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Finance Panel – 20 January 2022

MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT ON THURSDAY, 20 JANUARY 2022

PRESENT

County Councillors JG Morris, M J Dorrance, J Gibson-Watt, A Jenner, P Roberts, E Vaughan, D A Thomas and R G Thomas and Mr J Brautigam

Cabinet Portfolio Holders in Attendance: County Councillor A W Davies

Officers: Jane Thomas, Head of Finance

Apologies for absence were received from County Councillors J Pugh

1. APOLOGIES

An apology for absence was received from County Councillor J Pugh.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. NOTES

Documents:

- Minutes of 26 November 2021

Outcome:

- **The minutes were accepted**

4. DRAFT MEDIUM TERM FINANCIAL STRATEGY 2022-2027, DRAFT BUDGET 2022/23 AND CAPITAL PROGRAMME 2022-2027
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Documents:

- Draft Medium Term Financial Strategy, draft budget 2022/23 and draft capital programme 2022/27
- Finance Resource Model
- Cost Reductions 2020/21
- Register of Fees and Charges
- Capital Strategy and Treasury Management Strategy
- Reserves Policy
- Budget Survey December 2021
- Council Wide Impact Assessment

Discussion:

- The Chair reported that scrutiny committees would be considering the budgets for their respective services and would report back to the next Finance Panel. Group Leaders were also considering the budget but that

would be from a political perspective and not for consideration by the Panel. However, all comments would be considered to enable the Panel to have assurance that risks were being managed and that the budget was deliverable. The Panel would also consider overarching issues such as council tax, covid recovery, the capital programme and reserves.

- The Head of Finance summarised the papers which have been considered by Cabinet. She briefly outlined the settlement and other funding arrangements and highlighted new responsibilities and the data driving the funding.
- The impact of the pandemic remained key as the level of risk would continue. The Hardship Fund which had met costs of the pandemic, would cease from 31 March 2022 with the Council meeting any continuing costs. Additional funding within the settlement has been provided to manage some of those costs.
- Over a five year period, the budget gap could increase to £14M. The proposed budget for 2022/23 is balanced and once agreed, work will commence in addressing the shortfall in the succeeding years.
- The documents detail specific proposals for each service and highlights the main pressures and cost reductions. Costs will include inflation, demand pressures and commitment to the living wage, not only for directly employed staff but for external providers of services too.
- The Capital Receipts Directive will also cease at the end of March 2022 and Transformation has been incorporated within the revenue budget
- The budget is supported by the Capital Strategy and Treasury Management Strategy. Prudential Indicators demonstrate the affordability of the capital programme.
- Reserves are key to managing risk within the budget
- The Section 151 Officer has also provided assurance regarding the robustness of the proposals
- The Portfolio Holder welcomed the indicative three year settlement as a basis for future work. The settlement had been good but was set against a backdrop of pressures arising from the pandemic
- The Chair noted that statistics showed that free school meals and unemployment claimants had increased and asked if that was the reason the settlement had increased. The Head of Finance indicated that the settlement had increased primarily due to additional funding from the Welsh Government. The formula used to distribute the settlement is particularly complex. This year due to the overall increase in funding the formula allocation tended to favour those authorities with a higher council tax base. The chair suggested that the Authority needed to understand the reason why there had been significant increases in claimants for unemployment benefits and free school meals. The Portfolio Holder suggested that this may be due to improved data collection following the introduction of 'parent pay' in schools and that both data sets had started from a low base. Unemployment claimant levels were high, but the number of vacancies was also significant.
- The Chair of the Economy, Communities and Residents Scrutiny Committee noted the expectation that the Council should improve its performance regarding the climate and ecological crisis and asked how the budget proposals would meet those challenges. The Portfolio Holder highlighted the approach to new school build, electric charging points and development of the Red Kite Climate Vision. The opportunities were too

diverse to confine to a budget report but should represent a 'golden thread' through all services.

- The comments of the S151 Officer regarding affordability were noted but the Panel questioned whether the budget would be affordable for residents and where the evidence to support that was shown. The Head of Finance indicated that this was reflected in the MTFs and Impact Assessment for Council Tax. Tables show that the level of council tax in Powys was around the average in Wales and that around 40% of Powys households received discounts on their council tax costs. The level of council tax has to be balanced against the level of service that was required for pupils and users of Council services.
- The Portfolio Holder was also aware that 30% of social care clients were self-funding which was one of the highest in Wales, despite the county ranking fifth lowest in terms of average wages.
- The Council had approved a motion for the current premium on council tax on second homes to be increased to 75% in 2021/22, but this was not evidenced in the budget proposal. The Portfolio Holder indicated that events had been overtaken by the Welsh Government review and that further legislation was needed to support the Council's decision. There was currently the ability to raise council tax to 200% on second homes although it was acknowledged that there was a loophole that was likely to be closed. The Portfolio Holder would not wish to see the council tax base destabilized, and the appropriate legislation was required. The Panel asked for evidence to be provided to the next meeting to enable an informed decision to be taken regarding the risk of destabilizing the council tax base and the additional income that could be achieved.
- Although many residents did not pay the full level of council tax, inflation was likely to have a significant impact in the coming months – this would hit those hardest who were just above the threshold.
- The Portfolio Holder commented that Welsh Government has announced plans for a consultation on a package of council tax reforms, the ability of people to pay must be fundamental to the review.
- Additional funding in the Welsh Government settlement is not hypothecated enabling the Council to decide how to manage the increased costs and associated risks
- The Finance Resource Model (FRM) shows a gap in funding for the following four years. As soon as the draft budget is approved for 2022/23, work will begin on addressing that gap. The intention to develop longer term plans had been disrupted by the pandemic but this work will recommence.
- An additional £5M had been made available for Education and officers were asked if this included the cost of any teacher pay rise and increased national insurance. It was confirmed that the bulk of this funding would be absorbed by payroll costs. Pupil numbers have fallen which reduces the funding required for the schools funding formula. It was suggested that Learning and Skills Scrutiny Committee should consider the budget proposals for Education.
- The Chair of the Health and Care Committee informed the Panel of the way in which the Committee will deal with the budget given the short time frame that was available to enable Members to challenge proposals at the formal meeting of the Committee. The Chair and Vice Chair will have previously considered the proposed budget in detail with the Heads of

Service and Corporate Director and an informal meeting will be held for clarification prior to the formal meeting.

- The Head of Finance was asked if the proposed Welsh Government change to provide free primary school meals from September had been factored into the budget. The detail of this proposal was still being developed and was outside the settlement for 2022/23 although was likely to form part of the settlement in future years. This change could have a significant impact on the budget.
- A substantial proportion of the cost reductions identified are attributable to Social Care. Historically, the service has struggled to achieve these reductions and the Panel considered this could be a risk to the overall budget. Many of the proposals were a continuation of plans in the current year and there was assurance that these would be delivered. There will always be an element of risk the largest of which is the direction in which the pandemic may go. A summary of risk on the proposals will be presented to the next Finance Panel.
- The Hardship Fund will cease to exist at the end of the current financial year and that risk will have to be managed within the Councils budget. The pressures on all services have been provided and it will be role of the scrutiny committees to consider these in detail.
- The Head of Finance confirmed that no funding will be released until the pressures materialise.
- Officers were asked if the costs of working normally, such as returning to the office, had been included. The New Ways of Working will mean that many will not return to the traditional working from the office, a more flexible way of working can be more effective and support a better work life balance. All aspects of how staff work have the potential to impact the budget, but any savings or costs will be identified at a service level.
- The Panel had previously noted significant debts by partners. Discussions were ongoing regarding historic debt but there are closer working arrangements with partner finance teams and any current issues are being resolved more quickly.
- It has been the case that only approximately 80% of savings are achieved annually – the Head of Finance confirmed that each service must manage what cannot be delivered from within its own budget
- Cost reductions will continue to be monitored monthly and will be reported in the budget monitoring reports. The proposals have already been subject to rigorous challenge. Any cost reductions will only be counted once they have been achieved – if not achieved, the Head of Service will be asked to identify ways of mitigating the costs of non delivery.
- The Capital Programme looks to be reduced and more affordable. Figures for future years will need to have more detail attached. The Capital Workstreams Working Group will provide a report to the next Governance and Audit Committee in February.
- The programme relating to Capital Receipts did not appear to be particularly ambitious. Members were still awaiting the Asset Review Report
- All Band B proposals for schools were included in the figures provided. There was continuing concern that projects had been identified and whilst decisions had not yet been made, assurances had been given to local communities. Every £1M of capital expenditure would have approximately £50K revenue implications and therefore significant capital receipts would

be required to deliver the Cabinet's aspirations. No project would proceed without a sound business case at which point any revenue savings would be identified or alternative sources of funding.

- A general fund reserve of a minimum of 3% of net revenue budget has been maintained in recent years it is proposed to increase this to 4%. There was no expectation to draw reserves into the general budget or to use them to balance the budget. The Authority maintained reserves at the lower end of acceptability compared to other Welsh Authorities.
- The Budget Management Reserve was established some years ago. Up to £1.8M has been approved by Council for Children's Services if required. The remaining reserve will be drawn upon first to manage budget risk before the general reserve is used. The contribution to Children's Services will be reviewed at year end when the final position is clear.
- All data in the report will be updated prior to consideration by County Council

Outcomes

- **The information was noted**
- **Scrutiny Committees will feed back to the next Finance Panel and strategic issues will be identified to report to Cabinet and Council**

County Councillor

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