# MINUTES OF A MEETING OF THE FINANCE PANEL HELD BY ZOOM ON MONDAY, 13 NOVEMBER 2023

**PRESENT**

County Councillor: - Aled Davies, Chair
County Councillors: - Peter Lewington, Vice Chair, Arwel Jones, Elwyn Vaughan, Corinna Kenyon Wade, Gareth Ratcliffe, Chris Walsh, and Jeremy Pugh.
Co-opted Member: - Gareth Hall

**Cabinet Portfolio Holders in Attendance:** County Councillor: David Thomas Cabinet Member for Finance and Corporate Transformation.

**Officers:** Jane Thomas S151 Officer, James Chappelle, Capital and Finance Planning Accountant, Mari Thomas, Deputy Head of Finance (Strategic Finance), Craig Flynn, Deputy Head of Finance (Strategic Finance), Andrew Griffiths, Income and Awards Manager.

**In Attendance as Observer:** Lynne Hamilton, Chair of Governance and Audit Committee

| 1. | APOLOGIES |
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Apologies for absence were received from County Councillor Glyn Preston.

| 2. | DECLARATIONS OF INTEREST |
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There were no Declarations of Interest from Members relating to items to be considered on the agenda.

| 3. | MINUTES AND ACTIONS |
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The minutes of the 15th September 2023 were agreed by Panel members present, as a true and accurate reflection of the meeting and ratified accordingly by the Chair.

The Finance Panel Actions tracker was referred to and outstanding actions noted as follows:

From meeting of the **30th June 2023**

1. Grant Funding returns. No return noted by Head of Service – awaiting further information from Member concerned.
2. PTHB Contract Uplifts – awaiting further information from Member concerned.
3. TOR – To be updated by Head of Service and reviewed by Panel prior to submission via the Monitoring Officer and the Democratic Services Committee.

From meeting of the **15th September 2023**

1. Secondary School approved budgets under the scheme – Reports to include clear narrative on the impact of financial surgeries and the number of schools setting balanced budgets within a 3-year cycle.
2. Capital Programme Timelines in reports – to assist Members with the scheduling of expenditure. Ongoing.

With regard to the action on Capital Receipts from 15th September meeting, information has been provided by Property Services, Chair proposed this to be raised later under the Q2 Capital Report agenda item.

| 4. | PANEL RECOMMENDATIONS TO CABINET UPDATE |
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| **Points raised by the Panel:** | **Responses received from Officers or Cabinet Members.** |
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| Response from Cabinet not clear if there would be a 10-year plan implemented | |
| The discussion at Governance and Audit Committee is ongoing in relation to the request for implementation of a 10-year capital programme. There has been concern expressed on the overall financial position for the next 3 years, given the decisions of the Welsh and UK fiscal position. It was felt that the budgetary decisions could and would be informed by a clear, coherent, and well-articulated and communicated strategic plan. | |
| A 10-year Capital programme would cover the gestation periods for build i.e., new build schools, it would be difficult to fully detail the programme within the current 5-year plan. A 5-year plan has to be a rolling 5-year plan not a plan which expires and would then be renewed. | There are issues with publishing a 10-year plan due to timing of funding, which is not long-term with an indicative 2-year settlement. Difficult to set a realistic plan particularly for schemes were WG grant funding is fundamental for example Schools where there is an intervention rate of 65%. |
| The Schools Transformation Service does refer to a 10-year capital programme in published reports, therefore there should be an overall 10year Capital Programme implemented within the structure, incorporating flexibility for the nature of grant funding for projects. | |
| Would the Councils financial reporting systems be updated in relation to fluctuation in interest rates. | The Service would keep a constant watch on the rates for monthly close down of accounts, any change in rates would be reflected in forecasts and planning. |

**Actions**
Implementation of a 10-year Capital Programme.
Panel Recommendation to and response from Cabinet, Panel requested further clarity on the implementation a 10-year Capital Programme.

## 5. FORWARD WORK PROGRAMME

Noted.

## 6. COUNCIL TAX BASE 2024-25 REPORT

**Background**

- The Council Tax Base is the adjusted number of chargeable dwellings in the Council's area belonging to each valuation band modified to take account of several assumptions and factors including the proportion applying to dwellings in each Council Tax Band together with the number of discounts, exemptions, disablement reductions and premiums. An estimate for losses on collection is also made.
- To arrive at a figure the assumed collection rate is embedded, currently 2024/25 this is 98.5%.
- The figure is used to set the Council's Council Tax level (at band D) in accordance with specified formulae. The net Council Tax Base is used by the Police & Crime Commissioner and Town/Community Council's to set their Council Tax precepts for 2024-25.
- Welsh Government use the calculation to form part of the RSG calculation around the Local Authority Settlement for the next financial year.

| **Points raised by the Panel:** | **Responses received from Officers or Cabinet Members.** |
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| Clarification requested, if all properties were paying a full Band D rate, there would be 64,000 properties in Powys. | Yes, the calculation considers the assumptions and the ratio between the Bands between A-I, which are calculated back to Band D equivalent |
| There appeared to be a number of discounts, could explanation of these be provided. | The main discount would be the 25% Single Person, with a range of other discounts which would be 100% exempt from Council Tax, and also Disabled Band reductions. If an individual qualified for a disabled band reduction this reduces the band by 1. |
| When would the valuation of properties be reviewed. | Council Tax came into being in 1993, properties in Wales were re-valued in 2005, awaiting an announcement from the WG Finance Minister tomorrow in relation to Council Tax Reform. |
| What was the outcome of the re-evaluation in 2005 for Powys, was | If data sourced, it could be shared for future reference on an all-Wales basis |

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| there a negative impact on Powys in comparison to areas with a lower average banding. | |
| In relation to Appendix 2, would that refer to the number of properties that have discounts applied or not paying any Council Tax. | Appendix 2 breaks the tax base down to each Town and Community Council and is the estimate of the equivalent properties that would pay Band D Council Tax next year. Increased tax base shown as a positive decreased as a negative. Reductions are largely due to the change, not in the number of properties but increased discount and exemptions. |
| Why, if an area has had additional properties built, has the Council Tax Base reduced. | A negative impact on the Council Tax Base would be as a result of a number of discounts, exemptions, and disabled band reductions.<br>The Service undertakes regular reviews of all the discounts and will commence a review on single person discounts shortly. |
| There would appear to be 23k dwellings, approx. 36/37% of the total properties, that have either 25% or 50% discounts. Would PCC have any control over those percentages and how would that discretion be exercised. Are there any other exemptions that Powys would have direct control over. | The level of discounts and exemptions is governed via legislation, the Single Person discount is 25% and other discounts would be 100% with no discretionary powers for Local Authorities.<br>The only discretionary discounts Powys has would be the locally defined discounts (Section13A's) which are discounts for properties affected by flood or fire and where a statutory discretion does not apply. These are small in number over a financial year and usually over periods of 6-9 months. |
| What was the position in terms of tax on long-term empty properties. How effective was PCC at collecting that tax, what happens where a property has been left derelict. | The number of long-term empty properties is formulated within the tax base. Collection is tracked, currently down on the standard rate of collection, however, any debts are pursued. |
| Clarification sought on the role of the Valuation Office Agency (VOA) in terms of uninhabitable properties with a notice of abandon, would there be a legal duty to collect council tax. | The VOA is independent of the LA and will maintain the council tax list, it would be the VOA's decision whether properties are deemed chargeable.<br>The Council would consider if any appropriate discounts or exemptions would be applicable. Once a long-term property had been in receipt of Class A exemption for a max of 12 months for remedial major structural repair works, they would be subject to the standard |

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| | and the premium at 100%. |
| What was the number of properties on the council tax list. | The number of properties on the list maintained by the VOA stood at 66221 as at October 2023 which is an increase of 405 on the same point last year.<br>This would be calculated down to the Band D equivalent, as a proportion would fall into the Band A, B & C categories, and led to the overall growth in the tax base calculation of 279.97 an increase of 0.44% on last year. |
| Could comparisons be made with other Local Authorities which have a lower average Banding and how that impacts the amount of council tax raised. | If the number of properties were similar to Powys, however all at a lower banding i.e., A, B & C banded properties, this would lead to a lower council tax base. Collectively all council tax base calculations feed into WG with the total council tax base and the individual based calculations impact on the level of funding the LA receives through the RSG. The higher the council tax base there is the lower the settlement, as considered to be an assessment on the ability pay council tax, which the LA often debates in terms of this not necessarily an indicator of ability to pay. |
| Do any other LA's have their council tax base greater than the number of households; Powys is close. Powys wages are amongst the lowest in Wales it would not necessarily be an indication of ability to pay moving forward and any re-evaluation would accentuate the issue. Powys are approximately 30% self-funded whereas other parts of Wales are 20%, therefore would realise a higher settlement from WG. | Yes, a larger percentage of Powys' total funding comes from local Council Tax collection. |
| Has there been any noticeable deterioration in the amount of Council Tax collection during the current cost of living crisis | The Q2 collection was down 0.2% on the same period last year. The LA remain flexible in its payment arrangements, allowing 12 months rather than the statutory 10months. This would inevitably affect the amount collected within the first 3 quarters of the year and even itself out by Q4. Money Advice has continued to receive referrals from and supports Powys residents to maximise their income. |

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| Was there any drop in collection of business rates or is there a projection of collection reduction. | Powys receive a funding element from WG, whereby Powys collect around £30m but received significantly more than that from WG. Business rates collection is up on previous years, the LA has been proactive in promoting an award in retail, leisure, and hospitality rates relief scheme. In 2022/23 Powys had the highest spend of allocated monies in Wales, currently approximately 95% spend of the allocated fund for 2023-24. |
| What was the total cost of all the discounts and exemptions. | Information could be sourced and forwarded to Chair and Panel. |

**Actions**

- The total cost of all the discounts and exemptions. To be forward to Chair and Panel.

| 7. | QUARTER 2 FINANCIAL REVENUE REPORT AS AT 30TH SEPTEMBER 2023 |
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**Background**

The Portfolio Holder gave highlights of the Q2 Revenue report as follows:

- The current projected position reports a £2.85m surplus which is a deterioration of approximately £900k from Q1.
- Surplus position was associated with spend against Corporate budgets i.e., Capital financing budget and the Risk budget. To date only £234k has been drawn down in the first 2 Quarters of this year.
- Risk budget will be released to service as the year progresses and demand increases.
- 7% pay award for National Employees for Local Government Services staff has been agreed which is in excess of the budget set in March 2023 resulting in a funding gap.
- Inflation and the increase in demand has led to the WLGA to warn that the options for local services may be unpalatable.
- Childrens Services have reported an overspend position of £853k after receipt of £234k from the risk budget, due to increase in placements for children with complex needs compounded by the national shortage of provision, and an increase in the number of Unaccompanied Asylum-Seeking Children (UASC).
- The delayed capital schemes and the reduced need to borrow has resulted in slippage on this budget. This provides an opportunity to release budget to support the additional pay award pressure.
- Realigning pay budgets now would remove pressure from the budget in 2024/25 and reduces the budget gap.
- 62% or £10.8m of cost reductions have been achieved, a further 33% or £5.7m was assured by services, with 5% or 900K unachieved.

- Schools set budgets with an expected call on reserves of £5.1m, on updated forecasts this figure has worsened by £1.4m, resulting in a likely deficit reserve balance at year end.

The Section 151 Officer reported the position as reasonable, with the ability to manage the position through the establishment of the risk budget. Concern remained for the significant pressure expected in the coming years with inflation continuing to impact and costs rising.

| **Points raised by the Panel:** | **Responses received from Officers or Cabinet Members.** |
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| Concern raised that the schools budget position has worsened by £1.4m, in reality there has been insufficient funding into the Secondary Sector, further complicated by the funding formula.<br>Chair requested if the Secondary sector deficit could be better reflected in the reports. | The Cabinet Member noted the deficit in the Secondary sector was mainly due to 2-3 schools where there were significant deficits. There had been an expectation that the inflationary pressures would have eased by Autumn and in December would be at 2-3%, which has not happened. Therefore, as much as possible from funds available, would be allocated to schools. |
| Appendix A has a revised School base budget figure of £85m, would that include the use of the £5.3m reserves. Concern raised that the use of reserves to bolster in year revenue would cause issues in future years. | The figure shown was the actual budget set, which would have included the £5.3m. The other figure reported in the final column would be the variance of either an increase in reserves use or a decrease of reserves levels.<br>At budget setting in March, there were significant pressures across all Services. The pressure was factored into Year 2 of the budget, recognising that schools would not be able to maintain that level of support from reserves over the longer term.<br>Looking forward with pay awards at the levels recently the pressure increases year on year, the projection of a squeeze in funding with a larger proportion of funding going into schools, as an Authority over the next few years schools may not be necessarily fully protected. |
| Could the issues within Childrens Services not have been foreseen and budgeted for, was there no contingency reserve in place | Childrens Services estimated the likely pressure on the Service, the Corporate Risk budget was in place for such circumstances materialising. For next year's budget where those costs are ongoing, they will be considered and built into the base budget. |
| A point on the use of virements within year was raised as could be seen as "muddying the waters". | The virement process is embedded within our financial regulations allowing flexibility within the effective |

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| | management of budgets by services, which at that higher level is fundamental to services managing their financial positions well. It is important that budgets are realigned so not to be reporting significant variances constantly. |
| There are Service Areas that have benefitted through virements in year when over budget, and others where income is underestimated, pressure has been reduced, yet do not work to maintain within the original budget set. | For Service budgets, the challenge would be to ensure that the Budget Managers are accountable for the positions. Virement decisions are not taken lightly, they are evidenced based on costs for unexpected impact to a significant scale and why budget realignment would be required.<br>The flexibility that virements permit a Service is important and agree that forecasts should become more accurate.<br>Service Areas have an account code level budget to focus on the actuals, which provides information moving forward for decision making in terms of pricing. |
| Point 5.21 virement in relation to the Transport Replacement Reserve was not just for Buses but for all HTR vehicles, with the funds being revenue not capital as would not have been able to utilise for the T12 route. | This report has not yet been considered by Cabinet, and currently may not be required. Update will be provided in due course to Panel. |
| Point was made in reference to the size of the build of schools in comparison to the actual numbers of pupils, in addition the impact of PSVAR regulations on local bus companies which could indirectly increase PCC costs. | Legislation is from either UK or Welsh Governments; meetings have been held with the Senedd to advise if initiatives are to be implemented funds need to be provided. The WLGA is also applying pressure to WG in regard to funding to implement legislation |
| Clarification requested from where the funding for the pay award would be sourced. | There are 2 elements within the capital financing revenue<br>1. Interest on borrowing.<br>2. Minimum revenue provision.<br>Some capital programmes remain delayed therefore budget is being released to fund the pay award and re-estimate and re-calculate future commitments against budgets and re-align where required. |

**Actions:**

Virement in relation to the Transport Replacement Reserve - HOS to provide Panel with update.

| 8. | QUARTER 2 CAPITAL PROGRAMME REPORT AS AT 30TH SEPTEMBER 2023 |
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**Background**

- Following the successful award of additional grants and the re-profiling of budgets between financial years, the revised programme for 23/24 is budgeted at £96.32m.
- Actual spend equates to £22.85m representing 24% of the total budget, an increase of £15.42m from Q1, £40.59m (42%) of the capital expenditure supported through borrowing.
- The capital receipts position is £1.24m, so far for 23/24 with further sales agreed to the value of £0.78m.
- Expected sales totalling £8.01m could be achieved this financial year.

| **Points raised by the Panel:** | **Responses received from Officers or Cabinet Members.** |
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| Could an explanation be provided over the expected sales total as reported in Q1 and Q2, information received from the service area involved refers to an opportunistic approach from a 3rd Party for an amount of £5m.<br><br>As this subject has been a discussion in various fora, it would be appropriate for clarification purposes for a timeline to be presented to the Group Leaders meeting later in the week. | As far as the reports presented to Cabinet and Finance Panel, the note referred to from the Service Area would be appropriate.<br><br>HoS will pick this action up at Group Leaders meeting. |
| Where would overspends on schools come from reserves or capital.<br>Would there be any additional costs incurred to the delegated budget for a school that has spare capacity. | Any overrun to spend on capital schemes is picked up corporately, which would impact on the revenue budget and cost of borrowing, however, would not affect schools' revenue directly, nor would this come from schools' reserves.<br><br>In terms of revenue costs of running a school, the size of the school dictates the allowance that would be allocated through the school funding formula, if not at capacity the school would be funded on area rather than specific pupil numbers. There is an element of pupil numbers that would impact on running costs, but most of those energy costs are picked up based on the size of the school. |

| 9. | EXEMPT ITEM |
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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).

The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following item. 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.

| 10. | FINANCIAL PLANNING UPDATE |
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The Panel received and considered a confidential briefing from the S151 Officer.

| 11. | SUSTAINABLE POWYS UPDATE |
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The Panel received and considered an update on Sustainable Powys from the Portfolio Holder and Head of Service for Finance.

**County Councillor A W Davies (Chair)**