

**MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT COMMITTEE ROOM
A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON WEDNESDAY, 3 JULY
2019**

PRESENT

Mr J Brautigam, J Gibson-Watt, County Councillors JG Morris, G I S Williams,
D A Thomas and R G Thomas

Officers: Jane Thomas, Head of Financial Services

1.	APOLOGIES
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Apologies for absence were received from County Councillors A W Davies,
M J Dorrance and E Vaughan

2.	ELECTION OF CHAIR
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**RESOLVED that Mr J Brautigam be elected Chair for the ensuing
year.**

3.	VICE CHAIR
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County Councillor G I S Williams was elected Vice Chair for the ensuing year.

4.	NOTES
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Documents:

- Notes of the last meeting held on 20 March 2019

Discussion:

- Comments of the Chair of the Improvement and Assurance Board had been noted in relation to savings. Monthly monitoring of savings was now undertaken in a separate report. The report will be constructed with commentary by Heads of Service. The first report detailing achievement of savings in Q1 will be key. It is hoped that actions taken, particularly within Children's Services, will be reflected in the report. The Panel has previously commented on the level of savings that are achieved and acknowledge the necessity of savings being on track.
- There has been an increasing emphasis on costs at the Improvement and Assurance Board, but the Chair remains cautious as uncertainties remain. Improvements agree are starting to be delivered.
- Finance training for budget holders was not mandatory and this had been highlighted in the CIPFA review report. Children's Services have had a number of training sessions and most managers have taken part. The Panel had previously recommended that such training be compulsory and it was not sufficient to presuppose that a manager has these skills at recruitment.
- Concerns had been raised that many savings proposals were not deliverable and had not been stress tested. Accountability seemed to be lacking. It was suggested that if performance reviews were carried out appropriately, then any lack of financial skills should be highlighted and addressed.

- A Social Services Budget Review Panel had been established to consider budget review reports on Learning Disability, Mental Health and Physical Disability services. This group had been superseded by the Adult Services Working Group under revised scrutiny arrangements, and these reports would inform consideration of future service redesign and delivery.
- The Co-ordinating Committee had agreed the establishment of a joint working group between the Learning and Skills Scrutiny Committee and Finance Panel to consider deficit school budgets.
- The Chair reported that he had had a constructive meeting with the Head of Commissioning regarding statistics

Outcome:

- **Noted**
- **Recommended to the Executive Management Team that consideration be given to making financial training for managers mandatory**

5.	OUTTURN - 2018/19
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Documents:

- Financial Outturn 2018/19 report

Discussion:

- There had been an improvement at year end to that forecast at the end of February
- Savings delivery was at 58% although when historic savings which had not been achieved were included, this rose to 77%. The previous year savings achieved stood at 71%.
- The budget had been predicated on the use of reserves of £7M
- The general reserve ended the year at 5.28% of revenue excluding schools and HRA reserves
- The MTFs is being reviewed and updated alongside financial plans
- The Panel remain concerned at the variance between the end of February and the closure of the accounts. Adult Services had ended the year with an underspend much of which had been achieved by general housekeeping of the financial system and removing commitments. This is a recurring theme and needs to be addressed.
- There had also been an improvement to the pupil inclusion budget arising from charges to other local authorities for children with statements in Powys' schools
- Capital charges were underspent following a low outturn on capital spend
- Children's Services were £5.6M overspent largely due to the number of agency staff and an increase in looked after children
- Highways were overspent due to non-delivery of savings
- The Panel reiterated its concerns at the lack of financial control within directorates to see such variances late in the financial year.
- There should be more accountability throughout the year regarding the year end position – a £2M change in one month was unacceptable
- The schools delegated budgets were also a cause for concern. The reserves position was stated excluding schools and HRA and whilst it was

acknowledged that the schools' budgets were delegated, ultimately these reserves have an impact on the financial sustainability of the Authority.

- Members had received information showing that the schools delegated budget showed a net surplus of £78K. This figure was not replicated within the report and the Head of Finance explained that the figure shown represented the impact on the general fund, but the outturn report showed actual expenditure against budget. Within the report a variance of 0.8% was given a RAG status of Blue which, the Panel believed, masked serious issues given that schools were showing a potential deficit of £12M in three years' time.
- The monthly budget monitoring report will now include schools budget performance
- The Head of Finance was to reassess the way in which reports are presented given the confusion that has arisen
- The Panel have previously commented on reliance on windfalls and one-off grants and this needs to be highlighted
- It was known that £1.3M deficit had been written off when Builth Wells and Llandrindod Wells High Schools had been closed and merged to become a new school – where was this money paid from? In 2017/18 there had been an underspend on school's central budget of which £1M was sent aside to meet the overspend. The remaining £300K remains on the balance sheet as a deficit.
- £5M had been moved from 21 Century Schools budget to support social services expenditure. The revised Funding Formula was to be implemented and issues were anticipated which have materialised – the revenue reserve could have been used to mitigate the effects of the revised Funding Formula. Members also queried where the £5M had originated and questioned whether it was due to underspends on the Ystradgynlais schools' modernisation project. The Head of Finance reported that the revenue reserve had been built up over a number of years where there had been underspends on previous budgets. It had been agreed that these be set aside to support schools. The transfer had been clear in the budget papers that £5M was to be redirected.
- Reserves are reviewed annually and there is no movement between reserves without the approval of the Head of Finance
- The risk regarding claims against Job Evaluation is diminishing and proposals for that and other reserves will be reviewed by Cabinet
- The amount paid out in insurance claims was also noted – there had been a significant increase in the number of claims although it was acknowledged that not all resulted in a payment. The Panel asked if there were trends developing and were advised that a detailed report was being prepared for the Senior Leadership Team which would highlight any trends and whether any mitigation is being considered.
- It was confirmed that the HRA reserve was within acceptable parameters
- The Panel noted that by not spending capital, the revenue position had been improved. This seemed somewhat perverse as capital projects could lead to revenue savings.

Outcomes:

- **The Head of Finance to review the style of reporting**
- **Recommendations regarding finance training to be reinforced**

6.	CAPITAL OUTTURN REPORT 2018/19
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Documents:

- Capital Outturn 2018/19

Discussion:

- Comments regarding underspend on Capital were reiterated. It was acknowledged that the public sector was not as straightforward as the private sector given the Authority's social responsibilities, but capital spend could lead to revenue returns in future years
- The number of virements is reflective of the delay in capital spend – this issue had been raised in the former Finance Scrutiny Panel on several occasions
- The Capital Budget had been £87.7M which was revised following virements to £81.1M. Expenditure during the year was £76.9M but £20 of this was spent in the last month of the financial year. £5M is unspent and uncommitted.
- The Panel questioned the choice available in spending funds identified under the capital directive – there was some choice and there had been some expenditure on redundancy and capitalisation of revenue costs. Some monies have been set aside for specific reserves.
- It was noted that £4.34M in grant funding had been taken back and replaced with borrowing. The Head of Finance assured the Panel that no extra costs had been incurred – supported borrowing was more effective than other borrowing. More detail would be provided.
- Members noted that grants were likely to reduce from the Welsh Government and questioned what effect this would have on the capital programme. The Head of Finance informed the Panel that all grants in the capital programme had been confirmed and future grants would not be included until they were confirmed.
- Cabinet continue to review the capital programme to ensure spend is appropriate and required. It was suggested that schools were being built significantly above capacity and this needed to be addressed. There is to be a tightening of procedures and the 5-case business model will be used for all projects.
- Improved forward planning is needed
- Post installation audits should also be a requirement to ensure projects have met their objectives and that savings have been achieved

Outcomes:

- **The report was noted**

7.	SAVINGS OUTTURN REPORT 2018/19
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The report would be considered under exempt items as it had not yet been considered by Cabinet.

8.	CAPITAL DIRECTIVE
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Documents:

- Welsh Government – Guidance on Flexible Use of Capital Receipts

Discussion:

- The Panel had requested the information to ensure the scope of the scheme was understood and that the authority was using it as efficiently as possible
- It was suggested that it could be used to introduce a transformational Funding Formula but the Head of Finance thought that this would not be appropriate as schools were not being fundamentally changed and savings would not be delivered. Funds had been used to support redundancy costs and introduction of the change in age of admission
- The Panel thought there was an opportunity to be inventive and asked the the Corporate Director, Transformation be invited to a future meeting to discuss future proposals
- The Panel queried whether funds could be used to support the introduction the new curriculum as schools were under increasing pressure to implement the new curriculum – the Head of Finance agreed to look into this

Outcomes:

- **The Corporate director Transformation be invited to a future meeting**
- **The Head of Finance to investigate the use of Capital Directive funds for the introduction of the new curriculum**

9. FORWARD FINANCIAL PLANNING

The Head of Finance offered the Panel a further opportunity to discuss issues raised at a recent budget seminar.

- Concerns were raised that savings expected by Children's Services were unachievable
- It was hoped that the Panel could be more proactive in the budget process rather than reactive. Members would wish to be involved in discussions, prioritizing and generally be constructive. The Head of Finance would welcome greater involvement from across the Council

10. JOINT WORKING GROUPS

RESOLVED that Mr J Brautigam be the Finance Panel's representative on the Joint Working Group looking at transformational projects.

RESOLVED that County Councillors J Gibson-Watt, D A Thomas and R G Thomas be appointed to the joint working group with Learning and Skills Scrutiny Committee to review school budgets.

11. WORK PROGRAMME

Documents:

- Finance Panel Work Programme

Outcomes:

- **The meeting scheduled for 24 July 2019 would be cancelled**

- **A further meeting would be convened on 7 August 2019 to which the Corporate Director Transformation would be invited along with the Heads of Service for Children’s and Adults Services to discuss savings delivery**

12. EXEMPT ITEMS

RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

13. SAVINGS OUTTURN REPORT 2018/19

Documents:

- Savings Outturn Report 2018/19

Discussion:

- Revised reporting procedures have been put in place which will require Heads of Service to provide the commentary around savings delivery
- This change will develop the challenge for Heads of Service in financial matters
- A Portfolio Holder should hold Heads of Service accountable through performance management
- There are mechanisms in place to ensure officers are held to account, however, there has been a lack of will to do so
- Ultimate responsibility lies with the Cabinet but there is a growing need for local government officers to be more financially aware. To date, there has been too much reliance on the Finance department
- The Panel propose to invite Heads of Service and Portfolio Holders to discuss savings delivery within their areas of responsibility
- Clarity was sought regarding how savings were identified – for the current financial year, services had been given targets to achieve and brought forward proposals for consideration. Every saving within the current budget Heads of Service had said were deliverable albeit with risk in some areas
- For the forthcoming year, services have been allocated funding scenarios with focus in different areas. A 2% efficiency saving across all services is expected plus targeted savings for different services. Inevitably there will be a gap which will be reallocated across remaining services. It was expected that there would be an element of choice in the final proposals brought forward.
- There were concerns that the Children’s Services Budget was unrealistic – there was the full year impact of pressures and savings to be achieved
- Improvements could be made as there were significant levels of mis-codings and time was spent on correcting entries – during the previous year, 198000 entries had been adjusted
- It was confirmed that estimated part year costs for HOWPS were included in the accounts. The target for HOWPS has been amended in the budget and is on track to deliver a surplus following the previous year’s loss
- The Q1 savings monitoring report was awaited and it was hoped that improvements would show

Outcomes:

- **Savings monitoring reports will be considered by the Finance Panel on a regular basis**

14.	CIPFA
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Documents:

- CIPFA Finance Model Executive Summary
- Report of the Head of Finance

Discussion

- The Panel questioned the extent of criticism levelled when credible scores were given to leadership, accountability etc. The Head of Finance believed that this was due to financial planning strengths at a corporate level but that there were weaknesses in delivery and accountability at lower levels
- The report was now out of date, but some issues still exist.
- Actions have been implemented, for example the Corporate Director Transformation has been in place for some months
- The Head of Finance is leading on the Action Plan but responsibility for this will be assumed by the Senior Leadership Team
- Key in the proposals will be to fully understand unit costs and value for money
- Budget managers are also key, and their role is to be redefined by the Senior Leadership Team. This will be supported with training.
- It will be the role of the Finance Panel to monitor the implementation of the Action Plan
- Social Care had been considered to be the highest risk for the Council – this is now thought to be schools' budgets

Outcomes:

- **The Action Plan arising from the CIPFA review to be included in the Finance Panel forward work programme for monitoring**

**Mr J Brautigam
Chair**