

**MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT BY ZOOM ON
FRIDAY, 31 JANUARY 2025**

PRESENT

County Councillor A W Davies (Chair).

County Councillors E A Jones, P Lewington, J Pugh, G W Ratcliffe, C Kenyon-Wade, D Bebb. Co-opted Member G Hall.

Cabinet Members: D A Thomas, J Charlton, R Church, S Cox, S C Davies, M J Dorrance, J Gibson-Watt and P Roberts.

Officers: J Thomas, A Phillips, J Chappelle, J Pugh, B Ingram, R Jones, A Orrells, D Reynolds, M Evans, S Anderson, M Perry, N Davies, S Frewin.

Observing: L Hamilton & J Brautigam.

1.	APOLOGIES
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Apologies for absence were received from County Councillors: Elwyn Vaughan, Chris Walsh, and Cabinet Member David Selby.

Officers: Emma Palmer Chief Executive and Sharon Powell Head of Children's Services.

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.	DISCLOSURE OF PARTY WHIPS
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The Panel did not receive any disclosures of prohibited party whips which a Member had been given in relation to the meeting in accordance with Section 78(3) of the Local Government Measure 2011.

4.	DRAFT MEDIUM-TERM FINANCIAL STRATEGY 2025-2030, DRAFT 2025-26 BUDGET AND CAPITAL PROGRAMME FOR 2025-2030
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The Panel noted, observed, or requested that:

Income, Fees and Charges

- Budget pressures projections in future years exceed £15M annually, with additional pressures expected to emerge, for context every £1M additional spend equates to 1% increase of Council Tax. To bridge the funding gap alone with Council Tax was not sustainable and would need to be resolved through cost efficiencies and reductions to service delivery.
- The 47% of residents paying full council tax was the current figure. There were the statutory reduction scheme, single occupancy and disability allowances as well as discretionary allowances that were evidenced by officers and the recommendation was determined by Portfolio Holder for the Local Authority.

- The projected additional charges/income of £5.7m was based upon full recovery cost and inflationary increases. The £80m already raised, with consideration given to inflationary factors and impact, was set out in the Fees and Charges (appendix E) of the agenda pack.
- The letter from the Leader, Deputy Leader and Portfolio Holder for Finance to Welsh Government in relation to the Consultation Document on the Revenue Settlement Grant (RSG) be shared with Finance Panel on a confidential basis.
- The settlement funding formula did not favour rural authorities, with 2 indicators of population and secondary school pupil numbers factored in and dictated by spend, which has had a detrimental impact on Powys' funding allocation of over £1m.
- Work be completed on the impact of Post 16 cross-border movement, the impact of decisions made especially on border schools to the RSG and specific grants.

Contract Management

- A breakdown of contract management savings and the process of how contracts would be managed moving forward, would be shared with Finance Panel.
- Staff involved with management of contracts have undertaken a training regime, dependent on their level of input, statistics would be shared with Finance Panel.

Pressures

- The £1.98m reductions in workforce would come from restructures, vacancy management, digitisation of process and the use of Artificial Intelligence, the need for redundancies across the organisation would be reduced.
- The 5-year plan and the estimates and reasonable assumptions used for modelling were robust for cost pressures held. As further assurance and certainty was given, that cost pressure would be reduced and put back into the individual service.
- Proposed Social Care workforce reductions, frontline staff, and those services, as well as partnership working, had been carefully reviewed to minimise impact on the residents of Powys.
- The significant reduction of individuals awaiting packages of care over the last year.
- Clarity was given that school staff reductions were not included in the £1.98m reductions, those plans would be reflected in the schools individual delegated budget, submitted late in the year.
- The Council holds a Risk budget, included in the base budget, to manage all risks across the council, with further specific reserves e.g., pay reserve, for those substantial items within the plan.
- There was an expectation that the Council would receive funding to cover the £3.5m for the National Insurance increase, built into the budget. The actual percentage of funding was yet to be notified by Welsh Government, the Councils assumption was 100%, where there was a shortfall the Risk budget would be utilised.
- It was not yet clear what would be supported in terms of the National Insurance increase for the provider market workforce e.g., domiciliary care and home care providers, and how Council resources could be impacted.

- The scenario modelling, based on the Office of Budget Responsibility (OBR) projections and the Welsh Fiscal Analysis assumptions from the 2024-25 Finance Resource Model (FRM) which have swung significantly to the 2025-26 FRM.
- The increase demand on the budget was from Education 4.4% Schools Delegated 8.3%, Adults Social Care 12.1% and Children 5.3%.
- Sickness levels were monitored monthly by the Corporate Leadership Team and included within the quarterly performance reviews with Cabinet. Report to be shared with Finance Panel.
- The Council were actively engaged in a consultancy fee reduction process.
- Workforce over the last 10 years had been reduced to minimum levels. Consequently, outside expert advice was occasionally required, and was a more effective way of managing that need.
- Reviews become standard practice of the aims, outcomes, and learned lessons, of work undertaken by consultants.

Sustainable Powys Programme

- Adult Social Care were undertaking a diagnostic deep dive over a 3-month period, as well as reviews on the home care estate and day opportunities, work, leisure and learning under the Sustainable Powys banner, with support from WG and the Welsh Local Government Association.
- The long-term aim of the Sustainable Powys programme was to reduce the funding gap based on the Revenue Settlement Grants and change how Powys delivers services more efficiently.

Capital Programme

- The Council must be certain that the revenue budget could support new capital schemes, by reviewing what can be delivered within the constraints of the revenue budget.
- Inflation and interest rates had remained at a higher level, which had impacted any new borrowing. All other opportunities are considered prior to additional borrowing.
- The capital programme was reviewed to maximise the use of grants
- Capital receipts were reflected upon annually to review the most effective use.
- Push back was given to WG in relation to improved intervention rates for grant funding of schools' capital schemes.
- The rate of borrowing had not fallen as had been expected at this time last year, and the forecasted rate of 4% was likely to remain unchanged for some time, which would drive up costs.
- Public Works Loan Board (PWLB) borrowing was expected to be at 4.2% December 2024, the Council had assumed 4.5%, the current PWLB 12-month borrowing rate is at 5.5 - 6%. Full cost of an additional 1% to be shared with Finance Panel.
- Due to Shared Prosperity Funding (SPF) and underutilised grants, the Council has had £100m of under borrowing, however that was not sustainable with pressures on the revenue budget and the grant drawdown that additional interest cost had to be funded.
- Additional borrowing forecasted was approximately £11.3m to fund the capital programme, WG are funding the supported borrowing £4.6m and the Council had to be able to fund the remaining £6.7m.

- The target within the capital strategy was to deliver £10m per annum of capital receipts. To address its medium to long-term financial sustainability, the Council should implement at pace its long-term transformation programme. which only assured receipts are accounted for in the capital programme, in 2025-26 £6.2 million is assumed.
- The S151 Officer gave assurance that escalating costs, interest rates were continually reviewed to ensure the capital programme remained sustainable.
- Net Zero 2030 has a significant impact on investing in the future, service delivery would be dependent on how the capital programmes were managed.
- Executive summaries of the key documents within the budget process and the financial planning report which included external factors, how they impacted upon the budget and influence budget plans to be shared with Members. Further work to be undertaken and shared with the Governance and Audit Committee as well as Finance Panel.
- One of Audit Wales recommendations within the Financial Sustainability Review for Powys CC (Nov 2024) stated, *“To provide greater insight into the overall effect of its savings proposals over time, the Council should explicitly report on the actual impact of savings proposals on both communities and corporate objectives.”*
- Impact Assessments to be reflected upon and developed more widely. Acknowledgement that this had also been a recommendation from Audit Wales.

Pensions

- Actuarial Review would be completed in readiness for the 2026-27 financial year. The Pension fund had functioned well over the last 2 years, the strategy the Pensions and investment Committee has implemented had fared well. The figures for the 5-year plan were assumptions given the improved and sustained funding position.

Reserves and Risk

- Additional information in respect of the reserves position at the end of the financial year will be included in the papers for February's Full Council.
- The 4% minimum in terms of the general fund had been held over several years.
- The Risk budget, held within the base budget, was a £3m revenue budget that offsets some risk. For 2024-25 this budget had been fully allocated in addition we have had additional funding from WG, all of which ensures we forecast a balanced position at year end.
- In the 2024-25 budget the Council were carrying about £6-7m level of risk against that budget, in the 2025-26 budget that level of risk is over £10m against that £3m budget.
- It was important to understand that the general fund level was very low compared to other Local Authorities, which presented added risk. This was to be reviewed.
- Demography was held at risk across both Adult Social Care and Children's Services. For 2024-25 the current risk for Adults Social Care was £1.647m and for Children's Services was £3.7m.
- The forecasted surpluses across all school approx. £4.5m and the forecasted deficit across Education was £6.8m with significant work to be

completed, however these figures may have been updated and will be provided.

- If reserves were increased that would impact upon revenue budget and the Council Tax levels imposed on residents.
- The level of reserves held were classed as at an acceptable level, however, remain at that lower level of acceptability.
- The budget monitoring system in place gave assurance that when aware that situations had changed, appropriate steps could be taken.
- S151 Officer gave assurance that the budget proposal was robust enough. There was a higher level of risk, due to the NI increase and pay awards more than projected.
- Audit Wales were comfortable with the budget monitoring in place.

HTR

- Powys and Ceredigion's regional transport plan bus provision was used as a pilot scheme and confidence within the service that the funding would be over a period of years, with notification from WG due imminently.
- There were plans to re-invest into the Transport and Equipment fund.
- Main concern within the service was to ensure depots had the correct infrastructure in place to transition to an electric fleet which would be reliant of grant funding.

4.1. Reports

4.2. Impact Assessments

5. PANEL RECOMMENDATIONS TO CABINET
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Panel recommendations to Cabinet noted as follows:

1. There was little evidence that the Sustainable Powys programme would reduce the future years funding gaps, as reported in the FRM. Delivery of service transformation needed to be accelerated.
2. This budget held the highest level of risk in recent years. The Finance Panel remain unconvinced that there was sufficient mitigation if all risk materialised.
3. Re-evaluate the current cost of delivery for Net Zero, due to economic and infrastructure issues. Powys' ambitions should be driven by external funding streams as the Finance Panel questioned the affordability of such projects.
4. Work to be completed on the impact of Post 16 cross-border movement. However greater clarity on the impact on schools' transformation changes that lead to children and young people accessing Education in other Local Authorities on the RSG and specific grant funding to Powys.

County Councillor A W Davies (Chair)