

Finance Panel

Meeting Venue
By Zoom

Meeting Date
Friday, 15 September 2023

Meeting Time
2.00 pm

For further information please contact
Kath Flanagan-Jones

katharine-maria.flanagan-
jones@powys.gov.uk



County Hall
Llandrindod Wells
Powys
LD1 5LG

08-09-2023

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

AGENDA

1.	APOLOGIES
-----------	------------------

To receive apologies for absence.

2.	DECLARATIONS OF INTEREST
-----------	---------------------------------

To receive any disclosures of interests by Members relating to items to be considered at the meeting.

3.	MINUTES & ACTIONS
-----------	------------------------------

To authorise the Chair to sign the minutes of the previous meeting, held on the 30th June 2023, as a correct record and to consider any outstanding actions.
(Pages 3 - 10)

4.	THE REVENUE FINANCIAL FORECAST AS AT 30TH JUNE 2023 - QUARTER 1
-----------	--

To receive and consider the report of the Cabinet Member for Finance and Corporate Transformation.
(Pages 11 - 40)

5.	CAPITAL FORECAST 2023-24, AS AT 30TH JUNE 2023 - QUARTER 1
-----------	---

To receive and consider the report of the Cabinet Member for Finance and Corporate Transformation.
(Pages 41 - 50)

6.	FINANCIAL PLANNING REPORT
-----------	----------------------------------

To receive and consider the Financial Planning Report update.
(Pages 51 - 72)

7.	FORWARD WORK PROGRAMME
-----------	-------------------------------

To note that the schedule of meetings is as follows:
(Pages 73 - 74)

8.	EXEMPT ITEM
-----------	--------------------

To consider passing the following Resolution:

RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following item. His view on the public interest test (having taken account of the provisions of Rule 14.8 of the Council's Access to Information Rules) was that to make this information public would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information).

These factors in his view outweigh the public interest in disclosing this information. Members are asked to consider these factors when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

9.	FINANCIAL MANAGEMENT (FM) CODE
-----------	---------------------------------------

To receive and consider the Financial Management Code.

**MINUTES OF A MEETING OF THE FINANCE PANEL
HELD BY ZOOM
ON
FRIDAY 30TH JUNE 2023**

Present: County Councillor AW Davies (Chair)
County Councillors, E A Jones, E Vaughan, C Walsh, P Lewington, G Preston, C Kenyon-Wade.
Co-opted Member: Gareth Hall.

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

Officers: Jane Thomas (Head of Finance),
James Chappelle (Capital and Financial Planning Accountant)

1.	APOLOGIES
-----------	------------------

Apologies for absence were received from:
County Councillors: J Pugh, G Ratcliffe.
Officer: W Richards.
Lay Member, L Hamilton – observer

2.	ELECTION OF CHAIR AND VICE CHAIR
-----------	---

RESOLVED that County Councillor Aled Davies be elected Chair for the ensuing year.

RESOLVED that County Councillor Pete Lewington be elected Vice-Chair for the ensuing year.

Acknowledged the re-appointment of Gareth Hall as the Governance and Audit Committee Representative to Finance Panel for the ensuing year.

3.	MINUTES
-----------	----------------

Documents Considered:
28.04.2023

Outcomes:

- Minutes agreed by Panel members present as a true and accurate reflection of the meetings and ratified accordingly by the Chair.

Actions completed:

1. Governance & Audit Working Groups outcomes to be added to Forward Work Programme when appropriate.
Verbal progress updates received from Gareth Hall as follows:
HTR: Internal Audit report on Highways drawing to a close, excellent interchange with Officers, satisfied with actions taken and will be a follow up Audit to validate.

HOWPS: Work ongoing and liaising with internal group as work embedding back with the Council. Outcome Report should be presented to Panel in near future.

Capital: Early on the group made the distinction between the current Councils asset base, what it is and how it is managed, looking at new projects within the Capital programme which add to that base, procurement process and financing. There are many examples of good practice across the Council i.e., Post Covid rationalisation of the Estate, working with other bodies to attain full occupation through subletting and renting out of workspace, as in County Hall where there has been approximately £1m of investment. It would be good to have a higher profile on such positive outcomes.

Asset Review of the Council is yet to be completed, to allow for cross referencing. This is purely looking at buildings and properties, the Capital Programme has a broader spectrum of other assets i.e., vehicles, equipment, IT.

The Schools Capital Programme has been reviewed with a 9-year ambitious rolling programme.

Have reviewed not only the business planning process but also the 5year Medium Term Financial Plan, a Capital programme should really span 10-years.

This will be put into context with Sustainable Powys projects and the Corporate Plan priorities with how these will be translated into actions, what assets are to be retained to provide the best outcomes for the residents of Powys, and what assets are to be disposed of or put into 3rd party ownership, to generate additional income to contribute to budgetary demands.

2. Grant Advice notes for 2022/23 information to be forwarded to Chair. Received, Chair may wish to have further information.

Actions Outstanding from last meeting: -

1. Chair/ Vice Chair and Head of Service to discuss wording of Terms of Reference.
2. Head of Service to discuss outside this forum PTHB contract and uplifts. Chair to be involved in discussion.
3. Information on receipt of £2.2m Capital Efficiency works grant to be forwarded to Chair / Panel.
4. Head of Service will review comment in relation to funding returned to WG and advise.

Not yet received detail from the Member concerned after raising, nor has Head of Service been able to uncover anything other than a small amount of grant funding returned. Head of Service to seek information from the Member concerned.

5. Bro Hyddgen capital project delivery timescales, Head of Service will request information and forward to Panel.

4. DISCLOSURES OF INTEREST

There were no Declarations of Interest from Members relating to items to be considered on the agenda.

5.	FINANCIAL OUTTURN REVENUE REPORT 2022/23 AS AT 31ST MARCH 2023
-----------	---

Background:

Cabinet Member for Finance & Corporate Transformation commented that the outturn was far better than expected, although a large surplus does not necessarily point to good management, however there were reasons:

At Quarter 1 last year, it became very apparent the Council were forecasting potentially a £7m deficit at year end, a plea to services to review and create as many efficiencies as possible, in which they succeeded, and these contributed to the underspend. The economic forces i.e., inflation, War in Ukraine impacted pressures on the budget, as well as grant from WG arriving late in the financial year, the position has set the Council up well for the new year where we continue to face significant pressure and managing the budget will be still very difficult.

- Final outturn reports a net underspend after contributions to specific reserves of £6.7m, though against the budget it is a 3% variance – excludes schools and Housing Revenue Account (HRA).
- This was an improved position from that reported in February as a result of some additional grant funding from Welsh and UK Governments – Shared Prosperity Fund, confirmation of which arrived late in the financial year, therefore reflected as such in the accounts.
- The position has released funding to support the pay award pressures. The base budget set for 2023/24 recognised increases on pay but the negotiations have exceeded assumptions, therefore setting aside much of the underspend will help support those costs for 2023/24.
- Underspend will only support the budget for one year and not the ongoing base budget which creates an additional gap in the budget plan for 2024/25.
- As previously agreed, any underspend on capital elements of the revenue budget (Minimum Revenue Provision or borrowing) will be transferred to the Capital Financing reserve to support the Capital Programme or minimise borrowing requirements in future years.
- Section 3 sets out delivery against budget across all Council services, Children’s Services reported an overspend of £2m, some of which was the inability to deliver against savings projected, where savings are no longer possible, they have been written out of the budget plan 2023/24
- Largest underspend of £4m reported under Corporate Activities, where the Risk budget and Capital element mentioned earlier sit.
- Use of surplus confirmed with £2.3m for Capital, £3.8m into the pay award reserve. The balance of transformation funding that was not spent, to be rolled forward to support future transformation costs.
- Table 1 the HRA ended the year with a slight surplus, which will be transferred to the HRA reserve.
- Schools Delegated budgets reported a £2.6m variance against budget.
- Delivery of cost reductions was 78%. with some written out of the budget and some carried forward as assurance given that they can be delivered in the new financial year.
- Reserves table shows the General Fund Reserve represents 4.2% of the Revenue Budget, in line with the set principle of 4%.

- Schools had intended to draw heavily on reserves however only £2.3m was drawn from reserves, reducing the overall balance from £8.6m to £ 6.295m as at 31.03.23.

Points raised by the Panel:	Responses received from Officers or Cabinet Members.
<p>There was an expectation of £2m savings from Children’s Services, which was ultimately undeliverable and later written out of the budget, which goes back to an earlier meeting point that savings targets have to be realistic. Were there mitigating circumstances which made this unachievable i.e., increased costs, inflationary or contract pressures or increased demand on the Service.</p>	<p>When savings are proposed a full impact assessment is undertaken and any risk reported, savings plans are stretched as much as possible and do acknowledge there is some risk of delivery.</p> <p>In this case Children’s Services reported quite early in the financial year of the risk on delivery, commentary from the Head Of Service (Appendix A) with further commentary in (Appendix C) looking at savings to be delivered in this new financial year.</p> <p>In total £1.6m was written out at budget setting 23/24.</p> <p>Cabinet Member accepted point made on deliverability of savings targets. Children’s Services is a volatile area and is extremely difficult to get it right all the time. The Governance and Audit Committee have completed a Deep Dive into Children’s Service and encouraged that projecting a slight underspend at the end of Q1, cultural changes in the service is positive.</p>
<p>Reserves were put aside to cover pay inflation for 2022/23, were the monies set aside in February for 2023/24 not adequate to cover all pay inflationary</p>	<p>All pay was covered 22/23, drew on some of the reserves set aside to manage this. The biggest gap is moving into the financial year 2023/24. What has been set aside we hope will cover the increased pay awards.</p> <p>Pay awards not yet settled with the Unions, for every 1% increase over and above what we budgeted costs approximately £1.5m more, including teachers.</p>
<p>The £6.7m underspend is to be used to address the increasing pressure on 2023/24 budget, if there were no</p>	<p>Cabinet Member responded that with regard to the budget setting, Heads of Services had already included efficiencies within the budget setting</p>

underspend where would the monies come from

Table 1 shows variances do we learn lessons from those variances to understand the reasoning? Do they go into future budgeting exercises?

The Cabinet Member stated that Services were asked to review budgets, to make additional savings, what would have happened if these were not forthcoming, should the practice of reviewing and monitoring budgets be embedded in culture.

process, however it became apparent that more would be required.

Most of the underspend came via grants rather than efficiencies through services. It is a fair point that where efficiencies made over and above those identified there is a need to carry those through to future financial years.

If the Council did not have the £6.7m underspend, a lot would have been dependent on the WG settlement, requests for further efficiencies or increase Council Tax in the following year.

If Council had not delivered the budget there would be a risk of drawing on the General Fund Reserves, which stand at just under £10m around 4% budget plan.

That action would increase pressure on future years and would impact on Council Tax levels going forward. It is important to have longer term view on financial resilience. The Council would not wish to have an overspend this year which would mean Council Tax increases to bring budgets back in line.

Services are allocated budgets at the beginning of the year, they have plans to delivery against that, the request was for Services to decide what they could not deliver, without incurring a significant level of risk.

Whenever there are opportunities for funding elsewhere, services are proactive in bidding for grants and additional funding etc., we do not always know of these opportunities at the beginning of the financial year, nor what grants will be forthcoming in future years.

In response to lessons learned, assurance given from Head of Finance, that a review is undertaken for each Services budget. This ensures that

	continuing underspends are captured, in next year's budget plans.
Chair commented that from a Council Taxpayers point of view, seeing an underspend of £6.7m which equates to more than 6% in council tax, would raise questions, however from an officer point of view the sustainability of the Council is paramount.	
Would the information on understanding Service underspend be included in a report.	Yes, will set out what has been reviewed, including the pressures being funded and if these were still required. Energy was a key pressure in 2022/23 and inflation built into the 2023/24 budget, as energy costs start to fall these will be re-aligned.
Reserves are quite low compared to other local authorities, at what point would this be flagged and what are the implications of doing so in the future.	As part of budget setting Council receives the S151 Officers opinion, as to the robustness of the level of reserves held, this is reviewed on an annual basis. Many factors support this assessment - future settlements, the impact of inflation and costs pressures facing the Council. The S151 Officer will advise if at any point they feel there are insufficient reserves to manage the level of risk that the Council holds, it is under constant review.
Powys has low reserves in comparison to other Local Councils please advise what this means.	Powys are in bottom quartile when last reported, data based on the outturn position for each Council There is a benchmarking tool to access showing where Powys is compared to others, across all of Wales which will be reviewed later in the year. Different Councils have differing circumstances and levels of risk, therefore difficult to compare. Deadline for today for the draft accounts, final accounts to be audited by Audit Wales by 30.11.23

Actions:

Information to be shared with the Panel on the assessment outcomes of understanding Service underspend.

6.	FINANCIAL OUTTURN CAPITAL REPORT 2022/23 AS AT 31ST MARCH 2023
-----------	---

Background:

- Original programme of £134m of which £25m was the HRA.
- Spend at year end was £65m of which £15m HRA, Table 2.2 shows the services remaining budget.
- The majority of the underspends were rolled forward into future years.
- Table 2.5 sets out how the Capital Programme is financed, 54% funded by grant, 13% funded from revenue, 0% Capital Receipts with £21m financed via borrowing which is a drop from where it was at the beginning of the year.
- There is an ongoing pattern that grants are awarded in year and borrowing reduces.
- Section 3 sets out the grants received since last report,
- Section 4 sets out the funding that has been carried forward to 2023/24.
- Section 5 covers the virements.
- Capital Receipts received for 2022/23 totalled just under £3m, including £400k for the HRA.
- At year end there are £1.14m sales still agreed but had not been finalised expected now in 2023/24.

Points raised by the Panel:	Responses received from Officers:
Capital receipts of £100k used to fund the Capital Programme, where are the rest of the Capital Receipts.	They are held on balance sheet to be used in future years.
Why not use Capital Receipts to reduce borrowing.	This was considered looking at the borrowing rates which were continuing to rise, whilst expectation is they will fall in the future. Decision made on what the Council held and the longer-term view, to bridge the gap. With rates rising it would be more beneficial to draw in the new financial year or possibly use effectively for smaller projects or transformation.
There are costs related to holding Capital Receipts.	The last borrowing at the end of March was 4.2 – 4.5% from anything from 1-2yrs to 50yrs. The expectation is between 18months to 2 years for the rate to drop back to 2.83%.
What is the current Public Works Loans rate at present.	Approximately the same rate a quoted above between 4.2 -4.5%.

The underspends on the capital programme are they fully committed to be spent in this financial year.

Work will be undertaken with Service Areas to re-profile as only reported 69% spend against the full year budgets. Schools has already been mapped out to re-align with planned construction dates.

Whilst funds are committed to schemes, we are trying to establish whether required in 2023/24, 2024/25 or 2025/26 and reset to be more realistic.

Any overall underspend on projects will be recovered. Virements are actively monitored.

7. FORWARD WORK PROGRAMME

Additions:

Review of TOR to be added in July or September

Governance & Audit Committee, Working Groups Outcome reports – Nov 2023.

8. EXEMPT ITEM

The following Resolution was passed by the Panel:

RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following item. His view on the public interest test (having taken account of the provisions of Rule 14.8 of the Council's Access to Information Rules) was that to make this information public would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information).

These factors in his view outweigh the public interest in disclosing this information. Members are asked to consider these factors when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

9. SUSTAINABLE POWYS

A confidential presentation on Sustainable Powys was shared with Finance Panel Members.

County Councillor A W Davies (Chair)

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE
19th September 2023

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

REPORT TITLE: Financial Forecast for the year ended 31st March 2024 (as at 30th June 2023)

REPORT FOR: Decision

1. Purpose

- 1.1 To provide Cabinet with the forecast revenue budget outturn for the 2023-24 financial year, based on the full year forecasts as at 30th June 2023.

2. Background

- 2.1 Table 1 below summarises the projected full year outturn position across the Council's services including HRA and delegated schools, a £3.7 million surplus is currently forecast.

Table 1 – Forecast Position

Revenue Budget	£'000
Base Budget	326,621
Cost Pressures	3,321
Cost Underspends	(8,098)
Cost Reductions Shortfall	968
Costs Funded from Risk Budget	(23)
Sub Total	322,789
Underspend before Reserves	3,832
Funded by:	
Agreed Specific Reserve Use	98
Net Underspend	3,734

- 2.2 Appendix A provides detail of the financial position for each service, broken down into categories covering cost pressures cost underspends, cost reductions and use of reserves.
- 2.3 The underspend is largely associated with expenditure against Corporate budgets, more specifically the Risk Budget of £3.0 million, during the first quarter £23,000 has been drawn from this budget. This budget was approved at budget setting to manage financial risk across the Councils services with £5.0 million of potential costs identified. The budget will be released to services if the costs materialise. This becomes more likely as the year progresses.
- 2.4 Further detail about each service area is provided in Appendix B, with Heads of Service setting out their individual narrative that explains their financial position. This includes their activities being undertaken to deliver approved cost reductions,

the pressures facing the service and how they are managing their budget to mitigate any shortfalls.

3. **Cost Reductions**

- 3.1 Cost reductions of £16.5 million were approved as part of the Councils budget for this year and the delivery of these is required to achieve a balanced budget this year. In addition, undelivered savings from 2022-23 have been rolled forward totalling £0.9 million, these also need to be delivered.
- 3.2 The summary at Table 2 shows that 54% or £9.4 million have been delivered and a further 40% £7.0 million are assured of delivery by Services. £968,000, 6% are unachieved and are at risk of delivery in year. Services are being challenged as to why the position for some proposals has changed and will be required to consider mitigating action to ensure that they can deliver within the budget allocated.

Table 2 – Cost Reductions

£'000	To Be Achieved	Actually Achieved	Assured	Un-achieved
Adult Services	4,648	1,963	2,685	-
Childrens Services	3,013	1,078	1,935	-
Commissioning - Adults & Children	97	89	8	-
Economy and Digital Services	24	-	-	24
Education	830	810	19	-
Schools Delegated	864	864	-	-
Finance	73	66	7	-
Central Activities	3,003	3,003	-	-
Highways Transport & Recycling	3,594	1,191	1,888	515
Housing & Community Development	379	153	226	-
Legal Services	8	7	1	(0)
Transformation and Communications	8	8	-	0
Property, Planning & Public Protection	848	197	222	429
Workforce & OD	20	1	19	-
Total	17,409	9,431	7,009	968
		54%	40%	6%

- 3.3 Last years' savings were £10.9 million and at the quarter one point the performance was only 44% achieved and 28% assured. By year end we were unable to deliver 22% (£2.4 million). Comparing that performance against this years' predictions suggest far more robust savings were put forward through budget setting and are already making strong inroads into delivery.
- 3.4 Those services that show unachieved targets must consider what remedial action they take to mitigate the impact on the overall performance within their service, as their budget forecast must come back to a balanced position. At this point in the year there are opportunities to reduce spend and bring the targets back on track.
- ### 4. **Reserves**
- 4.1 The Reserves position at Table 3 sets out the reserve forecast as at 30th June 2023. The opening reserves stand at £68 million, with the General Fund Reserve at £9.3 million representing 3.8% of total net revenue budget (excluding Schools and the HRA).

- 4.2 The Councils Reserves policy requires the General Fund Reserve to be maintained at a minimum of 4% of net revenue budget. Due to the increased level of Net Revenue budget the level of the reserve is not now sufficient to maintain this minimum level. When closing the accounts for last year some specific reserves were closed and £0.8 million was transferred into the payroll reserve.
- 4.3 There are a limited number of specific reserves and their intended purpose is clear, but a review of the reserves has identified that the Powys Recovery Fund reserve, that was set up to support covid and economic recovery, can now be closed, the balance on the reserve is £0.7m. It is proposed to transfer this balance to the general fund reserve to increase the balance and ensure that the 4% minimum level of net revenue budget can be maintained.

Table 3 – Reserves Table

Summary £'000	Opening Balance (1st April 23) Surplus / (Deficit)	Budgeted use of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 24) Surplus/ (Deficit)
General Fund	9,333	0	0	9,333
Budget Management Reserve	3,584	0	0	3,584
Specific Reserves	35,329	(6,710)	63	28,682
Transport & Equipment Funding Reserve	9,460	(1,523)	0	7,937
Total Useable Reserves	57,706	(8,233)	63	49,536
Schools Delegated Reserves	6,666	(5,690)	98	1,074
School Loans & Other Items	(371)	7	0	(364)
Housing Revenue Account	3,967	0	0	3,967
Total Specific Reserves	10,262	(5,683)	98	4,677
Total	67,968	(13,916)	161	54,213

- 4.4 The budgeted use of specific reserves in the main relates to the use of grants that were rolled forward last year for use this year and these total £5.6 million. Other specific reserve use includes £1.0 million for levelling up match funding.
- 4.5 A specific Pay Reserve was established from underspends at 2022-23 year end to support this years' pay award, which is likely to increase beyond the 5% funded through budget setting. The current pay offer equates to around 7% and this means 2%, circa £3.3 million would need to be funded from this reserve to manage the in-year budget gap. A recurrent shortfall must be addressed as part budget setting for next year.
- 4.6 Schools set their budgets with an expected call on reserve of £5.7 million. This figure has improved by £0.1 million based on updated forecasts.

5. Transformation

- 5.1 Transformation Board agreed the Transformation projects for 2023-24 totalling £3.0 million. Funding for these schemes is just under £2.5 million base budget and just under £0.5 million underspend brought forward. Table 4 below provides a detail of what schemes are funded.
- 5.2 In addition there will be costs associated with any redundancies that arise from transformational activity, last year's costs amounted to £0.3 million. Any severance costs incurred during this financial year will be supported from slippage in the use

of the transformation budget, if costs exceed the funding available the Spend to Save reserve will be used. Any redundancies approved must be supported by an appropriate Business Case.

- 5.3 The transformation budget was approved within the Revenue budget setting process but this will need to be reallocated to the individual service budgets as set out in Table 4. A virement is required to accommodate this, and reporting the reallocation of an already Council approved budget is set out in this report, together with the proposal to utilise the Spend to Save reserve for severance costs.
- 5.4 Monitoring of the delivery of the projects and expenditure against the budget will be undertaken at the Transformation Delivery Board.

Table 4 – Transformation projects funded 23-24

Project	Service	Revenue Funding 23/24 - £k
Existing Programmes		
Transformation Portfolio Manager	Transformation and Democratic	55
Growth Deal	Economy and Digital	125
Digital Transformation	Economy and Digital	1,329
Transforming Education	Education	841
New Programmes		
Social Services : Programme Management	Social Care	201
Social Services : Work Leisure and Learning to Create Meaningful Day Time Opportunities	Social Care	57
Social Services : Powys-owned care homes	Social Care	300
Programme Brief - Climate & Nature	All	100
Total bids		3,009

6. **Virements and Grants**

- 6.1 There have been additional grants received this quarter and are included to comply with financial regulations:

6.1.1 Highways, Transport and Recycling:

- 20mph grant funding provided by Welsh Government totalling £1,600,000 to be utilised during the period 1st April 2023 to 31st March 2024 to support the implementation of the 20mph default speed limit on restricted roads across Wales coming into force on 17th September 2023.
- Road Safety Revenue Grant funding provided by Welsh Government totalling £106,800 to be utilised during the period 1st April 2023 to 31st March 2024 to support schemes and projects that contribute to the Welsh Government objective to reduce casualties on Welsh Roads.
- Local Places for Nature Grant provided by Wales Council for Voluntary Action totalling £120,000 per annum for 2 years commencing 01st April 2023 to 31st March 2025 to support a variety of biodiversity objectives such as a maintenance plan of how natural assets are created, restored and enhanced.
- Management and Maintenance of Offa's Dyke path grant totalling £49,375 provided by Natural Resources Wales to be utilised during the period 1st April 2023 to 31st

March 2024 with the purpose of maintaining the Offa's Dyke Path National Trail within Powys in line with the NRW's published definition of maintenance.

- Offa's Dyke National Trail Grant totalling £50,647 provided by Natural England.
- Maintenance of Glyndwr's Way National Trail grant totalling £92,696 provided by Natural Resources Wales to be utilised during the period 1st April 2023 to 31st March 2024 with the purpose of funding the maintenance of Glyndwr's Way Path National Trail within Powys in line with NRW's published definition of maintenance.

6.2 The budget setting process that was approved in February 2023 included one off funding to support the Urdd which is taking place near Meifod in 2024, the funding was included within 2024/25 and is to be funded from reserve. The funding is required during 2023/24 to support up front costs rather than costs incurred at the time of the event, therefore a virement is proposed to release £100,000 from reserves to support this.

6.3 A virement request is made to transfer the transformation budget across all services as set out in section 5. In addition the use of the spend to save reserve is agreed for any transformation redundancies where needed at year end.

6.4 It is proposed that the balance from the Powys Recovery Fund reserve of £0.7 million is transferred to the general fund reserve to ensure the reserve remains in excess of 4% of the net budget (excluding HRA and schools) to comply with the current policy. As set out at paragraph 4.3. This is not a budget virement as the overall level of reserves is to be maintained and no expenditure is taking place.

7. Financial Risks

7.1 The Council holds a £3.0m revenue risk budget centrally to manage the cost of potential additional pressures identified through budget setting but not funded at a service level, especially inflation and demographic pressures. Although CPI levels are now starting to fall, they remain higher than our budgeted allocations. Risk remains as the year progresses.

7.2 The greatest financial risk remains in our ability to deliver a balanced budget over the medium and longer term. Our MTFs reported a projected £10.3 million budget gap next year rising to £24.8 million cumulative in 2028. But this gap is already expected to be significantly higher as we review and update our assumptions. Pay negotiations continue at a national level and are expected to exceed the budgeted 5% increase for 2023-24 and are likely to be closer to 7%. The Medium Term Financial Strategy and the assumptions on which the Financial Resource Model is based is being reviewed and will be considered by Cabinet in September. We continue to plan in a challenging and uncertain time and will update our projections as more information becomes available.

7.3 The Council remains under borrowed as we continue to utilise our cash reserves to underpin our cashflow. We can borrow both in the short to medium or long term, but the cost of borrowing has risen due to the changes in bank rate, our approach is regularly updated and explained as part of the Treasury Management update to Audit Committee.

8. Resource Implications

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

- 8.1 The outturn for 2022/23 was extremely welcome and we used the funding opportunities provided to set up a specific reserve to support the likely pay award pressures and capital financing which will be required in this and future years.
- 8.2 Our planning must now focus on the medium and longer term as we develop the Sustainable Powys programme to support our budget planning over the coming months. The immediate work will focus on bridging the budget gap for 2024/25 but will continue over many years as we transform how we support and work with our communities.
- 8.3 Financial Resilience and sustainability can only be achieved by delivering a lower cost Council, effectively managing our collective resources, robust and transparent decision making, and actively managing risk supported by an appropriate level of reserves.

9. Legal implications

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

10. Data Protection

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

11. Comment from local member(s)

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

12. Impact Assessment

- 12.1 No impact assessment required.

13. Recommendation

- 13.1 That Cabinet note the current budget position and the projected full year forecast to the end of March 2024.
- 13.2 The grants set out in section 6.1 are noted.
- 13.3 The virements set out in section 6.2 and 6.3 are approved, this is to comply with the virement rules for budget movements as set out in the financial regulations.
- 13.4 That Cabinet supports the movement between reserves set out in paragraph 6.4.

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

Appendix A – Forecast to year end as at 30th June 2023

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24	Forecast as at June Variance
Adult Services	80,664	0	(45)	2,685	83,304	(2,685)			80,619	45
Children's Services	29,482	897	(724)	1,935	31,590	(1,935)	0	0	29,655	(173)
Commissioning	3,019	0	(18)	8	3,009	(8)	0	0	3,001	18
Education	17,595	63	(145)	19	17,532	(19)	0	0	17,513	82
Highways Transport & Recycling + Director	33,365	655	(1,132)	2,403	35,291	(1,888)	0	(23)	33,380	(14)
Property, Planning & Public Protection	6,627	80	(308)	651	7,050	(222)		0	6,828	(201)
Housing & Community Development	7,480	510	(355)	226	7,861	(226)		0	7,635	(155)
Economy and Digital Services	6,391		(306)	24	6,109	0	0		6,109	282
Transformation & Democratic Services	3,877	61	(88)	0	3,850	0	0		3,850	27
Workforce & OD	2,544	0	(174)	19	2,389	(19)	0	0	2,370	174
Legal	1,494	101	(135)	1	1,462	(1)	0	0	1,461	33
Finance & Insurance	6,918	0	(23)	7	6,902	(7)	0	0	6,895	23
Corporate Activities	43,328	954	(4,547)	0	39,735	0	0	0	39,735	3,593
Total	242,784	3,321	(8,000)	7,977	246,083	(7,009)	0	(23)	239,050	3,734
Housing Revenue Account	0	0	0	0	0	0	0	0	0	0
Schools Delegated	83,837		(98)	0	83,739	0	98	0	83,837	0
Total	83,837	0	(98)	0	83,739	0	98	0	83,837	0
Total	326,621	3,321	(8,098)	7,977	329,822	(7,009)	98	(23)	322,887	3,734
					(3,200)				3,734	

Appendix B Head of Service Commentary

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24	
Adult Services	80,664	0	(45)	2,685	83,304	(2,685)			80,619	Forecast as at June Variance 45

Adult Social Care Overview

The forecast outturn at the end of quarter 1, 30th June 2023 is an overspend of £2.740 million. When the cost reductions are delivered then there would be a forecast underspend of £45,000.

Cost Pressures

(a) **Current Pressures** - Included in the forecast outturn at quarter 1. Current pressures are being managed within the current budget allocation approved.

(b) Future pressures

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

- Winter pressures and potential demand on home-based care and interim bed options, as future demand is unknown.
- Stability of commissioned providers, particularly the care home sector. There are currently a number of providers who may be at risk of failure.
- The unmet need in regard to community services sitting on the CROFT following assessment but lack of provision.
- Future demography, which was agreed to be funded from the risk reserve as part of the Financial Resources Model (FRM) budget setting process. This temporary allocation will only support these costs during 2023/24 and the full year impact will need to be considered in the FRM and Service's Integrated Business Plan (IBP) for future years.

Cost Underspends

The very small underspend in the main is due to staff slippage as a result of recruitment turnover.

Cost Reductions

- **Assured**

Of the original target of £4.648 million, £1.963 million (42.2%) has been achieved to date and included in the forecast outturn. There is assurance of delivery of the remaining outstanding balance of £2.685 million (57.80%).

- **Undeliverable**

A risk on delivery if hospital pressures and referrals continue at the current levels.

Other mitigating actions to deliver a balanced budget.

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

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24	Forecast as at June Variance
Children's Services	29,482	897	(724)	1,935	31,590	(1,935)	0	0	29,655	(173)

Children's Services Overview

The forecast outturn position is an overspend of £173,000, provided the outstanding savings target of £1.935m is delivered.

Cost Pressures

The cost pressures continue in terms of the demand for high-cost residential placements often outside of Powys. The cost of placements for children which are unregulated, due to the lack of placements nationally, in nature continue to be a financial challenge. We have an increase in our Unaccompanied Asylum-seeking children (UASC) which is set to rise, and which continues to have an impact on the financial position. The 2023/24 forecast for these placements is £1.009 million. We receive grant income of £143 per night pre 18 years of age and £270 per week post 18 off the Home Office. The forecasted income in relation to the above is £484,280. So, the net expenditure position is £524,000.

In order to reduce this pressure, a working group is considering developing local housing for our young people. We are looking to establish smaller group homes and improving our local offer for our 16+ provision. This work is being undertaken with our housing colleagues. This would prevent the need to source external costly placements and then housing when the young person reaches 18 years of age which can be problematic within cities.

We are also looking at promoting more strengths-based ways of working using our Signs of Safety framework in promoting keeping children safer at home and prevent children needing to become children who are looked after. Our high-cost residential placements are tracked within our closer to home board which scrutinises the financial position and care plans for individual young people.

Our own inhouse residential homes continue to be a challenge when staffed with agency social care workers to meet the ongoing demands requiring the placements. The impact of having agency social workers to meet the ongoing increased demands through the Front door also

continues to be a financial challenge. Agency staff are constantly reviewed in line with caseloads. The current cost is £9,665 per day which is not sustainable. This cost has been reducing since Autumn 2022 and is therefore going in the right direction.

The Grow our Own project continues to build on training, recruiting and retaining local staff which will enable us to reduce our agency social workers. Our trajectory for agency workers is reducing over the quarter and will continue in this way as we build our workforce. We are working collaboratively within Powys to build resilience and promote wellbeing as part of our overall objectives around retainment and support. We are continuing to review and provide recruit campaigns in different ways to find solutions to a national shortage of social care staff.

We are reviewing our offer around short breaks as the demand for families has risen and analysing if this could be provided in different and more creative ways rather than external residential short breaks.

The unfunded [pressures within the service are due to](#)

- £533,000 Children Looked After (CLA) placements - new, step up in provision and increasing costs in relation to meeting the complexity of the need of the current cohort. These costs are unavoidable in the context of a national shortage of placements for looked after children across the UK. All funding that was earmarked as part of the 2023/24 budget setting process for growth in Children looked after placements in 2023/24 has already been fully utilised. All new or step up in provisions going forward will be a pressure.
- £63,000 Additional to placement pressures for CLA support.
- £132,000 total pressure forecasted for the three In House Residential homes and the one current un-regulated homes.
 - Glynmawr, Henrhyd and Pum Copa (unregulated) are all forecasting overspends due to the use of agency staff, not included in the original business cases.
- £52,000 budget pressure in regard to Section 21, for families in need of care and support, in the main due to post lockdown and trying to keep children with their families wherever it is safe and in their best interests to do so.
- £31,000 Out of Hours (EDT) due to unfunded structure following a Management of Change and use of agency staffing.
- £86,000 due to increased demand for short breaks due to the pressures on families as an indirect result of the pandemic.

Cost Underspends

The cost underspends continue to offset the cost pressures.

- £140,000 due to underutilisation of the Market supplement. Currently not all qualifying posts are occupied or been occupied for the relevant time frame.
- £395,000 Staffing underspend based on current vacancies qualified and non-qualified positions.
- £33,000 due to a delay to the Special Guardianship project.
- £127,000 Welsh Government grants mitigating baseline funded costs, in line with grant terms and conditions.

- £29,000 various small underspends on service subjective headings.

Cost Reductions

£1.935m still to be achieved at the end of Quarter . Cost reductions continue and we are making positive progress on our Closer to Home strategy. Cost reductions around increasing our permanent workforce against our agency social workers whilst a pressure is still on a positive trajectory through our Grown Our Own Strategy and ongoing recruitment drives.

Other mitigating actions to deliver a balanced budget.

We will fully utilise grants across the service as in 2022/23. We will continue to scrutinise the pressures and savings targets to identify matters with potential solutions. Our current predicted savings are on track to be met during this financial year. We have not as yet been able to use any grant money to offset any targets due to requiring this additional money to deliver further savings around our Closer to Home strategy.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24	Forecast as at June Variance
Commissioning	3,019	0	(18)	8	3,009	(8)	0	0	3,001	18

Commissioning Overview

Although the projections point towards a balanced budget, it is anticipated, but not assured

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Education	17,595	63	(145)	19	17,532	(19)	0	0	17,513
									Forecast as at June Variance
									82

Education overview

The service has worked effectively throughout the last financial year to make significant financial savings within the service, and we are continuing to build on these considerable savings without compromising the service we provide. We continue to use our grants effectively to support the forecast outturn position of the service where possible and to alleviate pressure within the service. The Schools Service (excluding Schools Delegated Budgets) has a forecasted outturn underspend at the year-end of £82k at Quarter 1.

All managers within the service are robustly challenged regarding financial decisions to ensure they deliver value for money but also align to the service priorities. Senior managers ensure all significant financial decisions are discussed at a strategic level and fit with the realisation of the vision for the service. The aftermath of the Covid-19 pandemic continues to place additional pressures on the service and through self-evaluation processes we are identifying key areas that could impact on service delivery such as ALN, attendance and behaviour.

Cost pressures:

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

Cost underspends:

Cost underspends in the service in the main are in relation to any vacant posts, slippage in relation to actual costs vs budgeted costs of staff, travel and supplies and services. Further review will take place during budget setting to identify if any permanent slippage can be found in order to mitigate cost pressures.

Cost reductions:

We continue to identify savings and projected a reduction in costs of £828K, £19k has not yet been delivered, but is assured to be delivered by year end.

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

Other mitigating actions to deliver a balanced budget:

We are reviewing income generation and another member of the service has become an RI so can generate income through working for Estyn.

We will also need to complete an ALN review alongside the Powys ALN Strategy including the potential delegation of more ALN funding to schools in line with other Local Authorities.

Page 25

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2023 AS PER CP/LEDGER JUNE 2022				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2022/23 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2022/23	June Variance
Schools Delegated	79,480	85	0	0	79,565	0	0	0	79,565	(85)

Schools Delegated Overview

Schools submitted their approved budgets to the Authority on 1st May 22, which were reviewed by the Head of Education and the Head of Finance / Section 151 officer. All schools have now received a response to their submittals.

Through ongoing effective communication and collaborative working, the PCC finance team, School Improvement Advisers, Senior Managers, Headteachers and Chairs of Governors continue to identify potential savings for schools from reviewing spending plans and continuing to support schools with the development of their financial planning. We have recently completed another two in depth secondary school financial reviews at their request. This more detailed look at their finances has identified potential savings which could be implemented over time and bring their budgets to an in year balanced position and in turn reducing their overall carry forward deficits. We have also received review requests from other secondary schools which will be carried out in the Autumn Term. We continue to use the benchmarking tool and finance toolkit to direct discussions during finance surgeries to identify further potential savings.

We have also recently identified additional financial pressures on specific schools which are linked to deprivation and significant ALN needs so we are working closely with other LAs to capture and review different ALN and deprivation funding approaches which may support us further in helping these schools to manage their budget pressures. This review is forming part of the Formula review for 2023.

The Covid-19 pandemic and rising energy costs continue to place additional pressures on schools, and we are reviewing the impact the pandemic is still having on ALN, attendance and behaviour.

The in-year position that was submitted by governing bodies in May 2023 showed that there was an expected draw on reserves of £6,011k, overall, this position has decreased to a forecasted £5,592k draw on reserves, a reduction of £419k in 3 months. Updated projections including the updated estimates for pay awards and inflation will be reported in Qtr 2 closedown.

Recovery plans are due to be submitted by 30th Sept for schools that did not meet the requirements of the scheme for financing schools. There are also a number of schools that will work with officers to put a deficit agreement in place. Considerable staffing reductions are projected across all schools over the next 3 years and officers will support schools through these difficult times. A number of VSS applications have been approved for Aug 23 reductions of teachers and non-teaching staff.

We currently have 6 schools identified as having either received a financial Warning Notice or a Notice of concern, 4 of these are secondary schools, 1 special school and 1 primary school. 10 schools have been identified with escalating issues, 3 are secondary schools and 7 are primary schools. These school will be supported by officers and any issues will be escalated in line with the scheme for financing schools and schools causing concern guidance. Some schools have also been identified to receive targeted financial training where financial management issues have been identified by officers.

In terms of Delegated central any underspend on this area is allocated out to schools with a % done in January 24 and the remainder at year end. The formula review 2023 may have an impact on the funds held in this area.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Highways Transport & Recycling + Director	33,365	655	(1,132)	2,403	35,291	(1,888)	0	(23)	33,380

Forecast as at June Variance
(14)

Highways Transport & Recycling Overview

Forecast overspend for Qtr.1 is £14k - the main reasons for the forecast overspend are highlighted below:

Cost Pressures

- £375k overspend on highway routine and structural maintenance.
- £238k overspend on County winter maintenance works.
- £26k overspend on storm/flood responsive activities.
- £73k under recovery on Trade Waste Collections.
- £208k overspend on Home to School transport arising from increased contract charges.
- £136k overspend on Public Transport due to unfunded inflation pressures

Much of the above pressures is causing us to cut back on highway maintenance and there are elements that are out of our control around weather conditions, which can increase revenue costs particularly around flooding and winter maintenance. Furthermore, there are long standing pressures within the Transport service, which are due to a number of reasons, particularly around additional bus capacity and bus contract changes. With that said, there are opportunities to consider the underspends below to consider permanent virements to reduce these large swings of surplus and deficit budgets.

As noted, the above pressures have been offset by the following cost underspends:

Cost Underspends

- £314k Forecast overachievement in car park income.
- £300k in vacant positions
- £314k overachievement in recycling income.
- £93k underspend on residual waste.

Other mitigating actions to deliver a balanced budget.

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

Undelivered savings - £515k

- £130,000 Reduction in Winter Maintenance - It was envisaged that this would be achieved for 23/24, but due to the summer consultation on the new Matrix and the need to review at September's Scrutiny, this saving will not be achieved for Winter season 23/24, but will be in place for 24/25. In order to mitigate this, the service will need to utilise service underspends from within HTR to offset this years unachieved saving)
- £8250 – Transfer of Public conveniences (Unable to transfer the two remaining toilets (Brecon and Ystradgynlais) over to interested parties. Further engagement to be undertaken.
- £284,339 – Efficiencies within Public Transport (We've given assurance of £167k based on service reductions in January 23. Further work to be undertaken to make routes more efficient)
- £52,500 – Route Optimisation (This is in its final stages, but in order to clear this saving it is proposed we do a permanent virement from Recycling income, which is currently in a surplus position to clear this target)
- £40,000 – Use of Abermule to transfer recyclable material (We expect to make around £58k of savings and the proposal is to offset the remaining £40k by doing a virement from Recycling Income, which is currently in a surplus position to clear this target)

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24	Forecast as at June Variance
Property, Planning & Public Protection	6,627	80	(308)	651	7,050	(222)		0	6,828	(201)

PPPP Overview

PPPP are currently predicted an overspend of £201K. This overspend is a result of the service area not currently having sufficient evidence to provide full assurance that savings proposals listed below are going to be delivered in full. This relates to the following savings proposals:

- Energy efficiency measures – offices,
- Staffing reduction – Strategic Property,
- Reduce maintenance budgets – offices and depots,
- Income from fire marshal and fire risk assessments,
- Rent Park Office, Newtown,
- Reduce cleaning budget,
- Staff reduction - Building Control,
- Income from 10 increase in income lines.

Moving forward, more robust evidence should become available to enable greater assurance to be provided. This is likely to reduce the overspend. In the meantime, steps are being taken to ensure that service areas are aware of the revenue budgets and the fact that overspends will not be tolerated.

Strategic Property are currently dealing with some uncertainty relating to factors outside of Strategic Properties control (i.e., energy use and electric & gas costs). In quarter 2, Strategic Property should have more certainty on some of these variables to enable budget predictions to be more robust. In the meantime, contingency plans are being developed to ensure a balanced budget is achieved by the end of the financial year.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24	Forecast as at June Variance
Housing & Community Development	7,480	510	(355)	226	7,861	(226)		0	7,635	(155)

Community Development Overview

Spend is on track across most budget areas, with all but one area forecast to be on budget or returning a minor underspend. Housing & Community Development is reporting a forecast outturn over spend of £155k as not all of the cost reductions have been made as yet, but are assured.

Savings

- 30 10% General reduction in mileage – £1,120 achieved (£4,480 full year savings).
- NPTC (Neath Port Talbot College) increased income y Gaer - £35,000 – to be achieved by end of year.
- 10p School Meal Increase - £187,310 – to be achieved by end of year.
- Arts Service Redesign - £60,000 – achieved.
- Reduce Library Book Budget - £56,770 – achieved.
- Sports Development remove core budget - £35,000 – achieved.

Cost Pressures

- A forecast overspend in General Fund Housing of £460k is offset by a forecast underspend in Catering and Cleaning of £242k
- Leisure Services are reporting an outturn overspend of £14k compared to the working budget of £4.4m
- Arts and Cultural Services are reporting an overspend of £4k. There was a full year budget saving relating to one member of staff. Due to service needs, the reduction in staffing was delayed for one month, resulting in an overspend in staffing costs.

Cost Underspends

- Libraries are reporting an under spend of £17k compared to the annual working budget of £1,234k. The under spend is mainly because of slippage in staffing costs and grant income.
- Archives are reporting an outturn underspend of £9k compared to a working budget of £130k. This is due to slippage in staffing costs and increased income for storage of records and records management.
- Leisure and Sports Centres are reporting an overspend of £62k compared to a working budget of £1,606k. The majority of the overspend was due to expenditure on condition surveys of Leisure Centres as part of the Leisure review, it is expected that this will be funded but is still to be confirmed.
- Sports Development is reporting an underspend of £12k compared to the working budget of £66k. This is due to some events expected to take place in quarter one having to be postponed and rescheduled due to weather / strikes. Also, carry forward of grant funding from Sport Wales needed to be prioritised.
- Museums is reporting a forecast outturn of £171k compared to a working budget of £217k, an underspend of £81k. This is due to an anticipated one-off refund in National Non-Domestic Rates (NNDR).
- Y Gaer is reporting an outturn underspend of £11k compared to a working budget of £653k. The underspend results from increased grant income offset by a forecast overspend on staffing.
- Catering is reporting an outturn under spend of £187k, this assumes the saving will be made in full. The roll out of the universal provision of free school meals continues, the uptake of meals has increased as a direct result of this initiative and therefore income is increased, forecast to breakeven against budget at the end of the year. Welsh Government will provide grant for delivery of UPFSM at £2.90 per meal. Funding was received for inflation through the budget setting process and based on the current forecast, expenditure is forecast to underspend.
- Cleaning is reporting a forecast underspend of £54k, this is because of an underspend on staffing due to some vacant posts and over achieved income. The forecast does not include a proposed saving that is being discussed regarding cleaning of corporate office accommodation.

Matters affecting the forecast

- It is very early in the year the financial year to forecast catering accurately as there is only one school term of data to base the cost and income projections on.
- It is expected to receive funding for the costs of the asset valuations for the leisure review, but this has not yet been confirmed so this will improve the forecast outturn if confirmed.
- Growth was identified to fund the increased utility costs in the leisure centres of £1.1m. It is assumed in this forecast that that money will be spent in full.
- A reduction in cleaning of corporate buildings is required to achieve a saving of £60k in property accommodation. Discussion is still on going and this has not yet been built into the forecast.

Housing Services Overview

Cost Pressures

Homelessness services are likely to exceed budget, an unavoidable consequence of the continued high demand for these statutory services, in particular temporary accommodation not all of which can be provided using existing social housing owned by the Council and housing associations. The Council is starting to experience a levelling out in the rate of increase in demand for homeless services, but demand remains high compared to historic trends. It is unclear what the impact of increased interest rates will have on home buyers.

Cost Underspends

There are no anticipated underspends.

Cost Mitigation

The Council is increasing its new development and acquisitions programmes to provide long term housing options for homeless households, but these are by their very nature long term projects. Proposals are now well advanced, with capital funding agreed by the Capital Oversight Board, for Instant Access 24/7 Triage Centres, Interim 24/7 Supported Accommodation and Modular Interim Accommodation to be taken forward in 2024-2025. These have the potential to reduce the need to rely on costly private sector temporary accommodation, reduce the risk of repeat homelessness and to be in a position to better tailor long term housing solutions to the needs of individual households. However, revenue support in 2024-2025 will be needed for Instant Access 24/7 Triage Centres and Interim 24/7 Supported Accommodation to be taken forward to delivery stage. Immediate mitigation is focusing on prevention of homelessness through early intervention. At the end of August 2023, there were 279 statutory homeless (S.73 and S.75) cases which represents a 26.2% fall since the same time in 2022 (370 statutory homeless cases at that date).

FORECAST FOR THE YEAR ENDED 31ST MARCH 2023 AS PER CP/LEDGER JUNE 2022					ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final

£'000	2022/23 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2022/23	June Variance
Housing Revenue Account	0	0	0	0	0	0	0	0	0	0

HRA

Summary

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

Cost Pressures

Repairs and maintenance costs are ahead of profile, due to the age of the properties owned by the Council which is driving up the overall demand for repairs and maintenance and reliance in the first quarter of the year on external contractors to undertake works to void properties. Mitigation is being undertaken (please see below) which will to bring spending back in line, which if left unchecked, may result as of end of July 2023 in a year end deficit on repairs and maintenance of £1,262,951.

Cost Underspends

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

Cost Mitigation

Spending on external contractors is to be reduced as internal resources continue to be introduced and on-boarded, with the full impact of this being felt from October onwards (the final two quarters of 2023-2024). From thereon, external contractor use will be limited to specialist work the

in-houses teams cannot undertake or to cope with an unexpected influx of voids. The cost of external contractors has been much higher than anticipated at the time of internalisation of repairs and maintenance, due to the over-reliance by the private provider of these services up until July 2022 on outsourcing work.

Housing and Commercial Services in July 2023 started pro-active work to secure higher trade discounts from locally operating material and component suppliers, pending formal procurement of a locally sensitive (to dovetail with the locality-based approach to housing management and maintenance) framework to 'go-live' in April 2024.

Heating servicing contract is due for mobilisation 01.11.23 which will reduce spending on agency workers and external contractors.

Income recovery is as of the end of August running at 92.21% of rent due; for the same period last year this was 92.90%. Rent collection is becoming increasingly challenging. This is a consequence of the high cost of living coupled with the levels of additional support provided in the previously financial year from UKGov/Welsh Government being steadily withdrawn, which is impacting on our most financially vulnerable tenants. Should additional financial support be made available by UKGov/Welsh Government, we have the structure and officers in place to maximize the take up by our tenants. The recent energy price cap reduction that came into force July 1st is however a sign of external factors improving.

Void times are being reduced, although the number of properties required extensive works – which require longer works times – is increasing due to the age of our properties. Of particular concern are external works, such as retaining walls in gardens, which unless remedied may present risks to the health and safety of tenants. Performance management of voids is a top priority for the Housing Senior Management Team to reduce rent loss due to void properties that are to be retained for letting.

The review of the Careline Alarm service (please see below under Economy and Digital Services) may allow scope for HRA savings in future years, as pricing for the service to municipal tenants may move closer to that charged to private sector clients.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24	
Economy and Digital Services	6,391		(306)	24	6,109	0	0		6,109	Forecast as at June Variance 282

Economy & Digital Overview

Cost Pressures

The service is managing current price increases for small ICT contracts within budget, but inflationary costs remain a challenge when large contracts are renewed.

Cost Underspends

Staffing costs are currently underspent as many projects are funded on short-term contracts, we are finding recruitment difficult to attract applicants. This is causing delays with the implementation of ICT projects with work being prioritised according to risk level until full resource is in place. This may have some impact on other services ability to deliver change.

Cost Reductions

The cost reduction in the budget for 2023/24 includes the need to review the Careline Alarm service and to make the service cost neutral for private clients. Whilst starting this work other services using the same service are also conducting their own reviews due to the cessation of copper telephone lines. The team are now working in partnership with other services to review the entire provision and options for an approved way forward. This will take some time and it is unlikely the savings will be met until later in the year. Any shortfall will be covered by underspends from staffing as set out above.

Other mitigating actions to deliver a balanced budget.

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

FORECAST FOR THE YEAR ENDED 31ST MAR 2024
AS PER CP/LEDGER JUNE 2023

ADJUSTMENTS OUTSIDE THE LEDGER

		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Transformation & Democratic Services	3,877	61	(88)	0	3,850	0	0		3,850

Forecast as at June Variance

27

Transformation and Democratic Overview

Cost Pressures

The service is not fully funded by the permanent base budget. In particular, the Communications staffing structure is not fully funded and is forecasting an outturn over spend of £75k (due to additional members of staff on fixed term contracts), underspends across the overall service and mitigating the overspend reported and overall, the service is forecast to have a £27k underspend.

Cost Underspends

The forecast position at the end of June is a £27k underspend.

Cost Reductions

Use of Reserves

Currently there is no requirement to draw down money from the specific reserve we hold (funded by income generation in other years)

Other mitigating actions to deliver a balanced budget.

The Transformation and Democratic service is reliant on income, any reduction or increase in income will affect the forecast. We are fortunate that have been able to access external funding from other sources, however there is a risk whether this will always be available. We do need to increase the number of Translators to ensure we can keep up with demand and are statutory functions around Welsh Language and focus on growing some apprenticeships in certain areas of the service.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24	Forecast as at June Variance
Workforce & OD	2,544	0	(174)	19	2,389	(19)	0	0	2,370	174

Workforce and OD Overview

We are forecasting an annual underspend of £174k, which mainly arises from underspends against staffing budgets due mainly to delays in recruiting to newly created vacancies in Health and Safety and 2 OD posts established to help support the delivery of key initiatives relating to Objective 2. These posts are now filled and the initiatives progressing. An overachievement of additional income / profit has to a lesser extent also contributed to the forecasted figure, however additional staffing will be needed to undertake the extra work involved, which will impact on future forecasting. The service will deliver the cost reductions of £19k approved.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER				
		Add	Less	Add	Revised	Less	Less	Less	Final	
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24	Forecast as at June Variance
Legal	1,494	101	(135)	1	1,462	(1)	0	0	1,461	33

Legal Overview

We are forecasting an outturn underspend of £33k and no issues to report

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Finance & Insurance	6,918	0	(23)	7	6,902	(7)	0	0	6,895
									Forecast as at June Variance
									23

Finance Overview

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

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

		FORECAST FOR THE YEAR ENDED 31ST MAR 2024 AS PER CP/LEDGER JUNE 2023				ADJUSTMENTS OUTSIDE THE LEDGER			
		Add	Less	Add	Revised	Less	Less	Less	Final
£'000	2023/24 Base Budget	Cost Pressures	Cost Underspends	Cost Reductions not delivered	Outturn	Cost Reductions not yet delivered but assured	Specific Reserves with Agreed use	Use of Risk Funding to cover unfunded Pressures	Outturn Position 2023/24
Corporate Activites	43,328	954	(4,547)	0	39,735	0	0	0	39,735
									Forecast as at June Variance
									3,593

Corporate Overview

Cost Pressures

The Housing Benefit budget forecast is overspending mainly due to the increased cost of homelessness in Powys and the differential between what is paid out to providers and what can be claimed back from the Department of Work and Pensions.

Cost Underspends

Interest payments on borrowing and Minimum Revenue Provision are lower than budgeted due to the current levels of low expenditure against the capital programme and the reprofiling of some projects. In addition there is an overachievement of council tax projected this year due to the increase in the level of premiums charged, this is based on current premiums being raised and may change as the impact of the additional charge reduces the number of empty properties or second homes. It is also reliant on the council tax collection rate achieved.

The corporate risk budget which supports all services to manage identified financial risks has not yet been drawn upon. This is therefore currently reported as being underspent. Should risks materialise as we progress through the year this position may change.

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE
19th September 2023

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

REPORT TITLE: Capital Forecast 2023-24, as at 30th June 2023

REPORT FOR: Decision / Information

1. Purpose

1.1 This report provides an update on the financial position of the Council's capital programme for 2023/24 as at 30th June 2023.

2. Background

2.1 The 2023/24 Capital Programme was approved by Council on the 23rd February 2023. It included capital schemes totalling £93.29 million, of which £23.48 million related to the Housing Revenue Account (HRA). The programme has been updated following the reprofiling of projects and additional grants received from Welsh Government. Appendix A provides a detailed narrative from each service lead about their capital schemes and delivery plans.

2.2 Table 1 - Breakdown by service

Service	Original Budget	Virements Approved	Revised Budget	Actuals	Commitments	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	%
Adult Services	200	922	1,122	6	240	1,116	99.5%
Childrens Services	0	379	379	23	43	356	93.9%
Education	33,005	(4,862)	28,143	3,047	11,193	25,096	89.2%
Highways Transport & Recycling	12,681	6,135	18,816	2,513	4,557	16,303	86.6%
Property, Planning & Public Protection	100	998	1,098	50	237	1,048	95.4%
Community Development	922	1,337	2,259	(42)	739	2,301	101.9%
Housing General Fund	1,748	1,279	3,027	533	461	2,494	82.4%
Economy & Digital Services	16,196	(1,690)	14,506	(344)	7,908	14,850	102.4%
Unallocated	4,953	(454)	4,499	0	75	4,499	100.0%
Total Capital	69,805	4,044	73,849	5,786	25,453	68,063	92.2%
Housing Revenue Account	23,482	5,165	28,647	1,826	4,822	26,821	93.6%
TOTAL	93,287	9,209	102,496	7,612	30,275	94,884	92.6%

- 2.3 The revised programme at the 30th June 2023 is budgeted at £102.50 million following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £7.61 million, representing 7.4% of the total budget.
- 2.4 Currently 48%, £48.82 million, of the capital expenditure is budgeted to be financed by 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 Table 2 – Capital Programme funding

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Cont.,	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
All General Fund	4,587	26,313	36,654	2,580	3,715	73,849
HRA	0	17,915	5,832	3,900	1,000	28,647
Total	4,587	44,228	42,486	6,480	4,715	102,496

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 **Schools**

3.3 £0.47 million has been received from Welsh Government for Childcare and Early Years Small Grants Funding.

3.4 **Housing & Community Development**

3.5 Welsh Government have awarded £0.26 million from their ENABLE Grant to provide works to support for independent living.

3.6 Welsh Government have awarded £0.27 million to support the remodelling of Ystradgynlais Library.

3.7 **Highways, Transport and Recycling**

3.8 Welsh Government have awarded £1.60 million to support the implementation of the 20mph default speed limit on restricted roads across Wales coming into force on 17th September 2023.

3.9 As part of the Local Places for Nature grant programme, Wales Council for Voluntary Action awarded £0.38 million for financial year 2023/24 and £0.45 million for financial year 2024/25. The funding will support the creation, restoration or enhancement of natural assets and increase biodiversity and nature recovery.

3.10 Welsh Government have awarded Allotment Support Grant funding of £0.03 million in 2023/24 and £0.03 million in 2024/25 to increase the availability of good quality allotment plots in the county.

3.11 Welsh Government have awarded £1.91 million funding from the Active Travel Fund. The purpose of the funding is to increase levels of active travel and will fund the Newtown 3rd crossing and central Welshpool active travel schemes.

4. Reprofiled Budgets Across Financial Years

- 4.1 A review of the capital budgets held for the **Sustainable Communities for Learning** (formally 21st Century Schools) has been carried out and based on the latest estimated spend profiles, £17.55 million and £23.81 million has been reprofiled from 2023/24 and 2024/25 respectively into 2025/26, 2026/27 and 2027/28 as shown in the table below. The table also shows the funding that has been reprofiled.

Funding	2023/24	2024/25	2025/26	2026/27	2027/28
Total Budget	(17.55m)	(23.81m)	18.53m	19.73m	3.10m
Capital receipts	(0.89m)	(1.06m)	1.95m		
Borrowing	(3.29m)	0.86m	(7.47m)	6.80m	3.10m
Welsh Government Grant	(13.37m)	(23.61m)	24.05m	12.93m	

- 4.2 The latest spend profile for the Levelling Up Projects has necessitated £10.96 million to be reprofiled from 2023/24 into 2024/25 (£8.45m on the Montgomery scheme and £2.51 for the Brecon and Radnor scheme). The schemes are still on track to complete by the end of the 2024/25 financial year in line with the grant terms.

5. Capital Receipts

- 5.1 A total of £0.77 million has been received to date. There are currently sales agreed to the value of £0.95 million (including £0.28 million for the HRA), these are at the legal stage of the process and will generate future capital receipts. At this stage it is expected that sales totalling £7.80 million could be achieved this financial year.

6. Virements

- 6.1 Approval is requested for a virement of £0.02 million from the Lesure capital budget to the Schools Major Improvements budget as a contribution towards the works to Llanidloes HS/Sports Centre Gymnasium ceiling and lighting works.
- 6.2 Welsh Government funding has been awarded to continue to expand the community Electric Vehicle (EV) hubs. As part of this, the Council is required to meet a percentage of the total cost. Approval is requested for a virement to allocate £0.02 million to the Highways budget from the unallocated capital budget which sits under Finance. This will allow the council to accept the grant funding of £0.13 million for this scheme.

7. Resource Implications

- 7.1 The Head of Finance (Section 151 Officer) notes the content of the report. Expenditure for the first quarter at 7.4% is extremely low, 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, although inflation has stabilised, costs are high, alongside supply chain issues and additional borrowing costs which will have to be carefully considered. Prioritisation of resources at a corporate level ensures that the council can effectively meet its objectives whilst maintaining an affordable level of investment.

8. Legal implications

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

9. Recommendation

9.1 That virements in section 6 are approved.

9.1 That the contents of this report are noted.

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

Appendix A: Head of Service Commentary

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Adult Services	1,122	6	1,116	99

HOS Comment

- Expenditure will occur in the second half of the financial year as expected.
- Regional Integration Fund (£100k) for community equipment has not yet accrued expenditure but consistent with previous years, will be utilised later in the year to respond to winter pressures, for example, to support hospital discharge pressures
- Community Equipment Store contract roof (£265k) improvements. Initial works have commenced, and this will be completed further in the year and allocation fully utilised.
- Powys owned care homes (£335k) - lift improvements at one of these care homes will absorb a large element of the available allocation. The last property condition survey on all of the 13 homes identified a list of improvements required. The capital allocation as part of the contract is responsible for completing the list of improvements. There is a high confidence that the allocation will be fully utilised.
- There is an element for 'robotics' (£420k) which means using technology to support care. Adult Services and Commissioning plan to review this and will report in quarter two.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Childrens Services	379	23	356	94

HOS Comment

The Flying Start Childcare provision is nearing completion at Priory in Brecon with full spend forecast for 23/24.

Works to renovate Childrens Safe accommodation in order to meet CIW registration is continuing and is due to be completed by Sept 2023.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Education	28,143	3,049	25,096	89

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 – school opened in April, and currently in defects period. Final accounting taking place, estimated to be within approved budget. Work has taken place to close down the old school and this is being transferred to Strategic Property.

- Ysgol Cedewain - in construction. There is a slight delay to the original programme, but discussions are on-going with the contractor to understand the impact of this and agree the transition period to the opening of the school.
- Brynllwarch Hall School – RIBA 4 (technical design) stage has been completed, planning application submitted and progressing, on-going discussions with the main contractor over costs.
- Ysgol Bro Hyddgen – Following the re-start of the project earlier this year, the RIBA 2 (Concept Design) stage has now concluded, and RIBA 3 (spatial) is underway.
- Sennybridge CP School – Activity has focused on the tender exercise for a Design and Build contractor to complete the design of the school. Tender period closed 21/07/23.
- Ysgol Calon y Dderwen, Newtown – following completion of RIBA 2 (concept design) stage, further exploratory work has been taking place to review the size of the school, with a potential to increase from 300 places to a maximum of 420 places. Discussions have been taking place with Ysgol Calon y Dderwen, Treowen CP School and Maesyrrhandir CP School. A report will be brought to Cabinet in the autumn term with a preferred way forward.

Pipeline projects

- New Brecon Primary School – tendering for architectural services to undertake a feasibility. Headteacher appointed.
- Ysgol Calon Cymru – Implementation plan currently being developed for consideration by Cabinet in the autumn term.

Major Improvement Programme

The Programme supports the improvement of education and early years setting facilities and infrastructure for pupils and staff. In this financial year, there are 122 projects with:

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

The overall programme budget is £6,181,065 for 2023/24 with expenditure of £784,487 to end of July 2023. There are contract commitments of £1.146million for projects in progress. The combined expenditure and commitments represent 31% of the overall budget is committed. There is some project's part funded by Community Focus WG Capital grant as agreed with Schools Service. There has been an allocation of £870,208 WG ALN Grant and agreement is agreed on the priorities for this work with Schools Service. This grant sits outside of this programme until the priorities are agreed.

Welsh Medium Grant – Ysgol Pennant classroom extension - The classroom extension work is progressing on site with completion anticipated by the end October 2023.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Highways, Transport and Recycling	18,816	2,513	16,303	87

HOS Comment

- The Highways Capital Programme is on track. To note, the surface dressing programme has been completed.
- Preparation works for the implementation of the 20mph default speed limit for restricted roads on the 17th September is on track (grant funded).
- The Street Lighting programme is on track.
- Brecon HWRC is programmed for construction Q3 and is on-track.

The service notes that the Q1 financial profile in terms of expenditure is often lighter than other quarters, as it is predominantly a period for design/planning with larger expenditure programmed later in the year.

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

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Property, Planning and Public Protection	1,098	50	1,048	95

HOS Comment

Capital programme is on track. Service area expected spend to be low in Q1 and to mainly be spent in Q3 and Q4. No reprofiling of capital expenditure currently required.

Inflationary costs are being monitored and appropriate action will be taken to ensure works fall within funding envelopes.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Community Development	2,259	(42)	2,301	102

HOS Comment

A couple of projects / works were delayed in 2022/23 which resulted in capital budget being carried forward, with the intention of spending the full amount in 2023/24 which was planned for within the programme.

However, since the beginning of 2023 calendar year, the leisure review process has commenced which has resulted in only essential and immediate works in leisure centres being agreed, prioritised and undertaken.

Just under £1m of the capital budget is committed to works in quarter one. Expected amounts were not fully invoiced by contractors by the end of the quarter but will be spent. In addition, for some roofing works in particular, a couple of projects had to be re-tendered due to disappointing interest in the first round.

The leisure centres / portfolio is able to maximise the capital budget available when the outcome of the leisure review is concluded.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Housing General Fund	3,027	533	2,494	82
Housing Revenue Account	28,647	1,826	26,821	94

HOS Comment

 Housing General Fund: For some General Fund works, property owners are able to select their own contractors. However, the availability of contractors to undertake works remains challenging, with as a result delivery times for aids and adaptations taking longer than predicted.

 Housing Revenue Account: Tender submissions are awaited for two new housing development projects, which if the tenders are acceptable, will allow progress on these sites to begin later this year with associated spending taking place as works begin. There may be a need to carry forward expenditure into future years depending on mobilisation times for these projects. If the tenders are not acceptable, a revised specification and approach to the schemes will be undertaken and resubmitted to market. It should be noted that the HRA is ring fenced, so investment not possible in 2023-2024 will not be lost as the funding can and will be carried forward into future years.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Economy & Digital Services	14,506	(344)	14,850	102

HOS Comment

Digital Services Capital

The desktop refresh programme is a continual programme and is on track to spend this years' calculated figure although our replacement strategy is being reviewed to realise carbon reduction savings and to meet anticipated service staffing changes. The Infrastructure and Unallocated programmes are on track to spend following a number of planned purchases

relating to onsite infrastructure. Regarding the cloud capital, much of this is planned to be spent this financial year but further business cases will be required to highlight changes in capital funding. For the individual projects, these are being reviewed in light of the new Digital Programme and will be drawn down as part of individual Project Business cases.

Economy

An underspend from 2022-2023 capital programme from UK Government has resulted in monies being utilised through freedoms and flexibilities which is shown in the difference between allocated budget and remaining budget. Overall capital budgets are managed from grant funds and profiled until March 2025. This process is managed through quarterly reporting fund management and slippage is being managed in monthly review meetings with partners and contractors. This includes:

Transforming Towns Programme £5,080,000 for Placemaking Grant is managed through an application process. The capital fund is managed through a local and regional panel and the spend profile for 2022/23 is slightly under target spend but with approval for roll forward to 2023/24. Projects are developed with partners and approved as bids are received. The team work hard to create opportunity for partners to draw down the capital investment and this is regularly monitored with Welsh Government.

Levelling-up Capital Projects. Project expenditure is currently behind schedule, this is regularly reviewed with partners to ensure delivery against grant terms and conditions. Council project aspects are being managed carefully and costs are within contingency limits with work slightly behind schedule but within grant agreements. Any required changes will be considered as a one-off Performance Assessment Review (PAR) during the lifetime of the project. We are assuming continued underspend of capital receipts from UK Government in quarters 1 to 3 at which point it is estimated a PAR review will take place to align predicted spend and schedule of works to the capital programme. This review is being left late in year as we need to be confident of anticipated delivery timescale from partners as changes can only be made once in the lifetime of the programme between 2022 and 2025. Current boards are monitoring progress on a monthly basis to ensure the programme remains on track against the current profiled spend for quarter 4.

Service Area	Budget	Actuals	Budget Remaining	Budget Remaining as a % of Budget
	£'000	£'000	£'000	%
Unallocated	4,499	0	4,499	100

HOS Comment

The budget held here is the currently unallocated funds set aside for pipeline projects.

This page is intentionally left blank

CYNGOR SIR POWYS COUNTY COUNCIL.**CABINET EXECUTIVE****19th September 2023**

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

REPORT TITLE: Financial Planning Update

REPORT FOR: Decision

1. Purpose

- 1.1 To provide Cabinet with an update on the latest economic projections and how these influence and impact on the development of the Council's Budget for 2023/25 and the Medium Term Financial Strategy.

2. Background

- 2.1 The Medium-Term Financial Strategy (MTFS) sets out the financial strategy for Powys County Council for the period 2023 to 2028. It has been developed as part of the overall strategic planning process and aligned with the Council's Corporate Plan. It captures the financial, regulatory and policy drivers affecting the council and sets the direction and approach. It also incorporates the plan for delivering a balanced budget for 2023/24, and indicative budgets for the following 4 years to March 2028.
- 2.1 The economic situation continues to challenge the council and although inflation does appear to have slowed, it remains high and continues to impact on the cost of delivering Council services.
- 2.2 This report sets out the key factors impacting on our financial planning and how these change the assumptions we use in developing our budget plans.

3 Economic Context

- 3.1 Our current MTFS was informed by the forecasts published in the Office for Budget Responsibility (OBR) report "Economic and fiscal outlook" in November 2022. Updated OBR figures were published alongside the UK Spring Budget in March 2023 and more recently the "Fiscal risks and sustainability – July 2023" report updates these forecasts. These reports have enabled the Council to update the assumptions that support our financial planning.
- 3.2 The 2020s are turning out to be a very risky and challenging period for the public finances. In just three years, they have been hit by the Covid pandemic, the energy and cost-of-living crisis, and the sudden interest rate rises in 2022. The consequences of which continue to unfold. This rapid succession of shocks has delivered the deepest recession in three centuries, the sharpest rise in

energy prices since the 1970s, and the steepest sustained rise in borrowing costs since the 1990s.

- 3.3 On the 9th August 2023, the First Minister, Mark Drakeford MS issued a statement outlining the significant financial pressure Welsh Government (WG) are facing in the current 2023/24 financial year and as they prepare for the 2024/25 budget round. He stated that “this is the toughest financial situation we have faced since devolution”. As Ministers review their departmental budgets it is yet to be established how their action will impact directly or indirectly Local Government. NHS funding will no doubt also be subject to review and reductions here could also impact on the Council where joint funding arrangements exist such as Continuing Health Care, Additional Learning Needs and Childrens services.
- 3.4 The UK Government has set itself a target to halve the inflation levels seen in the early months of 2023, before the year is out. Forecasters are generally expecting Consumer Prices Index (CPI) to fall sharply over the remainder of the year, linked to a fall in wholesale gas prices, an anticipated reduction in the cost of imported goods, and Bank of England monetary policy regarding interest rates. However, it is notable that the Bank of England’s latest forecasts suggest that decreases may not be as steep as previously predicted. With inflation still very high in core elements of the CPI basket of goods, price increases will remain a critical factor to keep under review in terms of budget planning.
- 3.5 Inflation continues to impose pressure on our costs, but headline figures don’t tell the whole story. Food inflation is lower than it was but the rate of increase is still very high at 18.4% and some old pressures are proving persistent. The transport category looks much more stable at 1.3% inflation overall, however beneath this the cost of transport insurance for example is showing a massive increase of 40.7%.
- 3.6 Overall CPI has slowed from 10.1% in March 2023 to 6.8% in July. Slowing inflation does not mean that prices are reducing, just that they are rising more slowly.
- 3.7 In May 2023, the Bank of England revised its inflation forecasts to 5.1% by the end of 2023, (compared with 3.9% in its February forecast). The Bank also indicated that it does not now expect inflation to reach its 2% target until the end of 2024. Whilst the picture is changeable, there is a consistent message that inflation is likely to fall, although perhaps not as quickly as originally forecast, and with ongoing challenges for some goods and services.
- 3.8 Bank of England base rate is currently set at 5.25% and will again be subject to review on the 21st September 2023.
- 3.9 Market intelligence reports that energy commodity markets have experienced unprecedented price increases for both electricity and gas. Having risen thirteen-fold in the wake of the Russian invasion of Ukraine in 2022, gas prices have fallen back more recently but are expected to remain at over twice their historical average into the mid-2020s. However, following a period of prices on a downwards trajectory, the start of June saw prices creeping higher due to

maintenance issues at Norwegian’s Nyhamna gas processing plant and the recent weather in Europe increasing electricity demand through higher use of air conditioning. More generally market demand is down on the previous year and capacity is good.

- 3.10 A mix of rising labour costs and workforce related legacies such as a shortage of replacement skills coming through the industries, are also affecting some services more than others, including transport, construction and social care.
- 3.11 More generally as a result of the rising costs and expected funding pressures that will be imposed on Local Government over the next few years, press coverage and Local Government Associations are already reporting that some Councils may have to consider ceasing the provision of non-essential services, reducing statutory service provision and cutting capital investment plans, whilst increasing Council Tax and other fees and charges by more than planned aligned to inflation or even higher.
- 3.12 The economic context outlined above has significant implications for the Council’s financial planning. These are summarised below and are key factors in framing the assumptions and cost drivers in 2024/25 and over the medium term.

Factor	Planning Implications
Inflation	Increase in costs across various categories of goods and service, Contractual arrangements driven by CPI/RPI, Impact on Pay Awards. Impact across Revenue and Capital.
Energy	Energy costs have a significant impact on budgets across Council property, Schools, Leisure Centres, Offices, Street Lighting Fuel costs are key costs drivers for Council vehicles and transport providers
Interest Rates	Cost of Borrowing and affordability of the Capital Programme
Economic Growth	Impact on future funding settlements for Local Government
Labour market	Shortage of staff leading to increasing costs for commissioned services and agency staff, real living wage

4 Understanding the impact

- 4.1 The Medium Term Financial Strategy approved in principle by Council for the next five years and the assumptions contained within the strategy were based on the latest information available at that time. It does not include fixed funding, expenditure or activity projections, but sets out a five-year budget forecast for the resources that are likely to be available.
- 4.2 As set out in section 3 it is appropriate to again update our strategy to reflect the changes and how this impacts on the councils budget. This will increase the budget gap over the life of the plan which will need to be resolved by either generating additional income or reducing costs.

- 4.3 Work with other Authorities and through the Society of Welsh Treasures has supported the review, testing and challenging the assumptions we make as we develop and update our plans.
- 4.4 Our MTFS previously assumed 2% inflation non pay uplifts with some external contract uplifts identified as pressures and funded to CPI or other contract terms. The highest of which were utility increases – (355% gas and 173% electric). These assumptions have been reviewed and reconsidered in our plans. Each of the factors below will be regularly reviewed as we continue to see volatility.
- Energy Costs will see a reduction on the increase applied in the current, expected at over 20%
 - Fuel 5%
 - Food 5%
 - Capital Scheme costs
 - Cost of Borrowing – see section 5
 - Inflationary impact on contractual obligations for commissioned services (5%)
- 4.5 As a service-driven organisation, workforce costs are a key cost driver across our services. Sustained levels of high inflation have resulted in protracted pay negotiation processes and upward pressure on pay awards for both NJC Council staff and Teachers Pay.
- 4.6 **Pay** negotiations continue at a national level and are expected to exceed the budgeted 5% increase for 2023-24, now likely to be closer to 7%. Whilst this pressure can be managed during 2023/24, due to using the opportunity to set aside reserves at the end of last year, the ongoing base budget must be addressed in 2024/25 adding additional pressure over and above any pay award agreed for that year. Assumptions for future years were budgeted at a 2% increase per annum from 2024/25 but with inflation remaining at current levels annual increases are now budgeted to be higher at 5% then dropping 1% per annum before falling back to 2% in the latter years of our plan. Pay award assumptions are a critical factor to keep under review. As pay is such a significant budget, small changes can have a big impact on cost, a 1% change is equivalent to £1.7 million.
- 4.7 **Pension Costs** – Powys Pension Fund’s actuarial review was completed in March 2023 resulting in a reduction in the Councils contribution rate, this change is now reflected in the Councils Budget Plan with a stepped saving of £1.7 million over 3 years to March 2026. The Teacher’s Pension Scheme (TPS) is subject to its actuarial review which will take effect from 1st April 2024 and implemented in September 2024. Our planning assumes that any increase in contribution rates for Teaching staff will be fully funded by Welsh Government, as was the case at the last review. However, due to the significant impact any change would have on Powys Schools budgets we will note this pressure in our plan, currently estimated at a full year cost of £3 million.

- 4.8 Pay and cost pressures have been equally challenging for providers of the service that the Council commission and it is inevitable that they will seek to pass these on in their pricing. Pressure may emerge as we retender our services and negotiate annual reviews.
- 4.9 The Council is a **Real Living Wage** (RLW) Employer and an advocate of RLW, with its own staff and apprentices are all paid at this level or above. Welsh Government have funded RLW to Social Care staff employed with external providers, and this is forms part of our WG settlement. In the current year the RLW element of provider contracts will cost the Council around £2.8 million funded by WG.
- 4.10 The Council purchases its **energy** via Crown Commercial Services (CCS). Regular briefings keep the council informed on market conditions and provides data to assist us in budget preparation. Our current assumptions across schools, street lighting and the Council's other estate are for a reduction of 15% for electricity and 29% for gas in 2024-25 and a further reduction of 20% and 26% in 2025-26. The situation will require careful monitoring as prices are susceptible to further change, and there will be a need to proactively plan for mitigating actions, including a review and reduction in energy usage.
- 4.11 Construction and material costs continue to be impacted by inflation and have a severe impact on the cost of schemes for both Revenue and more significantly for Capital Projects. It is unclear at this stage how this will impact the programme over the coming years.
- 4.12 The cost of living challenge continues to impact on our local businesses and residents, demand for our services has grown and is expected to create further additional pressure on the Council and its services through 2024/25 and beyond. Key areas include:-
- Increasing homelessness
 - Referrals to Social Services
 - Increasing levels of debt owed to the Council
 - Council Tax collections rates
 - Money Advice, Benefits support, Council Tax Reduction Scheme
- 4.13 Demand for these and other services are already a key feature in our budget plans and these will continue to be monitored and updated through the autumn ahead of finalising the budget for 2024/25.
- 4.14 All of the above impacts on our indicative budget plan for 2024/25 which is now estimated at £16.3 million, an increase of £6.0 million from the £10.3 million gap projected in February 2023. The worst case gap is £18.0 million if the Teachers pension increase from September 2024 is included.
- 4.15 The table below shows the impact of the change for the most significant elements of our budget.

FRM Figures	2024/25 (as at Mar 23) £k	2024/25 (Aug 23) £k	2024/25 Variance £k
Pay Inflation for previous year (2023/24)	0	2,387	2,387
Pay Inflation	4,152	8,712	4,561
Non-pay Inflation	1,104	2,613	1,509
Grant Changes	214	214	0
Capital Financing	1,001	1,001	0
Corporate Pressures	897	897	0
Demographic Pressures	722	503	-219
Contract and Other Pressures	14,900	15,471	571
Savings	(690)	(3,522)	(2,832)
Total Requirement	22,300	28,276	5,976
Council Tax increase - 5%	(4,898)	(4,898)	0
Welsh Government Increase - 2% then 0%	(7,089)	(7,089)	0
Additional Funding	(11,986)	(11,986)	0
Gap	10,313	16,290	5,976
Teachers Pension Funding Uncertainty	0	1,750	1,750
Worst Case Gap	10,313	18,040	7,726

5 Capital Financing

- 5.1 The Capital strategy sets out the Council's capital priorities for the next 5 years with the provisional Capital Programme totalling £369 million (including the Housing Revenue Account (HRA)). This is a significant commitment.
- 5.2 Construction and material price increases affect the capital programme and revenue budget in terms of managing and maintaining Council assets. Inflationary pressures are having multiple effects, including cost increases where commitments are yet to be approved/delivered, capacity constraints, willingness to tender for works, and the pricing of risk into contracts. External grant funding may not keep up with such increases, and so the risk of affordability should the Council continue with some projects, is significant, unless costs are reduced elsewhere.
- 5.3 Existing borrowing is at fixed rates. However, given current commitments and a significant future borrowing requirement to fund the programme there remains a significant risk of increased costs well into the long term. Whilst there is a market view that rates may fall back as soon as inflation is deemed to be under control, it is unclear whether this will be to levels previously experienced.
- 5.4 The most recent forecasts for interest rates are shown below. The revised Medium Term Financial Strategy has been updated to take account of these changes.

Interest Rate Forecasts								
Bank Rate	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Link	5.50%	5.50%	5.50%	5.25%	4.75%	4.25%	3.75%	3.25%
Cap Econ	5.50%	5.50%	5.50%	5.50%	5.00%	4.50%	4.00%	3.50%
5Y PWLB RATE								
Link	5.60%	5.30%	5.10%	4.80%	4.50%	4.20%	3.90%	3.60%
Cap Econ	5.10%	4.70%	4.50%	4.40%	4.20%	4.00%	4.00%	3.90%
10Y PWLB RATE								
Link	5.20%	5.00%	4.90%	4.70%	4.40%	4.20%	3.90%	3.70%
Cap Econ	5.10%	4.60%	4.50%	4.30%	4.20%	4.10%	4.00%	3.90%
25Y PWLB RATE								
Link	5.40%	5.20%	5.10%	4.90%	4.70%	4.50%	4.20%	4.00%
Cap Econ	5.30%	4.90%	4.70%	4.60%	4.50%	4.30%	4.30%	4.20%
50Y PWLB RATE								
Link	5.10%	5.00%	4.90%	4.70%	4.50%	4.30%	4.00%	3.80%
Cap Econ	4.90%	4.70%	4.60%	4.50%	4.40%	4.30%	4.20%	4.10%

- 5.5 It is essential we utilise our capital appropriately and all bids follow the approval gateway. The Council has strengthened its scrutiny and challenge of the Capital Programme through the Schools Capital Oversight Board and more recently the Capital Oversight Board. These Boards seek assurance that projects are prudent, affordable and will deliver tangible benefits over the long term.
- 5.6 The Capital Programme will be reviewed and reconsidered during the Autumn to ensure that the revenue implications of capital expenditure is accurately reflected in the FRM and that the capital expenditure plans of the council remain affordable, prudent and sustainable. To support this there are a number of key considerations:
- Managing Capital Financing costs
 - Maximising grant funding and other income sources
 - Sustainable and well maintained asset base
 - Prioritising investment to support key Council priorities and delivery of corporate objectives
 - undertaken only where there is a statutory requirement on the Council to undertake such works to address identified corporate risks.
 - Delivery of approved transformation projects which contribute to cost reductions or improvement
 - Where appropriate release assets to deliver Capital receipts
 - Decarbonisation and climate risk
 - Demonstrate Value for Money
- 5.7 Schemes already included in the indicative programme will be reviewed in respect of timing and risk to service delivery objectives. Schemes that are not time critical may be deferred to later in the programme to focus internal capacity on delivery of priority schemes, allowing the impact of economic uncertainty to be clearer, and to spread the timing of any borrowing requirement and treasury management risk.
- 5.8 An extensive review of the Councils assets is being undertaken, this will establish the current condition of all assets, the ongoing maintenance costs and any investment requirements, how the assets contribute to the delivery of services and supports the Corporate Plan. An enhanced focus is needed on disposal, relinquishment and alternative use, and working with partners to maximise opportunities for co-location of services. Once this is complete, any

future capital investment together with the proceeds from the sale of surplus assets will be included in the capital programme.

- 5.9 Capital receipts are an important means of increasing the affordability of the Capital Programme. The generation of capital receipts is also consistent with the need to accelerate a reduction in the Council's asset base where this can support savings requirements or reduce maintenance liabilities and the carbon output of the Council.

6 Other Pressures

- 6.1 Service specific pressures are being reviewed by the Senior Leadership Team, these will consider demographic changes, specific contractual arrangements and legislative changes and will undoubtedly create additional pressure in our plans. Managing and mitigating these will be a key focus as the budget develops over the next few months.

7 Future Funding

- 7.1 The net revenue budget requirement is the amount of budget the Council requires to fulfil its functions. It is calculated taking the output of each of the service integrated business plans; these identify the resource requirements for each service to deliver their statutory functions, the Corporate Plan and service improvement objectives offset by budget reduction and additional income proposals.
- 7.2 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. Assumptions for these elements are key in developing our plans.

Funding £'000	2024/25	2025/26
AEF (RSG & NNDR) 3.1% & 2%	- 235,753	- 240,468
Council Tax 5%	- 102,854	- 107,996
Total	- 338,607	- 348,465

- 7.3 Alongside this year's final settlement announcement Welsh Government (WG) issued an indicative allocation for the Revenue Support Grant for 2024/25 at 3.1%. This figure is indicative and dependent on current estimates of NDR income and the funding provided to WG by the UK Government. The announcement of the Provisional Local Government Settlement is again expected to be delayed to December rather than October.
- 7.4 For planning purposes our budget plan models 3 scenarios based on 2%, 0% and -2% from 2025/26. A 0% reduction for 2025/26 would equate to £4.7 million less.
- 7.5 Council Tax increase is currently modelled at 5% year on year increase. Cabinet have not yet discussed the level at which Council Tax will be set, the percentage used is for illustrative purposes only at this stage and is based on the figure originally included in the MTFs approved by Council March. In

proposing the final level of increase for the 2024/25 budget, consideration will be given to the affordability for Powys residents, together with the ongoing need to meet increasing demand and inescapable cost pressures on vital local services. In addition there will be small adjustments to the current tax base.

- 7.6 Income from fees and charges makes a significant contribution (£78 million per annum) to the Council's budget and the Council's approach to income generation is set out the Councils Income Policy, fees and charges will be reviewed in line with this policy will be presented in the updated Fees and Charges Register, which will be presented with the budget papers annually for approval. The council's policy is based on the principle of full cost recovery and inflationary uplifts will be considered to ensure that the Council can continue to recover its costs for the services it provides. A blanket uplift is not assumed, however an increase in line with inflation is expected unless there is a clear rationale to do otherwise. Increases in income will be reflected at a service level in the FRM.
- 7.7 In addition to the AEF, Councils also receive specific grants which are accompanied by specific terms and conditions as to how they can be used. For 2023/24 specific grants account for £79 million of the Council funding. Whilst welcomed these are generally a temporary source of funding allocated on an annual basis, and this creates a recruitment challenge and financial risk particularly when inflationary pressures erode the real term value of this funding. WG have committed to reduce the administrative burden on local authorities and will review specific grants. The impact of this review, including any potential grant transfers into the RSG will need to be factored into plans as further information becomes available. It is important to note that any such transfers can distort the percentage change in funding when headline announcements are made.
- 7.8 Grant Funding is a significant financing element for our Capital schemes. In 2023/24 £43 million will support Schools, Highways and Housing projects. This funding is a key element to support the affordability of the Capital Programme and will remain fundamental in our forward capital plans.

8. Revised Financial Resource Model and Budget Gap

- 8.1 The assumptions included in the original MTFs have all been reviewed in light of the circumstances described in the earlier sections of the report. The table at Appendix A updates the position from that reported in March 2023.
- 8.2 Our modelling assumes that our optimistic assumption for the WG Settlement creates an £15.3 million budget gap next year and a cumulative gap of £43.4 million. The worst case scenario sees the cumulative figure increase to £82.3 million at the end of year 5.
- 8.3 The Financial Resource Model (FRM) continues to be updated and will not be finalised until the budget work has been completed. The assumptions will continue to be reviewed as the budget process progresses, and these will inevitably lead to further changes in our financial modelling. The indicative draft budget from WG will not be released until December 2023, with final budgets in

March 2024. Council tax levels included are purely for modelling purposes at this stage and have been maintained at levels modelled previously notwithstanding that the gap has increased.

9. Strategy to bridge the gap : Sustainable Powys

- 9.1 It is becoming clear that the Council in its current form is not sustainable for the longer term, in response to this challenge the Council has embarked on a programme of change to reimagine what the Council should look like in the future to ensure that it can remain financially stable and provide sustainable services in the long-term.
- 9.2 Delivering valued local government services is at the heart of all we do. With changing times and economic conditions, we need to be pro-active, innovative and forward-thinking to deliver effective public services for the future.
- 9.3 We recognise the challenges and we want to work in partnership to explore the opportunities to make the changes needed to build the stronger, fairer and greener future for Powys.
- 9.4 “Sustainable Powys” will review what services we provide and how they are provided to meet current needs whilst ensuring we have innovative solutions to provide the best services adapted for our future generations. It is about working together to design a future for our local authority that delivers stronger, fairer and greener services whilst reducing our costs.
- 9.5 In line with Stronger Fairer Greener, Sustainable Powys key principles are:-
- **Outcomes and transformation**, not just modifying services
 - **Engagement**: engaging early with people in agreeing, designing and delivering outcomes
 - Addressing the fundamental question: **why do we do what we do?**
 - Having a strategic **whole county** view, not just the Council
 - **Innovation**: being open minded and seeking innovative solutions, using all the expertise available
 - Using **evidence** - if we aren't getting results, we should change
 - It's a **continual process** to meet existing and long-term needs sustainably
 - Delivering **outcomes at lower or no costs**
- 9.6 When considering how we transform our services the following principles will apply: -
- Moving from an organisational focus (supporting our own internal requirements and functional silo's) to a focus that looks to meet our residents and communities' needs.
 - Management ethos focuses on improving the outcomes for residents and communities by removing barriers.
 - Moving from functional silos to services that effectively meets our residents and communities' demand.

- Decision making is based on a clear set of principles, experience, knowledge, robust evidence and is taken as close to the frontline as possible.
- Continuous improvement informed by timely data which will measure how well we are delivering outcomes for residents and communities.
- Accountable for activities and accepting responsibility, resulting in transparent delivery of effective outcomes.
- We challenge everything we do and will realise the right outcomes using our transformation methodology.
- Partnerships are outcome focused, based on collaboration and strong relationships (working together, stronger together).

9.7 Our work has gained momentum over the summer months. As this work progresses throughout the Autumn proposals will be developed for consideration before inclusion in our budget plan. Where proposals can deliver earlier savings and where no policy decision is required and there is no impact on our residents, they will be implemented as soon as possible.

10. Financial Resilience

10.1 The Council must put financial resilience at the forefront of its financial activities and draws upon the support from Audit Wales who undertake regular pan Wales assessments on councils' financial sustainability.

10.2 The Council draws upon CIPFA's pillars of financial resilience and indicators of financial stress as a framework for improvement within its Finance Transformation plan. The snapshot included at Appendix B builds on CIPFA financial resilience pillars, which focus on reserves levels, managing the in year budget and delivering savings, a long term robust MTFS and benchmarking against others shown through trend analysis and forecasts.

10.3 The snapshot provides a high-level overview of the financial health of the Council. Whilst the snapshot presents no immediate cause for concern the ongoing challenges linked to the medium term are clear. Other points of note within the snapshot are summarised below:

- Revenue Outturn shows a year on year underspend that increased through the Covid period, it was supported by significant savings achieved each year. In recent years we have achieved less than 80% of our savings target each year, with some being written off and others rolled forward, our aspiration is to improve delivery to over 90% of our savings target in this and future years.
- A consequence of the underspends has been the ability to shore up useable reserves in readiness for specific pressures likely to materialise in the coming years, which may be needed to help support the MTFS and delivering balanced budgets. Over the medium term, it will be key that we understand the one-off nature of these resources and carefully prioritise them to ensure that, in line with their intended purpose, they are either spent on areas of most impact, or retained as a buffer against areas of highest risk.

- The snapshot highlights the importance of external income from grants to customer and client income through fees and charges. These income streams increased through the Covid period and have now dropped to pre Covid levels, the volatility of these income streams pose a risk to the council and its financial planning. Fees and charges are susceptible to external factors, whilst for grants, there is a risk of real term reductions of cost against funding uplifts, grants ceasing and planning challenges. It is critical that these income streams and the risks associated with them are managed as proactively as possible - at best to help address the budget gap, at worst to avoid adding to it.
- Capital spend remains consistent year on year, and this years forecast is likely to reduce as services review their plans and reprofile budgets. This highlights the need to undertake robust and realistic assessment of delivery capabilities as part of rolling the programme forward and profiling expenditure. The outturn forecast is likely to mean lower than planned borrowing costs with a knock on effect in future years.
- The benchmarking comparisons show how Powys compares against other Welsh authorities, whilst our useable reserves have increased, the comparators show that we are in the bottom quartile of the level of reserve against net budget.

10.4 The findings of the Powys Financial Sustainability review by Audit Wales (AW) published in July 2021 set out three proposals for improvements, these remain valid:

- addressing the medium term budget gap,
- ensuring that the ambitious capital strategy is affordable, and
- continues to ensure that it monitors whether its budget planning processes are having the desired effect and helping to prevent significant overspends in key service areas.

10.5 The later AW Assurance and Risk Assessment Review – Powys County Council in February 2023 stresses “that the Council needs to develop a sustainable plan to address substantial emerging cost pressures”.

10.6 Significant progress has been made to improve financial resilience and is evidenced in the Audit Wales review and documented as part of our Financial Management (FM) Code Assessment.

11. Financial Risks

11.1 At a time when the Council is facing unprecedented challenges, the effective management of risk is needed more than ever. The Risk management framework that we have in place ensures that we identify, consider and manage risks appropriately There are a number of risks identified in terms of our financial planning and these are summarised as follows:-

Budget Delivery Risks

- Change Delivery Capacity
- Delivery of Cost Reductions
- Political Approval of Budget
- Economic Factors
- COVID

Funding Risks

- Variations to Settlement Assumptions
- Grants
- Income
- Debt management & recovery
- Treasury Management

Demand and Service pressure

11.2 The effective monitoring and managing of these risks supports our financial resilience and as our plans are finalised the risks will be assessed and provision to mitigate them will be considered through the continued use of the revenue risk budget and the level of reserves that we will maintain.

12 Reserves

12.1 The Councils position on reserves remains in line with our Reserve Policy. The need to hold an appropriate level of Reserves has been brought to the fore over the last year and with continued economic uncertainty our reserves remain crucial to our financial stability.

12.2 The position going forward will require reserves to be maintained at a prudent level. It is evident that, given the continued level of inflation, future cost pressures and lower funding settlements indicated, the challenge to deliver balanced budgets carries a significant risk, reserves are fundamental to managing this risk.

12.3 In the interests of financial resilience, reserves should not be relied upon as general budget funding. This is because:

- It creates a gap in the finances of the following year as reserves are cash sums.
- Earmarked reserves are set aside for a particular purpose.
- Reserves are an important part of financial resilience, providing a cash buffer.
- Cash in reserves is not idle; it generates investment income in line with the Treasury Management Strategy and avoids the need for short-term borrowing.

12.4 The use of reserves and the levels at which they are maintained is determined on an annual basis as part of the Council's budget setting process following a risk based assessment. In the main reserves are held corporately rather than service based, except where specific reserves and their use have been agreed.

13 Budget timetable

13.1 The draft Budget Timetable was published in July in line with the Council's constitution and is set out at Appendix C. The timetable allows for SLT / EMT and Cabinet to shape the draft budget, alongside engagement with Council and Scrutiny committees through the process. It is again anticipated that the draft and final settlements from Welsh Government will be delayed.

14 Resource Implications

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

14.1 This report identifies the factors and the implications that they have on the Council financial plans. It refreshes the Medium Term Financial Strategy updating the assumptions upon which it was originally based and sets the policy framework and direction in which the budget proposals will continue to be developed.

14.2 The current volatility dictates that we will keep the position under constant review and we will continue to update our assumptions and their impact on the FRM as required.

14.3 Discussions at a national level will be very important as we move through the Autumn and we will work closely with other Authorities and the WLGA to ensure that the impact the current economic position is having on the Council is fully understood, together with the implications this will have on our ability to deliver appropriate Council services to our residents.

15 Legal implications

The Head of Legal Services (and the Monitoring Officer) has commented as follows: " The recommendations are supported from a legal point of view".

16 Data Protection

There are no data protection issues within this report.

17 Comment from local member(s)

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

18 Impact Assessment

No impact assessment is required at this stage but as proposals are developed they will be supported by an Integrated Impact Assessment to inform the decision.

19 Recommendations

- 19.1 Cabinet acknowledge the changing environment in which our plans are being developed and agree with the revised assumptions that are being used to support the development of the MTFs; and that work will continue to update and refresh the MTFP as appropriate.
- 19.2 Agree that the Senior Leadership Team continues to work with the relevant Portfolio Cabinet Member(s) to identify potential savings to assist in addressing the indicative budget gap across the period of the Medium Term Financial Plan.
- 19.3 Delegate to the Chief Executive, in consultation with the Leader and Cabinet Member for Finance, the authority to implement any saving proposal in advance of 2024/25 where no policy recommendation is required.
- 19.4 This report is presented to Finance Panel for their scrutiny and feedback.

Contact Officer: Jane Thomas Tel: 01597 827789 Email: jane.thomas@powys.gov.uk
--

Head of Service: Jane Thomas, Head of Finance

Corporate Director:

Documents referenced to support this report:

Office for Budget Responsibility : “Economic and fiscal outlook” in November 2022 and “Fiscal risks and sustainability – July 2023”
WLGA Briefing July 2023 - Market Intelligence Expert Group
Written Statement by the Welsh Government First Minister, Mark Drakeford MS - Update about Budget 2023-24, 9th August 2023.

Appendix A

FINANCE RESOURCE MODEL 2024-2029					
REVENUE EXPENDITURE	2024/25	2025/26	2026/27	2027/28	2028/29
	£	£	£	£	£
Base Budget (Prior Year)	326,620,380	354,896,620	375,561,134	393,419,958	408,763,603
Pay Award inflation 2023-24 Impact	2,387,336	0	0	0	0
Pay Award inflation 2024 onwards	8,712,370	7,657,485	5,958,506	4,220,731	3,954,369
Non pay Inflation	2,612,635	2,318,400	1,793,803	1,226,435	1,247,415
Grant Changes & Transfers into RSG (+)	214,000	0	0	0	0
Total Covid Pressures to be Addressed	(206,652)	(206,652)	(107,652)	(107,652)	(107,652)
Total Demography	502,833	734,270	734,270	734,270	734,271
Total Corporate Pressures	897,465	922,140	948,049	975,253	1,003,817
Total Service Pressures	15,393,336	9,668,131	8,360,038	8,206,407	7,967,258
Schools Reserves and Movements					
Total Cost Reductions	(3,522,342)	(1,062,060)	(205,420)	(125,930)	(128,450)
Undelivered Savings	284,340	0	0	0	0
Total Capital Financing	1,000,920	632,800	377,230	214,130	214,130
Total FRM Revenue Net Exp	354,896,620	375,561,134	393,419,958	408,763,603	423,648,761
FRM Net Exp	354,896,620	375,561,134	393,419,958	408,763,603	423,648,761
Current Year Budget	326,620,380	354,896,620	375,561,134	393,419,958	408,763,603
GAP - each year	28,276,240	20,664,514	17,858,824	15,343,645	14,885,159
Additional Funding					
Council Tax increase - 5% and tax base increase	-4,897,801	-5,142,692	-5,399,826	-5,669,817	-5,953,308
Settlement (8.7%, 3.1%, 2% then on)	-7,088,603	-4,715,064	-4,809,365	-4,905,553	-5,003,664
Funding Shortfall each Year	16,289,836	10,806,759	7,649,632	4,768,274	3,928,186
Funding Shortfall Cumulative	16,289,836	27,096,594	34,746,227	39,514,501	43,442,687

Appendix C - Budget Timetable 2024-25

Date	Meeting/Responsibility	EMT, SLT and Cabinet Activities
April - August	Senior Leadership Team (SLT)	Work on Sustainability Proposals
August	Executive Management Team (EMT)	Develop budget planning, Medium Term Financial Strategy (MTFS) approach
August	EMT	MTFS modelling in the Finance Resource Model (FRM)
10 th Sept	Cabinet / EMT / SLT	Decide on public engagement re budgets and work up approach as part of budget workshop
13th Sept	Political Groups	Section 151 (Head of Finance) and political groups - updates on budgets
18th Sept	Council Budget Seminar	Overarching update
Sept	Schools Budget Forum	Opportunity to meet the requirements of the School Forums regulations in relation to consultation on schools budget and any Service Level Agreements (SLAs) / charging for goods / services to schools' budget shares (NB minimum 3 months before agreement finalised)
Sept	Welsh Government (WG)	Autumn spending review
Sept	Finance	Collate all savings and growth proposals in IBPs
Sept	Finance	Collate the capital proposals identified through the IBP - if any as we know bids can be submitted through the year
30th Sept	SLT	Integrated Business Plan (IBP) 1st draft - link to Corporate Plan
28th Sept	Finance panel	Scrutiny of updated MTFS and feedback
October	IBP Service Panels	Various dates - Each Head has a panel challenge event Oct 03rd October – IBP Education 11th October IBP – Adult Social Care 19th October – IBP Workforce Organisational Development 03th October – IBP Planning, Property, Public Protection 04th October – IBP Housing, 25 th October – IBP Community Development 17th October – IBP Highways, Transport, Recycling 31stth October – IBP Children’s Services 19th November – IBP Finance 12th November – IBP T&C and Economy and Digital
October	Group Leaders	Alternative budgets timetable agreed
18 th Oct	Political groups	Section 151 and political groups - updates on budgets and consultation
24th October	Cabinet / EMT / SLT	Budget workshop
17th November	Schools Budget Forum	Consultation required on any proposed new charges / SLAs or changes to existing charges / Service level Agreements (SLAs) to schools' budgets at least three months before agreement is finalised.

6 th November	Council	Budget seminar
13 th November	Cabinet/SLT/EMT/Comms	Planning the budget consultation as part of budget workshop
15 th November	Group Leaders	Budget Update
21 st Nov	Cabinet	Set council tax base
30 th November	Joint Council	Update unions
4 and 5th Dec	Cabinet / EMT / SLT	Budget workshop
Nov / Dec	Comms	Budget consultation with public goes live
Dec	Schools Budget Forum	Opportunity to meet the requirements of the School Forums regulations in relation to consultation on schools budget and any SLAs / charging for goods / services to schools' budget shares (NB minimum 3 months before agreement finalised)
13 th Dec	Group Leaders	Budget Update
Dec	SLT	Update on budget Finance Resource Model (FRM)
Dec	Welsh Government	Draft settlement
Dec/Jan	Comms	Consultation closure
Dec/jan	Comms	Finalise consultation responses and feedback findings
19th Dec	Cabinet / EMT / SLT	Budget workshop
2024		
Jan	Head of Finance	Business rates consultation
Jan	Finance	Community council precepts finalised
Jan	Cabinet/EMT	Finalise draft budget - informal meetings
Jan	Group Leaders	Budget Update
Jan	Clerks	Publish cabinet agenda
16 th Jan	Formal Cabinet	Approve draft budget (MTFS & FRM), reserve policy, capital strategy and Fees & Charges Register (income and charging schedule) and recommend to full council for approval
31 st Jan	Finance Panel	Budget scrutiny
2 nd Feb	Political Groups	Preparation of Alternative Budget & discussions with Heads re Impact assessments
29th – 31 st Jan	Scrutiny	Scrutiny of draft budget -
Feb	Group Leaders	Budget Update

Feb	Head of Finance	Discussion of alternative Budget with Section 151 officer
5 th Feb	Finance / Groups	Last date for submission of alternative budget with Final Impact assessments
6 th Feb	Clerks	Issue Scrutiny Agenda for Alternative Budget (papers to follow)
6 th Feb	Cabinet	Informal Cabinet to consider Scrutiny Comments on Cabinet Budget
8 th Feb	Head of Finance	Last date for Alternative budgets to be approved by Section 151 officer
9 th Feb	Clerks	Send Alternative Budget papers to Scrutiny if approved by Section 151 officer
12 th Feb	Schools Budget Forum	Discussion of final agreement for proposed charges / SLAs
9 th - 12 th Feb	Scrutiny	Scrutiny Of Alternative Budgets
14 th Feb	Finance	Deadline for informing Welsh Government of Schools Budget for 2024-25 (section 45 return)
15 th Feb	Finance	Prepare Scrutiny Report for alternative budget
13 th Feb	Cabinet	Cabinet consider Alternative Budget
Feb	Clerks	Publish Cabinet and any alternative Budgets
22 nd Feb	Council	Approve final budget (MTFS & FRM) and capital strategy, reserve policy and Fees & Charging Register (income & charging schedule).
07-Mar	Council	Council approve council tax
March	WG	Final settlement
Mid March	Finance	Full budget included in the finance system
Mid May	Finance	Full budget set out in the budget book available on the website

This page is intentionally left blank

Appendix B Financial Resilience Snapshot

Financial Outturn Trend - ability to breakeven and address overspending budgets

Services	Net Revenue Variance (surplus)/Loss Across Services at Year End				
	2019/20	2020/21	2021/22	2022/23	2023/24
	£k	£k	£k	£k	Forecast £k
Adult Services	(18)	(968)	(81)	(786)	(45)
Children's Services	4,653	(944)	(118)	2,007	173
Commissioning	(385)	(369)	(974)	(77)	(16)
Education	372	111	(118)	(1,291)	(82)
Highways Transport & Recycling	1,674	(1,085)	(645)	214	14
Property, Planning, Public Protection	116	(803)	(370)	(755)	201
Housing & Community Development	(213)	(182)	(94)	71	155
Economy and Digital Services	(422)	(345)	370	(303)	(282)
Transformation, Democratic Services	(189)	(157)	(199)	(175)	(22)
Workforce & Org Development	(93)	(69)	(232)	(458)	(174)
Legal	(179)	(99)	(82)	(138)	(33)
Finance & Insurance	227	(118)	(343)	(117)	(23)
Corporate Activities	(6,803)	(3,320)	(4,922)	(4,250)	(3,593)
Total Underspend	(1,458)	(6,348)	17,468	(6,718)	(3,734)

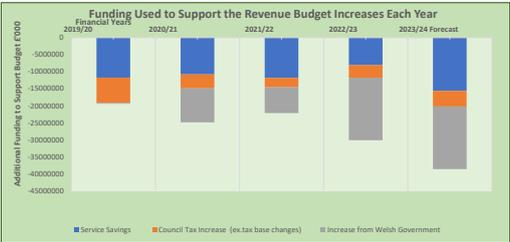
Savings Delivery Trend - ability to deliver savings to support a balanced budget

	Savings Delivered Across Services at Year End					Total £k
	2019/20	2020/21	2021/22	2022/23	2023/24	
Total	(15,823)	(9,468)	(9,358)	(6,445)	(15,579)	(68,675)
Savings Delivered as a % of Net Budget	8.54%	5.04%	4.62%	3.80%	6.42%	

Reserve Balances - ability to shore up reserves to support medium term pressures

Reserve Balances	Balance	Balance	Balance	Balance	Balance
	2019/20	2020/21	2021/22	2022/23	2023/24
General Fund	9,472	13,713	9,333	9,333	9,333
Budget Management Reserve	3,584	3,584	3,584	3,584	3,584
Specific Reserves	7,523	16,319	29,167	35,329	28,682
Transport & Equipment Funding Reserve	9,265	11,282	8,844	9,461	7,938
Council Usable Reserves	29,844	44,898	50,928	57,707	49,537
Schools Delegated Reserves	(911)	3,222	8,946	6,630	1,038
School Loans & Other Items	(345)	(342)	(325)	(345)	(326)
Housing Revenue Account	3,918	4,480	4,242	3,966	3,966
Total Reserves	32,502	52,258	63,782	67,968	54,213
Usable Reserves as % of Net Revenue Budget	16.1%	23.9%	25.1%	26.0%	20.4%

Funding the Gaps - ability to fund the budget gap without reserve use



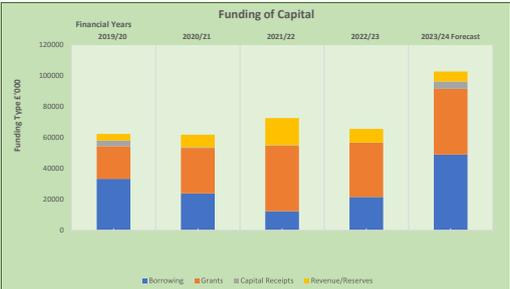
Income Outturn by Service - amount collected each year

Services	Income by Service				
	2019/20	2020/21	2021/22	2022/23	2023/24
Adult Services	(27,226)	(39,006)	(38,600)	(33,328)	(27,900)
Children's Services	(3,870)	(5,904)	(8,958)	(5,381)	(4,175)
Commissioning	(7,380)	(9,032)	(14,673)	(9,309)	(3,035)
Education	(7,264)	(8,646)	(13,240)	(16,666)	(11,157)
Highways Transport & Recycling	(40,983)	(49,362)	(48,575)	(48,453)	(48,716)
Property, Planning, Public Protection	(6,417)	(7,616)	(7,460)	(10,361)	(10,158)
Housing & Community Development	(9,113)	(10,388)	(9,638)	(14,281)	(11,292)
Economy and Digital Services	(3,464)	(3,664)	(4,250)	(6,280)	(3,211)
Transformation, Democratic Services	(460)	(654)	(737)	(371)	(260)
Workforce & Org Development	(1,773)	(1,638)	(2,094)	(2,521)	(2,724)
Legal	(1,457)	(728)	(1,051)	(852)	(711)
Finance & Insurance	(2,104)	(3,818)	(4,709)	(4,322)	(2,716)
Corporate Activities (Housing Benefit, HRA Debt)	(35,135)	(36,539)	(36,124)	(30,175)	(27,481)
Total	(147,160)	(176,994)	(190,819)	(181,541)	(153,538)
Schools Delegated	(19,743)	(20,973)	(29,588)	(26,296)	(19,002)
HRA	(25,533)	(26,673)	(32,011)	(32,524)	(29,497)
Total	(192,436)	(224,641)	(252,215)	(240,361)	(202,035)



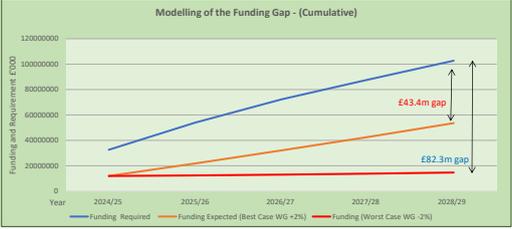
Capital Outturn - expenditure incurred each year

Capital Programme	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Schools	13,269	10,623	12,929	19,135	28,143	84,099
HTR	15,453	18,124	21,314	20,137	19,082	94,110
Other	13,243	12,148	18,569	10,951	26,879	81,790
HRA	20,399	20,932	19,783	15,320	28,647	105,081
Total	62,364	61,827	72,595	65,543	102,751	365,080



MTFS Position - ability to fully fund the budget requirement in future years

Funding Source	MTFS Budget Gap - Next 5 Years				
	2024/25	2025/26	2026/27	2027/28	2028/29
	£k	£k	£k	£k	£k
Pay Inflation for previous year	2,387	0	0	0	0
Pay Inflation	8,712	7,657	5,959	4,221	3,954
Non-pay Inflation	2,633	2,318	1,794	1,226	1,247
Grant Changes	214	0	0	0	0
Capital Financing	1,001	633	377	214	214
Corporate Pressures	897	922	948	975	1,004
Demographic Pressures	503	734	734	734	734
Contract and Other Pressures	15,471	9,461	8,252	6,099	7,860
Total Requirement	28,276	20,665	17,855	15,344	14,885
Council Tax increase - 5%	(4,898)	(5,143)	(5,400)	(5,670)	(5,953)
Welsh Government Increase - 3.1% 2%	(7,089)	(4,715)	(4,809)	(4,906)	(5,004)
Additional Funding	(11,986)	(9,858)	(10,209)	(10,575)	(10,957)
Budget Gap	16,290	10,807	7,650	4,768	3,928



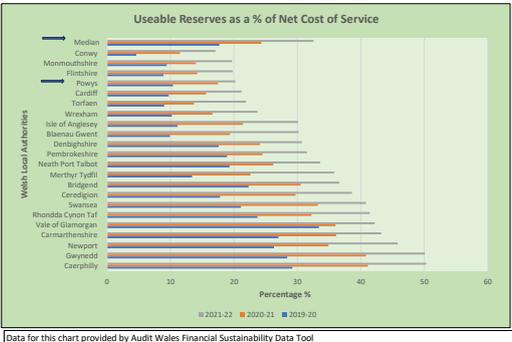
Future Capital Financing Requirements - Funded from Borrowing (Impact on revenue)

Non HRA	HRA and Non HRA		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Financing Costs	12,920	14,750	14,750	14,510	14,750	15,200	
Net Revenue Stream	326,620	338,606	348,464	358,673	369,249			
%	4.0%	4.4%	4.2%	4.1%	4.1%			
HRA								
Financing Costs	4,890	5,720	6,280	7,210	7,640			
Net Revenue Stream	27,550	28,101	28,663	29,236	29,821			
%	17.7%	20.4%	21.9%	24.7%	25.6%			

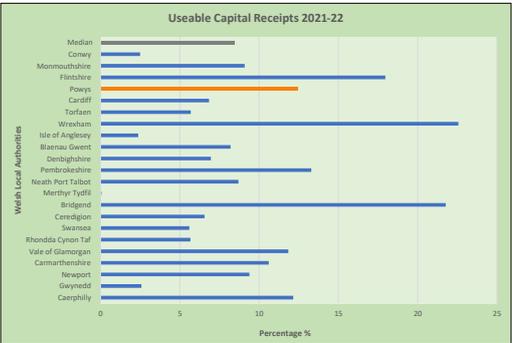
Future Capital Financing Requirements - measures underlying need to borrow for capital



Benchmarking Comparison - reserves available to cover the core business costs



Benchmarking Comparison - capital receipts that can be used to support capital



Ratio Analysis	2019/20	2020/21	2021/22	2022/23	2023/24
Increase/(Decrease) in Useable Reserve	10.3%	50.4%	13.4%	13.3%	-14.2%
Useable Reserve as a % of Net Revenue Budget (ex schools)	16.1%	23.9%	25.1%	26.0%	20.4%
Council Tax Collected as a % of Budget	97.2%	98.5%	99.0%	98.7%	98.5%
Current Ratio	0.8	0.7	0.8	0.6	0.7
Working Capital as a % of Gross Expenditure	-4.5%	-13.3%	-8.8%	-13.1%	-5.5%
Capital Funding Requirement as % of Net Revenue Budget	16.4%	15.2%	18.9%	16.6%	22.7%
Borrowing Cost (ex. HRA) as % against Net Revenue Budget	99.5%	97.9%	95.8%	80.3%	90.5%
Interest Payments / Net Revenue Budget	3.5%	3.2%	2.9%	2.5%	2.5%



7

Finance Panel Forward Work Programme June – December 2023

<p>30-06-23 10.00 – 12.30</p>	<p>AGM</p> <ul style="list-style-type: none"> • Election of Chair • Election of Vice Chair <p>Q4 Financial Reports (Revenue and Capital)</p> <p>Sustainable Powys (Re-Imagining) Work 2024-2025.</p>
<p>28-07-23 14.00 – 16.30 Meeting cancelled.</p>	<p>Benchmarking – review against Other LA's in Wales/ comparative data – item to be re-scheduled later in year.</p>
<p>28-09-23 14.00 – 16.30</p>	<p>Q1 Financial Reports (Revenue and Capital) Financial Planning Report</p> <p>Confidential Item FM Code report</p>
<p>27-10-23 10.00 – 12.30</p>	<p>Sustainable Powys Update 2024-2025 (Financial Implications)</p>
<p>24-11-23 14.00 – 16.30</p>	<p>Q2 Financial Reports (Revenue and Capital)</p>
<p>18-12-23 10.00 – 12.30</p>	

Items to be Scheduled:

This page is intentionally left blank