

# CYNGOR SIR POWYS COUNTY COUNCIL.

## CABINET EXECUTIVE

8<sup>th</sup> November 2022

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

**REPORT TITLE:** Financial Forecast for the year ended 31st March 2023 (as at 30<sup>th</sup> September 2022)

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**REPORT FOR:** Decision

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### 1. Purpose

- 1.1 To provide Cabinet with the forecast revenue budget outturn for the 2022-23 financial year based on the position at quarter two and explain any changes since the last report at quarter one.

### 2. Background

- 2.1 A report considered by Cabinet on the 27<sup>th</sup> September 2022 set out the current challenging economic context and how it is impacting on the council's finances. The impact of rising inflation is increasing the financial pressure on the Councils budget as costs for fuel, food, and energy increase.
- 2.2 Employee Costs are set to increase significantly. Pay awards are still subject to negotiation, but Welsh Government have proposed that Teachers pay will increase by 5% from September 2022 and the National Employers for local government services (NJC) have made a final pay offer to the unions representing other council employees which equates to an average increase of 7.25% this year, ranging from 10.5% to 1.29% across the scale points.
- 2.3 The rising costs are also impacting on our capital schemes as materials and contractor costs increase and the cost of borrowing become more expensive.
- 2.4 The cost of living challenge is also impacting on our local businesses and residents and this creates additional pressure on the Council as demand for our services increases.
- 2.5 The budget set by council back in March is not now sufficient to meet our costs and the Council is taking action to reduce expenditure and draw on our reserves.
- 2.6 At quarter one we were reporting that £3.827 million was projected to be drawn from specific reserves to deal with the additional pressures already identified and in addition a further shortfall of £1 million was also being forecasted.
- 2.7 At quarter two the projected position has risen to a deficit of £7.064 million, of which £5.316 million will be funded through the drawdown of specific reserves. Leaving a further £1.748 million deficit to be funded from general reserves.
- 2.8 Table 1 below summarises the projected outturn position across the Council's services including HRA and delegated schools.

**Table 1 – Forecast Position**

	£'000	Sept
Base Budget		301,870
Cost Pressures		16,595
Cost Underspends		(12,548)
Cost Reductions Shortfall		3,018
Use of Specific Reserve		(5,316)
Sub Total		303,618
<b>Overspend</b>		1,748
<b>Funded by:</b>		
Overspend Gap - Budget management reserve		(1,748)
		(1,748)

- 2.9 The revised projection includes an estimate of the NJC and Teachers pay awards that are still being negotiated, an estimated cost of £8 million to be found this financial year. The approved budget in March assumed a level of pay increase, but this does not fully meet the estimated costs, leaving a £3.7 million gap this year.
- 2.10 In response to the increasing challenge, steps have already been taken to pull back on expenditure across the council with services taking action that aims to reduce service expenditure by £2 million over the remainder of the financial year. In addition, corporate budget assumptions have been reviewed, reductions in borrowing as some capital schemes are delayed, the reversal of the National Insurance increase and updated Council Tax data, are now projecting improved positions to further support the revenue position.
- 2.11 Appendix A provides the financial position for each service, broken down into categories covering cost pressures, cost underspends, cost reductions and use of specific reserves.
- 2.12 Further detail about each service area is provided in Appendix B, with Heads of Service setting out their individual narrative that explains their financial position.

### **3. Cost Reductions**

- 3.1 Cost reductions of £8.072 million were approved as part of the Councils budget for 2022/23 and the delivery of these is required to achieve a balanced budget. In addition, undelivered savings from 2021-22 have been rolled forward totalling £2.783 million, these also need to be delivered.
- 3.2 The summary at Table 2 shows that 44% or £4.808 million have been delivered and a further 28% £3.040 million are assured of delivery by Services. £3.007 million, 28% are unachieved and are at risk of delivery in year. Services are reviewing these and are required to consider mitigating action to ensure that they can deliver within the budget allocated.

### 3.3 Table 2 – Savings Summary

£'000	To Be Achieved	Actually Achieved	Assured	Un-achieved
Adult Services	3,429	1,730	1,699	-
Childrens Services	3,640	1,505	858	1,278
Commissioning - Adults & Children	-	-	-	-
Economy and Digital Services	282	41	2	238
Education	55	50	5	-
Schools Delegated	-	-	-	-
Finance	39	39	-	-
Central Activities	1,045	1,045	-	-
Highways Transport & Recycling	1,612	6	290	1,317
Housing & Community Development	172	166	3	3
Legal & Democratic Services	24	-	18	6
Transformation and Communications	230	200	21	8
Property, Planning & Public Protection	189	25	7	157
Transformation and Communication	-	-	-	-
Workforce & OD	138	-	138	-
<b>Total</b>	<b>10,855</b>	<b>4,808</b>	<b>3,040</b>	<b>3,007</b>
		44%	28%	28%

## 4. Reserves

- 4.1 The Reserves position at Table 3 sets out the reserve forecast as at 30<sup>th</sup> September 2022. The opening reserves stood at £63.782 million, with the general fund reserve of £9.333 million representing 4.2% of total net revenue budget (excluding Schools and the HRA).

**Table 3 – Reserves**

Summary	Opening Balance (1st April 21) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Projected Balance (31st March 23) Surplus/ (Deficit)
General Fund	9,333	-	9,333
Budget Management Reserve	3,584	1,748	1,836
Specific Reserves	29,167	9,920	19,247
Transport & Equipment Funding Res	8,843	2,080	6,763
<b>Total Usable Reserves</b>	<b>50,927</b>	<b>13,748</b>	<b>37,179</b>
Schools Delegated Reserves	8,982	93	8,889
School Loans & Other Items	371	7	364
Housing Revenue Account	4,244	145	4,099
<b>Total Ring Fenced Reserve</b>	<b>12,855</b>	<b>231</b>	<b>12,624</b>
<b>Total</b>	<b>63,782</b>	<b>13,979</b>	<b>49,803</b>

- 4.2 The specific reserve forecast partly relates to the use of grants that were rolled forward last year for use this year totalling £3.342 million. In addition, £5.316 million of reserves was previously agreed to fund specific areas set out in the yearend report and pressures identified as “risk” through the budget setting process due to Covid cost, the Ukraine crisis and the impact of inflation.
- 4.3 The remaining projected deficit of £1.748 million will be funded from the budget management reserve if it materialises.

4.4 The delegated schools forecast is likely to change, Schools are currently reviewing their budget plans in light of the rising pressures from utilities and the estimated pay awards. School reserves increased by £5.732m at the end of last year as they benefitted from additional funding provided by Welsh Government in the last quarter of the year. They will need to draw on these to support the increasing costs.

## **5. Grants and Virements**

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

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

- Unaccompanied Asylum Seeking Children, Welsh Local Government Association Grant of £1,372. Funding to support local authorities in their work with unaccompanied asylum-seeking children.
- Additional Childrens and Communities Grant, Welsh Government Grant of £134,000. Additional funding has been provided for the expansion of early years provision via Flying Start to meet the Programme for Government commitment to deliver a phased expansion of early years provision to include all 2 year olds, with a particular emphasis on strengthening Welsh medium provision. The condition is that it is ring-fenced for the expansion of early years provision via Flying Start.
- Cost of Living Funding Prevention Payments for families with care and support needs, Welsh Government Grant of £37,534. The Purpose of the funding as part of the Welsh Government 2022-23 Cost of Living package is to provide local authorities with a fund to provide prevention payments for families with care and support needs who need essential items which they are struggling to pay for due to increased cost of living.
- Family Intervention Fund, Welsh Government Grant of £91,395. The Purpose of the funding is to provide local authorities with funding to resource practical support and direct family intervention on a case-by-case basis: - for children referred for safeguarding issues but not meeting the statutory threshold for intervention in order to promote family resilience and child well-being and divert children from registration on the child protection register and; - for children on the child protection register who can be safely removed with the right additional support.

### **5.1.2 Education**

- £831,543 - Local Authority Education Grant Variation 1, broken down as follows:
  - £74,832 – Induction Placement Scheme. The purpose of this funding is to deliver the extension of the induction placement scheme between April – August 2022.
  - £42,000 – Online IDP Project. The purpose of the grant is to fund online solutions for IDP as a part of the Additional Learning Needs transformation programme.
  - £8,560 – Additional funding for Changes Non maintained funding April – August. Local authorities, working with funded non-maintained nursery settings in their area, are responsible for ensuring that funding impacts on key areas that will support the delivery of quality Foundation Phase Nursery provision. The funding should focus on practitioner support and resources in key developmental areas which support the Foundation Phase pedagogical approach
  - £11,985 - Additional funding for Change Non maintained funding September – March. Same description as above.

- £694,166 – Universal Primary Free School Meals. Welsh Government has committed to roll out free school meals to all primary pupils by September 2024 as part of a Co-operation Agreement with Plaid Cymru, this is a demand led grant and can only draw down the value of the meals we serve.
- £99,189 – Welsh-Medium Late Immersion Grant. Build on current immersion centre provision at Ysgol Dafydd Llwyd and set up an immersion centre at Llanfyllin.
- £16,333 – Welsh medium capacity grant (Variation 1 of the Regional Consortia School Improvement grant [RCSIG]). To support the capacity building of some parts of the Welsh-medium and bilingual education workforce.

5.2 Several virement requests are requested for approval:

5.2.1 Court Team Management of Change – to transfer £337,510 from the existing Care and Support teams to form new Court team. In December 2020 a pilot project was introduced into the Care and Support Service utilising the current staff including agency workers to create an additional Court Team in the structure. The aim of this pilot was to improve the consistency and quality of the practice for children and their families whose care plans are before the court, to improve and strengthen the Pre-Proceedings part of the Public Law Outline and to provide increased focus to those children subject to a child protection plan. The additional Court Team will be funded through re-organisation of the current Care and Support Teams in the North and the South and therefore it is within the current budget.

5.2.2 A virement for £253,038 for Childrens Services using general reserves to support placement capacity in County and avoid the use of unregulated arrangements, for this financial year only. The short-term plan would allow for a property to be utilised to develop an in-house bespoke placement for a service user with complex needs, this creates a sustainable option for placement stability in the short term. The medium-term plan would be to work with the regulators to register this provision as a registered children's home for 2 young people, to provide a long term, registered placement which could meet the needs of Powys Children and support them to achieve the best possible outcomes.

5.2.3 A virement for a one-off temporary budget transfer of £150,000 to Home to School Transport to offset the pressure in relation to the Post 16 transport costs funded by the 14-19 provision in Education in this year only.

5.2.4 A virement to move £102,850 from the Secondary Improvement base budget for the Service Manager Secondary Improvement into the Head of service budget alongside the budget for the rest of senior management team.

5.2.5 A virement to move £102,850 base budget and income funding from the Regional Consortia School Improvement Grant for the Service Manager for Curriculum for Wales and Professional Learning into the Head of service budget.

5.2.6 The Cleaning department are to carry out the standard void cleaning works for the Housing client, previously undertaken by the Heart of Wales Property Services. In order to carry out this work the cleaning department require 3 x additional Grade 3 staff and 1 x Grade 7 staff, and 2 vehicles totalling £135,000, which will be met in full by raising charges to the Housing budget. The virement request therefore seeks approval for the increase in budgeted staffing and fleet costs, to be met by an increase in budgeted income.

5.2.7 Highways, Transport and Recycling has carried forward unachieved savings targets of £1.3 million, these unachieved savings were absorbed within the HTR budget in 2021/22. The delivery of the savings were impacted by Covid, such as car park income and public transport. The Head of Service has confirmed that the unachieved savings can be absorbed within the existing HTR revenue budget and has also confirmed £295,505 of the target will be achieved this financial year. The service budgets will be realigned as the targets can now be met through additional income being achieved through Street Works income, Highway Design income and Recycling income.

## **6. Financial Risks**

- 6.1 The proposed pay awards have impacted heavily on the revenue budget and action had to be taken immediately to limit the need to draw on reserves to fund the shortfall. Pay negotiations continue and risk remains as to the value of the actual amounts agreed. In previous years additional funding has been provided by Welsh Government to fund the Teachers pay award, but this may not be the case this year.
- 6.2 Demand for some services could change, this will impact on the figures currently being projected. As we head into the autumn and winter period Social Care may see increasing pressure as more people require council support.
- 6.3 Minimising the call on reserve this year is essential, the increased level of risk will not diminish over the short term and we are developing the 2023-24 budget in an extremely challenging time, holding sufficient reserves to cover the continued risk is essential to our financial resilience.
- 6.4 In previous years additional funding has been provided by Welsh Government towards the end of the year, this is unlikely to happen this year so we must plan and manage our budget without that expectation. The indicative funding allocations for the next 2 years provided by Welsh Government in March are well below the level of inflation and will represent a real term cut in funding for the Council.
- 6.5 The Medium Term Financial Strategy and the assumptions on which the Financial Resource Model is based continues to be reviewed. We continue to plan in a challenging and uncertain time and will update our projections as more information becomes available.
- 6.6 Rising inflation and in particular fuel and energy costs are now impacting on the Council, with contractors approaching the Council to raise their concerns and start discussions. Further impact is now expected arising from the situation in Ukraine. With CPI inflation 10.1% (September) and expecting to rise we must ensure that we take every opportunity to limit this impact.
- 6.7 The Council remains under borrowed as we continue to utilise our cash reserves to underpin our cashflow. We can borrow both in the short to medium or long term, but the cost of borrowing has risen due to the changes in bank rate, our approach is regularly updated and explained as part of the Treasury Management update to Audit Committee.

## **7. Resource Implications**

- 7.1 The Head of Finance (Section 151 Officer) has provided the following comment:
- 7.2 The council is facing a considerable challenge to balance its budget this year. We must take action to reduce costs and limit the draw on our reserves.

- 7.3 Reserves are held to mitigate unexpected risks and the use of reserves this year will ensure that we meet our statutory responsibility to deliver a balanced budget, however, the challenging environment is not going to end at the end of this financial year, we must ensure that we deliver council services within the resources we are allocated on an annual basis. Holding sufficient reserves to manage the ongoing risk as we move into future years is key to maintain our financial sustainability.
- 7.4 The current volatile situation dictates that we will keep the position under constant review and we will continue to update our assumptions and their impact on the budget both for the current year and as we develop our financial plans for the next five years.
- 7.5 The council is reviewing and updating the Medium Term Financial Strategy, proposals are being developed to address the shortfalls we are now predicting into 2023/24 as we continue to deal with increasing costs. Indicative allocations for 2023/24 provided by Welsh Government back in March will not be sufficient to meet our predicated costs. The autumn statement delivered by the chancellor in November will provide more information on how much funding public services can expect next year. We will have to react quickly when funding levels are confirmed to finalise and balance our financial plans.
- 7.6 Discussions at a national level will be very important through the next few months and we will work closely with other Authorities and the Welsh Local Government Association to ensure that the impact the current economic position is having on the Council is fully understood.
- 7.7 There will be difficult decisions ahead as we consider the implications of our financial position on our ability to deliver appropriate Council services to our residents.

## **8. Legal implications**

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

## **9. Data Protection**

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

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

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

## **11. Impact Assessment**

- 11.1 No impact assessment required.

## **12. Recommendation**

- 12.1 That Cabinet note the current budget position and the projected full year forecast to the end of March 2023.
- 12.2 The grants received in this quarter as set out in section 5.1 are noted
- 12.3 The virements set out in section 5.2 are approved, this is to comply with the virement rules for budget movements between £100,000 and £500,000 as set out in the financial regulations.

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## Appendix A

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Adult Services	73,869	2,537	(80)	1,699	78,025	(1,699)	(1,372)	(1,080)	73,874	(5)	34
Children's Services	27,900	4,266	(1,458)	2,135	32,843	(858)	(563)	(567)	30,856	(2,956)	(2,006)
Commissioning	3,651	0	(11)	0	3,640	0	0	0	3,640	11	1
Education	17,416	626	(1,019)	5	17,028	(5)	(49)	0	16,974	442	(242)
Highways Transport & Recycling + Director	29,677	2,029	(2,902)	1,606	30,410	(290)	(150)	(35)	29,936	(259)	(260)
Property, Planning & Public Protection	6,122	588	(793)	164	6,081	(7)	(150)	0	5,924	198	(225)
Housing & Community Development	5,440	540	(192)	7	5,795	(3)	0	0	5,791	(351)	(193)
Economy and Digital Services	6,311	54	(304)	240	6,301	(2)	0	(54)	6,245	66	(39)
Transformation & Communication	3,724	174	(142)	29	3,785	(10)	(96)		3,679	45	0
Workforce & OD	2,399	0	(174)	138	2,363	(138)	0	0	2,225	174	79
Legal & Democratic Services	1,387	66	(103)	24	1,375	(18)	0	0	1,357	30	49
Finance & Insurance	6,258	29	(16)	0	6,271	0	0	0	6,271	(13)	41
Corporate Activities	38,225	5,583	(5,354)	0	38,454	0	(1,200)	0	37,254	971	1,831
<b>Total</b>	<b>222,379</b>	<b>16,493</b>	<b>(12,548)</b>	<b>6,047</b>	<b>232,370</b>	<b>(3,029)</b>	<b>(3,580)</b>	<b>(1,736)</b>	<b>224,025</b>	<b>(1,646)</b>	<b>(930)</b>
Housing Revenue Account	0	2	0	0	2	0	0	0	2	(2)	0
Schools Delegated	79,491	100	0	0	79,591	0	0	0	79,591	(100)	(85)
<b>Total</b>	<b>79,491</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>79,593</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79,593</b>	<b>(102)</b>	<b>(85)</b>
<b>Total</b>	<b>301,870</b>	<b>16,595</b>	<b>(12,548)</b>	<b>6,047</b>	<b>311,963</b>	<b>(3,029)</b>	<b>(3,580)</b>	<b>(1,736)</b>	<b>303,618</b>	<b>(1,748)</b>	<b>(1,014)</b>
					(10,093)				(1,748)		

## Appendix B

## Head of Service Commentary

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final	Sept Variance	June Variance
£'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		
Adult Services	73,869	2,537	(80)	1,699	78,025	(1,699)	(1,372)	(1,080)	73,874	(5)	34

### Adult Social Care Overview

The forecast outturn at the end of quarter 2, 30<sup>th</sup> September 2022, is an overspend of £4.156m of which £2.452m is to be funded from agreed 'Specific Adult Social Care' reserves and £1.080m from the 'Councils Risk/Management' reserve, £1.699m of efficiencies/savings still to be delivered, which leaves an overall small underspend of £5k, assuming that the full growth allocation of £2.3 million will be utilised to fund external services in regard to the Real Living Wage as directed by Welsh Government and expenditure remain within this financial envelope. Currently, the Local Authority is still in negotiation with some providers. The outturn forecast has deteriorated by £39k from Quarter 1.

### Cost Pressures

#### (a) Current Pressures - Included in the forecast outturn at quarter 2

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

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

- Additionally, £170k of the £400k allocated at year end by Welsh Government (WG) in the Revenue Support Grant (RSG) to be utilised to fund 'electric cars and driving lessons' in Domiciliary Care and rolled forward to 2022/23, is now going to be utilised to fund the increase in mileage rate for external domiciliary care providers from 35p per mile to 45p per mile as part of the UKHCA funding formula, as per WG redirection notification.

- A total of £1.080 million is to be funded from the Councils 'Risk/Management' reserve: £830k in year Covid pressures and £90k Demography to be managed at risk as considered and agreed as part of the budget setting process in the Financial Resources Model (FRM), £100k contract inflation as a result of Ukraine etc., £60k in respect of the cost of the two additional bank holidays for frontline services, not previously budgeted for.

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

- Unknown future impact of Covid 19 on services/providers as Welsh Government (WG) Hardship funding ceased on 31<sup>st</sup> March 2022. This was in relation to support to local authorities to maintain their commissioned and in-house adult social care placements. Additionally, increase in service needs due to frailty/deterioration in health and mobility as a result of lack of Health appointments and delays in treatment and operations.
- Winter pressures and potential demand on home-based care and interim bed options, future demand is unknown and so further cost pressures may arise.
- Older People & Disability centres and services have remained closed during the pandemic but will reopen one by one, operating within safe working and social distancing rules. This may result in additional costs or double running, where some clients choose to remain to continue to receive having services delivered in the current format in the community following the 'what matters conversation' and the cost of running the centre remaining but at a much higher unit cost per client.
- Stability of commissioned providers, particularly the care home sector. There is currently 2+ providers who may be at risk of failure.
- 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 2022/23 and the full year impact will need to be considered in the FRM and Service's Integrated Business Plan (IBP) for future years.
- Additional and backdated costs for "Sleep-ins" following the outcome of the judicial review, possibly backdated to November 2011. Awaiting judgement and liability to be calculated by the payroll team for the in-house service and legal direction.

Cost Underspends

- £80k are across various service areas in relation to staff slippage and travel, as less face to face meetings occurring currently

Cost Reductions

- **Assured**  
The original target of £3.429 million is currently on target to achieve delivery, of which £1.730 million (50.04%) of the original target to date achieved and included in the forecast outturn. Currently, there is assurance of delivery of the further £1.699 million outstanding.
- **Undeliverable**  
A risk on delivery if Covid continues and referrals continue at the current levels.

Other mitigating actions to deliver a balanced budget.

- Maximisation/utilising of any grant underspends, if within the grant terms and conditions for previously budgeted and funded baseline costs.
- Strength based approach to care assessments and care and support planning to mitigate pressures.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 2022				ADJUSTMENTS OUTSIDE THE LEDGER					
		Add	Less	Add	Revised	Less	Less	Less	Final	Sept Variance	June Variance
£'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		
Children's Services	27,900	4,266	(1,458)	2,135	32,843	(858)	(563)	(567)	30,856	(2,956)	(2,006)

### Children's Services Overview

The pressures from quarter 1 have continued into quarter 2 with a trajectory of an overspend of £2.956K at the end of this financial year. We are currently reviewing all expenditure, which has included going back to basics and looking into every penny that is being spent. We are aware of the continued high-cost placements situation, so we have reviewed our closer to home strategy and arrangements to make this more focused with clearer objectives such as developing a recruitment strategy for inhouse foster carers. We are continually monitoring the use of agency social workers and non-qualified staff to ensure that we are getting value for money. Recruitment and retention of staff remains a challenge, however the grow our own investment whilst has not made the predicted savings to date, has provided benefit with permanent social workers into the service and will continue to do so over 2023/24.

#### Cost Pressures

- £1.760 million cost in placements for children who are children looked after. There is an increase in Residential provision out of Powys due to a lack of in house foster carers, Independent Foster Carers and Residential provision.
- £353K Agency workers costs covering Bannau which provides in county children looked after placements for children with complex and disability needs. There were 12 vacant positions in Qtr 1 and 7 vacant positions at the end of Qtr 2. We are continuing to actively recruit.
- £516K Agency workers covering shifts within Children's residential home. We are currently actively recruiting to these positions.
- £80K Social Services Emergency Duty Team- this figure is owed to AS to cover the costs since the service moved to them.
- £223K Leaving Care- These children remain in high-cost placements at 18 years of age and have not stepped down due to need but who are still subject to Pathway plans and entitlements as care leavers.
- £166K Section 21 support- additional monies being used to support families who are in crisis.
- £172K Short breaks for children with complex needs- and increase in short break provision based on need. £102 pressure with an offset from covid reserve of £70k
- £996K Utilisation of an agency managed team- £499K off set below from covid reserve fund.

### Cost Underspends

- £73K We have an underspend in adoption placements and resources as part of the regional requirements.
- £29K Legal fees due to decreasing the number of children being placed before the court for decision making.
- £74K Various resources across all service areas
- £1.282 Million underspent on staffing, due to posts being held vacant, coupled with savings around the current forecast of the market supplement.

### Cost Reductions

- £380 Target. This was set as a target 20/21 for shared costs with PTHB however these savings remain to be consistently saved. To date £136K achieved with a remaining £244K not yet achieved. No other children eligible, so this cost is not likely to be saved.
- £256K Target- This is all achieved. There was a change in leaving care Provision (16 plus supported Accommodation), which has been commissioned.
- £1,500,000 Placements Target- Achieved £782K- Left to achieve £718K. The Closer to Home (step down in provision) has been established with objectives set around continuing to bring children who are looked after back to Powys. We are looking at higher cost placements and considering what could be done differently e.g., moving a young person from a high-cost residential placement to live in her own flat supported by us through the 16+ accommodation strategy.
- £800K Continuing Care Contribution. This was set as a saving target in 2021/2022 but there are no care plans where this money has been identified. This has been highlighted as a complicating factor.
- £150K Agency – This saving was identified within 2021/2022 with an expected conversation of 5 agency social workers to permanent social worker positions. Due to the high level of staff leaving the council this was not achievable. We continue with our recruitment campaign to recruit permanent social workers. Whilst we have recruited some agency staff to permanent workers, staff have still left so the gap has not reduced.
- £84K Cost Saving from using permanent Social Workers once qualified instead of Agency (based on "grow your own" project - Masters Students and 50% Open University Students) plus Market Supplement. 5 grow our own students qualify this Summer and have been matched to Permanent posts within the structure. Whilst we have recruited these staff, the deficit remains in key statutory service areas such as the Front Door- Information, Advice and Assistance function and impact in demand within the Assessment teams.
- £10K Reduction in staffing expenses/family time expenses due to "closer to home". Delivered 10K
- £5K Foster Panel Costs (Team managers to cover)- Delivered £5K
- £50K Special Guardianship Order (SGO) Project - 1 FTE Social Worker in first two years. The project plan is being implemented. There is saving yet as no team in place.
- £30K Special Guardianship Order (SGO) Project - 0.5 FTE Independent Reviewing Officer (IRO). The project plan is being implemented. There is no saving yet as no team in place.
- £90K Special Guardianship Order (SGO) Project - Conversion of Independent Fostering Agency (IFA) placement to SGO placement. Delivered £30K to date

## Use of Reserves

An agency managed team was brought in to support the service during a difficult period of recruitment, retention coupled with capacity and demand. The team currently support up to 120 families who have been subject to child protection processes. This has assisted in the safety planning of these children and their families and assisted with the increased workloads within the service. £64k was agreed to support the children's residential home due to additional staffing required which was ordered by the court care plan.

Covid risk reserve- £497K contact officers, front door and early help pressure due to demand and capacity.

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

## Other mitigating actions to deliver a balanced budget.

We

- will fully utilise grants across the service as in previous years to mitigate the financial position.
- are engaged with the Commissioning of an Agency Matrix Framework which we anticipate will enable effective recruitment and management of agency worker and reduce agency costs.
- have re launched the Closer to home strategy to bring children who are looked after closer to their homes. We are developing a recruitment strategy for supported lodging hosts and foster carers so that there is more flexibility within placements within Powys.
- are continuing to invest in our Grow our own project with up to 10 potential students qualifying as social workers in November 2023.
- are reviewing our expenditure around our section 21 monies and establishing if we can do things differently.
- are reviewing our offer around short break provision.
- are reviewing our high cost residential placements and establishing if we can source an alternative within Powys.
- are reviewing our staffing structure and considering what could we do differently?
- are looking at ways in which we can continue to reduce the number of children who are looked after and also the number of children subject to child protection registration.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Commissioning	3,651	0	(11)	0	3,640	0	0	0	3,640	11	1

### Commissioning Overview

Although the projections point towards a balanced budget, it is anticipated, but not assured, that there will be further adjustments throughout the year with national government grants being made available to support the work of the service.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Education	17,416	621	(1,019)	5	17,023	(5)	(49)	0	16,969	447	(242)

### Education overview

Through excellent joint working between the finance team and the Schools Service senior managers significant savings have been made which will help ease the internal financial pressures. Further efficiencies are yet to be achieved in specific service areas but through ongoing collaboration and solution driven decision making we hope to reduce the overspend further helping this financial year and next.

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

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Schools Delegated	79,491	100	0	0	79,591	0	0	0	79,591	(100)	(85)

### Schools Delegated Overview

Through excellent joint working between the finance team, Schools Service and schools we have provided clear messaging and support which will help schools to ease their financial pressures. We have shared a financial toolkit to support with reviewing current spend and enable further efficiencies to be made. Schools will be invited to financial surgeries to discuss financial plans and next steps.

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



		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Highways Transport & Recycling + Director	29,677	2,029	(2,902)	1,606	30,410	(290)	(150)	(35)	29,936	(259)	(260)

## Highways Transport & Recycling Overview

### Cost Pressures

- £222k overspend on highways routine maintenance works, which is an improvement since June 2022
- £218k under-recovery of the budgeted profit target from Trade Waste collection services which is used to support corporate support costs in delivering the Trade Waste Service.
- £144k overspend on green waste collections
- £108k overspend on domestic waste collections resulting in the main from increased fuel costs
- £225k overspend on Household Recycling Centre management fee for July to March 2023 whilst the contract retender takes place.
- £417k overspend on home to school transport expenditure

### Cost Underspends

- A forecast over-recovery of recyclate income against budget of £536k
- An over-achievement of £709k against street works resulting from increased income against budget.
- An over-achievement of profit associated with highways design of £206k.
- An over-achievement of income on traffic management works of £127k
- Use of vacant management/supervision posts £203k

### Use of Reserves

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

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

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

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Property, Planning & Public Protection	6,122	588	(793)	164	6,081	(7)	(150)	0	5,924	198	(225)

### **PPPP Overview**

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

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

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

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

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

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Housing & Community Development	5,440	540	(192)	7	5,795	(3)	0	0	5,791	(351)	(193)

### Housing and Community Development Overview

Spend is on track across most budget areas within Housing & Community Development, with all but one area forecast to be on budget or returning a minor underspend. As forecast, the one area of concern is Schools Catering, with a £244,000 overspend. Catering income is being carefully monitored and appears to be increasing as covid restrictions easing in schools has allowed a return to more normal provision. Free school meals for the youngest primary children comes into operation from September. At this point it is unclear what impact this will have on income. It is still early in the financial year and the autumn term will give us a clearer indication of income trends.

#### Pressures

Due to country-wide/global issues regarding increasing energy costs and the uncertainty around continuing UK government support, Powys have been in discussions with Freedom Leisure with regards to the significant cost forecast of utilities during the remainder of 2022-23 and into the next financial year. This could have a considerable impact on the leisure and sport centres in the future.

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Housing Revenue Account	0	2	0	0	2	0	0	0	2	(2)	0

**HRA** – The HRA is ring fenced and forms part of its own trading account, any surpluses and deficits are contained within a ring fenced reserve.

FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 2022					ADJUSTMENTS OUTSIDE THE LEDGER			
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		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	Sept Variance	June Variance
Economy and Digital Services	6,311	54	(304)	240	6,301	(2)	0	(54)	6,245	66	(39)

## Economy & Digital Overview

### Cost Pressures

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

### Cost Underspends

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

### Cost Reductions

ICT hold cost reductions opportunities from the opportunities to modernise and reduce legacy systems on behalf of other services. This work has been delayed over previous years but will now be managed again through 2022/23 to achieve savings outlined.

### Use of Reserves

No current use of reserves

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

Economy budgets have been set on a 3 year basis following WG grant allocations giving more stability to the budgets in this area than had been seen in previous years. Maximising opportunities to align current staff to grant income has contributed to the balanced budget.

FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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
Transformation & Communication	3,724	174	(142)	29	3,785	(10)	(96)		3,679

Sept Variance	June Variance
45	0

**Transformation and Communication Overview**

**Cost Pressures**

The communication staffing structure not fully funded by the annual working budget (37% of staff are funded through income generation/grants). There are also posts within the corporate insight centre (data analytics) that are fixed term and funded via these means. This is a cost pressure for the service and is highlighted in more detail in the mitigating actions below.

**Cost Underspends**

The current forecast outturn position for Transformation and Democratic Services as at the end of period 6, September, is an under spend of £45k compared to a break-even position, reported at the end of June. This assumes that £96k will be drawn down from the specific reserve. Since the June report Democratic services have moved into this area and it is this service that is reporting the underspend of £45k.

**Cost Reductions**

The £10,000 cost reductions not delivered have been identified with the accountant and this figure will come from a variety of sources (removal of vehicle lease cost budget, expenditure hire, reduction in postage and print costs and the removal of fleet maintenance SLA).

**Use of Reserves**

£96k use of reserves.  
 £90k to support the Communications staffing structure, as the permanent structure is not fully funded by the base budget and there are also two additional staff in fixed term posts.  
 £6k part funds the additional Business Intelligence Officer (fixed term post) within the Business Intelligence Systems team (SQL developer).

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

The Transformation and Communication service is reliant on income, any reduction or increase in income will affect the forecast. We have been fortunate to obtain external funding from other sources over the past few years, this funding enables us to balance our budget, however we know that funding for this year is greatly reduced, we have monies in reserves and are using these to support our current

workforce delivery model as highlighted above. However, the £96k use of reserves is likely to be improved as a Service Level Agreement is being negotiated between Communications and the Regeneration team and it is expected that this will bring in income. Income is also expected from the Health and Care Academy - as these are not confirmed they have not been included in the forecast. When they are confirmed in the next quarter, they will improve the forecast and reduce the requirement from reserves.

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

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Workforce & OD	2,399	0	(174)	138	2,363	(138)	0	0	2,225	174	79

### **Workforce and OD Overview**

We are forecasting an annual underspend of £174k against budget, which assumes assured savings of £138k will be achieved. The main reason for the underspend relates to staffing underspends arising from vacancies and the over-achievement of income within the service.

### **Cost Pressures**

None to report this quarter.

### **Cost Underspends**

We are forecasting an annual underspend of £174k against budget, mainly arising from staffing underspends due to vacancies and the over-achievement of income within the service.

### **Cost Reductions**

Our costs reductions are assured.

### **Use of Reserves**

We are not planning to call upon reserves.

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

We continue to forecast an underspend at year end.

FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 2022

ADJUSTMENTS OUTSIDE THE LEDGER

	£'000	FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 2022			ADJUSTMENTS OUTSIDE THE LEDGER				Final	Sept Variance	June Variance
		Add	Less	Add	Revised	Less	Less	Less			
	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		
Legal & Democratic Services	1,387	66	(103)	24	1,375	(18)	0	0	1,357	30	49

**Legal Overview**

We are forecasting an outturn underspend of £49k against budget in June 2022.

**Cost Pressures – Zero**

**Cost Underspends**

Corporate Legal & Democratic Services are forecasting an outturn underspend of £49k against budget in June 2022 arising from temporary slippage on Member’s wages budget and general overhead expenditure, an underspend on Democratic Services arising from a pension saving and an underspend on Solicitors due to slippage against the staffing budget.

**Cost Reductions**

The service has a £203k savings target to achieve in 2022/23, £149k has been achieved to date, £28k is assured to be achieved and £26k is reported yet to be achieved

**Use of Reserves**

An estimated £193k from the £224k Elections Reserve will be used to Finance the May 2022 Local Elections . An annual budgeted contribution of £36k pa is made to the Elections reserve to pay the Local Elections every 5 years



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

	£'000	2022/23 Base Budget	Add Cost Pressures	Less Cost Underspends	Add Cost Reductions not delivered	Revised Outturn	Less Cost Reductions not yet delivered but assured	Less Specific Reserves with Agreed use	Less Use of Risk Reserve to cover unfunded Pressures	Final Outturn Position 2022/23	Sept Variance	June Variance
Finance & Insurance		6,258	29	(16)	0	6,271	0	0	0	6,271	(13)	41

**Finance Overview**

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

		FORECAST FOR THE YEAR ENDED 31ST MAR 2023 AS PER CP/LEDGER SEPT 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	Sept Variance	June Variance
Corporate Activities	38,225	5,583	(5,354)	0	38,454	0	(1,200)	0	37,254	971	1,831

## Corporate Overview

### Cost Pressures

There is £4,900k included for the pay awards, of which £1,200k will be called on from a specific reserve set aside at last year end. Shortfall on the levies budget for both the Fire and Brecon Beacons National Park of £82k, budgets were agreed before the final inflation uplifts were provided by these organisations. An overspend against Housing Benefit budgets that is being reviewed.

### Cost Underspends

£1,900k relates to an underspend on interest on borrowing and MRP. It has improved against the previous forecast due to removing a number of pipeline schemes and delaying other projects to reduce the need for borrowing this year. £810k overachievement of council tax is forecast in part relating to the premiums we have in place, our collection rate has fallen and this may impact this forecast if they remain below plan until year end. £2,000k relates to pulling through the Risk Budget that is held to fund unforeseen pressures such as the expected pay award.

