

## MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT ON FRIDAY, 29 OCTOBER 2021

### PRESENT

County Councillors JG Morris (Chair), J Gibson-Watt, J Pugh, D A Thomas and R G Thomas and Mr J Brautigam

In attendance: County Councillors P Roberts and R Williams

Cabinet Portfolio Holders In Attendance: County Councillor A W Davies

Officers: Jane Thomas, Head of Finance

<b>1. APOLOGIES</b>
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Apologies for absence were received from County Councillors M J Dorrance, A Jenner and E Vaughan

<b>2. DECLARATIONS OF INTEREST</b>
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There were no declarations of interest.

<b>3. NOTES</b>
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**Documents:**

- Notes of the last meeting – 8 October 2021

**Outcome:**

- The notes were received

<b>4. FINANCIAL OVERVIEW AND FORECAST</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- The year end forecast is currently predicted to be £30K overspend
- The appendices detail the position within each service with Heads of Service providing a narrative to explain the position within their areas
- Although the overall position is almost balanced, some services are projecting overspends and the Head of Finance has stressed the need for virements to be requested to address individual service positions
- Of £13.3M cost reductions approved in the budget, 45% have been delivered and a further 33% are assured of delivery. This leaves 22%, or £2.9M at risk and was of considerable concern to the Panel.
- The Panel were of the opinion that there was too much reliance on grants and other funding being awarded late in the year. This should be justified against the original budgets for clarity.

- The Welsh Government Hardship Fund will be in place until the end of the financial year but will not be continuing after that date. Any additional pressures will need to be considered within the usual budget planning process.
- £3.7M has been accessed through the fund which includes £1.5M for top up for adult care providers.
- Lost income of £500K has also been recouped with Q2 claim being submitted imminently
- Some further funding has been received through the furlough scheme, but the Authority must now review the position for those staff who are unable to return to work
- The Head of Finance was asked to reconcile the figures for reserves which differed between the report and the final statement of accounts recently approved by Governance and Audit Committee. This could be due to different recording methods between the formal statement and management accounts. The Head of Service agreed to provide more detail after the meeting.
- Grants are received throughout the year with some having specific terms and conditions which may incur additional expenditure
- It was noted that both Adults and Children's Services were projecting year end overspends and the Panel sought clarity on whether this included grants. The Head of Finance indicated that this would depend on the grant. The Panel asked that there was greater clarity regarding the original budget and performance against it.
- 21 Century Schools funding would be reported through Capital rather than the revenue budget
- Grants had been received late in the previous financial year which had improved the outturn position. This highlights the issue of base budgeting and the Panel believed further narrative should be included to emphasise that these funds would not be available going forward. The Head of Finance reported that this detail was included in the outturn report and would be too lengthy for the current report.
- The Authority remains in an under-borrowed position
- The Chair of the Learning and Skills Scrutiny Committee questioned whether the next phase of 21 Century Schools had been included within the MTFs modelling and whether proposals that have been considered by Cabinet for significant new builds have been included. The capital budget was being considered alongside the revenue budget for the project. The Chair of that Committee requested that revenue and capital costs be provided when the issue was considered by his Committee.
- It was noted that interest rates were likely to rise and clarity regarding whether short term borrowing was to be switched to long term borrowing was sought. A Member seminar on Treasury Management was to be held shortly which would go into more detail. Public Works Loan Board (PWLB) rates were moving in the right direction.
- Inflation was also likely to increase adding to pressures on budgets and the Medium Term Financial Strategy. This was being considered as part of the budget process.
- The Portfolio Holder reminded the Panel that the report was backward looking to Q2 and that all pressures were being considered as part of the budget planning process.
- Reserves are at the lower end of acceptability

- Some significant overspends were projected and clarity was sought regarding whether these would be met from the Budget Management Reserve or General Reserve. There were further questions regarding accountability and where detailed reports would be considered. There is an expectation that the Head of Service and Portfolio Holder will be implementing mitigation and reporting to scrutiny and Cabinet.
- The Panel suggested that the need for financial scrutiny should be highlighted to Scrutiny Chairs and that the possibility of establishing a working group under each committee be explored
- It was noted that the Health and Care Committee was not currently meeting in a formal capacity due to business continuity and the ongoing pressures on the service. The Panel wished to stress the importance of meetings being held and the need to scrutinize financial issues.
- The Portfolio Holder noted that some pressures were unavoidable, such as children becoming looked after, but needed to be managed.
- Housekeeping issues within Children's Services were addressed late last year resulting in an improvement to their end of year figures. Housekeeping must be undertaken on a continual basis to avoid this happening again as it distorts the financial position being reported.
- **Adult Services** – projected underspend at year end of £48K. Pressures within the budget are being accommodated with assistance from the Hardship Fund. Future pressures pose a risk. There have been constant discussions with the Welsh Government which has been responsive and resulted in monies being drawn down throughout the year.
- **Children's Services** – projected overspend at year end of £1.8M – a report has been drafted regarding a virement which is being considered by the Health and Care Committee members prior to its submission to Cabinet. Members noted that the cost per unit in Powys was significantly higher than other rural authorities for reasons which are not clear. Members were of the opinion that Powys needed to be in a position where the spend per head was comparable. Benchmarking data had been compiled by the Finance Team and it was anticipated that this would become the norm for all services. Benchmarking is an important part of budget setting. The Panel asked that the Portfolio Holder with responsibility for Children's Services be invited to a future meeting to discuss the issue.
- **Education** – an issue is developing that there is a reliance on staff slippage to manage the budget.
- **Schools Delegated** - it is expected that this budget will be delivered on target including a planned draw on reserves. Four schools have been required to submit recovery plans which the Learning and Skills Committee will review. The primary sector is forecasting a draw on reserves of £610K with the special sector forecasting a contribution to reserves. There appeared to be a mismatch between the primary and secondary sectors with the primary sector seeming to support the secondary sector despite additional funding. The Chair of the Learning and Skills Committee saw this as a risk to the Authority. The Head of Finance noted that the position was more stable and that budgets were being managed but that deficits remained on the balance sheet. The Funding Formula needs to be reviewed to ensure it is fit for the future. It was suggested that this be reassessed during the budget cycle and that

Finance Panel consider in more detail after the election when the impact of changes to the school structure can be considered.

- **Highways, Transport and Recycling** – projected overspend of £663K. this is attributable to waste, highways and loss of car park income which is being supported by the Welsh Government. Cost reductions are outstanding and pose a potential risk.
- **Home to School Transport** – a member asked for details of the number of bus companies operating 10 to 15 years ago compared to the current position. There had been increased costs due to school transport not being able to use public transport services during the pandemic. Whilst some pressures will be met by the Welsh Government, a new bus pass system has been introduced. Further consideration is being given by Transport for Wales and the Authority is providing additional funding above the Welsh Government funds to support local transport. The position is not sustainable but will depend on support going forward. Further information regarding the additional costs over and above pandemic related costs would be considered by the Learning and Skills Committee.
- **Planning and Public Protection** – forecast £431K. There is assurance around cost reductions of £818K but there will be some which are undeliverable, but this will be managed within the budget
- **Housing Revenue Account** – this is a zero-based budget and is therefore self-financing. It is forecast that £641K will be transferred into their specific reserve for use in future years
- **Economy and Digital** – projected overspend £666K – pressures due to delays in transformation. The digital savings for the Authority as a whole are included within this budget.
- **Transformation and Communications** – a balanced budget is forecast.
- **Workforce and Organisational Development** – forecast overspend of £2K
- **Finance** – an overspend of £282K but this is attributable to the corporate budget. This includes an increase in insurance claims. There is a specific reserve to deal with fluctuations. Premiums are being retendered. A detailed report has been prepared for Executive Management Team and, if possible, this will be circulated for information.
- **Corporate Activity** – this includes Council Tax, MRP, precepts and levies etc. There is predicted underspend of £2M but this includes the budget management reserve of £1.5M. There has been an increase in demand for discretionary housing payments and the council tax reduction scheme. The Pension Fund contribution is also reflected here. Deficit recovery on the Pension Fund is on track but it is not yet clear what future pension fund contributions may be following the Actuarial report.

#### Outcomes:

- **A report would be drafted for consideration by Cabinet on Tuesday 9 November 2021**
- **Scrutiny Chairs will be informed of the need to monitor budgets for their service areas**
- **A report regarding insurance details would be reviewed and considered for release**

- **The Portfolio Holder with responsibility for Children’s Services to be invited to a future meeting to discuss benchmarking and financial issues**

<b>5.</b>	<b>CAPITAL</b>
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**Documents:**

- Report of the Portfolio Holder for Finance

**Discussion:**

- Some reprofiling is taking place
- Actual spend is £25.48M which is 24% of the budget
- Committed expenditure was significant, and this figure will increase. There is no longer a need to complete projects within a financial year unless there are specific grant funding conditions
- Revenue expenditure covering borrowing is £18.16M or 4.4%
- There is over provision on the MRP of £2.7M enabling earlier repayment of debt
- Capital receipts – sales agreed and forecast to be on track. Some will be retained in case of slippage
- Integrated Business Plans will identify the capital requirement and this is being worked on.
- The Panel questioned whether there was risk to capital costings with the increase in material costs. Some contracts are in place and prices are fixed but there is inevitably a risk to those contractors and their suppliers.

**Outcomes:**

- **The report was noted**

**County Councillor JG Morris (Chair)**