

## Finance Panel

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Meeting Venue  
**By Zoom**

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Meeting Date  
**Friday, 24 February 2023**

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Meeting Time  
**10.00 am**

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For further information please contact  
**Wyn Richards**  
wyn.richards@powys.gov.uk



County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

17-02-2023

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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

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### AGENDA

<b>1.</b>	<b>APOLOGIES</b>
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To receive apologies for absence.

<b>2.</b>	<b>MINUTES</b>
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To receive the minutes of meetings held on:

25-11-2022  
(Pages 3 - 10)

<b>3.</b>	<b>DECLARATIONS OF INTEREST</b>
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To receive any disclosures of interests by Members relating to items to be considered at the meeting.

<b>4.</b>	<b>FINANCIAL FORECAST FOR THE YEAR ENDED 31ST MARCH 2023 (AS AT 31ST DECEMBER 2022)</b>
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To receive and consider the report of the Cabinet Member for Finance and Corporate Transformation.  
(Pages 11 - 40)

<b>5.</b>	<b>CAPITAL FORECAST 2022-23, AS AT 31ST DECEMBER 2022</b>
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To receive and consider the report of the Cabinet Member for Finance and Corporate Transformation.

(Pages 41 - 50)

<b>6.</b>	<b>FORWARD WORK PROGRAMME</b>
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To note the schedule of meetings.

(Pages 51 - 52)

## MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT BY ZOOM ON FRIDAY, 25 NOVEMBER 2022

PRESENT: County Councillor A W Davies (Chair)  
County Councillors E A Jones, P Lewington, J Pugh, and C Walsh  
Independent Member: G Hall

Cabinet Portfolio Holders In Attendance: County Councillor D Thomas (Cabinet Member for Finance and Corporate Transformation)

Officers: Wyn Richards (Scrutiny Manager and Head of Democratic Services) and Jane Thomas (Head of Finance), James Chappelle (Capital and Financial Planning Accountant)

Others In Attendance: L Hamilton (Chair of the Governance and Audit Committee – Observer)

<b>1.</b>	<b>APOLOGIES</b>
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Apologies for absence were received from County Councillors A Kennerley, A Cartwright and T Colbert.

<b>2.</b>	<b>MINUTES</b>
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**Documents Considered:**

- Minutes 29-07-2022.

**Issues Discussed:**

- None

**Outcomes:**

- **Noted.**

<b>3.</b>	<b>FINANCIAL FORECAST FOR THE YEAR ENDED 31ST MARCH 2023 (AS AT 30TH SEPTEMBER 2022)</b>
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**Documents Considered:**

- Report of the Cabinet Member for Finance and Corporate Transformation.

**Issues Discussed:**

- The report provided the forecast revenue outturn at the end of September.
- The current economic situation was continuing to impact on the Council's finances as was rising inflation. Employee costs were likely to rise significantly due to recent pay awards.
- Capital schemes was being impacted due to increasing contractor and materials costs as well as the cost of borrowing became more expensive.
- The budget set by the Council in March was insufficient to cover costs and the Council was taking action to reduce expenditure and draw on reserves.
- At quarter 1, it was reported that £3.827m was being drawn from specific reserves to cover pressures and in addition an additional shortfall of £1m had been forecasted.

- The position at quarter 2 projected an increased deficit of £7.064m. £5.316m was being drawn down from specific reserves leaving a further £1.748m deficit to be funded from general reserves.
- The revised projection included an estimate of the NJC and Teacher’s pay awards at an additional cost of £8m to be found in the financial year. The budget set in March set aside funds for assumed pay costs but they did not meet the fully estimated costs leaving a £3.7m gap in year.
- Steps were being taken to reduce expenditure by £2m over the remainder of the financial year. Some capital schemes would be delayed reducing the need to borrow and revised assumptions on Council Tax collection would also assist the position.
- The reversal of the National Insurance increase had reduced the employer’s National Insurance contribution.
- The delivery of cost reductions were projected to be £7.848m for the year (73% of the total) with £3m unachieved and at risk of delivery for the year. Services were reviewing these and considering mitigating action to deliver within the budget allocated.
- It was anticipated that £14m of reserves would be used to support the budget during the year.
- The Highways, Transport and Recycling Service had been carrying a £1.3m unachieved savings target within their budget. This had been managed within the overall Service budget for 2021-22. The service had identified how these savings could be absorbed on a permanent basis by realigning budgets to recognise the additional income being achieved from the street works, highways and highways design income.
- The level of financial risk is significant such as the risk of increased pay costs as negotiations continue, demands for services could increase such as winter pressures on social care, rising inflation, the cost of borrowing.
- Holding sufficient reserves is crucial for the Council’s financial resilience.
- Additional funding had been provided by Welsh Government in previous years towards the end of the year but this was unlikely to happen for the current financial year so budgets would have to be planned without that expectation.
- The indicative funding allocations from Welsh Government for the next two years were well below the level of inflation and would represent a real term cut in funding for the Council.
- The Medium Term Financial Strategy and the assumptions on which is was based continued to be reviewed. Projections would be updated as more information became available.
- Questions:

Question	Response
In section 2.10 – reducing service expenditure by £2m. Is there any detail giving the implication of this on those services.	Cabinet Member Response: These are not set out in detail but this was a request to services to make cost savings to deal with the inflation pressures being experienced. These reductions would be efficiencies within services such as reducing travel, lighting costs in buildings which should have no impact on service users.
There are delays to some capital	Cabinet Member Response:

<p>projects. What is the impact of these delays on service delivery.</p>	<p>Around £10m of the capital programme has been delayed. That would save around £500k in the revenue budget in the next financial year. Whilst the projects are delayed in the current year the savings would be generated in the following year.</p>
<p>The forecast is a £7.2m deficit at the end of quarter 2, what is the end of year projection.</p>	<p>Officer Response: The £7.2m is currently the end of year projection.</p>
<p>Can see the prudence in the budget and it looks as if the books can be balanced for this year. There is a draw down on reserves of £13m out of £60m. This is not a trend you want to repeat in the future as there are so many unforeseen elements such as Covid and you need to hold a reasonable level of reserves. This plan provides a breathing space which highlights the importance of the Medium Term Financial Plan (MTFS) and gives time to plan ahead and make tough decisions as budgets are not going to improve.</p>	<p>Cabinet Member Response: The MTFS will be discussed in the confidential session following the meeting and those points can be discussed then.</p> <p>Officer Response: In terms of reserves the Council has to protect its level of reserves as much as possible and having reserves to cover the risks being faced is critical. This is why reserves are reviewed on an annual basis and is a key element of finalising the budget position in the current challenging environment.</p>
<p>Could the Head of Finance touch on the planned use of reserves as there is always a planned use of some reserves.</p>	<p>Officer Response: There are some specific reserves such as the reserve for purchasing new capital equipment, purchase of vehicles which are a planned schedule which feed through to revenue budget as the use of reserves. There is a similar arrangement for Housing where part of the rent collection is set aside for capital works to the housing stock which is a planned process.</p>
<p>Of the £13.9m use of reserves, how much was planned and how much was adjustments.</p>	<p>Officer Response: The schools delegated funding would be planned by the schools themselves. A substantial amount of the specific reserves would be for funding of vehicles. Transport funding of equipment (£2.8m) would be planned.</p> <p>The budget management reserve (£1.7m) would cover what was not expected at the beginning of the year such as the deficit being seen and that was planned at year end as it was known that prices were rising but not planned at the beginning of the previous financial year as that funding was not</p>

	<p>available. There would need to be a change in how reserves were used following this year.</p> <p>Cabinet Member Response: The £1.7m being used from the management budget reserve was used as a last resort to balance the budget due to unexpected pressures faced in the current year. It was hoped that this would not need to be used if services could meet savings targets and efficiency measures.</p>
<p>Is there a percentage figure which the Council needs to hold for reserves to prevent it being challenged by auditors</p> <p>Audit Wales undertook a review of the level of reserves held by authorities and there was a range of reserves held by Councils and Powys was towards the lower end of reserves held. Some authorities have significant reserves and Powys has more limited reserves.</p>	<p>Cabinet Member Response: The target is 4% of the net budget for the general fund reserve.</p> <p>Officer Response: This is a limit that the Council sets itself rather than be imposed on the Council by others.</p> <p>Audit Wales undertook a study around two years ago. It was clear that the reserves in Powys are around the lower end and the main reason for that is that the rural local authorities have seen significant cuts in Rate Support Grant over the past ten years or more by comparison to urban authorities which enabled them to develop more significant reserves than rural authorities. Powys has strengthened its reserves over the past two or three years as funding was added to the reserves when additional grants came from Welsh Government late in the financial year. That additional amount in the reserves was assisting the Council currently with pay and inflation pressures, and changes to the global economy. Therefore, the Council was in a better position as reserves were relatively healthy and allowed space for planning prior to the next and future financial years. Reserves are crucial and are there to be used in year to balance when there was an expected change in economy as seen. However, the Council needed to be careful not to make assumptions about the use of reserves in planning for the future and</p>

	<p>budgets and services would need to be planned in a way that balanced the budget every year without the need to use reserves.</p>
<p>The schools delegated reserve was increased at the end of the previous financial year standing at almost £9m. The teachers’ pay award was not fully funded. What was the percentage assumed increase included in the budget for pay awards which was included in the schools delegated budget.</p>	<p>Officer Response: It was around 2% or 3% included in budgets for pay, but the level of inflation had not been anticipated as well as the level of pay increases which was a 5% pay settlement for teachers which was more than had been allowed for which was an additional pressure which had added to the projected deficit. This was being taken into account in the planning for the next and future financial years.</p> <p>In terms of schools delegated budgets, reserves were held by individual schools and the position varied. Some primary schools had healthy reserves but this was not necessarily the position for the larger primary schools or secondary schools. Where schools had reserves they were asked to make effective use of them and these levels of reserves would assist some in absorbing these costs and planning for the future.</p>
<p>The sum put into the delegated budget for pay awards falls short of the increase. Is that difference made up centrally or are you expecting schools to absorb that from within their reserves and what is the difference between the expected and the settlement as that would have a significant impact on the £93k in table 3 if schools were expected to absorb the increase.</p>	<p>Officer Response: Schools would be expected to absorb the increase. However, the pressure for schools for the current financial year would not be as great as for the next financial year as the impact would be from September. Schools would have to fund the remainder for the next financial year.</p>
<p>In relation to reserves – do we have a reserves policy which tells us what we hold reserves for and what the levels of reserves are.</p>	<p>Officer Response: There is a policy and this can be forwarded to Members of the Panel.</p> <p>The Chair of the Governance and Audit Committee suggested that it might be helpful if that Committee reviewed the reserves policy and that the chair of the Finance Panel attend that meeting.</p> <p>The Cabinet Member and Head of Finance were in agreement with the policy being considered by the Governance and Audit Committee.</p>
<p>Highways, Transport and Recycling –</p>	<p>Cabinet Member Response:</p>

<p>there were undelivered savings from the previous year of £1.3m identified. The budget has been realigned and the £1.3m was being covered by increased income from other areas.</p> <p>This shows an inaccuracy in the projected income for this area as the £1.3m was not identified as income previously when budgets were set which is concerning. Is there an explanation for this.</p>	<p>That was identified from street works, highways design and recycling income. The Head of Service is confident that the Service could absorb this. The Cabinet Member did not have an explanation for the increased income and why the £1.3m would no longer need to remain as a savings target.</p>
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**Outcomes:**

- **Noted.**
- **The Head of Finance to circulate a copy of the Reserves policy to Members of the Finance Panel.**
- **That the Governance and Audit Committee undertake a review of the reserves policy and that the Chair of the Finance Panel be invited to that meeting.**
- **That the Head of Highways, Transport and Recycling be asked to provide an explanation of the increased income of £1.3m not identified previously.**

<b>4.</b>	<b>CAPITAL FORECAST 2022 - 23 AS AT 30TH SEPTEMBER 2022</b>
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**Documents Considered:**

- Report of the Cabinet Member for Finance and Corporate Transformation.

**Issues Discussed:**

- The report provided an update on Council's financial position for the capital programme as at 30<sup>th</sup> September 2022.
- The revised programme is budgeted at £96.46m following the awarding of additional grants and the reprofiling of budgets between financial years.
- Actual spend amounts to £24.37m (25% of the total budget).
- 42% or £40.66m of the capital programme will be supported through borrowing.
- The continued increase in inflation is having an impact on schemes as materials and construction costs rise. Interest rates are also rising increasing the cost of borrowing.
- Service managers are monitoring schemes and mitigating increases where possible.
- Some schemes may be reduced or paused until there is more certainty about cost and funding. Any additional funding required is likely to increase borrowing which will increase costs on the revenue budget. To reduce expenditure some pipeline capital schemes that have not progressed to approval stage have been delayed, thus reducing the immediate need to borrow, delivering an underspend on borrowing costs for the year of £0.5m.
- Capital receipts - £810k have been received and further sales agreed to the value of £870k. It was expected that sales totalling £2m would be achieved in the financial year.
- Questions:



Question	Response
What is the current cost of borrowing and how much has it gone up	<p>Officer Response:</p> <p>It has gone up and down. In the last financial year the Council managed to borrow at under 2%. At points this year it had been well over 4%. Currently it was around 3.6% and that trend was expected to continue and reduce to about 3% next year. The Council has mitigated the higher rates by only taking out 12 month borrowing at slightly higher rates in the anticipation that rates would fall and longer term borrowing would be undertaken when rates were more reasonable.</p>
What are the advisers forecasting as far as rates next year, are they expecting them to be above 3%.	<p>Officer Response:</p> <p>The advisers are expecting rates to reduce to 3% / 3.5% next year and then reducing to 2.5% / 3% the following year.</p>
It is prudent to reprofile and delay capital projects under the circumstances. It is noted that around 40% of funding comes from grants from Welsh Government. Can assurance be provided that by delaying projects this does not compromise or reduce the amount of Welsh Government grant.	<p>Officer Response:</p> <p>The grants identified will be spend this year within the terms of the grant. There are schemes where there is a finite date by which funding has to be spent and the Council works to ensure that this funding is spent. There is a longer term envelope for the funding on other schemes such as for school projects and there are opportunities to reprofile these in consultation with Welsh Government so grant funding is not lost. Therefore there are no major risks.</p> <p>Services are cutting their cloth accordingly with the in year grant schemes.</p>
The percentage of grant expected will follow through so it will be 50% / 60% of the total cost. Are we not expecting much variation in that.	<p>Officer Response:</p> <p>No and borrowing would be expected to reduce towards the end of the year as more up to date forecasts and spend is known.</p>
Page 46 - Appendix B – Head of Service commentary for Adult Services. Did not find the commentary very explanatory / helpful. It states that the capital funds would be fully utilised then stated that the funding would be fully spent or carried forward. We do need the funding but if the funding was not spent this year could it be taken out of the current	<p>Officer Response:</p> <p>The £1m budget for Adult Services is comprised of several different pots. A certain part of it is set aside to undertake capital works for the refurbishment of care homes which it is expected will be fully utilised during the year. Other funding for other schemes may be spent if possible but could be</p>

year's budget and put in next year's budget	carried forward to next year depending on the feasibility of schemes currently. It was expected that the service would spend about half of the funding in the current financial year.
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**Outcomes:**

- **Noted.**
- **The Cabinet Member for Finance was asked to challenge services to include more useful commentary in the report in future.**

<b>5. WORK PROGRAMME</b>
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**Documents Considered:**

- Forward Work Programme for 2023.

**Issues Discussed:**

- None

**Outcomes:**

- **Noted.**

**County Councillor A Davies  
(Chair)**

**Finance Panel**  
**24-02-2023**

<b>Report Title:</b>	Quarter Three 2022-23 Financial Forecast Update
<b>Lead Officer:</b>	Head of Finance

**Key Issues in the report highlighted by Lead Officer**

The report provides an update on the forecast financial outturn (both revenue and capital) for the 2022-23 financial year based on the updated position at quarter three (December)

The report explains the changes from quarter two, covering how well we are achieving our savings targets, what reserves we may have to use to balance the outturn, what grants have been received and whether any budget virements need to be approved.

The report allows the Service Heads to provide an update about their financial position and challenges in Appendix B

**Key Feeders (tick all that apply)**

Strategic Risk		Cabinet Work Plan	
Director / Head of Service Key Issue		External / Internal Inspection	
Existing Commitment / Annual Report		Performance / Finance Issue	X
Suggestion from Public		Referral from Council / Committee	
Corporate Improvement Plan	X	Impacting Public / other services	
Service Integrated Business Plan	X		
Suggestion from Members			
Partnerships			

**Scrutiny Impact (tick all that apply)**

Policy Review		Performance	X
Informing Policy Development – Financial Regulation compliance	X	Evidence Gathering	
Risk		Corporate Improvement Plan	X
Service Integrated Business Plan	X	Partnerships	
Pre-Decision Scrutiny		Finance / Budget	X

**Other (please specify)**

Not applicable

**Suggested scrutiny activity - Committee's Role:**

1. Questioning and analysing service levels and costs (use of public money) and ensuring the Council remains within the budget it has set (raising areas of concern to be sure issues being investigated)

a) In Appendix B have the Heads of Service provided clear explanation about their financial position and set out what they may have to do to mitigate any overspends (cutting cost, raising income etc)

b) Is the way they will cut spend to manage their overspend realistic? Does the narrative provided give assurance that their proposals can be delivered and make a difference to the financial position

c) If the information is not clear ask the Head of Service to explain further so you are satisfied

d) Are there changes to the budget plan that require virements (moving budgets around to comply with financial regulations), do any of these budget plans require use of reserves, if so what is the impact?

e) Are you clear why savings are not being achieved and are alternative means of delivery proposed

f) Will overspends have an impact on budget setting next year

2. Monitoring capital projects – Are these projects on track to be delivered as planned, do heads envisage further slippage in timescales or changes in cost and if so what are the implications

3. Does the financial position in revenue and capital ensure that the services is delivering its objectives – or create a dip in delivery of the service provided ?

4. Is the commentary written in clear, plain and understandable language?

5. Is the content and quality of reporting appropriate and sufficient to provide the organisation (particularly Scrutiny themselves as well as the responsible Heads of Service, Directors, and Portfolio Holder) with assurance about the work being undertaken?

6. Any other comments

**On what specific elements of the report would scrutiny comment add value**

As noted above.

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**CABINET EXECUTIVE**

**7<sup>th</sup> February 2023**

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

**REPORT TITLE:** Financial Forecast for the year ended 31st March 2023  
(as at 31<sup>st</sup> December 2022)

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**REPORT FOR:** Decision

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**1. Purpose**

1.1 To provide Cabinet with the forecast revenue budget outturn for the 2022-23 financial year based on the position at 31<sup>st</sup> December 2022 and explain any changes since the last report at quarter two.

**2. Background**

2.1 A report considered by Cabinet in the autumn set out the current challenging economic context and how it is impacting on the council's finances. The impact of rising inflation is increasing the financial pressure on the Council's budget as costs for fuel, food, and energy increase.

2.2 The cost-of-living challenge is also impacting on our local businesses and residents, and this creates additional pressure on the Council as demand for our services increases.

2.3 The rising costs are also impacting on our capital schemes as materials and contractor costs increase and the cost of borrowing becomes more expensive.

2.4 Pay awards for the year, as agreed nationally, have been actioned totalling £7.9m. This is more than what was budgeted, as budgets approved last year did not envisage the inflationary rises we are now managing. The underfunded element equates to a budget shortfall of £3.8m, which is mitigated in part by a call on reserve of £1.2 million. Schools have to fund the in-year shortfall of £0.6 million non recurrently. Budgets in 2023-24 have accounted for the budget gap this year.

2.5 At quarter two the projected position reported a deficit of £7.1 million, of which £5.3 million was forecast to be funded through the drawdown of previously approved specific reserves and the risk budget. Leaving a further £1.7 million deficit to be funded from general reserves.

2.7 At quarter three the revised projected position has reduced the deficit to £2.4 million, but this is after the drawdown of the payroll reserve of £1.2 million, but before use of £3.3 million of specific reserves. The overall underspend of £1 million will be transferred to the specific capital financing reserve.

2.8 Table 1 below summarises the projected outturn position across the Council's services including HRA and delegated schools. Appendix A provides the financial position for each service, broken down into categories covering cost pressures, cost underspends, cost reductions and use of specific reserves.

**Table 1 – Forecast Position**

Revenue Budget	£'000
Base Budget	301,870
Cost Pressures	16,430
Cost Underspends	(16,366)
Cost Reductions Shortfall	2,353
Sub Total	304,287
<b>Overspend before Reserves</b>	<b>(2,417)</b>
<b>Funded by:</b>	
Agreed Specific Reserve Use	(3,327)
Contribution from Risk Reserve	(163)
<b>Net Underspend</b>	<b>1,074</b>

- 2.9 Services have continued to manage their expenditure by reducing costs and maximising the use of alternative funding sources to support the improvement in the forecast by £2.7 million over the remainder of the financial year. The largest improvement relates to Childrens Services at £0.8 million, and Social Care Commissioning £0.7 million both relate to cost savings delivered by use of grants. In addition, corporate budget assumptions have moved by £0.6 million due to borrowing costs as some capital schemes are profiled into next year.
- 2.10 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.

### **3. Cost Reductions**

- 3.1 Cost reductions of £8.1 million were approved as part of the Councils budget for 2022/23 and the delivery of these is required to achieve a balanced budget. In addition, undelivered savings from 2021-22 have been rolled forward totalling £2.8 million, these also need to be delivered.
- 3.2 The summary at Table 2 shows that 67% or £7.3 million have been delivered and a further 11% £1.2 million are assured of delivery by Services. £2.4 million, 22% are unachieved and are at risk of delivery in year, this has improved from the £3 million reported as unachieved last quarter. Services continue to review these and are required to consider mitigating action to ensure that they can deliver within the budget allocated.
- 3.3 As part of the budget setting process for 2023-24 a number of undeliverable savings have been agreed to be written off totalling £1.6 million for next year.

**Table 2 – Savings Summary**

£'000	To Be Achieved	Actually Achieved	Assured	Un-achieved	% Achieved
Adult Services	3,429	2,832	597	-	83%
Childrens Services	3,640	2,073	290	1,278	57%
Economy and Digital Services	282	67	-	214	24%
Education	55	50	5	-	91%
Finance	39	39	-	-	100%
Central Activities	1,045	1,045	-	-	100%
Highways Transport & Recycling	1,612	622	290	701	39%
Housing & Community Development	172	172	-	-	100%
Legal & Democratic Services	24	-	18	6	-
Transformation and Communications	230	230	-	-	100%
Property, Planning & Public Protection	189	25	9	155	13%
Workforce & OD	138	101	37	-	73%
<b>Total</b>	<b>10,855</b>	<b>7,256</b>	<b>1,245</b>	<b>2,353</b>	<b>67%</b>
		67%	11%	22%	

#### 4. Reserves

4.1 The Reserves position at Table 3 sets out the reserve forecast as at 31<sup>st</sup> December 2022. The opening reserves stood at £63.8 million, with the general fund reserve of £9.3 million representing 4.3% of total net revenue budget (excluding Schools and the HRA).

**Table 3 – Reserves**

Summary	Opening Balance (1st April 22) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Projected Balance (31st March 23) Surplus/ (Deficit)
General Fund	9,333	0	9,333
Budget Management Reserve	3,584	0	3,584
Specific Reserves	29,167	(7,424)	21,743
Transport & Equipment Funding Reserve	8,843	(1,914)	6,929
<b>Total Usable Reserves</b>	<b>50,927</b>	<b>(9,338)</b>	<b>41,589</b>
Schools Delegated Reserves	8,982	(5,231)	3,751
School Loans & Other Items	(371)	7	(364)
Housing Revenue Account	4,244	(164)	4,080
<b>Total Ring Fenced Reserve</b>	<b>12,855</b>	<b>(5,388)</b>	<b>7,467</b>
<b>Total</b>	<b>63,782</b>	<b>(14,726)</b>	<b>49,056</b>

4.2 The specific reserve forecast of £7.4 million requirement is attributed to:

- Drawing down from the Grants Unapplied Reserve totalling £3.3 million (monies rolled forward at year end) which will fund grant scheme costs in 22-23.
- £1.2 million has been used to support the pay award.
- £2.4 million from service specific reserves that were set up to fund in year demand.

- £1.1 million underspend as set out in Table 1, is transferred to the specific Capital Financing Reserve to be set aside to support the future capital programme.
- The other main budgeted reserve use is for funding costs as part of the Levelling Up programme £765,185 and £310,000 from the Spend to Save reserve for exit costs as part of the joint venture closure, which will be fully refunded by services.

4.3 The delegated schools forecast has been updated and the forecast outturn now requires a £1 million call on their reserves to support the pay award and utilities. In addition to the £4.1 million that was forecast by governing bodies as part of their budget forecast submissions in December. School reserves increased by £5.7m at the end of last year as they benefitted from additional funding provided by Welsh Government in the last quarter of the year. They will need to draw on these to support the increasing costs.

## **5. Grants and Virements**

5.1 There have been additional grants received this quarter and are reported to comply with financial regulations:

### **5.1.1 Children's Services:**

- Early Years Integration Transformation Programme – Pathfinder Co-production, Welsh Government Grant of £225,000. The Purpose of the Funding is to support the work of the Pathfinders who have joined the Early Years Integration Transformation Programme. The work of the programme will be two-fold: To test the core components for a single integrated early years' service and to consider what it will take to develop a fully integrated and responsive early years' service in their area, focused on the coordination of services locally, their planning and commissioning and how best to identify and address needs.
- Eliminate Profit from Care, Welsh Government Grant of £150,000. 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.
- Parenting Support, Welsh Government Grant of £60,000. The purpose of the grant is to enhance parenting support in respect to increasing workforce capacity and their skills and knowledge. Supporting innovative community-based provision, develop innovative training tools for parenting practitioners, and further the support available for interparental conflict and parental relationships.
- Turnaround Programme, Ministry of Justice Grant of £27,000. 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 their statutory caseload.

### **5.1.2 Education**

- £127,588 – Post-16 Education Provision. Additional funding is being provided from Welsh Government to 6<sup>th</sup> Form and Adult Community Learning by increasing the unite rate of funding by 5%.
- £5,489 – Variation 2 of the Regional Consortia School Improvement grant. Additional funding for National support for curriculum reform..

### **5.1.3 Housing**



£153,824 – Homelessness – No One Left out Approach, additional funding received from Welsh Government to support the homelessness costs that were historically funded via the Local Authority Hardship Fund.

5.2 Several virement requests are requested for approval:

5.2.1 Highways Transport & Recycling

The Fleet service are seeking to fit CCTV equipment on vehicles in Highways, Transport and Recycling services and to install driver identification devices in each vehicle with aim of providing visibility on driver moments in conducting vehicle checks, which will send a defect alert to Fleet Management who can determine if the vehicle is roadworthy for use. The CCTV camera will facilitate a mobile option for fitters checking defects remotely. The cost of this proposal totals £150,000, currently the service spends £49,853 on tracking equipment which will cease should this option be approved. The £150,000 will be financed by the £49,853 reduction on trackers and a reduction in 2 x HGV fitters in the workshops totalling £83,000, a further reduction of £8,000k on the driver handbooks budget and the balance of circa £11,000 reduction on disposal costs within fleet workshops

5.2.2 Council Wide Reimagining Review

Use of the Covid Recovery Reserve is requested to fund additional staff resources that will be required to deliver a council wide review to address the budgetary shortfalls as set out in the Medium Term Financial Plan. The need for the review is to work in advance of the next budget round and ensure a medium term budget is put in place. The funding settlement for 2023/24 was positive but recent fiscal analysis suggests from 2025/26 it is anticipated that public sector funding will dramatically reduce beyond anything anyone has experienced previously. It is the forward planning for this challenge that requires a completely different approach, and we must prepare now to deliver sustainable change by 2025. Up to £300,000 will fund 3 members of staff for a maximum of two years. The Review will reimagine Powys County Council in 2025 and establish the type and volume of services that we can offer to put the organisation on a more sustainable footing moving away from annual service cuts. The organisation will be smaller and more efficient using technology where appropriate to improve service delivery. It will hold less assets and will provide accessible services across 7 community areas. The review will ensure that the Stronger, Fairer, Greener Corporate Plan is delivered successfully.

**6. Financial Risks**

6.1 The current collection rates for Council tax (April – December) are 80.75% which is 1.05% lower than the December 2019 collection rate, this equates to a risk of up to £1.1 million being uncollected by year end. Powys are the 7<sup>th</sup> highest collector of council tax across Wales at this point in the year. At the moment we are able to mitigate this by collecting additional premiums from second home and long term empty schemes.

6.2 Demand for some services could change through the winter period when pressure on services are at their highest, this will impact on the figures currently being projected.

6.3 In previous years additional funding has been provided by Welsh Government towards the end of the year, this is likely to be minimal this year so we must plan and manage our budget without that level of expectation. The indicative funding allocations for the next 2 years provided by Welsh Government are well below the level of inflation and will represent a real term cut in funding for the Council.

- 6.4 The Medium-Term Financial Strategy and the assumptions on which the Financial Resource Model are now finalised and awaiting approval. We continue to plan in a challenging and uncertain time and will update the forecast as more information becomes available.
- 6.5 Inflation and in particular fuel and energy costs continue to impact on the Council, with contractors approaching the Council to raise their concerns and start discussions. With CPI inflation at 10.5% in December we are anticipating that it has now tapered and must ensure that we take every opportunity to limit this impact.
- 6.5 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 long 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 Audit Committee.

## **7. Resource Implications**

- 7.1 The Head of Finance (Section 151 Officer) has provided the following comment:
- 7.2 The council continues to face a considerable challenge to balance its budget this year. The action taken to date is already reducing the deficit and we must continue to reduce costs and limit the draw on our reserves.
- 7.3 Reserves are held to mitigate unexpected risks and the use of reserves this year will ensure that we meet our statutory responsibility to deliver a balanced budget, however, the challenging environment is not going to end at the end of this financial year, we must ensure that we deliver council services within the resources we are allocated on an annual basis. Holding sufficient reserves to manage the ongoing risk as we move into future years is key to maintain our financial sustainability.
- 7.4 The current volatile situation dictates that we will keep the position under constant review, and we will continue to update our assumptions and their impact on the budget both for the current year and as we develop our financial plans for the next five years.
- 7.5 The Medium-Term Financial Strategy has been reviewed and updated and it together with the budget proposal will be recommended to Council for approval on the 23<sup>rd</sup> February, Powys were awarded a better than anticipated above average settlement of 8.7% and this together with the savings proposed and an increase in Council Tax has enabled the Cabinet to propose a balanced budget for 2023/24. A budget gap remains for the future years of our plan which needs to be bridged.
- 7.6 There will be difficult decisions ahead as we consider the implications of our financial position on our ability to deliver appropriate Council services to our residents.

## **8. Legal implications**

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

## **9. Data Protection**

- 9.1 There are no data protection issues within this report.

## **10. Comment from local member(s)**

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

## **11. Impact Assessment**

11.1 No impact assessment required.

## **12. Recommendation**

12.1 That Cabinet note the current budget position and the projected full year forecast to the end of March 2023.

12.2 The grants received in this quarter as set out in section 5.1 are noted.

12.3 The virements set out in section 5.2 are approved, this is to comply with the virement rules for budget movements between £100,000 and £500,000 as set out in the financial regulations.

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

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER						
		Add	Less	Add	Revised	Less	Less	Less	Final			
	£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Adult Services		74,814	2,780	(311)	597	77,880	(597)	(1,372)	(1,065)	74,846	(32)	(5)
Children's Services		28,490	5,357	(3,007)	1,567	32,407	(290)	(499)	(1,009)	30,610	(2,120)	(2,956)
Commissioning		3,769	0	(691)	0	3,078	0	0	0	3,078	691	11
Education		17,652	571	(1,216)	5	17,012	(5)	0	0	17,007	645	442
Highways Transport & Recycling + Director		30,600	2,157	(2,412)	990	31,336	(290)	(151)	(35)	30,860	(260)	(259)
Property, Planning & Public Protection		6,170	393	(825)	164	5,902	(9)	(150)	0	5,743	427	198
Housing & Community Development		5,779	579	(297)	0	6,061	0	(100)	0	5,961	(182)	(350)
Economic and Digital Services		6,369	54	(267)	214	6,370	0	0	(54)	6,316	53	66
Transformation & Democratic Services		3,735	160	(82)	0	3,813	0	(114)		3,699	36	45
Workforce & OD		2,511	0	(310)	37	2,238	(37)	0	0	2,201	310	174
Legal		1,434	86	(93)	24	1,451	(18)	0	0	1,433	1	30
Finance & Insurance		6,258	37	(17)	0	6,278	0	0	0	6,278	(20)	(13)
Corporate Activites		34,251	3,221	(6,745)	0	30,727	0	0	2,000	32,727	1,524	971
<b>Total</b>		<b>221,832</b>	<b>15,396</b>	<b>(16,273)</b>	<b>3,599</b>	<b>224,553</b>	<b>(1,245)</b>	<b>(2,386)</b>	<b>(163)</b>	<b>220,759</b>	<b>1,074</b>	<b>(1,646)</b>
Housing Revenue Account		0		(93)	0	(93)	0	93	0	0	0	(2)
Schools Delegated		80,038	1,034	0	0	81,072	0	(1,034)	0	80,038	0	(100)
<b>Total</b>		<b>80,038</b>	<b>1,034</b>	<b>(93)</b>	<b>0</b>	<b>80,979</b>	<b>0</b>	<b>(941)</b>	<b>0</b>	<b>80,038</b>	<b>0</b>	<b>(102)</b>
<b>Total</b>		<b>301,870</b>	<b>16,430</b>	<b>(16,366)</b>	<b>3,599</b>	<b>305,532</b>	<b>(1,245)</b>	<b>(3,327)</b>	<b>(163)</b>	<b>300,797</b>	<b>1,074</b>	<b>(1,748)</b>
						(3,662)				1,074		

**Appendix B Head of Service Commentary**

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Adult Services	74,814	2,780	(311)	597	77,880	(597)	(1,372)	(1,065)	74,846	(32)	(5)

**Adult Social Care Overview**

The forecast outturn at the end of quarter 3, 31<sup>st</sup> December 2022, is an overspend of £3.066m of which £1.372m is to be funded from agreed 'Specific Adult Social Care' reserves and £1.065m from the 'Councils Risk/Management' budget, £0.597m of efficiencies/savings still to be delivered but achievable, which leaves an overall small overspend of £32k. It assumes that the full growth allocation of £2.3 million will be utilised to fund external services in regard to the Real Living Wage as directed by Welsh Government and expenditure remain within this financial envelope. Currently, the Local Authority is still in negotiation with some providers. The outturn forecast has deteriorated by £27k from Quarter 2.

**Cost Pressures**

**(a) Current Pressures - Included in the forecast outturn at quarter 3**

- £1.202 million of the £1.436 million Specific Reserves carried forward from 2021/22 year end, as below:

Explanation to Support Request	£	Included in Outturn Q3 Forecast
Roll over into a specific reserve the underspend due to one off income raised from back dated fees. This reserve will specifically fund a managed service 'Zyla' to reduce the number of outstanding reviews, in part due to the pandemic and also due to the increased presentations due to lack of Health Care provision, unfortunately the resource was sourced in 2021/22 but have been unable to commence until 2022/23.	£497,000	£497,000
Roll forward reserve due to mini PPNO2/20's with providers to fund additional running costs of Older Day Centres and restricted numbers of service users, which is currently and unknown unit cost	£100,000	£100,000
Roll forward to cover the additional cost of the Agency Domiciliary Care v Powys County Council employed, during period of recruitment and on boarding, following return of hours from the external providers. Due to the lateness of a grant received to promote the independence of people with care and support needs or in an early intervention and prevention context to maintain people in their own homes, the service offset existing costs to utilise a portion of the additional funding, this enabled the service to have an underspend against base funding which we request to roll forward.	£385,000	£385,000
Roll forward reserve due to mini PPNO2/20's with providers to fund additional placements costs, possibly out of county, which will not have been budgeted for, due to the financial stability of commissioned providers, particularly the care home sector following the cessation of the Welsh Government Covid 19 Hardship and capacity following the pandemic. This will enable swift transfer of clients.	£234,000	
Roll over into a specific reserve due to the one off over achievement of 'Direct Payment' refunds, as clients have been unable to utilise fully due to the pandemic the one off additional capacity within the Occupation Therapist teams to meet the XXXX number of outstanding assessments due to increase in referrals during the pandemic, in part due the reduction in hospital surgery and increase in falls and trips and due to 'lock down' the lack of mobility.	£220,000	£220,000
<b>TOTAL</b>	<b>£1,436,000</b>	<b>£1,202,000</b>

- Additionally, £170k of the £400k allocated at year end by Welsh Government (WG) in the Revenue Support Grant (RSG) to be utilised to fund 'electric cars and driving lessons' in Domiciliary Care and rolled forward to 2022/23, is now going to be utilised to fund the increase in mileage rate for external domiciliary care providers from 35p per mile to 45p per mile as part of the UKHCA funding formula, as per WG redirection notification.
- A total of £1.065 million is to be funded from the Councils 'Risk/Management' reserve: £735k in year Covid pressures and £170k Demography to be managed at risk as considered and agreed as part of the budget setting process in the Financial Resources Model (FRM), £100k contract inflation as a result of Ukraine etc., £60k in respect of the cost of the two additional bank holidays for frontline services, not previously budgeted for.

**(b) Future pressures** - Not included in the forecast outturn

- Unknown future impact of Covid 19 on services/providers as WG Hardship funding ceased on 31<sup>st</sup> March 2022. This was in relation to support to local authorities to maintain their commissioned and in-house adult social care placements. Additionally, increase in service needs due to frailty/deterioration in health and mobility as a result of lack of Health appointments and delays in treatment and operations.
- Winter pressures and potential demand on home-based care and interim bed options, future demand is unknown and so further cost pressures may arise.
- Stability of commissioned providers, particularly the care home sector. There are currently a number of providers who may be at risk of failure.
- Future demography, which was agreed to be funded from the risk reserve as part of the FRM budget setting process. This temporary allocation will only support these costs during 2022/23 and the full year impact will need to be considered in the FRM and Service's Integrated Business Plan (IBP) for future years.
- Additional and backdated costs for "Sleep-ins" following the outcome of the judicial review, possibly backdated to November 2011. Awaiting judgement and liability to be calculated by the payroll team for the in-house service and legal direction.

Cost Underspends

- £311k are across various service areas in the main relation to staff slippage and travel, as less face to face meetings occurring currently.

Cost Reductions

- **Assured**  
The original target of £3.429 million is currently on target to achieve delivery, of which £2.822 million (82.58%) of the original target to date achieved and included in the forecast outturn. Currently, there is assurance of delivery of the further £0.597 million outstanding.
- **Undeliverable**  
A risk on delivery as the service is in business continuity and if Covid and referrals continue at the current levels.

Other mitigating actions to deliver a balanced budget.

- Maximisation/utilising of any grant underspends, if within the grant terms and conditions for previously budgeted and funded baseline costs.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Children's Services	28,490	5,357	(3,007)	1,567	32,407	(290)	(499)	(1,009)	30,610	(2,120)	(2,956)

### Children's Services Overview

The pressures from quarter 1 and 2 have continued into quarter 3 with a trajectory of an overspend of £2.120 million at the end of this financial year. We are continuing to review all expenditure, which has included going back to basics and looking into every penny that is being spent. We are aware of the continued high-cost placements and are monitoring children and young people's care plans more closely within our closer to home strategy. We are building our inhouse foster carer provision to assist with bringing children and young people back closer to home in Powys. The recruitment strategy for foster carers is line with foster Wales where we have seen an increase in enquires. We are continually monitoring the use of agency social workers and non-qualified staff to ensure that we are getting value for money. The agreed managed agency social work team ended their contract earlier than planned in December. Recruitment and retention of staff remains a Powys and national challenge, we have reviewed our agency pay rates and committed to not increasing these rates in line with ADSS Cymru recommendations. We are continuing to build a permanent and supported workforce where our grow our own investment continues. The challenge is to maintain the existing workforce, build our grow our own strategy whilst work on hard to recruit to social work posts. We have had the benefit of 5 permanent social workers into the service during Quarter 3. This will continue to build over 2023/24.

#### Cost Pressures

- £2.018 million cost in placements for children who are children looked after. There is an increase in Residential provision out of Powys due to a lack of in house foster carers, Independent Foster Carers and Residential provision.
- The two In House Residential homes and the two current un-regulated homes are forecasting a total pressure of £1.011 million (£415,000 funded from the risk reserve). These homes provide in county children looked after placements for children with complex and disability needs. This position is due to the high level of agency workers, we are continuing to actively recruit, and recently held successful recruitment events.
- £80,000 Social Services Emergency Duty Team- this figure is owed to Adult Services to cover the costs since the service moved to them.
- £265,000 Leaving Care- These children remain in high-cost placements at 18 years of age and have not stepped down due to need but who are still subject to Pathway plans and entitlements as care leavers.
- £246,000 Section 21 support- additional monies being used to support families who are in crisis.
- £179,000 Short breaks for children with complex needs- and increase in short break provision based on need. £109,000 pressure with an offset from covid reserve of £70,000
- £38,000 budget pressure in Legal services.
- The Managed Agency Teams is being fully funded from the Children's Service Specific Reserve of £499,000, rolled forward from 2021/22 with the remaining £497,000 being funded from the Welsh Government Social Care Workforce Grant.
- £524,000 around additional staffing/agency due to increase in demand in the front door, early help and assessment teams due to Covid-19, agreed to be funded from 'Corporate Risk reserve', previously funded via Welsh Government Covid Hardship.

### Cost Underspends

- £157,000 due to under utilisation of the Market supplement. Currently not all qualifying posts are occupied or been occupied for the relevant time frame.
- £129,000 due to service decision not to backfill student social workers whilst on placement in Children's services.
- £227,000 of targeted posts being held vacant (part of 23/24 FRM Savings towards service Transformation).
- £120,000 due to a delay to the Special Guardianship project (one year saving only).
- £120,000 forecasted underspend on Adoption due to reviewing the service. (part of 23/24 FRM Savings).
- various small underspends on service subjective headings.
- Welsh Government grants mitigating baseline funded costs, in line with grant terms and conditions.
- Since Q2 £462,000 of additional new grants have been received – detail is provided in virement section.

### Cost Reductions

- £380,000 Target. This was set as a target 20/21 for shared costs with PTHB however these savings remain to be consistently saved. To date £136,000 achieved with a remaining £244,000 not yet achieved. No other children eligible, so this cost is not likely to be saved.
- £256,000 Target- This is all achieved. There was a change in leaving care Provision (16 plus supported Accommodation), which has been commissioned.
- £1.500 million Placements Target- Achieved £1.270 million - Left to achieve £230,000. The Closer to Home (step down in provision) has been established with objectives set around continuing to bring children who are looked after back to Powys. We are looking at higher cost placements and considering what could be done differently e.g., moving a young person from a high-cost residential placement to live in her own flat supported by us through the 16+ accommodation strategy.
- £800,000 Continuing Care Contribution. This was set as a saving target in 2021/2022 but there are no care plans where this money has been identified. This has been highlighted as a complicating factor.
- £150,000 Agency – This saving was identified within 2021/2022 with an expected conversation of 5 agency social workers to permanent social worker positions. Due to the high level of staff leaving the council this was not achievable. We continue with our recruitment campaign to recruit permanent social workers. Whilst we have recruited some agency staff to permanent workers, staff have still left so the gap has not reduced.
- £84,000 Cost Saving from using permanent Social Workers once qualified instead of Agency (based on "grow your own" project - Masters Students and 50% Open University Students) plus Market Supplement. 5 grow our own students qualify this Summer and have been matched to Permanent posts within the structure. Whilst we have recruited these staff, the deficit remains in key statutory service areas such as the Front Door- Information, Advice and Assistance function and impact in demand within the Assessment teams.
- £10,000 Reduction in staffing expenses/family time expenses due to "closer to home". Delivered £10,000
- £5,000 Foster Panel Costs (Team managers to cover)- Delivered £5,000.
- £50,000 Special Guardianship Order (SGO) Project - 1 FTE Social Worker in first two years. The project plan is being implemented. This saving has been achieved in 2022/23 as part of the project.
- £30,000 Special Guardianship Order (SGO) Project - 0.5 FTE Independent Reviewing Officer (IRO). The project plan is being implemented. This saving has been achieved in 2022/23 as part of the project.
- £90,000 Special Guardianship Order (SGO) Project - Conversion of Independent Fostering Agency (IFA) placement to SGO placement. Delivered £30,000 to date.



## Use of Reserves

£499,000 - An agency managed team was brought in to support the service during a difficult period of recruitment, retention coupled with capacity and demand. The team currently support up to 120 families who have been subject to child protection processes. This has assisted in the safety planning of these children and their families and assisted with the increased workloads within the service. £415,000 was agreed to support the children's residential home due to additional staffing required which was ordered by the court care plan.

Covid risk reserve- £524,000 contact officers, front door and early help pressure due to demand and capacity.

Plus £70,000 for additional short breaks provision for children with complex needs.

## Other mitigating actions to deliver a balanced budget.

We

- will fully utilise grants across the service as in previous years to mitigate the financial position.
- are engaged with the Commissioning of an Agency Matrix Framework which we anticipate will enable effective recruitment and management of agency worker and reduce agency costs.
- have re launched the Closer to home strategy to bring children who are looked after closer to their homes. We are developing a recruitment strategy for supported lodging hosts and foster carers so that there is more flexibility within placements within Powys.
- are continuing to invest in our Grow our own project with up to 7 potential students qualifying as social workers in November 2023.
- are reviewing our expenditure around our section 21 monies and establishing if we can do things differently.
- are reviewing our offer around short break provision.
- are reviewing our high-cost residential placements and establishing if we can source an alternative within Powys.
- are reviewing our staffing structure and considering what could we do differently?
- are looking at ways in which we can continue to reduce the number of children who are looked after and also the number of children subject to child protection registration.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022					ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final			
	£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Commissioning		3,769	0	(691)	0	3,078	0	0	0	3,078	691	11

### Commissioning Overview

The underspend has increased by £650k due to a reallocation of baseline costs to a government grant, this however will be required in 2023/24.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Education	17,652	571	(1,216)	5	17,012	(5)	0	0	17,007	645	442

### Education overview

Through effective ongoing joint working and collaboration between the finance team and officers across the service area we continue to make considerable savings to ease the internal financial pressures. Further efficiencies in specific service areas continue to be reviewed through ongoing collaboration and solution focused decision making. The overspend has been reduced further and is helping the current financial expectation.

Covid-19 pandemic continues to place additional pressures on the service and consideration needs to be given regarding the long-term challenges this could bring in certain areas such as Additional Learning Needs and attendance. The service continues to work hard on mitigating financial issues as they arise through the effective use of grants and have managed to alleviate pressures.

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		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Schools Delegated	80,038	1,034	0	0	81,072	0	(1,034)	0	80,038	0	(100)

### Schools Delegated Overview

Through ongoing effective working relationships between, the PCC finance team, School Improvement Advisers, Senior Managers, Headteachers and Chairs of Governors we continue to identify potential savings for schools from reviewing spending plans and continue to support schools with the development of their financial planning. We continue to work closely with other Local Authorities to share practice and identify joint working which can support our schools further. We also continue to work with schools to support the effective deployment of grants.

The Covid-19 pandemic continues to place additional pressures on schools and consideration needs to be given regarding the long-term challenges this could bring.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Highways Transport & Recycling + Director	30,600	2,157	(2,412)	990	31,336	(290)	(151)	(35)	30,860	(260)	(259)

## Highways Transport & Recycling Overview

### Cost Pressures

- £294k overspend on highways routine maintenance works, which is an improvement since June 2022
- £250k under-recovery of the budgeted profit target from Trade Waste collection services which is used to support corporate support costs in delivering the Trade Waste Service.
- £128k overspend on green waste collections
- £164k overspend on domestic waste collections resulting in the main from increased fuel costs
- £198k overspend on Household Recycling Centre management fee for July to March 2023 whilst the contract retender takes place.
- £456k overspend on home to school transport expenditure

### Cost Underspends

- A forecast over-recovery of recyclate income against budget of £232k
- An over-achievement of £353k against street works resulting from increased income against budget.
- An over-achievement of profit associated with highways design of £143k.
- An over-achievement of income on traffic management works of £85k
- Use of vacant management/supervision posts £205k

### Use of Reserves

- £549k expected WG grant reserve to support the £549k savings target within transport services.

### Other mitigating actions to deliver a balanced budget.

- Promote the green waste service to increase income.
- Seasonal working is starting to reduce overtime on highway and verge maintenance
- Start reducing non-critical highway maintenance works
- Increase Trade Waste charges to ensure full cost recovery.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Property, Planning & Public Protection	6,170	393	(825)	164	5,902	(9)	(150)	0	5,743	427	198

### PPPP Overview

A harder environmental policy stance on intensive agricultural units and the phosphates issue in general is impacting on planning application income generation. The Planning Service is attempting to mitigate the impact by not recruiting to some vacant positions, but this mitigation is not going to be sufficient to stop the Planning Service having a significant overspend. The 2021 savings proposal of an additional £75,000, which was carried forward to 2022, is not going to be achieved considering the above.

Further controls relating to the funding of public protection investigations are being put in place to secured greater budget certainty. Methods to further manage risk are being considered by the service area.

Trading Standards are unable to achieve an income target of £44,000 from Proceeds of Crime Act 2002. The service area is looking into alternative options to secure £44,000 as this income target is not considered to be achievable moving forward.

Strategic Property are forecast an underspend compared with an overspend in the previous quarter. This underspend relates to the release of a significant budget allocated to remedial works, as the service area does not have the staff resource to appropriately manage the remedial spend.

Income targets for a small number of investment properties are not considered to be achievable. Strategic Property are reviewing this situation and moving into the next financial year, believe that these income targets can be offset using income receipt from alternative commercial properties.

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		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Housing & Community Development	5,779	579	(297)	0	6,061	0	(100)	0	5,961	(182)	(350)

### Housing and Community Development Overview

Spend is on track across most budget areas within Housing & Community Development. Managers and officers were asked to monitor and reduce spending where possible during this quarter to help support the Council's budget position.

Housing & Community Development is reporting a forecast outturn over spend of £182k compared to £352k at the end of September. The main reason for the reduction in the overspend is an improved position reported on Catering, this is offset by an over spend position reported in General Fund Housing. The HRA is reporting a forecast outturn under spend of £93k compared to an underspend of £3k at the end of September.

The service has savings to achieve of £172k in 2022-23 with all savings being achieved.

Catering income is being carefully monitored and appears to be increasing, although increased costs of goods, services and salaries are hindering this. Free school meals for the youngest primary children came into operation from September and a first term of data has been collected. It is still unclear what impact this will have on income and more work is being undertaken to give us a clearer indication of future trends.

The housing services funded by the General Fund are primarily statutory in nature and include the provision of services related to homelessness. High and increasing demand for homelessness services will likely result in a year end overspend of circa £180,900. This change in demand arises from changes introduced by the Welsh Government (WG) which have expanded the client groups entitled to homelessness-related help and assistance and tightened the criteria covering intentionality and the widening gap between the cost and availability of homes of all tenures in Powys when set against housing market need and demand. The predicted overspend has been estimated after allowing for the additional funding announced by WG in January for homelessness activity in 2022-2023 and money set aside in 2021-2022 for potential overspends in 2022-2023. Proposals are being prepared for 24/7 Triage Accommodation and Modular Temporary Interim Accommodation initiatives to reduce the need to use high-cost bed-and-breakfast accommodation for homeless households. Both initiatives will require 'invest to save' by the Council to come into effect and then deliver long term savings and achieve compliance with WG requirements to bring the use of bed-and-breakfast accommodation to an end. Now that experience has been gained of the new approaches introduced during the Covid pandemic has been gained, a more rigorous approach to assessing and managing homelessness has been introduced in January 2023, to better manage the number of applications for assistance and the time those entitled to help are housed in temporary accommodation.

**Pressures**

Due to country-wide/global issues regarding increasing energy costs and the uncertainty around continuing UK government support, Powys continue discussions with Freedom Leisure with regards to the significant cost forecast of utilities into 2023-24. The Council agreed to support the projected deficit position during the remainder of 2022-23 and into the next financial year – which will be closely monitored using an open book arrangement. This could have a considerable impact on the leisure and sport centres in the future and a review of the service will be undertaken to determine long-term sustainability of the provision.

The demand for statutory homelessness related services is unlikely to fall, until such time as the overall housing supply in Powys has been increased to meet the demand and need for secure, affordable homes. A total of 4,700 plus households are registered with ‘Homes in Powys’ for such accommodation – just over 7% of all households in Powys. The Council has a strong development pipeline for council homes (funded through the Housing Revenue Account) but this, due to phosphate management restrictions, for the next few years is now primarily limited to the north of the county. An acquisitions programme (funded through the Housing Revenue Account) is starting to take advantage of market opportunities to increase the municipal housing stock, to provide additional secure, affordable housing for homeless and other households in need of decent homes.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER						
		Add	Less	Add	Revised	Less	Less	Less	Final			
Page 31	£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
			0		(93)	0	(93)	0	93	0	0	0

**HRA –** The HRA is ring fenced and forms part of its own trading account, any surpluses and deficits are contained within a ring-fenced reserve. The HRA is expected to conclude 2022-2023 with a small underspend, which will remain within the account for future use.

**Pressures**

Rising construction inflation and lack of labour and available contractors are imposing additional cost pressures on the HRA. These will be managed by prioritising works that are most needed to keep homes safe, warm and dry and prevent future high-cost works being required due to a lack of routine maintenance. Voids works times are now being reduced since the internalisation of repairs and maintenance in July 2022. Enhancing internal capacity and capability to increase efficiency is being progressed in Q4 of 2022-2023 and Q1 of 2023-2024 (for example decoration of voids).

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Economy and Digital Services	6,369	54	(267)	214	6,370	0	0	(54)	6,316	53	66

## Economy & Digital Overview

### Cost Pressures

The service is managing current price increases within budget, but inflationary costs are increasing in ICT and Economy capital investment projects. Discussions are taking place with all current ICT suppliers to understand annual pricing and impact on budgets.

### Cost Underspends

Staffing costs are currently underspent as the restructure of service has been finalised in Q1 which has covered underachievement in cost reductions. Vacant posts across the service are being held where possible and do not impact critical delivery of the service.

### Cost Reductions

ICT hold cost reductions opportunities from the opportunities to modernise and reduce legacy systems on behalf of other services. This work has been delayed over previous years which has had an impact on our ability in 2022/23 to achieve savings outlined of £214k although work continues to progress opportunities wherever possible.

### Use of Reserves

No current use of reserves

### 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 the budgets in this area than had been seen in previous years. Maximising opportunities to align current staff to grant income has contributed to the balanced budget with use of specific reserves to balance the following years.



		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Transformation & Democratic Services	3,735	160	(82)	0	3,813	0	(114)		3,699	36	45

## Transformation and Democratic Services Overview

### Cost Pressures

Some areas of the service such as communications and the corporate insight centre (data analytics), are not fully funded by the annual working budget in terms of staffing costs. This means that there are several posts that are fixed term and funded by generating income through other means (external grants/carrying out work for other organisations). This has been a cost pressure for the service for several years and is highlighted in more detail in the mitigating actions below.

### Cost Underspends

The current forecast outturn position for the Transformation and Democratic Service at the end of December, is an under spend of £36k compared to a £45k under spend reported at the end of September. This assumes that £114k will be drawn down from the specific reserve. The underspend of £36k is reported in Democratic Services (and is relating to salaries and an underspend in member travel).

### Cost Reductions

Savings in this area amounted to £229k, all in year savings have been achieved: -

- Restructure of several teams - £113,510
- Reduction in travel - £11,000
- Five fewer Councillors - £105,000

### Use of Reserves

£114k use of reserves.

£98k to support the Communications staffing structure, as the permanent structure is not fully funded by the base budget.

£16k part funds the additional Business Intelligence Officer (fixed term post) within the Business Intelligence Systems team (SQL developer).

### 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 have been fortunate to obtain external funding from other sources and this funding enables us to balance our budget. We know that funding for this year is greatly reduced, however we have monies in reserves and are using these to support our current workforce delivery model as highlighted above. However, the £114k use of reserves is likely to be improved as a Service Level Agreement is being negotiated between Communications and the Regeneration team and it is expected that this will bring in an additional £40k income. Income is also expected from the Health and Care Academy. As these funding streams are not confirmed they have not been included in the forecast, we are looking to finalise the service level agreements we have in place to ensure that they are confirmed imminently. The service will have a balanced budget at the end of the year; however, the additional income will improve the forecast and reduce the requirement from reserves.

The forecast outturn is greater than the annual working budget, which has been the case for many years and is being closely monitored and some fixed-term positions may need to cease if income generation is not maintained or increased in future years.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Workforce & OD	2,511	0	(310)	37	2,238	(37)	0	0	2,201	310	174

### **Workforce and OD Overview**

We are forecasting an annual underspend of £310k against budget, which assumes that the final balance of costs savings of £37k will be achieved by year end. The underspend arises from two key reasons, firstly due to an underspend on staffing costs arising from challenges in recruiting to vacancies, and secondly due to a healthy over-achievement of income within the service. Pleasingly progress has been made in recruiting to key vacancies during the year, albeit from Q3 onwards and a small number are presently being recruited to.

#### **Cost Pressures**

None to report this quarter.

#### **Cost Underspends**

We are forecasting an annual underspend of £310k against budget, mainly arising from staffing underspends due to vacancies and the over-achievement of income within the service.

#### **Cost Reductions**

73.2% of the planned cost reductions have already been achieved and the final balance of £37k is assured. This final balance falls due in the final months / quarter of the year and is largely charged out as actual cost for services received and cannot therefore be charged until that work has been completed.

#### **Use of Reserves**

We are not planning to call upon reserves.

#### **Other mitigating actions to deliver a balanced budget.**

We continue to forecast a significant underspend at year end and will continue steps to recruit to the small number of vacancies that remain.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER						
		Add	Less	Add	Revised	Less	Less	Less	Final			
	£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Legal		1,434	86	(93)	24	1,451	(18)	0	0	1,433	1	30

### Legal Overview

We are forecasting an outturn on track to balance

### Cost Pressures – Zero

### Cost Underspends

Corporate Legal & Democratic Services are forecasting an outturn underspend arising from temporary slippage on Member's wages budget and general overhead expenditure, and an underspend on Solicitors due to slippage against the staffing budget.

### Cost Reductions

The service has a £203k savings target to achieve in 2022/23, £179k has been achieved to date, £18k is assured to be achieved and £24k is reported yet to be achieved

### Use of Reserves

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Finance & Insurance	6,258	37	(17)	0	6,278	0	0	0	6,278	(20)	(13)

### Finance Overview

The service is expected to deliver a balanced budget this year. The current overspend position is due to staffing costs in pensions that will be funded from the specific ring fenced reserve.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER Dec 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final		
£'000	2022/23 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 2022/23	Dec Variance	Sept Variance
Corporate Activities	34,251	3,221	(6,745)	0	30,727	0	0	2,000	32,727	1,524	971

## Corporate Overview

### Cost Pressures

There is £3.2 million cost pressure which relates to the unfunded pay award of £2 million, shortfall on the levies budget for both the Fire and Brecon Beacons National Park of £82k, budgets were agreed before the final inflation uplifts were provided by these organisations. An overspend against Housing Benefit budgets that is being reviewed of £0.9 million.

### Cost Underspends

£2.1 million relates to an underspend on interest on borrowing and MRP. It has improved against the previous forecast due to removing a number of pipeline schemes and delaying other projects to reduce the need for borrowing this year. £0.9 million overachievement of council tax is forecast in part relating to the premiums we have in place, our collection rate has fallen and this may impact this forecast if they remain below plan until year end. The under requirement of Council Tax Reduction Scheme £0.9 million will be used to offset the overspend on Housing Benefit. £2 million relates to pulling through the Risk Budget that is held to fund unforeseen pressures such as the expected pay award. £0.5 million over collection of pension contributions which will be used to support the pay award.



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## CYNGOR SIR POWYS COUNTY COUNCIL.

## CABINET EXECUTIVE

7<sup>th</sup> February 2023

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

**REPORT TITLE:** Capital Forecast 2022-23, as at 31<sup>st</sup> December 2022

**REPORT FOR:** Decision / Information

### 1. Purpose

1.1 This report provides an update on the financial position of the Council's capital programme for 2022/23 as at 31<sup>st</sup> December 2022.

### 2. Background

2.1 The 2022/23 Capital Programme was approved by Council on the 3<sup>rd</sup> March 2022. It included capital schemes totalling £133.88 million, of which £25.55 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.

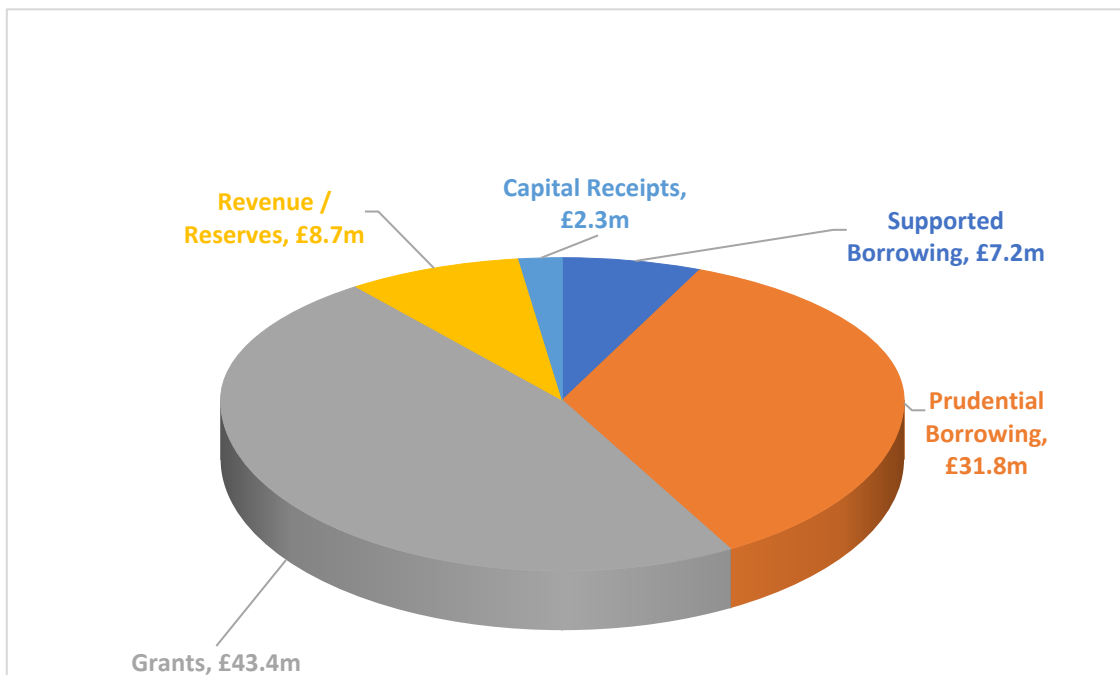
### 2.2 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	712	439	1,151	36	1,115	97%
Childrens Services	0	1,111	1,111	695	416	37%
Education	27,868	481	28,349	10,319	18,030	64%
Highways Transport & Recycling	14,163	6,104	20,267	13,001	7,266	36%
Property, Planning & Public Protection	100	2,527	2,627	1,739	888	34%
Community Development	714	1,612	2,326	1,013	1,313	56%
Housing General Fund	1,748	1,159	2,907	197	2,710	93%
Economy & Digital Services	9,974	4,885	14,859	3,363	11,496	77%
Unallocated	53,047	(53,001)	46	0	46	100%
<b>Total Capital</b>	<b>108,326</b>	<b>(34,683)</b>	<b>73,643</b>	<b>30,363</b>	<b>43,280</b>	<b>59%</b>
Housing Revenue Account	25,550	(5,828)	19,722	10,714	9,008	46%
<b>TOTAL</b>	<b>133,876</b>	<b>(40,511)</b>	<b>93,365</b>	<b>41,077</b>	<b>52,288</b>	<b>56%</b>

2.3 The revised programme at the 31<sup>st</sup> December 2022 is budgeted at £93.37 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £41.08 million, representing 44% of the total budget.

2.4 42%, £39 million, of the capital programme will be supported through borrowing, the interest cost for this is charged to the revenue account. Finance will be working with the services to ensure the profiling of budgets is accurate to effectively manage the borrowing.

2.5 Chart 1 – Capital Programme funding



2.6 Continued increasing inflation is having a significant impact on the cost of schemes due to rising material and construction costs. It is unclear at this stage how this will impact the programme over the coming years. Services are aware of this impact and are mitigating increases as far as possible, some schemes may be reduced or paused. Any additional funding required is likely to increase borrowing, this will increase costs on the revenue budget. The funding for any additional borrowing will need to be identified and approved with regard given to affordability against a positive cost benefit analysis.

2.7 Narrative is provided in Appendix A for each service area highlighting progress of their schemes and any issues being encountered.

**3. Grants Received**

3.1 The following grants have been received since the start of the financial year. These are for additional schemes and have been included in the Capital Programme.

**3.2 Community Development**

3.3 £0.03 million awarded from the UK Government to install open access technology as part of the Powys Community Skills Initiative project.

**3.4 Property, Planning and Public Protection**

3.5 £0.10 million awarded from Welsh Government for capital improvements to improve energy efficiency in PCC buildings.

**3.6 Adults Services**

3.7 £0.10 million has been awarded from the Welsh Government Housing with Care Fund for specialist equipment.

#### **4. Reprofiled Budgets Across Financial Years**

##### **4.1 Highways, Transport & Recycling**

4.2 £0.28 million for the Monk's Trod Byway works scheme and £0.01 million for the works at Alpine bridge has been reprofiled into 2023/24 & 2024/25 as the schemes are not currently in a position to require the funding in this financial year.

##### **4.3 Community Development**

4.4 £0.08 million for Leisure Centre works reprofiled into 2023/24 as the works will not be completed in the current financial year.

##### **4.5 Housing**

4.6 A review of the budgets allocated to the housing schemes against the anticipated spend in this financial year has identified £2.72 million which has been reprofiled into future years.

##### **4.7 Digital Services**

4.8 £0.04 million has been reprofiled back into this financial year for the system rationalisation, cloud and unified communications schemes. This reverses part of the amounts that were previously reprofiled into 2023/24 earlier this year.

#### **5. Capital Receipts**

5.1 £0.88 million has been received so for this year (including £0.39 million for the HRA). There are currently sales agreed to the value of £2.09 million, these are at the legal stage of the process and will generate future capital receipts. At this stage it is estimated that sales totalling £3.53 million will be achieved this financial year.

5.2 This year's capital programme is part financed by £2.30 million of capital receipts. This is already in hand from sales receipts received in previous years. Capital receipts received in this financial year will be used towards the funding of the 2023/24 and future years capital programme, reducing the borrowing requirement.

#### **6. Resource Implications**

6.1 The Head of Finance (Section 151 Officer) notes the content of the report. The re-profiling of schemes is essential to enable us to more 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, the impact of rising costs, supply chain issues and additional borrowing costs 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.

#### **7. Legal implications**

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

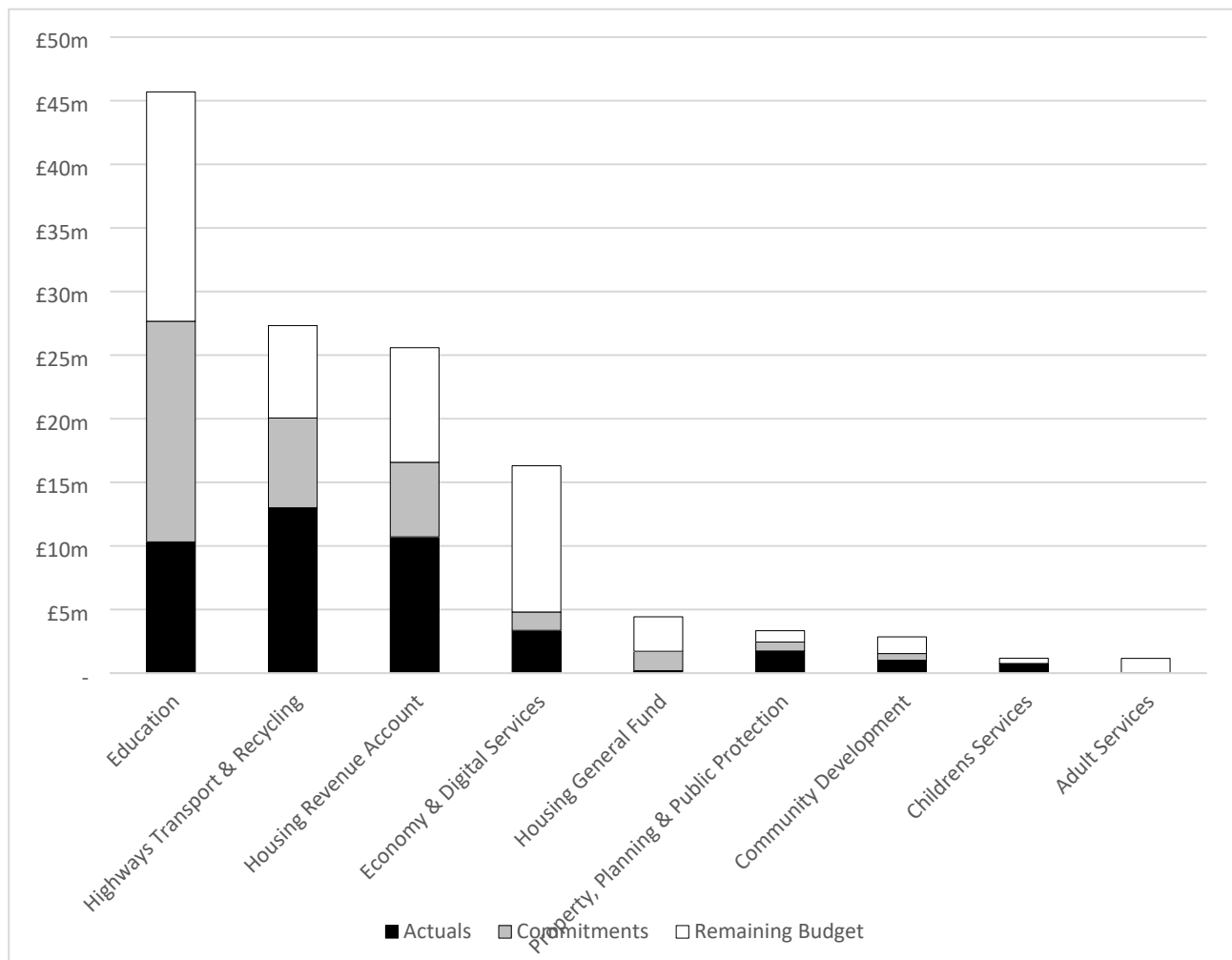
#### **8. Recommendation**

8.1 That the contents of this report are noted.

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

### Chart 2 - Capital Programme as at 31<sup>st</sup> December 2022



### Table 2 - Capital Programme funding as at 31<sup>st</sup> December 2022

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	7,211	23,790	37,481	2,876	2,285	73,643
HRA	0	8,027	5,886	5,809	0	19,722
<b>Total</b>	<b>7,211</b>	<b>31,817</b>	<b>43,367</b>	<b>8,685</b>	<b>2,285</b>	<b>93,365</b>

## Head of Service Commentary

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Adult Services</b>	<b>1,151</b>	<b>36</b>	<b>1,115</b>	<b>97</b>

### HOS Comment

Allocations for the Powys Leased Care Homes and RIF Specialist Equipment will be fully utilised and on target.

The remainder of the projects (Innovative use of Robotics, Staff Recording system etc) will need to be evaluated and the respective underspend requesting a virement to roll forward if not on plan to deliver by 31<sup>st</sup> March 2023.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Childrens Services</b>	<b>1,111</b>	<b>695</b>	<b>416</b>	<b>37</b>

### HOS Comment

Integrated Family Centre works are now complete and formal opening is planned for Feb 2023. All funding will be claimed by end of year,

Childcare facility in Brecon has been impacted by various issues, however works are continuing with completion due by the end of February 2023. All expenditure will be claimed by end of March 2023.

Safe Accommodation for Children with Complex needs – works are ongoing to make adaptations to comply with CIW regulations for registration. This capital allocation will be fully spent by end of March 2023.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Education</b>	<b>28,349</b>	<b>10,319</b>	<b>18,030</b>	<b>64</b>

### HOS Comment

The Council's Transforming Education Programme includes 6 approved school building projects and 2 pipeline projects – We are currently reviewing the cost and profiles of all the 21<sup>st</sup> century schools programme for the project board and there may be changes that will be reflected in future reports. The latest status of each project is outlined below:

- Ysgol Gymraeg y Trallwng - construction has continued. Due to material supply issues, the opening date has been changed to first day of the summer term. The team have been working with the contractor to understand implications of delays to the work programme and costs. Cabinet has visited the project and had a presentation about the route towards zero carbon.
- Ysgol Cedewain - in construction, currently on target in terms of timescales and cost.
- Brynllwarch Hall School - contractor has completed the outline design stage. Programme Board agreed to proceed with next stage subject to approval of updated cost tracker.
- Ysgol Bro Hyddgen - Welsh Government considered the new Strategic Outline Case/Outline Business Case for the project in December and formal approval has now been obtained. Activity will now focus on re-starting the project and will proceed to tender for a design and build contractor to take the designs forward.
- Sennybridge CP School - Welsh Government considered the Outline Business Case and has requested that costs are further reviewed as they are concerned that the costs presented are above the cost agreed in the initial Strategic Outline Case. The team are now proceeding to tender for a design and build contractor in order to get further cost certainty, and a revised Outline Business Case will be revised to reflect this.
- Ysgol Calon y Dderwen, Newtown - work has focused on completing the outline design stage.

#### Pipeline projects

- New Brecon Primary School – surveys on the Penlan site have been carried out and will inform the feasibility stage for a new 360 place primary school.
- Ysgol Calon Cymru – architects have been commissioned to carry out feasibility work to understand if the Builth Wells site can be remodelled as an all-age school, and the outcome is that it is possible. This information will be provided to the Transforming Education Programme Board in February, when the general strategic direction for the Ysgol Calon Cymru Transformation Plan will be discussed.

<b>Service Area</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Highways, Transport and Recycling</b>	<b>20,267</b>	<b>13,001</b>	<b>7,266</b>	<b>36</b>

**HOS Comment**

- HAMP & Core capital funding delivery programme remains on target
- Street lighting capital funding delivery programme remains on target
- As previously reported, Brecon HWRC capital funding has been rolled forward aiding the capital finance borrowing position
- As previously reported, Cwrt y Plyffin capital funding has been rolled forward aiding the capital finance borrowing position

As previously reported, it is noted that to mitigate high inflation we have reduced the scope of works within delivery programmes. This adjustment has been based upon scheme ranking and prioritisation.

<b>Service Area</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Property, Planning and Public Protection</b>	<b>2,627</b>	<b>1,739</b>	<b>888</b>	<b>34</b>

**HOS Comment**

Works due to commence on the new cemetery at Machynlleth in February 2023. Project expected to be completed this financial year.

Listed Building consent has been given for external work at the Automobile Palace, Llandrindod Wells. A contract has been awarded for the works and subject to the discharge of planning conditions should commence in the next couple of months. Capital funding will therefore need to be rolled forward to the next financial year.

<b>Service Area</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Community Development</b>	<b>2,326</b>	<b>1,013</b>	<b>1,313</b>	<b>56</b>

**HOS Comment**

It was expected and planned that by this stage of the year, a larger proportion of the budget would have been committed and spent. However, some works within the leisure programme have been delayed due to a poor number or no responses to tenders which has meant revision of specifications and re-tendering, which has taken longer than expected. This includes the Phase 2 of Brecon Swimming Pool which received a disappointing response from contractors.

With the transfer of HoWPS to the Council in July 2022, a number of works have not made as much progress as expected due to resourcing but with some projects being weather dependent they could not be carried out. The costs of some materials have increased more than originally expected and contractor quotes are higher than anticipated, even though the marketplace is being constantly monitored.

A proposal was made to Powys by Freedom Leisure with regards to the pitch surface in Ystradgynlais i.e. that it could change due to new / different demands in the area. Powys asked for evidence to support the proposal which is still being worked on and has created a subsequent delay in the replacement pitch surface.

It is expected for approximately another £400k to be spent by year end with the remainder being requested to carry into 2023-24. All tenders and works will be progressed and completed as quickly as possible.

<b>Service Area</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Housing General Fund</b>	<b>2,907</b>	<b>197</b>	<b>2,710</b>	<b>93</b>
<b>Housing Revenue Account</b>	<b>19,722</b>	<b>10,714</b>	<b>9,008</b>	<b>46</b>

#### **HOS Comment**

There have been challenges securing bids from contractors to deliver the WHQS and improvement programmes.

In the current financial year, letting will take place of a new build scheme completed in Newtown, adding 26 apartments to the housing options available in the town. In addition, the 18-home Red Dragon housing project, also in Newtown, is scheduled for completion in 2022-2023. Future new build schemes will until phosphate management matters are resolved be focused in areas where this is not deemed to be a challenge.

In Q4 2022-2023, the Council's housing acquisition programme will begin in earnest, now that capacity in the team is available for this work. This will help add to the range of affordable and secure rented homes available for the people of Powys.

Demand for disabled facilities grants (DFGs) remains high as do the challenges experienced in securing contractors to undertake work. This is due to a general shortage of trades people.

<b>Service Area</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget Remaining</b>	<b>Budget Remaining as a % of Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Economy &amp; Digital Services</b>	<b>14,859</b>	<b>3,363</b>	<b>11,496</b>	<b>77</b>

#### **HOS Comment**

**Economy**



**Transforming Towns Programme** have applied for £5,080,000 for Placemaking Grant, this grant is managed through an application process with private sector, town council and, in some cases, third sector organisations. We provide support to applicants, they must follow the appropriate procurement procedures in line with PCC policy and they are advised to include a contingency in the application to cover such occasions as material prices increases. This creates very low risk to the Council and is not likely to affect PCC capital funds.

**Levelling-up Capital Projects.** Current demand for materials and labour is high which in turn could impact on our ability to secure them for our construction projects. To mitigate these actions, contingency costs and inflation have been included in cost estimates. The local authority has through its procurement procedures an approved suppliers list for the provision of goods and services and will be able to secure contractors and materials for the construction elements of the project within budget. Given the short term nature of the construction projects our exposure to this risk is low to moderate. We are also working with our partners to mitigate through similar actions. Project expenditure is currently behind schedule but this is regularly reviewed with partners to ensure delivery against grant terms and conditions.

### **Digital Services Capital**

There is no significant change in this quarters update. As reported in Q2 the majority of the Digital/ICT Capital budget has been re-profiled for future years supporting the current financial position for the authority. Work has been re-programmed to support non-capitalised areas of improvement. We have seen slight increases of hardware costs e.g., staff laptops, but ICT are closely monitoring the situation. This element of the funding has been reduced over time and will need to be re-profiled in 2024-25 budgets. We have rolled 40k back into this year's budget from 2023/24 as we are expecting to spend against the councils Cloud strategy which enables us to invest in up-to-date cloud-based technologies including 'Azure' cloud technologies.

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## 2023

Date and Time	Type and Detail
24-03-23 10.00 – 12.30	
28-04-23 10.00 – 12.30	
26-05-23 10.00 – 12.30	AGM <ul style="list-style-type: none"> <li>• Election of Chair</li> <li>• Election of Vice Chair</li> </ul>
30-06-23 10.00 – 12.30	
28-07-23 14.00 – 16.30	Q4 Financial Reports (Revenue and Capital)
28-09-23 14.00 – 16.30	Q1 Financial Reports (Revenue and Capital)
27-10-23 10.00 – 12.30	
24-11-23 14.00 – 16.30	Q2 Financial Reports (Revenue and Capital)
18-12-23 10.00 – 12.30	

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