

## Finance Panel

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Meeting Venue  
**By Zoom**

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Meeting Date  
**Friday, 28 April 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

20/04/2023

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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>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>3.</b>	<b>MINUTES</b>
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To authorise the Chair to sign the minutes of the previous meetings held as follows:  
01.02.2023,  
13.02.2023,  
24.02.2023.  
(Pages 3 - 40)

<b>4.</b>	<b>REVIEW THE TERMS OF REFERENCE</b>
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To review the Terms of Reference (March 2022)  
(Pages 41 - 42)

<b>5.</b>	<b>UPDATE ON ENERGY EFFICIENCY FUNDING AND CRITERIA FOR SCHOOLS</b>
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To receive an update on the criteria for the distribution of the £500k energy efficiency monies to Schools

<b>6.</b>	<b>RE-IMAGINING POWYS / PEOPLES' POWYS WORKSHOP FINANCE UPDATE</b>
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To receive an update following the Re-Imagining Powys / People Powys Workshop in relation to financial matters.

<b>7.</b>	<b>THE REVENUE FINANCIAL FORECAST 2022-23 (AS AT 28TH FEBRUARY 2023)</b>
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To receive and consider the Revenue Financial Forecast for the year ended 31<sup>st</sup> March 2023 (as at 28<sup>th</sup> February 2023)  
(Pages 43 - 70)

<b>8.</b>	<b>THE CAPITAL FORECAST 2022-23 AS AT 28TH FEBRUARY 2023</b>
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To receive and consider the Capital Forecast 2022-23 as at 28th February 2023.  
(Pages 71 - 80)

<b>9.</b>	<b>FORWARD WORK PROGRAMME</b>
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To consider the forward work programme (attached) and consider whether any additional items should be included.  
(Pages 81 - 82)

**MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT BY ZOOM ON  
WEDNESDAY, 1 FEBRUARY 2023**

PRESENT: County Councillor A W Davies (Chair)  
County Councillors A Cartwright, E A Jones, J Pugh, E Vaughan, C Walsh  
Independent / Lay Member from the Governance and Audit Committee: G Hall.

Cabinet Portfolio Holders In Attendance: County Councillors D Thomas (Cabinet Member for Finance and Corporate Transformation), and M Dorrance (Deputy Leader and Cabinet Member for a Fairer Powys)

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

Others In Attendance (Observers): L Hamilton (Chair, Governance and Audit Committee), J Brautigam (Vice-Chair, Governance and Audit Committee)

<b>1.</b>	<b>APOLOGIES</b>
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An apology for absence was received from Council Councillor P Lewington.

<b>2.</b>	<b>DISCLOSURES OF INTEREST</b>
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There were no declarations of interest from Members relating to items for consideration on the agenda.

<b>3.</b>	<b>DISCLOSURE OF PARTY WHIPS</b>
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The Committee did not receive any disclosures of prohibited party whips which a Member had been given in relation to the meeting in accordance with Section 78(3) of the Local Government Measure 2011.

<b>4.</b>	<b>DRAFT 2023 - 2024 BUDGET</b>
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**Documents Considered:**

- Draft 2023 – 2024 Budget
  - Scrutiny Report – Budget Questions
  - Cabinet Report
  - Mid Term Financial Strategy
  - Finance Resource Model
  - Cost Reductions
  - Fees and Charges Register
  - Fees and Charges Report
  - Pressures
  - Reserves Policy
  - Capital and Treasury management Strategy
  - Impact Assessment – Council Tax and Overall Budget
  - Budget Survey 2022 Report
  - Individual Impact Assessments relating to the Cost Reduction Proposals

**Issues Discussed:**

Cabinet Member Comment:

- The budget proposed was balanced for 2023-24. The budget had been developed at a time of significant uncertainty, with the continued cost of living crisis, the legacy of the Covid pandemic, the war in Ukraine, inflation at a forty year high, and a lengthy period of austerity which had eroded the resilience of public services.
- Should the future UK Governments maintain current spending plans future spending settlements were projected to decline. The budget plans were therefore developed within that context.
- The Council was seeing significant financial pressures across all services from inflation and increased service demand, even with the increased funding provided within the settlement.

Section 151 Officer Comment:

- There had been a better than expected settlement at 8.7%
- That level of increase was however, lower than the current level of inflation.
- The capital allocation was not as good by comparison to the revenue budget, with a slightly higher allocation but not a significant increase to support the capital programme.
- The Panel had previously considered the development of the budget.
- In terms of the net overall budget and allocations to services Table 5 in the report set out the proposed allocation to each service as well as the level of pressures seen by services, and the level of savings proposed of over £16m to bring the budget back into a balanced position.
- With pressures of £25m, savings of £16m and a Council Tax increase of 5% this overall brought the budget into a balanced position for 2023-24.
- The Medium Term Financial Strategy set out the ongoing position for the Council. Funding settlements were expected to be lower in future with significant budget gaps expected over the next 5 years. The Council in its current form was not sustainable and would need to be on a different footing with work already commenced on reimagining the Council with a lower level of resource.
- The opinion of the S151 Officer in terms of the budget was set out in Section 4 of the report and gave the opinion that the budget was appropriate.

**Questions:**

Question	Response
<p>In earlier discussions on the budget the Cabinet Member described the forthcoming budget as taking the Council from the brink of the abyss and in the next years going over the abyss. Could that be repeated.</p>	<p>Cabinet Member Response: This was based in the context of projected settlements in future and the economic forecasts to 2026 where national debt at that time was being forecast by the OBS or the Institute of Fiscal Studies to be running between 96% and 99% of GDP. The reason the analogy was used was if that were to be the case it would suggested that there would not be much funding available for public financing.</p>
<p>With the settlement received has the</p>	<p>Cabinet Member Response:</p>

<p>pressure been eased and for future years.</p>	<p>The proposed budget would set the Council up on a good platform to protect and develop services with the programme to reimagine the Council.</p>
<p>The Cabinet Member and the S151 officer have highlighted the challenges the Council will be facing in the next few years. Settlements will be lower in future. The proposed Council Tax is set at 3.8%. Will Council Tax need to be increased significantly in the future.</p>	<p>Cabinet Member Response: The initial challenge was to keep Council tax as low as possible due to cost of living pressures. It was necessary to set a tax increase as that protected the financial base for next year. A reduced settlement for next year was anticipated and that increase would provide some protection from setting a significant increase in Council Tax in 2024-25. Setting a lower rate of Council Tax would have meant a greater use of reserves or reductions in services. Forecasts were also indicating that external pressures such as inflation would be reducing which would assist the costs of services.</p> <p>Officer Response: In terms of setting Council Tax this was a balance considering people’s ability to pay as well as the services the council needed to maintain and provide to residents particularly vulnerable residents. The Impact Assessment accompanying the budget proposal provided greater detail which assisted the Cabinet come to the proposal suggested.</p> <p>In relation to Council Tax levels this varied considerably throughout Wales with the average proposed around 5% which was the proposal for Powys.</p>
<p>The Fire Authority is a large proportion of the increase this year. Will this be the same next year or will the Fire Authority find other ways of reducing its funding gap.</p> <p>Powys receives a relatively low settlement in comparison to other authorities due to the nature of the properties in Powys. Is this being reviewed and will this assist future settlements.</p> <p>The Council has the opportunity to set premiums for second homes. What is</p>	<p>Officer Response: Second home premiums and empty home premiums had been reviewed and were set to increase from April. There were some Council Tax reforms being considered at a national level but the outcome and the potential impact on Powys was not known currently. Powys has a relatively higher Council Tax base compared to other authorities. That did have an impact on settlements and Powys could gain or lose depending on circumstances at the time.</p> <p>In relation to the Fire levy, all authorities</p>

<p>the position regarding this.</p>	<p>received some funding in their settlement to pay the fire authority levy. The Fire Authority and the Chief Fire Officer set the budget. Those authorities were facing similar increased pressures as the Council such as pay increases, inflation.</p> <p>The Chief Fire Officer would set the budget which they felt was appropriate and the local authorities would challenge that budget in discussion with the Chief Fire Officer. An increase of over 17% increase in the fire levy had been proposed which the Council needed to manage within the overall budget position. This level would not decrease but it was hoped that increases in future would be less as inflation decreased.</p>
<p>What is the fire levy worth. The sum for fire was passported from the local authority to the Fire Authority.</p>	<p>Officer Response: The fire levy is worth £1.2m which would remain in the Fire Authority's base budget.</p>
<p>The FRM (Finance Resource Model) shows cost reductions of £16.5m. Of that £16.5m what elements are one off funding (e.g. grants, BES grants) which will impact on the following year's budget.</p>	<p>Cabinet Member Response: It was believed to be £2.4m with possibly an additional £1m in HTR (Highways, Transport and Recycling) budget.</p> <p>Some of the rationale in relation to one off funding was due to the expectation of lower inflation which would reduce pressures on services and allow them to cover some one off costs and being carried forward into the following year. The BES (Bus Emergency Scheme) was an emergency funding scheme for one year only. This funding did not come out of the base budget and was a separate budget.</p> <p>Officer Response: There were a few one-off elements totalling £1.5m for funding body reviews, direct payments and refunds. There was also the one off proposal to reduce the level of revenue contribution for replacement vehicles (£1m). There were other elements in the budget supported by grant on a one year basis and other smaller elements in Social Care.</p> <p>The BES funding was supporting some</p>

	<p>of the costs for operators for one year only. It would be necessary to factor in all sources of funding into the budget plan which limited the pressure on Council Tax.</p> <p>If costs did not come down then those cost pressures could remain in the next and future financial years.</p>
<p>The use of school reserves to balance budgets is not mentioned. Is that not one-off funding.</p>	<p>Officer Response: In terms of schools pressures, all additional funding from Welsh Government in the settlement had been passported to schools to deal with the teachers' pay awards and some other pressures but Council could not fully fund all pressures. Therefore, schools would need to have proposals to manage those additional pressure costs themselves. Some schools had significant reserves which could be drawn on, but this pressure is recognised in the 2024 - 2025 budget if it continues to exist.</p>
<p>A confidential paper to the Learning and Skills Scrutiny Committee indicated a movement in school reserves over a two year period from a positive to a negative position. Is that sustainable.</p> <p>There were significant variations between schools and some serious issues for some schools could be hidden by cumulative figures.</p>	<p>Officer Response: It was not sustainable over the longer term. However, schools had not considered recovery plans and governing bodies decided on what actions to undertaken, so the figures were indicative figures and it was unlikely that the indicative figures would be the position as schools would need to put plans in place to recover.</p> <p>Cabinet Member Response: Looking at the projections for schools to 31<sup>st</sup> March, 2024, only one sector was showing a deficit which was secondary schools and the Council was seeking to address that situation. All other schools were showing a positive position.</p> <p>At 31 March 2022, schools were showing a cumulative surplus and had received £5.7m grant funding as well late in the financial year. The Primary, All Age and Special schools sectors were showing a surplus overall at the end of March 2024.</p>

	<p>It was accepted that there were challenges in the secondary sector which would be addressed during the year on a case by case basis.</p>
<p>Will the same restrictions be applied to those schools that are in an unlicensed position.</p>	<p>Officer Response: The scheme for financing of schools and the licencing of deficits would remain in place and would apply as previously and the Council would work with schools to manage their budgetary issues and take action where necessary, where governing bodies did not take appropriate action. Some of the deficits in secondary schools were not due to inflationary pressures but were deficits that had accrued over a number of years.</p>
<p>Schools have been protected to a certain degree in this financial year in relation to increased fuel costs due to the Council's buying scheme. Are we expecting significant increases in fuel costs next year.</p>	<p>Officer Response: The Council was fortunate that its contracts had protected it during the current financial year. The renewal of those contracts were to be in place from April and there was an expectation of an increase in costs.</p>
<p>All funding from Welsh Government has been passported to schools. Welsh Government only provides 70% of the funding for schools with the Council providing the remainder. Has the Council passported an equivalent level to schools. The percentage increase from the Council was 5.5%. This is one of the lowest increases in the budget. Have schools been unfairly targeted.</p> <p>The issue relates to the delegated schools funding formula which needs to be adjusted, which should be considered by the Schools Forum to reduce some of the costs e.g. property and back office costs.</p>	<p>Officer Response: Would not agree that schools had been unfairly targeted. As part of the budget development some services were proposing additional savings which were challenged by the Council's senior leadership team, considering the impact of removing some of the costs which was why there were different percentage increases across services. Table 5 showed the net percentage increases.</p> <p>Cabinet Member Response: The 30% funding provided by Council tax would not equate to an increase in the base budget. The increase for other services might be higher but these related to smaller budgets than schools. In addition, the savings sought from schools was significantly less than for other services so they had not been treated unfairly.</p> <p>Officer Response: In respect of Table 5, this provided a transparent view of where schools are. In relation to the formula, the increase in the level of funding would flow through</p>



	<p>the formula as appropriate. The table showed the level of pressure that schools faced once they had received that funding. The savings were suggestions and potential ways that governing bodies could limit their costs, but it was for them to decide how they managed the shortfall. The formula would not need to be changed with the funding allocated against the individual headings.</p>
<p>The Panel has been considering some of the larger savings in the budget. The Governance and Audit Committee had discussed the saving of £2.5m in the contribution to the pension fund following the latest revaluation. The Committee asked for sight of the sensitivity analysis in advance of the actuaries report, to obtain an understanding of the savings and any potential for fluctuations.</p>	<p>Officer Response: Council had been given assurance that the reduction had been carefully considered by the actuary and calculated on a prudent basis. A statement would be provided to the Governance and Audit Committee. Due to the performance of pension funds most authorities were seeing a reduction in contributions.</p>
<p>Do the recommendations of actuary need to be approved by Pensions Committee before being included in the budget.</p>	<p>Officer Response: This did not need the approval of the Pensions and Investment Committee. The Actuary would define the level of contribution and the calculation. The Pensions and Investment Committee would receive the report.</p>
<p>£2.5m over 3 years against a fund of over £650m is a relatively small amount of money in terms of savings by comparison with the fund as a whole. As we are in uncertain times Members need to be aware of the assumptions behind the actuarial assessment and also the potential impact on the budget if those assumptions are incorrect.</p> <p>The contribution to the pension fund was / is in two parts, a percentage of salaries paid and a payment against the deficit which existed at the time when the fund changed from final salary to career average salary.</p>	<p>Officer Response: The contribution rate relates to primary and secondary rates, the primary rate was the ongoing contribution, the secondary rate was the deficit recovery.</p> <p>The deficit recovery element of the fund had improved significantly, that rate saw the most significant change. The Governance and Audit Committee would consider the matter in greater detail and the statement from the Actuaries set out the assumptions used to maintain the prudent approach.</p>
<p>In terms of balancing the budget in the FRM and the use of £3.8m reserves from schools and one off grants and sources of funding, there was still some risk in adults social services and needing third parties to agree to some of the savings.</p>	<p>Officer Response: The figure for one off grants and other sources of funding was over £3m, but the £3.8m from schools was not necessarily all coming from reserves, with some coming from changes within schools. Schools would review their</p>

	<p>expenditure across their budgets on an annual basis and would not draw all of that down from reserves.</p>
<p>In the Impact Assessment (P196) and the narrative around schools. There is a sentence in the cost reductions around governing bodies, which refers to the reduction in the numbers of teachers to balance the budgets.</p>	<p>Cabinet Member Response: Prior to the £5.7m received late by the Council in 2021 there were some schools who had budget deficit recovery plans in place and some of those plans included potential redundancies to balance budgets. Some schools, instead of keeping budget deficit plans live, opted to use the additional funding to move them back into a surplus position.</p> <p>This also reinforced the need to continue with the Transformation Programme and possibly speed that up to increase the envelope of funding available to education.</p>
<p>There is no evidence in the budget of speeding up of transformation process.</p> <p>Would be good to see the skeleton outline of what reimagining the Council's budget will look like.</p>	<p>Cabinet Member Response: The budget was to set the Council on a firm footing to take things forward. There was urgency around the reimagining Powys project with an emphasis on transformation for all services.</p>
<p>Whilst Central and Welsh Government are being criticised for a lack of funding Council tax is still not being increased by rate of inflation which is the element in your control.</p>	<p>Cabinet Member Response: It was the first time in years that Council Tax had been set below the rate of inflation but also took into account the cost of living crisis and people's ability to pay.</p>
<p>The use of reserves and one off funding to balance the budget, what is that equivalent in terms of Council Tax.</p>	<p>Cabinet Member Response: Council tax was not meant to cover that. The expectation was (based on predictions and assumptions) that financial pressures due to inflation would ease in the coming years.</p>
<p>Will the fall in inflation sort out the deficits.</p> <p>The costs would continue and would not be covered by a recurring funding stream. The gap was being covered by one-off payments.</p> <p>Inflation would impact on contractors and pay. What was included for pay inflation in the proposed budget</p>	<p>Cabinet Member Response: Roughly every 1% of inflation costed the Council about £1m. Forecasts predicted a 6% reduction in inflation in twelve months which would be worth £6m to the Council and would be more than the one-off savings.</p> <p>This was covered by the increase in the base budget for the next year. This was general, non pay inflation. Table 5 showed the pay pressures separately to the non pay inflationary pressures.</p>

	<p>Officer Response:</p> <p>Pay inflation on contracts delivering Capital schemes would fall on the Capital Budget. Revenue services delivered through contract that would be considered as non pay inflation and would be included in the service pressures rather than included under pay.</p> <p>For schools the teachers pay award from September 2022 was built in at 5% (part year) and there was an indicative pay award for teachers for 2023-24 of 3.5% which was built into the schools delegated budget figures. For other pay inflation 3% was built into service budgets but an additional 2% was held centrally until the percentage rates were confirmed. A sum for additional pay awards for teachers above 3% was also being held centrally.</p>
<p>Take issue with the comment that this is the first time that Council Tax increases are below the rate of inflation. If the Cabinet could not do it this year then they could never do it. Last year the opposition wanted a 0% Council Tax, and it was increased by 3.39%. Where would we have been this year is that had not gone through.</p> <p>This downplays the buying power and sustainability of the Council.</p> <p>Services will be delivered at a lower cost.</p> <p>This is still a standstill budget which puts some services at risk.</p> <p>Clearly in relation to school reserves and movements there are redundancies involved in that. The budget was underfunding schools by £3.8m and to put that right would require redundancies.</p>	<p>Cabinet Member Response:</p> <p>Last year no-one wanted to know about the financial challenges the Council was facing and all authorities had to reduce the impact on residents and set a Council tax level at a manageable level below the rate of inflation.</p> <p>An effective budget was to set a Council Tax at a rate that was acceptable and to manage to redesign services to deliver the same services at a lower cost.</p> <p>The proposals in the budget were to make changes through service redesign, income generation and some service reduction. The challenge was to deliver services at an acceptable standard at a reduced cost.</p> <p>It was a standstill budget to provide a springboard to move forwards following the challenging twelve month period.</p> <p>The budget did not deliberately create redundancies in schools. Prior to the additional funding going into school delegated budgets there were school deficit reduction plans in place that might</p>

	<p>have included redundancies. As part of the £5.7m funding was used by some schools to clear the deficit balance. Those deficit recovery plans were then set aside. Schools might have to reintroduce deficit recovery plans in future which could have future redundancies.</p> <p>What would be required would be good financial management by schools. Schools would need to manage their budgets and they would be supported by Education officers in financial surgeries. All decisions were for the schools to take.</p> <p>Officer Response: Schools routinely make staffing changes resulting in redundancies every financial year in response to changes in pupil numbers, class numbers etc.</p>
<p>One of the MTFs principles was that reserves would not be used to fund recurrent pressures or to keep down Council tax rises. Has that principle been broken.</p> <p>What will be the position of overall financial reserves at the end of the 2023 – 2024 financial year.</p>	<p>Cabinet Member Response: The general fund reserve had not been used to keep down Council Tax or to fund budget pressures. The Council's policy was to keep 4% of the net revenue budget as the reserve and the reserve was currently 4.2%.</p> <p>Officer Response: The principle in the MTFs was not to plan a budget that looked to draw on reserves to fund recurrent budget pressures. There was no expectation in the proposed budget to use reserves to fund ongoing pressures. Schools could use reserves to manage one-off pressures, but there was no recurring budget line in the budget to draw on reserves.</p>
<p>Therefore, there will not be a deficit or a consequence of schools using reserves rolling forward to subsequent years. Ultimately if a schools is in deficit the Council is responsible for that and High schools are potentially moving into a £4m deficit.</p>	<p>Officer Response: This was if they did not take appropriate action. Schools would have to look at recovery plans to manage any projected deficit. The Council would not have a clear picture of budget plans until schools submitted their budgets.</p> <p>In terms of the budget plan and the ability to fund all the pressures across the whole of the Council that would have</p>

	<p>required an additional £24m being included in the budget plan. That was unaffordable and Council Tax payers could not be expected to pay that level of increase. Every service had to consider how to manage this pressure collectively and schools were not immune from that. Schools were advised in September 2022 that the Council could not protect them from all pressures and they would have a role in managing the Council's pressures.</p> <p>Reserves were one off only and their use was not sustainable on a continual basis.</p>
<p>The settlement for schools could have been improved with an increase in Council tax.</p> <p>School reserves have been used instead of increasing Council Tax.</p> <p>There is a significant risk for schools in the rapid use of reserves in this and the next financial years. Is there a risk to the stability of some schools.</p>	<p>Officer Response: The Council had those options for any service budget. School reserves had not been used for recurrent pressures.</p> <p>It was a matter for Council to decide the level of Council Tax as it considered to be appropriate under the circumstances.</p> <p>Cabinet Member Response: The Panel could recommend to Cabinet to increase Council tax to cover any costs if it wished and that would be considered, weighed against the cost of living crisis.</p> <p>There was a risk in all budgets which had to be managed particularly in a period of financial challenge where the risk increased. The proposed budget managed risk and protected services at the same time.</p>
<p>With the one-off measures to balance the budget where is the pressure shown in subsequent years in the FRM.</p> <p>All the one-off elements have been transferred into service headings.</p>	<p>Officer Response: Where those one-off savings or adjustments were included in the FRM there would be a corresponding pressure against the service in future years.</p>
<p>On page 189 the figures for the profile of savings delivery in the Impact Assessment is incorrect. These are savings identified to date not cost reductions required.</p>	<p>The comment is correct, these were savings identified rather than the cost reductions required.</p>
<p>Fire Service Levy. In the pressures under appendix F it states that the levy for 2023-24 is 13% and then 5%. Can this be clarified.</p>	<p>Officer Response: For the Fire Service levy the Council had initial indications of a 13% increase, but it was subsequently increased further</p>

	<p>For future years it was estimated that the level of increase would be 5%. The 17% increase would be added to the base budget and that could increase by a further 5% per annum in future years.</p>
<p>HTR (Highways, Transport and Recycling) the reduction in the level of revenue contribution to the reserve that supports the replacement of vehicles. What is the current level of the reserve. The Head of Service suggested that the Council may keep vehicles for longer. Has work been undertaken by the service to understand the implications of this.</p> <p>The Head of Service had commented that perhaps the Council was selling vehicles too soon. In the last twelve months the recycling fleet was replaced and before that there were frequent cancellations of routes due to breakdowns. Should the assessment have been undertaken by the Service before the funding decision was taken as it could lead to additional funding needing to be made available in future years.</p> <p>The Head of Service also stated that replacing existing vehicles with electric vehicles would cost twice as much as current vehicles. How does the reduction in funding compare against the Cabinet’s green agenda.</p>	<p>Officer Response: It was not known whether the Service had undertaken that work. At the beginning of 2022-23 the reserve was £8.8m. That indicated a delay over past years in replacing vehicles. It was proposed to draw £2m from the reserve during the current financial year leaving a balance of £6.7m. The budget proposal was to reduce the contribution to the reserve for one year with £1m not being added to the fund. That was only being proposed for one year.</p> <p>Because of the delays over past few years and the availability of vehicles the fund had not been drawn upon as heavily as was expected. The proposal was challenged as a higher figure was initially proposed but this was reduced following the challenge.</p> <p>Cabinet Member Response: The ambition was to achieve Net Zero by 2030 as a Council, but that had to be considered against the financial resource available and external influences and the rate that the infrastructure could be developed, which could mean a slower pace of development. The Council had piloted the use of electric refuse vehicles and would learn from that and take opportunities to roll out other vehicles. There was a larger capital outlay for electric vehicles but that did not take account of the reduction in environmental impact which needed to be measured.</p>
<p>Are there other examples of investments in the budget which have been made to achieve a net zero Council</p>	<p>Cabinet Member Response: There were a number of examples such as turning down heating in corporate buildings thus reducing energy use, increasing recycling, making corporate housing stock as energy efficient as possible, grants to schools to increase energy efficiency and using renewables, and moving Council housing stock to</p>

	<p>green energy. There were a range of measures which the Council could undertake some through capital works and some by grant and the work started under the previous Council needed to be continued.</p>
<p>There is not much evidence of investment in schools in the capital programme or not highlighted as schemes to reduce energy costs and consumption.</p>	<p>Cabinet Member Response: The 21<sup>st</sup> Century schools programme would invest an additional £123m in the next five years. That would have to include elements of energy efficiency and a greener programme, but specific details on individual schemes was not available.</p>
<p>Are there new elements within the capital programme which were not there before.</p> <p>The new build / repurchase budget is £13m in the capital programme under the HRA with varying amounts over the five year period.</p>	<p>Cabinet Member Response: There was a new housing programme which would meet green standards. The new Corporate Plan would include measures and detail of the numbers of new houses to be built and also bringing empty properties back into use.</p> <p>Welsh Government had also made it clear that all new schools had to be carbon neutral.</p> <p>The Social Housing grant figures provided by WG were indicative figures for years two and three. The Council utilised those indicative figures working with strategic partners to look at their pipeline projects for future developments. The Council had previously set strategic priorities around Extra Care followed by general needs housing.</p>
<p>Can the Cabinet member provide an assurance about the affordability of the capital programme following the impact of changes in interest rates.</p> <p>What is the Cost of the capital programme.</p> <p>The proportion of the revenue budget to finance the capital programme is going to fall. Inflation has assisted the position with costs peaking at over 4% and then reducing to 4%. Some of this is also due to the slow progress on capital projects themselves.</p>	<p>Officer Response: The ratio of finance and costs and net revenue stream were set out on page 24 of the capital strategy. The financing costs ranged from £11.35m rising to £14.89m over five years. Rates increase from 3.8% to 4.3% and then reduce to 4% by 2027-28.</p> <p>These were for the general fund with costs for the HRA being higher but were fully funded by the HRA. There was a separate business case for every house built which included affordability and the pay back period. A business case</p>

	<p>framework existed for all projects in the capital programme.</p> <p>Based on what was known currently there were no concerns regarding the affordability of the capital scheme.</p> <p>Cabinet Member Response: The capital programme had to be monitored closely due to increases in interest rates. An increase in the speed of transformational projects was supported but the programme needed to be managed closely due to the potential impact on the revenue budget.</p>
<p>Capital Receipts (Page 176 of the pack), it was encouraging to see that the amount for capital receipts had doubled but a greater increase was anticipated.</p> <p>Could the level of funding from Welsh Government for capital schemes to the Council be explained. The increase on a Wales basis was £30m. Powys should be seeing a 4% to 5% of the total allocation.</p>	<p>Officer Response: In terms of the plan it was recognised that more receipts were becoming available. The indicative figure in the plan was £4.2m per year but that would be driven by the asset review.</p> <p>Welsh Government had higher expectations for its capital funding than was received. Therefore, what was available to local authorities was retained at the 2022-23 level with very little increase.</p> <p>Some of the capital allocation to Welsh Government was specific (£20m to support the Net Zero Wales plan) and therefore the full increase did not all flow through the settlement which was why Powys had the increase indicated. All authorities had seen small increases currently and it was unclear what the Council could draw down through specific grants as well.</p>
<p>It seems that schools had a good sum given to them at the end of last term. The Council is in unprecedented times due to inflation and other uncontrollable factors. The Council is trying to get a budget through to give it a better understanding of the position following that. Is that a fair assessment.</p> <p>Comment: There were many unknowns presently and so it was difficult to predict where</p>	<p>Officer Response: The budget proposal sought to produce a balanced budget for 2023-24. It did not address the longer term situation but did place the Council in a position to begin developing measures to react to the future position from 2024-25. Some of the elements in the budget bought some time but a majority of pressures and commitments were funded in the base budget. Some elements needed to be developed further.</p>



<p>the Council was going. It was likely that the Council would have services that were untenable and those needed to be identified. The Council needs to assess the impact of previous cuts on services. If the Council reduced the number of schools, does it know what would be the cost of redundancies as that would be a pressure against the savings made.</p>	
<p>The proposed budget puts additional pressure on future years' budgets.</p> <p>All pressures in services have been reconciled to a point, but not for schools.</p>	<p>Officer Response: It did not put additional pressure on future budgets but provided some time to start to address some of the current pressures although not resolving those pressures on a permanent basis.</p> <p>In terms of any redundancies that were proposed they had to be accompanied by a business case and there was provision to meet redundancies in the overall risk budget so that the cost did not have to be borne by the Service. The saving was then released immediately at a service level.</p> <p>Cabinet Member Response: Whilst the budget could not fund all pressures developing in services alternatives to what had been proposed were frightening.</p>
<p>There has been rigour in the process to develop the budget proposals. What lessons can be learned in looking at future budgets. Was encouraged by the Impact Assessments and the methodology adopted to assess and determine the savings proposals.</p> <p>This methodology through the business planning process and integrated budgets should look at the effectiveness and efficiency of what the Council is intending to do There should be a set of performance indicators and measures to link how the budget contributes to achieving the high level objectives of the Council. The Panel is looking forward to a briefing on the reimagining the Council. The Council needs to look at doing the right things in terms of service delivery and as efficiently as</p>	<p>Cabinet Member Response: The Cabinet started the process by reviewing all service integrated business plans. What became apparent was that although the service plans were ambitious the pressures developing within those plans could not be funded within the existing funding envelope. The plan for the current year was to stabilise the Council's budget which was achieved and provided a platform to move forward with the reimagining of the Council. Once that plan was finalised it could be shared with the Panel. There would also be consultation with Members.</p> <p>Officer Response: Across the Council there was a quarterly monitoring report which reviewed performance. At the beginning of each</p>

<p>possible. Speed in the process is also important.</p>	<p>year a number of measures and objectives were set and these were monitored against service delivery of those measures and objectives. There was further work to be undertaken in relation to benchmarking to aid scrutiny.</p>
<p>Concerned about the risk contained in the budget, particularly in schools and adult services. Are the risks manageable from a Section 151 Officer's perspective.</p>	<p>Officer Response: There was an element of risk in every budget but it was heightened this year due to the level of inflation and the uncertainty seen over a period of twelve months. The development of the budget proposals, the robustness of the estimates, the level to which pressures could be funded or not, and the level of risk still being carried as a result, had been factored into the S151 Officer's assessment of the budget along with the level of reserves held and the ongoing revenue risk budget. This was why the Cabinet had agreed, following the Section 151 Officer's recommendation that the risk budget be increased.</p>
<p>A heightened level of risk remains in the budget but reserves are at the lower end of acceptability. Therefore, there are reserves set aside to balance some of the risks.</p> <p>Will the Cabinet Members promise no knee jerk reactions in the next financial year.</p>	<p>Officer Response: In terms of the general fund and budget management reserve there was an expectation that there would have been a need to draw those reserves in the current year but that likelihood had diminished as the quarter 3 report showed an improving financial position which limited the use of those reserves. Reserves had been increased at the end of the previous year due to additional funding received and would be used to manage costs in the current year and next financial year. No use of the General fund reserve was planned in the budget proposed. There was no proposal to increase the level of reserve in the budget plan.</p> <p>The process in place for monitoring the budget and putting action in place to deal with issues as they arose was already tested and in place.</p> <p>Cabinet Member Response: The need for reserves could not be underestimated as they are essential. Every budget had an element of risk but</p>

	<p>good financial managers mitigated and managed risks and therefore there was no need to worry about reserves. There should be no need for knee jerk reactions in the future. What happened in relation to the leisure centres was unfortunate and the Council was in a position to plan its way forward. However the Council would have to respond to any emerging economic circumstances.</p>
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**The Panel made the following observations to the Cabinet:**

The Panel welcomed:

- The reduction in the cost of financing the capital programme which had been of concern previously, however this is due to a higher level of revenue budget and delays in the capital program.
- The anticipated increase in capital receipts as a result of the asset review which is yet to be completed.
- The rigour in the process to develop the budget.

The Panel noted that:

- There would be a need to reimagine the Council and that work had commenced. However the Panel felt that this budget showed no evidence of radical change.
- The Fire Authority levy had been set at over a 17% increase for 2023-24 and was anticipated to be at a lower rate in future years (budgeted at 5%)
- There was an assumption that a reduction in the rate of inflation would reduce future service budget pressures in the following year's budget.
- Whilst funding from Welsh Government in the settlement had been passported to schools, this did not cover all budgetary pressures and school governing bodies would need to take decisions to balance budgets which includes the use of budget recovery plans.
- Whilst schools had been protected in the current year due to Council utilities contracts, it was anticipated that costs would rise following the renewal of contracts from April.
- In their opinion schools had been unfairly treated in terms of the budget increase provided by the Council.
- In relation to the reduction of contributions to the Pensions Fund this had been considered by the actuaries from a position of prudence a point of view supported by the Scheme Advisory Board. In addition, the revised contribution rates had included a buffer to provide a greater level of protection to the fund. The Finance Panel was reassured by the Section 151 Officer that the decision was prudent.
- Estimated pay awards have been included in service budgets and a sum was set aside and held corporately should pay awards be higher than those estimates.
- This was a standstill budget for most services which provided an opportunity for the Council to prepare for future years. Some Panel members felt that this was a lost opportunity to the urgent need to start to restructure council delivered services

- All budget pressures currently identified were included in the FRM.
- Whilst all budgets contained an element of risk, in the view of the Section 151 Officer the current budget contained the highest level of risk seen to date.
- There was no intention to increase the level of general fund reserves in the budget proposed. The General Fund Reserve will be maintained at a minimum of 4%

The Panel requested:

- That all Members be advised of the proposals for the reimagining of the Council once proposals had been prepared.
- That the figures in the profile of savings delivery quoted in the Council Impact Assessment be updated as they are currently incorrect.

The Panel remained unconvinced about:

- The use of one-off funding to balance the 2023/24 budget, the Panel believed, will have a negative impact on future budgets as it immediately increase the budget gap in the following financial year.

The Panel expressed concern regarding:

- Secondary schools falling into further deficit.
- The risk to schools in the next and future years due to the levels of funding provided.
- The reduction in the contribution to reserves for vehicle replacement for the Highways, Transport and Recycling Service and whether any review had been undertaken before the proposal was made. The Panel's view was that replenishing the reserves will be even more difficult in future years as WG funding is expected to be less.
- The role of the Education Service can be to advise schools what options are available to reduce costs. A school's budget is a decision for the Head Teachers and Governing Bodies, and therefore could impact on the deliverability of the proposed cost savings identified in the delegated budget line.

The Panel disagrees:

- That a reduction in the rate of inflation would remove pressures in the base budget.
- With the Cabinet Member that the underfunding of schools would not lead to a reduction in the teaching force in Powys.
- With the reduction in the Highways, Transport and Recycling Service reduction to the revenue contribution to the transport reserve as this is a one off reduction and will add further pressures in future years.

**Scrutiny's Recommendation to Cabinet:**

- 1. That all Members be advised of the proposals for the reimagining of the Council once proposals had been prepared**
- 2. That the figures in the profile of savings delivery quoted in the Council Impact Assessment be updated as they are currently incorrect**
- 3. Production of timely information to the Finance Panel**

**4. MTFS principles are maintained and followed**

**County Councillor A W Davies (Chair)**

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**MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT BY ZOOM ON  
MONDAY, 13 FEBRUARY 2023**

PRESENT: County Councillor A W Davies (Chair)  
County Councillors A Cartwright, E A Jones, P Lewington, J Pugh, C Walsh.  
Co-Opted Member (Representing the Governance and Audit Committee): G Hall.

Cabinet Portfolio Holders In Attendance: County Councillors D Thomas (Cabinet Member for Finance and Corporate Transformation and M Dorrance (Deputy Leader and Cabinet Member for a Fairer Powys)

Officers: Caroline Turner (Chief Executive), Wyn Richards (Scrutiny Manager and Head of Democratic Services), Jane Thomas (Head of Finance), Emma Palmer (Director of Corporate Services), Clive Pinney (Head of Legal Services)

Others in Attendance: J Brautigam (Governance and Audit Committee observer)

<b>1. APOLOGIES</b>
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An apology for absence was received from County Councillors E Vaughan, J Gibson-Watt (Leader) E Vaughan and L Hamilton (Scrutiny Committee Observer)

<b>2. DECLARATIONS OF INTEREST</b>
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There were no Declarations of Interest from Members relating to items to be considered on the agenda.

<b>3. DECLARATIONS OF PARTY WHIP</b>
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The Committee did not receive any disclosures of prohibited party whips which a Member had been given in relation to the meeting in accordance with Section 78(3) of the Local Government Measure 2011.

<b>4. AMENDMENT TO THE PROPOSED BUDGET 2023-2024</b>
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**Documents Considered:**

- Budget Amendment Report.

**Issues Discussed:**

- Some amendments made to the Cabinet's original budget proposals:
  - Establishment of a £500k fund to support energy costs and energy efficiency measures in schools.
  - To release this funding there were some other adjustments to the budget. Some of those were considered by the relevant scrutiny committees as they fell within their remit.
  - One amendment related to the setting aside of £287k funding to replenish the general fund reserve as a result of using the reserve to fund the financial pressures on Freedom Leisure in the current financial year. However, due to the quarter 3 position which was reported to Council the outturn position for the current financial year had improved and as a result that Freedom Leisure pressure could be met from the base budget rather than having to draw on reserves.

- That meant that the budget set aside to replenish reserves for next year was no longer required for that purpose and that funding had been diverted as part of the £500k fund.

**Questions:**

Question	Response
Where did the £287k identified originally to support Freedom Leisure, come from.	<p>Officer Response: It was anticipated that it would be drawn from reserves but the virement was not actioned at that time, until the total amount was known. The budget virement will still be required but will not need to be drawn from reserves.</p>
<p>This sum will need to be vired – from where.</p> <p>Is there a possibility it will need to come from reserves.</p>	<p>Officer Response: From within the overall budget plan, either from the risk budget or an underspend on one of the other corporate budgets.</p> <p>It is not anticipated that it will need to come from reserves. There is a forecast of around a £1m underspend in the total budget so there is no expectation of a draw on the general fund.</p>
Regarding the £1m underspend has there been a draw from reserves to create that underspend.	<p>Officer Response: There will be a draw on specific reserves, but not on the general fund. Specific reserves were within Services for example for pay awards and other specific service pressures. There is about £3m coming from specific reserves.</p>
Whilst everyone is distinguishing between general and specific reserves, this is all coming from the same pot in the end	<p>Officer Response: It is part of the overall reserves pot but specific reserves are established for a particular purpose.</p>
<p>This is confusing in terms of the different numbers of reserves being used and how the money is moved around. Regarding the £191k (bullet point 3) why was an impact assessment not completed initially.</p> <p>In relation to the Freedom Leisure virement being no longer needed, what else might not be needed. Could there still be further adjustments at a later point.</p>	<p>Officer Response: There was an impact assessment for the initial £1m and a second one was being completed due to the increase of £191k.</p> <p>Any budget is an estimate and things do move during the year even once a budget has been set. In relation to the estimate there is no guarantee that everything will come in on budget next year.</p>
Additional £500k for schools. How will it be allocated – to individual schools as a proportion, or will schools with a surplus	<p>Officer Response: The detail will need to be determined. This sets aside the provision for the</p>



budget not receive anything.	fund. The Learning and Skills Scrutiny Committee asked to be involved in determining the criteria. The fund would not be allocated as part of the formula.
The criteria will be drawn up at the end of the current financial year. Can you confirm that the fund will not be used for schools to balance their budgets but for capital projects to reduce energy use long-term.	<p>Officer Response:</p> <p>The fund will be directed for specific purposes and not to support schools with deficit budgets. The criteria would need to be clear to ensure that schools were taking all possible action to balance their budgets without having to draw on any other fund.</p>
This will have a long term benefit not balancing budgets in one year.	<p>Officer Response:</p> <p>Yes if it is directed to energy efficiency measures then it would be longer term.</p>
<p>In relation to Highways, Transport and Recycling (HTR) was there only one impact assessment.</p> <p>The impact assessment indicated that the funding was going from the fleet replacement budget into the HTR Savings budget, but it was being diverted into the Education Service budget.</p>	<p>Officer Response:</p> <p>A second impact assessment was created for the increase which was circulated to the Economy, Residents and Communities Scrutiny Committee.</p> <p>The £191k is going into the Education budget. HTR were moving this funding to the transport reserve previously but this is coming from the HTR Service and would reduce the HTR budget for that year.</p>
In proposal (2) of the proposed amendment - £120k for older day provision. How do these figures match.	<p>Officer Response:</p> <p>The proposed saving was £120k. As the detail of the saving had not been worked up, and in discussion with the Service, the Service indicated that it could manage this within the overall service budget as the proposal was an estimate.</p>
If the demographic pressures are greater than the forecast and sum allocated where would that funding come from.	<p>Officer Response:</p> <p>This would be part of the general risk within the budget and would be managed as all other pressures were within the budget. It could be a draw on the risk budget and this was where any change in budgets was managed.</p>
Originally there was an estimate of £120k saving subject to a review being completed. Therefore, it was considered that the saving was not possible. Could there other similar occurrences across the budget where there was insufficient information as to potential savings.	<p>Officer Response:</p> <p>This saving was dependent on a review being undertaken, hence the level of uncertainty. There would be a greater level of certainty for other elements in the budget proposals.</p> <p>Cabinet Member Response:</p> <p>The Health and Care Scrutiny Committee commented on the £120k saving and asked the Service to review</p>

<p>Is the review about all of the demographic assumptions being made or specifically around this year. Have the pressures for next year been over-estimated.</p>	<p>this and this was the result.                  Officer Response:                  The saving was challenged by the scrutiny committee as the review has not been done. This was about a specific review of an aspect of the service. The review would be in relation to the potential saving rather than the pressure.</p>
<p>Comment:                  The financial position is improving which is encouraging. The £120k saving was picked up by Health and Care Scrutiny Committee as the review had not been undertaken it could have provided a false expectation so was better to be removed. The second impact assessment for HTR had been scrutinised and assurance was provided to the Committee.                   The good work of the Finance Officers and Services was also highlighted.</p>	

**Discussion / Debate:**

- The Chair commented that it was difficult to comment on the use of reserves to balance the budget as the information was not available. Difficult to make that judgement until it was known what the £500k for schools was used for. It was clear that some reserves were being used to bolster that sum of money.
- The Head of Finance clarified that no reserves were used to established the £500k fund. In response to a question, the Head of Finance indicated that the £287k came from the base revenue budget plan for the next financial year. The £287k was going to replenish reserves but was no longer required. In relation to the £1.1m underspend there was a draw on specific reserves set aside as part of the previous year’s outturn in response to the inflationary pressures.
- The Cabinet Member reiterated that the £287k was coming from reserves but was no longer required due to an improved outturn. In response to a question about whether the 2022/23 budget set was adequate, the Cabinet Member indicated that the budget set had proved to be adequate, but Heads of Service were also to be credited for the way that they had managed budgets under difficult circumstances as the sum built into budgets for inflationary pressures was inadequate, which the previous Cabinet would not have known would have been the case. The underspend was as a result of Services absorbing the various pressures.
- The Head of Finance indicated that spend was reduced during the year in response to the pressures that were being seen.
- In response to a question about whether it was individual items or a number of items which had led to an improvement in the outturn by quarter 3, the Head of Finance indicated that there were three services highlighted where there were significant changes which assisted the position with the largest changes in Children’s Services and Social Care Comissioning.

**Outcomes:**

**The Panel made the following observations:**

The Panel welcomed:

- The work undertaken by Finance Officers and Heads of Service in relation to the improvement in the financial position during this year by reducing spending to address inflationary pressures.

The Panel noted that:

- The £287k for Freedom Leisure was now to be funded from the Council's base budget and a contribution from reserves is not required. Reserves therefore, do not need to be replenished releasing the £287k for allocation elsewhere.
- This funding is proposed to be redirected to support energy costs and energy efficiency measures in schools.
- The £500k schools fund would be allocated based on detailed criteria which has not yet been developed. The fund is not proposed to be distributed as part of the school funding formula.
- Directing the fund towards energy efficiency schemes would have a long-term benefit.
- The fund would not be used to meet school budget deficits.
- In respect of the £120k saving for Adult Social Care, concern had been raised by the Health and Care Scrutiny Committee as to whether this was achievable as the review had not been undertaken. Therefore, it had been withdrawn.
- It was difficult to judge the impact of the additional funding for schools until the criteria had been established.

**There were no recommendations to the Cabinet.**

**County Councillor A W Davies (Chair)**

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**MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT BY ZOOM ON  
FRIDAY, 24 FEBRUARY 2023**

**PRESENT**

County Councillor A W Davies (Chair)  
County Councillors P Lewington, J Pugh and C Walsh

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

Officers: Jane Thomas (Head of Finance)

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 Cartwright and E.A. Jones

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

- Minutes 25-11-2022.

**Issues Discussed:**

- None

**Outcomes:**

Agreed by all present as a true and accurate reflection of the meeting and ratified accordingly by the Chair.

<b>3.</b>	<b>DECLARATIONS OF INTEREST</b>
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There were no Declarations of Interest from Members relating to items to be considered on the agenda.

<b>4.</b>	<b>FINANCIAL FORECAST FOR THE YEAR ENDED 31ST MARCH 2023 (AS AT 31ST DECEMBER 2022)</b>
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**Documents Considered:**

- Quarter Three 2022-23 Financial Forecast Update
- 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 (as of 31st December 2022). 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

### **Issues Discussed:**

The Head of Finance highlighted the following points: -

- The Pay awards that were agreed nationally have seen an additional £7.9m, some of which was provided for. However, there is a budget shortfall to be managed across the year of £3.8m through mitigating action across all service areas in reviewing their expenditure.
- The Q2 projected deficit was £7m. £5.3m was covered off by specific reserves and the risk budget plan for the current year. A deficit of £1.7m remained and would call on general fund reserves, if still materialised by the end of the year.
- Services had taken further action to limit expenditure and the position being reported at Qtr3 was improved. Specific reserves would still be drawn upon but there is now no expectation to draw down on general reserves, as a £1m surplus is now projected at Year end. Table 1 shows the overall position, with base budget and cost pressures, including the level of underspend offsetting some of the cost pressures.
- The largest improvement of £800k was from Children's Services, Social Care Commissioning managed to pull back on £700k as utilised grant funding. All Corporate budget assumptions have been reviewed; Council Tax, debt collection, capital budgets based on current projects resulting in an improved position of £600k due to reduced borrowing this year and reprofiling of some capital schemes.
- There has been a slight change in costs reductions, of the £10m savings to be achieved this financial year. £7.2m has been realised, with a further £1.2m expected by the year end. This has left £2.3m of unachieved savings, of which £1.6m had been written out of the budget, as agreed on 23.02.2023 by Council.
- There was an expected draw on reserves, some of which was planned and included within the budget, the use of some specific reserves would be required this year, to meet additional pressures and balance the budget.
- The updated Schools Delegated budget position is noted, with the draw on reserves being made to manage some of the pressures seen. Some schools are drawing on reserves to smooth budgets over the year as planned. Some schools have not actioned their recovery plans and would be expected to continue to manage that over the longer term.
- The reserve position overall has moved from the £63.7m opening balance of revenue reserves, to £49m at the end of this financial year a draw of approximately £14.7m.
- With regard to grants and virements for Q3, lower levels of additional grant funding have been received this year, in comparison to previous years, which was to be expected. Virements within the report are related to HTR and £300k for the Reimagining review support work over the next year.
- **Questions:**

<b>Question</b>	<b>Response</b>
The figures included in Section 2.5 were queried as appeared to be £100k out	Officer Response: Will review and advise but was likely the figures would have been rounded to one decimal place.
The Virement figures shows nothing left to vire?	Officer Response: The figures balance. The virement process moves funds from one budget line to another.
The Reimagining Powys has a Project resource attached can this be explained?	Officer Response: The Re-imagining of Powys project will require additional officers to drive and lead. A project Officer, administrative and finance support posts.
Structured plans for the Reimagining Powys would be with Cabinet by the end of Summer 2023, assurances sought that the recruitment process has commenced, if so when is the expected start date?	Officer Response: Once the virement of funds for the project had been approved by the Cabinet, the recruitment process was initiated, the JD/PS were already completed. Posts will be applicable to internal as well as external candidates.
Welcomed the improved financial position, with Children's and Adults Services contributing to this in addition to grant funding being used. Grants can only be used once; would the costs pressures therefore increase in Q4 for those particular service areas?	Officer Response: Grants run until the end of the financial year; Some grants are one-off, although often grants run over a number of years dependent on the various T&C's. The Council utilises grants to support current work activity or fund pressures that have arisen from that work. If the work activity were to be continued, there would be increased pressures to the particular Service Area, if the grants were to cease. Finance are continually working with Services Areas to ensure that the longer-term position is considered if grant funding were no longer available.
Are further improvements expected during Q4 or has the peak been reached and a negative position would materialise?	Officer Response: The Council continues to take a prudent approach. We will review the position again at the end of February. Training is undertaken with HoS and budget Managers to ensure forecasts are as accurate as possible
With regard to school budgets do we provide guidance to schools in setting budgets that are deemed realistic in the real world.	Officer Response: Schools have and continue to receive guidance. The scheme for the financing of schools sets out the parameters for Governing Bodies to operate within when financial planning.

	<p>In addition, there is continual process of training for Governors, Head Teachers, and finance staff within schools. The Schools Finance Team work directly with schools on a daily basis and offer surgery sessions at specific times in the year.</p> <p>In the next 2 weeks the budget packs will be received by schools, followed by a series of meetings to go through budget plans, challenge and advise The Team around the School which includes Finance, HR and Education Officers offers a robust and holistic system of support to schools.</p>
<p>Is guidance provided to all services around the Change Agenda to set realistic expectations going forward?</p>	<p>Officer Response: Other Service Areas have nominated Finance Business Partners who offer similar support and guidance to all Service Areas, Service Leads and Budget Managers</p>
<p>Assurance sought that Service Areas have included in budget planning for the cessation of grant funding, that there was an understanding of Service Area responsibilities to secure resources, prior to staffing resources being impacted.</p>	<p>Officer Response: Service areas are supported by the Finance Team on clear exit strategies for the cessation of grant funding.</p>
<p>Could the Primary, Secondary, All Age and Special schools' information be included within the quarterly out-turn reports as individual lines for the separate categories or sectors, to permit detailed scrutiny of financial position going forward?</p>	<p>Cabinet Member Response: The Primary Sector has an overall accumulative reserve balance at March 2022 surplus of £7.9m</p> <p>The Secondary Sector has an overall accumulative reserve balance at March 2022 deficit of £846k.</p> <p>The All-Age Sector has an overall accumulative reserve balance at March 2022 surplus of £864k.</p> <p>The Special Schools Sector has an overall accumulative reserve balance at March 2022 surplus of £1.005m</p> <p>The total accumulative figure at the end of March 2022 of £8.9m, which included the £5.7m which was injected into the Schools Delegated Budget at the end of the financial year 2021/22.</p>



	<p>The projected figures at the end of March 2023:</p> <p>The Primary Sector has an overall accumulative reserve balance surplus of £4.9m</p> <p>The Secondary Sector has an overall accumulative reserve balance deficit of £2.5m.</p> <p>The All-Age Sector has an overall accumulative reserve balance surplus of £587k.</p> <p>The Special Schools Sector has an overall accumulative reserve balance surplus of £733k.</p> <p>The total accumulative reserve budget surplus figure at the end of March 2023 of £3.7m.</p>
<p>There is a shift of £5.2m in schools delegated reserves with specific circumstances in relation to covid recovery grants, however within a single financial year well over half of the reserves has been utilised, a request was made for further detail to appropriately evaluate and monitor the risk, in particular with regard to the secondary schools' sector.</p>	<p>Cabinet Member Response:</p> <p>Whilst accepting of the reduction in reserves of £5.2m, there were a number of deficit recovery plans that were made redundant when the £5.7m was injected into the Schools budget at the end of 2021-22. If the deficit recovery plans are re-introduced, we should see significant savings and a significant reduction in the overall deficit figure for secondary schools.</p> <p>As requested, schools sector information will be included in the quarterly reports moving forward.</p>
<p>Request made for a separate piece of work to be undertaken in reviewing the previous year's forecasting to evaluate progress and highlight areas that need to be addressed.</p> <p>Chair commented that quite a bit of this work had been undertaken, especially around cost reductions and analysis if undelivered.</p> <p>Chair agreed that Finance Panel would be most appropriate forum to provide</p>	<p>Officer Response:</p> <p>The out-turn report sets out the position at the end of the year, reports actual expenditure against the budget it also reports what has changed against the final projected forecast given at Q3. The out-turn report includes commentary from Heads of Service to explain reasoning.</p> <p>Cabinet Member Response:</p> <p>This is a Plan / Do/ Review piece of work, and request is for the results to</p>

<p>the necessary level of scrutiny.</p>	<p>be reviewed, and where required lessons learned.</p>
<p>Point raised for work to be undertaken around Organisational Memory, what has been effective or ineffective. Increase learning from past issues, share good practice to replicate in other Services Areas or School Sectors, to develop the culture and team working, in line with the Change Agenda</p>	<p>Officer Response: Forecasting has been impacted previously by poor housekeeping e.g., cancellation of orders. The overview gives an idea of where Service Areas are, however, transparency could be improved if Heads of Service provide better narrative to explain changes in the position.</p>
<p>Further comment made that once the Organisational Memory work has been completed, processes to be maintained or implemented to identify failings prior to impact on services or delivery.</p>	<p>Officer Response: In agreement</p>
<p>There have been significant savings and possibly grant funded substitutions to help reduce the deficit, therefore at the financial year end the draw on reserves will match the outcomes?</p>	<p>Officer Response: The financial year will begin and end with a balanced budget, however the report would demonstrate what was meant by the use of reserves to balance any shortfall through the final reserve movement.</p>
<p>Would it be possible for the Council to review at the end of the financial year what was not undertaken due to costs reductions, what services have been impacted, the impact of lack of service delivery on the residents of Powys. Aware that capital projects may be delayed e.g., a new school, which would impact on service delivery and residents alike. Grant substitution does not impact on the service.</p> <p>Panel request additional information on understanding the cost reductions throughout the financial year and the impact on service delivery and residents.</p>	<p>Officer Response: Some information is held within the quarterly performance and monitoring reports, if service areas hold vacancies for a while, there is an inevitable knock-on effect that some services cannot be delivered.</p>
<p>The narrative or commentary provided by Service Areas needs to be improved with further detail to allow analysis into the data. The narrative has to be of a high standard which is also understandable by the public.</p>	<p>Officer Response: Request will be shared across Service Areas</p>
<p>An adjustment was made during the year to the Collection Rate which</p>	<p>Officer Response: There are more details on the</p>

<p>helped reduce the deficit slightly, could information on the original, adjusted, and next years presumed figures be made available to Panel?</p>	<p>collection rate for Council Tax in the Treasury Management Report. The presumed Collection Rate was amended when the Council Tax base was set for last year in Nov 2021, if collection levels are overachieved a benefit is reported against budget.</p>
<p>Could the advice notes on grants to schools at the end of the last financial year be made available to Finance Panel, to ascertain the remit set by Welsh Government.</p>	<p>Officer Response: Will forward, understood that the remits set were quite broad.</p> <p>Cabinet Member Response: It was clear they were not to be used for deficit recovery. The deficit figure has reduced significantly as part of the funding was used to reduce deficits particularly in the secondary school sector, where deficit recovery plans need to be reintroduced.</p>

**Outcomes:**

Panel made the following observations:

- The Panel welcomed:
  - The improved financial position with Children’s and Adults Services and the assurance that the Finance Team continually work with Services Areas to ensure that the longer-term position is considered, if grant funding were no longer available.
  - Assurances that the recruitment process has commenced for additional posts to undertake the Re-Imagining Powys Project.
  - The extensive guidance and support afforded to Schools and to other Service Areas, particularly around Budget setting.
  - Assurances that the cessation of grant funding was considered in Service Areas budget plans.
- The Panel noted:
  - Assurances from the Governance & Audit Committee Chair to the Finance Panel, that the committee had taken a strong interest in the financial governance relating to schools’ budgets being managed and supported by officers.
- The Panel requested that:
  - It undertakes scrutiny and review of the previous year’s forecasting to evaluate progress and highlight areas that need to be addressed.
  - Schools’ reserves, broken down by sector, be included within the quarterly budget monitoring reports to permit detailed scrutiny of financial positions.
  - Work be undertaken around Organisational Memory, what has been effective or ineffective. Increased learning from past issues, good practice

- to be replicated in other Services Areas or School Sectors, further development of culture and team working in line with the Change Agenda.
- Additional information be provided for the cost reductions achieved during the financial year, and the impact on service delivery and residents.
  - The narrative or commentary provided by Service Areas be improved. The narrative has to be of a high standard which is also understandable by the public.
  - The advice notes on grants to schools at the end of the last financial year be made available to Finance Panel, to ascertain remits set by Welsh Government.
- The Panel expressed concern:
    - That within a single financial year, over half of the Schools reserves has been utilised.

**The Panel made the following Recommendations to Cabinet:**

1. That Finance Panel undertakes scrutiny and review of the previous year's forecasting to evaluate progress and highlight areas that need to be addressed.
2. That work be undertaken around Organisational Memory, what has been effective or ineffective. Increased learning from past issues, good practice to be replicated in other Services Areas or School Sectors, further development of culture and team working in line with the Change Agenda.
3. Additional information be provided for the cost reductions achieved during the financial year, and the impact on service delivery and residents.
4. The narrative or commentary provided by Service Areas to be improved with further detail.

That schools' reserves, broken down by sector, be included within the quarterly budget monitoring reports to permit detailed scrutiny of financial positions.

<b>5. CAPITAL FORECAST 2022-23, AS AT 31ST DECEMBER 2022</b>
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**Documents Considered:**

- Capital Forecast 2022-23, as at 31st December 2022
- The 2022/23 Capital Programme was approved by Council on the 3<sup>rd</sup> March 2022. It included capital schemes totalling £133.88m, of which £25.55m related to the Housing Revenue Account (HRA). The programme has been updated following the reprofiling of projects and additional grants received from Welsh Government.

**Issues Discussed:**

The Head of Finance highlighted the following points: -

- (2.2) Table 1 shows the breakdown via service area of the original budget, approved virements. Commenced the year with a Capital budget of £133.8m, there have been virements of over £40.5m during the year which could be attributed to re-profiling or receipt of grant monies.
- The revised programme at the 31st December 2022 is budgeted at £93.37m

following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £41.08m, representing 44% of the total budget.

- Forecasting is critical and Project Managers need to accurately profile budgets.
- Appendix A Chart 2 shows the financing of the capital programme, a large proportion £43.4m is financed via grants. There are revenue contributions, capital receipts and supported or prudential borrowing to fund the remainder of the Capital Programme.
- Interest rates have increased borrowing costs this year, further detail would be found in the treasury management report which is discussed at Governance & Audit Committee.

- **Questions:**

Question	Response
Is the unallocated line always there and is this always held centrally?	Officer Response: There is always an unallocated line, the value can alter, the reason for such a high amount could be 21 <sup>st</sup> century schools held until projects are confirmed and allocated Will provide further information
Request for further details on the Community Development and technology for Powys Community Skills Initiative.	Officer Response: Will request the information from the Service and forward on.
It is concerning that there is still 56% of the budget remaining at the end of Q3.	Officer Response: the profiling of schemes needs to be up to date to accurately forecast and manage cashflow. It is a concern that only half of the budget has been spent, however borrowing has been delayed. No concerns being reported as to the inability to spend grant supporting the programme, which can be dependent on timescales of T&C's. The Finance Team continue to push managers to improve their forecasting and commitments.
Requested confirmation on the rules of virements from one financial year to the next does that have to be agreed via Full Council or is this under the remit of Managers?	Officer Response: Virements between financial years does not have to be approved via Full Council. Budgets can be re-profiled as long as costs of the overall remain within budget. If a budget is no longer deemed sufficient it would be subject to normal virement rules and have to have approval. Schools Capital Board, and Capital Oversight Board monitors Capital projects.

<p>Can you advise where the School Capital Board would report?</p>	<p>Officer Response: It is an internal Officer not Member led board, which monitors and challenges capital projects</p>
<p>Would it be appropriate to have a Board set up with Councillors and Senior Officer involved to monitors contracts via quarterly reports, review previous contracts, to effectively challenge and identify issues as soon as possible and not at the end.</p>	<p>Officer Response: It is an area that the Council has looked to strengthen, a new Procurement Lead has just commenced in post and has established a Contracts and Commissioning Board of Officers improve contract management and forward planning. Where there are particular concerns on major contracts, Audit would be involved, and an independent review could be undertaken.</p>
<p>Governance and Audit Committee Chair informed that the committee is seeking assurances around contract management and the skills and expertise within the team. The work described is an approach seen in other organisations for contract management, with the exception of having a Senior Responsible Owner (SRO) at an Executive level or Service Lead to take a strategic overview of projects without being involved in the minutiae of the day to day running. This approach can identify underperformance and areas for improvement, as well as areas for learning and good practice</p>	<p>Officer Response: Senior Reporting Officers are in place for Transformation Projects For Capital Projects there is a Budget Manager in place supported by Project Officers.</p>
<p>Chair commented that it would not be appropriate for Councillors to become involved in the detail, as it is important to hold to account Senior Officers of Projects at a Cabinet level. We currently have a good robust procurement team, which could always be strengthened to improve further.</p> <p>There needs to be a clear ask at the outset of any project, with robust management to avoid supplementary works without clear supportive evidence and financing in place. Public procurement has more bureaucracy and rules than a private business.</p>	<p>Officer Response: Not every scheme will come in on time and within budget, issues will arise along the way. It is important to have those issues clearly reported as to why costs have exceeded expectations, processes need to be in place and in general they are.</p>

**Outcomes:**

Finance Panel made the following observations:

- The Panel welcomed:
  - That despite the underspend on the Capital budget, no risks were being flagged with regard to the inability to spend grants which support programmes, dependent on timescales of T&C's.
  - The Finance Team continue to push managers to improve their forecasting and add commitments to financial systems.
  
- The Panel requested that:
  - Further details on the Community Development and technology for Powys Community Skills Initiative be made available.
  
- The Panel expressed concern:
  - That 56% of the Capital budget remained unspent at the end of Q3 and raised as a concern. The profiling of schemes must be maintained to enable finance teams to accurately forecast and manage cashflow.

**Finance Panel Recommendations to Cabinet**

**There were no recommendations made to Cabinet.**

**6. FORWARD WORK PROGRAMME**

**Documents Considered:**

- Forward Work Programme for 2023.

**Issues Discussed:**

- Finance Panel to receive regular information on the Reimagining Powys work and the development of the financial plan for 2024-2025 and beyond.
- Also include Benchmarking against Other Local Authorities in Wales and IBPs within the Re-Imagining Powys work.
- Q4 report to be brought forward to June 30<sup>th</sup> meeting.

Work to be undertaken with the Chair around what information is to be shared within a Public or Private session.

Question	Response
Request for lay members to be included in the Re-imagining Powys seminar. Lay members would therefore be aware of the direction of travel of the Council.	Officer Response: Lay Members will be invited to the seminar.

**County Councillor A W Davies  
(Chair)**

**County Councillor A W Davies (Chair)**

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## Finance Panel

### Terms of Reference

#### Terms of Reference:

7.38 The Panel will concentrate on strategic financial matters including the following:

#### 7.38.1

- review and scrutinise in private session:
- assist with the delivery of financial plans to support change and the Medium Term Financial Strategy to inform policy changes, and providing robust challenge and accountability;
- consider the robustness of the evidence base upon which the MTFs and Council budget are predicated
- Assumptions underlying the budget strategy;
- The Medium Terms Financial Strategy / Finance Resource Model;
- Budget Assumptions;
- Draft Budget and Impact Assessments;
- Development of the budget, future planning and finance transformation
- provide evidence based recommendations to the Cabinet on its findings;
- develop a forward work programme based on the budget timetable and the Council's medium term financial strategy;

#### 7.38.2

- to review and scrutinise in public session:
- Annual Local Government Settlement and any legislative changes affecting local government;
- Financial aspects of the Risk Register;
- Financial Monitoring;
- to review budget monitoring reports for Revenue and Capital
- any other monitoring and performance reports as appropriate
- provide evidence based recommendations to the Cabinet on its findings
- develop a forward work programme

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## CYNGOR SIR POWYS COUNTY COUNCIL.

## CABINET EXECUTIVE

18<sup>th</sup> April 2023

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

**REPORT TITLE:** The Revenue Financial Forecast for the year ending 31st  
March 2023 (as at 28<sup>th</sup> February 2023)

**REPORT FOR:** Decision

## 1. Purpose

- 1.1 To provide Cabinet with the forecast revenue budget outturn for the 2022-23 financial year based on the position at 28<sup>th</sup> February 2023 and explain any changes since the last report at quarter two.

## 2. Background

- 2.1 Based on the position at the end of February the projected outturn position now reports a surplus of £0.888 million, an improvement from that reported at Quarter 3 (£2.4 million as at Quarter 3), this is reported after the drawdown of the payroll reserve of £1.2 million. With the anticipated further draw down of £2.5 million from specific reserves to support expenditure as planned, the overall underspend against budget rises to £3.4 million (£1 million as at quarter 3).
- 2.2 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	16,126
Cost Underspends	(19,514)
Cost Reductions Shortfall	2,499
Sub Total	300,982
<b>Underspend before Reserves</b>	<b>888</b>
<b>Funded by:</b>	
Agreed Specific Reserve Use	(2,275)
Contribution from Risk Reserve	(268)
<b>Net Underspend</b>	<b>3,432</b>

- 2.3 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. A number of service areas including Education and Planning, Property and Public Protection have been able to utilise UK Government Shared Prosperity Fund – the purpose of the funding is to support the Mid Wales Regional Investment fund, this

year most of the allocation supports council activities and has released some base budgets creating underspends. Other improvements include:

- 2.3.1 Adult Social Care reports an improvement of £1 million, the settlement of some historic debt between the Local teaching Health Board and the Council has resulted in a one off receipt of £0.5 million from the Health Board. In addition, the contract uplifts for care providers have been finalised to implement the real living wage, the overall cost is £0.3 million lower than budgeted for.
- 2.3.2 Corporate budget projections have improved by £0.6 million with borrowing costs lower than projected by £0.3 million due to some capital schemes being re profiled into next year and with redundancy costs being £0.3 million lower than the £0.5 million provisional budget set aside.
- 2.3.3 Within the Housing and Community Development service a payment to Freedom Leisure of £287,000 for increased utilities pressure has been forecasted. It was originally anticipated that a call on reserve would be required this year to fund this but this cost can now be met from within the underspend from corporate services.
- 2.4 Further detail for each of the Councils services is provided in Appendix B, with Heads of Service setting out their individual narrative to explain 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. In addition, undelivered savings of £2.8 million from 2021-22 were rolled forward bringing the overall total to be delivered this year to £10.855 million.
- 3.2 The summary at Table 2 shows that 74% or £8.1 million have been delivered and a further 3% £0.3 million are assured of delivery this year. £2.5 million, 23% remain unachieved and are at risk of delivery this year. 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 consideration was given to the savings that remain unachieved and it was agreed that £1.6 million that are now deemed undeliverable are written out of the budget. The remaining balance of the unachieved savings will be rolled forward to 2023-24 for delivery next year.

**Table 2 – Savings Summary**

£'000	To Be Achieved	Actually Achieved	Assured	Un-achieved	% Achieved
Adult Services	3,429	3,404	25	-	99%
Childrens Services	3,640	2,146	-	1,494	59%
Economy and Digital Services	282	67	-	214	24%
Education	55	55	-	-	100%
Finance	39	39	-	-	100%
Central Activities	1,045	1,045	-	-	100%
Highways Transport & Recycling	1,612	738	246	628	46%
Housing & Community Development	172	172	-	-	100%
Legal & Democratic Services	24	18	-	6	73%
Transformation and Communications	230	230	-	-	100%
Property, Planning & Public Protection	189	39	5	145	20%
Workforce & OD	138	114	14	10	82%
<b>Total</b>	<b>10,855</b>	<b>8,067</b>	<b>290</b>	<b>2,498</b>	<b>74%</b>
		74%	3%	23%	

#### 4. Reserves

- 4.1 The Reserves position at Table 3 sets out the reserve forecast. 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 £'000	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	(2,632)	26,535
Transport & Equipment Funding Reserve	8,843	(1,914)	6,929
<b>Total Useable Reserves</b>	<b>50,927</b>	<b>(4,546)</b>	<b>46,381</b>
Schools Delegated Reserves	8,982	(5,481)	3,501
School Loans & Other Items	(371)	49	(322)
Housing Revenue Account	4,244	(257)	3,987
<b>Total Specific Reserves</b>	<b>12,855</b>	<b>(5,689)</b>	<b>7,166</b>
<b>Total</b>	<b>63,782</b>	<b>(10,235)</b>	<b>53,547</b>

- 4.2 The net use of specific reserves is now forecast at £2.6 million and is less than previously expected (£6.0 million at quarter 3) due to the projected surplus position of £3.4 million which will be transferred to specific reserves. It has previously been agreed that revenue underspends arising from capital for borrowing and Minimum Revenue Provision will be transferred to the specific capital financing reserve to support future capital schemes, this equates to £2.4 million.
- 4.3 The nationally agreed pay awards for 2023/24 are now likely to exceed the Councils budgeted costs (5% for NJC and 5.5% for Teachers (from the September 2023)) leaving a shortfall for next year. Every 1% above the estimate will require a further £1.5 million. It is therefore proposed that any additional underspend achieved in the 2022/23 financial year is set aside in a specific reserve to fund the likely shortfall in next years' budget.
- 4.4 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. The expectation was that they would utilise these reserves to provide additional support to learners following the disruption caused by the pandemic. They will need now also need to draw on these to support the increasing costs of staffing, utilities and general resources.
- 4.5 The delegated schools forecast as shown in Table 4 requires a £5.4 million call on their reserves, originally in May 2022 governing bodies were forecasting £4.9 million as part of their budget plans.

**Table 4 – School Reserves**

School Sector £,000	Opening Balance	Budget contribution (from)/to reserves	Forecasted Variance to Budgeted Contribution / (use) in 2022/23	Forecasted Closing Balance 31/3/23
Primary	7,959	-2,721	-8	5,230
Special	1,006	-242	-49	715
Secondary	-847	-1,797	-371	-3,015
All Through	864	-300	7	571
<b>Sub Total</b>	<b>8,982</b>	<b>-5,060</b>	<b>-421</b>	<b>3,501</b>
Loans / closed	-371	7	42	-322
<b>Total</b>	<b>8,611</b>	<b>-5,053</b>	<b>-379</b>	<b>3,179</b>

- 4.6 Where schools do not hold sufficient reserves to draw upon, school improvement advisers, HR business partners and finance officers are providing additional support to identify ways to reduce expenditure, including in-depth finance and curriculum reviews. All schools have been provided with a Financial Toolkit and access to the Schools Finance Benchmarking Tool to help them identify areas for further investigation and to support the effective use of funds in schools.
- 4.7 All schools will have attended finance surgeries during March and April where school improvement advisers, HR business partners and finance officers.

## **5. Grants and Virements**

- 5.1 There have been additional grants received this quarter and these are reported and will be built into the revenue budget in compliance with the financial regulations:
- 5.1.1 Education Services: £70,000 – Local Authority Education Grant Variation (£10,000 Welsh in education workforce data analysis project, £60,000 Virtual Schools Wales).
- 5.1.2 Regeneration – UK Government Shared Prosperity Fund – the purpose of the funding is to support the Mid Wales Regional Investment fund, the full allocation for 2022/23 is £3.4m. To expedite the expenditure, and ensure that no monies are lost to Powys, the Year 1 spend will primarily be allocated to the in-house delivery of Council projects that have either already started or are able to mobilise quickly. Due to the timescales, the allocation may not be fully spent in 2022/23. To date there has been no agreement on how the unspent allocation will be reprofiled into future years.
- 5.1.3 Highways, Transport, Recycling
- Highways, Transport & Recycling services received a grant offer of £150,000 from Welsh Government in respect of transforming Towns under the Local Transport fund, this grant offer has now been revised to £90,000; a reduction of £60,000.
  - Highways, Transport & Recycling services received a grant offer of £350,000 from Welsh Government in respect of Safe Routes in the Community (Built to Llanellwedd), this grant offer has now been revised to £300,000; a reduction of £50,000.
  - Highways, Transport & Recycling services received a grant offer of £62,900 from WCVA in respect of Local Places for Nature (Biodiversity), this grant offer has now been revised to £98,900; an increase of £36,000.
  - Welsh Government grant allocation of £972,000 in relation to Traws Cymru T4 Newtown to Cardiff and T6 Brecon to Swansea bus services.

5.1.4 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.

#### 5.1.5 Adult Social Care

- Mental Capacity Act/Deprivation of Liberty Safeguards Welsh Government grant £123,130 to be utilised to sustain or improve the application of the Mental Capacity Act.
- £18,200 Welsh Government Substance Misuse Action Fund Revenue Funding in relation to Buprenorphine which is for the specific purchase of injectable buprenorphine for service users deemed clinically appropriate for treatment.
- Welsh Government Housing Support Grant, £1,798,220 million more than the indicative allocation, to be utilised to support early intervention which prevents people from becoming homeless, stabilises their housing situation, or helps potentially homeless people to find and keep accommodation. This has been included in the forecasts through the year and fully spent.
- Regional Partnership Board Regional Integration Fund Winter Pressures funding of £403,000 to support the D2A hospital discharge pathway, specialist equipment to support people home from hospital and additional residential care home bed capacity.
- National Dementia Funding of £6,000 to employ a project support officer.
- £50,000 Welsh Government additional funding support in respect of Learning Disability Policy priorities.
- £5,000 Welsh Government grant to fund a post or, where a post is already in place, to fund activity to take forward work to make Wales an age friendly nation.

5.1.6 Children's Social Care - Children's and Communities Grant, Welsh Government Grant – additional allocation of £99,500. The Purpose of the Funding is to seek to address the support needs of the most vulnerable children and adults in our communities through a range of early intervention, prevention, and support mechanisms. It will seek to mitigate or remove disadvantage to vulnerable people to enable them to have the same life chances as others, and therefore contribute to a more equal Wales.

#### 5.1.7 Social Care

- £1.847 million Welsh Government Sustainable Social Services and Workforce grant, to recognise the hard work and commitment social services departments have made over the last two years dealing with the COVID pandemic. Grant to be utilised to uplift salaries in the Sector, take steps to address recruitment and retention difficulties, to take forward measures that support fair work in the sector, support the Welsh Language, facilitate greater integration and innovation, mitigate current workforce pressures in core social services, support providers to become more sustainable and invest in workforce in core services. This has been included in the forecast through the year and fully spent.
- Regional Integrated Fund RIF £2.363 million, a five-year Welsh Government programme to help integrate health and care services. The aim is to develop

new models of care to support priority groups. This has been included in the forecast through the year and fully spent.

- Regional Integrated Fund RIF £0.317 million transformation funding to support the North Powys Project Integrated programme to fund infrastructure costs incurred by the Council and the Powys Childrens First rollout.
- Welsh Government grant Implementation of the Performance and Improvement Framework of £40,000, to be used to increase the capacity required to deliver the framework and other statutory data collections.
- Section 33 Community Equipment Store Powys Teaching Health Board additional £154,000 contribution to the pooled fund to purchase equipment.

5.2 The following virement requests are requested for approval:

#### 5.2.1 Highways Transport & Recycling

- Highways, Transport and Recycling request a virement to transfer £834,190 of base budget from Public Transport to Schools Transport. The Bus Emergency support grant rolled forward from 2021-22 into 2022-23 as agreed with Welsh Government and can be used to fund the costs of Public Transport on a one off basis in 2022-23 allowing the base budget to be transferred to school transport. This will be utilised to fund the increased cost of school transport due to inflationary increases of £285,190 and £549,000 to fund the unachieved saving whilst plans on school transport savings are concluded early in 2023/24.
- The Head of Highways, Transport & Recycling is currently holding £59,460 of growth budget awarded at 2022/23 budget setting to support inflationary costs, this is proposed to be transferred to Highways Operations to assist with material and fuel inflationary pressures in the 2022/23 financial year.
- The Schools Service received £150,000 of growth funds as part of the 2022/23 budget settlement to support the additional costs associated with post 16 transition costs. Schools Service has subsequently submitted a virement request to cabinet in September 2022 to transfer the £150,000 budget to Highways, Transport and Recycling Services. Transport Services have incurred £33,000 of additional post 16 transport costs, resulting in £117,000 being unallocated. A request is made to transfer this budget to support the pressure reported on school mainstream transport costs.

#### 5.2.2 Adult Social Care

- It is proposed to transfer the Administration & Finance budget of £804,970 from Commissioning for Adults & Children to Adult Social Care to align with line management and budget holder responsibilities.
- It is proposed to transfer the Complaints budget of £82,670 from Commissioning for Adults & Children to Adult Social Care to align with line management and budget holder responsibilities.
- It is proposed to allocate the budget provided to fund the implementation of the Real Living Wage (RLW) of £2.3 million to the respective cost centres in Adults and Childrens which have incurred the expenditure in line with contract negotiations. It is also proposed that the underspend of £0.3 million against this budget be set aside in a specific reserve to be utilised to fund the uplift in 2023/24.



5.2.3 Community Services – Leisure, a payment to Freedom Leisure of £287,000 for increased utilities pressure was forecast in autumn 2022 and originally anticipated that a call on reserve would be required to fund this, but this cost can now be met from within the underspend from corporate services.

## **6. Financial Risks**

- 6.1 The current collection rate for Council tax (April – February) is 94.43% with the outturn expected of 98.50%. The additional premiums generated from charges for second home and long-term empty schemes will mitigate any surplus if expected collection rates are not achieved.
- 6.2 Demand for some services could still change and this will impact on the figures currently being projected.
- 6.3 The budget for 2023/24 has now been approved but in the current economic context significant risk remains. The budget includes pay award levels of 5% to 5.5% but the current negotiations suggest that higher pay awards may be awarded. The Council will need to find an additional £1.5 million for every extra 1% agreed.
- 6.4 Inflation continues to impact on the costs of the Council, inflation began to fall in January at 10.1%, a drop of 0.4% since the previous month, but in recent days inflation as again increased, however, we are anticipating that it will again begin to fall this year, but we must continue to 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 have taken out additional borrowing and can continue to do so over the short, medium or longer term, but the cost of borrowing is driven by changes in bank rate, and 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 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.
- 7.3 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.

## **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 projected full year forecast to the end of March 2023.

12.2 That Cabinet approve the setting up of the specific pay reserve as set out in section 4.3.

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

12.4 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, and those virements in excess of £500,000 are recommended to council for approval.

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 FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
	£'000	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded	Outturn Position 2022/23
Adult Services	74,814	2,262	(1,096)	25	76,005	(25)	(1,052)	(1,115)	73,813	
Children's Services	28,490	5,591	(3,443)	1,494	32,132	0	(499)	(1,094)	30,539	
Commissioning	3,774	0	(699)	0	3,075	0	0	0	3,075	
Education	17,652	654	(1,744)	1	16,563	0.00	182	0	16,745	
Highways Transport & Recycling + Director	30,608	2,239	(2,420)	874	31,300	(246)	(150)	(35)	30,868	
Property, Planning & Public Protection	6,169	572	(1,458)	150	5,433	(5)	(150)	0	5,278	
Housing & Community Development	5,760	883	(257)	0	6,386	0	(100)	0	6,286	
Economy and Digital Services	6,418	54	(349)	214	6,337	0	0	(24)	6,313	
Transformation & Democratic Services	3,787	101	(101)	0	3,787	0	(85)		3,702	
Workforce & OD	2,511	0	(394)	24	2,142	(14)	0	0	2,127	
Legal	1,434	147	(131)	6	1,456	0	0	0	1,456	
Finance & Insurance	6,258	0	(33)	0	6,225	0	0	0	6,225	
Corporate Activites	34,158	3,203	(7,389)	0	29,972	0	0	2,000	31,972	
<b>Total</b>	<b>221,832</b>	<b>15,705</b>	<b>(19,514)</b>	<b>2,789</b>	<b>220,813</b>	<b>(290)</b>	<b>(1,854)</b>	<b>(268)</b>	<b>218,401</b>	
Housing Revenue Account	0	0	0	0	0	0	0	0	0	
Schools Delegated	80,038	421	0	0	80,459	0	(421)	0	80,038	
<b>Total</b>	<b>80,038</b>	<b>421</b>	<b>0</b>	<b>0</b>	<b>80,459</b>	<b>0</b>	<b>(421)</b>	<b>0</b>	<b>80,038</b>	
<b>Total</b>	<b>301,870</b>	<b>16,126</b>	<b>(19,514)</b>	<b>2,789</b>	<b>301,272</b>	<b>(290)</b>	<b>(2,275)</b>	<b>(268)</b>	<b>298,439</b>	
					<b>598</b>				<b>3,432</b>	

Feb Variance	Dec Variance
1,001	(32)
(2,049)	(2,120)
699	691
907	645
(261)	(260)
891	427
(526)	(182)
105	53
85	36
384	310
(22)	1
33	(20)
2,186	1,524
<b>3,432</b>	<b>1,074</b>
0	0
0	0
<b>0</b>	<b>0</b>
<b>3,432</b>	<b>1,074</b>

**Appendix B Head of Service Commentary**

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
	£'000	Cost Pressures	Cost Underspend	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded	Outturn Position 2022/23
Adult Services	74,814	2,262	(1,096)	25	76,005	(25)	(1,052)	(1,115)	73,813

Feb Variance	Dec Variance
1,001	(32)

**Adult Social Care Overview**

The forecast outturn at the end of period 11, is an overspend of £1.191 million. Of which £1.052 million is to be funded from agreed 'Specific Adult Social Care' reserves and £1.115 million from the 'Councils Risk/Management' reserve, £0.025 million of efficiencies/savings are still to be delivered. However, the service underspend has increased to £1.096 million due to £0.5 million one off non reoccurring funding being received from the Local Teaching Health Board, 0.3 million due to surplus budget real living wage and utilising Welsh Government grants effectively. This leaves an overall underspend of £1.001 million, an improvement of £1.033 million from Quarter 3.

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**Cost Pressures**

(a) **Current Pressures** - Included in the forecast outturn at period 11.

- £0.882 million of the £1.436 million Specific Reserves carried forward from 2021/22 year end, as below:

Explanation to Support Request	£	P11
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	£397,000
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	£0
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	£220,000	£0
<b>TOTAL</b>	<b>£1,436,000</b>	<b>£882,000</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 £1.115 million is to be funded from the Councils 'Risk/Management' reserve: £785k 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.

- Stability of commissioned providers, particularly the care home sector. There are currently a number of providers who may be at risk of failure.
- 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.
- Additionally, there are 3159 hours per week sitting on the CROFT, which is 266 packages of unmet assessed need. However, 1100 hours per week are being held by the in house bridging team and 36 interim care home beds. 511 hours without care, which would be an additional estimated cost of £11,200k per week.

Cost Underspends

- See above.

Cost Reductions

Fully delivered apart from £25k which we are assured can be achieved.

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 FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
	£'000	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	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
Children's Services		28,490	5,591	(3,443)	1,494	32,132	0	(499)	(1,094)	30,539

Feb Variance	Dec Variance
(2,049)	(2,120)

### Children's Services Overview

The previous pressures have continued into Period 11 with a trajectory of an overspend of £2 million at the end of this financial year. We have continued 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 in 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

- £1.998 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 £1.172 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.
- £77,000 Social Services Emergency Duty Team- this figure is owed to Adult Services to cover the costs since the service moved to them.
- £212,000 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. A reduction of £53,000.
- £309,000 Section 21 support- additional monies being used to support families who are in crisis. An increase of £63,000.
- £194,000 Short breaks for children with complex needs- and increase in short break provision based on need. £124,000 pressure with an offset from covid reserve of £70,000, an increase of £15,000.
- £24,000 budget pressure in Legal services, a decrease of £14,000. However, the legal team do not use eProcurement, so difficult to forecast.
- 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.

- £609,000 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. An increase of £85,000.

#### Cost Underspends

- £150,000 due to underutilisation 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).
- £240,000 due to a delay to the Special Guardianship project (one year saving only).
- £143,000 forecasted underspend on Adoption due to reviewing the service. (part of 23/24 FRM Savings).
- various small underspends on service subjective headings.
- £1.840 million Welsh Government grants mitigating baseline funded costs, in line with grant terms and conditions.

#### Cost Reductions

- Delivery to date a total of £2.146 million, 59%.
- Unachievable £1.494 million, of which £1.278 million is included in the Financial Resources Model (FRM) and will be written off as part of the budget setting process.

#### 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- £609,000 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.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	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
Commissioning	3,774	0	(699)	0	3,075	0	0	0	3,075

Feb Variance	Dec Variance
699	691

### Commissioning Overview

The underspend is 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 FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
	£'000	Add	Less	Add	Revised	Less	Less	Less	Final
	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	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
Education	17,652	654	(1,744)	1	16,563	0.00	182	0	16,745

Feb Variance	Dec Variance
907	645

### 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 FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
	£'000	Add	Less	Add	Revised	Less	Less	Less	Final
	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	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
Schools Delegated	80,038	421	0	0	80,459	0	(421)	0	80,038

Feb Variance	Dec Variance
0	0

### 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 have recently supported two secondary schools with a more detailed look at their financial picture and have identified potential savings which could be implemented over time. This support has now been offered to other secondary schools and will start in the next financial year. We are also using the recent benchmarking tool and finance toolkit to shape discussions during finance surgeries to identify further potential savings.

We continue to work closely with other Local Authorities to share practice and identify joint working which can support our schools further. We are also working closely with schools to support the effective deployment of grants and identify additional savings.

The Covid-19 pandemic and rising energy costs continue 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 FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	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
Highways Transport & Recycling + Director	30,608	2,239	(2,420)	874	31,300	(246)	(150)	(35)	30,868

Feb Variance	Dec Variance
(261)	(260)

## 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 FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	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
Property, Planning & Public Protection	6,169	572	(1,458)	150	5,433	(5)	(150)	0	5,278

Feb Variance	Dec Variance
891	427

### PPPP Overview

From a Development Management perspective, a harder environmental policy stance on intensive agricultural units and the phosphates issue in general is impacting on planning application income generation. The 2021 savings proposal of an additional £75,000, which was carried forward to 2022, is not going to be achieved considering the above. This issue has been addressed via the 2023 budget where the income targets have been revised to sustainable levels.

Expenditure on the replacement local development plan has been significantly reduced as SPF grant expenditure has been used to secure evidence that would have otherwise been commissioned utilising base budget.

Public Protection are forecast an underspend. The main reason for this is that officers continue to work under Test, Trace and Protect and their salary costs is coded to this budget.

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. Legacy case are being closely scrutinised by Service Managers to ensure spend is limited to that which is essential.

Trading Standards are unable to achieve an income target of £44,000 from Proceeds of Crime Act 2002. This issue has been addressed via the 2023 budget where the income targets have been revised to sustainable levels.

Strategic Property are forecast an underspend. 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.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
	£'000	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
Housing & Community Development	5,760	883	(257)	0	6,386	0	(100)	0	6,286

Feb Variance	Dec Variance
(526)	(182)

**Housing and Community Development Overview**

Spend is on track across most budget areas within Housing & Community Development. Managers and officers have been actively reducing 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 £526k compared to £182k at the end of December. This forecast includes the use of the specific reserve set up for Homelessness at the end of the 2022-23 financial year of £100k. The main reason for the increase in the overspend position is the inclusion of the forecast overspend of Freedom Leisure of £313k – support for Freedom Leisure being agreed in December 2022 to mitigate the significant increase in energy costs.

- Libraries** - forecast to under spend by £65k compared to £38k at the end of December as a result of further slippage in staff costs (resulting from the ability to fund more staff through grants) and increased income in Llanfyllin Library.

  - Archives** - reporting an under spend of £45k compared to £36k at the end of December due to effective housekeeping and a vacant post which has now been appointed to.
  - Policy Unit** - covers the central team and is forecast to underspend by £59k - the same position as reported at the end of December due to vacant posts not being appointed to during this financial year. There was a saving attributed to this area of £38k through a reduction in 3rd party spend and this has been achieved.
  - Leisure and Sports Centres** - outturn over spend of £332k compared to £19k at the end of the third quarter, because of the inclusion of the Freedom Leisure forecast overspend of £313k attributed to the significant increase in energy costs (which Powys have confirmed support for). There is doubt over whether the income for a scheme with the PTHB will be received of £17k, so until there is clarity this has been forecast as unachieved. This cost centre is where the leisure contract is paid from. A saving of £50k was attributed to this cost centre which has been achieved.
  - Sports Development** - forecast to under spend by £1k, compared to £2k at the end of December. £153k of grant was rolled forward from 2021-22 into this cost centre which is required to be spent in this financial year.
  - Arts and Cultural Services** - reporting an under spend of £34k compared to £21k at the end of December. Much of the underspend relates to staff costs, as one member of staff is seconded to the PTHB part time and hasn’t been backfilled. This service area had a saving of £63k to make which has been achieved. £77k of income was rolled forward from 2021-22 which needs to be spent in this financial year.

- **Museums** - reporting an overspend of £19k compared to an underspend of £4k at the end of December. The position has moved to an overspend as a result of £27k of legal costs associated with the Powysland Museum land tribunal. The reason for the under spend is as a result of increased grant income.
- **Y Gaer** - forecast outturn underspend of £45k at the end of February compared to £43k at the end of December which relates to some slippage on salaries and increased income.
- Catering income is being carefully monitored, although increased costs of goods, services and salaries are hindering any notable increases. 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.
- **Catering** - reporting an outturn over spend of £331k compared to £280k at the end of December. The overspend has worsened due to income not at anticipated levels and snow and strike days also affecting this. Data has been gathered to understand the number of children participating in the universal provision of free school meals scheme (UPFSM). This allows us to calculate the estimated level of grant that Welsh Government will provide for delivery of UPFSM at £2.90 per meal which is forecast to be £295k based on the current data provided on uptake.
- The overspend reported is mainly as a result of lower levels of expected income and increased food costs. Income is increasing slowly but is still significantly down on pre-covid levels. WG are continuing to support the costs of FSM (entitled Free School Meals) through the extended hardship fund for school holidays and are paying an admin fee which is helping to offset some of the cost increases within this cost centre.
- **Cleaning** - forecast to under spend by £15k compared to £9k at the end of December due to forecast increased income.

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

The housing services funded by the General Fund are primarily statutory in nature and include the provision of services related to homelessness. High demand for homelessness services continues, leading to a prediction of a year-end over spend of circa £189,000. 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 consideration by Cabinet in 2023-2024 for Compliant Homeless Services, which includes 24/7 Triage Accommodation, and Modular Temporary Interim Accommodation to reduce the need to use high-cost bed-and-breakfast accommodation for homeless households. Both initiatives will require an 'invest to save' approach by the Council to be able to deliver long term savings and achieve compliance with WG requirements to bring the use of bed-and-breakfast accommodation to an end. A more rigorous approach to assessing and managing homelessness introduced in January 2023 has started to help the Council 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 regarding 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 in 2023-24 to determine longer-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 increases 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) will in 2023-2024 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 FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	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
Housing Revenue Account	0	0	0	0	0	0	0	0	0

Feb Variance	Dec Variance
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 continues to impose additional cost pressures on the HRA. Finding contractors able and willing to undertake works that cannot be completed by the in-house teams is becoming challenging. Enhancing internal capacity and capability to increase efficiency and reduce the reliance on external contractors is being progressed in Q4 of 2022-2023 and Q1 of 2023-2024 with provision made in the Thirty-year Housing Revenue Account Business Plan 2023-2024 to resource this change in approach to providing services for the Council's tenants. Income recovery has remained strong, in the face of people having to manage increases in the cost of living. New developments of council housing have come on stream in Newtown, increasing the net income to the HRA.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	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
Economy and Digital Services	6,418	54	(349)	214	6,337	0	0	(24)	6,313

Feb Variance	Dec Variance
105	53

**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 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 year.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
	£'000	Cost Pressures	Cost Underspend	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
Transformation & Democratic Services	3,787	101	(101)	0	3,787	0	(85)		3,702

Feb Variance	Dec Variance
85	36

## 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 (one post has been supporting Track, Trace and Protect), which are funded by generating income through other means (external grants/carrying out work for other organisations) and have been a cost pressure for the service.

### Cost Underspends

The current forecast outturn position for the Transformation and Democratic Service at the end of February, is an under spend of £85k compared to a £36k under spend reported at the end of December. This assumes that £85k will be drawn down from the specific reserve. The underspend of £85k 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

**£85k use of reserves:-**

- £81k to support the Communications staffing structure, as the permanent structure is not fully funded by the base budget.
- £4k 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 have a balanced budget at the end of the year. 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 FEB 2023				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
Workforce & OD	2,511	0	(394)	24	2,142	(14)	0	0	2,127

Feb Variance	Dec Variance
384	310

**Workforce and OD Overview**

We are forecasting an annual underspend of £384k against budget, which takes account of £14k of the remaining savings being assured, leaving a final balance of £10k of costs savings which cannot be achieved, this however is more than offset by the overall service underspend. 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 £384k against budget, mainly arising from staffing underspends due to vacancies and the over-achievement of income within the service.

**Cost Reductions**

82.6% of the planned cost reductions have already been achieved, a further 10.1% is assured, leaving a balance of 7.3% which cannot be achieved in the current year. This final balance of £10k relates to the costs / charges for undertaking DBS checks for schools and is recovered at actual throughput, against an assumed figure based on historic turnover, meaning the figure will vary each year.

**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 FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
	£'000	Cost Pressures	Cost Underspend	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
Legal	1,434	147	(131)	6	1,456	0	0	0	1,456

Feb Variance	Dec Variance
(22)	1

**Legal Overview**

We are forecasting an outturn on track to balance.

**Cost Pressures – Zero**

**Cost Underspend**

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, and is on track to deliver in full

FORECAST FOR THE YEAR ENDED 31ST MAR  
2023 AS PER CP/LEDGER FEB 2023

ADJUSTMENTS OUTSIDE THE LEDGER

		Add	Less	Add	Revised	Less	Less	Less	Final
	£'000	Cost Pressures	Cost Underspend	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
Finance & Insurance	6,258	0	(33)	0	6,225	0	0	0	6,225

Feb Variance	Dec Variance
33	(20)

**Finance Overview**

The service is expected to deliver a balanced budget this year.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER FEB 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2022/23 Base Budget	Cost Pressures	Cost Underspen ds	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
Corporate Activites	34,158	3,203	(7,389)	0	29,972	0	0	2,000	31,972

Feb Variance	Dec Variance
2,186	1,524

## Corporate Overview

### Cost Pressures

There is £3.2 million cost pressure which relates to the unfunded pay award, of which £1.2 million has been funded from reserve. This is rectified next year through budget setting. A 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

£2.4 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. £0.3 million due to the reduced need to fund transformation redundancies from the £0.5 million budget.



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## CYNGOR SIR POWYS COUNTY COUNCIL.

## CABINET EXECUTIVE

18<sup>th</sup> April 2023

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

**REPORT TITLE:** Capital Forecast 2022-23, as at 28<sup>th</sup> February 2023

**REPORT FOR:** Decision / Information

## 1. Purpose

1.1 This report provides an update on the financial position of the Council's capital programme for 2022/23 as at 28<sup>th</sup> February 2023

## 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.

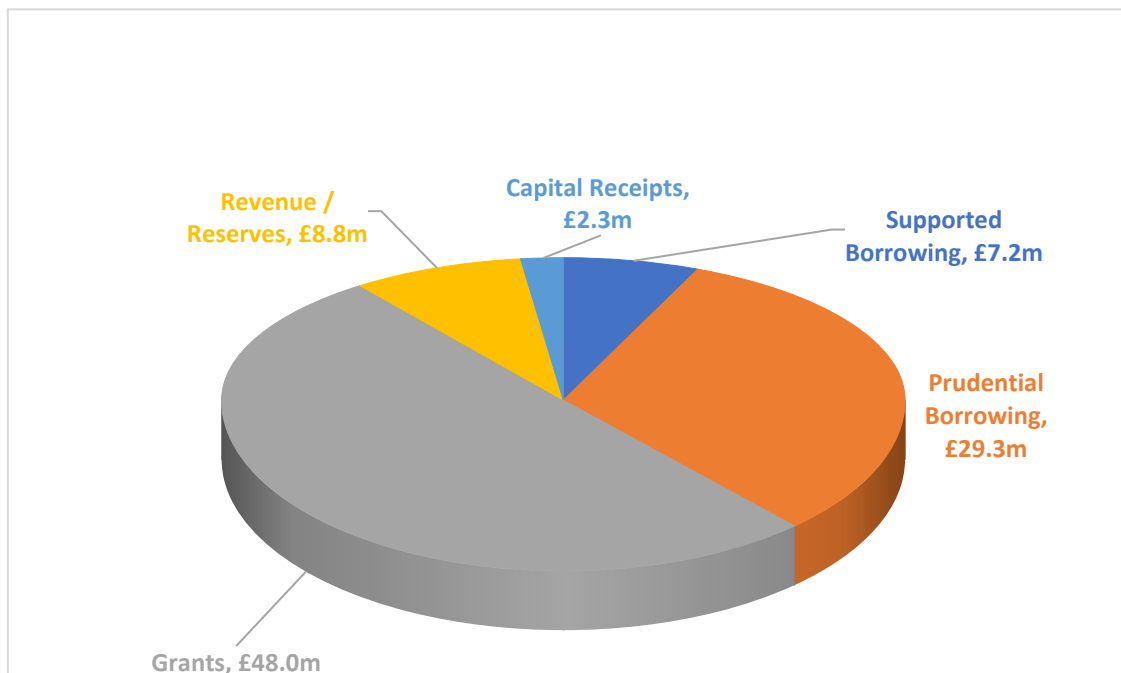
### 2.2 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	%
Adult Services	712	444	1,156	236	920	80%
Childrens Services	0	1,491	1,491	724	767	51%
Education	27,868	959	28,827	13,643	15,184	53%
Highways Transport & Recycling	14,163	6,165	20,328	16,144	4,184	21%
Property, Planning & Public Protection	100	2,349	2,449	1,903	546	22%
Community Development	714	1,812	2,526	1,191	1,335	53%
Housing General Fund	1,748	1,159	2,907	381	2,526	87%
Economy & Digital Services	9,974	5,068	15,042	3,518	11,524	77%
Finance	53,047	(53,001)	46	0	46	100%
<b>Total Capital</b>	<b>108,326</b>	<b>(33,554)</b>	<b>74,772</b>	<b>37,740</b>	<b>37,032</b>	<b>50%</b>
Housing Revenue Account	25,550	(4,791)	20,759	11,995	8,764	42%
<b>TOTAL</b>	<b>133,876</b>	<b>(38,345)</b>	<b>95,531</b>	<b>49,735</b>	<b>45,796</b>	<b>48%</b>

2.3 The revised programme at the 28<sup>th</sup> February 2023 is budgeted at £95.53 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £49.74 million, representing 52% of the total budget.

2.4 38%, £36.47 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.

## 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 **Shared Prosperity Fund**

3.3 The allocations for the 2022/23 - £0.36 million, 2023/24 – £0.37 million and 2024/25 - £0.31 million Shared Prosperity Fund capital schemes have been included within the capital programme. This replaces the indicative figures previously included in the capital programme.

### 3.4 **Housing**

3.5 Welsh Government have awarded £0.14 million of Housing with Care Grant towards the Disabled Facilities Grants administered by the council.

3.7 £1.04 million of grant funding has been awarded by Welsh Government as part of their Optimised Retrofit Programme for energy efficiency works on the existing housing stock.

### 3.6 **Education**



3.7 Welsh Government have awarded £0.40 million from their Childcare and Early Years Capital funding 2022/23 – Small Grants Scheme.

3.8 An award of £2.20 million has been received from Welsh Government as a Capital Funding Grant to Support Capital Maintenance and Energy Efficiency Works. This must be utilised in this financial year. It is proposed to carry forward the displaced council funding to fund future energy efficiency and other urgent capital works to schools.

### **3.9 Childrens**

3.10 Welsh Government have awarded £0.38 million of Housing with Care Grant for childrens accommodation.

### **3.11 Regeneration**

3.12 Welsh Government have awarded £0.04 million of Sustainable Food Grant.

### **3.13 Leisure**

3.14 A grant of £0.09 million has been awarded from Sport Wales for solar PV works at Flash Leisure Centre and floodlights at Brecon Leisure Centre. The borrowing that previously funded these works has been removed from the Capital Programme.

### **3.15 Adults**

3.16 £0.03 million of Welsh Government Substance Misuse Action Fund Capital has been awards to provide a grant to Kaleidoscope for the purchase of video, intercom and alarm system.

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

### **4.1 Property, Planning and Public Protection**

4.2 The anticipated underspend of £0.13 million has been re-profiled into 2023/24 and 2024/25.

## **5. Virements**

5.1 The current Building Control, Planning and Public Protection systems are due for renewal in 2024. A business case was presented to the Capital Oversight Board (COB) setting out the case to procure a joint system. This was supported by the COB and cabinet are requested to approve an allocation of £0.23 million for the service to procure and implement a replacement system ready for use in 2024.

5.2 Over 120 interactive whiteboards were purchased through the Welsh Government Education Technology Grant. However, no funding was allocated for installation. In the 2022/23 revenue budget, £0.10 million was allocated for the installation. This virement seeks approval to use the funding in revenue to finance the capital expenditure to ensure this expenditure is recorded correctly in the council accounts.

## **6. Capital Receipts**

6.1 £1.46 million has been received so for this year (including £0.39 million for the HRA). There are currently sales agreed to the value of £2.64 million, these are at the legal stage of the process and will generate future capital receipts. At this stage it is expected that sales totalling £3.50 million will be achieved this financial year, any delays in the selling process may see some receipts being received in the next financial year.

## **7. Resource Implications**

7.1 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.

## **8. Legal implications**

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

## **9. Recommendation**

9.1 That the contents of this report are noted.

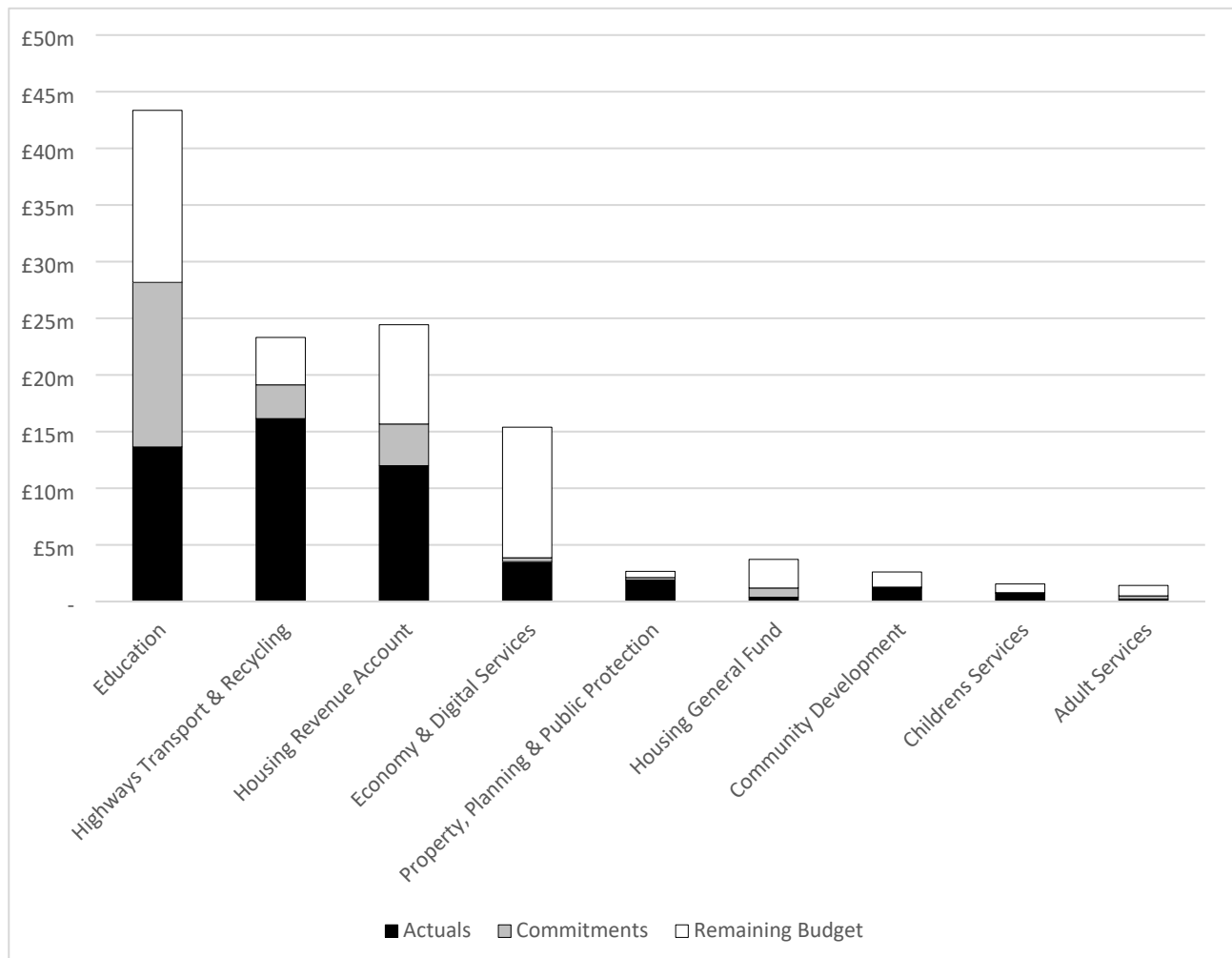
9.2 The displaced council funding by utilising grant, as outlined in 3.8 is carried forward to 2023/24.

9.3 That the virements in section 5 are approved.

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



**Table 2 - Capital Programme funding as at 28<sup>th</sup> February 2023**

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Contribution	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Capital	7,211	21,227	41,096	2,953	2,285	<b>74,772</b>
HRA	0	8,027	6,923	5,809	0	<b>20,759</b>
<b>Total</b>	<b>7,211</b>	<b>29,254</b>	<b>48,019</b>	<b>8,762</b>	<b>2,285</b>	<b>95,531</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>1,156</b>	<b>236</b>	<b>920</b>	<b>80</b>

### HOS Comment

RIF funding will be fully utilised £100k. The Powys care homes £266k works will be fully spent.

A request to roll forward £742k has been made to fund innovative robotics, staff plan and equipment in next year.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Childrens Services</b>	<b>1,491</b>	<b>724</b>	<b>767</b>	<b>51</b>

### HOS Comment

Integrated Family Centre works are now complete and formal opening 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 mid-May 2023. The majority of the expenditure will be claimed by end of March 2023, and we are awaiting WG confirmation that £100k can be carried forward to 2023/24.

Safe Accommodation for Children with Complex needs – works are ongoing to make adaptations to comply with Care Inspectorate Wales (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>28,827</b>	<b>13,643</b>	<b>15,184</b>	<b>53</b>

### HOS Comment

The Council's Transforming Education Programme includes 6 approved school building projects and 2 pipeline projects. The latest status of each project is outlined below:

- Ysgol Gymraeg y Trallwng – the project is nearing completion, however, there has been further slippage due to delays with supplies. The contractor is

working towards a handover date of March 31<sup>st</sup> but there may be a further 2 weeks work required before this happens. The school is aware of this issue and are working with officers on a phased transition process, planned to begin after the Easter holidays. Currently, costs to completion are estimated to be within budget. Legal advice is being obtained about any financial penalties caused by the delays.

- 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. Currently, financial estimates indicate that the project costs are significantly higher than previously estimated - the Council's Property Design Service is currently analysing these estimated costs and are due to report these to Programme Board in April. Issues around cost may delay the submission of a Full Business Case to Cabinet and Welsh Government, which could mean slippage on current timescales for school opening. In the meantime, a pre-planning consultation has been carried out with full planning application expected to be submitted soon.
- Ysgol Bro Hyddgen – meetings have been held with contractors as part of a 'soft market test' to understand a) market interest in the project and b) most appropriate procurement route. The main designers have been re-engaged on the project to review the design up to completion of RIBA 2 stage. Decision will be required about whether to proceed to tender for a D & B contractor after this stage, or to continue to RIBA 3 completion before tendering. Following public engagement on the inclusion of Machynlleth town library in the scheme, it is recommended that it is not included, and that further consideration needs to be given to the location of future library provision within the town.
- Sennybridge CP School – RIBA 2 stage complete, preparations to go to tender for a D & B contractor underway. Outline Business Case (OBC) to be re-submitted to Cabinet and WG following their appointment.
- Ysgol Calon y Dderwen, Newtown – Programme Board considered the outline designs at its meeting in February and has requested the completion of the RIBA 2 report for its next meeting in April with an estimation of costs. The next stage will be to prepare to tender for a D & B contractor. A revised timeline for the project has been developed and this has informed the overall critical path for the North Powys Wellbeing Programme. The school is the first phase of the development of the Wellbeing Campus.

#### Pipeline projects

- New Brecon Primary School – progress has been unable to be made due to an application for a judicial review being held up in the court system. However, the Council has been informed that the application has not been granted. This enables the project to now move ahead – the focus at the moment is to start the headteacher recruitment process. Property Design Service will now be commissioned to take forward the initial feasibility for a new 360 place school on the Penlan site in Brecon.

- Ysgol Calon Cymru – The Transforming Education Programme Board considered the outcome of the Builth Wells campus feasibility/options report in February and a further report will be considered by Cabinet/EMT in April. This will enable confirmation of the strategic direction for this project following which Property Design Service will be commissioned to take forward the plans.

Other

- Welshpool Church in Wales Primary School – final accounts indicate an overspend of approx. £117k. A report is being prepared to understand this further.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Highways, Transport and Recycling</b>	<b>20,328</b>	<b>16,144</b>	<b>4,184</b>	<b>21</b>

**HOS Comment**

- HAMP & Core capital funding delivery programme on target
- Street lighting capital funding delivery programme 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
- Budget remaining, mainly consists of grant claims which are being finalised, and are on programme.

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.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Property, Planning and Public Protection</b>	<b>2,449</b>	<b>1,903</b>	<b>546</b>	<b>22</b>

**HOS Comment**

Work to create a new cemetery at Machynlleth is unlikely to be completed within the 2022/23 financial year. Capital funding for the project will therefore need to be taken forward into the next financial year.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Community Development</b>	<b>2,526</b>	<b>1,191</b>	<b>1,335</b>	<b>53</b>

**HOS Comment**

It was expected and planned that by this stage of the year a larger proportion of the budget would have been spent. However, some works within the leisure programme have been delayed due to a poor number or no responses to tenders which has meant revisions to specifications and re-tendering which has taken longer than expected. There has been some renewed interest from contractors and a couple of the projects/works have now been awarded.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Housing General Fund</b>	<b>2,907</b>	<b>381</b>	<b>2,526</b>	<b>87</b>
<b>Housing Revenue Account</b>	<b>20,759</b>	<b>11,995</b>	<b>8,764</b>	<b>42</b>

**HOS Comment**

**Housing Revenue Account**

Challenges have been experienced securing bids from contractors to deliver WHQS programme as well as both improvement programmes and voids works. The costs of materials have continued to increase and contractor quotes, when received, are higher than anticipated. Recruitment of additional tradespeople is now underway to reduce reliance on external contractors.

In 2022-2023, letting has taken place of the Bowling Green development in Newtown, adding 26 apartments to the affordable, secure housing options available in the town. However, the 18-home Red Dragon housing project, also in Newtown, which was scheduled for completion in 2022-2023, will now need to be carried forward to 2023-2024 as a result of the principal contractor going into administration.

With proposals to resolve phosphate management in the Llandrindod Wells area now coming forward, with a provisional completion date for 2025-2026, preparatory work on affordable housing schemes for the town will now begin. This will make sure that Council is ready to start construction as soon as practicable once the phosphate mitigation schemes are in place.

The initial purchases for a growing programme of acquisitions are scheduled for completion by the end of March, with the programme accelerating in 2023-2024.

The ECO-4/ORP3 Retrofit programme began this month, after formal funding approvals were secured at the beginning of Q4 2022-2023 with works already taking place to properties with low E, F, G Energy Performance Certificates (EPC)

to increase their energy efficiency. This programme will continue through 2023-2024 and 2024-2025.

### Housing General Fund

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 tradespeople across Powys.

Demand for homelessness related services remains high, with cost pressures being experienced in covering the costs of temporary accommodation.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
<b>Economy &amp; Digital Services</b>	<b>15,042</b>	<b>3,518</b>	<b>11,524</b>	<b>77</b>

### HOS Comment

#### **Economy**

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

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

**Levelling-up Capital Projects.** Project expenditure is currently behind schedule, but this is regularly reviewed with partners to ensure delivery against grant terms and conditions. Council project aspects are being managed carefully and costs are within contingency limits with work slightly behind schedule but within grant agreements.

#### **Digital Services Capital**

Again, there has been no significant change since the previous quarters update. The majority of the reprofiled allocation has been spent as planned.



# 9

## Finance Panel Forward Work Programme 2023

**2023**

Date and Time	Type and Detail
01-02-23 14.00 – 17.00	Budget Scrutiny
13-02-23 14.00 – 16.30	Alternative Budget Scrutiny
24-02-23 10.00 – 12.30	Q3 Financial Reports (Revenue and Capital)
17-03-23 10:00 – 12:00	Closed session – Self-Assessment: - Panel Members with Officers <a href="#">Shayne Husbands (Evaluation and Improvement)</a> and <a href="#">James Langridge Thomas (Strategic Planning Policy and Performance)</a> .
24-03-23 10.00 – 12.30	CANCELLED
28-04-23 10.00 – 12.30	Re-Imagining Work update 2024-2025. Review ToR Revenue & Capital Forecast 2022-23 Update Energy Efficiency Funding & Criteria for Schools
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> Re-Imagining Work update 2024-2025. Closed Session – Self-Assessment Feedback
30-06-23 10.00 – 12.30	Q4 Financial Reports (Revenue and Capital) Re-Imagining Work 2024-2025. 5-year Financial Plan
28-07-23 14.00 – 16.30	IBP's Benchmarking – review against OLA's in Wales/ comparative data. Re-Imagining Work update 2024-2025.
28-09-23 14.00 – 16.30	Q1 Financial Reports (Revenue and Capital) Re-Imagining Work update 2024-2025.  <b>Confidential Item</b> MTFS / FRM – Budget Plan assumptions
27-10-23 10.00 – 12.30	Re-Imagining Work update 2024-2025.

Finance Panel  
Forward Work Programme 2023

<b>Date and Time</b>	<b>Type and Detail</b>
24-11-23 14.00 – 16.30	Q2 Financial Reports (Revenue and Capital) Re-Imagining Work update 2024-2025.
18-12-23 10.00 – 12.30	Re-Imagining Work update 2024-2025.

**Items to be Scheduled:**