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Finance Panel – 29 January 2021

MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT ON FRIDAY, 29 JANUARY 2021

PRESENT

Mr J Brautigam (Chair), County Councillors JG Morris, A W Davies, M J Dorrance, J Gibson-Watt, J Pugh, P Roberts, D A Thomas and R G Thomas

In attendance: County Councillors A Williams and R Williams

Cabinet Portfolio Holders in Attendance: County Councillor P Davies

Officers: Jane Thomas, Head of Finance

Other Officers in Attendance: James Chappelle, Capital and Financial Planning Accountant

Apologies for absence were received from County Councillors E Vaughan

1.	APOLOGIES
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2.	DECLARATIONS OF INTEREST
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There were no declarations of interest.

3.	NOTES
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Documents:

- Notes of the last meeting

Outcomes:

- **Noted**

4.	DRAFT BUDGET 2021-22
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Documents:

- Report of the Portfolio Holder for Finance
- Medium Term Financial Strategy
- Finance Resource Model
- Cost Reductions
- Report and Register – Fees and Charges
- Capital Strategy and Treasury Management
- Reserves Policy
- Residents' Survey

Background

- The budget does not reflect the ongoing direct impact of the pandemic. The level of Welsh Government support for future years has yet to be determined.
- The budget is based on a 'business as usual' basis – the provisional settlement is also predicated on this basis.
- The final settlement is due on 2 March 2021 which is after the date set aside for Council to approve the 2021/22 budget. The Head of Finance was not expecting significant changes.
- Data driving the formula will be provided with the budget papers
- Current projections indicate that there will be a small deficit at year end
- There have been no significant changes to the Medium Term Financial Strategy (MTFS) but it has been refreshed and reviewed in line with the current economic and financial outlook
- Engagement with the public has considered impacts on service delivery. The public was asked to indicate priorities for spending.
- The Finance Resource Model (FRM) provides an outlook over the next few years to coincide with the life of the MTFS. Budget gaps remain for the future financial years which will have to be resolved.
- Information provided to the Panel detailed the budget proposals across all services, the investment proposed and cost reductions of £11.8M with details being provided in Impact Assessments
- The Section 151 Officer has also provided her opinion on the proposed budget

Discussion

- It was noted that there was little change in the figures provided to the meeting from those provided to a Members' Seminar prior to the announcement of the provisional settlement. The settlement had been better than expected and Members would have expected a greater movement in the proposed budget. The Head of Finance informed the Panel that there had been changes to the budget since December including the removal of efficiencies against schools delegated budgets offering them a level of protection and the removal of other efficiencies that were deemed to risky or undeliverable. The improved settlement figure covers these and an increase in the budget for the Council Tax Reduction scheme as there has been an increased number of claimants due to the pandemic and this figure is likely to increase further as furlough ends. A further £700K in Social Care has now been recategorized as a pressure rather than a risk.
- It was noted that a contingency fund (Budget Management Reserve) had been established to alleviate the risk in the 2020/21 budget. Children's Services are projected to overspend and Members asked how that would be dealt with. The increase in costs was attributable to a sharp rise in the number of children looked after (CLA) due to the pandemic. The Head of Finance reported that service over and under spends netted off and were accommodated within the budget. The pressure of additional CLA is proposed to be included in the services base budget for 2021/22.
- The Portfolio Holder reminded the Panel that Heads of Service had a responsibility to deliver their service within budget, but this was not always possible
- The Panel had hoped that the introduction of Integrated Business Planning would have led to a new way of developing the budget but that

the proposed budget appeared to have been developed in the way in which it has for a number of years

- The Corporate Services budget had increased from £31.9M to £36.1M but the actual spend on this budget was forecast to be £28.8M by year end. Members were concerned that there was a significant uplift even though this budget head tended to be underspent. This budget has been increased to reflect the end of the Minimum Revenue Position (MRP) policy savings – five years of benefits have been realised but this ceases in the next financial year. The budget management reserve, Council Tax Reduction Scheme and the baselining of the pay award over and above what had been included for the current year is also retained within this budget head. In addition, there is continued pressure on the insurance budget and the Fire Levy has increased.
- Any funding from the Hardship Fund has been dealt with in the current year's accounts to meet actual costs.
- The issue of financial governance in service areas was raised. The Portfolio Holder informed the Panel that Q3 outturn figures would be considered by Cabinet shortly. Adult Services were on budget and social care budgets were more robust than they had been in previous years.
- The level of public engagement was noted and the relevance of responses, which ranged from 14 to 204 responses per question, was raised. It was challenging to get a public response. The Panel suggested that a percentage figure should be included in the report alongside the actual number of responses.
- The pandemic has necessitated a change in business practices but only two areas are showing savings from improved business processes. The Panel expressed concern that other areas may revert to the way of working prior to the pandemic. The Head of Finance believed the transformation had assisted with capacity issues and improving delivery rather than cost reductions.

Capital Programme

- The Panel stated that savings could be generated by reviewing the capital programme or by delays in the capital programme as had been seen in previous years
- Various options for funding the capital programme will be considered
- Members were concerned that the capital programme as stated was unaffordable, but the Head of Finance reminded Members that a plan had to be in place and consideration given to how that plan could be funded including the various choices that could be made. This would be considered in the context of impact on services or on council tax.
- The cost of not doing anything also needed to be considered
- Capital investment must support the objectives of the Council to provide efficient services
- Sound business cases would be needed before any project could go forward for capital funding

Scrutiny Committees

- The three Scrutiny Committee Chairs briefed the Panel on budget discussions held within each scrutiny Committee
- A composite scrutiny report was being compiled to include all observations and recommendations to Cabinet on the budget

- An issue of concern was the cost of the schools' transformation programme. It was considered that bespoke designs for new schools were considerably more expensive than 'off the shelf' designs. There was further concern that the programme may not be able to be completed if costs spiralled out of control and will impact upon future revenue budgets. It was suggested that an external review of the capital programme should take place to assess its viability. The Portfolio Holder reiterated that the 10 year programme would have each project within it considered on its merits which would include its affordability.
- The costs of transformation should be separated from the transformation programme. Consultation on the programme has been extensively discussed within the Learning and Skills Scrutiny Committee with officers and the relevant Portfolio Holders

Impact Assessments

- Those most likely to be affected by an increase in Council Tax were thought to be families with children, lone parents and those in rented accommodation
- There is also likely to be an increase in unemployment when furlough schemes end with the rate rising from 5% to 8%
- Pensioners and those on fixed incomes are also likely to be adversely affected
- An analogy to the cost of the rise per week against staple grocery items was thought to be inappropriate – the Portfolio Holder agreed and had asked for it to be removed
- Average council tax in the county is £184 higher than the average for Wales with the proportion of the budget supported by council tax higher than many other local authorities
- Affordability for residents was a key issue
- Average incomes are lower than the Welsh average
- The Panel were concerned that those most affected by the increase would be those who were slightly above the threshold to be eligible to claim under the Council Tax Reduction Scheme
- The budget had been set allowing for inflation, but this had not followed through to the rate of increase of Council Tax
- The Portfolio Holder was very aware of the issue of affordability. However, 25% to 30% of the population claim a discount.
- A Member had calculated that the increase in Council Tax would lead to an increased demand on the Council Tax Reduction Scheme wiping out any additional income. He suggested that putting a hold on the Capital Programme could be more beneficial. The Portfolio Holder noted that the capital programme played a key part in delivering effective services.
- The Panel debated the need for a 'business as usual' budget against a 'covid recovery' budget. However, this was a political debate and not one for the Finance Panel.
- It could be considered that reserves could be used to address some of the pressures arising from the pandemic. However, reserves cannot be used to meet ongoing budget pressures and can only be used to meet one off, exceptional costs. At the start of the pandemic, a projected overspend of £12M had been forecast which would have had to be met from reserves had the Welsh Government Hardship Fund not met many of the additional costs. Some assurances have been given that funding will continue into

the next financial year but the detail around this is not available and must be considered as a risk. Reserves are currently being held at the minimum acceptable level, but this could be reviewed when the Authority is no longer dealing with the pandemic.

- It had been previously agreed that there be phased changes to funding of the arts sector to allow business models to be changed. This has not taken place due to the pandemic and it was suggested that further support be given to enable the arts sector to modify its plans.

Outcomes:

- **Any outcomes or recommendations from the Panel to be included in the composite scrutiny response to the 2021/22 Budget**

5.	DATE OF NEXT MEETING
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County Councillor Mr J Brautigam (Chair)

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