

Finance Panel

Meeting Venue
**Committee Room A - County Hall,
Llandrindod Wells, Powys**

Meeting Date
Wednesday, 12 June 2019

Meeting Time
10.00 am

For further information please contact
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County Hall
Llandrindod Wells
Powys
LD1 5LG

Issue Date
6th June 2019

The use of Welsh by participants is welcomed. If you wish to use Welsh please inform us by noon, two working days before the meeting

AGENDA

1.	APOLOGIES
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To receive apologies for absence.

2.	ELECTION OF CHAIR
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To elect a Chair for the ensuing year.

3.	ELECTION OF VICE CHAIR
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To elect a Vice Chair for the ensuing year.

4.	NOTES
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To receive the notes of the last meeting.
(Pages 3 - 8)

5.	2018/19 OUTTURN
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To consider the reports of the Portfolio Holder for Finance.
(Pages 9 - 30)

6.	SCHOOL BUDGET 2019/20
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To consider the report of the Portfolio Holders for Finance and Education.
(Pages 31 - 42)

7.	CAPITAL DIRECTIVE
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To consider the capital directive.
(Pages 43 - 54)

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

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

9.	CIPFA
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To consider the CIPFA Financial Management Capability Review and report on progress.
(Pages 55 - 82)

10.	BUDGET APPROACH
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To receive an update on the budget process and progress to date.

11.	WORK PROGRAMME
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To note the forward work programme.
(Pages 83 - 84)

MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON WEDNESDAY, 20 MARCH 2019

PRESENT

County Councillors JG Morris (Chair), A W Davies, M J Dorrance, J Gibson-Watt, P Roberts, D A Thomas, R G Thomas, E Vaughan and G I S Williams and Mr J Brautigam,

Cabinet Portfolio Holders In Attendance: County Councillor S Hayes (Adult Services)

Officers: Jane Thomas, Head of Finance and Lisa Richards, Scrutiny Officer

1. APOLOGIES

There were no apologies for absence.

2. ELECTION OF CHAIR

County Councillor J G Morris was elected Chair for the remainder of the year to the Council's AGM in May 2019.

3. ELECTION OF VICE CHAIR

Mr J Brautigam was elected Vice Chair for the remainder of the year to the Council's AGM in May 2019.

4. NOTES

Documents:

- Notes of the last meeting of the Finance Scrutiny Panel held on 5 February 2019

Outcome:

- Noted

5. FINANCIAL OVERVIEW AND FORECAST

Documents:

- Financial Overview and Forecast as at 28 February 2019

Discussion:

- The forecast overspend at year end had improved slightly to £2.7M during January and £2.5M at the end of February
- Savings delivery stands at 50%. When £3.9M of savings that are to be written off are included, this figure rises to 74%

- The Panel asked how Powys compared to other Authorities in this regard. Powys' delivery of savings was poor compared with other authorities in a review undertaken by Wales Audit Office some time ago. This had been picked up by the WAO and recommendations were made for more robust savings plans. This was an ongoing situation and the Finance Scrutiny Panel had gone so far as to recommend that savings levels should be set at 120% to ensure that 100% were achieved. This did not meet with approval. It does however suggest that there is a systemic failure. No sanctions are in place to mitigate failure to achieve savings. Although this had been subject to previous reports, the Head of Finance intended to strengthen reporting structures to Cabinet regarding achievement of savings. Heads of Service will now be tasked with providing explanations for failure to achieve savings and proposed actions. The profiling of savings also needed to be more robust to enable more effective challenge.
- Members thought that there should be more effective review throughout the year. Accountability is key and it is intended that Heads of Service are more accountable. Members highlighted the need for Portfolio Holders to share this accountability.
- Some savings plans that were put forward were considered by the panel to be undeliverable and yet Members had been informed that every impact assessment was scrutinized in detail by a Cabinet Panel therefore, the Cabinet and Portfolio Holders must assume responsibility. The Portfolio Holder should know if savings within their areas are deliverable. Some Impact Assessments were contradictory and many were high risk. There had been no impact assessment regarding the proposed Council Tax rise.
- An extract of a statement made in a report to Cabinet by the Chair of the Improvement and Assurance Board was read out indicating that the Chair thought it was highly improbable that any or all of the additional costs will be offset within Social Care. This is of concern particularly as the budget for Children's Services is £4M lower than their current spend. Control of this expenditure does not fall to the Head of Service or Portfolio Holder. The Panel remained concerned that the Board was unaccountable. The Head of Finance anticipated that significant savings would be made to offset pressures but there was risk around *all* savings being achieved.
- Group Leaders were also on the Improvement and Assurance Board. It seemed as though the Board did not believe it should discuss the Council's budget but provide assurance that a safe service could be delivered. There is more interest now as the implication is that Children's Services is a significant risk to the Authority as a whole. The Head of Finance noted that the Board were looking for assurance that services are adequately funded.
- A recommendation had previously been made that all Heads of Service should receive financial management training. This has been provided but attendance was questionable. The Panel thought that such training should be mandatory and should also include Portfolio Holders.
- CIPFA had undertaken an assessment of financial management within the Authority and a report was imminent. Once that report has been received an action plan will be developed. The Panel will have an opportunity to review the report.

- The outturn can often swing significantly in the last month – efforts have been made to ensure capitalisation is carried out in advance etc. This year the main improvement has been in the cost of children’s placements. More benefits may affect the final figure, such as the mild winter. To date there has not been a significant increase in the level of WG grants arising at year end.
- Cabinet have been informed that LAC numbers were static but these have gone up by 12 in a short period. The Portfolio Holder accepted that the figures had been static over the year but had increased recently due to a particular set of circumstances. Overall, the average cost had decreased and further clarification is needed on the definition of respite. The situation will need to be monitored over the longer term.
- Schools delegated budgets are of particular concern and the overspend continues to rise. Further detail will be circulated on a school by school basis. The draw on reserves has increased significantly. It was suggested that the Panel take this up as an issue – consider current figures and recovery plans against those deficits. It was suggested that LA governance in this area should also be considered. A further piece of work should be undertaken to assess the impact of the new Funding Formula and whether there are any specific impacts on schools of a certain size. The issue will be discussed at Co-ordinating Committee but the Panel suggest that the Chair and Vice of the Panel, Chair of Learning and Skills Scrutiny Committee and Cllr E Vaughan meet to discuss the way forward.
- The Authority maintains a policy that reserves should not fall below 3%. However, when the management reserve is included, reserves are at 6.3%. Specific reserves have been reviewed to limit the impact on general reserves, for example the holiday time directive, equal pay and 21 Century Schools.
- Was building up of reserves ethical when council tax has been increased by an unprecedented level? The Head of Finance confirmed that an appropriate level of reserve was required given the risk to the budget. The report shows that £15M of reserves have been used over the last 12 months.
- The Panel questioned the level of grants to cover the Teachers Pay Award and increases in Superannuation. The costs of superannuation will hit the budget in September and the Welsh Government are to fully fund first year costs.
- Children’s services were showing a 30% variance despite a 47% increase in budget. The budget for 2019/20 would be £21M.
- An overspend of £150K was showing for fleet workshops – the contract for servicing of HoWPS vehicles had been lost and this seemed to be counterproductive. There were issues around the waste service – scrutiny had recommended that plans that were fit for consideration should be provided for the proposed green waste service prior to implementation. Scrutiny had also considered the way in which spares were procured for the Workshops with conflicting information regarding achievement of savings.
- Adult Social Care were on target
- The Panel requested that trends be included in future savings reports

Outcomes:

- **Observations regarding savings achieved, training and risk around the comments raised by Chair of the Improvement and Assurance Board be submitted to Cabinet.**
- **The Co-ordinating Committee be asked to discuss the way forward regarding scrutiny of the delegated schools' budgets**

6.	CAPITAL PROGRAMME
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Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- The Capital Programme was revised throughout the year
- £57M had been spent, £29M was committed and £9.5M was unspent
- Profiling of expenditure remains problematic
- Managers need a greater commitment to accuracy
- All projects for this year and next are to be reviewed
- The Capital Programme needs more challenge. The Capital Programme had not been raised in discussion at the Council's budget meeting.
- The Panel suggested that the Capital Programme should also be considered as part of the fiscal management training
- The Panel would also like to track capital receipts throughout the year as these could have a significant impact on the revenue budget
- Corporate dashboards had been developed and should now have sufficient information to be reliable
- A list of transformational projects was requested – it is essential to plan a forward programme for both projects and disposals to fund transformational work. This should be a fundamental element of budget planning.
- Initially it was thought that the Capital Receipts Directive indicated that receipts could only be used for transformational work in the year in which they were realised. However, clarity had been sought and it was confirmed that receipts raised over the entire period of the directive could be applied over the same period
- The Panel questioned whether the Authority was being proactive enough. The definition of transformation was broad - there was a need to encourage Directorates to develop projects for consideration.
- It was suggested that the Panel should scrutinize the Directive to clarify the Authority's understanding
- The revenue report should have more input from Heads of Service. The Panel should consider this in more depth to ensure there is scrutiny and diligence of the budget – the Head of Finance believed the monitoring report covered this and it would be her responsibility to ensure that all concerns were highlighted. It was the Panel's responsibility to consider in depth the areas that were a cause of concern or refer them to the appropriate scrutiny committee. It was the Head of Finance's opinion that the new operating model will provide more transparency further down the organisation.

Outcomes:

- **The Capital Receipts Directive to be considered at a future meeting of the Panel**

7. PHYSICAL DISABILITY BUDGET REVIEW

Documents:

- Physical Disability Budget Review

Discussion:

- The report is the final one in a series of three commissioned to look at services for young adults as part of the ASC Recovery Plan
- All three reports were produced in conjunction with service areas
- Trend analysis shows that spend has seen a steady increase, and income levels have increased especially from 'other bodies'. However, when benchmarking is considered, it is clear that Powys does not receive the levels of income that the other local authorities do, particularly from joint arrangements with the Health Board
- the mix of Service provision that is operated in comparator authorities, would appear to be more cost effective
- There is a lack of a commissioning strategy in Powys together with a lack of appropriate placements
- The Service have accepted the recommendations and action plan
- The number of registered disabled people in Powys is significantly, proportionally higher. It was noted that registration is not compulsory and it is unclear whether Powys collects more data. This was not considered to be a useful comparator.
- The Portfolio Holder for Adult Services acknowledged the difficulties in obtaining robust data – this was a controversial area and dependent on how it is defined.
- The Panel questioned whether the Authority was collecting all monies due to it? More challenge was being provided by the service and the level of income from joint arrangements has increased. The health element of packages must be identified early in the process. The service recognises the need to maximise what it receives from partners. Monies the Authority is owed are being actively pursued – unfortunately this is an annual occurrence but it is likely that monies will be paid during April. The Portfolio Holder for Adult Services questioned whether the apparent difference could be attributed to recording methods.
- The Panel suggested that the document should be shared with partners such as the PSB. The Head of Finance was aware that a piece of work was being undertaken by the WLGA regarding an analysis of future Health and Social Care funding and that it could usefully be shared with them.
- The Portfolio Holder for Adult Care would welcome the three reports being considered by a scrutiny working group
- Sports Development had been cut in the 2019/20 budget and the Panel questioned how this would affect physical wellbeing in this area. The portfolio Holder for Finance indicated that there would be no impact as the officer was still in post.

Outcomes:

- **The Co-ordinating Committee would be asked to allocate scrutiny of the three reports to a working group. The Co-ordinating Committee would be asked to include the Lay Member on that working group.**

8. FORWARD WORK PROGRAMME

Documents:

- Forward Work Programme

Discussion:

- The Head of Finance is preparing a report for EMT on the process for next year's budget
- Incremental budgeting is no longer appropriate
- Budgeting needs to be outcome focussed
- Priorities need to be identified
- Finance Panel will be given the opportunity to consider the report with the objective of assessing the level of engagement of all Members with the budget process.

Outcome:

- **The forward work programme was agreed and the following items will be included:**
 - **Capital Receipts Directive (14 May)**
 - **Schools Delegated Budgets (immediately)**
 - **CIPFA assessment of financial management and action plan (14 May)**
 - **Future Budget process (12 June)**

County Councillor JG Morris (Chair)

**CYNGOR SIR POWYS COUNTY COUNCIL
CABINET EXECUTIVE**

18th June 2019

**REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance**

SUBJECT: Financial Outturn for the Year Ended 31st March 2019

REPORT FOR: Information

1. Summary

- 1.1 This report provides the summary outturn position by Service for the year ended 31st March 2019. The final outturn position, is an overspend of £713k versus the working budget, which will be funded from the General Fund reserve. This compares with a forecast overspend of £2.464m estimated at the end of February. The figures include savings delivered of £6.536m, 58% of the £12.296m target, this compares with 71% delivered last year.
- 1.2 The approved budget for 2018/19 included a £7m draw on specific reserves. This one off funding was included to support the investment in both Childrens and Adult Services recognising the Council's commitment to deliver improved services and provide for increasing demand and rising third party costs.
- 1.3 In delivering the outturn position, consideration has been given to the balance between the use of capitalisation, maintaining a prudent level of reserves, and the subsequent demand on future year budgets. It is important that the council's reserves are protected given the risk inherent in the 2019/20 budget and the significant challenge to balance the budget over the medium term.
- 1.4 This approach has secured the level of general fund reserves at year end of £9.065m representing 5.28% of total net revenue budget excluding Schools and Housing Revenue Account (HRA).
- 1.5 The Medium Term Financial Strategy and financial planning models will be updated with the final outturn information.

2. Revenue Outturn versus February Forecast:

- 2.1 The outturn position demonstrates an improved position against the February forecast of £1.7m, as shown in the table below:

Table 1: Variance to Budget - (Overspend)/ Underspend

Directorate/ Service	Mar 19 (£000s)	Feb 19 (£000s)	Change (£000s)
Social Services	(3,696)	(4,526)	830
Environment	(125)	(200)	75
Schools and Leisure	1,338	782	556
Resources	94	215	(121)
Central Activities	1,676	1,265	411
Total (Exc HRA/ Schools Delegated)	(713)	(2,464)	1,751

2.2 The following key items have contributed to the improvement outturn position:

- The revenue cost associated with supporting the capital programme (MRP and interest) were £1.87m less than budgeted. The impact of the slippage in the delivery of the Capital programme, and the replacement of borrowing with unexpected grant funding, had not been fully reflected in the February forecast. Whilst it is appropriate to take a prudent approach, and the exact level of borrowing is difficult to predict, some of this benefit could have been reflected sooner. Improvements to the monitoring of the capital programme will be implemented in 2019/20.
- As a consequence of the above, Management of Change activities (£1.932m) have been funded from the revenue budget underspend, rather than utilising capital receipts, this will protect this source of funding for future transformational activity or to support the capital programme.
- In the Schools service a reduction in the cost of out of county placements and additional income from inter authority recoupment has seen a £400k improvement. Additional grant funding received in March and lower than expected costs including Statutory testing have resulted in a further £150k improvement.
- An additional £475k to that estimated has been collected in Council Tax relating to empty properties.
- The improvement in Social Care is due to an unexpected £250k increase in 'deferred charges' offsetting the cost of service provision in Adult Social Care and the receipt of the 'Social Care Tasks Performed by a Registered Nurse in Nursing Homes' grant of £120k. A reduction in the value of orders committed has also contributed to the improvement.
- The February forecast assumed that the Social Care element of the backdated holiday pay would be funded from base budget. The cost was funded from a specific reserves in P12, giving a £219k benefit over the February forecast.
- Remaining general fund underspends were used to fund Resources posts (e.g. Job evaluation, Change & Improvement etc.); the February forecast assumed these would be funded from reserves in line with the approved budget.

3. Revenue Outturn variance against Budget

3.1 The table below outlines the outturn position by service, against approved working budget, which includes budgeted transfers to or from reserves. RAG status has been applied to service variance based on the parameters below:

B	Underspend greater than 1%
G	+/- 1% (or £0.05m if budget less than £5m)
A	Overspend of 1-2% (£0.05m - £0.1m if budget less than £5m)
R	Variance above 2% (£0.1m if budget less than £5m)

Table 2: Variance to Budget 2018/19

Directorate/ Service	Actual (£000s)	Budget (£000s)	Variance (£000s)	Variance %	RAG Status
Adult & Commissioning	63,989	65,932	1,943	2.9%	B
Children Services	24,229	18,590	(5,639)	(30.3%)	R
Sub Total: Social Services	88,218	84,522	(3,696)	(4.4%)	R
Regeneration	1,234	1,330	96	7.2%	B
Property Planning and Public Protection	6,960	7,470	510	6.8%	B
Housing General Fund	653	830	177	21.3%	B
Highways, Transport & Recycling	22,529	21,621	(908)	(4.2%)	R
Sub Total: Environment	31,376	31,251	(125)	(0.4%)	G
Schools Service	26,744	27,641	897	3.2%	B
Leisure & Recreation	8,375	8,816	441	5.0%	B
Sub Total: Schools & Leisure	35,119	36,457	1,338	3.7%	B
Business Services	6,430	6,434	4	0.1%	G
Information Services	4,299	4,391	92	2.1%	B
Legal Services	3,104	3,196	92	2.9%	B
Financial Services	1,724	1,843	119	6.5%	B
Workforce, OD and Comms	2,516	2,303	(213)	(9.2%)	R
Sub Total: Resources	18,073	18,167	94	0.5%	G
Central Activities	(393)	1,283	1,676	130.6%	B
Total (Exc HRA/ Schools Delegated)	172,393	171,680	(713)	(0.4%)	G
Housing Revenue Account (HRA)	(1,632)	-	1,632	-	
Schools Delegated	75,938	75,322	(616)	(0.8%)	
Total (inc HRA/ Schools Delegated)	246,699	247,002	303	0.1%	

3.2 Action was taken during the Autumn of 2018 to control spending across the authority following the reporting of an increasing deficit forecasted for 2018/19. Services were requested to limit or delay spend and more accurately report increased levels of income, budgets in some areas were frozen and vacant posts held to improve the overall financial position and limit the impact on the Councils reserves. This action has contributed to the underspends shown in the table.

3.3 Further commentary around the services with a RAG status of Red can be found below:

3.3.1 Childrens Services:

The Childrens Services outturn for 2018/19 exceeds the baseline budget set by £5.639m. The baseline budget includes an Investment of £6.416m in 2018/19 (£3.530m for Improvement Capacity and £2.886m to address service pressures) following an adverse Care Inspectorate Wales (CIW) inspection. The key drivers of the variance to budget were:

- £2.298m of undelivered efficiencies (£1.101m brought forward from 2017/18 and a further £1.197m for 2018/19), for which there were no plans in place to deliver. This position has been resolved as part of the 2019/20 budget setting process.
- Placement expenditure exceeds the baseline budget by £3.55m for this service area. The total number of Children Looked After placements at the end of the financial year stood at 246, a 22.7% increase versus March 2018. Welsh Government provided an additional one-off grant allocation of £579k which has been used to offset these pressures.
- Agency spend put pressure on the staffing budget with £566.3k reported over budget. An appropriate workforce establishment was agreed at 248 FTE's and although funding for this is accommodated within the service budget, following the investment provided, many posts are being covered by agency staff at a higher cost per post. This area is currently being restructured (implemented from the 1st April 2019) which should address this pressure.
- Improvement capacity investment funding offsets this expenditure by £710k.

3.3.2 Highways, Transport and Recycling:

The overspend in Highways, Transport and Recycling was as a result of:-

- Undelivered savings in 2018/19 totalling £990k
- A deficit of £248k on trade waste collection services, due to income achieved being lower than the budgeted target..
- An outturn over spend of £556k on recycling and waste services as a result of increased vehicle hire costs, fuel costs and the additional cost of depreciation for replaced vehicles. Noting that the vehicles that were replaced had been fully depreciated and that there was no revenue budget allocated for replacement of the vehicles. Prompt future replacement of life expired vehicles will remove this anomaly in future years.
- An outturn over spend of £152k on the fleet workshops due to increased costs on materials and parts coupled with an ongoing pressure that arose as a result of a shortfall in income in relation to the loss of the maintenance of the HOWPS vehicles. It has not been possible to negate all of the income lost with reductions in overhead expenditure.
- An over spend of £240k on Public Transport, as a result of the new prices from the re-tender exercise.. A capital grant has been received which will be used to reduce revenue costs but the financial benefit of this will not be realised until

the 2019-20 financial year. Also contributing to the over spend is a loss of income on the T4 route due to the unexpected “commercialisation” of part of the route.

These over spends are, in part, offset by under spends of;

- £110k as a result of the spend freeze and an under spend of £103k in Traffic and Travel Management
- An under spend of £449k in compliance and waste contracts mainly as a result of reduced waste disposal costs and increased recycle income.
- An under spend of £550k in Highways Operations mainly as a result of under spends on Street Cleaning and Routine Maintenance as a result of reductions in staffing costs

3.3.3 Workforce, OD & Comms:

The variance in this area is as a result of posts being funded from revenue base budget rather from Reserves, as explained in section 2.2 above.

4. **Efficiency Savings**

- 4.1 Total efficiency savings required in the 2018/19 budget were £12.296m. The total savings delivered in 2018/19 were £6.536m, or 53% of the total required. However, £5.76m of savings unachieved included £2.2m relating to the Children’s service (3.3.1 above) and £1.7m income and cost improvement target held corporately. Neither of these savings are achievable and they have therefore already been written out of the 2019/20 budget.
- 4.2 Adjusting for these, recurrent savings of £1.86m or 22% of the 2018-19 target are still to be delivered in 2019/20.
- 4.3 A detailed report on the delivery of savings will be provided to Cabinet and Council shortly, this will include details from the services of how the remaining savings will be delivered.
- 4.4 The table below shows the breakdown by service area:

Table 3: Savings Delivery 2018/19

Directorate/ Service	Total To Be Achieved 18/19	Actually Achieved 18/19	Remainder	% Achieved 18/19
Adult & Commissioning	1,432	1,469	(37)	103%
Children Services	2,298	-	2,298	-
Sub Total: Social Services	3,730	1,469	2,261	39%
Regeneration	100	100	-	100%
Property Planning and Public Protection	303	228	76	75%
Housing General Fund	86	86	-	100%
Highways, Transport & Recycling	2,194	1,203	991	55%
Sub Total: Environment	2,683	1,617	1,066	60%
Schools Service	1,583	1,270	313	80%
Leisure & Recreation	709	709	-	100%
Sub Total: Schools & Leisure	2,292	1,979	313	86%
Business Services	715	715	-	100%
Information Services	354	354	-	100%
Legal Services	61	61	-	100%
Financial Services	303	303	-	100%
Workforce, OD and Comms	157	-	157	-
Sub Total: Resources	1,590	1,434	157	90%
Central Activities	2,001	38	1,963	2%
Total	12,296	6,536	5,760	53%

5. Revenue Reserves

- 5.1 The revenue reserves held at the beginning of the year totalled £40.36m, with £9.68m held in the General Fund Reserve and Specific and Ring fenced reserves of £30.67m.
- 5.2 In terms of movement in the reserves during the 2018-19 financial year, the General Reserve balance has reduced by £615k, whilst £10.3 million has been drawn from specific reserves to support the revenue budget for the year, (excluding Schools and HRA). This includes the £7 million redirected from the 21st Century Schools Reserve (£5 million) and the use of the Adult Services Reserve (£2 million) agreed at budget setting.
- 5.3 General Fund reserves at the 31st March 2019, stand at £9.065 million. This is equivalent to 5.28% of the net revenue budget (Excluding Schools delegated and HRA). This rises to 7.37% when the Budget Management Reserve is included. The Council faces a continuing financial challenge; in particular, the demand for services in both Adults and Children’s Services, and it is essential that a prudent reserve level is in place to ensure enough financial capacity is available. This

cannot be stressed too highly given the level of savings, the risk inherent in the budget and the significant challenge to balance the budget over the medium term.

- 5.4 The actual use of the HRA reserve was £2.156m. An underspend of £1.632m within the HRA was offset by the decision to use £4m from the HRA reserve to fund the HRA capital programme, rather than borrowing. This will reduce the MRP and interest cost to be borne by the HRA going forward. Before this adjustment the balance on the HRA reserve would have been £5.111m, way in excess of the £1m required by financial regulations. The actual closing balance on the HRA reserve was £1.111m.
- 5.5 The opening position on the Schools Delegated Reserves was a deficit balance of £878k. School balances reported to Cabinet on the 19th June 2018 predicted a £1.559m call on reserves for 2018-19. The actual call on reserves for 2018-19 was £616k which is an improvement on the February position and is due to a number of grants received late in the year including funding for the Teachers Pay award, Class size grant and ERW funding.
- 5.6 The Insurance reserve now stands at £716k after £871k was drawn down in 2018/19 to settle insurance claims. Should this level of payment continue the reserve will be fully utilised in 2019/20. The level of funding to support the settlement of claims is being considered in the budget planning for 2019/20.
- 5.7 The Council's reserves are key to our financial planning; maintaining these at an appropriate level is central to our financial stability. They provide a safeguard against risk, unusual events and future financial pressures.
- 5.8 The table below details the reserve position at 31st March 2019:

Table 4: Revenue Reserve Movements

Reserve Name	Opening Balance at 1st April 2018 (£000s)	Addition/ (Use) of Reserves (£000s)	Outturn impact - Addition/ (Use) of Reserves (£000s)	Balance at 31st March 19 Surplus/ (Deficit) (£000s)
General Fund	9,680	98	(713)	9,065
Ring-fenced & Specific Reserves:				
Budget Management Reserve	3,584	-		3,584
Specific Reserves	2,356	(1,065)		1,291
21st Century Schools Reserve	5,524	(5,045)		479
Adult Services Reserve	2,750	(2,004)		746
Regeneration Reserve	100	-		100
HOWPS	185	(185)		-
Mid Wales Growth Fund	150	(25)		125
Highways Reserve	57	(57)		-
Invest to Save & Corporate Initiatives (inc JE)	5,830	(1,378)		4,452
Insurance Reserve	1,587	(871)		716
Transport & Equipment Funding Reserve	6,163	329		6,492
Sub Total	28,286	(10,301)	-	17,985
Schools Delegated Reserves	(878)	1,201	(616)	(293)
Housing Revenue Account	3,267	(3,788)	1,632	1,111
Total Revenue Reserves	40,355	(12,790)	303	27,868

6. Impact of Capital

- 6.1 Capital investment and the financing of capital activities have a significant impact on the authority's Revenue position.
- 6.2 In 2018/19 £76.971m was actually spent (including HRA) on capital investments versus the original budget of £87.703m. This gave an underspend of £10,732m or 12.2%.
- 6.3 Approximately 25.6% (£19.679m) of the actual spend for 2018/19 was incurred in March 2019.
- 6.4 The majority of the underspend can be attributed to delays in the delivery of the capital programme. The budgets associated with these projects will be rolled forward into 2019/20. The virements required to do this are outlined in the Capital monitoring report and are subject to approval from Cabinet and/ or full Council.
- 6.5 The 2018/19 budget assumed that the revenue cost of capital investment and financing would be £14.4m. Due to slippage in the delivery of the capital programme, and a reduction in the underlying need to borrow as a result of un-anticipated Capital Grant funding received from Welsh Government in March 2019, the actual cost of supporting the capital programme was £12.5m.

7. Options Considered/ Available

7.1 N/A

8. Preferred Choice and Reasons

8.1 N/A

9. Impact Assessment

9.1 Is an impact assessment required? Yes/No

10. Corporate Improvement Plan

10.1 N/A

11. Local Member(s)

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

12. Other Front Line Services

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

13. Communications

13.1 Budget information is of interest to internal and external audiences and regular updates are provided by the Portfolio Holder for Finance. Detailed finance reports are presented to Heads of Service, Cabinet and the Audit Committee. These reports are public and are part of a range of statutory and non-statutory financial information documents including the Statement of Accounts.

14. Support Services (Legal, Finance, HR, ICT, BPU)

14.1 This report has no specific impact on support services other than reporting the financial outturn for each specific area. Financial Services work closely with all service areas in monitoring financial performance against budgets.

15. Scrutiny

15.1 Has this report been scrutinised? The report will be considered by the Finance Panel on the 12th June.

16. Statutory Officers

16.1 The Head of Finance (Section 151 Officer) comments:

The improved financial position at year end limits the impact on the general fund reserve, this maintains the level of the reserve which is essential to support future budgets and the medium term financial strategy.

Achievement of savings within the 2018/19 financial year is 77%. The Council has a good record of delivering savings but some continue to take longer than one financial year to be delivered. The level of savings required in 2019-20 is a significant challenge, the delivery of these is essential to deliver a balanced budget and this presents some risk to the Council. Coupled with the need to transform the council and the increasing potential pressures in social services it means that a prudent approach must be adopted.

The current and projected financial position of our Schools continues to be a challenge. The additional funding included in the budget plan assists schools in meeting the pressures they face, but it is essential that all Governing Bodies take action to provide a curriculum that can be delivered within the funding provided to them. The school reserves are ring fenced but, ultimately, represent a potential council risk. It is essential that compliance work is undertaken to ensure that school budgets are managed in accordance with regulations by Governing Bodies.

The level of reserves held must be appropriate to the level of risk inherent in the future budget plans. These are the funds that can support any potential slippage in delivery of savings or additional potential demand pressures, and given the continued scale of savings required in the future contributes to the financial stability of the council.

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

17. Members' Interests

17.1 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:
a. The contents of this report are noted by Cabinet	To outline the end of year financial position and the council's financial performance. To ensure appropriate reserves are established.

Relevant Policy (ies):		Financial Regulations	
Within Policy:	Yes	Within Budget:	Y
Relevant Local Member(s):			
Person(s) To Implement Decision:		Jane Thomas	
Date By When Decision To Be Implemented:			
Contact Officer Name	Tel	Fax	E mail
Jane Thomas	01597-826341	01597-826290	jane.thomas@powys.gov.uk

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**CYNGOR SIR POWYS COUNTY COUNCIL.
CABINET EXECUTIVE**

Date 18th June, 2019

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance

SUBJECT: Capital Programme Outturn Position for the Financial Year
ending 31st March 2019

REPORT FOR: Decision

1. Summary

- 1.1 The Revised working budget for the 2018/19 Capital Programme, after accounting for approved virements, is £81.170m (The Original budget was £87.703m). The decrease in budget is largely due to virements from previous year's programme that have lapsed into 2018/19 and roll forward into 2019/20.
- 1.2 The actual spend to the end of March is £76.971m, with a spend of £19.679m in March. This leaves £4.799m or 5.87% of the budget uncommitted at the end of March 2019.
- 1.3 Additional grant funding of £5.971m was provided by Welsh Government during the latter months of the financial year, where appropriate this has been utilised to fund existing capital spend, and replaces the need to borrow for some schemes. This will reduce the Capital Financing Requirement and provide a revenue saving on the Capital Charges budget in both 2018/19 and 2019/20.
- 1.4 The funding of the programme has been amended in line with the outturn position and matches actual expenditure.
- 1.5 Virements are required to reflect the final funding position and the re-profiling of budgets between 2018/19 and the new financial year for projects that are yet to be completed.
- 1.6 Table 1 below summarises the position for each portfolio and service.

Table 1 Capital Table as at 31st March 2019

Service	Original Budget	Virements Approved	Virements Required by Cabinet	Virements Required by Council	Revised Working Budget 2018/19 as at 31 st March 2019 (after virements approved and required)	Actuals	Remaining Budget	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	%
People								
Adult Services & Commissioning	819	-34	-366	0	419	329	90	21.46%
Childrens Services	0	141	-80	0	61	60	1	1.59%
Housing	1,825	847	-457	0	2,214	1,937	277	12.51%
Schools and Inclusion	39,367	-4,794	-296	-6,816	27,460	25,907	1,553	5.65%
Workforce, OD and Comms	0	0	0	0	0	0	0	
Resources								
Business Services	0	105	0	0	105	124	-19	-18.6%
Information Services	1,610	-97	-115	0	1,398	1,100	298	21.32%
Legal Services	0	19	0	0	19	0	19	100.0%
Financial Services	578	-432	-146	0	0	0	0	100.0%
Corporate Activities	0	3,104	0	-886	2,218	2,218	0	0.00%
Place								
Highways, Transport & Recycling	16,380	8,702	-1,169	-1,729	22,184	20,484	1,700	7.66%
Leisure & Recreation	3,357	5,529	-243	-1,870	6,773	6,089	685	10.11%
Regeneration	1,125	-624	0	0	501	468	33	6.57%
Property, Planning And Public Protection	2,503	258	-735	0	2,027	1,756	270	13.34%
Total Capital	67,564	12,723	-3,607	-11,301	65,379	60,473	4,906	7.5%
Housing Revenue Account	20,139	-2,518	-340	-891	16,391	16,498	-107	-0.65%
TOTAL	87,703	10,205	-3,947	-12,192	81,770	76,971	4,799	5.87%

1.7 The funding of the capital programme is shown in Table 2 below. It has been revised from the original budget of £87.703m to £76.971m as at 31st March 2019 to reflect actual expenditure incurred.

Table 2 Funding of the Capital Budget as at 31st March 2019

Service	Supported Borrowing	Prudential Borrowing	Grants	Revenue Cont's To Capital	Capital Receipts	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Revised Working Budget 2018/19 as at 31st March 2019 (after virements approved and required)						
Capital	-6,545	-20,536	-26,008	-3,020	-3,773	-65,379
HRA	0	-1,937	-4,835	-9,084	-534	-16,391
Total	-6,545	-22,473	-36,340	-12,104	-4,308	-81,770

2. Proposal

2.1 It is recommended that Cabinet note the contents of this report and recommend all virements over £500k to the Council for approval and approve all of the other virements listed below:

2.2 Highways, Transport and Recycling – Newtown HWRC £251,461.21

Due to delays in construction, works will not be completed until early in the new financial year. It is therefore recommended to roll forward £251,461.21 into 2019/20 in order to complete the scheme.

2.3 Highways, Transport and Recycling – Flood Alleviation

Major schemes in Talgarth and Welshpool have not been completed in 2018/19 and work will continue in 2019/20. The schemes are 85% funded by Welsh Government and require the following budgets to be rolled forward:

Talgarth - £466,982.99

Welshpool - £123,176.94

2.4 Highways, Transport and Recycling – Structures Strengthening & Major Remedial Earthworks

Strengthening works at B4398 New Bridge Vyrnwy have not been completed the remaining budget of £170,229.03 is proposed to roll forward into 2019/20 to complete the work.

Delays due to land issues resulted in the B4518 Gabion Wall Collapse scheme not progressing as planned. Design works are now complete and roll forward of the remaining budget of £157,283.15 is required for ongoing works in 2019/20.

2.5 Highways, Transport and Recycling – Vehicle Replacement Programme £1.7m

The service were allocated £3.904m to fund an extensive vehicle replacement programme. 105 vehicles were replaced this year but not all of the budget was required to fund this, the remaining £1.7m is no longer required and can be removed from the programme. The programme continues for 19/20 with £2.122m allocated.

2.6 Schools - Glantwymyn CP School, Refurbishment £699,249.28

The final element of the project is the outdoor play area and multi-use games area (muga) which will now take place in the summer. It is recommended to roll forward £699,249.28 to 19/20 to complete this work.

2.7 Schools – Carno CP School, New Build – £255,115.99

This project has not yet been completed in 18/19. It is recommended to roll forward the remaining budget of £255,115.99 to 19/20 to complete the project.

2.8 Schools – Unallocated 21st Century Schools project £165k

The full budget has not been utilised in 18/19 but will need to be rolled forward to 2019/20 to complete the projects in the Band A programme.

2.9 Schools – Dawnus Projects

Four school projects were affected by Dawnus going into administration. The remaining budgets allocated to the projects will be required in 19/20 and it is proposed to roll these forward as follows:

Welshpool Church in Wales School	-£2,300,463.29
Welshpool Gymraeg Y Trallwng	-£2,681,101.45
Bro Hyddgen	-£1,016,555.85
Ysgol Gymraeg Y Trallwng Equipment	-£239,694.59

2.10 Schools - Brynllwarch Special School £346,784.57

This project is part of the Band B 21st Century Schools projects which commences on 1st April 2019. However, this project started in 2018/19. Mobile buildings were purchased in 2018/19 and work has commenced, costs of £346,784.54 have been incurred and are to be funded by prudential borrowing, a virement is required to reflect this.

2.11 Schools – Ysgol Calon Cymru £202,894.04

Design work has commenced in 18/19 funded from the 21st Century schools project. Costs of £202,894.04 have been incurred and a virement is required to reflect this.

2.12 Schools – Crickhowell High School Extension £189,305

Work has commenced on this project but planning delays have stalled the project, it is therefore recommended to roll forward the remaining budget to 19/20.

2.13 IT System Rationalisation - £114,672.59

The money was not spent in 2018/19 due to a lack of resource to progress at the expected pace (due to secondments) and a number of current projects needing extra time. Next year we plan to rationalise a further 13 systems to enable digital transformation, reducing the quantity of live systems, reduce cost and reduce the support & maintenance requirements. It is recommended to roll forward £115k to 2019/20 to continue the projects.

2.14 Corporate Unallocated - £104,045.99

The authority always retains a small contingency fund to allow for any urgent or unforeseen projects to commence or to finance any overspends that happen on approved projects. It is recommended to carry forward the budget to 19/20.

2.15 Leisure and Recreation – Y Gaer £1.870m

This project is nearing completion and revised costings estimate that £428,752 is required to be rolled forward to complete the project in 2019/20.

2.16 Leisure and Recreation – Captain’s Walk Gardens £246,801.19

This project has been affected by the delays to y Gaer and will now be completed in 2019/20, it is therefore recommended that this budget is rolled forward.

2.17 Housing Revenue Account - Other Projects

Management Fees	-£803,000.00
Level Access Bungalows North	-£618,672.08
Level Access Bungalows South	-£211,880.70
Fit for Purpose South	-£127,650.85

2.18 Housing Revenue Account - New Builds £530,805.71

This budget of £1.327m was overspent at year end by £0.531 because of work carried out on new sites and purchases. The schemes are supported by the Affordable Housing Grant the details of which are included in section 3.9 of the report. It is recommended to finance the additional cost of the New Builds from prudential borrowing over the life of the new assets. There is a risk that if the developments do not go ahead the costs incurred will need to be charged to the Housing Revenue Account as abortive costs.

2.19 Housing Revenue Account – Contribution from Reserves £3,774,662.22

The HRA has a ring fenced revenue reserve. It is prudent to hold £1m in this reserve for contingencies. Over the last two years the reserve had increased to over £5m. This level of reserve is excessive and it is therefore prudent to utilise £3.774m of the reserve to finance the HRA capital programme in 18/19 reducing the need to borrow. This will also reduce the burden on the revenue budget and save £75,493.24 per annum.

2.20 Property, Planning and Public Protection – County Farms £100,751.26

This budget is used to carry out urgent health and safety work on the county farm estate. It is recommended to remove this budget in 18/19. The capital programme includes £600K for further works in 2019/20.

2.21 Property, Planning and Public Protection – New Industrial Unit at Ffrwdgrech £100,984.63

This budget was underspent at year end, the project is not complete and therefore it is recommended to roll forward the budget to 19/20.

2.22 Property, Planning and Public Protection – Ladywell House £360,905.77

The project has been delayed and not all of the budget is required in 2018/19, it is recommended to roll forward the remaining budget into 19/20 when the project will be completed.

2.23 Property, Planning and Public Protection – County Hall £172,059.64

This budget was underspent at year end. It is recommended to remove the budget in 18/19.

2.24 Corporate Resources – Transformation £886,044.37

Capital Receipts were set aside to meet the costs of transformation as permitted under the Capitalisation Directive, some of these costs have now been funded from slippage on the revenue budget instead during 2018/19. The capital budget needs to be amended to reflect this change.

2.25 Private Sector Housing – Landlord Loans £236,078.60

This budget was not fully utilised during 2018/19, it is recommended that the balance is rolled forward to 19/20 to support this ongoing initiative.

3 Grants Received

3.1 The following grants have been received since the last report and are included for information.

3.2 -£4,034k 21st Century Schools Grant

This grant was provided in March 2018 by WG for the construction of a new High School in Brecon. The funding for the project in 2018/19 has changed so that £4.034m is now funded from the Local Government Borrowing Initiative (LGBI) for Schools instead of the 21st Century Schools Grant. This now uses the whole of the LGBI allocation for Schools.

3.3 £366,429.18 Substance Misuse Action Fund – Welshpool

This project has been delayed because of issues with planning and listed building consent. The work will be completed by July 2019 and WG have approved the use of the grant in 2019/20.

3.4 £1,579,411 Public Highways Refurbishment Grant 2018-21

This Welsh Government grant has been made available to support authorities to finance public highways refurbishment. Funding of £1,579,411 was received in relation to 2018/19 and used to finance schemes that had previously been planned to be financed from borrowing. This displaced borrowing can now be utilised in 2019/20.

Further grant funding of £1,574,623 has been confirmed for 2019/20. Funding for 2020/21 will be confirmed in due course.

3.5 £155k - Costs relating to Storm Callum in October 2018

Welsh Government will fund additional costs of £196k incurred by the Authority as a result of Storm Callum. £155k of this funding relates to capital works, £35k has been spent in 2018/19 and works to the value of £120k will be carried out in 2019/20, which is permitted under the grant conditions.

3.6 **£2,186,987 Innovative Housing Programme – Bowling Green, Newtown**

Welsh Government have approved funding under the Innovative Housing Programme for the new housing units at the Bowling Green. The funding is for the period up to 30th March 2020.

3.7 **£2,100,000 – Funding for purchase of buses - Traws Cymru T4 Network**

The funding will be claimed and paid to third party providers for the purchase of 12 buses for use on the Traws Cymru T4 network.

3.8 **-£80,000 – Flying Start Capital Grant – St Josephs, Brecon**

This project did not proceed, because the building was being used by the PRU for the South of the county, and the grant has not been claimed in 18/19.

3.9 **£100,000 Integrated Care Fund (ICF)**

Specialist Equipment was purchased from this grant, to be used in the community to support Adult Social Care.

3.10 **Housing Revenue Account – Affordable Housing Grant**

This grant is not a capital grant but a revenue grant, which will allow the authority to borrow over a 30-year period. The amount of the grant for 18/19 is £72k which will allow £561,000 borrowing in 18/19 and £838,474 in 19/20.

3.11 **£1,783,578 - Schools Building Maintenance Grant**

The Schools Building Maintenance grant for £1.7m was received in March 2019. This grant was used to fund existing expenditure in the schools Major Improvement programme and the existing resources rolled forward to be used in 19/20 in line with the terms and conditions of the grant.

4 **Capital Receipts**

4.1 Capital receipts received during the financial year, excluding those in the HRA, were £1,545,910. These are broken down as:

£534,500 Land & Property

£714,070 County Farms

£297,340 Vehicle Sales

4.2 Total HRA capital receipts were £1,005,500. Of this, £538k relates to six disposals to tenants who had applied to the HRA Right to Buy scheme before its suspension on the 18th November 2017. The other sales were properties sold at auction and a land sale.

5. **Options Considered / Available**

5.1 N/A

6 **Preferred Choice and Reasons**

6.1 N/A

7 **Impact Assessment**

7.1 Is an impact assessment required? Yes/No

8 **Corporate Improvement Plan**

8.1 To achieve the Corporate Improvement Plan (CIP) objectives the Council undertakes forward planning with its medium term financial strategy (MTFS) - this sets out the financial requirements to deliver the short and longer term council vision. These capital and revenue monitoring reports, are used to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

9 **Local Member(s)**

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

10 **Other Front Line Services**

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

11 **Communications**

11.1 Have Communications seen a copy of this report? Yes/No

Have they made a comment? If Yes insert here.

12 **Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)**

12.1 This report has no specific impact on support services other than reporting on those service areas with capital programmes. Financial Services work closely with all service areas in monitoring financial performance on capital programmes against budgets.

12.2 **Finance**

This report concludes the position of the Capital Programme for 2018/19.

The virements proposed in section 2 of this report, aligns the capital programme and its funding to the actual expenditure incurred. This is a prudent approach to ensure that the Council only makes available what is required to finance the Capital expenditure. The reduction in the capital programme and the increase in grant funding has resulted in the underspend in the capital charges budget because of lower interest charges from borrowing.

14. **Scrutiny**

Has this report been scrutinised? Yes / No?

15. **Data Protection**

N/A

16. **Statutory Officers**

The Head of Finance notes the content of the report and supports the virements proposed to realign the funding requirements with the expenditure incurred and the reprofiling of projects between financial years.

The Deputy Monitoring Officer notes the content of the report and makes no specific comment upon the same.

17. **Members' Interests**

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.

18. **Future Status of the Report**

Members are invited to consider the future status of this report and whether it can be made available to the press and public either immediately following the meeting or at some specified point in the future.

Recommendation:	Reason for Recommendation:
a. The contents of this report are noted by Cabinet.	To report on the Capital Outturn position for the 2018/19 financial year.
b. That Cabinet approves the virements proposed in section 2 of this report.	To ensure appropriate virements, are carried out to align budgets and financing requirements.
c. That all virements over £500k are recommended to Council for approval.	To ensure that budgets for uncompleted projects is made available in the new financial year.

Contact Officer: Jane Thomas
Tel: 01597-826290
Email: jane.thomas@powyscc.gov.uk

Relevant Local Member(s):	
Person(s) To Implement Decision:	Jane Thomas
Date By When Decision To Be Implemented:	ongoing
Is a review of the impact of the decision required?	N
If yes, date of review	n/a

Background Papers used to prepare Report:

CABINET REPORT TEMPLATE VERSION 6

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET
18th June 2019

REPORT AUTHOR: County Councillor M Alexander
Portfolio Holder for Education
County Councillor A Davies
Portfolio Holder for Finance

SUBJECT: School Budgets 2019/20

REPORT FOR: Decision

1. Summary

- 1.1 Governing Bodies of maintained schools are required, under the authority's scheme for financing schools, to set and submit an annual budget for their school together with initial budget plans for a minimum of the following two financial years. Where a school is planning to set a deficit budget in the current 2019/20 financial year, the budget must be approved and licensed by the Authority as long as it meets the requirements defined in the Scheme.
- 1.2 The cumulative outturn position at the 31st March 2019 for schools was £1.307m deficit balance on reserves. The cabinet approved position for 2018/19 was a cumulative position of £2.250m deficit on reserves. This shows an in year improvement of £0.9m and an in year net draw on reserves of £617k.
- 1.3 During the financial year Llandrindod and Builth Wells High schools closed, the closing deficit balance of both schools of £1.374m was written off. A £1m reserve was set aside at the end of last financial year for this purpose. This now leaves a deficit schools general reserve balance of £374k. The schools cumulative balance on reserves at the 1st April 2019 is £78k surplus.
- 1.4 All schools have been supported during the year. Team around the school meetings continue to take place to address continuing concerns and the action required. Notice of concerns were issued and followed up throughout the year and one warning notice was issued which is still active. This level of challenge and scrutiny will continue to ensure the levels of deficit can be reduced.
- 1.5 As at the 31st March 2019, there were twenty one (21) schools with cumulative deficit balances totalling £3.98m, this compares with twenty three (23) schools as at the 31st March 2018 with deficits of £3.71m.
- 1.6 As at the 31st March 2019 there were sixteen (16) schools whose surplus balances are greater than that defined within the scheme for financing schools will be subject to consideration for claw back.

- 1.7 Officers of the authority continue to work with schools to ensure that Governing Bodies work within the financial constraints of the funding allocated to them and in compliance with the Scheme for Financing Schools.
- 1.8 Sixty five (65) Schools are proposing to set cumulative Surplus balance in 2019/20 and meet the criteria to be approved. Twenty Eight (28) schools are proposing to set a cumulative deficit balance in 2019/20, twenty (20) of these do not meet the criteria to be licensed. Nine (9) schools failed to submit their budgets by the required date set out in the scheme, with four (4) of these submitted prior to approval by the full governing body as required and are in breach of the scheme for financing schools. The budgets for these nine (9) schools have been assessed and included in the recommendations in the report.

Llanfechain C in W – late

Llangedwyn C in W voluntary controlled – late

St Marys Catholic primary – late

Ysgol Gymraeg Dyffryn y Glowyr – late and not approved by Governing body

Ysgol Maesydderwen - late and not approved by Governing body

Welshpool High – late

Ysgol Calon Cymru – late and not approved by Governing Body

Ysgol Cedewain – late

Ysgol Penmaes - late and not approved by Governing Body

2. Deficit Budgets

- 2.1 The scheme for the financing of schools outlines the parameters within which a deficit budget may be licensed.
- The maximum length of time over which a school may repay a deficit is three years, except where a longer period, not exceeding five years, has been agreed in exceptional circumstances and with the support of the Head of Schools and the Section 151 Officer. In practice, the timescale will depend on the extent of the deficit and the school's planning and ability to take early action.
 - In the primary sector, the maximum licensed deficit that may be approved will be up to 10% of the school's budget share but with a ceiling of £50,000. In the secondary and special sectors, the maximum licensed deficit that may be approved will be up to 7½% of the school's budget share but with a ceiling of £100,000 for special schools and £150,000 for secondary schools.
 - A school with a planned deficit of less than £500 and a planned underspend in the following financial year will not have to apply to have the deficit licensed.
- 2.2 There are twenty eight (28) schools planning to have a deficit balance at the end March 2020. Twenty (20) of these schools are highlighted as having unlicensed budgets. Of the twenty eight schools, nine (9) of these were unlicensed last year and remain in that position. Eleven (11) schools have moved into an unlicensed position during the year. Eight (8) schools are in a licensed deficit position.

Comparison of 2018/19 to 2019/20 deficits

	School	Number in 18-19	Number in 19-20	Value £k 18-19	Value £k 19-20
<i>Unlicensed Deficits</i>	<i>Primary</i>	7	12	189	567
	<i>Secondary</i>	8	7	4,241	4,314
	<i>Special</i>	1	1	269	309
Total Unlicensed Deficits		16	20	4,699	5,190
<i>Licensed Deficits</i>	<i>Primary</i>	2	6	25	61
	<i>Secondary</i>	0	1	0	74
	<i>Special</i>	1	1	5	25
Total Licensed Deficits		3	8	30	160
Total Deficits		19	28	4,729	5,350

Details of individual schools are shown in Appendix A

3. Loan Scheme

- 3.1 In 2013/14 the Authority approved the implementation of a loan scheme. The following four schools received loans in 2013/14:-

School	Amount (£)	Term	Balance 31st March 2019
Brecon High School	432,000	Ended	0
Caersws C P School	25,000	10 Years	£12,500
Talgarth C P School	25,000	School Closed Written off	£0
Ysgol Dyffryn Trannon	45,000	10 Years	£22,500

- 3.2 The loan scheme was withdrawn during 2015/16 and no further loans have been approved. Schools who have already had loans authorised will continue to have the loans in place subject to meeting the loan repayments and the terms of the loan as per the agreement made at the time.
- 3.3 Each of the schools have made repayments on the loans, Caersws C P School and Ysgol Dyffryn Trannon have submitted approved budget plans for 2019/20. Brecon High school loan has been recharged back to the schools balance and is shown in their cumulative position.

4. Surplus Balances

- 4.1 Governing Bodies holding planned cumulative surplus balances in excess of that detailed in the scheme for financing schools are liable for claw back. There are two types of clawback i) clawback on outturn ii) clawback on budget set out in the scheme of financing schools.
- 4.2 There are sixteen (16) schools that meet the criteria set out in the scheme to have potential outturn surplus clawback. These schools will be written to asking

for details as to why this occurred and the planned use so that a clawback decision can be made by the end of the Summer Term. These schools are:

Builth Wells C P
 Buttington Trewern C P
 Guilsfield C P
 Knighton C in W
 Llanfair Caereinion C P
 Llanidloes C P
 Montgomery C in W
 Mount St C P junior
 Treowen C P
 Welshpool C in W
 Ysgol Bro Tawe
 Ysgol Dafydd Llwyd
 Ysgol Y Cribarth
 Gwernyfed High School
 Newtown High school
 Ysgol Penmaes

- 4.3 There are sixty five (65) schools proposing a surplus balance at the 31st March 2020 and are therefore approved. This compares to seventy four (74) schools that were approved in June 2018.

	School	Number in 18-19	Number in 19-20	Value £k 18-19	Value £k 19-20
<i>Approved</i>	<i>Primary</i>	68	61	2,072	1,881
<i>Surpluses</i>	<i>Secondary</i>	5	3	441	334
	<i>Special</i>	1	1	114	47
Total surpluses		74	65	2,627	2,262

- 4.4 Of the sixty five (65) schools showing a surplus position at the end March 2020, fourteen (14) are subject to clawback on the budgeted balances. These schools will be written to and asked to provide an explanation as to the reasons for the surplus being in excess of the acceptable levels set out by the scheme of financing schools. The schools that fall under this potential budget clawback are:

Builth Wells C P
 Guilsfield C P
 Hafren C P Junior
 Knighton C in W
 Llandinam C P
 Llanfair Caereinion C P
 Llanidloes C P
 Montgomery C in W
 Mount St C P Junior
 Priory C in W (A)
 Sennybridge C P

- 4.5 Recommendations for budget clawback will be brought to Cabinet in the Autumn term.
- 4.6 Under the School Funding (Wales) Regulations 2010, the Authority has the power to direct spending or claw back monies where planned surplus budgets held by schools exceed £50,000 for primary and £100,000 for special and secondary schools.

5. Proposal

5.1 2019/20 Budget Position

Type of School	Number of Schools Projected to be in Deficit	Number of Schools Projected to be in Surplus	Actual Deficit	Actual surpluses	Total
			£000	£000	£000
Primary	18	61	(628)	1,881	1,253
Special	2	1	(334)	47	(287)
Secondary	8	3	(4,388)	334	(4,054)
Total	28	65	(5,350)	2,262	(3,088)

- 5.2 Appendix A shows the outturn position for all schools as at 31 March 2018 together with the planned projected budget position and planned cumulative balance for each school for the years ending 31 March 2020, 31 March 2021 and 31 March 2022.
- 5.3 The reserves collectively held by schools at 31 March 2019 was £78k surplus. The budget proposals submitted for the 2019/20 financial year project a net draw on these reserves of £3.088m which will reduce the projected reserves held at 31 March 2020 to a deficit of £3.01m.
- 5.4 Of the twenty eight (28) schools submitting deficit budgets for 2019/20, eight (8) of these school budgets are projected to return to surplus over the following two years and are in compliance with the scheme for financing schools, therefore it is proposed that these budgets be licensed and the actions listed in Appendix A are implemented.
- 5.5 Twenty (20) schools do not meet the requirements to have their budgets licensed as their projected deficit balance at 31 March 2020 is not brought back into balance within three years, or the deficit in 2019/20 is above the threshold to license and it is therefore proposed that these remain unlicensed and the actions listed in Appendix A are implemented.

5.6 Sixty five (65) schools have submitted budgets for 2019/20 that meet the requirements of the scheme for financing schools, therefore these are approved.

6. Options Considered/Available

N/A.

7. Preferred choice and reasons

N/A

8. Impact assessment

Is an impact assessment required – No

9. Corporate improvement plan

To achieve the Corporate Improvement Plan (CIP) objectives the Council's financial strategy sets out the financial requirements to deliver the short and longer term council vision. The approval and monitoring of school delegated budgets is a key element of financial management to ensure the funding identified to deliver the council priorities is spent appropriately and remains within a cash limited budget.

10. Local Member(s)

All schools across the council are included in this report therefore all local members have an interest.

11. Other Front Line Services

No implications to other front line services.

12. Communications

13. Support Services (Legal, Finance, HR, ICT, BPU)

13.1 Finance: Deficit and surplus balances must continue to be carefully monitored to ensure schools are in compliance with the Scheme for Financing Schools and that schools take the appropriate action to ensure they meet the requirements. It is essential that officers from Finance, HR and Schools service continue to support and challenge Head teachers and Governing Bodies to address school balances.

13.2 Legal:

14. Statutory Officers

14.1 The Solicitor to the Council (Monitoring Officer) has commented as follows

14.2 The Head of Finance (S151 Officer) comments as follows:-

The current and projected financial position of our Schools continues to be a challenge. The additional funding provided in the 2019/20 budget assists schools in meeting the pressures they face, but it is essential that all Governing Bodies take action to provide a curriculum that can be delivered within the funding provided to them. The school reserves are ring fenced but, ultimately, represent a potential council risk. It is essential that compliance work is undertaken to ensure that school budgets are managed in accordance with regulations by Governing Bodies.

15. Members' Interests

The Monitoring Officer advises that Members may have an interest in this item if they are Governors of or have any other interest in the management of schools affected by this report. If that is the case, they should seek advice prior to the meeting.

Recommendation:	Reason for recommendation
<p>1. That the proposal in section 5.4 regarding the licensing of deficit budget positions for 2019/20 for the following schools is approved and recommended actions (Appendix A) are agreed.</p> <p>Churchstoke C P Llanbister C P Llanfechain C in W Llangedwyn C in W Maesyrrhandir C P Ysgol Bro Cynllaith Llanidloes High Brynlywarch Hall</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>2. That the proposal in section 5.5 regarding the unlicensed deficit budget positions for 2019/20 for the following schools is approved and recommended actions (Appendix A) are agreed.</p> <p>Brynhafern C P Carreghofa C P Llanbedr C in W</p>	<p>To comply with the Authority's scheme for the financing of schools</p>

<p>Llandrindod Wells C P Cefnlllys Llanerfyl C in W Llansantffraid C in W Presteigne C P Rhayader C in W St Michael's C in W Ysgol Gymraeg Dyffryn Y Glowyr Ysgol Meifod Ysgol y Bannau Brecon High Ysgol Maesydderwen Crickhowell High Llanfyllin High Ysgol Bro Hyddgen Welshpool High Ysgol Calon Cymru Ysgol Cedewain</p>	
<p>3. That the Portfolio Holder for Education has the delegated decision on whether to apply clawback as mentioned in paragraph 4.2 of the report, pending reasons for the surplus being in excess of the position submitted to cabinet in June 18.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>4. That all schools that are potentially subject to clawback for 2019/20 as set out in paragraph 4.3 have their budgets re-assessed after spending plans have been submitted by the 5th July 2019 and a further report brought back to Cabinet during the Autumn Term 2019.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>5. Existing Loans are monitored.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>
<p>6. All actions recommended in Appendix A for the schools that are non-compliant on submitting budgets as stated in 1.7 are approved.</p>	<p>To comply with the Authority's scheme for the financing of schools</p>

Relevant Policy (ies):	Scheme for the Financing of Schools		
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	All
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Person(s) To Implement Decision:	School Finance Manager & Schools Service Senior Staff
Date By When Decision To Be Implemented:	18th June 2018

Contact Officer Name:	Tel:	Email:
Jennie Spraggon	01597 826479	Jennie.Spraggon@powys.gov.uk

Background Papers used to prepare Report:

Scheme for the financing of Schools
 Good Practice Guide

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Cost Centre	School	2018-19 Actual Outturn	2019/20 Budget	2020/21 Budget	2021/22 Budget	Submitted on time	Position	Outturn Clawback Y/N	Budget Clawback Y/N	Recommended Action
EE202	Abermule C P School	12,207	11,921	11,229	(131)	Yes	Approved	No	No	
EE102	Archdeacon Griffiths C in W Aided School	2,458	26,853	(14,572)	(3,775)	Yes	Approved	No	No	
EE204	Arddleen C P School	41,062	41,426	50,686	55,744	Yes	Approved	No	No	
EE208	Banw C P School	34,847	13,816	25,710	31,421	Yes	Approved	No	No	
EE210	Berriew C P School	(1,379)	285	(311)	(7,869)	Yes	Approved	No	No	
EE212	Brynhafren C P School	(104,092)	(154,062)	(198,335)	(249,273)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE106	Builth Wells C P School	103,256	54,568	45,911	10,603	Yes	Approved	Yes	Yes	Issue letters regarding clawback on outturn and budget
EE214	Buttington/Trewern C P School	74,532	46,979	76,416	24,707	Yes	Approved	Yes	No	Issue letters regarding clawback on outturn
EE216	Caersws C P School	27,866	9,789	(1,843)	(21,019)	Yes	Approved	No	No	
EE220	Carreghofa C P School	13,149	(19,636)	(31,197)	(60,321)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE222	Castle Caereinion C in W School	30,807	36,288	33,032	39,022	Yes	Approved	No	No	
EE224	Churchstoke C P School	15,025	(2,579)	16,512	31,014	Yes	Licensed	No	No	To be monitored throughout year
EE402	Clyro C in W Controlled School	4,935	30,994	56,058	12,221	Yes	Approved	No	No	
EE112	Cradoc C P School	46,128	10,110	(8,350)	(32,173)	Yes	Approved	No	No	
EE114	Crickhowell C P School	33,996	20,498	16,520	9,458	Yes	Approved	No	No	
EE404	Crossgates C P School	36,910	39,583	(4,284)	(68,809)	Yes	Approved	No	No	
EE228	Forden C in W School	24,326	8,754	7,868	(2,156)	Yes	Approved	No	No	
EE408	Franksbridge C P School	3,046	5,598	13,988	17,631	Yes	Approved	No	No	
EE410	Gladestry C in W Controlled School	47,601	44,273	49,084	48,453	Yes	Approved	No	No	
EE230	Guilsfield C P School	62,802	52,315	48,793	17,999	Yes	Approved	Yes	Yes	Issue letters regarding clawback on outturn and budget
EE234	Hafren C P Junior School	48,896	73,718	23,045	(39,087)	Yes	Approved	No	Yes	Issue letters regarding clawback on budget
EE124	Hay-On-Wye C P School	41,173	33,336	39,893	10,509	Yes	Approved	No	No	
EE126	Irfon Valley C P School	8,612	4,559	9,854	7,453	Yes	Approved	No	No	
EE414	Knighton C in W Controlled School	91,412	80,347	69,935	1,887	Yes	Approved	Yes	Yes	Issue letters regarding clawback on outturn and budget
EE236	Ladywell Green Infant School	63,925	16,669	(18,648)	(73,828)	Yes	Approved	No	No	
EE238	Leighton C P School	(1,549)	41,388	44,933	38,356	Yes	Approved	No	No	
EE130	Llanbedr C in W Aided School	15,231	(5,130)	(2,302)	(5,868)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE416	Llanbister C P School	16,844	(2,130)	40,035	70,457	Yes	Licensed	No	No	
EE242	Llandinam C P School	43,102	52,201	74,461	92,026	Yes	Approved	No	Yes	Issue letters regarding clawback on budget
EE418	Llandrindod Wells C P School Cefnlllys	24,070	(18,889)	(69,337)	(139,034)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE436	Ysgol Trefonnen C in W Community Primary School	50,131	26,360	(32,357)	(112,227)	Yes	Approved	No	No	
EE244	Llandysilio C in W School	34,342	3,663	(12,813)	(36,903)	Yes	Approved	No	No	
EE420	Llanelwedd C in W Primary School	18,971	895	(13,674)	46,368	Yes	Approved	No	No	
EE246	Llanerfyl C in W Foundation School	11,279	(41,818)	(51,028)	(64,975)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE132	Llanfaes C P School	55,690	10,251	(57,381)	(147,256)	Yes	Approved	No	No	
EE248	Llanfair Caereinion C P School	86,213	50,287	29,831	16,421	Yes	Approved	Yes	Yes	Issue letters regarding clawback on outturn and budget
EE250	Llanfechain C in W School	(24,192)	(35,662)	(14,176)	2,061	No	Licensed	No	No	Notice of concern issued due to late submittal. To be monitored throughout year
EE422	Llanfihangel Rhydithon C P School	(5,049)	5,524	24,720	38,676	Yes	Approved	No	No	
EE254	Llanfyllin C P School	28,620	24,476	23,291	5,674	Yes	Approved	No	No	
EE134	Llangattock C in W Aided School	27,393	21,217	1,111	(35,654)	Yes	Approved	No	No	
EE256	Llangedwyn C in W Voluntary Controlled School	(4,850)	(3,256)	5,248	8,173	No	Licensed	No	No	Notice of concern issued due to late submittal. To be monitored throughout year
EE136	Llangors C in W Controlled School	42,186	17,585	8,952	(5,373)	Yes	Approved	No	No	
EE138	Llangynidr C P School	48,921	29,681	(15,648)	(39,966)	Yes	Approved	No	No	
EE260	Llanidloes C P School	122,740	76,890	36,950	(20,847)	Yes	Approved	Yes	Yes	Issue letters regarding clawback on outturn and budget
EE262	Llanrhaeadr Ym Mochnant C P School	20,086	10,851	19,883	17,970	Yes	Approved	No	No	
EE264	Llansantffraid C in W Aided School	(12,797)	(16,082)	(31,956)	(59,585)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE270	Maesyrhandir C P School	11,746	(14,898)	10,895	20,731	Yes	Licensed	No	No	To be monitored throughout year
EE274	Montgomery C in W School	82,361	78,678	75,169	60,144	Yes	Approved	Yes	Yes	Issue letters regarding clawback on outturn and budget
EE142	Mount Street C P Infants School	59,206	17,718	(16,917)	(64,493)	Yes	Approved	No	No	
EE144	Mount Street C P Junior School	101,133	58,774	75,354	84,491	Yes	Approved	Yes	Yes	Issue letters regarding clawback on outturn and budget
EE426	Newbridge-On-Wye C in W Controlled School	40,817	34,041	18,685	3,057	Yes	Approved	No	No	
EE278	Penygloddfa C P School	19,085	9,998	(32,720)	(102,198)	Yes	Approved	No	No	
EE428	Presteigne C P School	35,370	(39,869)	(145,731)	(199,680)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE150	Priory C in W Aided School	67,511	59,166	34,201	9,707	Yes	Approved	No	Yes	Issue letters regarding clawback on budget
EE430	Radnor Valley C P School	37,893	29,542	34,763	34,017	Yes	Approved	No	No	
EE432	Rhayader C in W Controlled School	(125)	(31,984)	(56,710)	(95,569)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE152	Sennybridge C P School	37,868	60,724	53,495	38,361	Yes	Approved	No	Yes	Issue letters regarding clawback on budget
EE284	St Mary's Catholic Primary School	9,271	381	(7,368)	(26,909)	No	Approved	No	No	Notice of concern issued due to late submittal
EE286	St Michael's C in W Aided Primary School	10,543	(4,435)	(5,097)	(21,750)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE292	Treowen C P School	65,433	44,327	9,478	(12,996)	Yes	Approved	Yes	No	Issue letters regarding clawback on outturn
EE308	Welshpool C in W Primary School	168,172	16,942	(171,662)	(409,163)	Yes	Approved	Yes	No	Issue letters regarding clawback on outturn

Cost Centre	School	2018-19 Actual Outturn	2019/20 Budget	2020/21 Budget	2021/22 Budget	Submitted on time	Position	Outturn Clawback Y/N	Budget Clawback Y/N	Recommended Action
EE294	Ysgol Bro Cynllaith	(24,259)	(2,821)	3,516	5,322	Yes	Licensed	No	No	
EE176	Ysgol Bro Tawe	97,213	71,056	(8,539)	(101,655)	Yes	Approved	Yes	Yes	Issue letters regarding clawback on outturn and budget
EE304	Ysgol Dafydd Llwyd	68,402	30,552	(2,723)	(56,325)	Yes	Approved	Yes	No	Issue letters regarding clawback on outturn
EE162	Ysgol Dolafon	30,218	16,409	5,229	(9,369)	Yes	Approved	No	No	
EE288	Ysgol Dyffryn Trannon	42,704	28,575	45,623	48,294	Yes	Approved	No	No	
EE296	Ysgol Glantwymyn	31,042	30,372	40,771	42,860	Yes	Approved	No	No	
EE218	Ysgol Gynradd Carno	11,073	11,327	20,445	29,941	Yes	Approved	No	No	
EE174	Ysgol Golwg Y Cwm	74,605	74,614	47,544	7,967	Yes	Approved	No	Yes	Issue letters regarding clawback on budget
EE178	Ysgol Gymraeg Dyffryn Y Glowyr	(113,652)	(148,443)	(172,770)	(230,548)	No	Unlicensed	No	No	Notice of concern issued, relating to late submittal and requesting recovery plan by 5th July 2019
EE306	Ysgol Gymraeg Y Trallwng	56,273	38,458	(21,924)	(124,037)	Yes	Approved	No	No	
EE240	Ysgol Llanbrynmair	56,409	20,204	10,607	18,065	Yes	Approved	No	No	
EE272	Ysgol Meifod	(27,718)	(25,594)	(14,916)	(12,661)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE300	Ysgol Pennant	51,109	28,860	11,881	(11,617)	Yes	Approved	No	No	
EE280	Ysgol Pontrobert	9,038	15,124	29,929	38,867	Yes	Approved	No	No	
EE302	Ysgol Rhiw Bechan	41,445	17,417	(12,204)	(62,869)	Yes	Approved	No	No	
EE172	Ysgol Y Cribarth	67,602	45,374	38,037	18,791	Yes	Approved	Yes	No	Issue letters regarding clawback on outturn
EE170	Ysgol Y Bannau	(6,956)	(60,657)	(85,640)	(126,866)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE180	Ysgol Y Mynydd Du	10,640	7,961	21,458	16,945	Yes	Approved	No	No	
EE830	Brecon High School	(1,258,076)	(1,542,172)	(1,770,425)	(1,935,080)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE870	Gwernyfed High School	391,010	197,410	45,166	(169,308)	Yes	Approved	Yes	Yes	Issue letters regarding clawback on outturn and budget
EE880	Ysgol Maesydderwen	(229,207)	(345,799)	(566,197)	(788,171)	No	Unlicensed	No	No	Notice of concern issued, relating to late submittal and requesting recovery plan by 5th July 2019
EE890	Crickhowell High School	(985,036)	(913,951)	(718,145)	(500,055)	Yes	Unlicensed	No	No	Remain on Warning Notice, requesting recovery plan by 5th July 2019
EE900	Ysgol Uwchradd Caereinion	115,475	25,150	(127,789)	(270,345)	Yes	Approved	No	No	
EE910	Llanfyllin High School	(72,161)	(40,677)	(92,938)	(202,701)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE920	Llanidloes High School	(110,085)	(73,732)	36,521	13,507	Yes	Licensed	No	No	
EE935	Ysgol Bro Hyddgen	(105,208)	(174,981)	(166,374)	(120,825)	Yes	Unlicensed	No	No	Notice of concern issued, requesting recovery plan by 5th July 2019
EE940	Newtown High School	328,373	111,887	(512,629)	(1,257,325)	Yes	Approved	Yes	No	Issue letters regarding clawback on outturn
EE950	Welshpool High School	(594,318)	(853,327)	(1,293,464)	(1,827,234)	No	Unlicensed	No	No	Notice of concern issued, relating to late submittal and requesting recovery plan by 5th July 2019
EE975	Ysgol Calon Cymru	137,954	(443,599)	(1,259,156)	(2,302,555)	No	Unlicensed	No	No	Notice of concern issued, relating to late submittal and requesting recovery plan by 5th July 2019
EE600	Brynllwarch Hall School	(10,566)	(24,805)	(21,616)	30,967	Yes	Licensed	No	No	To be monitored throughout year
EE605	Ysgol Cedewain	(288,813)	(309,428)	(175,742)	(51,311)	No	Unlicensed	No	No	Notice of concern issued, relating to late submittal and requesting recovery plan by 5th July 2019
EE610	Ysgol Penmaes	176,649	46,949	(205,910)	(537,032)	No	Approved	Yes	No	Notice of concern issued due to late submittal. Issue letters regarding clawback on outturn

Welsh Government

GUIDANCE ON FLEXIBLE USE OF CAPITAL RECEIPTS

April 2018

PART 1 of this document provides an informal commentary on Part 2.

PART 2 contains the statutory guidance to which local authorities must have regard.

[PART 1]**INFORMAL COMMENTARY ON THE GUIDANCE ON FLEXIBLE USE OF CAPITAL RECEIPTS**

[References to the paragraphs in the formal guidance are in square brackets]

POWER UNDER WHICH THE GUIDANCE IS ISSUED [1.1]

1. The **Local Government Act 2003** (“**the Act**”), section 15(1) requires a local authority “...to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify...”. and section 24 of the Act states “In its application to Wales, ...for any reference to the Secretary of State there were substituted a reference to the Welsh Ministers.”
2. The guidance on the flexible use of capital receipts in Part 2 of this document is issued under section 15(1) of the Act and authorities are therefore required to have regard to it.
3. Two codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) contain guidance on capital receipts and local authority accounting that complements the Welsh Government guidance. These publications are:
 - *The Prudential Code for Capital Finance in Local Authorities*
 - *The Code of Practice on Local Authority Accounting.*

4. Local authorities are required to have regard to the current edition of *Treasury Management in Public Services: Code of Practice and Sectoral Guidance Notes* by Regulation 19 of the *Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (SI 2003/3239 (W319))* and to the *Local Authority Accounting Code* as proper practices for preparing accounts under section 21(2) of the Act.

APPLICATION [3.1- 3.2]

5. This guidance should be read alongside the relevant direction issued by Welsh Ministers.
6. This guidance applies with effect from 1 April 2016 to 31 March 2022 – i.e. for the financial year 2016-17 and for each subsequent financial year to which the flexible use of capital receipts direction applies.
7. The direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property plant and equipment assets received in the years in which this flexibility is offered. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of qualifying projects..

QUALIFYING EXPENDITURE [4.1 - 4.3]

8. Welsh Ministers believe that individual authorities and groups of authorities are best placed to decide which projects will be most effective for their areas. The key criterion to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings or reduce revenue costs or pressures over the longer term to an authority, or several authorities, and/or to another public body.
9. A list of types of project that would qualify for the flexible use of capital receipts is included in the guidance. This list is not meant to be prescriptive or exhaustive and individual authorities with projects that will generate ongoing savings or reduce revenue costs or pressures over the longer term which are not included in the list can apply the flexibility to fund those projects.

ACCOUNTABILITY AND TRANSPARENCY [5.1 - 5.6]

10. Welsh Ministers believe it is important that individual authorities demonstrate the highest standards of accountability and transparency. The guidance recommends that each authority should prepare a separate disclosure note of the individual projects that have been funded or part funded through capital receipts flexibility. The disclosure note should be approved by the Responsible Financial

Officer at the same time the statutory accounts are certified and can be included as part of the year-end accounts documentation. The disclosure note should be considered and approved by the person presiding at the committee or meeting at which approval of the statement of accounts was given.

[PART 2]

Welsh Government GUIDANCE ON FLEXIBLE USE OF CAPITAL RECEIPTS

Issued under section 15(1)(a) of the *Local Government Act 2003*
and effective from 1 April 2016

(1) POWER UNDER WHICH THE GUIDANCE IS ISSUED

1.1 The following guidance is issued by Welsh Ministers under section 15(1)(a) of the *Local Government Act 2003*.

(2) DEFINITION OF TERMS

2.1 In this guidance, **the Act** means the *Local Government Act 2003*.

2.2 **Local authority** has the meaning given in section 23 of the Act (and in regulations made under that section).

2.3 **Capital receipt** has the meaning given in section 9 of the Act (and in regulations made under that section).

2.4 **Qualifying expenditure** means expenditure on a project where incurring up-front costs will generate ongoing savings; reduce revenue costs or pressures over the longer term. The main part of this guidance details the types of project that will generate qualifying expenditure.

2.5 The **direction** means a direction made under section 16(2)(b) of the Act, to allow named local authorities to treat qualifying expenditure as being capital expenditure.

2.6 **Prudential indicators** has the meaning given in the CIPFA code of practice, *The Prudential Code for Capital Finance in Local Authorities*.

(3) APPLICATION

Effective date

3.1 This guidance applies with effect from 1 April 2016, for the period for which flexible use of capital receipts will apply. This will be set out in the direction.

Local authorities

3.2 This guidance applies to all local authorities in Wales named in the directions issued by Welsh Ministers.

(4) QUALIFYING EXPENDITURE

Types of qualifying expenditure

4.1 Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for the Authority or any of the delivery partners. This includes investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

4.2 The set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

Examples of qualifying expenditure

4.3 There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Preparatory work necessary to support local authority mergers as part of the programme to reform local government in Wales;
- Sharing back-office and administrative services with one or more other council or public sector body;
- Investment in service reform feasibility work, eg. setting up pilot schemes;
- Collaboration between local authorities and central government to free up land for economic use;

- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using the National Procurement Service, Crown Commercial Services or other central purchasing bodies which operate in accordance with the Wales Procurement Policy Statement;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies (for example children’s social care, trading standards) to generate savings or to transform service delivery.
- Investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term, across one or more local authorities and/or other public sector bodies.

(5) ACCOUNTABILITY AND TRANSPARENCY

Preparation

5.1 Following the end of each financial year, as part of the preparation of its annual accounts, a local authority should ensure it prepares a disclosure note in accordance with the timetable in paragraph 5.5

Content

5.2 As a minimum, the disclosure note should list each project that made use of the capital receipts flexibility, ensuring that it details the split of up-front funding for each project between capital receipts and other sources, and that on a project-by-project basis, setting out the expected savings and/or benefits of investment.

5.3 The disclosure note may also include any other matters considered to be relevant.

Approval

5.4 The disclosure note should be considered and approved by resolution of the committee or of the members meeting as a whole.

Timing

5.5 For any financial year, a disclosure note should be prepared and approved no later than approval of the statement of accounts.

Publication

5.6 Welsh Ministers expect the disclosure note once approved, to be made available to the public free of charge, in print or online.

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To:
Chief Finance Officers
Local Authorities listed in Annex A

cc:
Chief Finance Officers of Police Forces in Wales

03 May 2018

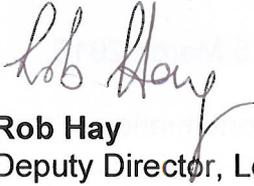
Dear Chief Finance Officers

LOCAL GOVERNMENT ACT 2003 SECTIONS 16(2) (b) AND 20: TREATMENT OF CERTAIN COSTS AS CAPITAL EXPENDITURE

1. This direction supersedes the previous direction issued on 15 March 2016.
2. In December 2017, the Secretary of State announced, the continuation of the capital receipts flexibility programme for a further three years, to give local authorities in England the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.
3. Accordingly, the Cabinet Secretary for Local Government and Public Services directs, in exercise of his powers under sections 16(2)(b) and 20 of the Local Government Act 2003 ("the Act"), that the local authorities listed in Annex A ("the Authorities") treat as capital expenditure, expenditure which:
 - a. is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners; and
 - b. is properly incurred by the Authorities for the financial years that begin on 1 April 2016, 1 April 2017, 1 April 2018, 1 April 2019, 1 April 2020 and 1 April 2021.

4. In further exercise of Welsh Ministers' powers under section 20 of the Act, it is a condition of this direction that expenditure treated as capital expenditure in accordance with it, may only be met from capital receipts – within the meaning of section 9 of the Act and regulations made under that section (see Part 3 of SI 2003/3239(W319) as amended), which have been received in the years to which this direction applies.
5. This direction is given for the purposes of Chapter 1 of Part 1 of the Act only. It does not convey any other consent that may be required or any view as to the propriety of the expenditure. It is for each Authority to be satisfied that any amount to which this direction is applied is properly incurred in the financial year concerned.
6. When applying the direction, authorities are required to have regard to the *Guidance on Flexible Use of Capital Receipts* issued by Welsh Ministers under section 15(1)(a) of the Act.
7. If you have any queries in connection with the above, please do not hesitate to contact Local Government Finance Policy Division at:
LGFPMail@wales.gsi.gov.uk

Yours faithfully



Rob Hay

Deputy Director, Local Government Finance Policy Division

Authorised to sign this direction by the Cabinet Secretary for Local Government and Public Services

Annex A: List of Authorities to which this direction applies

Welsh Local Authorities
Isle of Anglesey County Council
Gwynedd County Council
Conwy County Borough Council
Denbighshire County Council
Flintshire County Council
Wrexham County Borough Council
Powys County Council
Ceredigion County Council
Pembrokeshire County Council
Carmarthenshire County Council
Swansea City and County Council
Neath Port Talbot County Borough Council
Bridgend County Borough Council
Vale of Glamorgan County Borough Council
Rhondda Cynon Taff County Borough Council
Merthyr Tydfil County Borough Council
Caerphilly County Borough Council
Blaenau Gwent County Borough Council
Torfaen County Borough Council
Monmouthshire County Council
Newport City Council
Cardiff City and County Council

Welsh Fire & Rescue Authorities
North Wales Fire and Rescue Authority
South Wales Fire and Rescue Authority
Mid and West Wales Fire and Rescue Authority

Welsh Police and Crime Commissioner
Police and Crime Commissioner for Dyfed-Powys
Police and Crime Commissioner for Gwent
Police and Crime Commissioner for North Wales
Police and Crime Commissioner for South Wales

By virtue of paragraph(s) 14 of Part 1 of Schedule 12A of the Local Government Act 1972.

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By virtue of paragraph(s) 14 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Finance Panel Work Programme	
Date	Items for consideration
12/06/19	18/19 Outturn Capital Report CIPFA report Capital Directive School Balances Budget Proposals Process
03/07/19	MTFS Capital Report Financial Overview and Forecast - May
24/07/19	Financial Overview and Forecast - June Capital report
13/09/19	Financial Overview and Forecast - July Capital Report
02/10/19	Financial Overview and Forecast - August Capital report
31/10/19	Financial Overview and Forecast - September Capital report
25/11/19	Financial Overview and Forecast - October Capital Report
12/12/19	Financial Overview and Forecast - November Capital Report

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