MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT COMMITTEE ROOM A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 17 JANUARY 2020

PRESENT
Mr J Brautigam (Chair), County Councillors JG Morris, A W Davies, Portfolio Holder for Finance, J Gibson-Watt, J Pugh, P Roberts, E Vaughan, R G Thomas and G I S Williams

Officers: Jane Thomas, Head of Finance

1. APOLOGIES

Apologies for absence were received from County Councillors M J Dorrance and D A Thomas

2. NOTES

Documents:

- Notes of the last meeting held on 25 November 2019

Discussion:

- Further information on capital receipts was outstanding
- Representation on the Panel considering impact assessments was also outstanding – the Portfolio Holder for Finance explained that a Panel had not been set up and each impact assessment had been considered by the relevant portfolio holder
- Details regarding savings which had not been achieved had not been presented – this would be available with the final report for consideration by County Council

Outcomes:

- **Noted**

3. BUDGET 20/21

Documents:

- Report of the Portfolio Holder for Finance
- Medium Term Financial Strategy
- Finance Resource Model
- Register of Fees and Charges
- Report of Fees and Charges
- Reserves Policy
- Budget Simulator
- Impact Assessments

Discussion:

- One department had issued one impact assessment for five separate savings. This was not acceptable, and the Head of Finance agreed to take the issue back to the relevant Head of Service.
- The Finance Panel questioned its role in the budget process as the Panel had only had access to the budget at the same time that it was released to the public giving limited time for scrutiny. Members had expected that they would be involved throughout the process. The future of the Finance Panel must be questionable in these circumstances.
- The Portfolio Holder indicated that draft savings proposals had been considered at the previous meeting but that the process was much later than anyone would have wished given the late arrival of the provisional settlement
- It was suggested that the emphasis should change from cuts to income generation – Integrated Business Planning (IBP) has been introduced and this should focus on outcomes which would include income generation, transformation etc
- The Chair suggested that the Panel should consider the balance of how money is spent. There appeared to be a distorted expenditure pattern compared to other local authorities and the Panel should consider the reasons for this.
- Stats Wales data, shared at the last meeting, highlighted that £10M corporate expenditure had been wrongly allocated. Once this has been correctly allocated across services, this will exacerbate the issue of service expenditure being higher than comparator authorities.
- Members had been invited to a series of seminars in which services had explained in more detail the financial position in their areas
- A new approach had been taken to ensure that IBPs were embedded in both the immediate and longer-term budget plans
- The MTFS has been refreshed and a draft approved in September 2019 – this is a continual process
- Scenario planning has also been introduced to determine the best, worst and most likely scenario
- A budget gap had been identified against Welsh Government funding and proposals to bridge that gap including cost reductions, efficiencies and income generation proposals have been considered
- In November 2019, the WLGA intimated that the settlement may be more favourable, and an improved provisional funding settlement was announced on 16 December 2019. Powys has been allocated a 5.4% increase against an average across Wales of 5.6%
- Despite the increased settlement, a budget gap of £13M is estimated
- The final settlement is due on 25 February 2020
- Powys ranks 5th across 22 authorities in achieving Public Accountability Measures
- Budget gap planning to 2024/25 is being undertaken
- The draft budget has taken into consideration a review of comparative data and inescapable cost pressures
- The largest cost reductions were in Social Care. The Head of Service was content that the savings being put forward would be achievable. However, the Panel remained sceptical as this had been promised in previous years but had not been delivered. The Head of Finance noted that transformation of the service continues, and benefits are now

becoming apparent. Improvements have been made including the introduction of new processes. Cost and benefit analyses have been carried out before savings have been included. Early intervention was starting to show improvements in numbers accessing statutory services as well as demonstrating better outcomes for children. The Authority is still funding legacy issues. The number of agency staff remained fairly static but it was noted that this was proportionately smaller.

- The improved settlement represents an additional £6.3M of which £4.2M is ringfenced for teachers' pay and pensions
- It was thought that a reasonable budget had been provided to schools to enable them to manage within budget although there was still further work to do on managing deficits. The budget enabled the situation to be stabilized whilst the service embarks on a transformation programme.
- It was noted that TLRs equated to £1.4M per annum but that no specific allocation had been made for the current year. This particular allowance was not included in the Funding Formula and Members were particularly concerned that schools were being criticised for not managing within their budgets. The Head of Finance reminded the Panel that the Funding Formula delivers funding to schools but does not specify how schools spend that money. Schools are not funded on the basis of the staffing structure in place but are provided with sufficient funds to ensure an equity of provision can be applied across all schools.
- It was noted that the Teachers' Pension Fund actuarial review was not conducted at the same time as the main Pension Fund
- Affordability of council tax was a cause for concern given the level of average wages in the County. This issue would be covered by an impact assessment covering the budget as a whole.
- A 1% change in Council Tax would equate to a change of £800K
- Council Tax represents 30% of income – this is the third highest proportion in Wales with only Monmouth and the Vale of Glamorgan exceeding 30%
- It was noted that a 'median' should be used and not an 'average'
- Consideration should be given to replacing capital borrowing by disposal of assets. A review was being undertaken with a programme of disposals to be available by the end of February 2020.
- It had been hoped that the cost of provision would be studied in more depth as part of the new approach that was being taken in budget planning
- Concerns remained that there was still too much reliance on previous expenditure in setting future budgets
- The Panel thought it highly unlikely that future settlements would improve and that public finances would continue to be constrained
- The planning system was slow and expensive and was a block against economic development and yet further cuts to the service were planned
- The level of expenditure in Children's Services was unsustainable and yet it was politically difficult to cut that funding. Actual funding has increased 60% in three years, but the level of demand has not increased by a corresponding amount. Costs per child were 20% higher than other authorities.
- The £1M additional corporate funding includes increases to the Fire Levy (£400K) and Council Tax Reduction Scheme (£450K). The underspend in

the current corporate budget relates to slippage on the capital programme and minimum revenue policy.

- Undelivered savings currently stand at £5.3M which is a cause for concern
- One suggestion made was to increase council tax on holiday properties by 100% rather than the 50% currently implemented – however it was noted that a number of such properties were converting to business rates. The Welsh Government are currently reviewing this policy.
- The Panel questioned whether 21 Century Schools funding and repairs were in line with the transformation programme. It was confirmed that they were, but that health and safety issues had to be addressed.
- The issue of capital receipts and use of the Directive was questioned. It had been anticipated that there would be £4.7M of capital receipts this year but, to date, only £0.6M has been raised. The Head of Finance indicated that some capital receipts had been brought forward from the previous year and that the transfer of some assets into the Housing Revenue Account would raise more. It was unlikely that it would be totally achievable in the current year.
- The Panel questioned whether procedures are in place to generate capital receipts more quickly – the property report was awaited to finalize this
- It was noted that £1M would be spent on the County Farms Estate and some concern was expressed that the Estate was exempt from savings. The property review that was being undertaken would include the County Farms Estate. Consideration should be given to the return on investment generated and the Estate should be subject to the same level of scrutiny that other services are. It was also noted that the Estate has generated income for the 21st Century Schools programme and has had little investment
- A blanket 2% increase for pay and price inflation appeared to be rather simplistic – the Head of Finance indicated that pay inflation was apportioned at a flat rate, but service specific inflationary figures were considered by each service as part of their IBP

The scrutiny officer left the meeting whilst issues surrounding Legal, Democratic and Scrutiny Services were discussed.

- The Panel remained concerned regarding their role during the creation of the budget. It did not seem as though the Panel was used to the extent it could be. There were areas of principles and alternatives which could have been addressed.
- The role of the Scrutiny Committees has also changed. Those Committees should be considering benchmarking and cost analysis which should improve the process, but also brings into question the role of the Finance Panel.
- It was thought that the role of the Panel should be more strategic whilst the scrutiny committees assess the operation level
- The Head of Finance suggested that it may be useful for the Panel to discuss their role with CIPFA and how to maximise the benefits of the Panel

Outcomes:

- **The Panel would prepare a report after Scrutiny Committees have considered their individual budgets for submission to County Council**

4.	FINANCIAL OVERVIEW AND FORECAST

This item was withdrawn.

5.	CAPITAL REPORT

This item was withdrawn.

6.	WORK PROGRAMME

Mr J Brautigam (Chair)

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