MINUTES OF A MEETING OF THE FINANCE PANEL HELD BY ZOOM ON MONDAY, 26 FEBRUARY 2024

Present:
County Councillor A W Davies (Chair)
County Councillors: P Lewington (Vice Chair), E. Vaughan, C Kenyon Wade, J Pugh, G Ratcliffe.
Co-opted Member: G Hall

Cabinet portfolio Holders in Attendance:
County Councillors:
D Thomas, Cabinet Member for Finance and Corporate Transformation

Officers: Jane Thomas Dir of Corporate Services and Head of Finance S151 Officer, Craig Flynn, Deputy Head of Finance, Mari Thomas Deputy Head of Finance.

In Attendance
Lynne Hamilton Observer – Chair of Governance and Audit Committee.

1.	APOLOGIES

Apologies for absence were received from Cllrs A Jones and C Walsh.
Officer James Chappelle, Capital and Financial Planning Accountant

2.	DECLARATIONS OF INTEREST

There were no Declarations of Interest from Members relating to items to be considered on the agenda.

3.	MINUTES & ACTIONS LOG

The minutes of the 18th December 2023 were agreed by Panel members present, as a true and accurate reflection of the meeting and ratified accordingly by the Chair.

Action Log.
Outstanding items on the action log:-

- Head of Service to review with Member concerned comments in relation to funding returned to Welsh Government.
- Head of Service to discuss with Member concerned comments in relation to PTHB uplifts and contracts.
- Chair, Vice Chair and Head of Service to review TOR.

4.	CABINET RESPONSES TO RECOMMENDATIONS FROM 31.01.2024

For information purposes only and noted by Panel Members. Scrutiny recommendations had been presented to Cabinet on the 13th February and Full Council on the 22nd February 2024.

5.	QUARTER 3 FINANCIAL REVENUE REPORT AS AT 31ST DECEMBER 2023

Background

The S151 Officer gave a brief update on the report as follows:

- Report presented was at the end of December 2023 but also the forecast report to the end of the financial year 31st March 2024.
- At Q2 reporting a projected surplus of £2.9m, with the projected position stabilised at approx. a surplus of £3m.
- The Risk Budget was being drawn upon, however not to the extent that had been anticipated at budget setting in February 2023.
- There was still a significant level of risk left in this budget as forecast, as cost reduction of around £3m were yet to be delivered. Within the documents the Heads of Services commentary assured these reductions would be met.
- Cost reductions table reported about 7% (£1.2m) that was not expected to be achieved by the close of the financial year. Some of this will be achieved within 2024/25.
- Information held on expected amounts to be drawn from reserves 2023/24. Also shown following requests from Finance Panel and the Learning and Skills Scrutiny Committee, the Schools Reserves, supporting their budget plans for the current year.
- Section on virements and grants, if agreed by Cabinet, as per the Financial Regulations, would reduce (by £900k) the surplus that was currently projected at year end.
- Reported within Section 5 are additional grants that have been received, in small amounts, and mainly slight adjustments.

Points raised by the Panel:	**Responses received from Officers or Cabinet Members.**
Would it be deemed a reasonable observation that schools would have utilised all reserves within the financial year.	The opening balance on school reserves was reported at £6.2m. There is a mixture of surplus and deficit amounts leaving the Net position as forecast at year end. The split in the forecasted position reported as Primary’s holding a £3.2m surplus, Special schools £0.5m surplus and Secondary’s a deficit of £3.5m. The NET effect of this results in a small balance maintained collectively across schools. There had

	been an expectation that schools would draw on reserves to support pressures, and schools also utilise reserves to manage changes in pupil numbers. In the budget plan that was approved at Full Council last week, additional funding to schools at 4.2%, with an expectation should further monies be forthcoming from WG within the final settlement, these would also be allocated to the schools delegated budgets. Schools would still have to take on some challenge and make changes and savings with the level of funding provided to produce balanced budgets.
Members were aware that work had been ongoing with schools that have deficit positions, especially the Secondary Sector. However, many Primary schools have used huge amounts of their reserves, was there sufficient resource and capacity within the schools finance teams to support all sectors over the next 2-3years.	The team consists of 4 members and the Finance manager, they have managed to support all schools with this team to date, the ability to hold remote meetings has helped. Assurance was given that the capacity was deemed sufficient, but it would be constantly reviewed to ensure this level of support was appropriate.
Schools draft budgets are due to be submitted by the 1st May. The Learning and Skills Committee as well as this Panel would be interested in having an early snapshot of the overall schools position, trends and see the intervention outcomes, if not of the individual schools. Would schools with surplus budgets be reviewed and the use of the surplus.	Plans held previously could be shared to show improvements on the recovery plans. The budget packs are being disseminated and in terms of forward projections, packs have been issues that show a flat uplift in future years, based on the information received at a National level. The initial snapshot would not be a realistic picture, schools reluctantly do not perhaps always address issues as quickly and effectively as they could. The S151 Officer would be reluctant to share information until the Governing Body returns had been received. There are rules in place through the Scheme for Financing Schools for schools with significant surpluses to be reviewed and challenged.
It was commented that the Schools Funding Formula did not work as gave the same funding per pupil for education.	The S151 Officer did not agree on the view stated, in respect of the Schools Funding Formula. The formula was

Some schools have brand new buildings therefore have lower costs. Suggestion made that there was a need to separate education funding from maintenance of buildings and ensure that funding is given proportionately in line with buildings condition.	reviewed regularly, and followed the approval process through the Schools Forum, Learning and Skills Scrutiny Committee prior to being signed off by Cabinet. There is an element within the funding formula that allocates funding based on the condition of the schools building and floor area, all of which are given due consideration in the funding allocation process. Schools are then permitted to draw through the Schools Service on a major improvement fund. The S151 Officer offered to go through the Schools Funding Formula so that the impact of the different elements could be explained in more detail outside of this forum.
In relation to the cost reductions, the Housing budgets are reported as a large deficit, where properties are earmarked for demolition, these should be removed from the budget as not eligible for letting nor should they be reported as empty voids. Chair requested that the Panel Member discussed and sought assurance on this point with the Chair of the Economies, Residents and Communities Scrutiny Committee (ERC) and or the Head of Property Services.	If comment refers to Council housing and estates, that cost reduction does not relate specifically to voids. In terms of the Housing Revenue Account (HRA) it is a ringfenced element in the council. The HRA do draw from and input into reserves on an annual basis. The savings noted on the report related to the Housing and Community Development Service as a whole not the HRA. Voids would not be included within this Service Area. Voids have to remain within the HRA, as this forms part of the HRA Regulations. Loss of rent and the impact of voids have to sit with the HRA.
Request for further information in relation to Table 2 Cost Reductions and the unachieved savings. Children's Services £500k, Highways, Transport and Recycling (HTR) £500k, Property Planning and Public Protection (4P's) £200k, the last line of the report stated that opportunities to reduce spend bring the targets back on track are diminishing, equating to 7% or £1.2m behind target with no assurance. Was the S151 Officer confident that the £1.2m unachieved and identified would be achieved this financial year.	There was more information available in the individual sections in Appendix B, each HOS has given a narrative in relation to the undelivered savings. The table has 2 columns one of which is Assured. S151 Officer would have more concern that Services can deliver the £3.7m in last 3 months of the year, Directors and Heads of Service have been challenged with assurance received these would be delivered by the year end, however, a level of risk remains. In terms of the £1.2m quoted, these amounts would not be delivered by year end, whilst the Services

	concerned continue to attempt to reduce their figures. The £1.2m has been factored into the forecast outturn savings that cannot be delivered have been removed from the 2024/25 budget
Question raised of how much of the £1.2m had been written out of the budget, also how much would be delivered within the next financial year. In addition, would the Risk Budget be used to cover savings that would not be delivered in this year financial year.	Head of finance will review the budget papers from last week and report back to Panel. The Risk Budget would be used to cover undelivered savings in this financial year. It has since been confirmed that £353k has been removed.
In relation to the Workforce Organisation and Development (WOD) £20k reduction, to be realistic staffing resources would be an area that would have to be scrutinised. If there was a continual reduction in WOD staff, which are key to the delivery of Sustainable Powys. Was too much being removed from the central services to allow for savings to be achieved. The concern lay with the ask of Officers to manage multi-million-pound budgets on a daily basis, with a cost reduction of £17m to be achieved, with an additional £1.2m potentially unachieved was the council in danger of rewarding failure, were there the correct systems to manage the LA moving forward and to deal with issues in a timely manner.	The Council needs to retain the Corporate capacity to deliver on Sustainable Powys, across all areas of Engagement, Finance, WOD and Digital which would be the drivers of change across the organisation. When the budget was being proposed to Cabinet and Full Council for 2024/25, we were very mindful of the need to protect that resource to move Sustainable Powys forward. Initially some of the service areas had proposed higher levels of reductions, however, those proposals were removed upon understanding the impact.
The Risk budget holds £3m, was there a forecast of where monies may be required.	Information held within Appendix A, showed the use of risk funding to cover unfunded pressures. Two elements drawn from the Risk Budget for Adults and Children's services, with the corresponding entry against Corporate activity denoting the approval of that movement. Further commentary was noted within the report which highlighted any risk held within Q4.
Was there any relationship between, and if so, how was it dealt with the £0.9m undelivered from last year and the £1.2m unlikely to be delivered this year. To what extent were the savings recurrent and non-recurrent, was there a mix of the two as was important for future planning. Was run rate analysis used to challenge colleagues that were under-performing in terms of savings delivery and were there	The majority of the savings were re-current, there were some that were a potential one-year saving. Anything non-recurrent, would be reflected as an immediate pressure fall into the 2nd year of our plan. In terms of the delivery of savings, the Corporate Leadership Team (CLT) review these quarterly reports prior to any other forum, the Directors are

particular services that could be deemed a common element. From a governance and process aspect what work was undertaken by officers to challenge services to seek assurance where there was concern of unachieved targets.	challenged around their service areas performance, who in turn challenge their Senior Leadership Teams (SLT).Challenge is constant in terms of delivery of savings but also of budgets. These financial reports are received by Scrutiny Committees where the Heads of Service, Directors and Cabinet Members are challenged. Cabinet Member for Finance commented whilst at budget setting assurances are received from Directors and HoS that savings are both realistic and deliverable, there were times when Services were impacted by circumstances and demand that they would have been unforeseen at the time of initial saving proposals.
In respect of the £11.9m of underspends, could Panel be informed what was not delivered and what was the impact on residents. Over achievement would also be worked into the following years budgets, in theory there should not be a similar overachievement in next year's budget. The HTR commentary noted an overspend of £407k highway routine maintenance structure and an underspends, how flexible are the service, what were the limits for approval by Cabinet and Full Council on virements. If over 100k, even if within one service area approval for virement from Cabinet would be sought.	Table 1 showed significant levels of underspends, there was some narrative in Appendix B as to what has generated the underspends at each service level. This formed one of the key questions in delivery of the budget. Cost pressures were also seen, and it is important that Services have the ability to flex their budgets where they see underspend to offset those pressures. In relation to underspends these would be considered when developing the following year's budget. Assurance was given that where any of those cost underspends are recurrent and can be taken out, they have already reflected in the budget that was approved by Full Council last week. Dependent on amount and where within a Service the virement was required. Any virement over 500k would have to seek approval from Full Council, with virements of over 125k approval from Cabinet would be required as stipulated within the Financial Regulations.
Why did underspends appear to be costly and not beneficial.	It would depend on what the underspend was for, they could assist in keeping borrowing lower or for

	service delivery elsewhere to be undertaken. The overspends and underspends are not intrinsically linked. The Cabinet Member for Finance added that in a changing and highly technical world, there was a strong possibility some of the staff vacancies being held may not be required in the future, as the use of technology progressed to deliver services at a lower cost.
Some service areas within the council face significant levels of pressure in comparison to others and resources must be allocated accordingly.	The Cabinet Member for Finance responded that through the change management process, resource would be reviewed to minimise additional pressure being placed on services or delivery. Once a new structure or delivery mechanism were embedded, any vacant posts would be removed from the budget.

6.	**QUARTER 3 CAPITAL PROGRAMME REPORT AS AT 31ST DECEMBER 2023**

Background

Brief introduction given by the Portfolio Holder for Finance and Corporate Transformation

- The report provides an update on the financial position of the Council's Capital programme
- Following the successful award of additional grants and the reprofiling of budgets between the financial years. The revised programme is budgeted at £80.45m
- At the end of Q3 Actual spend stood at £38.7m (48%) of total budget, an increase of £15.62m since position reported at Q2.
- £29.34m (36%) of the capital expenditure budgeted to be financed by borrowing, the interest costs are charged to the revenue account.
- Section 3 details the grants that have been received in the Capital programme.
- Section 4 sets out re-profiling of budgets between financial years, which had been approved at Full Council last week.
- £1.86m of capital receipts has been received so far, this financial year, with further sales agreed of £0.53m and £0.28m for the HRA.
- It was expected sales of £2.57m could be achieved this this financial year, any delays in the selling process may see some receipts being received in the next financial year.

The S151 Officer stated that there had been some delays in the capital programme this year – an example being where costs were considered too high following the procurement process – slippage has been removed from the corporate budget to support the pay award and this relieved some of the pressure in 2024/25. There was a need to limit the Councils borrowing to maintain affordability and the strategy agreed at Council last week considered this.

Points raised by the Panel:	**Responses received from Officers or Cabinet Members.**
In relation to the capital programme underspends, some budgets remain at approximately £41m (50%), could Panel be provided with assurance on what projects were involved, were projects still ongoing and were virements required.	Virements were shown in the quarterly reports, where formal approval was required. The nature of capital projects can be spread over a number of years, whilst every effort is made to estimate as accurately as possible, re-profiling could be required across financial years. Services have improved on profiling, with some work still to do. The budget approved last week showed a significant level of profiling due to tendering and delays. On some larger scale projects prices have had to be reviewed to bring costs down. The assurance was there through the Capital Oversight Board who provide necessary and appropriate challenge to services, and bidding for capital projects followed the defined framework to ensure 1. The revenue costs are fully considered at the outset. 2. That the spend was appropriate and that there was alignment with Sustainable Powys and building rationalisation. The Governance and Audit Committee's Capital Working Group, has reviewed the arrangements in detail and provided challenge to obtain the appropriate assurance.
Request was made for the definition of re-profiling for the Council. How many of these projects on capital spend were behind, what was the financial impact on the day-to-day workload and service delivery.	A thorough explanation with example was provided in respect of re-profiling by the S151 Officer. Delays on projects were challenged heavily by the Capital Oversight Board, to get into detail on particular service areas would be the role of the Scrutiny Committees.

How much has the re-profiling saved the Revenue account, as would provide a saving on borrowing. It was noted with thanks that the accountants within the treasury management team were doing an incredible job.	We remain vigilant on the borrowing rates and inflation. Borrowing is difficult to report against individual capital projects, as the Council borrows daily for general cash management. Borrowing for shorter periods of time to benefit from lower interests rates rather than committing to longer term borrowing at higher rates. Cabinet Member for Finance noted the Chair comment on savings on the Revenue account, whilst having to be mindful of borrowing for the capital programme. The Council must recognise the need for responsible financial management to avoid borrowing at artificially high rates.
The Panel were informed that the Capital Working Group had held a full and wide-ranging discussion on the whole capital programme and how it was managed. Clarification was received on a whole series of working practices, which was enlightening. A report and recommendations will be presented to GAC in April and once signed off could be brought to the Finance Panel. The Chair commented that Panel would be grateful to receive the report, if only for information purposes.	
A request was made for report be presented to Finance Panel on the use and the consultants and contracts across the Council. Chair agreed that a brief overview on these would be useful with further detail analysis possibly completed by the relevant Scrutiny Committee.	The service often received (Freedom of Information (FOI's) request in respect of consultants and were reviewing how to proactively publish the data. Where PCC does not have the relevant skills consultants are on occasion more cost effective. For oversight, a report could be presented to Panel providing the consultancy costs over the last financial year.
Question was raised on the difference between supported borrowing and prudential borrowing.	Supported Borrowing is funded by allocations through the Revenue Settlement Grant (RSG) from WG, When the Council is borrowing and funding it itself that was termed prudential borrowing.
If the Council sells assets would that imply that the borrowing power diminishes.	No. In Local Government the borrowing requirement was based on capital expenditure not against the

	assets held.

7.	FORWARD WORK PROGRAMME

CiPFA training or similar to be considered by the Director of Corporate Services for both Finance Panel and Governance and Audit Committee Members if not all Members.

County Councillor A W Davies (Chair)