

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.

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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	Forecast as at June Variance
Education	17,595	63	(145)	19	17,532	(19)	0	0	17,513	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.

		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
Property, Planning & Public Protection	6,627	80	(308)	651	7,050	(222)		0	6,828
									Forecast as at June Variance
									(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

- 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

		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	Forecast as at June Variance
Economy and Digital Services	6,391		(306)	24	6,109	0	0		6,109	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 are 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.

