

**MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT COMMITTEE ROOM
A - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON FRIDAY, 21 FEBRUARY
2020**

PRESENT

Mr J Brautigam (Chair), County Councillors A W Davies, M J Dorrance, J Gibson-Watt, J Pugh, P Roberts, E Vaughan, D A Thomas, R G Thomas and G I S Williams

Officers: Jane Thomas, Head of Finance

1.	APOLOGIES
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Apologies for absence were received from County Councillors JG Morris

2.	NOTES
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Documents:

- Notes of the last meeting held on 17 January 2020

Outcome:

- **Noted**

3.	FINANCIAL OVERVIEW AND FORECAST - JANUARY 2020
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Documents:

- Financial Overview and Forecast – January 2020

Discussion:

- At the 31 January 2020 a year end underspend of £6K was forecast
- It was hoped that this would improve further but the costs of recent storm and recovery operations may affect this figure
- Social Care may also yet experience winter pressures
- Grants may be available from the Welsh Government for both storm recovery work and winter pressures but there is also likely to be an impact on the authority's budget – for example discretionary rate relief for both businesses and residents
- Children's Services had reduced their expenditure slightly, but pressures and undelivered savings remain
- The overall underspend was achievable through slippage in capital borrowing, surplus council tax and the £2M budget reserve which remained unallocated
- At the time the report was written there was not expected to be a significant change in reserves
- Schools will receive their revised allocations next week
- There had been an increase in cost reductions, but £5.4 remained unachievable
- Transformation was on track

- The Chair of the Health and Care Committee reported that there had been a reduction in agency staff and an increase in the number of children that had been returned from out of county placements
- It was considered that the position stated reflected missed opportunities and poor financial management. Capital spend slipped every year and those projects would benefit residents. How would the Authority regain lost ground in respect of those capital projects? It was explained that the expenditure had been reprofiled into future years. Commitments had been made. The situation had been exacerbated by contractors building schools in the north going into liquidation. Projects which have slipped have been included in the 5 year plan.
- It was inevitable that there would be some slippage on any capital budget, but this must be managed and reprofiled. More prudent modelling is being carried out. Monitoring was essential.
- The Head of Finance indicated that in future 100% capital funding would be committed against a profile of 70%. This is a finance issue rather than one for individual services.
- £5.4M of cost reductions will not be delivered of which £2.38M is attributed to Social Care. The Panel questioned whether the real cost of delivery was understood and highlighted the need for more accurate forecasting.
- £1M was thought to be achievable in the next financial year – if it had not been achieved in the current financial year, what assurance was there that it would be achieved in the next? The Head of Finance informed the Panel that not all changes had been made in sufficient time to achieve 100% of in-year cost reductions. A full report would be provided to Audit Committee and Finance Panel detailing each undelivered saving, the risk it had carried and the reason why they had not been achieved. A similar report was thought to be included with the budget papers for consideration by County Council, but this now appeared not to be the case. There was some concern that the Council would not have complete information upon which to make its decisions at the budget setting meeting. The Head of Finance believed there would be sufficient information within the budget pack to allow Members to make an informed decision. The Portfolio Holder for Finance commented that all Scrutiny Committees had had the opportunity to review proposals in their areas and risks should have been part of that consideration. The report for consideration in March would reflect on undelivered savings for 2019/20 but the budget pack would contain information for 2020/21.
- The remaining undelivered cost reductions were considered as the budget for 2020/21 was developed
- Members were concerned that undelivered cost reductions had to be met from elsewhere within the Council and that these proposals had not been agreed by the wider Council membership.
- Adult Services had successfully managed potential pressures of £9M
- There were significant concerns regarding the potential overspend of £4.8M in Children's Services. This level of expenditure was not sustainable. It was clear that the Authority spent considerably more per child than other authorities (eg Powys £54K per child against Gwynedd £35K per child)
- Concern was expressed about the objectives of services and performance against those objectives – this was the role of the Scrutiny Committees.

The Leader's meetings have also shown clear plans are in place to improve Children's Services and whilst Children Looked After numbers are falling, there remain legacy issues to be funded. There had been failures in previous years which have to be addressed.

- Vision 2025 provides direction for the Council and quarterly performance reports are published against the Vision. In the current year there has been improved service planning through Integrated Business Plans all of which are aligned to Vision 2025. New performance measures will be in place for the next financial year which will be more robust at service level.
- There was an increasing deficit in schools. Schools transformation was a longer-term project and there was concern as to how these deficits would be met in the short term. Schools submit indicative funding plans which the Authority approves. The graph in the report does not show proposed budgets for 2020/21 nor the increased funding for TLR payments. Neither does it reflect any remedial action taken now or for years 2 or 3. The report reflects a worst-case scenario. Schools delegated budgets, including reserves, are ring fenced and maintained separately from other Council funds. The full cost of pay and pensions had not been reflected previously but will be in the next budget. This should stabilize schools' budgets while transformation takes place.
- A table showing the impact of the proposed budget on services was available and would be circulated to the Panel
- The new role of scrutiny allows for costs to be considered. Whilst the Committees are doing their best, the information needs to be provided
- It was acknowledged that the authority cannot be risk averse, but it seemed as though the same high-risk cost reductions were considered year on year.
- The Capital Receipts Directive was a tool which would allow transformation to take place. This has been in place since 2016 but the Authority does not seem to be making the best use of it. To date it has mainly supported redundancy costs and it seems as though an opportunity has been missed. The Head of Finance reported that this needs to be considered across the whole period and not on an annual basis.
- £100M has been taken out of the base budget in the last decade
- It was noted that the wage bill remains consistent despite a significant number of redundancies.

Outcomes:

- **Further information relating to the impact of the 2020/21 budget proposals on services would be circulated**
- **The report regarding undelivered cost reductions would be considered by the Finance Panel in due course**

4. CAPITAL REPORT - JANUARY 2020

Documents:

- Capital Report as at 31 January 2020

Discussion:

- The programme is 72% committed

- Year on year there were slippages in the capital programme. The issue surrounding the schools' contract in the north were well known but what other reasons were given? Was any delay attributable to HOWPs? The Chair of the Economy, Residents and Corporate Governance Committee reported that a working group had considered KPIs for HOWPs and whilst they were showing improvement, there were further improvements to be made. There were also issues regarding the Authority and it too must improve its processes.
- A more detailed business case is now required before a project is included on the Capital Programme. This will have to cover both capital and revenue costs and will enable spend to be more accurately profiled. Budget Managers are also being trained.
- The Digital and Communications Service was 56% underspent on capital. It was not clear what should have been acquired. Again, the Panel were concerned that if it were not for slippage on the capital programme, there would be a considerable overspend in the revenue budget. This was not acceptable.

Outcomes:

- **The report was noted**

5. FINANCE PANEL REPORT TO COUNCIL

Documents:

- Finance Panel report on Budget Proposals 2020/21

Discussion:

- The Portfolio Holder for Finance reported that a detailed response has been prepared and would be included within the budget pack for County Council on 28 February 2020.

Outcomes:

- **Noted**

6. RA AND RO WELSH GOVERNMENT RETURNS
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Documents:

- Report of the Head of Finance

Discussion:

- The Authority had recorded RA costs in a different way to other Authorities
- Corporate costs had been charged at year end rather than apportioned at the beginning of the year
- This had affected RA statistics
- Reallocating these costs had had an impact on services
- The Chair had compiled a comparator table with the new costs which could provide the basis for future discussion
- The Head of Finance suggested that the Rural Cost Analysis should also be considered by the Finance Panel and Scrutiny Committees

- Costs should be included in all scrutiny committee reports
- Finance and Performance must be better aligned to provide useful information and unit cost data

Outcomes:

- **The Rural Cost Analysis will be circulated to Members**

7.	APPOINTMENT TO MID WALES GROWTH DEAL JOINT SCRUTINY WORKING GROUP
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County Councillor R G Thomas was appointed as the Panel's representative on the Mid Wales Growth Deal Joint Scrutiny Working Group

8.	WORK PROGRAMME
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Documents:

- Forward work programme for 2020

Outcomes:

- **Noted**

County Councillor Mr J Brautigam (Chair)