

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET EXECUTIVE  
19th March 2013**

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

**SUBJECT: Financial Overview and Forecast as at 31<sup>st</sup> January 2013**

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**REPORT FOR: Decision / Discussion / Information**

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**1. Summary**

- 1.1 The original revenue budget approved by the Council for 2012/13 was £233.841m.
- 1.2 The projected Outturn as at the 31<sup>st</sup> January 2013 after considering all known factors is forecast at an underspend of £977k. This is an improvement from the November 2012 position which reported a forecast overspend of £147k.
- 1.3 The original Capital budget approved by the council for 2012/13 was £69.017m, this has now been revised to £56.913m as £1.660m of virements are requested. The actual spend as at the 31<sup>st</sup> January is £39.963m which is 70.2% of the budget.
- 1.4 The Housing Revenue Account which is ring fenced is forecast to under spend by £3.329m. The surplus on this is not for general council use and is transferred into the HRA Specific reserve.
- 1.5 There continues to be significant financial pressures in service areas which are forecasting overspends, Adult & Commissioning £2.8m, Local Environmental Services £620k, Schools and Inclusion £827m, and Regeneration and Development £567k .
- 1.6 Adult Social Care is now forecasting a £2.8m overspend a reduction since November 2012. There has been a deterioration in the variances which has increased from 9% to 16%, £361k adjustment has been included in the forecast.
- 1.7 The Local Environmental Services forecast is revised to a £620k overspend, this forecast has worsened since period 8. Strategic Waste services forecast has improved slightly with the projected overspend at £1m, however, the position has declined in other areas.
- 1.8 Home to School Transport is now projected at an £779k overspend and a significant financial pressure. In addition the budget for severance

pay is forecast to overspend by £260k, however, this will be recovered from the overall Schools Delegated Budget next year.

- 1.9 Schools delegated budgets are now reporting a collective underspend of £254k against budget plans.
- 1.10 The Regeneration and Development budget pressure has increased to £567k due to underachieved planning, building regulation and workshop income.
- 1.11 Corporate Activities now report an under spend of £5.225m, the increase is due to a £585k surplus now forecast against collection of Council Tax. The delay in implementing Job Evaluation together with some growth and savings pressure not required are resulting in a significant underspend, the £1.4m underspend on Capital charges also remains as reported previously. Included in the forecast spend is £960k for Adult Social care residential fees, the requirement for this is dependant on the review in adult care with the providers.
- 1.12 The overall reserves forecast has improved since period 8, the revised projection shows a reduction from £52.2m to £47.9m. This takes account of the current forecast surplus position of £977k. £39m are ring fenced reserves, leaving a general reserve for the council of £12.387m. Services continue to use their reserves as they overspend against their base budgets resulting in accumulated deficit reserves of £4.111m, this further reduces the general reserve to £8.276m. The net general reserve balance is now 3.5%, a prudent balance of around 5% is preferred. A proposal to deal with these accumulated deficits will be formulated whilst the accounts are closed in May

## 2. Revenue Forecast

2.1 The table below provides a projected forecast to the 31<sup>st</sup> March 2013.

<b>Forecast to 31st March 2013</b>				
<b>Service Area</b>	<b>Working budget</b>	<b>Forecast Spend</b>	<b>Variance (Over) / Under spend</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Care and Wellbeing</b>				
Adult & Commissioning	46,745	49,600	(2,855)	-6.1%
Children Services	16,759	16,756	2	0.0%
Housing General Fund	917	933	(16)	-1.7%
<b>Finance and Infrastructure</b>				
Finance & Corporate Perf	169	54	115	68.2%
Local Environmental Services	31,477	32,097	(620)	-2.0%
Business Performance Unit	(33)	(118)	85	-255.9%
<b>Law and Governance</b>				
Legal, Scrutiny & Democratic	3,502	3,385	117	3.3%

Information & Customer Servs	679	532	148	21.7%
Human Resources	890	639	251	28.2%
<b>Skills and Learning</b>				
School & Inclusion	32,083	33,164	(1,081)	-3.4%
Schools Delegated	65,449	65,195	254	0.4%
Leisure & Recreation	13,636	13,717	(81)	-0.6%
Regeneration & Development	4,414	4,981	(567)	-12.8%
<b>Service Area Totals</b>	<b>216,686</b>	<b>220,934</b>	<b>(4,248)</b>	<b>-2.0%</b>
Central Activities	17,154	11,929	5,225	30.5%
<b>Total</b>	<b>233,840</b>	<b>232,863</b>	<b>977</b>	<b>0.4%</b>

<b>Housing Revenue Account (HRA)</b>		<b>(3,329)</b>	<b>3,329</b>	<b>100.0%</b>
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<b>Total including HRA</b>	<b>233,840</b>	<b>229,534</b>	<b>4,306</b>	<b>1.8%</b>
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2.2 The revenue outturn performance indicator target is to be within 0.5% of net budget. The forecast outturn for the year is a net under spend of £977k or 0.4% of the working budget.

### 2.3 Adult Social Care – Outturn Forecast at £2.854m overspend.

2.3.1 The Adult Social Care Outturn is now forecasting an improved position since the previous report.

2.3.2 The continuing budget pressure within Older & Physically Disabled (PD) accounts for the majority of the overspend with Independent Residential Care at £618k, Home Care Older Independent Sector £1.502k and Home Care in House £178k. The Learning Disabilities (LD) Service is forecast to overspend by £200k, overspends in Independent Residential Care (IRC) LD and Home Care are being offset by underspending in Day & Employment, Social work and Other Services.

2.3.3 The Mental Health Service residential care budget also continues to project an overspend of £318k as does Support Services with £66k projected mainly due to the Service employing Consultancy workers to cover permanent posts and carry out specific projects.

2.3.4 The forecast needs to be treated with caution, as there continues to be a lack of robust service activity and associated financial information within Home Care. Further Activity Data is now available across the 3 shires and is provided in the table below. The data records the number of clients affected rather than the change in the hours of provision, this information will included in the new financial year.

Shire	Deceased Clients	New Clients	Existing Clients Increased	Existing Clients Decreased
Radnor	6	14	91	34
Brecon	14	38	60	54
Montgomery	39	65	210	127
<b>Total</b>	<b>59</b>	<b>117</b>	<b>361</b>	<b>215</b>

Provision has increased for a net 146 existing clients whereas the net increase of new clients is much lower at 58. This together with the hours and cost data will provide key information to evidence the reason for the escalating costs.

2.3.5 Variances between the commitments for client care on the financial system and the cost of the care from the care providers have increased from 9% previously reported to approximately 16%. The Outturn includes an adjustment for these variances of £361k (2 months commitment) but does not consider further increases over the remaining 2 months.

2.3.6 Residential Care Home fees budget have been adjusted by £429k, the funds were held corporately. There is still a further £971k held which will be transferred as the service identifies the actual increase in costs.

## 2.4 Children's Services – Outturn Forecast at £2k underspend

2.4.1 The Children's service forecast remains as previously reported. The Looked after children (LAC) budget is forecast to overspend by £106k, this is dependant on numbers remaining at their current levels. The overspend is being offset by underspends in other areas of the service, the most significant of which is within Fieldwork due to staff slippage with 11.8 FTE current vacancies.

### Activity

#### Number of Looked After Children (LAC)

Mar 11	July 11	Jan 12	Mar 12	Jun 12	Sep 12	Nov 12	Jan 13
168	157	171	172	161	155	157	153

#### Number of Children In Need (CIN)

Mar 11	July 11	Jan 12	Mar 12	Jun 12	Sep12	Nov 12	Jan 13
831	918	846	716	682	649	660	615

#### Number of Children on the Child Protection Register

Mar 11	July 11	Jan 12	Mar 12	Jun 12	Sep 12	Nov 12	Jan 13
84	103	92	74	62	85	94	94

## **2.5 Housing General Fund – Outturn forecasts an overspend of £16k**

2.5.1 The Housing General fund forecast has reduced to a £16k overspend by the year end; unachieved efficiency targets within the Private Sector Housing service and Homelessness service budgets are currently being offset by underspends in other areas. The service has not identified the budget savings agreed in March 2012.

## **2.6 Housing Revenue Account – Outturn forecast £3.3m under spend**

2.6.1 The Housing Revenue Account (HRA) has a projected surplus position of £3.3m at the year end, this surplus will be transferred to a specific reserve. Rents have been increased year on year 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.

2.6.2 New framework agreements for contracting the work have been awarded, a period of discussion is now underway before contracts are finalised and confirmed. The required draw on reserves to fund the work has been reduced to £1.959m from the original £6.685 budgeted.

## **2.7 Finance – Outturn forecast at £115k under spend**

2.7.1 The under spend is due to vacancies including the Head of Finance post from January. The localisation of Council Tax and Welfare Reform will be implemented from April, in order to prepare the Authority for this additional costs are being incurred including the employment of agency staff, however the Welsh Government have recently provided a grant of £104k to support these costs.

## **2.8 Local and Environmental Services – Outturn Forecast overspend of £620k**

2.8.1 The On Street Services which includes Highways, Grounds, Street Lighting, Street Cleaning, Toilet Cleaning, Refuse/Recycling and Fleet Management position as deteriorated since period 8 with the overspend now projected at £739k by year end. Flooding in the south of the county, and the landslip at Ynyswen account for £353k, with a further £137k in the Street Cleaning and Toilet Cleaning budget, the Service is currently engaged with staff on changes to the working week which should result in a reduction in employee costs.

2.8.2 The Structural and Routine Maintenance budget is significantly overspent £840k, the Service needs to mitigate any further increases this year by concentrating staff resources on fee earning works. Prices put forward to the North and Mid Wales Trunk Road area for works

carried out on Trunk Roads have still not been agreed in a number of areas including Winter Maintenance fixed costs. This is a major concern and negotiations are still continuing with the TRA. Figures shown above assume that the TRA will make a similar contribution to that received in previous years.

- 2.8.3 The Highways and Transportation budget which includes Public Transport, Highways Design, Waste and Car Parking is now projecting a £340k overspend at year end.
- 2.8.4 The Parking Service budget is projected to overspend by £140k. Income levels have slightly increased but are still 12% below that budgeted. The budget is already supported by drawing £323k from reserves.
- 2.8.5 The Highways Design group forecast a surplus of £238k. The Service benefitted this year from monies owed to the group by the MWTRA from 2010/11 which has now been received. The recent transfer of the TRA to Gwynedd has resulted in changes to the way the Consultancy and any Contractors it uses can charge for works to the TRA. This area requires close monitoring as we proceed through the year to ensure that the new rates are significant to recover all costs.
- 2.8.6 The Public Transport budget is also heavily supported by reserves, however due to some underspending the requirement is reduced to £299k.
- 2.8.7 The Waste Service is projecting an overspend of £1.034m at year end, this is an improvement on that forecast at period 8. 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. 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, trade waste income has fallen by some £170k against budget and the budget levels of recycle income have not materialised. 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. A determined effort has already been made to reduce the number of operational vehicles in use. It should be noted that if the recycling target is not met, the Council is liable to fines equivalent to £200 per tonne. Work currently being carried out will inform the future shape of the Service in respect of fleet requirements and the subsequent impact on staffing levels.
- 2.8.8 Property and Design Services are projected to underspend by £175k, this is due to underspending in the centralised statutory testing budget, the ongoing saving has been included in the Medium Term Financial Plan. The Facilities Management Service is forecasting a deficit of

£56k, as income is failing to reach budgeted levels and although staffing has been reduced it has not been sufficient to mitigate the effect of this loss. The challenges continue in 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. There have been significant problems setting up the new project management/job costing system which enable Powys and Ceredigion to work jointly. The solutions continue to be developed to ensure that systems are in place for the new year.

2.8.9 Public Protection which includes Environmental Health, Trading Standards and Community Safety is forecast to underspend by £60k.

## **2.9 Business & Performance Unit – Outturn Forecast £85k Underspend**

The improved forecast position is due to a number of staff vacancies remaining unfilled plus virements being implemented for the e-bulk system.

## **2.10 Legal, Scrutiny & Democratic Service - Outturn Forecast under spend of £117k**

2.10.1 The under spend on Members allowances previously reported is now to be used to fund free car parking over the Christmas period. The remaining under spend forecast relates to staff vacancies.

2.10.2 Members will recall that the rules surrounding Land Charges were changed in 2009 and at that time it was felt that the Authority may suffer a significant reduction in fee levels. This Authority along with other Local Authorities in England and Wales are currently being challenged in relation to past charges. The Local Government Association has appointed Bevan Britten, solicitors to act on behalf of all affected Authorities. If the challenge is successful authorities may be asked to pay back the fees claimed.

## **2.11 Information and Customer services – Outturn forecast at a £148k under spend.**

2.11.1 All areas are forecasting underspends with the programme office projecting the greatest at £77k due to staffing vacancies. The underspends have reduced the required transfer from reserves to £19k.

## **2.12 Human Resources – Outturn Forecast at £251k underspend**

There is a significant underspend of £183k projected within Organisational Development as the capacity and capability project has been delayed by the procurement process. Other areas are also projected to underspend due to vacant posts. Staffing to support the Job Evaluation Project are funded by £701k from the specific reserve.

## **2.13 Schools Service – Outturn Forecast £827k overspend**

- 2.13.1 Shortfalls in both the Home to School & College Transport and Severance Pay budgets continue at £779k and £260k, the centrally held structural repairs and maintenance budget is also now forecasting a deficit of £219k, these overspends are offset by the underspend within Pupil Inclusion budgets of £318k.
- 2.13.2 Schools Delegated budgets submitted to Cabinet projected a collective transfer from reserve of £697k to balance their budgets. Budget plans have been reviewed and revised during the year and the budgeted movement from reserves has reduced to £437k. Schools with originally unlicensed budgets have revised their budget plans, 10 schools are now projecting surplus in year balances, this will reduce their deficits by £321k. Leighton C.P., Llandysilio C in W and Builth High School are still projecting small deficit in year balances of £3k, 5k and 6k. At the end of January schools are collectively showing an underspend of £254k against their budget plans.
- 2.13.3 There are a number of specific grants that support schools including the Pupil Deprivation and School Effectiveness grants, expenditure against these is significantly low at period 10, it is essential that schools spend and draw down these funds by year end in order to maximise the funding available.
- 2.13.4 Powys Training which operates as a trading organisation has now revised their outturn position as income levels are not expected to cover all costs due to a reduction in take up of courses. A call of £60k is now required from their £131k specific reserve to manage the shortfall.

## **2.14 Leisure & Recreation – Outturn Forecast overspend £81k**

- 2.14.1 Sports and Leisure centres income levels continue to be low, however an increase in Free Swim and Cardiac grant funding is compensating for this shortfall. Premises costs are reporting a projected overspend of £129k.
- 2.14.2 Catering and Cleaning services are projected to overspend by £19k and £11k respectively.
- 2.14.3 Most other service areas are forecast to be in line with budget, with Recreation and Countryside, and Museums projected to underspend by £49k and £33k.

## **2.15 Regeneration and Development – Outturn Forecast at £567k overspend**

- 2.15.1 Underachieved planning and building regulation fee income on Building Control and Development Management continues to be an issue for the service with the shortfall now forecast at £502k. This will continue to be an issue over the next few years if the economy remains as it is.
- 2.15.2 Economic Development is forecast to be in deficit by £119k mainly attributable to underachieved workshop income due to the current level of empty units.

## **2.16 Corporate Activities – Outturn Forecast £5.225m under spend**



2.16.1 As detailed in previous reports £3m relates to unallocated budget held for growth and cost pressures which is not required this financial year, £150k relates to the Fire service precept, £1.2m under spend on real capital charges (interest payments on borrowing and the statutory amount set aside to repay debt), and £585k is the surplus forecast against collection of Council Tax. Collection rates are now projected to exceed 98%.

### 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	Transfer To/(From) Reserves	Projected 31/3/13
	£`000		£`000
<b>Care and wellbeing</b>			
Adult and Commissioning	976	(2,854)	(1,878)
Children Services	836	2	838
Housing and Regulatory Services (exc HRA)	(110)	(16)	(126)
<b>Finance and infrastructure</b>			
Finance and corporate performance	299	149	448
Local environmental services	1,438	(2,581)	(1,143)
Public Protection	227		227
Business performance unit	545	66	611
<b>Law and governance</b>			
Legal, scrutiny and democratic	234	119	353
Information and customer services	313	81	394
Human Resources	397	288	685
<b>Skills and learning</b>			
Schools and Inclusion	(3,133)	(686)	(3,819)
Leisure and recreation	(500)	(95)	(595)
Regeneration and development	422	(516)	(94)
<b>Performance partnerships and modernisation</b>	(12)		(12)
<b>Total Service Area Reserves</b>	<b>1,932</b>	<b>(6,043)</b>	<b>(4,111)</b>
<b>Ringfenced &amp; Non Service Area Reserves</b>			
Invest to Save & Corporate Initiatives (inc JE)	12,997	(672)	12,325
Insurance Reserve	3,002	(46)	2,956
Local environmental services – Ringfenced	5,906	(1,800)	4,106
Transport & Equipment Funding Reserve	3,603	(544)	3,059
Schools Delegated Reserves	1,767	(440)	1,327
General Fund	8,344	4,043	12,387
21st Century Schools Reserve	7,091		7,091
BPU Business Replacement Reserve	1,769	(14)	1,755
Legal - Coroners & Elections Reserve	259	(42)	217

ICT - Infrastructure Reserve	1,203	(127)	1,076
<b>Total Ringfenced &amp; Non Service Area Reserves</b>	<b>45,940</b>	<b>358</b>	<b>46,298</b>
<b>Housing Revenue Account</b>	<b>4,364</b>	<b>1,354</b>	<b>5,718</b>
<b>Total Revenue Reserves</b>	<b>52,236</b>	<b>(4,331)</b>	<b>47,905</b>

- 3.2 Underspends and overspends recorded in the previous sections of the report have been included in the forecast above.
- 3.3 The forecasted transfer from reserves has reduced by £978k to £4.331m since the period 8 report. The main reasons for this change are the reduced overspend forecast within Adult Social Care and the increased transfer of reserves into the General Fund.
- 3.4 There is concern over the amount of reserves services are using to fund budget pressures and overspends against base budgets. The service reserves are forecast to reduce by £6.043m, resulting in an overall deficit reserve which will put pressure on the £12.387m general reserve figure thus potentially reducing the overall corporate and service reserves to £8.276m.
- 3.5 The revised forecast level of General Fund reserves at 31<sup>st</sup> March 2013 is increased to 3.5%. 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 21<sup>st</sup> Century Schools, replacement of the Draig system, and the coroner and elections reserves.
- 3.6 Adult Services, Housing and Regulatory (exc HRA), Local Environmental Services, Schools service (exc delegated), Leisure & Recreation and Regeneration & Development are all forecast to hold deficit reserves by 31<sup>st</sup> March 2013. Other service areas may hold surplus carry forward reserves but within these are some specific reserves that are not for general use.
- 3.7 Schools delegated budget plans project a £440k draw on reserves which will reduce the reserves held to £1.327m. There is also a provision of £200k held to write off the balances held for closed schools.

#### **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 has now been identified from elsewhere within the service. 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, however this savings will be managed within the service. Housing Services have yet to identify £54k efficiencies from previous years in addition to the £9k target in the current year this has been reflected in the Outturn position.

- 4.3 The school service has not achieved £195k of the efficiencies expected.

## 5. Capital Programme

5.1 The original Capital programme approved by Council totalled £69.017m, virements of £521k have been approved since the last report and the revised working budget as at 31<sup>st</sup> January 2013 is £58,573m. Further virements totalling £1.660m are now required as the spend on projects is forecast for the remainder of the financial year. The Capital Programme is reduced to £56.913m.

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 30/11/12 £,000	Virements Approved £,000	Working Budget 2012/13 £,000	Virements Required £,000	Revised Working Budget at 30/11/12 £,000
<b>Chief Executive</b>					
Information & Customer Services	1,821	-40	1,781	0	1,781
Human Resources	0	0	0	0	0
<b>Care and Wellbeing</b>					
Adult & Commissioning	5,176	-73	5,103	0	5,103
Children Services	58	0	58	0	58
Housing & Regulatory Services	9,461	0	9,461	-172	9,290
<b>Finance and Infrastructure</b>					
Finance	195	0	195	-110	85
Local and Environmental Services	15,677	89	15,766	-612	15,154
Business Performance Unit	0	0	0	0	0
<b>Law and Governance</b>					
Legal, Scrutiny & Democratic	0	0	0	0	0
<b>Communities, Skills &amp; Learning</b>					
Schools and Inclusion	21,452	-180	21,272	0	21,272
Leisure and Recreation	2,532	-283	2,250	-370	1,880
Regeneration & Development	2,722	-36	2,686	-396	2,290
<b>Total Capital</b>	<b>59,094</b>	<b>-521</b>	<b>58,573</b>	<b>-1,660</b>	<b>56,913</b>
<b>Funded By:</b>					
Supported Borrowing	15,057	-463	14,595	-583	14,011
	13,375	-48	13,328	0	13,328

Prudential Borrowing	3,114	0	3,114	0	3,114
General Capital Grant	3,691	-60	3,631	-88	3,543
Receipts	15,822	69	15,891	-396	15,495
Grants	8,034	-20	8,014	-592	7,423
Revenue / Reserves					
<b>Total Funding</b>	<b>59,094</b>	<b>-521</b>	<b>58,573</b>	<b>-1,660</b>	<b>56,913</b>

5.3 Capital Virements of £1.660m require approval as detailed below, which reduce the working budget for 2012/13.

### **CAPITAL & REFFCUS PROGRAMME - VIREMENTS REQUIRED AS AT 31st JANUARY 2013**

	<b>Amount £000</b>
<b>Finance</b>	
The unallocated budget is to be rolled forward to 13/14. It should be noted that 50k has been set aside for work to Llanfilio churchyard wall.	-110
	<u>-110</u>
<b>Local and Environmental Services</b>	
Oaks Bridge needs completely redecking and problems with Environment Agency consent have meant that the job cannot be completed in this financial year - roll forward £117k to 2013/14.	-117
Ystradgynlais Waste Facility - this project is on hold at the moment because a section of carriageway that belongs to Neath Port Talbot County Borough Council needs to be adopted by Powys for access to the site. The contract for the work has been awarded but cannot be commenced until agreement has been reached on this land issue. Roll forward £420k to the next financial year.	-420
Y Fan Lead Mines. It is now 20 years since the reed beds were planted and it would be prudent to remove contaminated silt from the settlement and replant some of the reed beds. Roll forward £75k to 2013/14 so that consideration can be given to these works.	-75
	<u>-612</u>
<b>Leisure and Recreation</b>	
Roll forward Tennis Courts project due to delays in meeting with tennis clubs which has also delays the business case.	-90
Brecon Museum – Forward Roof roll 280k forward due to delays in project.	-280
	<u>-370</u>
<b>Regeneration &amp; Development</b>	
The Severn Valley Environmental Enhancement budget for this year was duplicated in error - remove budget. Budget in 2013/14 is correct.	-396
	<u>-396</u>
<b>Housing &amp; Regulatory Services</b>	

2012 Replacement Mgmt Software re-profile of funding.  
 171,750 is going to be roll forward; 114,500 will be roll forward  
 into 13/14 and 57,250 roll forward into 14/15.

-172  
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 -172  
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 -1,660  
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5.4 Actual spend as at 30th November is £39,963m or 70.2% of the working budget.

Service Area	Revised Budget 30/09/12 £,000	Actual Spend £,000	Remaining budget	
			£,000	%
<b>Chief Executive</b>				
Information & Customer Services	1,781	1,058	723	40.6%
Human Resources	0	0	0	0
<b>Care and Wellbeing</b>				
Adult & Commissioning	5,103	3,337	1,766	34.6%
Children Services	58	38	20	35.0%
Housing & Regulatory Servs	9,290	5,594	3,696	39.8%
<b>Finance and Infrastructure</b>				
Finance	85	76	9	10.8%
Local and Environmental Services	15,154	10,153	5,001	33.0%
Business Performance Unit	0	0	0	0
<b>Law and Governance</b>				
Legal, Scrutiny & Democratic	0	0	0	0
<b>Communities, Skills, Learning</b>				
Schools and Inclusion	21,272	18,047	3,225	15.2%
Leisure and Recreation	1,880	1,177	702	37.4%
Regeneration & Development	2,290	484	1,806	78.9%
<b>Total Capital</b>	<b>56,913</b>	<b>39,963</b>	<b>16,950</b>	<b>29.8%</b>

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 Builth Wells, expenditure remains low but the project in on track.

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 £5.522m, expenditure to date is £3.455m, the lack of spend is due to the delay in awarding new framework agreements for contracting the work. A further extension to existing contracts has been granted to the

31<sup>st</sup> March 2012. It is still anticipated that we can meet the WHQS by March 2018.

- 5.8 The delay in commencing the new Traveller Site in Powys caused concern that the £1m grant from WG could be withdrawn due to insufficient spend in this financial year. WG have now offered £1.75m grant for 2013/2014 in principle pending the successful appeal of the Compulsory Purchase Order.
- 5.9 The Local Authority Mortgage Scheme (LAMS) has committed £500k for 24 families with another 9 offers pending.
- 5.10 Expenditure within Regeneration and Development remains low at 21% 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. Spend on the Ystragynlais Town Centre project is low, and the grant funding provided for this project has to be spent by 31<sup>st</sup> March, officers are working to ensure that this happens.
- 5.11 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

## **5.12 Prudential Indicators**

- 5.12.1 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 A. 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.
- 5.12.2 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).
- 5.12.3 The ratio of financing costs for the council fund shows a slight decrease from 5.19% to 5.14% due to the increase in investment in 12/13 and roll forwards to 13/14. The estimate of 5.76% for 2015/16 is a decrease of 0.01 % from the ratio set in previously.
- 5.12.4 The incremental cost on the council tax has reduced from £2.66 to £2.57 per band D property, the prudential borrowing remains at £1.16. The reason for the decrease is the roll forwards shown in the capital virement section of the report. As projects are delayed, that are funded

from reserves or capital receipts there is an impact on the revenue cost of interest or borrowing costs.

5.12.5 The incremental impact on Housing Rents (Table 4) has reduced to £0.06 from £0.07 for 2012/13. This indicator has been amended to reflect the slippage on the capital programme for 12/13. There is no change to the prudential borrowing required for future years.

5.12.6 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.

5.15.7 The CFR is currently £196.6m and will rise to £235.3m by the end of 2015/16.

5.12.8 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 has been approved by the Council for 2013/14, it includes known budget pressures including those highlighted above. Savings have been identified to address the significant budget gap and it is essential that Service Areas deliver the savings approved.

6.2 A significant level of overspending is falling upon reserves due to some services being unable to manage within their budget allocations, it is essential that any savings approved for future years are accompanied by detailed action plans against which services can be monitored and held to account.

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 reported at the Programme Boards.

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

The Builth Home Support Pilot Project is now complete and awaiting a closure report. However The Supporting People Planning Group need to review the outcomes and make a decision as to whether or not this project continues, as this is a preventative service however it does not take into consideration whether or not the Service user has an assessed need, and if it continues, baseline funding needs to be identified as the current Supporting People Grant funding is reducing year on year and service reductions have to be made.

There is a planned 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 for 1213.

The Brokerage team has now been established, business processes have been agreed and implemented, and the project is now complete. The funding of this project relies upon savings being made as part of the Care Management Project. Also the original Business Case made assumptions that efficiencies of £197k could be made in the allocation of work to providers. It has not yet been possible to evaluate this element and work is now underway to gather the evidence for this.

There are 2 projects in Domiciliary Care. The Dom Care Staffplan project is now complete, however funding has yet to be identified to meet the annual running costs for telephone expenditure, licenses etc as the estimated annual cost of this Service is approx £90k and only £12k budget has been identified currently. The Commissioning project is underway. There has been a delay with the Commissioning due to the requirement to meet with the teams to determine the need for the service before drafting tenders, and a change request has been approved to reflect the delay. This project is anticipated to be within exiting budget however there is a potential issue if the current provider does not win the tender and future contract, as a retainer fee maybe necessary to ensure continuity of service to the client.

The Accommodation Strategy project has commenced, however all timescales and milestones are being reviewed due to the revision of the Project Brief currently being undertaken. It is anticipated that this



project will be funded from WG Capital Funding of £3.9M however if there any Revenue implications this will have to be funded from within existing resources from a Housing Perspective, however until the Brief is finalised and the evidence from the project is collated, no finance implications for Adult Services can be calculated at this time.

The Integrated Health & Social Care Service for Builth Wells Project build is ahead of schedule currently, and the delivery model is now underway, and potential on going revenue implications will need to be confirmed. A bid of £203k was put forward in the MTFP for funding as there is currently no revenue budget for any future running costs however it was unsuccessful and funding will have to be found within Adult Social Care as part of the Service Savings Strategy.

The Single point of Access/Comms Hub pilot was very successful, options are now being considered for the future, and a business case is under development as a result of this. Funding was secured to March 2012 however no funding has yet been required for 12/13 over and above the baseline budget currently funding posts in the Hub.

The Joint Commissioning project is likely to deliver on time despite previous delays, and a draft strategy for consultation is underway. However no funding has been identified to fund the consultant carrying out this project and there maybe budget implications as a result of this project that will require additional funding over and above current budget but until the project is complete this cannot be calculated.

The Telecare project is considering joint working with Ceredigion, and financial resources have been confirmed for 13/14 out of the Corporate Invest to Save fund, however this will need to be paid back once savings have been achieved and these savings then utilised on a permanent basis to fund the post.

The Central Wales Social Services project is still ongoing and awaiting the outcome of a report that PWC have completed recently.

The Day Services Transformation Older and Disabled project is underway, an analysis needs assessment has been made in each Shire, and a business case is now being developed for consultation.

The Modernisation of Community Meals Project is ongoing and Service options are being reviewed and in the process of being published.

#### 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

These costs are funded by the RDP grant and the £350k awarded through the Medium Term Financial Plan for the Strategy work in 2012/13. The High Street Research Project and the Community Hub Pilot expenditure is still forecast to be £20k and £40k respectively during this financial year. There is now also spend of £45k forecast on the Enterprise Model. The overall residual balance of £245k needs to be rolled into 2013/14.

## 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 will not realise the savings target of £1.243m within the timescale set. Budgets will be realigned in 13/14 to take account of the situation.

## 7.7 Council

Paperless Powys and the BPU merger are not targeted to make any further savings in 2012/2013; A net saving of £293k 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 now reduced to £43k for 2012/13. The

Central Wales Infrastructure Collaboration saving is estimated at £76k for this financial year.

## **8. Financial Risks**

- 8.1 The Childrens services budget is currently projected to be balanced at year end, the LAC population has reduced since the peak at the beginning of 2012 however the risk remains that numbers could again increase
- 8.2 Many school budget plans include reductions in staffing there is a significant risk that the centrally held budget to meet severance pay costs will continue to be insufficient.
- 8.3 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.
- 8.4 Service reserves are being used to support base budget and budget pressures this is not sustainable as a long term solution.
- 8.5 Insufficient forecasting of spend for capital projects could result in unplanned borrowing and higher borrowing costs.
- 8.6 Public inquiry costs regarding wind farms will be an additional budgetary pressure with costs of £2.8m expected over the next few years.
- 8.7 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.
- 8.8 The following grants and responsibilities will be transferring into RSG in 2013/14
  - Learning Disability Resettlement £2.072m (Reduction of £349k)
  - Post 16 SEN £131k
  - Post 16 Special Schools and SEN Out of County £1.143m
  - Appetite for Life £102k (reduction of £19k)
  - Blue Badge Scheme £17k
  - School Counselling £190k
  - School Breakfasts £634k
  - Local Government Borrowing Initiative £641k
  - Local Council Tax Support £7m (reduction of £896k)
- 8.9 Possible risk of losing £1.750m WG Grant funding for Traveller Site.

**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 section 5.3 should be approved to adequately resource service budgets and 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 forecasts a near balanced budget for the year. The budgets must continue to be monitored to ensure the allocated resources meet 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 Audit Committee 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 the Cabinet and Council as a whole heed the messages in this report, collective action is needed to ensure that social care spend is contained within target in future. Services must react more quickly to fluctuations in income levels and adjust expenditure accordingly.

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.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>That the contents of this report are noted and Cabinet take appropriate action to curtail or reduce the reported forecasted service deficits.</b>	<b>To monitor the Council's financial performance and ensure that spending remains within approved limits</b>
<b>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.</b>	<b>To mirror the spending patterns of the capital scheme which allow sound budget management. To allocate funding already identified to the appropriate Budget headings.</b>

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

<b>Relevant Local Member(s):</b>	
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<b>Person(s) To Implement Decision:</b>	Jane Thomas
<b>Date By When Decision To Be Implemented:</b>	

Contact Officer Name:	Tel:	Fax:	Email:
Jane Thomas	01597 826341	01597 826290	jane.thomas@powys.gov. uk

### **Background Papers used to prepare Report**

## Prudential Indicators

Table 1 Capital Expenditure

	Actual 2011/12 £000	Budget 2012/13 £000	Revised Budget 2012/13 £000	Budget 2013/14 £000	Budget 2014/15 £000	Budget 2015/16 £000
Legal, Scrutiny & Democratic	0	0	0	835	0	0
Information & Customer Services	1,346	1,828	1,781	1,703	260	260
Human Resources	0	0	0	0	0	0
Finance	0	505	85	568	1,101	947
Local & Environmental Services	12,099	14,909	15,154	18,468	9,949	4,600
Business & Performance Unit	22	0	0	375	375	0
Schools & Inclusion	19,103	22,514	21,272	6,985	14,868	23,080
Leisure & Recreation	1,426	3,544	1,880	1,918	15	15
Regeneration & Development	1,331	2,382	2,290	3,441	552	530
Adult Services & Commissioning	1,080	4,972	5,103	245	0	0
Children's Services (CYPP)	364	0	58	0	0	0
Housing & Public Protection	3,955	5,986	3,767	4,908	2,308	2,258
<b>Total Services</b>	<b>40,725</b>	<b>56,640</b>	<b>51,391</b>	<b>39,448</b>	<b>29,428</b>	<b>31,690</b>
Housing Revenue Account	6,462	12,378	5,522	14,187	14,604	15,033
<b>Total</b>	<b>47,187</b>	<b>69,018</b>	<b>56,913</b>	<b>53,635</b>	<b>44,032</b>	<b>46,723</b>

**Table 2****Ratio of financing Costs to Net Income Stream**

	Actual	Estimate	Revised Estimate M8	Revised Estimate M10	Estimate	Estimate	Estimate
	31-Mar-12	31-Mar-13	31-Mar-13	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16
	£000	£000	£000	£000	£000	£000	£000
Financing Costs	11,652	11,996	12,115	12,005	13,184	13,913	14,067
Net Revenue Stream Council Fund	233,060	233,208	233,208	233,208	247,514	248,935	244,100
	5.00%	5.14%	5.19%	5.15%	5.33%	5.59%	5.76%
Financing Costs	807	797	764	762	792	905	1,193
Net Revenue Stream HRA	19,764	20,740	20,744	20,744	21,241	22,068	22,894
	4.09%	3.84%	3.68%	3.67%	3.73%	4.10%	5.21%

**Table 3  
Incremental Change on Council Tax**

	2012/13	2013/14	2014/15	2015/16
	£	£	£	£
Estimated Incremental Change in band D Council Tax	2.66	19.59	36.82	47.96
Revised Estimated Incremental Change in band D Council Tax	2.57	18.69	36.38	47.05
Estimated Incremental Change in band D Council Tax for Prudential Borrowing	1.16	14.44	28.24	35.34
Revised Estimated Incremental Change in band D Council Tax for Prudential Borrowing	1.16	13.83	28.06	34.52



**Table 4**  
**Incremental Change on Housing Rents**

	2012/13	2013/14	2014/15	2015/16
	£	£	£	£
Estimated Incremental Change in average weekly rent	0.07	0.54	1.58	3.54
Revised Estimated Incremental Change in average weekly rent	0.06	0.53	1.57	3.52
Estimated Incremental Change in average weekly rent for Prudential Borrowing	0.00	0.06	0.57	2.12
Revised Estimated Incremental Change in average weekly rent for Prudential Borrowing	0.00	0.06	0.57	2.12

**Table 5**  
**Capital Financing Requirement**

	Actual	Estimate	Revised Estimate	Estimate	Estimate	Estimate
	31-Mar-12	31-Mar-13	Estimate M10 31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16
	£000	£000	£000	£000	£000	£000
Non-HRA	178,510	182,881	182,359	202,954	213,282	216,749
HRA	14,774	14,400	14,337	13,687	14,199	18,881
<b>Total</b>	<b>193,284</b>	<b>197,281</b>	<b>196,696</b>	<b>216,641</b>	<b>227,480</b>	<b>235,630</b>

**Table 6**  
**Authorised Limit for External Debt**

	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m
Borrowing	197.3	224.4	236.2	245.6
Other Long Term Liabilities	0.2	0.2	0.2	0.2
<b>Total</b>	<b>197.5</b>	<b>224.6</b>	<b>236.4</b>	<b>245.8</b>

**Table 7**  
**Operational Boundary for External Debt**

	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m
Borrowing	177.7	190.2	201.4	207.9
Other Long Term Liabilities	0.2	0.2	0.2	0.2
<b>Total</b>	<b>177.9</b>	<b>190.4</b>	<b>201.6</b>	<b>208.1</b>