



**Powys County Council's
Medium Term Financial Strategy
2022 to 2027**



Foreword by the Leader

This Medium Term Financial Strategy (MTFS) sets out how the Council will develop its financial plans and manage its finances over the next few years and over the medium term.

It supports delivery of Vision 2025 the Council's overarching plan for the future of Powys. It shares our vision and details the well-being and equality objectives we need to prioritise and the activities we will take to get us there. Our plan shows how our resources will be invested, and what improvements stakeholders will see when we achieve our outcomes.

The last two years have been challenging as the pandemic affected all aspects of life in the UK, yet Powys has been resilient. As the pandemic reached its second year, it was gratifying to see the incredible collaboration between our communities, residents, and partners.

The Council's finances have been significantly impacted over many years, and the cost of responding to COVID-19 has caused additional and unprecedented pressures. We are grateful for the additional financial support provided by the Welsh Government through the Hardship Fund and other grants to the local authority, and for their continued support to businesses across the County. However, we expect that future budgets will remain challenging and that further significant savings will be needed if we are to continue to balance our budget in the medium term and ensure that our most vulnerable children and adults are safe and supported.

Powys has received an extremely positive settlement from Welsh Government for 2022/23 and for the first time in many years we have also received indicative allocations for the following two years. The settlement for next year supports the Council in meeting the increased demand for our services, increasing inflationary costs, and support our investment in improvement. We will also have to meet the continued challenges arising from the pandemic.

Funding levels for 2023/24 and 2024/25 return to lower levels of increase, but these indicative allocations enable us to plan with more certainty over the next 3 years. We must use the opportunity provided in 2022/23 to rebase our Service budgets to meet the ongoing needs of our citizens. We will continue to face financial pressures that outweigh the funding provided and will continue to focus on improving efficiency and as far as possible protecting crucial front-line services from savings whilst improving the quality of our social services for children and adults and Education across the county.

The combination of these factors, and continued uncertainty nationally around the path of the pandemic, the economy and public finance outlook, mean that we continue to face challenging times ahead. We must continue to push ahead with our programmes

of transformation across all our Services while maintaining our focus on delivering high quality local services to our residents.

The ongoing impact of the COVID-19 pandemic has changed the way many of us live, learn, work, and play. As a Council, we continue to focus on helping individuals and businesses respond to, and recover from, the pandemic whilst persevering with our core work and transformation projects. This includes developing new council housing, widening access to services through digital engagement, and progressing the Mid Wales Growth Deal to support the long-term development of our economy.

We are also actively contributing towards creating a Net Zero public service by 2030 and have developed a Biodiversity Action Plan and Climate Change Strategy as part of our ongoing efforts to reduce the negative impact that our activities have on the environment. We intend to safeguard the beauty of our countryside and make our communities healthy, safe and diverse places to live, learn, work, and play for generations to come.

The case for transforming education provision across the County is now widely recognised. The reshaping of our education system continues so that it can provide lifelong learning opportunities for all our young people and equip them with the skills and knowledge they need to fulfil their potential.

This MTFS continues to see closer alignment between the policy framework and the way we plan to use our finances. This is supported by an approach which ensures that our limited resources are prioritised on securing outcomes that matter most to our residents. Our vision set out in our Corporate Improvement Plan Vision 2025 (<https://en.powys.gov.uk/vision2025>) is that, by 2025, Powys will be widely recognised as a fantastic place in which to work, live and play.



Rosemarie Harris
Leader of Powys County Council

Introduction

This document is the financial strategy for Powys County Council for the period 2022 to 2027. It has been developed as part of the overall strategic planning process alongside Vision 2025, the Council's Corporate Improvement Plan. The strategy 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 2022/23, and indicative budgets for the following 4 years to March 2027. This means the Council has an ongoing financial plan to enable service transformation within the funding levels available.

This financial strategy includes all Council services activity funded by the revenue budget, the Housing Revenue Account and the Capital programme. This information is presented in a 5-year budget model and a 5 year Capital Programme.

The model sets out how a balanced budget will be developed for 2022/23.

The model identifies the estimated requirement for the Council to find ways to reduce its spending by around £22 million over the five-year period of this strategy.

Indicative figures have been provided by Welsh Government for the following two year settlements and the for the final two years of the model indicative figures have been used as in the longer term settlements will be affected by central government's finances in the future. Our modelling is therefore based on best available information but is difficult to predict with any great certainty and is subject to multiple internal and external influences.

MTFS Principles

As well as consideration of future income and expenditure scenarios, the MTFS provides a set of clear principles which will drive the Council's budget and spending decisions over 2022-27 and which Members and others can examine and judge the Council's financial performance against. The ten key principles are to ensure that:

1. The Council will continue to meet its statutory obligations and to demonstrate how its budget supports the priorities contained in Vision 2025.
2. The Council's financial control system will be sufficiently robust to support the delivery of financial plans and mitigate corporate risks.
3. All Council budgets will be reviewed annually to ensure resource allocations are delivering value money and continue to align to the delivery of priority outcomes in Vision 2025.
4. Financial plans will provide an optimum balance between income and expenditure for both capital and revenue.
5. Reserves will not be used to fund recurrent budget pressures or to keep down council tax rises.

6. The Council's General Fund reserve will be maintained at a minimum of 4% of Net Revenue Expenditure (excluding the Schools Delegated budget) over the period of the MTFS.
7. Capital investment decisions will support the Council's corporate priorities and mitigate any statutory risks taking account of the return on investment and robust business cases.
8. Prudential borrowing will only be used to support the capital programme where it is affordable and sustainable within the Council's overall borrowing limits and the revenue budget over the long term.
9. Decisions on the treatment of surplus assets will be based on an assessment of the potential contribution to the revenue budget and the capital programme.
10. Budgets will be managed by members of SLT in accordance with the Council's Financial Procedure Rules.

Strategic Context

Economic and Fiscal Outlook

The Office for Budget Responsibility (OBR) published its report "Economic and fiscal outlook" in October 2021. The report provided an analysis and forecast of the UK's public finances.

The successful vaccine rollout has allowed the economy to reopen largely on schedule, despite continuing high numbers of coronavirus cases. The vaccines' high degree of effectiveness, combined with consumers' and businesses' surprising degree of adaptability to public health restrictions, has meant that output this year has recovered faster than expected in March, boosting tax revenues in the process.

The economy is now expected to grow by 6.5% in 2021 (2.4% faster than predicted in March), and unemployment to rise only modestly to 5.25% this winter (1.25% lower than March), which helps the budget deficit to almost halve to £183 billion in 2021-22 (£51 billion lower than March).

But the strength of the rebound in demand in the UK and internationally has led it to bump up against supply constraints in several markets. These have been exacerbated in the UK by changes in the migration and trading regimes following Brexit. Energy prices have soared, labour shortages have emerged in some occupations, and there have been blockages in some supply chains. These can be expected to hold back output growth in the coming quarters, while raising prices and putting pressure on wages. CPI inflation was expected to reach 4.4% next year, however recent updates now project inflation peaking at close to 5% next year.

Over the medium term, the OBR have revised up real GDP as they now expect post-pandemic scarring of potential output to be 2% – rather than the 3% assumed in March. Uncertainty around this judgement remains large, however, with limited evidence as yet regarding how smoothly furloughed workers will be reabsorbed into

employment, whether those workers who became inactive or left the country during the pandemic will re-enter the labour force, and how fully shortfalls in capital investment, innovation, and the acquisition of skills will be made up. With inflation also higher and more persistent, they have revised up nominal GDP – the key driver of tax revenues – by 4.1% in 2025-26 relative to March, boosting pre-measures revenue forecast by 4.5% in that year. While higher inflation also boosts public spending, overall pre-measures forecast for borrowing is lower by £38 billion a year on average relative to the March forecast.

Against the backdrop of an improved underlying fiscal outlook, the Government has announced a significant discretionary increase in both the tax burden and the size of the post-pandemic state.

The improvement in the fiscal outlook is sufficient to enable the Chancellor to meet his fiscal target of getting underlying debt falling as a share of GDP by the third year of our forecast (2024-25 in this one). This new fiscal mandate is codified in a revised draft Charter for Budget Responsibility published alongside the Budget, which also includes supplementary targets for balancing the current budget within three years and capping public investment and welfare spending over different periods. All these new targets are set to be met too. Finally, the Charter identifies additional measures of debt affordability and public sector balance sheet performance that will guide the Chancellor's management of fiscal policy. In the OBR's central forecast, underlying debt falls by 0.6% of GDP in 2024-25, the current budget is in surplus by 0.9% of GDP, public investment averages 0.3% of GDP below its cap, and welfare spending is £2.8 billion below its effective cap. These margins are all well below the historical average three-year ahead forecast error for the current balance of 2.3% of GDP and for the change in debt of 3.8% of GDP.

UK Government's Spending Round : Implications for Wales

The UK Government is providing the Welsh Government with an additional £2.5 billion per year on average through the Barnett formula over the Spending Review period. This is on top of its annual baseline funding of £15.9 billion. The Welsh Government is also receiving an additional £425 million this year.

In addition, funding is provided for a number of specific initiatives including the Levelling Up fund, City and Growth deals, Global Centre of Rail Excellence, the Net Zero Strategy, and the Shared Rural network (to deliver high-quality 4G mobile coverage to 95% of the UK).

Welsh Government's Draft Budget for 2022-23

Overall, the Welsh Government's Total Managed Expenditure will be just over £23.7bn in 2022-23. Indicative allocations show this rising to £24.7bn in 23-24 and £25.1bn in 24-25. Within that definition is the Departmental Expenditure Limit (DEL) which is the element of the budget under direct Ministerial control.

The capital and revenue DEL increases by £2.6bn (13.7%) to £21.4bn. Day-to-day spending will increase by £2.5bn (15%) to £18.8bn and spending on capital will increase by £122m (4.9%) to £2.6bn. The capital increase is small compared last

year and the reallocation among the budget lines is the result of a zero-based review. The climate change portfolio is the biggest winner.

Welsh Government's set out their priorities which continue to be health and local government services. They suggest that the increased Settlement will enable local authorities to continue to deliver the services their communities want and need as well as supporting national and local ambitions for the future, including responding to the climate and nature emergency and contributing to our Net Zero Wales plan.

The Local Government Revenue Settlement

The Aggregate External Finance (AEF) will increase by £437 million a 9.4% increase. Authority's settlements the lowest increase is Blaenau Gwent with 8.4% (RCT is slightly higher) and the highest is Monmouthshire with an increase of 11.2%. The range is largely a reflection of movements in several datasets derived from the schools' census and financial data.

The settlement provides the indicative Wales-level core revenue funding allocations for 2023-24 and 2024-25 are £5.3bn and £5.4bn respectively – equating to an uplift in the first year of £177m (3.5%) and, in the second year of £128m (2.4%). These figures are indicative and dependent on both the current estimates of NDR income over the multi-year settlement period, and the funding provided to Welsh Government by the UK Government through the 2021 Comprehensive Spending Review.

The Minister has responded “to the need to ensure that hardworking staff receive well-deserved pay rises in the future”. In particular including funding to enable local authorities to meet the additional costs of introducing the real Living Wage for care workers as set out by the Minister for Health and Social Services.

The settlement maintains the approach taken in 2021-22 and continues to freeze the non-domestic rates multiplier for 2022-23. An additional £35m in RSG is provided in 2022-23 to offset the reduced income and a further £1m for the following two years. It also continues to provide £4.8m for authorities to deliver additional discretionary rates relief for local businesses and other ratepayers to respond to specific local issues.

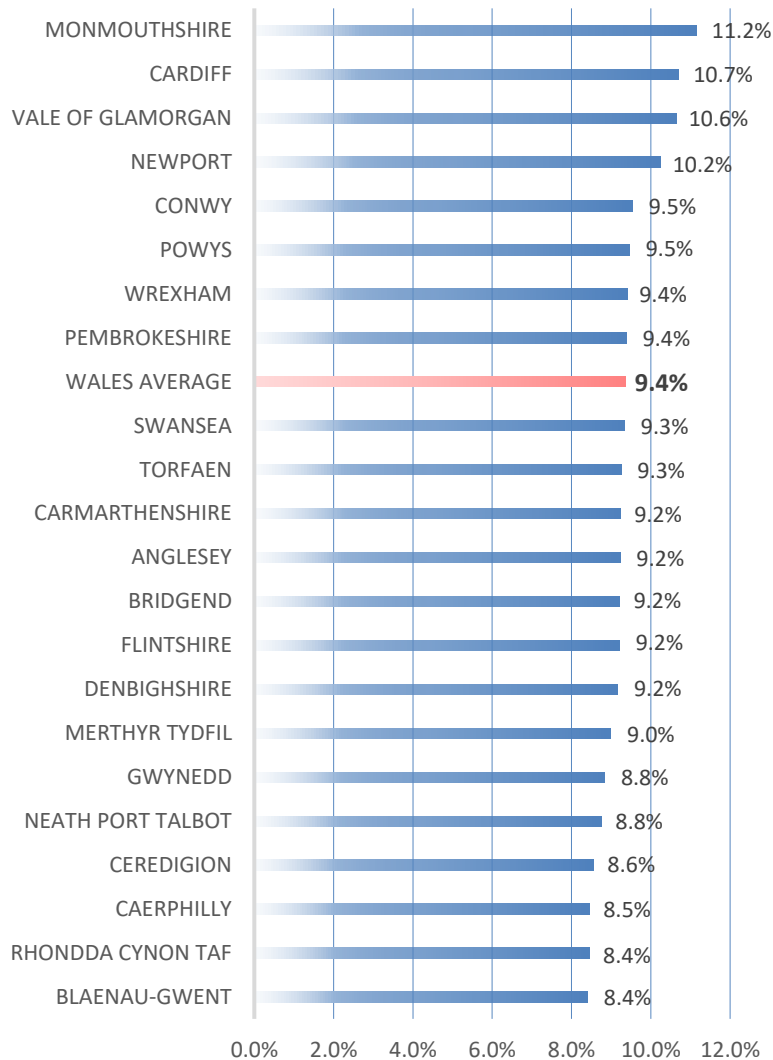
The funding provided through the Settlement also recognises the decision made around the 2021/22 teachers' pay deal and includes funding for the costs arising from the 2022/23 pay deal, which fall within this Settlement year. No further funding will be made available in-year in recognition of the 2022/23 teachers' pay deal, and authorities' budget planning must accommodate these costs.

More widely on public sector pay, the Settlement includes funding to cover the increased costs local authorities will face arising from the UK Government's announcement to increase National Insurance contributions for employers.

Information on specific revenue and capital grants planned for the following three years was also published. For 2022-23, these amount to more than £1.1bn for revenue and over £700m for capital. The indicative information will be further updated in the final settlement.

The provisional AEF for Powys in 2022/23 is £210.257 million. Funding in Powys has increased in cash terms by £18.374m, a 9.6% increase.

Figure 1: Changes to AEF, 2021-22 to 2022-23 by local authority, after adjusting for transfers



Source WLGA Briefing WG Budget and provisional LGF Settlement 2022-23

The impact of the Coronavirus Pandemic

The pandemic continues to have a significant impact on our financial position and without the support from the Welsh Government Hardship fund we would be facing a deficit this year which would inevitably deplete our reserves and place the council at financial risk. This specific funding will cease on 31st March 2022. We must clearly understand how the pandemic could continue to impact on our services, our costs and our levels of income into the new financial year and ensure funding is set aside for this outlay.

It is likely that the financial impact of the pandemic will continue into 2022/23 and will almost certainly affect public sector finances for many years.

The Finance Minister's statement recognises the progress of the pandemic and its ongoing impact on public services which continues to be highly uncertain. The Minister has considered how to manage pandemic support for local authorities and concluded the balance lies in providing funding in the first year (2022-23) through the Settlement, in recognition the ongoing impact of the pandemic on services which authorities will need to manage.

The Council has considered the ongoing impact of the pandemic and worked these costs into our service plans. These ongoing costs are recognised in our revenue budget for 2022-23. There is still uncertainty about the course of the pandemic and the ongoing impact it could have on our costs or our ability to raise income if further restrictions are imposed.

Planning over the medium term is difficult with heightened levels of uncertainty, with continued impact on our own income streams for Council tax and fees and charges, will these recover to normal levels post pandemic or will the impact continue into future years. The economic impact of the pandemic could also have wider repercussions for people's ability to pay for services.

Given the breadth and depth of the impact of the pandemic to date, alongside the uncertainty surrounding its future course, the Council will continue to face difficult choices for the coming year.

We must ensure that we continue to maintain a sustainable and robust medium term financial planning.

Local Context

Powys County Council has taken action to reduce its spending by more than £104 million over the last decade as a response to cuts in government funding and the need to meet inescapable additional costs in some areas.

The local context affecting our funding and demand for services is well recognised and heavily influenced by Powys being sparsely populated with a wide geographic area requiring services. Powys has a higher than average older population that is predicted to increase at a faster rate than the national average. This statistic can largely be attributed to people living longer because of better healthcare and improved lifestyles together with an inward migration of people above retirement age to the County. Conversely, the county's younger population is declining with a reducing birth rate and a sizeable outward migration of young people. Further and higher education and career opportunities are the main contributors to this trend.

This Council understands its legal obligation to set and deliver a balanced budget each year and has a significant transformation programme underway to improve the quality of key services such as education, social care, highways, transport and recycling while also reducing our operating costs over the medium term.

On the current modelling, to deliver a balanced annual budget between April 2022 and 2027 the Council will need to reduce its spending by more than £18 million (2023-27) and to increase council tax by 5% from 2023-2027. This will be achieved

through transformational change and cost efficiencies but reductions in some services offered will also be inevitable.

These factors in combination present significant challenges to the Council. As evidenced in the Rural Cost Analysis (<https://en.powys.gov.uk/article/7842/Funding-changes-needed>) the provision of services to a dispersed and relatively small population is expensive as a result of greater transport costs and the demand for facilities to be delivered locally or within a commutable distance.

Vision 2025 – Our Corporate Improvement Plan

Vision 2025 is the Council's overarching plan for the future of Powys. It shares our vision and details the well-being and equality objectives we need to prioritise and the activities we will take to get us there. Our plan shows how our resources will be invested, and what improvements stakeholders will see when we achieve our outcomes. aligning our workforce activities with our organisational aims.

The Vision and Corporate Improvement Plan have been reviewed and the priorities redefined, the vision now reads as “By 2025 Powys will be widely recognised as a fantastic place in which to work, live, learn, work and play”

Our Well-being and Equality objectives:

- We will develop a vibrant **ECONOMY** (Well-being Objective 1)
 - We will enable people with a disability to have improved opportunities for valued occupation including paid employment (Equality Objective 1)
 - We will ensure equality of opportunity for all our staff and take action to close the pay gap (Equality Objective 2)

- We will lead the way in providing effective, integrated **HEALTH AND CARE** in a rural environment (Well-being Objective 2)
 - We will improve the availability of accessible homes, adaptable homes and life-time homes, that provide suitable and sustainable accommodation for future generations (Equality Objective 3)
 - We will help people to get the support they need to prevent homelessness (Equality Objective 4)

- We will strengthen **LEARNING AND SKILLS** (Well-being Objective 3)
 - We will improve opportunities and outcomes for children living in poverty (Equality objective 5)

- We will support our **RESIDENTS AND COMMUNITIES** (Well-being Objective 4)
 - We will improve opportunities for our residents and communities to become more digitally inclusive, enabling them to easily access the services they need and participate fully in everyday life (Equality Objective 6)

The Corporate Improvement Plan is our road map for the next four years, setting out our top priorities and milestones, including those we are working on with our partners which are also articulated in the Powys Public Services Board Wellbeing Plan

Towards 2040, and the Powys Regional Partnership Board Joint Area Plan A Healthy Caring Powys.

Delivering Vision 2025: Transforming the Council

The Council continues with its ambitious Transformation Programme to help deliver Vision 2025, the governance of which is shown in the diagram below. The Vision 2025 Transformation Programme contains nine key programmes as shown in the diagram below.



The Programme is governed by a Transformation Delivery Board comprising the Cabinet and the Executive Management Team. Progress is included in the Council’s performance management reports which are presented to Cabinet each quarter. There are service transformation programmes also underway across the Council and progress on these also reported to the Board at regular intervals whilst some services: Education, Housing and HTR report directly to Service Improvement Boards.

Medium Term Financial Planning

The Council’s budget planning has traditionally been determined using an incremental budgeting approach and has tended to focus on one year with limited development over the longer term. This will not deliver a sustainable financial

position for the Council going forward. The Council is therefore moving to an Outcome Based Budgeting approach, focused on the medium to long-term and aligned to service and workforce planning.

The strategy is based on an approach which brings together all elements of the Council activity to deliver Vision 2025, a programme of transformation, and one which encompasses service improvement and delivers appropriate levels of statutory service. It will better align revenue and capital to ensure that our limited resources are prioritised to achieve maximum effectiveness and based on securing outcomes that matter to our residents.

The strategy is supported by a detailed five year budget model. The budget model has been improved with scenario planning across Best, Realistic and Worse case scenarios. Funding, pay and price pressures and changes in service demand have been modelled on this basis and the budget gap identified for each year of the plan. This provides the basis for the allocation of funding to each service.

The introduction of the Integrated Business Plan has been developed over the last couple of years and the process is now starting to embed across the Council

Service Evaluation is key to the process, performance, cost analysis, benchmarking, regulatory recommendations, proposals for improvement and Service User / Resident Feedback all feature. The objectives for the services which align to the 5 ways of working and the 7 Well-being goals of The Well-being of Future Generations (Wales) Act 2015) and meet statutory requirements and legislative changes are defined.

In finding sustainable solutions for service delivery objectives should broadly align to any 1 of the following requirements:

- Objectives to redesign services to deliver them more efficiently, effectively or in an alternative manner.
- Objectives that identify key delivery partnerships or outsourcing opportunities
- Objectives that contribute positively to support Climate Change
- Objectives that realise opportunities to stop delivering services because requirements or priorities have changed, allowing the planned release of resources.
- Objectives that realise opportunities to generate additional income.

Workforce implications are identified and inform the council's workforce development and training needs. Risks and impact are assessed and defined.

The service area budget is developed based on the allocation of resource to deliver each of the objectives. These individual Integrated Business Plans all feed into the overarching Corporate Plan and budget for the Council.

Funding Assumptions

The Welsh Government provides funding to the Council in the form of a Revenue Settlement Grant (RSG) and a share of the National Non-Domestic Rates Pool (NNDR). Together they constitute the Council's Aggregate External Finance (AEF), which represents approximately 69.6% of our funding.

The Provisional Settlement or Aggregate External Funding (AEF) figure was announced on 21st December 2021 and the core revenue funding for local government in 2022-23 will increase by 9.4% on a like-for-like basis compared to the current year. In 2022-23, local authorities will receive £5.1 billion from the Welsh Government in core revenue funding and non-domestic rates to spend on delivering key services. No authority will receive less than an 8.4% increase.

Powys has £1,586 of funding per capita, compared to the Wales average of £1,611 and the year on year change ranks 13th out of all the Unitary Authorities,

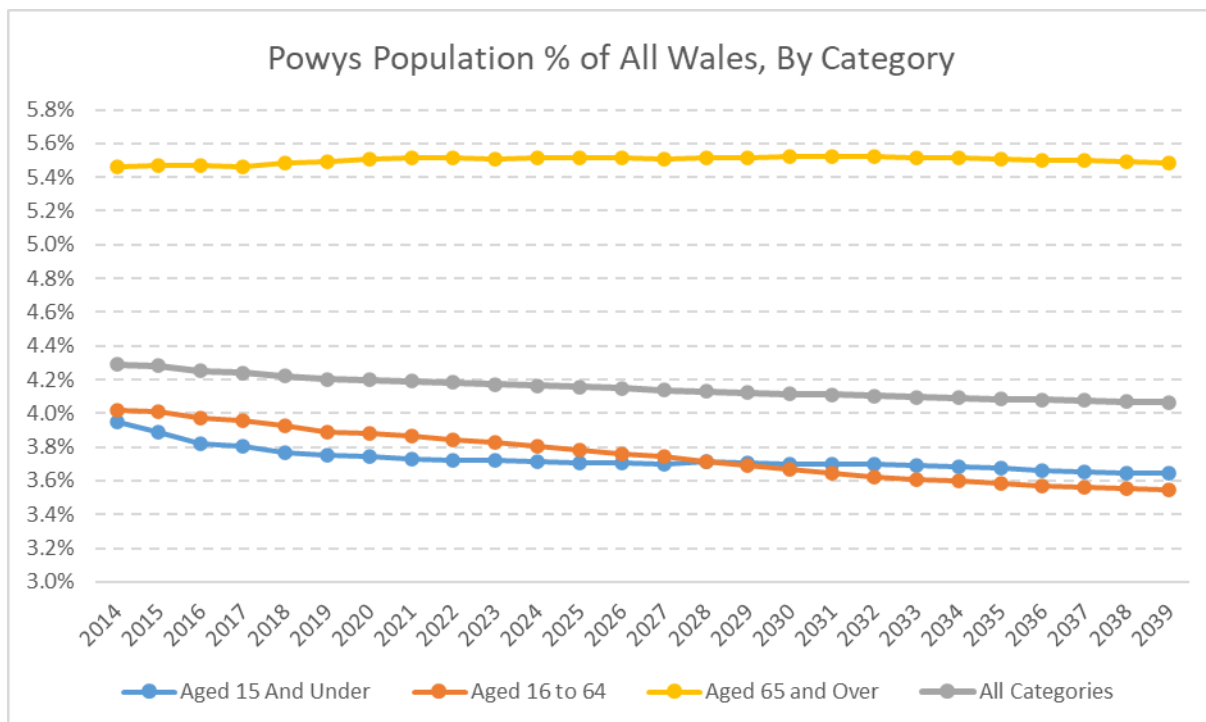
Powys collects NNDR (more commonly known as Business Rates) from businesses within the county. These funds are pooled at a national level and redistributed to Councils via a formula. Powys receives over £13m more than it collects.

Powys' Settlement also reflects movements in the factors included in the overall formula like population projections, pupil numbers and benefit claimant counts. The key indicators are shown in the table below.

| Changes in Key Datasets | | | | | | | | |
|---|--------------------------|--------------------------------|-------------------------|-------------|---|--------------------------|--------------------------------|-------------------------|
| Dataset ¹ | 2021-22 Final | 2022-23 Provisional | % Difference | Rank | | 2021-22 Final | 2022-23 Provisional | % Difference |
| Total Population ² | 132,475 | 132,538 | 0.0% | 18 | — | 3,163,125 | 3,171,125 | 0.3% |
| Pupil Numbers - Nursery and Primary | 9,577 | 9,589 | 0.1% | 6 | — | 261,664 | 260,454 | -0.5% |
| Pupil Numbers - Secondary in year groups 7-11 | 6,452 | 6,452 | 0.0% | 21 | — | 165,357 | 168,413 | 1.8% |
| Free School Meals - Primary | 1,034 | 1,147 | 10.9% | 3 | — | 45,270 | 48,459 | 7.0% |
| Free School Meals - Secondary | 637 | 719 | 12.9% | 5 | — | 26,400 | 28,711 | 8.8% |
| IS/ JSA/ PC/UC (not in employment) claimants - 18 to 64 | 1,782 | 3,139 | 76.2% | 1 | — | 90,136 | 131,795 | 46.2% |
| IS/ JSA/ PC claimants - 65+ | 4,035 | 3,827 | -5.2% | 12 | — | 100,207 | 95,063 | -5.1% |
| IS/ JSA/ PC/UC (not in employment) claimants - all ages | 5,837 | 7,027 | 20.4% | 7 | — | 191,132 | 228,728 | 19.7% |
| SDA/DLA/PIP claimants - 18 to 64 | 4,502 | 4,570 | 1.5% | 19 | — | 142,657 | 146,859 | 2.9% |

The total number of people living in Powys seen a slight decline over recent years (see graph below) with the table above showing a very slight increase between 2021-22 and 2020-23, this may however be due to the change in the data collected which is now based on the mid-year estimates. The population across Wales has increased and the change across other authorities has an impact on Powys and the distribution in funding.

The population trend across Powys is shown in the table below with further decline expected over the next 18 years to 2039, with the working age population showing the largest decline.



Powys has seen a continued decline in pupil numbers over the last ten years and although numbers are stabilising, they are not projected to recover to their former levels. Even if maintained at their current levels, the increase in numbers elsewhere in Wales will potentially mean we have less funding in our future settlements.

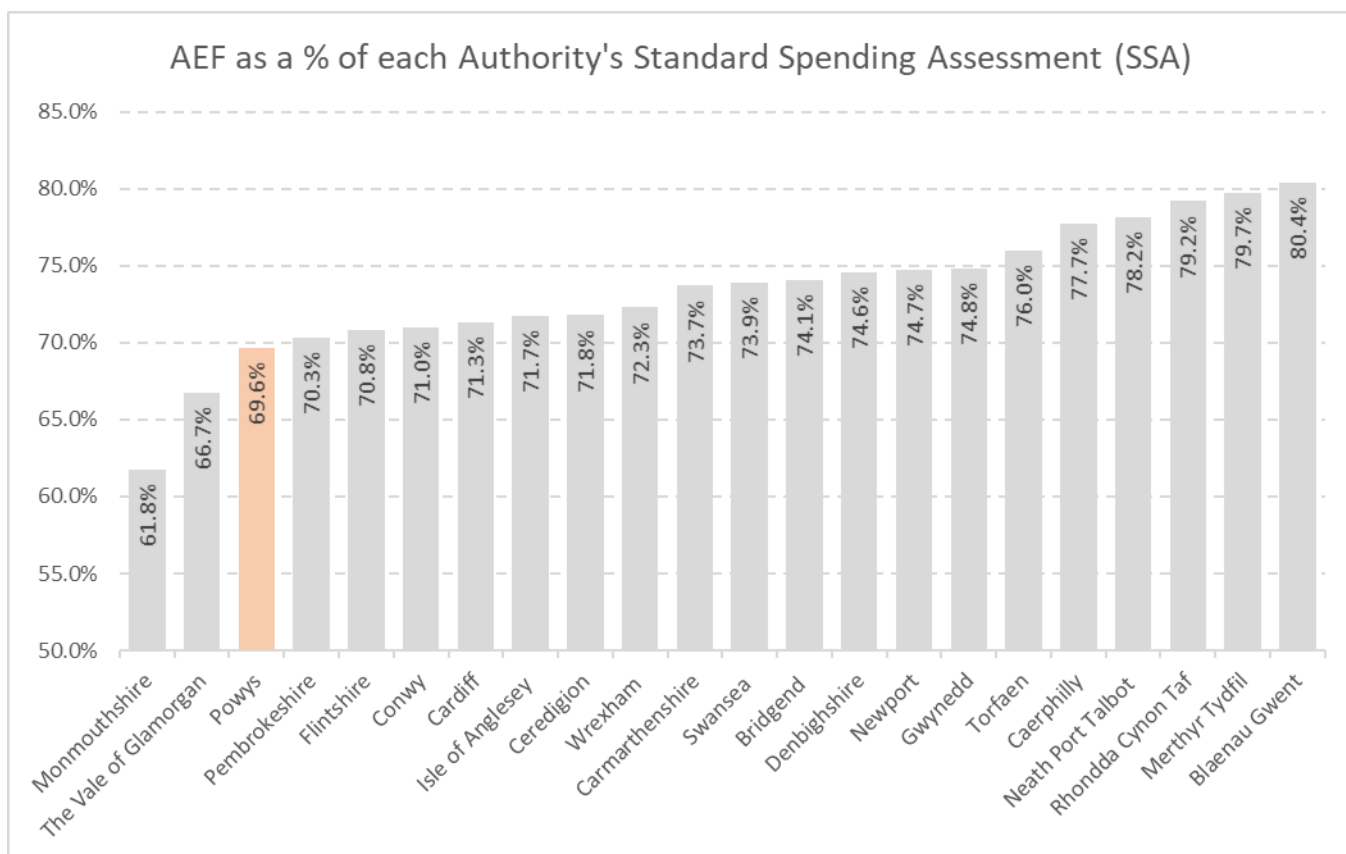
Welsh Government have provided indicative figures in the settlement for the following two financial years of 3.5% and 2.4% and have been factored into the FRM £7.3 million and £5.2 million. For 2025-26 onwards we are assuming 2% increase which equates to funding equal to approx. £4.4 million.

Specific Grants

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. We receive around £55 million of grant funding next year. These grants can change year on year and where a grant has been reduced or withdrawn, the Council's policy is that the service funded by the grant also reduces or ceases.

Council Tax

Council Tax represents around 30.4% of the Council's Net Revenue Budget. Powys' Council Tax contribution is proportionally greater than other Authorities, an authorities' ability to raise Council Tax is calculated on the Council Tax base and Powys has a higher Council Tax base than most of the other authorities. The below graph shows the percentage of each Local Authority's Standard Spending Assessment covered by central funding (AEF).

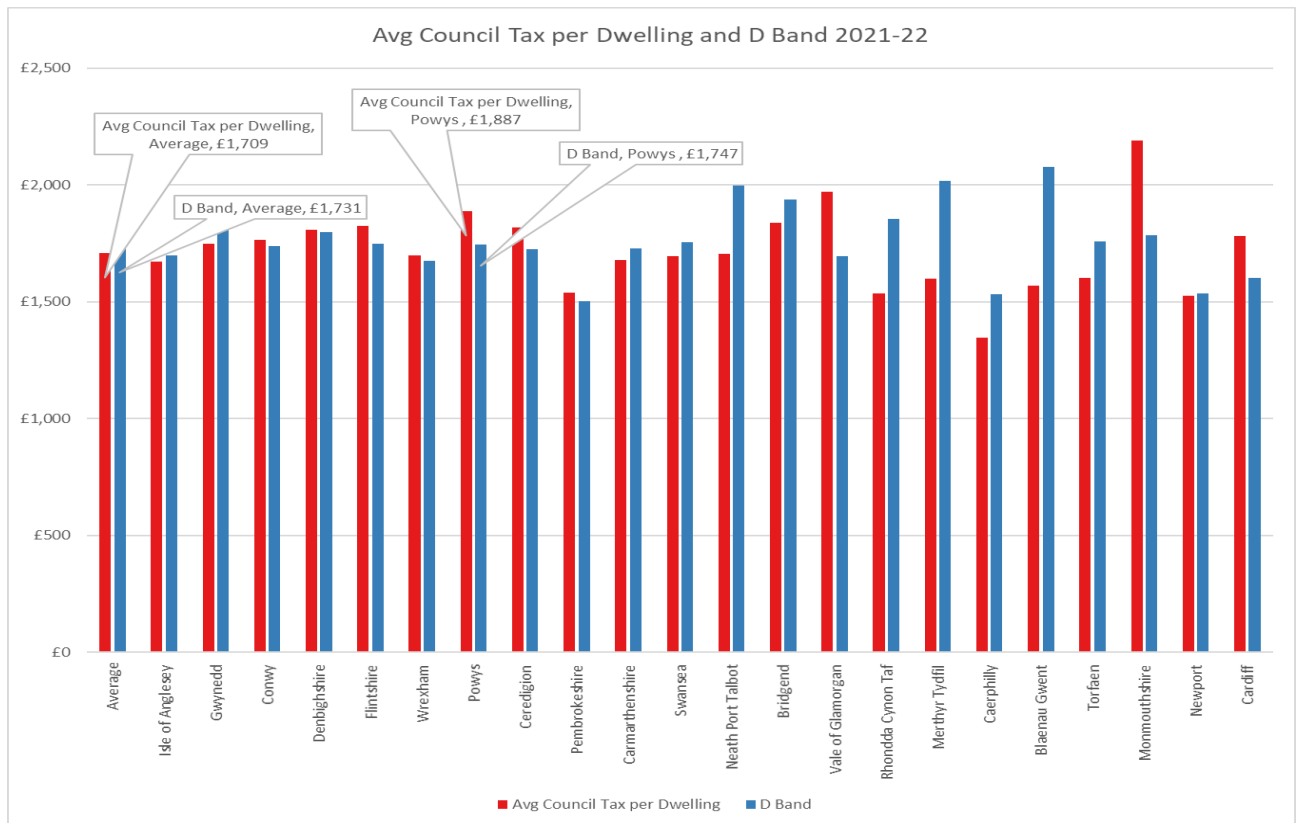


In our financial model (FRM), we are proposing an increase in Council Tax each year of 5% for future years.

The total Council Tax households will have to pay will be affected by decisions from public bodies, including Community Councils and the Police Authority. The following table indicates the additional permanent funding that Council Tax increases ranging from 1% to 10% would produce.

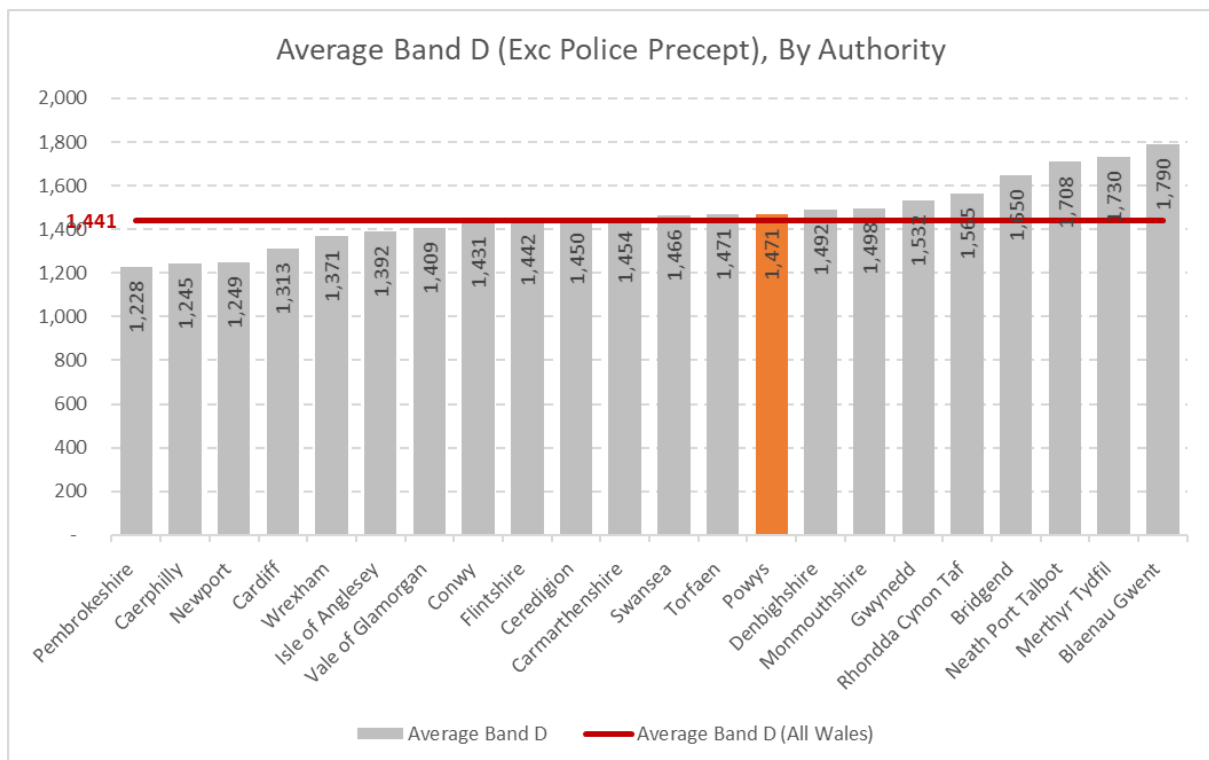
| 2022/23 | | | | | | | |
|----------------------|-------|--------|--------|--------|--------|--------|--------|
| % Change Council Tax | 1.00% | 2.00% | 3.00% | 4.00% | 5.00% | 7.00% | 10.00% |
| £'000 | £921 | £1,841 | £2,762 | £3,682 | £4,603 | £6,444 | £9,206 |

A balance needs to be struck between the ability to raise enough money to fund important services to the right level and the impact increasing taxation has on the residents of the County. Average council tax per dwelling in Powys for 2021/22 was the 3rd highest in Wales, this is particularly sensitive in a county with one of the lowest average wage levels in Wales. The graph below compares Powys against Welsh Local Authorities in terms of 2021/22 council tax average cost per dwelling and the Band D average (these figures include all precepts).



For 2021-22, the average annual Council tax bill for a Band D property in Powys was £1,747 (including community council and police precept). This was broadly in line with the Wales average for Band D properties of £1,709.

The table below shows the Band D Council Tax level for each of the local authorities in Wales (excluding all precepts).



Council Tax collection rate for 2020-21 was 97.0% (0.2% down on previous year) which compares with an average of 95.7% for all unitary authorities in Wales. The highest collection rate in Wales for 2020/21 was 97.5%

The pandemic continues to have an impact on Council tax collection across Wales, at the end of November 2021, an average reduction of 0.98% (improvement upon 2020-21 of 1.58%) has been recorded across Wales. Powys has suffered the least impact with collections rates down by 0.49% (last year 0.66%).

Cabinet have approved the increase of the Council Tax premium for Properties that are periodically occupied. A periodically occupied property (second/holiday home) is defined in the Local Government Finance Act 1992 as "a dwelling which is not a person's sole or main home and is substantially furnished". From April 2023 the premium will rise from 50% to 75%. This increase may generate additional income for the council, but the level is uncertain due to the options available, for example, if owners choose to transfer to Business Rates or occupy or sell their property moving it out of the premium and reducing council tax collected.

Revenue Budget

Our revenue budget indicates what we will spend on day to day services. It includes the cost of salaries for staff employed by the Council, contracts for services procured by the Council, other goods and services consumed by the Council and the cost of financing borrowing to support the capital programme. Our revenue spending priorities are determined according to the Council's statutory responsibilities and local priorities as set out in our corporate plan (Vision 2025).

Reductions in funding and increasing cost pressures place significant pressure on service delivery. Over the last decade we have made savings of more than £104m. Our financial strategy must identify and calculate the impact of pay, price and inflationary increases, changes in demand for service provision, changes in statutory and legislative obligations, and the funding of our local priorities. Each Services Integrated Business Plan will inform the overall Councils Budget Plan, these will define all the objectives of the service. The plans capture the service's vision and highlights its key roles and responsibilities in supporting the Councils Vision 2025 Corporate Improvement Plan Outcomes, and statutory responsibilities along with the intended outcomes for service users and / or residents. In addition, the Programmes to deliver the Vision 2025 have been developed and are monitored through the Council's Transformation Delivery Board for inclusion in the annual budget cycle and 5-year plan.

It is expected that the Vision 2025 will be delivered within the existing Revenue Budget. Some investment may be required to support capital expenditure or transformational activity and funding identified to support our plans will be allocated based on sound business cases.

We set our budget within a statutory framework under the Local Government Act 2003 that requires a balanced budget for the forthcoming financial year. There is no requirement to set out a balanced position beyond the next year, but the five-year strategy has been developed to enable longer term planning and transformation.

The Medium Term Financial Strategy:

- Identifies the cost of implementing our Vision;
- sets out future funding levels from Welsh Government;
- considers the level of Council Tax to be raised;
- identifies and estimates the cost pressures facing the Council;
- sets out the policy on Reserves;
- identifies the gap between our funding and expenditure.

How we will balance the budget

The table below sets out the proposed net budget for 2022-23 at £302,323 million, including the Delegated Schools' Budget.

| £'000 | Base Budget | Inflation | Demography | Pressures | Transformation | Savings | 2020/21 Undelivered Savings | Budget 2022/23 | Variance | % Increase |
|----------------|----------------|--------------|------------|---------------|----------------|----------------|-----------------------------|----------------|---------------|-------------|
| Delegated | 81,717 | 3,136 | -227 | 133 | 0 | 0 | 0 | 84,759 | 3,042 | 3.7% |
| Education | 10,789 | 406 | | 829 | 824 | (55) | 0 | 12,792 | 2,003 | 18.6% |
| HTR | 28,106 | 1,268 | | 1,008 | 0 | (311) | 106 | 30,176 | 2,070 | 7.4% |
| H&CD | 5,305 | 386 | | 0 | 0 | (172) | 0 | 5,518 | 213 | 4.0% |
| PPPP | 4,845 | 436 | | 872 | 0 | (21) | 50 | 6,182 | 1,337 | 27.6% |
| ASC Commission | 3,293 | 160 | | 0 | 0 | 0 | 0 | 3,454 | 160 | 4.9% |
| ASC | 67,266 | 784 | 623 | 9,129 | 55 | (3,329) | 100 | 74,628 | 7,363 | 10.9% |
| Children | 25,959 | 635 | 280 | 3,639 | 0 | (2,719) | 0 | 27,793 | 1,835 | 7.1% |
| Finance | 6,085 | 295 | | 0 | 0 | (39) | 0 | 6,341 | 256 | 4.2% |
| Transf/Comm | 1,512 | 80 | | 106 | 65 | (51) | 0 | 1,712 | 200 | 13.2% |
| WOD | 2,036 | 144 | | 267 | 54 | (135) | 120 | 2,487 | 451 | 22.1% |
| Digital | 4,259 | 284 | | 312 | 831 | (25) | 819 | 6,479 | 2,220 | 52.1% |
| Legal | 3,087 | 115 | | 226 | 0 | (170) | 123 | 3,380 | 293 | 9.5% |
| Corp | 35,523 | 60 | | 1,178 | 500 | (642) | 0 | 36,620 | 1,097 | 3.1% |
| Total | 279,782 | 8,188 | 676 | 17,699 | 2,329 | (7,668) | 1,317 | 302,323 | 22,541 | 8.1% |

The table shows the 2021-22 base budget and proposed changes across each service to provide a base budget for 2022-23, including:

- Pay Awards – 2021/22 realignment and 2022/21 awards – National Agreement £5.942 million
- Non- pay inflation £0.947 million
- National Insurance 1.25 % increase £1.299 million
- Demographic changes – Learning disability transitions and additional Looked after Children estimations - £0.676 million
- Corporate Pressures – Fire levy and council tax reduction scheme - £0.622 million
- Real living wage to be paid to carers estimated at an additional £2.3 million on current care contracts
- Specific Services Pressures – contract inflation, remedial works, replace grant reductions, full year effect of part year social care placements, social care support for rising demand, post 16 transition support, local development plan - £14.777 million
- Transformation – no longer funded by Capital Receipts, Revenue Budget, bids approved reflect Vision 2025 Transformational work £1.829 million and £0.50 million for redundancies.

Reductions in funding as follows:

- £7.7 million of cost reduction proposals, the detail of which is provided at Appendix C, with Impact Assessments on each of the proposals attached at Appendix I.

The Council's budget reflects the totality of the Council's costs including salaries and wages, the purchase of goods and services, premises costs and the revenue cost of financing our capital programme. The budget is financed by all the Council's income sources including AEF, council tax, fees and charges, specific grants and contributions from other bodies.

Income from fees and charges makes a significant contribution (£65 million per annum) to the Council's budget and the Council's approach to income generation is included in the MTFS.

The budget proposed for 2022-23 includes increasing of fees and charges in line with inflation, where permitted, and where appropriate, the principle of full cost recovery has been applied. The Fees and Charges register has been updated and it, together with an explanatory note, is attached as Appendix D and E.

The financing of the net budget comes from the Welsh Government settlement and Council Tax income. The table below summarises the 2022-23 budget requirement and how it will be financed.

| REVENUE FUNDING | 2021/22 | 2022/23 | Change |
|--|----------------|----------------|---------------|
| | £'000 | £'000 | £'000 |
| AEF (RSG & NNDR Allocation) | 191,883 | 210,257 | 18,374 |
| Council Tax | 87,900 | 92,066 | 4,166 |
| Total Projected Revenue Funding | 279,783 | 302,323 | 22,541 |

The current FRM modelling is summarised below.

FINANCE RESOURCE MODEL 2022-2027

| REVENUE FUNDING | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £000s | £000s | £000s | £000s | £000s |
| AEF (RSG & NNDR Allocation) | 18,374 | 7,359 | 5,223 | 4,457 | 4,546 |
| Council Tax | 4,166 | 4,601 | 4,851 | 5,074 | 5,327 |
| Total Projected Revenue Funding | 302,322 | 314,282 | 324,356 | 333,887 | 343,760 |

| REVENUE EXPENDITURE | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Base Budget (Prior Year) | 279,782 | 302,322 | 317,424 | 330,957 | 344,508 |
| General Inflation: | 3,707 | 4,288 | 4,370 | 4,426 | 4,514 |
| Total Demographic Pressures | 676 | 1,590 | 1,677 | 1,714 | 1,753 |
| Total Corporate and Service Specific Pressures | 22,180 | 10,863 | 8,612 | 7,888 | 7,717 |
| Savings | (7,668) | (1,640) | (1,127) | (477) | (250) |
| Undelivered Savings previous years | 1,317 | 0 | 0 | 0 | 0 |
| Transformation | 2,329 | 0 | 0 | 0 | 0 |
| Total Projected Revenue Expenditure | 302,322 | 317,424 | 330,957 | 344,508 | 358,243 |
| Funding (Shortfall)/ Surplus - Cumulative | (0) | (3,141) | (6,600) | (10,621) | (14,483) |
| Funding (Shortfall)/ Surplus - In Year | 0 | (3,141) | (3,459) | (4,021) | (3,862) |

The budget for 2022-23 has been balanced through cost reductions and a level of council tax at 3.9%. For the following four years the FRM highlights that we estimate £59 million of pressures (including inflation, demographic and service pressures) which will in part be mitigated by £3.5 million of cost reductions and a council tax level of 5%. We have assumed Welsh Government settlements of 3.5%, 2.4% and 2% then after. A cumulative deficit of £14.48 million is forecast by the year four.

The following strategies will continue to be used to address the gap where feasible:-

- The transformation of service provision;
- Improved efficiency and a “Right First Time” ethos;
- Identification of investment opportunities and income;
- Capital Programme – reviewed, opportunity to invest;
- Cross Cutting Themes;
- Income generation/fees and charges;
- Reconsider the levels of Council Tax increase;
- Some service reductions – ceasing or reductions to levels of service;
- The use of the Spend to Save reserve to support transformation;
- The raising of capital receipts to support capital investment.

Council Wide Operating Principles for Transformation

- 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).

The transformation of services will require investment to implement. This is supported within our financial planning by using capital receipts to capitalise appropriate costs under the Welsh Government Capitalisation Directive. We will also bid for additional resources from Welsh Government to support our programme.

Budget Principles

The approach to budget setting is underpinned by the following Budget Principles approved by Cabinet:-

- a. Flexible, Remote and Mobile working
The introduction of the New Ways of Working project is reviewing how and from where our staff will work and deliver services. Building on the way we have worked throughout the pandemic many staff have worked effectively from home or other sites and this project embraces the benefits of providing flexible work solutions. The implementation of the project will deliver efficiencies, improved productivity, reduce commuter and work travel for some and enable us to downsize corporate offices. There is considerable cost tied up in the corporate estate and these savings will be further explored, based on the new working arrangements.
- b. Improving Collaboration
The Welsh Government's policies on local government collaboration mean we will continue to seek partnering arrangements. The Local Government and Elections (Wales) Act 2021 created the framework for a consistent mechanism for regional collaboration between local government, namely Corporate Joint Committees (CJCs). This has now been formalised with the requirements for a CJC to be in place from 2022/23 with Ceredigion. It will exercise functions relating to strategic development planning and regional transport planning, it will also be able to do things to promote the economic well-being of their areas.

In contrast to other joint committee arrangements, CJsCs are separate corporate bodies which can employ staff, hold assets and budgets, and undertake functions. One of the key principles which underpins the development of the CJC legislative framework is that CJsCs should be treated as a member of the 'local government family' and, where appropriate, should largely be subject to the same powers and duties as principal councils in the way they operate. There may also be further scope to explore the various collaborative models including partnerships and shared services. We already collaborate but more can be done, and the Local Health Board is a key partner under this theme.

c. Customer Insight

The Business Intelligence function has made progress since its creation. However, we are still richer in data than information. Improved decision making and performance through better customer insight may be an area where financial gains can be made.

d. Business Process Improvements

There is already good evidence that progress has been made in this area. However, this is patchy, and the organisation needs to fully embrace business process improvement techniques. Technology and our Digital Strategy can assist this area with key elements looking to automate tasks and better integrate systems to make processes more efficient. Investment here can bring significant savings which may not impact directly on front-line service delivery and therefore should be politically easier to deliver.

e. Productivity

Access to information, better techniques and relevant training can increase productivity and more responsive services (this should be linked to business process improvements outlined above). Areas such as customer relationship management, workflow and case management can also be looked at under this theme.

f. Flexibility

It may be appropriate to support the workforce in work/life balance issues whilst remaining within Local Government terms and conditions. The council has already offered the workforce the options of a more flexible approach to leave arrangements that sees staff 'buy' additional holiday by being able to take unpaid leave to external holidays. The benefit of a more flexible workforce increases morale and productivity.

g. Commercialisation.

A more commercial approach is already evident with contracts being won, and services provided, to other public organisations. The Council has already set up "Powys Commercial Services" a local authority trading company and this provides a vehicle for additional trading opportunities. This will form a key part of our future planning. There is great scope to increase the income flows to the Council. The services will need to be run on a commercial basis and will have to compete locally as well as nationally.

Financial Resilience

The Council continues to 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. In 2020, at the height of the pandemic they undertook a baseline assessment of the initial impact of COVID-19 on local councils' financial position and findings confirmed that councils and the Welsh Government have worked well together to mitigate the impact of the pandemic to date, but the future sustainability of the sector is an ongoing challenge. "The pandemic has had an immediate and profound effect on public sector finances as a whole and, as a consequence, on councils' financial position".

In 2021 a further assessment concludes the financial sustainability assessment work during 2020-21 and identified that financial sustainability was a key risk to councils' arrangements before the pandemic occurred. The focus of their report included arrangements to secure value for money in the use of resources and the general trend of decreasing resources for local government combined with rising demand for some services.

The findings of the Powys Financial Sustainability review published in July 2021 set out three proposals for improvements - 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. The delivery of these are monitored through the Regulatory Tracker.

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. Symptoms of stress and pillars of resilience are shown in the diagram below:

CIPFA Pillars of Financial Resilience



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. This is a self-assessment that Powys has undertaken in 2021, which is designed to support good practice in financial management and assist local authorities in demonstrating their financial sustainability. It is up to each authority to determine the extent to which it complies with the Code and to identify what action it may wish to take to better meet the standards that the FM Code sets out. It becomes mandatory in 2022.

The FM Code has several components, including CIPFA 6 Statement of Principles of Good Financial Management. The principles are as follows:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection
- The long term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources

The initial self-assessment confirms that of the 63 activities that underpin the 7 standards, 39 are rated green (62%) and 24 rated amber (38%), there were no red rated activities. An action plan to oversee the delivery of actions will be reviewed, updated and report formally at year end.

| Standard | Green | Amber | Red |
|---|-----------------|-----------------|----------|
| The responsibilities of the Chief Finance Officer & leadership team | 3 | 6 | |
| Governance and financial management style | 9 | 5 | |
| Medium and long term financial management | 6 | 5 | |
| The annual budget | 5 | 0 | |
| Stakeholder engagement and business cases | 4 | 4 | |
| Monitoring financial performance | 6 | 4 | |
| External financial reporting | 6 | 0 | |
| | 39 (62%) | 24 (38%) | 0 |

Reserves

The **Reserves Policy** establishes a framework within which decisions are made regarding the level of reserves held by the Council and the purposes for which they will be maintained and used. This is a key component of the MTFS as a sound reserves policy is essential to underpin the financial sustainability of the Council. It is for this reason that we have developed our approach to reserves through an effective policy.

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. The approach is supported by the policy around the use of reserves. In the main reserves are held corporately rather than service based, except where specific reserves and their use have been agreed.

The Council faces a continuing financial challenge, and it is essential that a prudent reserve level is in place to ensure enough financial capacity is available. This cannot be stressed too highly given the level of cost reductions, the risk inherent in the budget and the significant challenge to balance the budget over the medium term.

The level and purpose of holding of reserves is a matter for each authority to determine as part of sound financial management.

The more reserves held by a council indicates that its financial position is more sustainable. As per the recent Audit Wales report "Financial Sustainability of Local Government as a result of the COVID-19 Recovery and Future Challenges September 2021" identified that Council in Wales had not relied upon their reserves to balance the 2020-21 accounts largely due to the additional funding available to them to mitigate the impact of the pandemic. But significant future challenges remain.

Ring-fenced and Specific Reserves are identified and held for defined purposes; this includes a Spend to Save reserve which provides a source of funding for transformational activity across the Council.

Income, Fees and Charges

Income generated through fees, charges and rentals plays an important part of our financial strategy. The Council raises approximately £40 million of income annually. An **Income Policy** is in place together with a Fees and Charges register. It is important that fees are reviewed at least annually as part of the budget setting process and reviewed during the year, in line with the Council's income policy. This will ensure existing targets are being met, additional costs are being recovered through charging, and any further income potential is explored to maximise the Council's resources.

The Wellbeing and Future Generation Act – Assessing the impact of our decisions

The Wellbeing and Future Generation Act enshrines in legislation sound principles that mean the impact of decisions should be considered over a wide range of stakeholders over a longer period. The Council has a thorough impact assessment

process in place to ensure that all decisions are properly considered. All budget decisions will continue to be assessed rigorously to ensure that the impact is understood and that prudent and sustainable budgets continue to be set.

Capital

The Capital Strategy is fundamental to the effective delivery of the Council priorities and our Vision 2025. It facilitates a seamless interface between business planning within the Council and the management of assets and capital resources. This will ensure that the provision of resources and future investment are prioritised. The provision of the right asset in the right place at the right time will ensure the effective and efficient delivery of a comprehensive range of quality services. It is aligned to the Asset Management Plan and the major investment plan for 21st Century Schools, jointly funded with Welsh Government.

The future capital requirements will align with the revenue budget, ensuring investment is linked to service development and commerciality. Ultimately, our aim is to use fewer resources, including our buildings, but use these far more efficiently.

The Capital Programme is closely aligned to the Treasury Management Strategy, in terms of identifying and undertaking necessary borrowing and when cash will be paid into the Council's bank to support cashflow.

The Council is required to make an annual charge against its revenue budget for the repayment of its debt liability in respect of capital expenditure funded by borrowing, for both the General Fund and Housing Revenue Account Debt. This is called the Minimum Revenue Provision (MRP), the current policy is disclosed as part of the annual Treasury Management and Capital Strategy.

Investments and Borrowing

The Council has a clear Treasury Management and Investment Strategy which is approved at Council each year and sets out the expected activities and appropriate strategies of the Treasury function in respect of borrowing and investments.

Cashflow management is essential to ensure we minimise our need to borrow. Strengthening the understanding and importance of this function could facilitate stronger working capital and the ability to invest balances at a rate of return level of around 0.5%. In recent years, minimal investment income has been achieved through cashflow management, because of the uncertainty about the level of capital spending profile. A return could be achieved if we had confidence in capital obligations alongside corporate changes to creditor payments and debt collection.

The strategy confirms the need to borrow to support the capital programme and continue to be significantly under borrowed. The consequence of which is the reduced cost of borrowing and the revenue budget model and forecast are revised regularly to assist the budgets.

The Council's policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed

to avoid incurring higher borrowing costs in later times when the Authority will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt. The coronavirus outbreak has done huge economic damage to the UK and economies around the world. Recent inflation increases prompted the Bank of England to increase the Bank Rate to 0.25% in December 2021. Current forecasts are predicting minimal increases to the Bank Rate in the near-term the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%. A little upward movement in PWLB rates over the next two years is expected. Borrowing to cover the future capital programme costs will be considered against the cost of carry.

Risks and Risk Management

At a time when the Council is facing unprecedented challenges, the effective management of risk is needed more than ever. A risk-managed approach to decision making will help us to achieve the objectives of Vision 2025 and deliver services more efficiently, using innovative and cost-effective means.

A ***Risk Management Framework*** is in place to ensure that at all levels of the organisation we can identify risks which would prevent us from achieving our objectives (including failing to take advantage of opportunities). There is clear guidance on the terminology associated with risk management and the process itself, along with a set of practical tools and techniques to help us manage risks, deliver objectives, meet targets and maintain resilience.

We must not lose sight of the fact that risk is inextricably linked to opportunities and innovation. The Council cannot be risk adverse, and it needs to take full advantage of opportunities for improving services therefore we need to be proactive in the way that we identify and manage our risk.

Having a better understanding of the importance of, and fully implementing, risk management will make a huge contribution to the Council. Better identification of risks and their management will mean that better use of resources is achieved. If we use the resources available to us more efficiently and effectively then the service to our customers can only be improved.

Budget Risks

Change Delivery Capacity

Several cost reductions are now categorised as 'transformational'. In other words, a proactive approach to change is required rather than the more traditional percentage budget cut. It is important the Council recognises that, at a time of change, investment may be needed to deliver change. In some cases, specialist skills will be required for short periods.

Cost Reductions

The level of cost reductions required in 2022/23 is significant at £7.69 million. Any unforeseen delays in implementation will impact on the achievement of the reductions required. Progress on the delivery of approved reductions will be reported to Cabinet

monthly. Slippage on the delivery of proposals presents a risk to the budget plan and any resulting overspend would ultimately fall on the council's general fund reserve. However, the emphasis is placed on ensuring reductions are delivered. Plans within service areas need to be managed robustly, to limit any underachievement and monthly budget monitoring and savings delivery monitoring ensures Cabinet has visibility of financial performance and can take corrective action if necessary.

In the current year the Council approved cost reduction proposals of £11.8 million. In addition, undelivered cost reductions in 2020/21 of £1.60 million have been rolled forward for delivery in the current year. This increases the value of cost reductions required during 2021/22 to £13.4 million. 52% or £6.96 million have been delivered and a further 26% £3.5 million are assured of delivery by Heads of Service. £2.94 million, 22% are unachieved and are at risk of delivery and some of these are likely to be written off through the budget setting process.

The table below summarises the level of savings delivered over the last 10 years.

| Financial Year | Target (£m) | Delivered (£m) | Delivered % |
|-----------------------|--------------------|-----------------------|--------------------|
| 2012/13 | 6.0 | 5.7 | 0.96 |
| 2013/14 | 17.1 | 14.4 | 0.84 |
| 2014/15 | 17.6 | 14.0 | 0.80 |
| 2015/16 | 12.8 | 9.7 | 0.76 |
| 2016/17 | 12.1 | 9.6 | 0.79 |
| 2017/18 | 11.8 | 8.3 | 0.71 |
| 2018/19 | 12.3 | 6.5 | 0.53 |
| 2019/20 | 21.7 | 15.8 | 0.73 |
| 2020/21 | 12.4 | 9.5 | 0.77 |
| 2021/22 | 13.4 | 10.5 | 0.78 |
| 2022/23 | tbc | tbc | |
| Total | 137.2 | 104.2 | 76% |

Income

The budget is supported by approximately £40m of generated income and therefore services need to constantly review their income levels and develop creative plans to ensure that they are sustained. This risk is being mitigated by an overall strategy for income and a move to full cost recovery wherever appropriate.

Treasury Management

The revenue budget and capital programme are supported by daily cash movement managed within our borrowing and investment strategies. The financial climate has a significant impact on these activities. We continue to monitor these daily. Any variation in the cost of borrowing is being mitigated by a proactive approach to refinancing our borrowing wherever possible. This ensures that, wherever possible, our long term borrowing for our capital projects takes advantage of the historically low level of debt interest.

Variations to Settlement Assumptions

The Council makes every effort to ensure that its assumptions about budget settlements for future years are based upon the best available evidence. However, future settlements cannot be predicted with absolute accuracy and can be influenced by political and economic policy changes. Scenario planning helps the Council mitigate this risk.

Political Approval of Budget

The Council is required under the Local Government Act 2003 to set a balanced budget for the forthcoming financial year, and this must be approved by Full Council.

Availability of Reserves

The Council may suffer other costs that may arise due to unexpected events such as: -

- Civil emergencies, Natural Disasters and Pandemics.
- Failure to deliver statutory duties – failure to deliver, including safeguarding activity in relation to adults, children, health and safety or public health could result in possible negligence claims.
- Increased threat of legal litigation in respect of service delivery standards and regulations and multiple insurance claims. This risk is the likelihood of needing to replenish the insurance fund immediately from reserves because of several claims above our excess.
- Increase in energy cost prices.

If the actual position is different to the assumptions made in producing the budget, in-year adjustments would be needed. The reserves held must be at an appropriate level to mitigate this risk.

Mitigation, Review and Monitoring

As part of the impact assessment process, the author of the assessment is asked to identify mitigation to any negative impacts that have been identified. The risks and the identified mitigation must be managed within the appropriate project risk register to ensure continual monitoring and management of the risks.

Stakeholder Communication & Engagement

The aim of our Communications and Engagement Strategy is to :-

- Provide clear and honest information about the budget position and future challenges
- To raise awareness of Vision 2025 and engage stakeholders to capture their views, to inform the Cabinet's and Full Council's decision-making process around budget setting

- To engage and consult, considering the Equalities Act 2010, and in accordance with the National Principles for Public Engagement in Wales e.g. timely, genuine, due regard etc.

Public Communication and Engagement

Over the past few years, the Council has sought to engage residents in the decision making process around setting a balanced budget using an online budget simulator tool. The cost reductions subsequently agreed by the Cabinet and ratified by Full Council have then led to service managers needing to develop more detailed proposals which have, in the main, gone out for public consultation. This has created a further opportunity for affected residents to influence service delivery by completing online/paper surveys to have their say.

The views of residents have been sought and received in several ways including:

- The Powys Budget Simulator
- Specific service type Consultations
- Legislative consultations

Appropriate methods of engaging with our residents are considered and implemented on an annual basis.

The Council conducted a resident's survey which closed on the 19th December and focused on post Covid-19 recovery, balancing the limited funding against growing demand for our services, using resources effectively to deliver the best outcomes for local people, and achieving the Council's key priorities. It allowed the public to provide views and insights on funding priorities, Council Tax levels and recovery planning. With an aim to align our communities' visions and expectations with those of the Council and Councillors, making Powys a fantastic place in which to live, learn, work and play. There were 493 responses.

Member Seminars

Members of the Council are engaged in the budget planning process from the outset through a series of budget seminars. These seminars look at the development of the budget proposals and all members have an opportunity to consider, challenge and input into the process. Financial assumptions and settlement information is shared with members and the impact on the budget modelled and considered. Members are provided with the Impact Assessments for each of the proposals and the feedback from the consultation exercises carried out.

Finance Scrutiny Panel

The Finance Scrutiny Panel, comprising Group Leaders of non-Executive Groups together with representatives of the Audit Committee, continue to be engaged in the budget process and are regularly updated on the process and the proposals as they develop.

Conclusion

In developing this Medium Term Financial Strategy, the Council has a clear framework within which to develop its 5-year budget model and a 5-year Capital Strategy Programme. The model and the assumptions included within it will be reviewed and updated as more information becomes available. Specific budget proposals are being developed and these will be finalised and reported in detail as each annual budget is developed and submitted for approval.

This process will enable the Council to strategically prepare to deliver a Council which is affordable, sustainable and able to achieve its 2025 Vision.

Supporting Documentation

Vision 2025: Our Corporate Improvement Plan
Income Management and Service Cost Recovery Policy
Capital Receipts Policy
Reserves Policy
Treasury Management and Capital Strategy
Risk Management Framework
Corporate Risk Register