

# Public Document Pack

Finance Panel – 26 February 2021

## MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT TEAMS LIVE ON FRIDAY, 26 FEBRUARY 2021

### PRESENT

Mr J Brautigam, Chair, County Councillors JG Morris, A W Davies, M J Dorrance, J Gibson-Watt, J Pugh, E Vaughan, D A Thomas and R G Thomas

In attendance: County Councillors A Williams and R Williams

Officers: Jane Thomas, Head of Finance

<b>1.</b>	<b>APOLOGIES</b>
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Apologies for absence were received from County Councillors P Roberts and A Jenner

<b>2.</b>	<b>NOTES</b>
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#### Documents:

- Notes of the last meeting held on 29 January 2021

#### Discussion

- The Chair of Audit Committee reported that he had had discussions regarding the capital programme with the Chief Executive. The matter had also been debated by Audit Committee.

#### Outcomes:

- **Noted**

<b>3.</b>	<b>FINANCIAL OVERVIEW AND FORECAST - Q3 2021</b>
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#### Documents:

- Financial Overview and Forecast as at 31 December 2020

#### Discussion:

- The report identified the position at the end of quarter three (Q3)
- An improvement over Q2 shows a projection of a year end overspend of approximately £500K
- Cost reductions of £8.9M have been achieved, representing 72% of the target of £12.3M
- Further assurances have been given regarding other cost reductions and it is predicted that £2.5M will be undelivered at year end
- £1.6M of proposals are deemed undeliverable and will be written out of the budget – the remaining cost reductions will be delivered in the next financial year
- School reserves had been expected to be drawn upon. The secondary sector remains in deficit but the deficit in school reserves has dropped to £1.9M.

- A monthly claim is made against the Welsh Government's hardship fund. To date, £9.3M has been drawn down. Lost income due to the pandemic is around £2M. Claims for furloughed staff total £567K.
- The Hardship Fund is expected to be sufficient to support local authorities for the remainder of the financial year
- Key financial risks remain the same
- Council Tax collection loss is estimated to be £800K but £620K has been provided by the Welsh Government to offset this loss
- An announcement had been made that a further £2.2M additional funding is being allocated by Welsh Government – this is unhypothecated and will be delivered on the RSG formula to support undelivered savings and digital transformation costs incurred by Councils
- This funding has released the Authority's own resources to establish a Covid Recovery Fund of £1.8M. As the additional funding had been unexpected the Authority had expected to cover these costs within the 2020/21 budget. The new funding improves the projected end of year figure.
- Members were reminded that the report covered the period to the end of December – the next meeting of the Panel will consider the position as at the end of February 2021
- It was noted that the Housing Revenue Account (HRA) had anticipated using £1.3M of reserves but has instead made a contribution to reserves of £15K – progress on projects had been delayed due to the pandemic. Further details would be sought and circulated to Members.
- Some Members were of the opinion that the report could be simplified and made easier to understand – the Head of Finance would consider how the report could be improved to achieve this.
- Further clarity regarding the Council being in an under borrowed position was sought. The Council can only borrow to support capital costs. Within the capital programme each project is identified and how it will be funded. This determines the Capital Financing Requirement (CFR) which indicates how much borrowing is required to fund the programme. To date, because interest rates are so low, the Authority has used its cash reserves first before borrowing. Therefore, the Authority needs to borrow but has used other sources of funding and therefore remains under borrowed. CFR can only be set at a level that is affordable, prudent and meets the requirements of the Prudential Code. The Authority must work within that framework.
- It was suggested that terminology used was leading to confusion and may identify a training need. A glossary of terms should be provided in the first instance.
- The deficit in secondary schools appeared to be increasing despite the introduction of the Funding Formula. Levels of debt within individual schools would be available in the year end report. It was considered that the Head of Service had provided insufficient information within the report.
- Learning and Skills Scrutiny Committee had been informed that six secondary schools had unlicensed deficits due to level of deficit and lack of credible recovery plans – details regarding the current position were requested.
- There was considerable variation by school, but the overall position was relatively stable following additional investment in the previous year

- The Welsh Government's Hardship Fund is meeting the majority of income lost– however, if the Council has changed a policy, for example to offer free parking, those costs would not be covered.
- An additional £345K for statutory testing was reported for HOWPs – Members were of the opinion that this issue had been dealt with. It was agreed to ask the Head of Service for comment.
- The Chair noted that HOWPS end of year accounts had been published and that £3.8M had been used to pay for services from other Kier subsidiaries. He intended to investigate further and report back.

### Capital

- Actual and committed capital expenditure amounted to 68% or £65M
- Receipts have been lower than estimated but previous receipts are meeting transformation costs under the Capitalisation Directive
- £2.8M of capital receipts have been used for transformation revenue costs
- £10M of costs for Registered Social Landlords (RSLs) has been reprofiled to 2022/23/24. The Panel asked why this had not been reprofiled to 2021/22. The Head of Finance would confirm the reasons but believed it was due to the lead in times of projects. To date no RSL has taken a loan from the Authority and so this is rolled forward. Until such time as the loans are taken up, there is no strain on the revenue budget. Interest costs will be fully supported and covered

County Councillor J Pugh declared an interest as a property landlord

### **Outcomes:**

- **The Chair would write to the Powys Directors of HOWPS regarding the payments to Kier subsidiaries identified in their accounts**
- **Further information would be sought and circulated on**
  - **Why HRA reserves were not used during the year**
  - **RSLs –check lead in times and an explanation of why £10M has been rolled over to 2022/23/24**
  - **HOWPS - £345K for statutory testing**
- **The style of report will be reviewed, and consideration given to a glossary of terms or additional training**
- **Detail on individual schools' financial position to be available with end of year reports**

<b>4. DATE OF NEXT MEETING</b>
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The next meeting is scheduled to take place on 26 March 2021 – this may be adjusted and will dependent on the February outturn being available.

**Mr J Brautigam  
Chair**

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