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Finance Panel – 25 June 2021

MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT TEAMS LIVE ON FRIDAY, 25 JUNE 2021

PRESENT

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

In attendance: County Councillors A Williams and R Williams

Officers: Jane Thomas, Head of Finance and James Chappelle, Capital and Financial Planning Accountant

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| 1. APOLOGIES |
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There were no apologies for absence.

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| 2. NOTES |
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Documents:

- Notes

Discussion:

- Further detail regarding the Strategic Asset Board had been requested including its terms of reference, responsibilities and how it is scrutinized.
- Schools outturn figures were due to be discussed at Learning and Skills Committee on 14 July 2021 and the Chair had previously invited two Members of Finance Panel to attend.
- The Panel had been concerned regarding scrutiny of the Covid Recovery Fund, but the Chair of the Economy, Residents and Communities Committee confirmed that it had been considered by his Committee.

Outcomes:

- **Councillor J G Morris and Mr J Brautigam be appointed as the Finance Panel's representatives when Learning and Skills Committee consider school outturn figures**

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| 3. FINANCIAL OUTTURN FOR 2020/21 |
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Documents:

- Report of the Portfolio Holder

Discussion:

- The Panel were aware of the unprecedented challenges that had affected the Authority
- Initially the financial impact on the Authority looked to be significant and the budget was carefully monitored and controlled during the year.
- Authorities across Wales have benefitted from Welsh Government support and this has been fundamental in delivering the outturn reported

- An underspend of £4.2M was recorded at year end, excluding schools and the Housing Revenue Account (HRA).
- Significant levels of additional funding had been received during the final quarter of 2020/21
- The Head of Finance was asked for greater detail regarding grants and other funding sources but, whilst this is available, there was too much detail to be include this within the report.
- The Panel asked if the Welsh Government could reclaim any of the grant funding if it had not been used appropriately – the Head of Finance confirmed that each grant would have had terms and conditions attached, some of this funding has to be carried forward and utilised in 2021/22, whilst other funding is now offsetting expenditure in 2020/21 that the Council expected to support. Although the outturn was positive financial challenges remain in the current financial year and will extend into future years. Financial resilience is key.
- The Head of Finance was asked whether the underspend would be disaggregated to establish whether there was a structural underspend or what the position would have been under normal business. Services had not all been fully delivered and there had been delays in the capital programme too.
- Further detail was provided in the commentary within the report by Heads of Service. The Portfolio Holder reported that the Finance Team had been very proactive and had erred on the side of caution. The Medium Term Financial Strategy shows a £38M cumulative deficit over the next few years which will need to be addressed.
- Further clarification was sought regarding the underspend – members of the panel stated if grants had been received then they should have been spent and the outturn balanced. These funds should not be set aside to address the cumulative deficit.
- It was clarified by the Head of Finance that all funds claimed from the Welsh Government through the hardship fund had covered additional costs and loss of income due to the pandemic. Other additional funding streams have offset expenditure that would have been incurred from the Councils budget. Some grants were provided which were unencumbered and these were contributing to the underspend position
- Further information regarding any reduction in CO2 due to reduced mileage was requested together with any future revenue savings now that the Authority can manage with reduced travel. Further work would be carried out during the year. It was suggested that a high level report be brought to Finance Panel with individual service delivery models being scrutinized at the appropriate committee.
- It was noted that the travel policy for officers had not been amended although this may happen in the future
- An underspend in Highways was noted and criticised given the poor state of some roads – it had not been possible to make all spend during the year and where appropriate, funds will be rolled over into the current financial year
- 76% of cost reductions had been delivered. Some had been written off as undeliverable and a more detailed report will be submitted in due course.
- There had been no draw down from capital receipts for transformation costs and these funds remain available for the current and future years

- The Panel remained concerned regarding the Capital Programme and the increase in revenue that would be required to support capital costs. The Portfolio Holder commented that in the longer term, capital projects would reduce the use of the revenue budget by delivering integrated services.
- The Medium Term Financial Strategy (MTFS) remains under considerable risk. A three year budget would be ideal and work would recommence on achieving that. The budget gap still has to be resolved and budget planning scenarios need to be reviewed. The Finance Panel would be kept informed of progress.

Outcomes:

- **Further information to be provided on:**
 - **CO2 reductions and associated revenue savings**
 - **Details of grants that have been received**

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| 4. CAPITAL OUTTURN 2020/21 |
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Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- Actual spend was at 85% at year end
- Borrowing costs were not as high as expected
- 3.8% of the net revenue budget is supporting past and present capital spend
- The change in the Minimum Revenue Provision (MRP) had been implemented.
- Members questioned whether 3.8% of the net revenue budget was an acceptable level to support the capital budget. The Head of Finance reported that this figure is difficult to define but benchmarking information across authorities was being collated. The level of support would be dependent on each individual authorities' circumstances and their priorities and objectives. The key considerations for any authority are affordability and delivery of local outcomes.
- It was noted that the funding for the Global Centre for Rail Excellence (GCRE) would not impact the revenue budget unless it could not be repaid – these funds were ringfenced to the project and held in a separate account.
- The Westminster government has said there will not be a return to austerity but there is likely to be rising inflation and interest costs. The level of funding to the Welsh Government is uncertain which leads to uncertainty for individual authorities' settlements. There will be a UK spending review in the Autumn and the Authority continues to work closely with its financial advisers. However, an announcement regarding settlements is likely to be late in the year.
- The Head of Finance explained that cash reserves were being used before borrowing. Some debt will be paid off throughout the year, but reserves are not used to repay borrowing.
- The ratio of funding to the net revenue stream is expected to rise to 7.8% by 2030 which is double the current rate. This reflects those projects agreed to date with schools' projects expected to be substantial. The

Panel again questioned the affordability of the Capital Programme. The Portfolio Holder reminded the Panel that borrowing was not the sole source of funding and that a long-term view over the next few decades had to be taken. It was his opinion that the capital programme was being effectively managed.

- An Asset Review was due imminently and the Portfolio Holder was asked how long it would take to translate the findings into an assessment of future need. He expected this to be as soon as possible.
- The Authority has a clearly defined Treasury Management Policy and regulation was in place. Changes to the MRP will be included and a reprofiling of capital spend is to be undertaken. Cabinet and Council set the direction, but the capital programme has to be affordable and deliverable within the regulatory framework.
- Capital projects also need to consider the maintenance backlog
- The Panel thought that a cap should be established on the amount of revenue being used to support capital spend. The Head of Finance advised that the prudential indicators are calculated to demonstrate affordability. The borrowing limit was set by Council on an annual basis.

Outcomes:

- **The report was noted**

County Councillor J G Morris (Chair)