

CYNGOR SIR POWYS COUNTY COUNCIL.

COUNCIL

Date: 23rd February 2023

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

SUBJECT: Medium-Term Financial Strategy 2023-2028, 2023-24 Budget
and Capital Programme for 2023-2028

REPORT FOR: Decision

1. Purpose

- 1.1 To seek approval of the updated Medium Term Financial Strategy (MTFS) for 2023-28, which includes a Financial Resource Model (FRM) for 2023-28, a revenue budget for 2023-24 and a capital programme for 2023-24 to 2027-28.
- 1.2 The Council is required under the Local Government Act 2003 to set a balanced budget for the forthcoming financial year; the MTFS reports a balanced budget for 2023/24. 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.

2. Background

- 2.1 The Medium-Term Financial Strategy sets out the financial strategy for Powys County Council (the Council) for the period 2023 to 2028. The strategy captures the financial, regulatory and policy drivers affecting the Council and sets the direction and approach, providing a framework in which the Council develops its financial plans. It also incorporates the plan for delivering a balanced budget for 2023-24, and indicative budgets for the following 4 years to March 2028.
- 2.2 The financial strategy is the link between the organisation's long term service objectives and its financial capacity. It seeks to ensure that the Council's strategic objectives can be achieved within the confines of the financial resources available.
- 2.3 The Council is developing its financial plans in an extremely challenging economic context. Inflation is at a 40-year high and the UK is entering recession. This wider UK economic context has resulted in significant financial pressures, particularly for public services. The continued impact of the UK's decision to leave the European Union, the legacy of the Covid-19 pandemic, along with a lengthy period of austerity, have eroded the resilience of public services. If the next UK government sticks to the lean spending plans proposed by the current government, future funding settlements are projected to decline and analysts are reporting that this would almost certainly imply a return to an era of spending cuts and above-inflation Council Tax increases.
- 2.4 2022 has brought the two further challenges with a war in mainland Europe, as Russia invaded Ukraine, and the continued cost of living crisis, both of which have driven up prices for individuals, businesses, and services.

- 2.5 Even with the additional resource funding provided through the Settlement from Welsh Government (WG), the high levels of inflation currently being experienced means the funding provided is now worth less in real terms.
- 2.6 Council approved the previous Medium Term Financial Strategy on the 3rd March 2022. Much has changed since that time, both in terms of the changing financial environment and a change in the administration of the Council.
- 2.7 In September 2022 Cabinet considered a report which provided an update on the challenging economic context and how this is impacting on the development of the Council's Budget and the Medium Term Financial Strategy. The MTFS has therefore been reviewed and updated and on the 20th December 2022 Cabinet approved the revised assumptions to be reflected in the plan.
- 2.8 The MTFS presented today has been further developed and reflects the updated funding projections provided through the provisional settlement received by Welsh Government on the 14th December, 2022.
- 2.9 Like other councils across Wales, in addition to the challenges imposed by rising inflation Powys County Council continues to face significant challenges arising from demographic changes, increase service demands, citizen expectations and rising costs, together with the ongoing response to the Covid pandemic.
- 2.10 We anticipate that we will continue to face financial pressures that outweigh the funding available throughout the period of our MTFS. The challenge imposed by the current economic context and the speed in which it has taken effect has again obliged the Council to focus on the short term. It is becoming clear that the Council in its current form is not sustainable for the longer term, and initial plans to reimagine what the Council should look like in the future are currently underway and are critical to ensure that the Council can remain financially stable and provide sustainable services in the long-term.
- 2.11 The updated Strategy captures the financial, regulatory and policy drivers affecting the Council and identifies the Council's service and resource priorities for the next five financial years. It delivers a balanced budget for 2023/24, and indicative budgets for the following 4 years to March 2028.
- 2.12 The proposed Capital Programme reflects the existing commitments made in previous years as well as new schemes already approved.
- 2.13 The setting of our budget, and in turn Council Tax, will need to take account of the full range of funding sources available to us, as well as the pressures we face. Whilst the funding position for 2023/24 is more positive than initially assumed, the overall position both next year and beyond is set in the context of ongoing uncertainty. The opportunity the settlement for 2023/24 provides must be considered in the context of our ongoing financial sustainability. Funding levels for 2024/25 and beyond return to lower levels of increase and we must plan with this in mind and maintain financial resilience wherever possible.

- 2.14 The new Corporate and Strategic Equality Plan 2023-27 reflects the Council's operating environment and its priorities. The Plan is presented to Council for approval today. This will ensure the Corporate Plan and MTFS are aligned, enabling the reader to make explicit links between the Council's priorities and the resources directed to support them.
- 2.15 During 2023 we will focus on our three key equality objectives which are:
- We will improve people's awareness of services, and how to access them, so that they can make informed choices.
 - We will support good quality, sustainable, employment, providing training opportunities, and pursuing real living wage employer accreditation.
 - We will work to tackle poverty and inequality to support the well-being of the people of Powys.
- 2.16 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.
- 2.17 The Council's MTFS is set within the context of UK economic and public expenditure plans, WG priorities and legislative requirements. It articulates how the Council plans to use its resources (revenue and capital) to support the achievement of its corporate priorities as well as the management of its statutory and core duties, known pressures and risks. The MTFS helps the Council to work more effectively with partners in other sectors and provides a strategy for the use of reserves to meet changes in resources, risks or unforeseen demands from year to year without impacting unduly on services or council taxpayers.
- 2.18 The MTFS includes the:
- principles that will govern the strategy and a five-year Financial Resource Model (FRM), comprising detailed proposals for 2023-24 and outline proposals for 2024-25 to 2027-28.
 - Capital Financing Strategy and the Treasury Management Strategy; and Capital Programme for 2023-24 to 2027-28.
- 2.19 The Cabinet and the Executive Management Team have developed the MTFS to guide the development of the 2023-24 budget, the FRM and the Capital Programme. At the same time as updating the MTFS, the Council is legally required under the Local Government Act 2003 to set a balanced budget for the forthcoming financial year by the 11th of March each year.
- 2.20 Production of the budget for the forthcoming year is dependent on receipt of the provisional local government settlement from the WG which for 2023-24 was published on 14th December 2022. The Welsh Government draft budget will be scrutinised and the final budget will be published on 7th March 2023; if there are any late changes these would need to be made and presented to Council at the meeting

on the 2nd March 2023 for further approval or at a further meeting of Council if required.

3. Advice

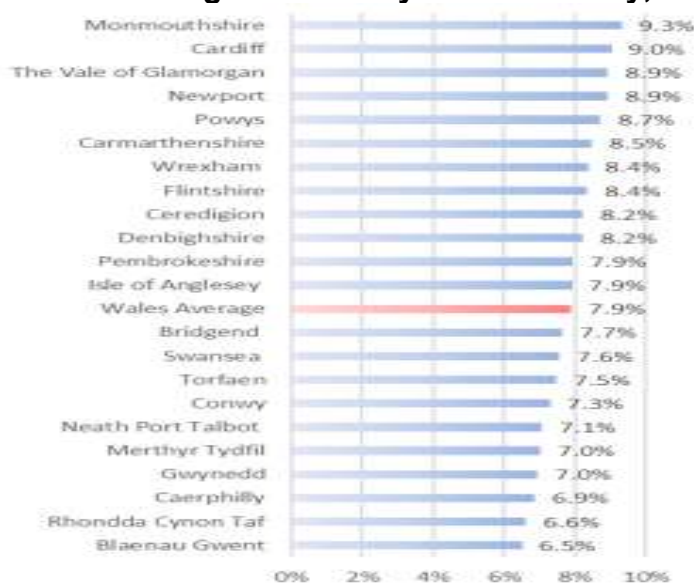
Welsh Government Provisional Local Government Settlement

- 3.1 The Local Government Revenue Settlement comprises Revenue Support Grant (RSG) and redistributed National Non-Domestic Rates (NNDR) revenues and is known as Aggregated External Finance (AEF). In 2023-24, local authorities will receive £5.5 billion from the WG in RSG and NDR to spend on delivering key services.
- 3.2 WG continue with their commitment to local government being at the frontline of delivering a wide range of vital public services. WG recognises that Local Authorities have been affected by the soaring cost of energy and inflation across all services, including in two of their biggest service areas: schools and social care. This is alongside overall increases in demand in many service areas.
- 3.3 Schools in Wales are directly funded by local authorities; funding for schools is provided mainly through the local government settlement. The WG's education budget also supports spending in and on schools, teachers and wider education programmes, including free school meals, the rollout of the new curriculum, teacher training and support to help learners recover post pandemic.
- 3.4 As a result of spending decisions made in relation to education in England, Wales received additional funding in the Autumn Statement. This is being provided in full by WG to local authorities in Wales through increases to the un-hypothecated settlement and through the education budget. The funding provided through this Settlement will therefore cover the costs arising from the 2023/24 pay deal which fall within the 2023-24 Settlement year. WG have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2023/24 teachers' pay deal. Local authorities' budget planning must therefore accommodate these costs.
- 3.5 Welsh Government recognises that social care plays a vital role in Wales, supporting people to live independent lives in the community while also supporting the wider health service. Without effective social care, the NHS' ability to function effectively will be swiftly diminished. The demand for social care has increased rapidly and the sector is under intense pressure as it struggles to recruit and retain staff.
- 3.6 In April 2022, WG provided funding to enable the Council to be able to pay the Real Living Wage for social care workers. To maintain this, WG makes a recurrent provision of £70m to meet the Real Living Wage for social care workers, within the allocations to the health and social care budget and the local government settlement.
- 3.7 For Education, in addition to the funding being provided for schools via the local government settlement, WG are allocating an extra £10m for schools via their Education budget in 2023-24. This is made up of an additional £5.5m to support the continuation of the Recruit, Recover and Raise Standards (RRRS) programme in line with the Programme for Government commitment, and a further £4.5m to support implementation of the Additional Learning Needs (Wales) Act as part of the long-term programme of education reform. There will also be an additional £9m to support post-

16 provision, including a review of Renew and Reform funding and other distinct pressures for school sixth form and the Further Education sector.

- 3.8 The Welsh Government remains committed to people in Wales having access to a decent place to live. Funding for housing and homelessness continues to be an area of priority investment, which protects the most vulnerable in society. £10m is allocated to the homelessness prevention budget to boost investment in homelessness prevention and relief interventions across Wales, providing support for local authorities to continue our ‘no-one left out’ approach.
- 3.9 Businesses and other ratepayers in Wales are supported with a package of non-domestic rates support worth more than £460m over the next two financial years. The approach taken in previous years is maintained with the freezing of the non-domestic rates multiplier for 2023-24. This ensures there will again be no inflationary increase in the amount of rates businesses and other ratepayers are paying.
- 3.10 WG are also introducing a £113m, fully funded, transitional relief for all ratepayers whose bills increase by more than £300 following the UK-wide revaluation exercise, which takes effect on 1 April 2023.
- 3.11 Finally, the Non-Domestic Rates support package also provides over £140m of non-domestic rates relief for retail, leisure, and hospitality businesses in Wales. Eligible ratepayers will receive 75% non-domestic rates relief for the duration of 2023-24, capped at £110,000 per business across Wales.
- 3.12 The Graph below shows changes to Aggregated External Finance across the Local Authorities in Wales between 2022/23 and 23/24. The average increase is 7.9% driven by the funding formula. This is largely a reflection of data movements in pupil numbers and free school meal entitlement derived from the schools’ census, as well as the impact of the decennial Census on the population counts/estimates. The lowest increase is Blaenau Gwent with 6.5% and the highest is Monmouthshire with an increase of 9.3%.

Table 1: Changes to AEF by local authority, 2022-23 to 2023-24



Source: WG Provisional LGF Settlement 2023-24

- 3.13 The graph confirms that funding in Powys has increased by 8.7% after adjusting for transfers; this equates to an additional £18.298 million for 2023-24.
- 3.14 WG funding is allocated to unitary authorities using a formula driven by a number of 'indicators' (e.g. population projections, pupil numbers, primary school free school meals and income support, job seekers allowance or pension credits claimants). The movement in these indicators, relative to the movement in the indicator for Wales as a whole, affects Powys' share of the overall funding available. Powys' Settlement reflects more favourable financial re-distributional movements in formula indicators such as free school meals and benefits, whilst there are less favourable financial movements in pupil numbers as shown in the table below.

Table 2: Change in Key Datasets

| Dataset ¹ | 2022-23 Final | 2023-24 Provisional | % Difference | Rank | % share 2022-23 | % share 2023-24 | Change in % share | Rank |
|---|------------------|------------------------|-----------------|------|--------------------|--------------------|----------------------|------|
| Total Population ² | 132,538 | 132,885 | 0.3% | 2 | 4.18% | 4.23% | 0.05% | 2 |
| Pupil Numbers - Nursery and Primary | 9,589 | 9,572 | -0.2% | 3 | 3.68% | 3.72% | 0.04% | 4 |
| Pupil Numbers - Secondary in year groups 7-11 | 6,452 | 6,393 | -0.9% | 22 | 3.83% | 3.75% | -0.08% | 22 |
| Free School Meals - Primary | 1,147 | 1,304 | 13.7% | 1 | 2.37% | 2.54% | 0.17% | 2 |
| Free School Meals - Secondary | 719 | 827 | 15.0% | 4 | 2.50% | 2.65% | 0.14% | 4 |
| IS/ JSA/ PC/UC (not in employment) claimants - 18 to 64 | 3,139 | 4,281 | 36.4% | 2 | 2.38% | 2.60% | 0.22% | 1 |
| IS/ JSA/ PC claimants - 65+ | 3,827 | 3,626 | -5.3% | 11 | 4.03% | 4.03% | 0.00% | 11 |
| IS/ JSA/ PC/UC (not in employment) claimants - all ages | 7,027 | 8,017 | 14.1% | 5 | 3.07% | 3.11% | 0.04% | 4 |
| SDA/DLA/PIP claimants - 18 to 64 | 4,570 | 4,735 | 3.6% | 13 | 3.11% | 3.10% | -0.01% | 12 |

Notes:

1. For definitions of the indicators refer to the Local Government Settlement 2023-24 - Local Government Finance (Councils) Report.
2. Population data set used for the 2022-23 final settlement is based on the 2018-based local authority projections for 2022 and for the 2023-24 provisional settlement an average of the 2018-based local authority projections for 2023 and the 2021 census data.

- 3.15 While the un-hypothecated (non-earmarked) settlement is the largest single source of funding available to authorities, it is not the only one. The Council also funds its expenditure by generating income from grants, fees and charges and Council Tax. In setting the budget and Council Tax levels for next year, Welsh Government expects every local authority to take account of all the available funding streams and to consider how to secure best value for Welsh taxpayers through effective and efficient service provision.

Revenue Settlement Implications for 2023-27

- 3.16 WG have also provided the indicative Wales-level core revenue funding allocation for 2024-25, which is £5.69 billion, equating to an uplift of £169 million (3.1%). As Powys is receiving uplifts along the line of the average settlement or above, this uplift has been used in the FRM, with an assumed 2% for the final two years.

Provisional Local Government Capital Settlement

- 3.17 Following a review of their capital budgets, WG general capital funding for local government for 2023-24 will remain as indicated in the final 2022-23 budget at £180 million, an increase of £30m over the current year. This will continue for 2024-25.
- 3.18 For Powys, the capital budget is made up of two elements; the un-hypothecated (supported) borrowing element which decreases by £8k, however the General Capital Grant allocation has increased by £113k. The split is:

- Supported borrowing £4.587 million
- General Capital Grant £4.711 million.

3.19 WG recognise the need to maintain focus on responding to the climate and nature emergency and contributing to the Net Zero Wales plan and are providing separately £20 million capital in each year to enable authorities to respond to the joint priority of decarbonisation.

Final Local Government Settlement

3.20 The publication of the Settlement in mid-December has enabled WG to draw on the latest tax-base figures for 2023-24, meaning that there should be no change between provisional and final settlements as a result of updates to the tax base. There is no guarantee that there will be no other changes between the provisional and final settlements, but WG do not intend making any significant changes to the methodology or the data underpinning the distribution of the Settlement. There is one change planned for final budget and that is the intention to transfer funding for the increased employer costs related to Fire and Rescue Authority (FRA) pensions from a grant to the FRAs into the final local government settlement. We also await further information with regard to the recent pay negotiations for teachers and the funding that will be provided by Welsh Government to support the increased pay offer. It is therefore proposed that any additional funding received following publication of the Local Government Final Settlement for these items will be applied as prescribed, with any additional funding for Teachers pay passported to schools increasing the overall level of funding provided.

3.21 Welsh Government is due to publish its Final Budget and Final Local Government Settlement for 2023-24 on 7th March 2023.

Current Year (2022-23) Financial Performance

3.22 The impact of rising inflation and supply chain issues has already had a significant impact on the Councils budget in the current year. Rising costs for fuel, food, and energy together with contractual uplifts linked to inflation have all increased the financial pressure on our budget in 2022-23. Employee Costs have also increased as national pay awards saw Teachers pay increase by 5% from September 2022 and other council employees receive an average increase of 7.25% this year, ranging from 10.5% to 1.29% across the scale points. And as materials and contractor costs increase and the cost of borrowing becomes more expensive pressure is also felt on our Capital Budget.

3.23 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.

3.24 The budget set by council back in March is not now sufficient to meet our costs and the Senior Leadership Team took action to reduce expenditure this year wherever possible and limit the level of projected overspend. This included:-

- Limiting expenditure to that which is absolutely necessary
- Spend control and expenditure analysis
- Maximise the New Ways of Working to deliver cost reductions, e.g. reduced travel
- Challenge and hold/delay staff vacancies

- Utilise alternative sources of funding
- Hold/delay capital projects
- Heating reductions across Council buildings

Even with the support of these actions we will still have to draw on our reserves to support the budget.

3.25 At the end of December 2022 (Quarter three) the projected position for the current year has improved reducing the need to draw on reserves to the extent previously reported. The revised projected position has reduced the budget deficit to £2.4 million, this is after the drawdown of the payroll reserve of £1.2 million, but before the use of £3.3 million of other specific reserves. Further specific reserves were already planned to be utilised within the budget. The overall projected use of reserves in 2022/23 is shown in the table below.

Table 3: Reserves Summary as at 31st December 2022

| Summary | Opening Balance (1st April 22) Surplus / (Deficit) | Forecast Addition / (Use) of Reserves | Projected Balance (31st March 23) Surplus/ (Deficit) |
|---------------------------------------|--|---------------------------------------|--|
| General Fund | 9,333 | 0 | 9,333 |
| Budget Management Reserve | 3,584 | 0 | 3,584 |
| Specific Reserves | 29,167 | (7,424) | 21,743 |
| Transport & Equipment Funding Reserve | 8,843 | (1,914) | 6,929 |
| Total Usable Reserves | 50,927 | (9,338) | 41,589 |
| Schools Delegated Reserves | 8,982 | (5,231) | 3,751 |
| School Loans & Other Items | (371) | 7 | (364) |
| Housing Revenue Account | 4,244 | (164) | 4,080 |
| Total Ring Fenced Reserve | 12,855 | (5,388) | 7,467 |
| Total | 63,782 | (14,726) | 49,056 |

3.26 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. The position will continue to be monitored.

Council's Achievements and Improvement Journey

3.27 The Education service continues to go from strength to strength, building on the progress that was seen during the Estyn Monitoring visits in November 2021. As a service we consistently meet corporate deadlines and expectations for both quarter reporting and compliance training. SSMT have worked collaboratively with our finance partners to manage both the service and delegated budgets, as part of this support we have produced a financial toolkit which has been shared with other counties at their request and introduced our benchmarking tool. The Professional Learning Team has successfully delivered face to face cluster training to support the roll out of the Curriculum for Wales (CfW). Further work has begun to support the assessment and progression of the CfW. Following recent Estyn inspections three

Powys primary schools have been identified as best practice and will be included in case studies. Significant progress continues to be made with the Powys Additional Learning Needs (ALN) strategy including the opening of Key Stage 2 provision in the Pupil Referral Units and the launch of the Children Looked After (CLA) virtual school. Powys ALN processes have been identified as sector leading by Estyn and Welsh Government, Powys ALN systems and processes will be referenced in the annual Estyn Report.

- 3.28 Social Services has continued to work under Business Continuity plans for part of the financial and performance year, with Adult Social Care returning to Business Continuity in December 2022. Both Children's Services and Adult Social Care have experienced significant pressures in terms of workforce availability and the level of increased demand on the services. There have been positive regulatory visits from Care Inspectorate Wales and for Youth Justice, which is testament to the hard work of staff and teams. There has been a change in the leadership with temporary arrangements in place, with the Interim Director of Social Services and Housing (overseeing Adult Social Care, Commissioning and Partnerships and Housing), and Director of Education of Education and Children (overseeing Children's Services). There has also been changes at Head of Service level with two interim arrangements in place for Children's Services, and Commissioning and Partnerships.
- 3.29 Amongst other successes the Planning, Property and Public Protection has developed new commercial units at Abermule business park, secured the implementation of energy efficiency works, including, temperature control, LED lighting and solar PV projects. The team has also successfully transferred Heart of Wales Property Services operatives back into the Strategic Property team. The Environmental Health and Commercial & Trading Standards teams have progressed recovery work following their prominent role in managing covid-19 risk. This work includes several successful prosecutions/interventions, which help safeguard Powys residents. Environmental Protection have completed projects across Powys to increase burial capacity within Powys cemeteries thereby improving the sustainability of the facilities. Refurbishment works at Brecon cemetery have been successfully completed. This includes the restoration of the listed gateway. The Planning Service has progressed recovery work following staff retention issues, reducing both the planning application and planning enforcement investigation backlog.
- 3.30 Alongside property colleagues the Housing Service successfully transferred back to the Council the staff and services previously delivered by Heart of Wales Property Services. Since then the backlog of repairs and maintenance work has been reduced by one third, and average void turnaround times also reduced by one third. There remains however a continual challenge in recruiting to both professional and trade roles, which has impacted on both cost and timescales for completion of work and projects. We have increased the choice of affordable, secure homes to rent by completing the development of 61 new homes: 22 units in Llanidloes, 26 units in Newtown and 13 units in Clyro. It is anticipated that an additional 18 units will be completed in Newtown before the end of the financial year.
- 3.31 Within our Community Services team The Libraries, Museums and Arts services are still working towards regaining pre-pandemic levels of participation which have been slower to return in some areas. With measures and restrictions now lifted and customers more comfortable with face-to-face interaction, user numbers are improving which is a positive and a benefit to health and well-being. Some services (especially Catering & Cleaning) have experienced significant issues with recruitment

and staff absences which has caused reduced operational delivery in some geographical areas. However, a good level of service continues despite this challenge and the service is working closely with corporate colleagues to implement solutions where possible. The roll out of Universal Free School Meal provision began in September 2022 and is a significant change to the service with all primary school age pupils entitled to receive a free meal by April 2024. Digital development continues across Archives and Libraries with more opportunities for people to utilise resources available and to develop their own skills and learning. Libraries continue to provide a front-facing customer service 'hub' facility which supports the wider council and enables customers to access services as necessary

- 3 32 As part of a Sport Wales regional initiative, our Leisure and Sports Development team at Powys are in the process of developing a 'Mid Wales Partnership' with their counterparts in Ceredigion which intends to encourage greater collaborative working (across sectors i.e. Education, Social Care, Health), provide and encourage more opportunities for healthy physical activity and attract additional funding into the region. Freedom Leisure continue to delivery leisure services throughout Powys, although leisure provision is being impacted nationally due to the increase of energy costs, inflation and salary increases. Freedom have predicted additional costs of energy in 2023-24 to be over £1m which has necessitated a full review of leisure to be undertaken from early 2023 to consider options to ensure a more sustainable provision in the future.
- 3.33 Economy & Regeneration have secured over £30 million of investment over the next three years from both the UK Government (£27m Shared Prosperity Fund) and Welsh governments (£3m Transforming Towns). The Global Centre of Rail Excellence (GCRE) project has taken a major step forward with the acquisition of the site in Onllwyn near Ystradgynlais. We have co-created 10 town Centre investment plans and purchased land for housing development next to automobile palace in Llandrindod Wells. Utilised additional grant support to ensure the completion of the Riverside Venue (Hafan Yr Afon) in Newtown which hosted a visit from the First Minister Mark Drakeford at its opening and organised local participation in the Women's Cycling Tour end stage in Welshpool.
- 3.34 Highways, Transport and Recycling have successfully trialled seasonal working patterns in Highway operations since April, and a formal review will now assess the success of the working patterns, with a view to extend the trial to other highway operational areas. Recycling performance has improved to at 66.7%, exceeding the Welsh Government target of 64%. The team secured £9.7 million in revenue grants and £3.5 million in Capital grants, including schemes and projects for active travel, local transport, road safety and flood alleviation. A roll out programme for EV (electric vehicle) charging points has continued to improve facilities across the County. There are now 13 car parks where EVs have been installed. New installations commissioned this year are Ystradgynlais, Crickhowell, Rhayader, Hay on Wye and Knighton. A new bus pass system was also introduced in our Home to School transport service which has been nominated for local government awards.
- 3.35 Our New Ways of Working (NWOW) project has progressed and the role and workstyles introduced are becoming firmly embedded, with 1291 staff now designated as flexible workers, 75 as on-the-go and 133 as place-based workers. The benefits of flexible working are also being promoted to support our recruitment initiatives. Furniture and equipment recycling for flexible workers is now underway, as staff leave and new employees join the authority, helping to reduce the costs of

supplying compliant workstation equipment for home workstations. A new system of portable appliance testing (PAT) of electrical equipment has been successfully introduced for flexible workers, to ensure that equipment is safe to use from home. Compliant workstations for co-working have also been set up in 4 libraries as part of digital community hub pilots funded by the UK Community Renewal Fund; these are complemented by facilities for virtual or hybrid meetings/appointments to take place remotely, supporting the digital strategy and climate emergency through reducing the need for travel. NWOW is supporting the transformation of corporate offices, providing equipment for hot desks, and office clearance work to enable a streamlining of the property portfolio and the provision of additional space for meetings and collaborative working.

- 3.36 The Test, Trace, Protect team has seen a significant reduction in resource from 142 to 24 FTE (full time equivalents) in line with the transition of Wales to a Covid Stable state. This transition has seen a shift in focus from breaking all chains of Covid-19 transmission, to protecting our most vulnerable residents. Under current guidance the team only contact trace vulnerable residents (those who are likely to be eligible for Covid-19 treatments) and those employed within the health and social care sector Powys has successfully welcomed a total of 430 Ukrainian arrivals either into hotels, the welcome centre, or into individual homes. There are currently 232 individual guests in hosted accommodation in Powys.
- 3.37 The Mid Wales CJC (Corporate Joint Committee) has successfully been set up and established in accordance with the statutory requirements and is looking ahead to deliver collaborative regional working with Ceredigion County Council in the areas of Economic Wellbeing (including the Growth Deal), Strategic Planning and Transport Planning.
- 3.38 The Mid Wales Growth Deal has continued to progress and a shortlist of 7 projects has been included in the initial programme. The Sites and Premises and Digital Programmes have been also established and developmental work is underway. As part of the Sites and Premises programme a shortlist of sites in Mid Wales has been identified for further exploration by specialist advisors for development potential and joint Strategic Leads for both authorities have been nominated..
- 3.39 The Digital team have continued our digital transformation having introduced AI (artificial intelligence) to assist the online request for winter fuel payments. They also produced a digitally automated Warm Spaces application process and directory. Further improvements were also made to our Council Tax change of circumstance, direct debit and on line billing functions with an online chat facility introduced that is linked to our customer service teams
- 3.40 Corporate Services continue with strong delivery on digital, recruitment and retention, development of the Corporate Plan, and further data developments to help informed decision making. Wrapped around all services is the pro-active communications campaigns and extensive member development programme.

MTFS 2023-28

- 3.41 The MTFS for the next five years is attached at Appendix A, based on the latest information available from the WG. It does not include fixed funding, expenditure or activity projections, but sets out a five-year budget forecast for the resources that are likely to be available. The MTFS is reviewed regularly and will be amended as

additional information becomes available, with the detail for future years being developed over the period of the strategy.

- 3.42 Implementation of the MTFs will continue to be led by Cabinet and Senior Leadership Team (SLT)¹, supported by robust financial and performance data. The Council will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners). As well as linking explicitly to the Council's corporate priorities, the MTFs also links to other internal resource strategies such as the Workforce Plan, the Digital Powys Strategy, the Treasury Management and Capital Strategy, Asset Management Plans and the Council's Transformation Programme.

Engagement, Scrutiny and Challenge

- 3.43 Over the past few years, the Council has sought to engage Powys citizens, local councillors, partners and the workforce in the budget development process. This included providing more information to the public, undertaking specific consultation on proposals and an interactive online budget simulator consultation exercise. These have created the opportunity for residents to influence service delivery and helped define the priorities for the Council.
- 3.44 This year the budget survey closed on the 5th January 2023 and focused on balancing the limited funding against growing demand for our services, and helping us redesign the Council for the future. It allowed the public to provide views on what the council might look in the future.
- 3.45 Members of the Council have engaged in the budget planning process through member budget seminars which have given Councillors the opportunity to review and challenge the process. The Finance Scrutiny Panel (comprising Group Leaders of Non-Executive Groups and Audit Committee representatives) have also been engaged during the process and financial assumptions have been shared with members.
- 3.46 This report presents the detailed budget for 2023-24 and each of the Council's Scrutiny Committees have had the opportunity to consider the implications of the proposed budget for the service areas within their remit. The Committees have provided feedback to Cabinet which has been considered in finalising the MTFs, the revenue budget for 2023-24 and the capital programme 2023-28 being presented to Full Council for approval today. The Scrutiny Committee recommendations and Cabinet responses are provided with this report.

MTFS Principles

- 3.47 The MTFs provides a set of clear principles which will drive the Council's budget and spending decisions over 2023-28 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 Corporate Plan.

¹ SLT comprises the Chief Executive Officer, Corporate Directors and Heads of Service)

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.
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.

Financial Resource Model

- 3.48 The MTFS includes a Finance Resource Model (FRM) which provides a financial plan for the forthcoming five financial years. This is provided at Appendix B. The MTFS sets out a budget proposal for the next five years for the Council's future years' budgets based on the indicative uplift provided by WG and making several assumptions about cost drivers such as pay and price inflation and demographic change. All the scenarios include an annual council tax increase of 5% from 2023-24 onwards.
- 3.49 Table 4 sets out the gap between the Council's net budget requirement and the possible funding available until 2027/28 based on the expected funding as set out in the MTFS. An overall gap of £24.7 million is shown and this will need to be addressed through realigning budgets to match the funding available.

Table 4

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Cumulative |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| FRM Net Exp | 326,554 | 348,854 | 363,948 | 378,648 | 393,967 | |
| Current Year Budget | 301,872 | 326,554 | 348,854 | 363,948 | 378,648 | |
| GAP - each year | 24,682 | 22,300 | 15,093 | 14,701 | 15,319 | |
| Additional Funding | | | | | | |
| Council Tax increase - 5% and tax base | -6,384 | -4,898 | -5,143 | -5,400 | -5,670 | |
| Settlement (8.7%, 3.1%, 2% then on) | -18,298 | -7,080 | -4,709 | -4,804 | -4,900 | |
| Net Gap - Each Year | 0 | 10,322 | 5,241 | 4,497 | 4,749 | 24,810 |

3.50 The Table includes recurrent future year cost reductions of £16.5 million already identified. To balance the budget further reductions will need to be found, and/or increase council tax by more than 5% per annum over 2023 to 2028 to balance future years' budgets.

Revenue Budget 2023-28

3.51 Integrated Business Planning continues across the Council and involves all council services for the next five years:

- Reviewing comparative performance data and benchmarking
- Identifying any inescapable cost pressures
- Identifying cost reduction opportunities
- Planning service changes to secure delivery of the priority outcomes in the Council's Corporate Improvement Plan Vision 2025 and statutory obligations
- Identifying any workforce implications of service changes.

3.52 This process is now embedded into the Council's planning framework and ways of working and has been delivered within the planned budget cycle.

3.53 Early assumptions were revised as the impact of the emerging financial pressures began to take hold and the updated budget plan now includes the latest assumptions and the projected changes in inflation expected through 2023. Significant uncertainty remains reflecting the continued volatility. It is in this environment that the setting of a robust base budget based on sound assumptions is fundamental, together with an assessment of the risk that remains. The inclusion of an annual "risk budget" and the holding of sufficient reserves ensures that the council can effectively manage this risk and maintain financial stability.

Levies for Mid and West Wales Fire Authority and the Brecon Beacons National Park

3.54 The council is required to provide funding to support both the Mid and West Wales Fire Authority (MAWWFRA) and the Brecon Beacons National Park via a levy.

3.55 Under the provisions of paragraph 21.2 in part IV of the Mid and West Wales Fire Services (Combination Scheme) Order 1995, as amended, the Fire and Rescue Authority is required, before the 31st December in any year, to submit to each constituent authority an estimate of its expenses for the next financial year. Accordingly the Chief fire Officer has served formal notice that the estimated Net revenue budget requirement for the Mid and West Wales Fire and Rescue Authority for the 2023-24 financial year is £60,821,000. In addition it is now expected that 2

former grants are no longer being provided directly to the Fire authority and the value of these will increase the budget requirement to be levied to £63,257,200 an overall increase of 17.53% on last years figure of £53,823,000.

- 3.56 As reported in section 3.20 above the transfer of one of these grants at circa £267k is to be included in the final settlement.
- 3.57 The budget requirement is levied across the 6 constituent Local Authorities based on population.
- 3.58 The Councils budget includes an estimate of £9,166,841 for 2023-24, an increase of £1,355,336 (17.35%) from that provided in 2022-23, £7,811,505. This amount is funded in part through the local government settlement with the remainder being met from Council Tax.

| Year | Base | Change |
|---------|-----------|--------|
| 2020-21 | 7,323,605 | |
| 2021-22 | 7,524,918 | 2.7% |
| 2022-23 | 7,811,505 | 3.8% |
| 2023-24 | 9,166,841 | 17.4% |

- 3.59 The levy for the Brecon Beacons National Park is estimated at £646,309.

2023-24 Net Budget Requirement

- 3.60 The net budget requirement is the amount of budget the Council requires to fulfil its functions. It is calculated taking the output of each of the service integrated business plans; these identify the resource requirements for each service to deliver their statutory functions, the Corporate Plan and service improvement objectives offset by budget reduction proposals.
- 3.61 Table 5 below sets out the proposed net budget for 2023-24 at £326.6 million, including the Delegated Schools' Budget.

Table 5: 2023-24 Revenue Budget

| £'000 | Base Budget | Pay Award 2022/23 | Pay Award 2023-24 | Non Pay 2023-24 | Demography | Pressures | Covid Pressures | Savings | Adjustment | 2022/23 Undelivered Savings | Request 2023/24 | Variance | % Increase |
|----------------|----------------|-------------------|-------------------|-----------------|------------|---------------|-----------------|-----------------|----------------|-----------------------------|-----------------|---------------|-------------|
| Delegated | 79,491 | 1,114 | 2,725 | 3,879 | -185 | 1,573 | | (864) | (3,346) | 0 | 84,386 | 4,895 | 6.2% |
| Education | 17,329 | 274 | 451 | 87 | | 1,139 | | (830) | | 0 | 18,450 | 1,121 | 6.5% |
| HTR | 29,669 | 829 | 701 | 1,940 | | 2,403 | | (2,988) | | 0 | 32,553 | 2,884 | 9.7% |
| H&CD | 5,417 | 304 | 255 | 456 | 0 | 1,270 | | (379) | | 0 | 7,324 | 1,907 | 35.2% |
| PPPP | 5,913 | 242 | 199 | 768 | | 321 | | (793) | | 75 | 6,725 | 812 | 13.7% |
| ASC Commission | 3,647 | 139 | 97 | 18 | | 0 | | (97) | | 0 | 3,805 | 158 | 4.3% |
| ASC | 73,938 | 652 | 596 | 154 | 491 | 8,140 | 958 | (4,648) | | 0 | 80,281 | 6,343 | 8.6% |
| Children | 27,897 | 504 | 466 | 77 | 0 | 2,201 | 0 | (2,796) | | 1,278 | 29,626 | 1,729 | 6.2% |
| Finance | 6,258 | 190 | 167 | 68 | | 89 | | (73) | | 0 | 6,699 | 441 | 7.0% |
| Transf/Comm | 1,461 | 67 | 53 | 2 | | 0 | | (8) | | 0 | 1,576 | 115 | 7.8% |
| WOD | 2,399 | 95 | 89 | 9 | | 103 | | (12) | | 0 | 2,683 | 284 | 11.9% |
| Digital | 6,312 | 184 | 146 | 69 | | 368 | | (24) | | 166 | 7,220 | 908 | 14.4% |
| Legal | 3,561 | 124 | 110 | 7 | | 45 | | (2) | | 32 | 3,877 | 316 | 8.9% |
| Corp | 38,580 | 32 | 80 | 13 | | 5,648 | | (3,003) | | 0 | 41,350 | 2,770 | 7.2% |
| Total | 301,872 | 4,750 | 6,135 | 7,547 | 306 | 23,298 | 958 | (16,517) | (3,346) | 1,550 | 326,554 | 24,682 | 8.2% |

3.62 Table 5 shows the Council's 2022-23 base budget and proposed changes across each service to provide a base budget for 2023-24, the columns set out the financial pressures falling on each service together with the savings that are proposed.

Inflationary Pressures of £18.43 million and additional services cost pressures of £24.56 million as detailed in Appendix F include:-

- Pay Awards for Teachers and Other Council staff – realignment of the 2022/23 national pay settlement and projected 2023/24 awards – £4.75 million and £6.14 Million respectively, with a further £2.9 million held centrally
- Non- pay general inflation £7.55 million
- Energy cost increases – £5.8 Million across Schools and other Council Services
- Leisure Services Contract - £1.1 million estimate due to increased energy costs across Leisure Centres, a review is underway which will provide options and proposals to determine the longer-term future and sustainability of the leisure facilities in Powys. In addition the annual inflationary update of £0.31 Million is also included
- Demographic changes and Service Demand across Adult Social Care - £4.9 Million,
- Service Demand pressures across Children Services - £1.7 million
- Real living wage to be paid to carers estimated at an additional £4.6 million on current care contracts across Social Care
- Corporate Pressures – Fire levy £1.1 million and Council Tax Reduction scheme - £470,000.
- Contractor and material cost increases across Highways Transport and Recycling Services - £1.2 million
- Additional placement costs for Out of County Pupils and Increased support for pupils with Additional Learning Needs - £530,000.

3.63 Amendments to the budget

Following the Scrutiny Committee feedback Cabinet have further reviewed the budget and propose a series of amendments to the revenue budget they approved on 17th January 2023.

3.64 In proposing these changes, Cabinet have considered further the potential impact on School budgets as they respond to the increase in energy costs, particularly those who are already struggling to balance their budgets. The changes proposed will provide funding to establish a fund to support energy management in schools.

1. The set up of a one off £500k fund to support energy costs and energy efficiency measures in schools. The fund will be held in the Schools Delegated contingency budget.

The above will be funded by the following proposals:-

- I. To reduce the pressure “External providers increase in Travel“ by £22k. This pressure includes provision to fund Adult Social Care providers to move from 45p to 50p a mile allowance for their staff. No agreement has been made to pay more than the 45p so the £22k funding is not required.
- II. To remove the provision to replace the general fund reserve by £287k in relation to funding used to support Freedom Leisure in 2022/23. Cabinet approved the release of reserves in the current financial year to support Freedom Leisure with

increasing energy costs. The Quarter 3 budget monitoring report is reporting an improved projected budget outturn position and the funding can be supported by base budget without the need to draw on reserves. The one off provision in 2023/24 is no longer needed and can be removed or redirected.

- III. To increase the reduction relating to the voluntary revenue contribution to the Vehicle and Equipment Replacement Reserve for one year only, from £1m to £1,191,000. This will make available £191k one off funding for 2023/24. An impact assessment has been undertaken to support this change.
 2. To remove the £120k Older day provision review saving. This estimate is not supported by detailed proposals but is included as a potential savings following a review of the Older Day services review. Until a review has taken place it was felt that this saving was not feasible. The service will manage the removal of this saving within the service and have reduced the estimated pressure relating to demography pressures from new clients in 2022-23 having full year implication in 2023-24 re care costs.
- 3.65 These proposals maintain a balanced budget for 2023-24 and have been incorporated into the budget proposal. All of the tables within this report and the documents that accompany it reflect the amendments.
- 3.66 Schools across Powys are facing significant financial pressure as Pay, energy and other costs increase. The budget proposal includes additional funding of £4.395 million directly into schools delegated budgets, this together with a further £1.1 million for the Education Service, passports all of the additional education funding included in the settlement from Welsh Government. This does not meet all of the costs expected and Governing Bodies, like other council services, will need to consider how they manage these pressures. At the end of last year School Reserves increased by £5.7m due to the additional grant funding received late in the financial year and schools have been able to draw on some of these reserves in the current financial year to manage increased costs and put in additional support for pupils following the pandemic. Further use of the reserves held will be drawn down to support budgets in 2023-24, but other reductions in school budgets will be required to fully mitigate the pressures facing Governing Bodies. The setting up of the £500k Energy Support fund will further support schools and will provide additional funding to support energy costs and energy efficiency measures in Schools. This funding will be allocated using a set of criteria that is currently being developed.
- 3.67 The level of increase across the Councils services cannot be fully supported by Welsh Government funding and increases in Council Tax and in order to bridge the gap in the budget for 2023-2024 significant cost reductions and savings have had to be considered.
- 3.68 The budget plan includes proposals to remove £16.5 million from the revenue budget next year, each proposal is provided at Appendix C. These reductions have focused on delivering services that are more efficient or that can be delivered at a reduced cost, alternative sources of income and increased fees and charges have also been implemented. Limiting the impact on the delivery of front line services wherever possible.

- 3.69 The removal of the National Insurance Increase at a national level saves £1.3 million annually and a reduction in the employers Pension contributions estimated at £1.7 million following the triennial actuarial review of the Powys Pension Fund will further reduce costs.
- 3.70 One off solutions have also been implemented for 2023-24 to provide initial respite as longer term reductions can be planned.
- 3.71 But inevitably there will be some reductions in service, or changes to how or from where services are delivered. Some staffing reductions will have to be made, removing vacant posts where appropriate but some redundancies are also planned.
- 3.72 The impact of each of the proposals has been carefully considered to fully understand the impact on residents and service users and to assess the impact on future generations in line with the duties aligned to the Well-being of Future Generations (Wales) Act 2015. Each Impact Assessment is attached at Appendix I.
- 3.73 Delivery of these cost reductions will be essential to deliver a balanced budget. Assurance must be provided to Council that the budget is robust and that the reductions included in it are deliverable. This will also enable the Council and the Statutory Chief Finance Officer (S151) to sign off the budget with confidence. For the proposed budget, sessions have been held with officers to challenge and test both the service pressures being submitted and the deliverability of each proposal presented. SLT has provided assurance to Cabinet that they can deliver the cost reductions within the required timescales, whilst also reflecting on any risks.
- 3.74 The revenue budget has included a “risk budget” for a number of years to assist in managing the risk around the delivery of cost reductions or additional service pressures that arise, this is assessed alongside the level of reserves that are held. Due to the increased uncertainty and volatility being experienced it is proposed to increase this budget to £3 million for 2023-24.

Financing the Net Budget for 2023-24

- 3.75 The Council’s gross 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 gross budget is financed by all the Council’s income sources including AEF, council tax, fees and charges, specific grants and contributions from other bodies.
- 3.76 Income from fees and charges makes a significant contribution (£70 million per annum) to the Council’s budget and the Council’s approach to income generation is included in the MTFs.
- 3.77 The budget proposed for 2023-24 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.
- 3.78 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. Table 6 summarises the 2023-24 budget requirement and how it will be financed and shows that Council Tax funds 30% of the Councils’ net budget.

Table 6

| | 2022/23 | 2023/24 | Change |
|-------------------------------|----------------|----------------|---------------|
| | £'000 | £'000 | £'000 |
| AEF (RSG and NNDR Allocation) | 210,090 | 228,388 | 18,298 |
| Council Tax | 91,782 | 98,166 | 6,384 |
| Total Funding | 301,872 | 326,554 | 24,682 |

- 3.79 As can be seen, the balancing of the Council's 2023-24 budget is dependent upon a 5% increase in the Council Tax in 2023-24, generating £4.6 Million, and £1.8 Million delivered through changes to the council tax base. 3.8% of this increase will support Council Services with a further 1.2% to support the £1.1 million increase in the Fire Levy as set out in paragraph 3.47 of this report. In proposing this increase, there has been careful consideration to affordability for Powys residents in light of the cost of living crisis, together with the ongoing need to meet increasing demand and inescapable cost pressures on vital local services upon which they rely.
- 3.80 The setting of Council Tax is not subject to approval as part of this report today however the report recommends the level of Council Tax to be included in the budget. On 2nd March full Council meets to set the Council Tax in line with the final budget. This meeting does not reopen the budget but ensures the Council sets Council Tax for billing purposes.

Capital Programme 2023-28

- 3.81 The Capital and Treasury Management Strategies are fundamental to the effective delivery of the Council's priorities and Vision. The provision of the right assets in the right place at the right time will ensure the effective and efficient delivery of a comprehensive range of quality services.
- 3.82 The strategy document at Appendix H provides a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, whilst considering the risks how these will be managed and the implications for future financial sustainability.
- 3.83 Capital schemes across the council have also been impacted by rising costs as materials and contractor costs increase. The cost of borrowing has also become more expensive as interest rates rise.
- 3.84 Maintaining the capital programme has a significant regeneration impact for the economy of Powys alongside the direct effect of better infrastructure to deliver services. Capital investment also has a significant input into the delivery of revenue cost reductions, and it is essential that both budget strategies are developed in tandem.
- 3.85 Broadly, the programme covers three areas of expenditure. These are:
- a core programme of schemes that are regulatory / statutory in nature, and minimise legal challenge or revenue risk, these schemes are related to day-to-day activities that will ensure the Council meets its statutory requirements

- a retained asset programme to improve or enhance the life of existing assets, and
- an investment programme in schemes linked to the Council's strategic priorities.

3.86 The key aims of the Capital Strategy are to:

- Provide a clear context within which proposals for capital expenditure are evaluated to ensure all capital investment is targeted to deliver the Council's priorities.
- Clarity about how the Council identifies and prioritises capital requirements and proposals arising from various strategies Service Improvement Plans, and other corporate strategies, and how they will be managed within the limited capital resources available.
- Challenge our current estate, continue with the programme of asset rationalisation, ensuring that assets retained are effective, efficient and economically sustainable to deliver services.
- Identify and consider options available to fund capital expenditure that minimises the ongoing revenue implications of historic capital expenditure and of any new investments.
- Use partnerships, both public and private, more effectively to support our overall strategy.
- Establish effective arrangements for managing capital schemes including assessment of outcomes and achievement of value for money.
- The aim of this capital strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.87 A Governance Framework is in place for the development of the Capital Programme, based on the Welsh Government Better Business Case approach; each project is developed through a series of gateways ensuring that the business case is robust and fully considers the benefits and costs of the individual project and that they align with the Council's vision. This enables the council to prioritise its capital investment whilst ensuring affordability.

3.88 The Council has moved away from an annual capital cycle and using the new framework will have an ongoing process of projects in development through to approval at Cabinet and Council as needed.

3.89 The Capital Strategy is attached as Appendix F. The strategy sets out the priorities for the next 5 years with the provisional Capital Programme totalling £369 million (including the Housing Revenue Account (HRA)). This is a significant commitment. The Capital Programme is included in Appendix F as part of the Capital Strategy.

3.90 The Council continues to invest in services as follows:

Residents and the Community - We will support our Residents and Communities.

- **Housing** - The Council will continue to maintain, for all the homes it owns, the Welsh Housing Quality Standard (WHQS) with an ongoing capital programme in part funded through Welsh Government Funding and Borrowing. The Housing Revenue Account Thirty Year Business Plan demonstrates an affordable capital strategy alongside delivering the day-to-day landlord service and has key objectives linked to the Council's Corporate Plan. The Council has completed the construction and letting of 61 new homes in 2022-2023 with a further 56 under construction and 142 additional homes under active consideration for future development (dependent upon site acquisitions, viability assessments and resolution of the phosphates issues affecting development of all types). The Council will continue to fund a major programme of Disabled Facilities Grants enabled works and improvements to homes to improve the quality of life for people who need help to live as independently as possible. In addition, Housing Services will continue to support energy efficiency and bringing privately owned empty homes back into use through the SWAS (Safe Warm & Secure), Landlord Loans and the ZILF Co2i loan schemes. The Council will, using ECO4 and ORP3 funding, improve the energy efficiency of at least 74 Council owned homes that currently have EPC ratings of E, F or G. An application has been submitted to the Welsh Government as part of the Empty Homes Grant scheme, which will be in addition to the Council's interest free loans programme for owners of privately owned properties that need works to make suitable for use as homes. Work on bringing into use empty properties as homes will be supported by an Empty Property Officer funded by the Council Tax Premium.

- **Leisure Centres** - The Leisure portfolio contributes to the preventative agenda, supporting the Public Health Wales Long Term Strategy (2018-30) as well as, health interventions such as the NERS program (National Exercise Referral Scheme), in collaboration with Powys Teaching Health Boards and General Practices, within Powys. Since 2019 the Council has approved a five-year programme which has already enabled significant, essential replacement of plant, fixtures, end-of-life equipment, structural materials, playing surfaces and decoration. The Capital commitment supports the Council's 'landlord' responsibilities as part of the leisure contract but also ensures that the buildings are fit for purpose, compliant, attractive and provide a positive customer experience. Leisure Services in Powys not only support the overall well-being of our 'residents and communities' and now more than ever, contribute to the 'health & care' agendas, providing early intervention and prevention programmes to help reduce the burden on health services. Also, as a collaborative partner to the School's Transformation Programme, enabling learning and development through specific opportunities that the service provides or facilitates. Leisure Services support and contribute to the 'economy' by hosting and delivering local, regional and national events and competitions which draws significant numbers of visitors from across the UK to utilise the facilities we have in Powys – and demonstrates the need for the facilities to be maintained and improved to an appropriate standard.

- **Waste Strategy** - Powys County Council faces a stringent Welsh Government. The delivered recycling rate for 2021/22 was 66.8%, and the forecast for 2022/23 is currently 68.7%, which is well in excess of the current statutory target which remains static at 64% until 2024/25 when it rises to 70%. All of the collected residual waste is now sent to an Energy from Waste plant, with landfill only ever being used in an emergency. There is also a non-statutory WG target to reduce landfill to 10% by 2019/20 reducing to 5% by 2024/25. This has required a step

change in the way all local authorities approach waste and recycling. The continued capital investment in the Waste and Recycling service will ensure that the Council is able to meet the targets whilst obtaining maximum value from the service. A network of assets under the Council's control allows flexibility to adapt to any changing requirements within the industry and Government policy and legislation. Some of these schemes are linked to efficiency savings and service improvements in future years.

Health and Care – We will lead the way in providing effective, integrated Health and Care in a rural environment

- **Social Care** - The capital programme focuses on supporting those who wish to remain in their own home rather than residential care and supports the integrated Health and Care Strategy for Powys. This strategy acknowledges that people in Powys live longer and healthier lives than elsewhere in Wales and that Powys is a place aspiring to help improve the wellbeing of all people. Capital funding mainly focus on accommodation options, including supporting the building and redevelopment of facilities to increase the stock of supported living and extra care housing in collaboration with Powys Teaching Health Board and local Registered Social Landlords. There are also capital funding requirements for the 13 Powys owned care homes.
- **Children's Services** - In order to ensure a sufficient supply of appropriate, safe placements for children in care, as close to home as possible, investment is mostly focused upon small residential homes for children, with accommodation development of a range of placements in County to support the complex needs of young people who remain under the local authority's care. Funding is being utilised to ensure property refurbishment to meet Care Inspectorate Wales registration requirements. Welsh Government have been particularly supportive in offering investment to progress such developments, as mirrored in current Ministerial direction in line with the not for profit care agenda for children in care.

The development of Oldford Family Centre in Welshpool and additional Flying Start childcare provision in Brecon will support the work to expand flying start provision across the County. Phase 1 is complete and Phase 2 of the expansion will continue 23/24 and 24/25.

- **Assistive Technology** - has a key role to play in the modernisation of health and social care. With ever increasing technological advances, it offers a range of possibilities for greater choice, not only of how people can access the support they need, but also where and when they access support. In doing so, assistive technology enables people to take greater control, and to live independently for longer by preventing hospital admissions and premature moves to residential care. Enabling access to better accommodation options is essential in order to support independent living and reduce demand for other types of care.

Learning and Skills – We will strengthen learning and skills.

- **Transforming Education Programme** - The Council has developed a ten-year Strategy to Transform Education in Powys 2020-30 with the implementation of a major capital investment programme that will ensure that schools in Powys have

inspiring, environmentally sustainable buildings that can provide opportunities for wider community activity, including where possible childcare services, early years, Additional Learning Needs (ALN), multi-agency support and community and leisure facilities. This will also include developing a reliable, high quality digital infrastructure. The Council is investing £123m over the next five years in its schools through the Welsh Government's Sustainable Communities For Learning Programme (SCLP). The SCLP has a 65% capital intervention rate for mainstream schools, 75% for special schools and it also offers a new and innovative funding route where the intervention rate is 85% for the Mutual Investment Model. Welsh Government has recently confirmed that the SCLP is now a rolling programme, rather than being time-bound, and is expecting local authorities to submit new Strategic Outline Programmes to support new school projects once they are ready to do so. Welsh Government has also issued a directive that all projects need to achieve Carbon Zero in Operation, with additional funding available to support this until 2026. The Council will develop its strategies to ensure maximisation of the potential investment opportunities that may be available via WG funding.

However, to deliver the full Transforming Education Programme in Powys, significant funding sources above what is currently included in the current Capital Programme will be required. That said, the cost of transformation over the lifetime of the schools' assets is cheaper than the status quo in the majority of localities. Alongside this, capital funding through our major repairs programme will be focussed on where the need is greatest, as identified through the Schools Service's Asset Management Plan.

The Economy – We will develop a vibrant economy.

- **Highways and Environment** - The Council has a statutory duty to maintain the adopted highway, maintained at public expense in a safe condition for the passage of the user. A strategic approach has been used to develop the Highways Asset Management Plan (HAMP) in identifying and allocating resources for the management, operation, preservation and enhancement of the highway infrastructure to meet the needs of current and future customers. Current gross replacement cost of these assets is estimated at £4.4bn.

The highway network includes public rights of way, which are a major attraction to the county for visitors. There are 1,700 recorded bridge structures on the public rights of way network; most are Council assets. Several major bridges (over £100,000 each) need to be replaced within the next 5 years due to age. Additional grant funding is being sought to replace five of these major bridges.

In addition, storm damage with increased rates of riverside erosion and rotting of timber is affecting many small to medium bridges (up to £50,000 each). Over the 2020-21 and 2021-22 financial years, eight of these medium bridges have been replaced using Access Improvement Grant capital funding. A further four are programmed for replacement in 2022-25 under the same grant. Where the locations are logistically challenging to reach or particularly wet with an increased risk of rot, recycled glass reinforced plastic bridges have been installed with a design life of over 30 years and reduced maintenance requirements. Ongoing inspection is required to monitor rates of deterioration in timber bridges and performance of plastic structures.

A county wide inventory of all bridges on the rights of way network is being developed, to record bridge condition and forward plan for their replacement.

Proactive inspection of small bridges is under way with proactive cleaning to reduce the rate of rot in timber structures. Previously, this has been reactive.

Outdoor recreation assets are also a significant tourist attraction and can provide valuable opportunities to maintain and enhance biodiversity. There are two remaining building assets under management by the Service; investment is needed in one of them, to enable ongoing lease arrangements.

Work has been carried out in autumn 2022 to address the designation of Llandrindod Lake as a reservoir; this structure will require ongoing monitoring. The Llandrindod Rock Park woodland has several bridge structures, not on public paths but on publicly accessible land. The largest of these has just been replaced using grant funding, following a period of closure. Again, steel beams have been included in the design to increase longevity, but timber parts will eventually require replacement.

- **Property** - The vision is to ensure that through the Corporate Landlord initiative, the Council's assets are appropriately managed to provide safe, efficient, sustainable properties in the right locations to support the delivery of services and the achievement of key priorities. The Strategic Asset Board and Asset Management Plans are the mechanisms in place to help deliver these priorities, which will ensure close working and collaboration across all service areas and partner organisations such as Neath Port Talbot College / Powys Teaching Health Board (PTHB). The Property team will be supported in this crucial work with investment provided to procure a new Property Management database which will provide a single point of reference for all aspects of the Council's operational and investment estate. A property disposals programme is being developed.
- **Regeneration, Property and Development** - The Council needs to intervene where the private sector is not able (for economic reasons) to create or facilitate investment in business units in order to keep and attract business to the County. Abermule business park is one such scheme that sees the Authority developing a former Welsh Government site which otherwise would not have been developed in the short to medium term. Capital investment will also form an important part of supporting the regeneration and viability of town centres complementing the Welsh Government's Transforming Towns funding programme. An initial annual allocation of £2 million starting in 2024-25 has been included as the Council's contribution towards the Mid Wales Growth Deal. As the investment plans for the deal develop the funding will be released to the relevant projects on completion of the relevant governance and approval processes. Both National and Welsh Government are providing a capital injection in the south of the county for a purpose-built, modern railway infrastructure and rolling stock testing facility. This is expected to form an important addition to the UK rail industry and would be the only test facility in the UK that includes circuits tracks, would offer significantly more efficient testing than shunting facilities, which require trains to change direction of travel at the end of track.
- **County Farms** - It is essential that the Council manages its agricultural estate prudently, efficiently, and professionally. Effective management of County Farms estate will enable the continued opportunities already enjoyed by current tenant farmers and maintain an income stream. The financial demands of the Estate need to be evaluated against the competing demands across the council whilst noting the estate produces an annual surplus in its trading account. The opportunity for capital

receipts will continue to arise as reviews are undertaken at each tenant departure from the Estate. An Invest to Save initiative is being developed which will see investments made to the Farm Estate which should create opportunities for capital receipts and reduced revenue expenditure, for example barn conversions and subsequent sales.

- **Information Technology (IT)** - The service engages with change programmes so that investment and resource meets identified Council priorities. In respect of infrastructure, IT will seek to invest in up-to-date cloud-based technologies including 'Azure' cloud technologies, core infrastructure and improved telephony and mobile systems, Web and share-point and improved wireless as well as further enabling our staff to work in an agile manner. Cyber resilience is also a key programme, since 2017 an active Cyber Security improvement plan has been in place which details improvements required to maintain our Cyber Security resilience and to maintain standards and accreditations such as Cyber Essentials Plus and Public Service Network Accreditation. In order to maintain the council's resilience and standards, this investment and programme of work is key. This includes investment in tools to detect and prevent malicious activity, tools, processes and resources to maintain systems to prevent vulnerabilities from exploitation, systems to enable us to share and collaborate information digitally and securely without risk of unintended exposure and ultimately damage or complete loss of any of the council's data or systems. The funding also ensures that the Council has an effective device refresh programme in place, ensuring that staff have the necessary devices to undertake their work effectively.

- 3.91 The Capital Programme also identifies £12 million over the next five years of unallocated investment which has been set aside to meet the costs of current pipeline projects and programmes currently being progressed through the Outline Business Case gateway. Also included is initial estimated funding for the Mid Wales Growth Deal.

Treasury Management Strategy

- 3.92 A Treasury Management Strategy which is included within the attached Appendix H sets out how the Council will ensure that it has enough funding available to fund its revenue and capital requirements and an appropriate strategy for borrowing and investing for the financial year 2023-24 and details the expected activities of the Treasury function. The Treasury Management Strategy and Annual Investment Strategy is recommended to Full Council for approval.

Prudential Indicators

- 3.93 The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the local authority are affordable, prudent and sustainable. The statutory Prudential Indicators are shown in full within the Capital and Treasury Management Strategy Appendix H. The tables include the revised estimate for 2022-23, as well as the indicators through to 2027-28.
- 3.94 The key indicator of affordability is the estimate of the ratio of financing costs to net revenue stream, in section 3.17 of Appendix H. The ratio of financing costs for the

council fund is 3.8% in 2022-23, peaking at 4.3% in 2024-25 and then falling back to 4.0% in 2027-28. The amount of HRA income required to pay for financing increases is 16.7% in 2022-23 rising to 24.6% in 2027-28.

- 3.95 The capital financing requirement (CFR) is shown at section 2.36 of the Appendix H and is the measure of the authority's underlying need to borrow for a capital purpose. It is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue. The CFR is estimated to be £331 million in 2022-23 and will rise to £389 million by the end of 2027-28, and £108 million increasing to £177 million for HRA debt.
- 3.96 The operational boundary, in Appendix H section 3.28, and authorised limits for external debt in section 3.31 both reflect the Treasury Management policy and are set at a level to be affordable and prudent.
- 3.97 The authorised limit for 2023-24 will be the statutory limit under Section 3(1) of the Local Government Act 2003. It is recommended that the level for the authorised limit is set at £490 million and the Operational Boundary is set at £476 million.
- 3.98 The Minimum Revenue Provision (MRP) Policy Statement is included at Section 2.41 in Appendix H.
- 3.99 MRP is an annual charge that Councils are required to pay for their debt liability in respect of capital expenditure funded by borrowing, for both the general fund and the Housing Revenue Account debt. This capital expenditure is set out as part of the CFR calculation and updated regularly to reflect borrowing need changes and the resultant costs; it is important to ensure that the debt is repaid over a period commensurate with that over which the capital expenditure provides benefit.
- 3.100 MRP Overpayments - A change introduced by the revised Welsh Government MRP Guidance was the allowance that any charges made over the statutory MRP, voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. For these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. On the 31st of March 2022 the total balance of previous voluntary revenue provision (VRP) stands at £7.11 million, of which £1.41 million relates to the HRA. There is no intention to reclaim any of this at this point.

Reserves

- 3.101 The Council's reserves are key to our financial planning; maintaining these at an appropriate level is central to our financial resilience and sustainability. They provide a safeguard against risk, unusual events and future financial pressures.
- 3.102 In assessing the appropriate level of reserves, the Authority will ensure that the reserves are not only adequate, but also necessary and will be appropriate for the risk (both internal and external) to which it is exposed.
- 3.103 The holding of reserves has been critical to managing our budget this year faced with the unprecedented rise in inflation and the impact this has had on the Council's budget. This has reiterated the need to hold sufficient reserves to provide the financial resilience the Council needs.

- 3.104 The Reserves Policy (Appendix G) 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.
- 3.105 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.
- 3.106 There is no statutory minimum regarding the level of reserves that should be held. Instead, decisions should reflect the individual position of each council. Reserves are a finite resource and so their use to fund ongoing commitments creates a gap in the finances of future years and erodes our financial sustainability. Benchmarking shows that Powys' reserves are not excessive but are nearer the minimum level of acceptability; we must not plan our budget based on utilising our reserves, they must remain at a level that provides a reasonable level of financial resilience in an ever-challenging environment.
- 3.107 The level of reserves held, and their forecast use is reported to Cabinet as part of the budget monitoring report and Table 7 below reports the opening and projected balance of the reserves at year end. This is based on the position as at 31st December 2022.

Table 7 – Reserves as at 31st December 2022

| Summary | Opening Balance (1st April 22) Surplus / (Deficit) | Forecast Addition / (Use) of Reserves | Projected Balance (31st March 23) Surplus/ (Deficit) |
|---------------------------------------|--|---------------------------------------|--|
| General Fund | 9,333 | 0 | 9,333 |
| Budget Management Reserve | 3,584 | 0 | 3,584 |
| Specific Reserves | 29,167 | (7,424) | 21,743 |
| Transport & Equipment Funding Reserve | 8,843 | (1,914) | 6,929 |
| Total Usable Reserves | 50,927 | (9,338) | 41,589 |
| Schools Delegated Reserves | 8,982 | (5,231) | 3,751 |
| School Loans & Other Items | (371) | 7 | (364) |
| Housing Revenue Account | 4,244 | (164) | 4,080 |
| Total Ring Fenced Reserve | 12,855 | (5,388) | 7,467 |
| Total | 63,782 | (14,726) | 49,056 |

- 3.108 MTFS Principle 6 is to maintain a minimum general reserve provision of 4% of net revenue expenditure over the period of 2023-28. The projected balance as at 31st March 2023 will be 4.3% in line with this principle.
- 3.109 The level of reserves held has been assessed alongside the overall budget proposal.
- 3.110 At the end of the 2021/22 financial year a number of specific reserves were created due to the emerging financial pressures projected at that time as inflationary pressures began to take hold, this strategy increased our financial resilience as we moved into an unprecedented period of volatility. At this stage £14.726 million of reserves is forecast to be relied upon to support the budget this year.

- 3.111 With School budgets representing more than 26% of the Council budget the increase to their ring fenced reserves last year of £5.7 million ensured that funding was available to meet the additional costs they too have faced. The funding the council has been able to provide to schools for 2023/24 does not fully meet the pressures Governing Bodies face particularly energy costs and schools will once again have to rely on the reserves they have set aside to manage these costs through 2023/24.
- 3.112 The financial position of our schools has been a concern for several years, but progress continues in strengthening financial management arrangements. The “Team around the School” approach, supportive guidance, additional training and the appropriate use of warning notices, recovery planning and removal of financial delegation have all strengthened financial management at schools causing most concern. This support will again be crucial to support our schools as they manage the increased costs of running their schools. The school reserves are ring fenced but ultimately represent a potential Council risk. It is essential that this compliance work continues to be undertaken to ensure that school budgets are managed in accordance with regulations by Governing Bodies.
- 3.113 In the context of the need to maintain financial stability and flexibility moving forward on the advice of the Section 151 Officer, it is Cabinet’s intention not to make any use of the General Reserve to fund the 2023-24 Budget.
- 3.114 The use of the Councils reserves will continually be reviewed, particularly considering the continued uncertainty arising from the ongoing economic volatility. The reserves position will be monitored carefully as the financial year progresses. Under Section 26 of the 2003 Local Government Act, an appropriate person (S151 Officer) must determine the minimum amount of General Fund Reserve.

Impact Assessment

- 3.115 The Well-being of Future Generations Act (Wales) Act 2015 requires Local Authorities to apply the five ways of working to their financial planning to ensure that short term priorities and administrative process do not overtake longer term interests. The Act requires that the Council takes every reasonable step to meet the wellbeing objectives and act in accordance with the sustainable development principle.
- 3.116 Integrated Impact Assessments have been undertaken for each of the service cost reduction proposals, attached at Appendix I. An impact Assessment for the whole 2023-24 budget has also been completed and scrutinised as part of the budget process.

4. Resource Implications and Section 151 Officer Opinion

- 4.1 The Local Government Act 2003 requires an authority’s Section 151 officer to give a formal opinion as to the robustness of the budget estimates and the level of reserves held by the Council. This section of the report provides the Section 151 Officer’s formal opinion.
- 4.2 Under Section 26 of the 2003 Act, it is not considered appropriate for the balance of the Council’s General Fund Reserves to be less than the minimum amount determined by an appropriate person, in this case, the Head of Finance and Section 151 Officer.

- 4.3 The budget has been produced within the framework of the MTFs. The continued use of scenario planning has ensured that the budget is developed in a prudent and flexible way, highlighting the risk faced by the Council as a result of changes in funding and increasing financial pressures, and offering some choice in how our resources are prioritised and the risk mitigated.
- 4.4 The process continues to be strengthened with further development of Integrated Business Plans for each service, these plans capture the services' objectives and highlight their roles and responsibilities in supporting the Council's Corporate Improvement Plan, along with the intended outcomes for service users and/or residents.
- 4.5 The Integrated Business Plans ensure that all elements of delivering the service are considered in a holistic way. Statutory obligations, pay and price pressures, income streams, demographic changes and the impact on service demand, new responsibilities and changes in regulation are all considered. Services assess options for service delivery, their workforce and capital requirements and the cost reductions that can be achieved in submitting their calculated budget requirement. The impact and risk associated with their proposals is explained.
- 4.6 The Council's MTFs guides the development of these plans, and the 2023-24 implications are set out in the budget and 2023-28 Capital Programme. A process of challenge and review undertaken with Cabinet, each Head of Service, and the Executive Management Team provided assurance on the completeness and robustness of the estimates, whilst highlighting the risks associated with its deliverability.
- 4.7 This strategic approach to allocating resources ensures that our financial plans consider the delivery of the corporate plan, the transformation programmes we need to deliver and ensures that service improvement and appropriate levels of statutory provision are all included. Revenue and Capital budgets are aligned and ensure that our limited resources are prioritised to achieve maximum effectiveness in securing outcomes.
- 4.8 The significant impact of current inflation, rising costs and additional service pressures have all added substantial financial pressure to the Council's budget and the level of cost reduction required in 2023-24 is again a significant challenge. When this is coupled with the ongoing need for improvement and the identification of further potential pressure in some services, a prudent approach must continue to be adopted to support financial stability. Against that background, the budget continues to include a risk management allocation which has been increased for 2023-24, and the removal of prior years' unachievable savings adds resilience and robustness to our budget plan.
- 4.9 A series of documents and policies constitute the budget framework, including the Reserve Policy. The need to hold an appropriate level of Reserves has been brought to the fore over the last year and with continued economic uncertainty our reserves remain crucial to our financial stability.
- 4.10 The position going forward will require reserves to be maintained at a prudent level. It is evident that, given the continued level of inflation, future cost pressures and lower funding settlements indicated, we will continue to need to deliver savings in the

years ahead. The minimum level of General Fund Reserve remains at 4% of the Net revenue budget. On this basis the level of revenue reserves held is appropriate to deal with known and unknown risks.

- 4.11 The financial position of many of our schools was strengthened last year with the receipt of additional funding from Welsh Government, this resulted in an increase in schools ring fenced reserves to £8.9 million. This coupled with the strengthening of financial management in our schools has maintained a reduction in the number of schools in an unlicensed position, and the cumulative balances across schools has improved. The budget plan proposed sees additional funding allocated to schools delegated budgets in line with the increase provided through the Welsh Government settlement and further Welsh Government grant funding is also planned to support schools, this funding will support the increased energy and pay costs falling on schools, but Governing Bodies like other Council services will have to make changes and cost reductions to fully mitigate their financial pressures. The support provided by the “Team around the School” approach will be vital to assist Governing Bodies in addressing this challenge and it is essential that compliance work continues building on the progress made to date to further reduce the deficit balances held.
- 4.12 The Council has well established budget monitoring and internal control arrangements and these act as an effective early warning system in identifying potential problems and for managing potential areas of risk. This ongoing regular review highlights problems and risks early so that corrective action can be put in place, and this is supported by a clear virement process which provides some flexibility to adapt expenditure patterns to meet changing needs and objectives.
- 4.13 The Councils financial management arrangements are clearly defined within the Constitution. Senior Leadership Team oversight and quarterly reporting together with Internal Audit reviews and Scrutiny Committee challenge ensures that officers across the council are held accountable for the expenditure headings that they are responsible for. Additional training, delivery of audit recommendations and further development of financial and performance benchmarking data will strengthen these arrangements.
- 4.14 The Capital Strategy contained within this report sets out the current investment plans across council assets and the funding arrangements that are in place. The Capital Programme continues to grow as new schemes are developed and delivered, rising costs and increased borrowing rates add further pressure on the programme. Any additional schemes are subject to robust business cases and are set in the context of overall affordability regarding our Prudential Indicators. Regular reporting of performance against these indicators confirms that the current and planned programme continues to operate within the limits set. Clearly, this position will be kept under constant review, where the later years of the programme are refined as further information becomes available.
- 4.15 Changes to our MRP policy in recent years provided an opportunity to plan for the future to support key transformational activity across Schools and other Council Services, this remains a key element of our capital financing strategy and will limit the impact on future revenue budgets supporting the council’s financial resilience.
- 4.16 The updated MTFs ensures that the Council understands the impact of the economic climate and considers the financial pressures this brings to our financial planning.

Updating the assumptions in response to the changing environment and modelling different funding scenarios helps us plan in a more resilient way.

- 4.17 The Provisional Settlement provides the Council with an additional £18.298 million of funding for 2023-24. This is welcomed and will go some way to help fund the significant pressures we face whilst the proposed increase in Council Tax will help mitigate the position. Wales Fiscal analysis suggests funding levels will be less generous in the future, the Council must act quickly to tackle the projected budget gap from 2024-25 onwards and there will still be some difficult decisions to make.
- 4.18 We anticipate that we will continue to face financial pressures that outweigh the funding available throughout the period of our MTFS. The challenge imposed by the current economic context and the speed in which it has taken effect has yet again seen the Council focus on the short term. It is becoming clear that the Council in its current form is not sustainable for the longer term, and initial plans to reimagine what the Council should look like in the future are currently underway and are critical to ensure that the Council can remain financially stable and provide sustainable services in the long-term.
- 4.19 Taking all the above into account, the Section 151 Officer concludes the estimates used in the budget proposal for 2023-24 are adequately robust but a heightened level of risk remains. Based on the assessment of reserves, the overall level is adequate but remains at the lower end of acceptability given the ongoing economic challenge and the scale of savings required and the financial uncertainty facing the Council over the medium term.

5 Legal Implications

- 5.1 The Solicitor to the Council (Monitoring Officer) has commented as follows:
- 5.2 The Report has been prepared in accordance with the requirements of the Local Government Act 2003 and the Local Government Finance Act 1992. In accordance with Section 25 of the 2003 Act, the Council must have regard to the advice of the Head of Finance (Section 151 Officer), as the Chief Finance Officer, regarding the robustness of the budget estimates and the adequacy of the financial reserves. This advice must be taken into account when considering the proposals in the Report and the recommendations from the Cabinet regarding the budget and the Council Tax rate. In accordance with the Functions and Responsibility Regulations, agreeing the budget and setting the Council Tax rate under the 1992 Act is a matter for full Council. In accordance with Section 30 of the 1992 Act, the Council is required to set the Council tax for the next financial year on or before 11th March.

6 Members' Interests

- 6.1 The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest, they should declare it at the start of the meeting and complete the relevant notification form.

| Recommendation: | Reason for Recommendation: |
|-----------------------------------|-----------------------------------|
| That Council approves the: | |

| | |
|--|---|
| 1. MTFS for 2023-2028 as set out in Appendix A to the report be agreed in principle. | To aid business planning and development of the budget over a five-year period |
| 2. Revenue Budget for 2023-24 with the inclusion of a 5% increase in Council Tax in 2023-24 shown in the Financial Resource Model in Appendix B and Table 4 of this report. | Statutory Requirement |
| 3. That any additional funding received following publication of the Local Government Final Settlement will be applied in the budget as prescribed. | To comply with Councils Financial Procedure rules |
| 4. Fees and Charges Register in Appendices D and E. | To comply with Powys County Council Income Policy |
| 5. Capital Strategy and Capital Programme for 2023-28 shown in Appendix H. | Statutory Requirement |
| 6. Minimum Revenue Provision Statement as set out on Appendix H. | Statutory Requirement |
| 7. Treasury Management Strategy and the Annual Investment Strategy in Appendix H. | Statutory Requirement |
| 8. Authorised borrowing limit for 2023-24 as required under section 3(1) of the Local Government Act 2003 is set at £490 million and the Operational Boundary is set at £476 million as set out in section 3.84 of this report. | Statutory Requirement |
| 9. Prudential Indicators for 2023-24 as set out in section 3.80 to 3.87 of the report and Appendix H. | Statutory Requirement |

| | | | |
|-------------------------------|----------|-----------------------|----------|
| Relevant Policy (ies): | | | |
| Within Policy: | Y | Within Budget: | Y |

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|----------------------------------|--|
| Relevant Local Member(s): | |
|----------------------------------|--|

| | |
|---|----------------------------------|
| Person(s) To Implement Decision: | Chief Executive |
| Date by When Decision to Be Implemented: | 1st April 2023 |

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

Background Papers used to prepare Report:

Provisional Welsh Government Local Government Settlement 2023-24
WLGW Welsh Government Draft Budget and Provisional LGF Settlement 2023-24
Office for Budget Responsibility Economic and Fiscal Outlook November 2022
Welsh Government Draft Budget December 2022
Welsh Budget Outlook 2022 – Wales Fiscal Analysis December 2022

List of Documents

Appendix A Medium Term Financial Strategy
Appendix B Financial Resource Model
Appendix C Cost Reductions Proposals
Appendix D Fees and Charges Report
Appendix E Fees and Charges Register
Appendix F Council Pressures
Appendix G Reserves Policy
Appendix H Capital & Treasury Management Strategy
Appendix I Impact Assessments
Appendix J Residents Survey Report