

Public Document Pack



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FINANCE PANEL

Monday, 26th February, 2024

The use of Welsh by participants is welcomed. If you wish to use Welsh please inform us by noon, two working days before the meeting

SUPPLEMENTARY PACK

1.	QUARTER 3 FINANCIAL REVENUE REPORT AS AT 31ST DECEMBER 2023
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To receive and consider the Quarter 3 Financial Revenue Report as at 31st December 2023.
(Pages 3 - 40)

2.	QUARTER 3 CAPITAL PROGRAMME REPORT AS AT 31ST DECEMBER 2023
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To receive and consider the Quarter 3 Capital Programme Report as at 31st December 2023.
(Pages 41 - 50)

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CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

27 February 2024

REPORT AUTHOR: County Councillor Cllr David Thomas
Portfolio Holder for Finance

REPORT TITLE: Financial Forecast for the year ended 31st March 2024 (as at 31st December 2023)

REPORT FOR: Decision

1. Purpose

- 1.1. To provide Cabinet with the forecast revenue budget outturn for the 2023-24 financial year, based on the full year forecasts as at 31st December 2023.

2. Background

- 2.1. Based on the position as at the end of December 2023, the projected outturn position has stabilised at a position of £3.0 million of general surplus with a further £0.1 million to be transferred to specific reserves. This represents a slight change from the position reported at Quarter 2 (£2.9 million surplus reported, which included the £0.2 million to be transferred to specific reserves).
- 2.2. The increased employee costs following pay awards being settled at a higher than anticipated level have all now been accounted for and are reflected within this quarter's position.
- 2.3. Whilst the council is managing its budget position this year, we cannot underestimate the challenge the council faces in maintaining a balanced budget next year and over the medium term. Inflation and increased demand continue to create pressure on our finances and with the outlook for public finances nationally, the situation across local government is described by the Welsh Local Government Association as "extremely bleak and the options for many local services will be unpalatable".
- 2.4. Table 1 below summarises the projected full year outturn position across the Council's services including HRA and delegated schools as at 31 December 2023. Appendix A provides detail of the financial position for each service, broken down into categories covering cost pressures, cost underspends, cost reductions and use of reserves.

Table 1 – Forecast Position

Revenue Budget	£'000
Base Budget	326,622
Cost Pressures	7,385
Cost Underspends	(11,982)
Cost Reductions Shortfall	1,259
Costs Funded from Risk	0
Sub Total	323,284
Underspend before Reserves	3,338
Funded by:	
Agreed use of reserves	188
Net Underspend before agreed transfers to specific reserves	3,151
Agreed transfer to Specific Reserve	131
Underspend	3,019

- 2.5. Children's Services continue to face unavoidable pressures in relation to an increased demand for placements for children with complex needs amid a national shortage of placements. Alongside this, there continues to be increasing demand due to the number of unaccompanied asylum-seeking children (UASC). These pressures have impacted on the service's ability to deliver the cost reductions identified for 2023-24 in full. Cumulatively, these issues would have resulted in a forecast overspend position of £1.2 million, however it has been agreed that £0.8m of the risk budget would be applied to mitigate some of these pressures. The service is continuing to work on measures that will address the remaining forecast overspend (£0.4m) in order to minimise budget pressures for the next financial year.
- 2.6. The underspend projected for Corporate budgets in quarter 2, is due to borrowing costs being lower than previously projected, due to some capital schemes being reprofiled into future years, and a drive to minimise in-year borrowing whilst borrowing rates remain high. There has also been increased income from any surplus cash that is held in deposit accounts. As in previous years, we are proposing to transfer this underspend into the capital financing reserve and these figures reflect this. The final figure will be reported at year end. Corporate budgets continue to project a £2.1 million underspend at the end of quarter 3, due in part to underspends on the cost of collection, council tax premium collection and benefits, although these are partially offset by an overspend on housing benefit. The remaining underspend relates to the Risk budget, although some elements of the Risk budget have been released to mitigate pressures in service areas. The Risk budget will be released to services as costs materialise through the last three months of the financial year. This becomes more likely as the year progresses.

2.7. Further detail about each service area is provided in Appendix B, with Heads of Service setting out their individual narrative that explains their financial position. This includes their activities being undertaken to deliver approved cost reductions, the pressures facing the service and how they are managing their budget to mitigate any shortfalls.

3. Cost Reductions

3.1. Cost reductions of £16.5 million were approved as part of the Council's budget for 2023-24 and the delivery of these is required to achieve a balanced budget this year. In addition, undelivered savings from 2022-23 have been rolled forward totalling £0.9 million, these also need to be delivered.

3.2. The summary at Table 2 shows that 71% or £12.4 million has been delivered to date with a further 21% (£3.7 million) assured of delivery by services. £1.2 million (7%) are unachieved and are unlikely to be delivered in this financial year. Services are being challenged as to why the position for some proposals has changed and will be required to consider mitigating action to ensure that they can deliver within the budget allocated.

Table 2 – Cost Reductions

£'000	To Be Achieved	Actually Achieved	Assured	Un-achieved	% Achieved
Adult Services	4,648	4,085	563	-	88%
Childrens Services	3,013	1,561	952	500	52%
Commissioning - Adults & Children	97	97	-	-	100%
Economy and Digital Services	24	-	24	-	-
Education	830	825	5	-	99%
Schools Delegated	864	864	-	-	100%
Finance	73	73	-	-	100%
Central Activities	3,003	3,003	-	-	100%
Highways Transport & Recycling	3,594	1,202	1,817	575	33%
Housing & Community Development	379	191	187	-	51%
Legal Services	8	8	0	-	95%
Transformation and Communications	8	8	-	-	100%
Property, Planning & Public Protection	848	510	137	201	60%
Workforce & OD	20	2	17	-	12%
Total	17,409	12,429	3,704	1,276	71%
		71%	21%	7%	

3.3. The budget savings for 2022-23 amounted to £10.9 million in total and at the quarter three point, 67% had been achieved and only 11% were assured. By year end, we were unable to deliver 22% (£2.4 million). Comparing that performance against this year's predictions suggests services are making better progress in delivering savings put forward through budget setting for 2023-24.

3.4. Those services that show unachieved savings targets must consider what remedial action they take to mitigate the impact on the overall performance within their service, as their budget forecast must come back to a balanced position. At this point in the year, opportunities to reduce spend and bring the targets back on track are diminishing.

4. Reserves

- 4.1. The Reserves position at Table 3 sets out the forecast movement in reserves for the whole financial year as at 31st December 2023. The opening reserves totalled £68.0 million, with a general fund reserve £9.3 million, representing 4.3% of total net revenue budget (excluding Schools Delegated Budget and the HRA). The Council's Reserves policy requires the general fund reserve to be maintained at a minimum of 4% of net revenue budget.

Table 3 – Reserves Table

Summary	Opening Balance (1st April 23) Surplus / (Deficit)	Budgeted (Use) of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 24) Surplus/ (Deficit)
General Fund	9,333	936	0	10,269
Budget Management Reserve	3,584	0	0	3,584
Specific Reserves	35,329	(7,925)	230	27,634
Transport & Equipment Funding Reserve	9,460	(1,043)	0	8,417
Total Useable Reserves	57,706	(8,032)	230	49,904
Schools Delegated Reserves	6,666	(6,201)	216	681
School Loans & Other Items	(371)	7	0	(364)
Housing Revenue Account	3,967	0	0	3,967
Total Reserves	67,968	(14,226)	446	54,188

- 4.2. The budgeted use of specific reserves relates to the use of grants received in 2022/23 for use in 2023/34 (£5.6 million), £1.0 million relates to levelling up match funding and £0.9m relates to the closure of specific reserves and transfer into general fund reserves as agreed in the quarter 1 revenue report.
- 4.3. Schools set their original budgets, as approved by governing bodies with an expected call on reserves of £6.0 million as shown in the right hand column in Table 4. That budgeted draw on reserves then increased to £6.2 million, but the current forecast shows that schools are now forecasting to draw £6.0 million from reserves in the financial year. This would result in a forecast school reserve balance of £0.6 million by 31 March 2024, with a balance of £0.3 million deficit on the closed schools reserve.

Table 4 – Schools reserve forecasts

School Sector	Opening Balance 31/3/23	Budgeted Contribution (from) / to Reserves in 2023/24 as at 31/3/24	Forecasted Variance to Budgeted Contribution (from) / to Reserves in 2023/24 as at 30/11/23	Forecasted Closing Balance 31/3/24	Governing Body submitted Budget Contribution (from)/to reserves as at 1/5/23
	£'000	£'000	£'000	£'000	£'000
Primary	6,654	(3,409)	(17)	3,228	(3,479)
Special	1,047	(620)	164	591	(817)
Secondary	(1,908)	(1,695)	19	(3,584)	(1,291)
All Through	830	(477)	50	403	(424)
Sub Total	6,623	(6,201)	216	638	(6,011)
Loans	(7)	0	0	(7)	0
Closed Schools	(321)	0	0	(321)	0
Total	6,295	(6,201)	216	310	(6,011)

4.4. Schools projecting deficit budget plans are being supported to implement recovery plans to realign their budgets and deficit agreements are being put in place where needed.

5. Virements and Grants

5.1. There are some budget virements required based on the current financial position which are listed below and are included to comply with financial regulations in relation to budget virements:

Highways, Transport and Recycling:

5.1.1. As part of the Finance Resource Model for the 2023/24 budget setting cycle, Waste and Recycling Strategy received growth budget of £363k for the expected impact of a Household Waste and Recycling Centre (HWRC) contract retender. Due to delays in retendering the contract Waste Strategy do not require the full growth budget provided and the service are requesting to transfer £206k of this growth funding to Transport Services who are presently reporting an overspend position due to escalating school transport expenditure.

5.1.2. A virement request for £400k is made to fund additional spend to address potholes as the highways service is projecting an overspend of £407k due to increased demand. Use of the Risk Budget is requested.

5.1.3. A virement request of £500k is made to top up the Transport Reserve. This year the transport reserve is budgeted to fund £1.0 million for the purchase of equipment and vehicles, but unlike previous years contributions from services through annual depreciation of £1 million are being used to support delivery of a balanced budget position. This reserve is used for all transport and equipment costs, the purchase costs of which are increasing, but contributions remain static. It is requested that the Risk Budget is used to fund the virement request.

Social Care:

- 5.1.4. Health and Social Care Climate Emergency National Programme grant of £28,500 - This initiative provides a good opportunity for social care suppliers to address the role they have in climate change. The main impact of the project will come from how it is communicated and implemented with providers.
- 5.1.5. Turnaround Programme, Ministry of Justice grant of £50,387.54 - The purpose of the funding is to enable earlier intervention and improve outcomes for children on the cusp of entering the Youth Justice System. This additional funding will enable consistent support to a cohort of children not currently on the statutory caseload.
- 5.1.6. Youth Custody grant funding of £3,093 - allocation towards remands to youth detention accommodation of children and young people (under 18 years of age). This payment is in respect of children detained on remand in under-18s Young Offender Institutions (YOIs), the treatment of remanded children as “children looked after”, and the costs of escorting remanded children to and from youth detention accommodation.
- 5.1.7. Additional Youth Justice grant allocation of £2,198 - an uplift of 4.5% to the 2023/24 allocation. To be used to support YJS to overcome some of the financial barriers to maintaining relationships with children in the secure estate. Where services don't have children in custody this additional funding can be used in wider delivery of the youth justice services to support children.
- 5.1.8. Eliminating Profit from Care, Welsh Government Grant of £260,000 - the purpose of the funding is to support the Programme for Government commitments to eliminate profit from the care of looked after children and explore radical reform of current services for looked after children and care leavers.
- 5.1.9. Transfer of the Childrens Contract & Commissioning budget £804,970 from Commissioning for Adults & Children to Childrens services to align with line management and budget holder responsibilities.
- 5.1.10. A virement request of £0.810m from the Risk Budget to fund the increasing demand due to the number of unaccompanied asylum-seeking children (UASC) and the unavoidable pressures in relation to an increased demand for placements for children with complex needs amid a national shortage of placements which has impacted on the service's ability to deliver the cost reductions identified for 2023/24 in full.

Costs of borrowing

- 5.1.11. As has been requested in previous years, we are proposing to transfer the underspend from the cost of borrowing for the capital programme, estimated at £1.6 million into the Capital Financing Reserve. This reserve will be essential in future years to support our Capital Programme helping to reduce the need to borrow. The budget proposed for 2024/25 does not increase the revenue budget to support borrowing. because we have not increased budgets through the budget process and will call on reserve or use receipts, in order to support capital projects in future years in line with previous years.

6. Financial Risks

- 6.1. The Council holds a £3.0m revenue risk budget centrally to manage the cost of potential additional pressures identified through budget setting but not funded at a

service level, especially inflation and demographic pressures. Although CPI levels are now starting to fall, they remain higher than our budgeted allocations. This risk remains as the year progresses.

- 6.2. The greatest financial risk remains in our ability to deliver a balanced budget over the medium and longer term. The Draft Budget for 2024-25 recommended to Council sets a balanced budget, but the MTFs published alongside it shows a funding gap of £18.3 million in 2025/26. If not addressed, the cumulative funding gap by 2028-29 of £46.0 million as a best-case scenario, although based on anticipated reductions in aggregate external finance, this gap could be £64.6 million. The Medium-Term Financial Strategy and the assumptions on which the Financial Resource Model is based continue to be reviewed and we continue to plan in a challenging and uncertain time. We will continue to update on our projections as more information becomes available.
- 6.3. The Council remains under-borrowed as we continue to utilise our cash reserves to underpin our cashflow. We can borrow both in the short to medium or longer term, but the cost of borrowing has risen due to the changes in bank rate. Our approach is regularly updated and explained as part of the Treasury Management update to Governance and Audit Committee.

7. Resource Implications

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

- 7.1. As outlined in paragraph 2.3 the council is managing its in-year position in 2023/24.
- 7.2. The delivery of savings is progressing well with assurance provided by Heads of Service that a further £3.7 million can be achieved by year end. £1.2 million remains at risk of delivery and it is essential that those services consider what remedial action they take to mitigate the impact and deliver a balanced position, otherwise any shortfall will be rolled into next year for delivery then, alongside any further reductions agreed as part of the budget setting for 2024-25.
- 7.3. The pressure is equally felt across School budgets. Collectively schools are projecting a slightly reduced draw from their specific reserves than that reported in quarter 2 which is due to recovery plans submitted during the third quarter. Local authority officer support to schools will ensure that Governing Bodies take appropriate and timely action to manage their individual budget positions which will be essential to help them manage the ongoing financial pressures.
- 7.4. We continue to develop proposals to reduce the budget gap projected over the medium term. The Sustainable Powys programme is fundamental to our approach to this, but may take several years to be fully realised, meaning that alternative strategies have also been considered as part of developing the budget plan for 2024/25. Local authorities across Wales will face unpalatable decisions as they set their budgets for the coming years.
- 7.5. Financial Resilience and sustainability can only be achieved by delivering a lower cost Council, effectively managing our collective resources, robust and transparent decision making, and actively managing risk supported by an appropriate level of reserves.

8. Legal implications

8.1. The Head of Legal & Democratic Services (Monitoring Officer has no comment with this report.

9. Climate Change & Nature Implications

9.1. Not applicable.

10. Data Protection

10.1. There are no data protection issues within this report.

11. Comment from local member(s)

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

12. Impact Assessment

12.1. No impact assessment required.

13. Recommendation

13.1. That Cabinet note the current budget position and the projected full year forecast to the end of March 2024.

13.2. The virements set out in section 5.1 are approved, this is to comply with the virement rules for budget movements as set out in the financial regulations.

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Appendix A – Forecast to year end as at 31st December 2023

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Adult Services	82,463	775	(71)	563	83,730	(563)	0	(714)	82,453
Children's Services	29,968	2,976	(2,239)	1,452	32,157	(952)	0	(810)	30,395
Commissioning	2,188		(31)	0	2,157	0	0	0	2,157
Education	19,091	604	(610)	19	19,104	(19)	0	0	19,085
Highways Transport & Recycling + Director	34,139	522	(1,257)	2,392	35,796	(1,817)	0	0	33,979
Property, Planning & Public Protection	6,996		(11)	338	7,323	(137)	0	0	7,186
Housing & Community Development	7,740	1,075	(1,653)	187	7,349	(187)	0	0	7,162
Economy and Digital Services	7,583		(579)	24	7,028	(24)	0	0	7,004
Transformation & Democratic Services	4,057	36	(86)	0	4,007	0	0	0	4,007
Workforce & OD	2,632	4	(148)	0	2,488	(17)	0	0	2,471
Legal	1,533	147	(185)	0	1,495	(0)	(28)	0	1,467
Finance & Insurance	7,079	140	(172)	0	7,047	0	0	0	7,047
Corporate Activites	36,660	1,106	(4,724)	0	33,042	0	0	1,524	34,566
Total	242,129	7,385	(11,766)	4,976	242,724	(3,718)	(28)	0	238,979
Housing Revenue Account	0		0	0	0	0	0	0	0
Schools Delegated	84,493		(216)	0	84,277	0	216	0	84,493
Total	84,493	0	(216)	0	84,277	0	216	0	84,493
Total	326,622	7,385	(11,982)	4,976	327,001	(3,718)	188	0	323,471
					(379)				3,151

Forecast as at December Variance	Forecast as at September Variance
10	31
(427)	(853)
31	8
6	237
160	108
(190)	(181)
578	699
579	365
50	51
161	189
66	78
32	47
2,094	2,074
3,150	2,853
0	0
0	0
0	0
3,151	2,853

* The £216k cost underspend / reduction in agreed use of specific reserves is the movement since Quarter 2. Overall, Schools are currently forecasting that they will draw £6.0 million from their reserves in 2023/24.

Appendix B Head of Service Commentary

Adult Social Care Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Adult Services	82,463	775	(71)	563	83,730	(563)	0	(714)	82,453

Forecast as at December Variance	Forecast as at September Variance
10	31

Page 11

Adult Social Care Overview

The forecast outturn at the end of quarter 3, 31st December 2023, is an overspend of £1.267 million. When the cost reductions are delivered and £0.714m funding from reserves in regard to additional review and assessment capacity, trailing a Mental Health Hub and Domiciliary agency cover, then there would be a forecast underspend of £10k.

Cost Pressures

(a) Current Pressures - Included in the forecast outturn at quarter 3. Current pressures are being managed within the current budget allocation approved.

(b) Future pressures

The forecast outturn does not account for any future costs that may materialise in relation to:

- Winter pressures and potential demand on home-based care and interim bed options, as future demand is unknown. To date Welsh Government have not indicated that there will be an additional funding.
- Stability of commissioned providers, particularly the care home sector. There are currently a number of providers who may be at risk of failure.

- The unmet need in regard to community services sitting on the CROFT following assessment but lack of provision, estimated annual cost of £1.543 million.
- Future demography, which was agreed to be funded from the risk reserve as part of the Financial Resources Model (FRM) budget setting process. This temporary allocation will only support these costs during 2023/24 and the full year impact will need to be considered in the FRM and Service's Integrated Business Plan (IBP) for future years.

Cost Underspends

The very small underspend in the main is due to staff slippage as a result of recruitment turnover and a reclaim in relation to 2022/23 for non-service delivery on a contract.

Cost Reductions

- **Assured**
Of the original target of £4.648 million, £4.085 million (88%) has been achieved to date and included in the forecast outturn. There is assurance of delivery of the remaining outstanding balance of £0.563 million (12%).
- **Undeliverable**
A risk on delivery if hospital pressures and referrals continue at the current levels.

Other mitigating actions to deliver a balanced budget.

- The service will take every opportunity to maximise/utilise any grant underspends, if applicable within the Terms & Conditions of the grant.
- To ensure we maximise every opportunity to avoid costs the service is prioritising the development of preventative and early intervention measures, such as Technology Enabled Care, Reablement and Local Area Coordination. We are supporting citizens to support themselves, remain independent and build resilient communities reducing admissions into residential care and hospital.

Children's Services Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Children's Services	29,968	2,976	(2,239)	1,452	32,157	(952)	0	(810)	30,395

Forecast as at December Variance	Forecast as at September Variance
(427)	(853)

Children's Services Overview

The forecast is an overspend of £2.189m, before cost reductions of £0.952m yet to be delivered but assured and the use of risk budget funding. Children's Services continue to face unavoidable pressures in relation to an increased demand for placements for children with complex needs amid a national shortage of placements. Alongside this, there continues to be increasing demand due to the number of unaccompanied asylum-seeking children (UASC). These pressures have impacted on the service's ability to deliver the cost reductions identified for 2023-24 in full. Cumulatively, these issues would have resulted in a forecast overspend position of £1.237 million, however it has been agreed that £0.810m of the risk budget would be applied to mitigate some of these pressures. The service is continuing to work on measures that will address the remaining forecast overspend of £0.427m in order to minimise budget pressures for the next financial year.

Cost Pressures £2.976 million

The unavoidable cost pressures continue in terms of the demand for high-cost residential placements often outside of Powys. The cost of placements for children which are unregulated, due to the lack of placements nationally, continues to be a financial challenge. We have a further increase in our Unaccompanied Asylum-seeking children (UASC) which is likely to rise further, and which continues to have an impact on the financial position. The 2023/24 forecast for these placements is £0.933 million. We receive grant income of £143 per night pre 18 years of age and £270 per week post-18 from the Home Office. The forecasted income in relation to the above is £644,000. So, the net expenditure position is £234,000.

We are continuing to work collaboratively with colleagues in Housing and across the council to strengthen ways of working with this group of young people. The plan is to develop further local housing opportunities for our 16+ provision and our UASC.

The unfunded pressures within the service are due to

- £1.877 million Children Looked After (CLA) placements - new, step up in provision and increasing costs in relation to meeting the complexity of the need of the current cohort. This is in the context of a national shortage of placements for looked after children across the UK. This is an increase of £451,000 from quarter 2. All funding that was earmarked as part of the 2023/24 budget setting process for growth in CLA placements in 2023/24 has already been fully utilised. All new or step up in provisions going forward will be a pressure.
- £217,000 additional overspend to placement pressures for CLA support, an increase of £105,000 from quarter 2.
- £589,000 total pressure forecasted for the four 'In House' Residential homes, a decrease of £90,000 from quarter 2, due to service decision to transfer employees to meet need in homes not their base and reduce dependency on agency. Overspend due to relief staff over and above base budget to cover rotas and the use of agency staff due to recruitment and escalating needs of the children, over and above that included in the original business cases.
- £116,000 budget pressure in regard to Section 21, for families in need of care and support, in the main due to post lockdown and trying to keep children with their families wherever it is safe and in their best interests to do so. This is an increase of £29,000 from quarter 2.
- £64,000 Out of Hours (EDT) due to unfunded structure following a Management of Change in 2021/22 and use of agency staffing to cover vacancies and undertake AMHP duties. An increase of £19,000 from quarter 2.
- £113,000 due to increased demand for short breaks due to the pressures on families as an indirect result of the pandemic, a decrease of £126,000 from quarter 2 due to addressing e-procurement over commitments and ledger miscoding's.

Page 15
The budget underspends £2.239 million baseline budgets are currently being utilised to mitigate the overall budget forecast overspend. The majority of this is around posts and associated costs.

- £140,000 due to underutilisation of the Market supplement. Currently not all qualifying posts are occupied or have been occupied for the relevant time frame.
- £1.536 million Staffing underspend based on current vacancies qualified and non-qualified positions.
- £93,000 due to a delay to the Special Guardianship project.
- £127,000 Welsh Government grants mitigating baseline funded costs, in line with grant terms and conditions.
- £250,000 various small underspends across all service subjective headings.
- £93,000 Legal underspend, although this is difficult to predict as Legal services do not use commitment accounting.

There is a risk if these underspends are utilised in the future, then the overspend forecast will increase.

Savings were identified of £2.796 million in the 2023/24 budget setting process and £217,000 was rolled forward from 2022/23, £1.560 million of the savings have been achieved, 51.8%.

The outstanding £1.452 million, of which £0.952m is assured to be delivered by the end of the 2023/24 financial year.

Other mitigating actions to deliver a balanced budget.

- We will
- fully utilise grants across the service as in 2022/23. We will continue to scrutinise the pressures and savings targets to identify matters with potential solutions. Our current predicted savings are on track to be met during this financial year.
 - continue to monitor our high-cost residential placements and look to reduce these wherever is possible.
 - continue to build our 16+ provision and homes for our UASC.
- Our work with our closer to home strategy will continue.
The purchase card expenditure will be tightened particularly with our residential homes.
The use of agency staff will more closely monitored in terms of requirements.

Commissioning Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Commissioning	2,188		(31)	0	2,157	0	0	0	2,157

Forecast as at December Variance	Forecast as at September Variance
31	8

Commissioning Overview

Underspend due to staff slippage due to recruitment.

Education overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Education	19,091	604	(610)	19	19,104	(19)	0	0	19,085

Forecast as at December Variance	Forecast as at September Variance
6	237

Education overview

The service continues to work effectively to make financial savings without compromising service delivery. We continue to use our grants effectively to support the forecast outturn position of the service where possible and to alleviate pressure within the service. The Schools Service (excluding Schools Delegated Budgets) had forecasted outturn underspend at the year-end of £6k at Quarter 3.

All managers within the service continue to be robustly challenged regarding financial decisions to ensure they deliver value for money but also align to the service priorities. Senior managers ensure all significant financial decisions are discussed at a strategic level and support the realisation of the vision for the service. The aftermath of the Covid-19 pandemic continues to place additional pressures on the service and through self-evaluation processes we have implemented changes to support schools further. The recent changes to the funding formula now ensure equitable distribution of funding for our deprivation learners. In addition, more funding is being given directly to schools to support our ALN learners and give schools more autonomy to plan and support their needs.

Cost pressures:

Cost pressures at present are being effectively managed within the overall forecast outturn position of the service. The two areas causing the pressure are in relation to essential buildings works and early retirement pension costs. Ongoing work is taking place in these areas to review the costs.

Cost underspends:

Cost underspends in the service in the main are in relation to any vacant posts, slippage in relation to actual costs vs budgeted costs of staff, travel and supplies and services. These underspends have been reviewed as part of the budget setting to identify permanent reductions to mitigate ongoing cost pressures.

Cost reductions:

We continue to identify savings and projected a reduction in costs of £842k, £5k has not yet been delivered, but is assured to be delivered by year end.

- * Targeted use of CfW grant to offset base budget
- * Removal of unfilled posts that have not impacted on service delivery
- * Post 16 transition managed within service by newly appointed 14+ Lead
- * ALN and PRU review
- * Reduction in third party spend but further work is to be undertaken
- * Internal delivery of VAWDSW
- * Use of grant funds to manage staff pay inflation
- * Realignment of costs to delegated budget e.g. union costs
- * Restructure in areas of the service
- * Significant reduction in the use of consultants

Page 1

Other mitigating actions to deliver a balanced budget:

We are reviewing income generation, and another member of the service has become an RI so can generate income through working for Estyn. However, Estyn inspections are a significant time commitment, so we need to ensure we balance service pressures with income generation.

We have also facilitated external support for an ALN and behaviour review in response to our internal evaluation of the Powys ALN Strategy, the strategy was written pre-pandemic, and we need to ensure the priorities align to current ALN and behaviour pressures within Powys.

Schools Delegated Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Schools Delegated	84,493		(216)	0	84,277	0	216	0	84,493

Forecast as at December Variance	Forecast as at September Variance
0	0

* The £216k cost underspend / reduction in agreed use of specific reserves is the movement since Quarter 2. Overall, Schools are currently forecasting that they will draw £6.0 million from their reserves in 2023/24.

Schools Delegated Overview

Through ongoing effective communication and collaborative working, the PCC finance team, School Improvement Advisers, Senior Managers, Headteachers and Chairs of Governors continue to identify potential savings for schools from reviewing spending plans and continuing to support schools with the development of their financial planning.

We have also recently identified additional financial pressures on specific schools which are linked to deprivation and significant ALN needs so we have successfully revised the funding formula following consultation to ensure we are allocating deprivation funding equitably. We have also changed the ALN funding approaches as well to ensure less is held centrally but allocated to schools quicker to enable them to plan more effectively to support their ALN learners.

The in-year position that was submitted by governing bodies in May 2023 showed that there was an expected draw on reserves of £6,011k, overall, this position has decreased to a forecasted £5,985k draw on reserves, a reduction of £26k in 9 months. Updated projections including the updated estimates for pay awards and inflation have been included in these figures.

Recovery plans were submitted and reviewed in the Autumn Term for schools that did not meet the requirements of the scheme for financing schools. Further requests for recovery plans were made where schools didn't meet the requirement, these are currently being reviewed. Recovery plans have also been requested for schools projecting a cumulative deficit at the end of 25/26 which are due to be submitted by 31st January 2024 which will be reviewed by officers. Officers are continuing to use statutory powers where needed to ensure compliance. Since Q1 we have completed a further 3 financial deep dives in the secondary sector which have identified further savings to be considered by the schools and have informed recovery plans.

There are also a number of schools that will work with officers to put a deficit agreement in place. Considerable staffing reductions are projected across all schools over the next 3 years and officers will support schools through these difficult times. A number of VSS applications have been approved for August 23 reductions of teachers and non-teaching staff and more are being received.

In terms of Delegated central any underspend on this area is allocated out to schools with a % done in January 24 and the remainder at year end. The impact of the formula review has been modelled and will be phased in over the next two years.

Highways Transport & Recycling Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Highways Transport & Recycling + Director	34,139	522	(1,257)	2,392	35,796	(1,817)	0	0	33,979

Forecast as at December Variance	Forecast as at September Variance
160	108

Highways Transport & Recycling Overview

Forecast underspend for Qtr.3 is £160k - This is an improvement since Qtr.2 of £52k, which has principally arisen from improvements in street work income and reductions in waste disposal.

Cost Pressures

- Unachieved savings totalling £575k. Total savings target for 2023/24 is £3.594m, of which £1.201m has been achieved to date, £1.816m assured to be achieved by year end and the remaining £575k is reported as unachieved. However, we have been able to carry out temporary in-year virements to offset the bulk of the £575k
- £65k expenditure on 2 x project officer posts, where the service has been unsuccessful in securing transformation budget in 2023/24 to support these costs.
- £407k overspend on highways routine & structural maintenance works.
- £233k overspend on county winter maintenance works.
- £153k under-recovery of the budgeted profit target for Trade Waste collection services
- £415k overspend on home to school transport expenditure arising from changes to mileage, contracts and/or bigger bus capacity requirements and unfunded inflation.

Many of the above pressures is causing us to cut back on highway maintenance and there are elements that are out of our control around weather conditions, which can increase revenue costs, particularly around flooding and winter maintenance. Furthermore, there are long standing pressures within the Transport service, which are due to a number of reasons, particularly around additional bus capacity and bus

contract changes. As outlined above, we are using in-year virements to offset some of the pressures because of the cost underspends, which are highlighted below:

Cost Underspends

- There is an underspend of £349k reported because of vacant management/supervision posts and reduced private contractor spend in Highways Operations.
- £306k underspend on street lighting energy costs and maintenance.
- £198k under spend on domestic waste collections, resulting in the main from an underspend against the staffing/agency budget and additional grant funding.
- An over-recovery of recycling income against budget of £102k.
- An under spend of £161k on disposal of residual waste, which has improved from 380k in qtr.2
- An under-spend of £57k against bring sites and other waste services.
- A forecast over-achievement of £183k against street works resulting from increased income against budget.
- A forecast over-achievement of £407k against car parks resulting from increased income against budget.
- An underspend on dual base transport costs of £100k
- An underspend on ALN for £113k

Other mitigating actions to deliver a balanced budget.

- Promote the green waste and Trade Waste Service.
- Reduce spend on highway Operations.

Undelivered savings - £575k

- £130,000 Reduction in Winter Maintenance - It was envisaged that this would be achieved for 2023/24, but due to the summer consultation on the new Matrix and the need to review at September's Scrutiny, this saving will not be achieved for Winter season 2023/24, but will be in place for 2024/25. In order to mitigate this, the service will be doing an in-year virement to offset this.
- £352,782 – Efficiencies within Public Transport (we've given assurance of £167k based on service reductions in January 2023. Further work to be undertaken to make routes more efficient). In-year virement from the underspends will be used to offset this.
- £52,500 – Route Optimisation (This is in its final stages, but in order to clear this saving it is proposed we do a permanent virement from Recycling income, which is currently in a surplus position to clear this target)
- £40,000 – Use of Abermule to transfer recyclable material (we expect to make around £58k of savings and the proposal is to offset the remaining £40k by doing a virement from Recycling Income, which is currently in a surplus position to clear this target)

Property, Planning & Public Protection (PPPP) Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Property, Planning & Public Protection	6,996		(11)	338	7,323	(137)	0	0	7,186

Forecast as at December Variance	Forecast as at September Variance
(190)	(181)

PPPP Overview

Page 21

PPPP are currently predicted an overspend of £181k.

The overspend is principally the result of statutory compliance inspections having to be commissioned rather than being undertaken internally due to several trade positions being vacated within the Strategic Property team. Other smaller areas of overspend relate to higher than expected electricity costs, higher than expected surplus property costs, and the savings relating to cleaning budget and The Park offices being secured for only part of the financial year. Whilst steps have been taken to ensure that the Strategic Property service area operates within budget envelopes, the statutory compliance work due to its nature (legislative requirement) cannot be reduced or stopped to fall within their allocated budget without placing the authority at unacceptable risk.

With regards to the savings proposals not mentioned above, as the year moves forward, more robust evidence has become available to enable to provide greater assurance relating to their deliverability. Income levels to be secured from a 10 percent increase in fees (£42k overspend) and reduction in Strategic Property staffing levels (£42k overspend) are unlikely to be achieved in this financial year but have been offset by underspends found in other areas of PPPP.

Housing & Community Development Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Housing & Community Development	7,740	1,075	(1,653)	187	7,349	(187)	0	0	7,162

Forecast as at December Variance	Forecast as at September Variance
578	699

Community Development Overview

Spend is on track across most budget areas. Housing & Community Development is reporting a forecast outturn underspend of £578k compared to £699k, at the end of September. A forecast overspend in General Fund Housing of £997k is offset by a forecast underspend in Leisure of £1,433k and Catering and Cleaning of £142k. The forecast assumes the assured savings of £187k will be achieved if this is not the case the outturn position will worsen to an underspend of £390k. The forecast position of £699k has reduced since September, this is mainly because of an increase in the forecast overspend on Homelessness.

Savings

The service has savings to achieve of £379k in 2023-24, £191k of savings have been achieved, with all the savings forecast as assured by the end of the financial year. If the savings forecast as assured are not achieved the forecast position will worsen.

Cost Underspends

'Leisure Services' are reporting an outturn under spend of £1,433k against a budget of £4,392k, compared to an underspend of £1,393k at the end of September. There have been improvements in the forecast across all services due to further slippage in staff costs, but the main reason for the underspend is the £1,100k set aside for utility support in Freedom Leisure not currently forecast to be required.

Libraries are reporting an under spend of £129k against an annual working budget of £1,251k. An improvement compared to the £121k underspend reported at the end of September. The improvement is mainly because of further staff slippage. The under spend reported is mainly because of vacancies/slippage in staffing costs and increased grant income that is funding base budget funded costs as well as underspends on utility costs, where costs have not increased to the levels estimated in the budget particularly on gas.

Archives are reporting an outturn underspend of £8k compared to a working budget of £137k, a similar position to that reported in September. This is due to slippage in staffing costs and increased income for storage of records and records management. This is a similar position to that reported in September.

The Policy Unit covers the central team and is forecasting an underspend of £57k against a working budget of £478k, compared to a £40K underspend reported in September. The main reasons for the forecast underspend are an underspend against staffing resulting from vacant posts and a forecast underspend of £21k on other services. The main reason for the improvement in the position is further slippage on staffing costs.

Leisure and Sports Centres are reporting an underspend of £1,100k against a working budget of £1,606k. The main reason for the forecast underspend is the £1,100k set aside to support increased utility costs in Freedom not forecast to be required in this financial year. The position reported is in line with the position reported in September. SPF grant has been secured to fund the cost of condition surveys being undertaken as part of the Leisure review.

Sports Development is reporting an underspend of £17k against a working budget of £67k. The position similar position as that reported in September. The underspend is due to receiving grant income in arrears and income about budgeted income.

Arts and Cultural Services are reporting a breakeven position against a budget of £95k, the same position as reported at the end of September. There was a saving put forward relating to a reduction in staffing and this has been achieved.

Museums are reporting a forecast outturn underspend of £17k compared to a working budget of £122k, the underspend is mainly a result of forecast underspends against utility costs.

Y Gaer is reporting an outturn underspend of £104k compared to a working budget of £636k. The forecast underspend has increased since September by £8k. The underspend is due to forecast underspends against utility costs and there is also increased income resulting from service charges levied as part of the lease for NPTC.

Catering is reporting an outturn underspend of £122k against a budget of £2,047k this includes assured savings of £187k. If the saving is not achieved an outturn overspend of £65k will be reported. The roll out of the universal provision of free school meals continues, the uptake of meals has increased as a direct result of this initiative and therefore income is increased. Welsh Government have now increased the grant funding per meal for the delivery of UPFSM from £2.90 to £3.20.

BAC's and vouchers to FSM children during holidays have been provided up until the summer holidays, this was funded by WG up until the end of the financial year and by the council for the summer holidays, the cost of this provision has been estimated in the forecast but needs to be confirmed by the service. The forecast has improved since the September forecast of a breakeven position, and this is mainly because of the increase in the grant being provided to deliver UPFSM.

Cleaning is reporting a forecast underspend of £20k, against a budget of £591k, this is because of increased income. The forecast considers the saving required for the reduction in cleaning of offices.

Matters affecting the forecast

- The catering forecast is based on several estimates, due to the continuing roll out of UPFSM. The final year groups will be rolled out in April 2024, it won't be known until May or June the final staffing and supplies costs and grant income received because of this program.
- Growth was identified to fund the increased utility costs in the leisure centres of £1.1m it is assumed in this forecast that that money will not be required, if this situation was to change the forecast outturn would be affected.
- Payment of invoices on time is not always on target and needs to be addressed.

Housing Services Overview

Cost Pressures

Homelessness services remain likely to exceed budget, an unavoidable consequence of the continued high demand for these statutory services, in particular temporary accommodation, not all of which can be provided using existing social housing owned by the Council and housing associations. In the absence of publicly provided alternatives, the Council is compelled to use high cost privately provided temporary accommodation provision. The Council is continuing to experience a levelling out in the rate of increase in demand for homeless services, but demand remains high compared to historic trends. In addition, the nature of the demand is becoming more challenging (for example drug and substance abuse, mental health challenges), with increasingly high service needs, increasing the resource which needs to be devoted to managing and resolving each case. It remains unclear what the impact of increased interest rates, which while base rates have fallen from the

high reached in 2022, remain higher than for many years, will have on home buyers' abilities to maintain mortgage repayments and avoid the risk of losing their homes.

Cost Underspends

There are no anticipated underspends.

Cost Mitigation

The Council is increasing the number of Council and housing association owned homes used for temporary accommodation, to reduce the spend with private providers. However, this means that fewer homes will be available to let as permanent accommodation, meaning that people may need to spend longer in temporary housing. Revenue support from 2025-2026 onwards will be needed for Instant Access 24/7 Triage Centres and Interim 24/7 Supported Accommodation, for which capital funding has been allocated (approved by Capital Oversight Board in 2023-2024). This will reduce the need for external private sector homeless accommodation and allow for some of homes being used for this purpose to be let as permanent accommodation. The funding pressure for 2025-2026 onwards will be considered as part of the FRM/IBP process for 2024-2025 onwards. Once revenue funding has been agreed, work will be able to start immediately on developing, either by new build or 'acquisition and works', of the premises needed for the Instant Access 24/7 Triage Centres and Interim 24/7 Supported Accommodation schemes.

Housing Revenue Account (HRA)

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Housing Revenue Account	0		0	0	0	0	0	0	0

Forecast as at December Variance	Forecast as at September Variance
0	0

HRA

Summary

The HRA is ring fenced and forms part of its own trading account, any surpluses and deficits are contained within a ring-fenced reserve. Overall, the HRA is predicted to end the financial year 2023-2024 in balance (as of December 2023). However, there are actions being taken to achieve greater efficiency in the repairs and maintenance service to underpin this prediction and to allow for investment to continue to be made in homes owned by the Council and maintain a strong HRA reserve.

Cost Pressures

Repairs and maintenance costs are ahead of profile, due to the age of the properties owned by the Council which is driving up the overall demand for repairs and maintenance and reliance in the first three quarters of the year on external contractors to undertake works to void properties. Mitigation continues to be undertaken (please see below) which will bring spending back in line, which if left unchecked, may result as of end of December 2023 in a year-end deficit on repairs and maintenance.

Cost Underspends

There are anticipated underspends in salaries and other management and supervision costs within the HRA.

Cost Mitigation

Spending on external contractors is slowly reducing as internal resources continue to be introduced and on-boarded. External contractor use is being limited to specialist work the in-houses teams cannot undertake or to cope with unforeseen peaks in the number of voids. The cost of external contractors has been much higher than anticipated at the time of internalisation of repairs and maintenance, due to continued inflationary pressures on materials and labour costs impacting adversely on the construction sector.

Housing and Commercial Services have been working to secure higher trade discounts from locally operating material and component suppliers, to allow for the formal procurement of a locally sensitive (to dovetail with the locality-based approach to housing management and maintenance) framework to 'go-live' in April 2024.

Heating servicing contract is due for mobilisation during February 2024 which will reduce spending on agency workers and external contractors.

Income recovery is as of the end of January 2024 running at 96.20% of rent due; for the same period last year this was 96.79. Rent collection remains increasingly challenging. This is a consequence of the high cost of living continuing for many households. The Financial Support Officers have been working effectively to help our tenants better manage the consequences of the cost-of-living challenges many are experiencing.

Void times continue to be reduced, although the number of properties requiring extensive works – which require longer works times – is increasing due to the age of our properties. Performance management of voids is one of the three Top Priorities for Housing Services in 2024 to reduce rent loss due to void properties that are to be retained for letting. Further progress will be made on reducing void times now that the void repairs teams which had been deployed to complete the new housing scheme at Red Dragon, Newtown, following the collapse of the external construction contractor, have been able return to void works.

Economy & Digital Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Economy and Digital Services	7,583		(579)	24	7,028	(24)	0	0	7,004

Forecast as at December Variance	Forecast as at September Variance
579	365

Economy & Digital Overview

Cost Pressures

The service is managing current cost pressures from within service budgets. The service also identified activity that we were able to delay at low risk meaning that we are able to manage current pressures in line with other priorities.

Cost Underspends

Staffing costs are currently underspent due to a variety of reasons such as short-term funding meaning that it is hard to attract people to our positions, leaving them vacant for periods of time. Also, the recruitment of staff has become increasingly difficult with many job adverts having no applicants and needing to go out multiple times. This is causing delays with the implementation of some projects, which is seeing impact on other services ability to deliver change.

Cost Reductions

The cost reduction in the budget for 2023/24 includes the need to review the Careline Alarm service and to make the service cost neutral for private clients. Whilst starting this work other services using the same service are also conducting their own reviews due to the cessation of copper telephone lines. The team are now working in partnership with other services to review the entire provision and options for an approved way forward. This will take some time and it is unlikely the savings will be met until later in the year. Any shortfall will be covered by underspends from staffing as set out above. Also, due to ongoing negotiation joint working arrangements with PTHB, some posts have not been replaced like for like and have resulted in underspends. However, it has been agreed by both PCC and PTHB that these underspends will be held in reserves, which will be used to fund any transition costs for the changes to the current working arrangements.

Other mitigating actions to deliver a balanced budget.

Economy budgets have been set on a 3-year basis following WG grant allocations giving more stability to staffing resource and ability to deliver longer term initiatives with improved outcomes.

ICT continually challenge their contracts, scaling from "are they needed at all", to "can they be reduced" or "can the price be negotiated". This is assisting to limit the impact of some price increases.

Transformation and Democratic Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Transformation & Democratic Services	4,057	36	(86)	0	4,007	0	0	0	4,007

Forecast as at December Variance	Forecast as at September Variance
50	51

Transformation and Democratic Overview

Cost Pressures

The service is not fully funded by the permanent base budget, in particular, the Communications team are not fully funded. The current forecast outturn position for the service is an underspend of £50k. This is due to some staff vacancies (in Welsh translation and Strategic Policy and Performance), an underspend on members travel, and additional income received through the Ukraine scheme. Savings to be found in this area amounted to £8k and all savings have been achieved.

Cost Underspends

The forecast position at the end of December is a £50k underspend (compared with an underspend of £51k at the end of September).

Use of Reserves

If the forecast outturn is realised, then there is no requirement to draw down money from the specific reserve we hold (funded by income generation in other years).

Other mitigating actions to deliver a balanced budget.

The Transformation and Democratic service is reliant on income, any reduction or increase in income will affect the forecast. We are fortunate to have been able to access external funding from other sources to generate income to support the staffing structure we have, however there is a risk whether this will always be available. We have recently successfully recruited 1 FTE Welsh Translation to ensure

we can keep up with demand and statutory functions around Welsh Language and are exploring the use of Artificial Intelligence to support the translation of some documents.

Workforce and Organisational Development Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Workforce & OD	2,632	4	(148)	0	2,488	(17)	0	0	2,471

Forecast as at December Variance	Forecast as at September Variance
161	189

Workforce and OD Overview

We are forecasting an annual underspend of £161k, which mainly arises from underspends against staffing budgets due mainly to delays in recruiting to vacancies in Health and Safety and 2 OD posts established to help support the delivery of key initiatives relating to Objective 2. These posts are now filled and the initiatives progressing. An overachievement of additional income / profit has to a lesser extent also contributed to the forecasted figure, however additional staffing will be needed to undertake the extra work involved, which will impact on our ongoing forecasting. The service will deliver the cost reductions of £19k approved.

Legal Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Legal	1,533	147	(185)	0	1,495	(0)	(28)	0	1,467

Forecast as at December Variance	Forecast as at September Variance
66	78

Legal Overview

We are forecasting an outturn underspend of £66k and no issues to report.

Finance Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Finance & Insurance	7,079	140	(172)	0	7,047	0	0	0	7,047

Forecast as at December Variance	Forecast as at September Variance
32	47

Finance Overview

Expenditure across Financial services is in line with the budgets approved and the service is expected to deliver a balanced budget this year.

The service has funded additional posts through additional income streams to support Money Advice, Procurement, Financial training and Transformation work. Our transformation work continues to deliver efficiencies enabling us to redirect resource to areas of pressure as well as releasing the savings we expected.

Corporate Overview

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER DECEMBER 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Corporate Activites	36,660	1,106	(4,724)	0	33,042	0	0	1,524	34,566

Forecast as at December Variance	Forecast as at September Variance
2,094	2,074

Corporate Overview



Cost Pressures

The Housing Benefit budget forecast is overspending mainly due to the increased cost of homelessness in Powys and the differential between what is paid out to providers and what can be claimed back from the Department of Work and Pensions. This is in part mitigated by an underspend on the Council Tax Reduction Scheme.

Cost Underspends

There is an overachievement of council tax projected this year due to the increase in the level of premiums charged, this is based on current premiums being raised and may change as the impact of the additional charge reduces the number of empty properties or second homes. It is also reliant on the council tax collection rate achieved.

£1.5 million relates to pulling through the corporate risk budget that is held to fund unforeseen pressures, whilst the balance will be factored in later to support exceptional increased demand across social care during the winter months.

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CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

27th February 2024

REPORT AUTHOR: County Councillor Cllr David Thomas
Portfolio Holder for Finance and Corporate
Transformation

REPORT TITLE: Capital Forecast 2023-24, as at 31st December 2023

REPORT FOR: Decision / Information

1. Purpose

1.1 This report provides an update on the financial position of the Council's capital programme for 2023/24 as at 31st December 2023.

2. Background

2.1 The 2023/24 Capital Programme was approved by Council on the 23rd February 2023. It included capital schemes totalling £93.29 million, of which £23.48 million related to the Housing Revenue Account (HRA). The programme has been updated following the reprofiling of projects and additional grants received from Welsh Government.

2.2 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget		Commitments
	£,000	£,000	£,000	£,000	£,000	%	£,000
Adult Services	200	677	877	181	696	79%	570
Childrens Services	0	379	379	333	46	12%	350
Education	33,005	(5,169)	27,836	12,817	15,019	54%	20,227
Highways Transport & Recycling	12,681	7,190	19,871	10,619	9,252	47%	14,676
Property, Planning & Public Protection	100	1,004	1,104	456	648	59%	537
Community Development	922	608	1,530	430	1,100	72%	727
Housing General Fund	1,748	1,279	3,027	1,477	1,550	51%	2,229
Economy & Digital Services	16,196	(10,492)	5,704	2,183	3,521	62%	10,814
Unallocated	4,953	(4,953)	0	0	0		75
Total Capital	69,805	(9,477)	60,328	28,496	31,832	53%	50,205
Housing Revenue Account	23,482	(3,357)	20,125	9,969	10,156	50%	14,412
TOTAL	93,287	(12,834)	80,453	38,465	41,988	52%	64,617

- 2.3 The revised programme at the 31st December 2023 is budgeted at £80.45million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £38.47 million, representing 48% of the total budget. An increase of £15.62 million since that reported at Quarter 2.
- 2.4 Currently 36%, £29.34 million, of the capital expenditure is budgeted to be financed by borrowing, the interest cost for this is charged to the revenue account.

2.5 Table 2 – Capital Programme funding

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	4,562	16,265	34,547	1,240	3,715	60,329
HRA	0	8,514	6,710	3,900	1,000	20,124
Total	4,562	24,779	41,257	5,140	4,715	80,453

3. Grants Received

3.1 The following grants have been received in the last quarter. These are for additional schemes and have been included in the Capital Programme.

3.2 Education

3.3 £0.61 million has been awarded by the Welsh Government to support the delivery of the Childcare and Early Years Capital Programme at Ysgol Pennant.

3.4 Community Development

3.5 £0.08 million received from Sport Wales to install solar PV panels in the Flash Leisure Centre, Welshpool.

3.6 Highways, Transport and Recycling

3.7 £0.17 million received from Welsh Government for flood alleviation schemes at Plasnewydd, Pontfaen and Legar Brook.

3.8 £0.34 million awarded by the Welsh Local Government Association for a nature habitat management project at Welshpool Golf Club and working through the Powys Nature Partnership with Llais y Goedwig, RSPB Llyn Vyrnwy, and the Canal and River Trust to support tree, hedge, and wildflower planting and setting up new tree nurseries across Powys which will support future tree planting projects.

4. Reprofiling Budgets Across Financial Years

4.1 During the last quarter, all services have reviewed their allocations in the capital programme. Following this review and using the estimates provided by the services of the spend in this financial year, £15.32 million has been reprofiled into future years. These are included in the proposed Capital Programme which is due for consideration by members as part of the councils 2024/25 budget proposals. A breakdown is shown in the following table.

4.2 Table 3 – Capital Programme Reprofiting by Service

Service Area	£
Pipeline Schemes	4,216,397
County Farms	100,000
Sport & Leisure	714,634
Salt Barns	58,228
Countryside & Outdoor Rec	80,000
Waste Minimisation & Recycling	138,805
Fleet Management & Vehicle Replace	205,875
Libraries	93,520
Office Accommodation	175,000
Levelling Up Fund	4,691,688
Economic Development	3,553,178
Information Services	498,845
Customer Services	12,258
Social Services	245,000
Sustainable Communities for Learning Programme (Transforming Education)	535,034
Total	15,318,461

4.2 **Housing Revenue Account** - A review of the budgets held for WHQS and other capital works to the existing housing stock has been carried out. As a result, £2.65 million has been reprofiled into future years and the revised profile will be used as part of the HRA business plan, that will be finalised by year end.

5. Capital Receipts

5.1 A total of £1.86 million has been received to date. There are currently sales agreed to the value of £0.53 million, with a further £0.28 million for the HRA, these are at the legal stage of the process and will generate future capital receipts. At this stage it is expected that sales totalling £2.57 million and £0.28 million for the HRA, could be achieved by the end of this financial year (31st March 2024).

6. Resource Implications

6.1 The Head of Finance (Section 151 Officer) notes the content of the report. The re-profiling of schemes that has taken place is welcomed and is essential to enable us to accurately project expenditure, the consequential need to borrow and the impact on the revenue budget. Expenditure on the Capital Programme continues to be monitored carefully through the year, although inflation has stabilised, costs are high, alongside supply chain issues and additional borrowing costs which will have to be carefully considered. Prioritisation of resources at a corporate level ensures that the council can effectively meet its objectives whilst maintaining an affordable level of investment. The delay in utilising the Capital allocated has created slippage in the revenue budget as borrowing is delayed, the revenue budgets have been reviewed and reduced accordingly for the 2024/25 budget. Additional funding will need to be sourced or the revenue budget reinstated in future years to support the borrowing required.

7. Legal implications

7.1 The Monitoring Officer has no specific concerns with this report.

6. Climate Change & Nature Implications

6.1 The capital programme remains a key enabler in how we contribute to addressing both the Climate Emergency (where we need to reach the goals of Net Zero by 2030), and Nature Emergency. Approximately £34.00 million of the 2023/24 Capital Schemes and at least £10.00 million of the HRA schemes directly contribute to climate change and nature initiatives.

6.2 Grant funding noted in 3.7 and 3.8 of this report will fund additional schemes that will help to support and recover existing habitats as part of the Powys Nature Recovery Plan, which in turn will positively impact upon a range of species in Powys and beyond.

7. Data Protection

7.1 Not applicable

8. Comment from local member(s)

8.1 Not applicable

9. Impact Assessment

9.1 Not applicable

10. Recommendation

10.1 That the contents of this report are noted.

Contact Officer: Jane Thomas Email: jane.thomas@powys.gov.uk Head of Service: Jane Thomas

Appendix A:

Head of Service Commentary

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	877	181	696	79

HOS Comment

Expenditure will occur by the end of the financial year as expected.

- Regional Integration Fund allocation of £100,000 for community equipment has been fully utilised.
- Community Equipment Store contract roof improvements £265,000, initial works have commenced, and this will be completed and allocation fully utilised.
- Powys owned care homes £335,000, utilised £77,000 to date, remainder to be utilised by year end - lift improvements at one of the care homes will absorb a large element of the available allocation. The last property condition survey on all of the 13 homes identified a list of improvements required and as part of the contract the landlord is responsible for completing the list of improvements. There is a high confidence that the allocation will be fully utilised.
- Balance is an allocation for 'robotics', which means using technology to support care, this is not on course to spend.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	379	333	46	12

HOS Comment

The Flying Start childcare provision in Brecon has been completed.

Safe Accommodation is nearing completion and will be completed before the end of March 2024.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	27,836	12,817	15,019	54

HOS Comment

Sustainable Communities for Learning Programme (Transforming Education)

Ysgol Bro Hyddgen, Machynlleth

RIBA stage 3 is completed. Pre-planning Application Consultation (PAC) completed December 17th 2023. Preparing for planning application in February 2024. Need clarity about BREAM exemption.

Ysgol Cedewain, Newtown

In construction. Programme has encountered delays due to various issues with continued uncertainty about handover date. Legal advice has been sought to protect the Council's interests. Team are continuing to monitor progress.

Brynllwarch Hall School

Planning application has been submitted and subsequently approved by the Council's Planning Committee. Currently awaiting Welsh Government's response to a request to call in the decision that was submitted after PAC. Re-tendering cannot take place until Welsh Government's decision is known but work is progressing on pulling the tender documentation together.

Sennybridge C.P. School

Following detailed examination of the tender returns, concerns were raised about the commercial return and legal advice was sought. The view is that the information contained within the commercial returns do not provide a robust basis to enter into contract. Programme Board have given approval to re-tender the project, which will take place in early 2024.

Ysgol Gymraeg y Trallwng, Welshpool

Anticipated projected out-turn cost is £131k below budget - project still in post-occupancy phase.

Brecon Primary School

Programme Board approved the initial feasibility and selected a site option. Work continues with the temporary governing body to establish the school by September 2024 across 3 sites initially.

Ysgol Calon Cymru

Implementation plan currently being worked up for Cabinet's consideration in March.

Major Improvement Programme

The Programme supports the improvement of education and early years setting facilities and infrastructure for pupils and staff. In financial year 2023-24, there are 145 projects with:

- 2 projects on hold
- 7 schemes to commission
- 8 schemes commissioned
- 28 at the design stage
- 24 at the tender stage
- 10 at the construction stage
- 66 schemes are practically completed on site.

The overall programme budget is £6,226,508 for 2023/24 with expenditure of £2,353,601 to end of December 2023. There are contract commitments of £1.473 million for projects in progress. The combined expenditure and commitments represent 62% of the overall budget is committed. There are some projects which are part funded by the Welsh Governments Asset Collaboration and Community Focused Schools Capital grants as agreed with Schools Service. There has been an allocation of £870,208 WG (Welsh Government) ALN Capital Grant and priorities for projects are agreed with Schools Service. These grants sit within this programme and priorities have been agreed.

Welsh Medium Grant – Ysgol Pennant classroom extension - The classroom extension work has been handed over to the school with minor works to complete.

Early Years Capital Grant – Ysgol Pennant new early years accommodation – The new early years mobile is anticipated to be complete before end March 2024. The work is progressing on site to program and the project is within budget.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	19,871	10,619	9,252	47

HOS Comment

- The Highways Capital programme is on track.
- The Street Lighting programme is on track.
- Refurbishment of Brecon HWRC has started on-site and is on-track.

The Service notes that the Q3 financial profile in terms of expenditure is 53% of the total budget at three quarters of the way through the financial year, however, works associated with grants are often programmed for Q4.

As noted last year, inflationary costs continue to significantly reduce the scope of works achievable within the highway's capital programme.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	1,104	456	648	59

HOS Comment

The Glanyrafon project is unlikely to be completed in the 2023/24 financial year. Reprofiling is therefore required for this project.

The remainder of the capital projects are progressing well and should be delivered within Q4.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Community Development	1,530	430	1,100	72

HOS Comment

Some projects / works were unavoidably delayed in 2022/23 which resulted in capital budget being carried forward, with the intention of spending the full amount in 2023/24 (which was planned for within the programme). The 'review of leisure services' commenced in the spring 2023 (as a result of the energy crisis/increased costs of utilities) has meant that much of the capital programme is paused, apart from essential works, where agreed. This has led to just under £715,000 of capital funding being reprofiled into 2024/25.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing General Fund	3,027	1,477	1,550	51
Housing Revenue Account	20,125	9,969	10,156	50

HOS Comment

Housing General Fund

Disabled Facilities Grants: Taking into account both works completed (as reported above) and those committed and good to go, Housing Services anticipates being able to end the year on target for both works and use of financial resources. Any works that cannot be funded in 2023-2024 will be rolled forward to 2024-2025.

Improvement Loans for Private Property Owners: Demand remains robust for Home Improvement Loans and the Zero Interest Loan Fund scheme, important schemes aimed at private property owners. Taking into account both loans completed and those committed and good to go, it remains possible that in-year resources from the Council may not meet demand. The schemes are administered on behalf of Housing Services by the Robert Owen Community Banking Fund (ROCBF), based in Newtown. The ROCBF has advised that it may be able to consider supporting clients with loan support for the remainder of the year using its own funds. Core funding from

the Council will then, subject to funds being made available, return for 2024/25. Landlord Loans and Town Centre Loans continue to run well.

Housing Revenue Account

New build - our development programme remains limited to the areas of the county not affected by the moratorium on new house building until the management of phosphate matters is resolved in the Wye and Usk river catchments. Six proposed Powys County Council social rented housing schemes fall within the affected area. However, in anticipation of works to the water treatment plant serving Llandrindod Wells, provisionally scheduled for 2025 by Welsh Water, Housing Services has now started design and preparatory work on two new Council-housing schemes in the town. The Housing Development Team have continued to work on other areas, with the acquisitions programme in particular now proceeding well. No compliant tenders were received for the demolition of redundant apartments and the development of new homes in the Ael-y-bryn and Pen-y-bryn area of Ystradgynlais. Housing Services is now exploring the option of clearing the site (demolition of existing buildings) in preparation for retendering the construction work for new build only.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Economy & Digital Services	5,704	2,183	3,521	62

HOS Comment

Digital Services Capital

The desktop refresh programme is a continual programme and is on track to spend this year.

The Cloud transformation capital - due to budget pressures and conflicting priorities the majority of this work will now take place next year, however further business cases will be required to highlight changes in capital funding.

For the individual projects, these have been reviewed in light of the Digital Programme and will be drawn down as part of individual Project Business cases.

Economy Capital

An underspend from 2022-2023 capital programme from UK Government has resulted in monies being utilised through freedoms and flexibilities which is shown in the difference between allocated budget and remaining budget.

Overall capital budgets are managed from grant funds and profiled until March 2025. This process is managed through quarterly reporting fund management and slippage is being managed in monthly review meetings with partners and contractors.

This includes:

Transforming Towns Programme £5,080,000 for Placemaking Grant is managed through an application process. The capital fund is managed through a local and regional panel and the spend profile for 2022/23 is slightly under target spend but with approval for roll forward to 2023/24. Projects are developed with partners and

approved as bids are received. The team work hard to create opportunity for partners to draw down the capital investment and this is regularly monitored with Welsh Government.

Levelling-up Capital Projects. Project expenditure is currently behind schedule, this is regularly reviewed with partners to ensure delivery against grant terms and conditions. Council project aspects are being managed carefully and costs are within contingency limits with work slightly behind schedule but within grant agreements. Any required changes will be considered as a one-off Performance Assessment Review (PAR) during the lifetime of the project. We are assuming continued underspend of capital receipts from UK Government in quarters 1 to 3 at which point it is estimated a PAR review will take place to align predicted spend and schedule of works to the capital programme. This review is being left late in year as we need to be confident of anticipated delivery timescale from partners and have accurate costings from contractors, as changes can only be made once in the lifetime of the programme between 2022 and 2025. Current boards are monitoring progress on a monthly basis to ensure the programme remains on track against the current profiled spend for quarter 4. Contracts for Theatr Brycheiniog (Brecon & Radnor) and Y Lanfa (Montgomery) have been awarded and Ty Brycheiniog (Brecon & Radnor) is in the final stages of progressing the award. All 3 projects will commence construction/renovation during Q4 2023/24. The brownfield site in Llandrindod (Brecon & Radnor) will be completed by the end of Q4 2023/24. The Montgomery Canal project managed by Canal & River Trust is split into separate contracts which are being awarded throughout the programme.