expenditure.	700
	<u>-2,136</u>
Schools and Inclusion	
Board Minute B99 (14/03/06) agreed that the proceeds from the sale of surplus land at Newtown High School should be used to fund capital expenditure. This surplus Land at Newtown High School is no longer available for disposal and therefore the capital programme will need to be reduced by £160,000.	-160
Rhayader CinW School - Replacement Windows. This project will now be designed and tender in 2012/13 with the work to take place in 13/14.	-178
	<u>-338</u>
Adult & Commissioning	
Grant received for the refurbishment of Grosvenor Stores building in Llandrindod Wells - Substance Misuse.	226
Remove £150k budget for social services vehicles - all vehicles are now procured by Fleet Management and the budget is already included in their financial code	-150
	<u>76</u>
Housing	
The WHQS project has been delayed in the first quarter because of the new procurement frameworks. Some packages of work are to be agreed shortly. This budget virement will be required in 2013/14 to make keep the project on schedule. However, a further virement may be required later in the year.	-6,309
Project to Regenerate 2 Long Term empty properties in Talgarth on a loan basis – to be repaid over 5 years. The outcome of the scheme will be 2 retail units and 6 residential units.	112
Brecon Gypsy Site- The grant award has been delayed until August therefore the project has slipped. The grant has been awarded over 12/13 and 13/14 and this virement reprofiles the spend.	-1230
	<u>-7,428</u>
Grand Total	<u>-9,126</u>

5.4 Actual spend as at 30th June is £7.859m or 11.5% of the working budget.

Service Area	Revised Budget	Actual Spend	Remaining budget	
	30/06/12 £,000	£,000	£,000	%
Chief Executive				
Information & Customer Services	2,905	11	2,894	99.6%
Human Resources	0	0	0	
Care and Wellbeing				
Adult & Commissioning	5,307	545	4,763	89.7%
Children Services	58	24	33	57.9%
Housing & Regulatory Servs	10,988	588	10,401	94.7%
Finance and Infrastructure				
Finance	591	25	566	95.7%
Local and Environmental Services	17,072	1,437	15,635	91.9%
Business Performance Unit	0	0	0	
Law and Governance				
Legal, Scrutiny & Democratic	0	0	0	
Communities, Skills, Learning				
Schools and Inclusion	24,842	4,833	20,009	80.5%
Leisure and Recreation	3,909	48	3,861	98.8%
Regeneration & Development	3,273	348	2,925	89.4%
Total Capital	61,246	7,859	61,087	88.6%

5.5 The majority of the Information and Customer Services capital relates to ICT Strategy work. Delays in delivering the project has caused the under spend.

5.6 The Adult & Commissioning budget and year to date spend relates to the Integrated Health & Social Care Facilities planned for Built Wells, expenditure is low for this period but the project is now underway.

5.7 The HRA Capital budget is for the Capital Programme for the Housing Stock, which is funded by £3.7m Major Repairs Allowance from WG, Housing reserves, receipts and prudential borrowing. Funding for work relating to the achievement of the WHQS in 2012/13 has been reduced to £6.244m, the lack of spend is due to the delay in awarding new framework agreements for contracting the work. As a result an extension to existing contracts to the end of December 2012 has been granted, and work totalling £4m can now be commenced. Spend is forecast to be £6m by the end of March. Further information will be known by Quarter 2 following a meeting with Savilles who are undertaking the stock survey which will inform the business plan and will establish whether we can still meet the WHQS by March 2018.

5.7.1 A further £2.230m budget within Housing relates to the new Brecon Gypsy Site; the grant application to WG to support this project has been successful, with a £1m allocation for the current financial year and a further commitment in principle for £750k for 13/14. The delay in the award of the grant has resulted in the prudential borrowing now being required in 13/14 instead of 12/13.

- 5.8 The capital budget under Finance is yet to be allocated but can be called upon for specific projects within the council.
- 5.9 There is little spend in the Local and Environment service to date, projects are slow to begin due to the lead time needed for many schemes, with the exception of the Erwood bridge project which is now being rolled forward to 2013/14, the other schemes are not reported to slip.
- 5.10 A large proportion of the Schools Capital Budget, £18m, relates to the building of four new Primary schools and the remodelling of Ysgol Maesydderwen in Ystradgynlais, £2.3m is funded by the 21st Century Schools Transition grant, the final of 3 years allocation. These projects are on track with three of the new schools completed during August and the fourth in October.
- 5.11 The Leisure & Recreation budget includes £1.2m of work to address the requirements of the conditions survey across Sports and Leisure centres, this work has been programmed outside the summer months to reduce disruption over the holiday period. A capital allocation of £2m is identified for Brecon Museum however currently only £1m is committed for roof work commencing in September and further design costs. An options report will be forwarded to cabinet for consideration later in the year to consider how the project develops, however it is anticipated that a considerable amount of the budget will be rolled forward to 2013/14.
- 5.12 Expenditure within Regeneration and Development is currently at 11% of the working budget, the Severn Valley Project has been delayed from the outset firstly due to inclement weather and more recently due to delays in the tendering process; however the project is expected to complete in 2014 as planned. Other projects totalling £2.279m relate to Community and Business Grants, Built Heritage and Rural Development Plan grants, many of these are funded by external grant and although spend is low currently all projects are expected to be meet completion dates.
- 5.13 Accurate forecasting of spending patterns particularly for the high cost schemes within the Capital Programme is essential to ensure that the Authority plans its Treasury Management activity to match its cash flow requirements, borrowing in a timely and planned manner enables the Authority to maximise the benefits of the options available, thus minimising borrowing costs.
- 5.14 Prudential Indicators
- 5.14.1 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 D. The tables include the 2011/12 actual figures, the original estimate and revised estimate for 2012/13, as well as the indicators for the next three years, up to 2015/16.
- 5.14.2 The key indicators of affordability are the estimate of the ratio of financing costs to net revenue stream (Table 2) and the estimates of the incremental impact of capital investment decisions on the council tax (Table 3).
- 5.14.3 The ratio of financing costs for the council fund shows a slight increase from 5.14% to 5.22% in 12/13 with a corresponding decrease in the actual figure for 11/12. This is due

to the delay in a number of projects which are now included in the 12/13 financing. The estimate of 5.78% for 2015/16 is increased to 5.80%.

- 5.14.4 The incremental cost on the council tax has reduced from £6.30 to £5.36 per band D property, with a corresponding decrease in the prudential borrowing from £4.86 to £3.31. This is a notional charge to measure the affordability of capital decision rather than the actual cost to the council taxpayer, because the cost is met from service savings or increased rent. The reason for the decrease is the roll forwards shown in the capital virement section of the report. As projects are delay that are funded from reserves, capital receipts or prudential borrowing these have an impact on the revenue cost of either a reduction in a loss of interest or the cost of borrowing.
- 5.14.5 The incremental impact on Housing Rents (Table 4) has decreased in 2012/13 from £0.36 to £0.08 for all costs and removes the prudential borrowing cost. This is a direct result of the delay in the WHQS capital spend detailed in above. This indicator will be revised as more information is available on the requirements for future capital spend and how the reduction in spend in 12/13 will be programmed. The reduction is also reflected in the ratio of financing costs to net income stream which shows a reduction in costs from 4.03% to 3.69%.
- 5.14.6 The Capital Financing Requirement (CFR) is shown in Table 5 and is the measure of the authority's underlying need to borrow for a capital purpose. It is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.
- 5.14.7 The CFR is currently £193.3m and will rise to £244.5m by the end of 2015/16. Again the estimated CFR has reduced in line with the reduction in capital spend.
- 5.14.8 All other indicators are unchanged. The level of external debt is lower than the CFR reflecting the current Treasury Management policy to internally borrow via reducing investments.

6. **Medium Term Financial Plan Update**

- 6.1 The Medium Term Financial Plan is currently being updated for future years and this will take account of known uncontrollable budget pressures highlighted above and it is anticipated that there will be a significant budget gap to be addressed.
- 6.2 Cost pressures are beginning to emerge particularly within Adult Social Care, Home to School Transport, Schools Severance Pay, and Looked after Children and Waste Services.
- 6.3 A significant level of overspending is falling upon reserves due to some services being unable to manage within their budget allocations and no action plans being in place to mitigate these budget pressures.
- 6.4 A number of grant funding streams will also move into the Revenue Support Grant and the financial impact of these are being considered and incorporated into the plan.

7. **Powys Change Plan**

- 7.1 Significant work has been undertaken in costing out projects for the PCP in terms of identifying existing resources, additional resources required which will require funding via the MTFP, and also the benefits which will be derived from those projects. As projects progress these costings are continually reviewed and updated.
- 7.2 It is anticipated that £70 million will be spent over the three year period 2011-2014, in 2011/12 we spent £20.989m, and the majority of this funding was within existing budgets, with additional investment of £112k. Much of the expenditure is spent on improving services and mitigating future increases in costs thus reducing the financial risk to the Authority. Savings of £1.595m were achieved which contributed to the Councils Medium Term Financial Plan.

Programme updates are provided below:-

7.3 Care and Wellbeing

There is a planned urgent review of the Phase 1 Powys Change Projects for Care Management and Reablement. The budgets in 2012/13 reflect the expenditure; potential savings and funding streams identified at the outset in 2011/12 and take no account of the actual outturn position which was skewed by delayed implementation in both. Furthermore, the Reablement budgets need to reflect the £389K Continuing Health Care (CHC) funding has now been agreed for one more year.

7.4 Learning & Community

School Modernisation is supported by officers across several service areas with costs estimated at £693k for the current financial year, all of which is within existing budgets, additional investment of £35k has been provided from the central reserve to fund an ICT Project Manager to support the project. Capital investment of £20.6m is supporting the schemes across the catchment reviews with the majority for the funding for the 4 new primary schools and Maesydderwen refurbishment in Ystradgynlais. Savings of £92k have been achieved in the current year as a result of the closure of Aberhafesp C.P., savings from the closure of several other schools will not be realised until 2013/2014. 50% of the saving provides prudential borrowing funding for capital investment and 50% is reinvested in the schools delegated budgets.

Officers working on the Powys Active & Healthy Lifestyle Strategy are investigating potential options for different methods of service delivery, facility management and shared services to provide physical activity and learning opportunities in the future. Staff costs are within existing service budgets and consultant costs of £5.5k have been incurred to date. The strategy is early in its development therefore savings or investment requirements are not yet identified.

7.5 Regeneration

Two Projects are now underway within the Regeneration Strategy the High Street Research Project and the Community Hub Pilot. As at Quarter 1 the projects have not incurred any additional costs above existing Staff time. It is expected that costs for consultants and architects will start to be incurred by Quarter 2. The consultant's costs will be funded by the RDP grant and Regeneration has had £350k awarded through the

Medium Term Financial Plan for the Strategy work in 12/13, £140k of this has been allocated to the two projects (£60k High Street, £80k Community Hub) The remaining £210k will be used on other projects within that strategy when they are approved. At Quarter 1 the full £350k awarded is expected to be utilised in 12-13 financial year and along with the grant funding all additional costs will be covered.

7.6 Climate Change

The Waste Management Service is continuing to roll out the new Waste Service Strategy. During this phase the service is funding the new costs of the roll out without being able to avoid the costs associated with the previous way of working whilst new vehicles and routes are established. There has also been a greater than anticipated cost associated with the delivery of bins and containers. Cost are actively reviewed to ensure that the service stays as close to budget as possible whilst ensuring that Welsh Government recycling targets are met and that the cost of landfill tax is kept to a minimum. The service is unlikely to realise the savings target of £1.243m within the timescale set.

7.7 Council

Paperless Powys and the BPU merger are not targeted to make any further savings in 2012/2013; £453k was achieved in 2011/12 which is recurring. The Voluntary severance scheme will generate further savings of £380k in this financial year; additional savings have been made from this scheme but have been recorded against individual service areas targets. The Top 50 suppliers project is targeted to save an additional £676k this year, however the majority of this will be recycled within service areas such as Adult Social Care, the cashable savings target is £81k for 2012/13. The Central Wales Infrastructure Collaboration saving is estimated at £76k for this financial year.

8. **Financial Risks**

- 8.1 The Increase in numbers of Looked after Children is a significant risk as the demand for Care has increased over time, it is forecast that the numbers will be 185 by April 2015, with an estimated addition cost requirement of £828k.
- 8.2 The over spend in Legal Service's supporting Children's services is a continuing budget pressure.
- 8.3 Increasing costs within the Home to School Transport budget have yet to be accurately projected and funded.
- 8.4 Many school budget plans include reductions in staffing there is a significant risk that the centrally held budget to meet severance pay costs will be insufficient.
- 8.5 As the financial position of many organisations tightens, grant funding is increasingly being withdrawn, it is essential that exit strategies are in place to review service delivery and take timely remedial action to minimise any financial implications on the council.
- 8.6 Service reserves are being used to support base budget and budget pressures which can only alleviate such pressures in the short term and must not be considered as a long term solution.
- 8.7 Insufficient forecasting of spend for capital projects could result in unplanned borrowing and higher borrowing costs.

- 8.8 Public inquiry costs regarding wind farms will be an additional budgetary pressure with costs of £500k or more expected.
- 8.9 Powys teaching Health Board funding of Learning Disabilities is at risk as the Council has been notified of a planned reduction of £400K. This may not be the only concern; as all joint arrangements have yet to be signed.

9. **Options Considered/Available**

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

10. **Preferred Choice and Reasons**

The capital virements detailed in paragraph 5.3 should be approved in order to ensure the Capital programme is properly funded in accordance with the resources available.

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

The proper management and control of the Council's finances together with the associated delivery of services will have an impact across all Council services. This report presents specific details of reserve deficits which will be considered as part of the future budget setting process. It is not sustainable to allow service areas to overspend and enter into deficit reserves without a plan to address the underlying cause of the overspending.

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

This report presents the financial position for Children's services and highlights a forecast overspend for the year, which will be funded from the service reserves. The budgets must continue to be monitored to ensure the allocated resources are properly spent as intended to meet the service need.

13. **Local Member(s)**

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

14. **Other Front Line Services**

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

15. **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 involve all service areas in monitoring financial performance against budgets.

16. **Local Service Board/Partnerships/Stakeholders etc**

This report presents financial information which will help inform the future medium term financial plan and therefore has implications for any related organisation.

17. Communications

This report has no specific communication considerations. Detailed finance reports are presented to Heads of Service, Cabinet and the Scrutiny committees five times per year, after quarter 1, quarter 2, month 8, and month 10 and at outturn. These reports are public and are part of a range of statutory and non statutory financial information documents including the Statement of Accounts.

18. Statutory Officers

The view of the Strategic Director, Finance & Infrastructure (Section 151 Officer) is that Cabinet needs to heed the trends set out in this report, particularly in paragraphs 1.5 and 3.3. The council will soon be embarking on its planning process for 2013-2015. These plans will need to contain clear and robust efficiency measures to address the issues raised in this report.

The Strategic Director, Law & Governance (Monitoring Officer) has no specific concerns with this report.

19. 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:
That the contents of this report are noted.	To monitor the Council's financial performance and ensure that spending remains within approved limits
That the Capital virements as set out in paragraph 5.3 of this report are approved. All those exceeding £300k will be supported by a report to full council for approval.	To mirror the spending patterns of the capital scheme which allow sound budget management

Relevant Policy (ies):	Financial Regulations		
Within Policy:	Yes	Within Budget:	n/a

Relevant Local Member(s):	
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Person(s) To Implement Decision:	Clare Williams
Date By When Decision To Be Implemented:	

Contact Officer Name:	Tel:	Fax:	Email:
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Background Papers used to prepare Report: