

**MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT BY ZOOM ON
WEDNESDAY, 1 FEBRUARY 2023**

PRESENT: County Councillor A W Davies (Chair)
County Councillors A Cartwright, E A Jones, J Pugh, E Vaughan, C Walsh
Independent / Lay Member from the Governance and Audit Committee: G Hall.

Cabinet Portfolio Holders In Attendance: County Councillors D Thomas (Cabinet Member for Finance and Corporate Transformation), and M Dorrance (Deputy Leader and Cabinet Member for a Fairer Powys)

Officers: Wyn Richards (Scrutiny Manager and Head of Democratic Services), Jane Thomas (Head of Finance), James Chappelle (Capital and Financial Planning Accountant), Caroline Turner (Chief Executive).

Others In Attendance (Observers): L Hamilton (Chair, Governance and Audit Committee), J Brautigam (Vice-Chair, Governance and Audit Committee)

1. APOLOGIES

An apology for absence was received from Council Councillor P Lewington.

2. DISCLOSURES OF INTEREST

There were no declarations of interest from Members relating to items for consideration on the agenda.

3. DISCLOSURE OF PARTY WHIPS

The Committee did not receive any disclosures of prohibited party whips which a Member had been given in relation to the meeting in accordance with Section 78(3) of the Local Government Measure 2011.

4. DRAFT 2023 - 2024 BUDGET

Documents Considered:

- Draft 2023 – 2024 Budget
 - Scrutiny Report – Budget Questions
 - Cabinet Report
 - Mid Term Financial Strategy
 - Finance Resource Model
 - Cost Reductions
 - Fees and Charges Register
 - Fees and Charges Report
 - Pressures
 - Reserves Policy
 - Capital and Treasury management Strategy
 - Impact Assessment – Council Tax and Overall Budget
 - Budget Survey 2022 Report
 - Individual Impact Assessments relating to the Cost Reduction Proposals

Issues Discussed:

Cabinet Member Comment:

- The budget proposed was balanced for 2023-24. The budget had been developed at a time of significant uncertainty, with the continued cost of living crisis, the legacy of the Covid pandemic, the war in Ukraine, inflation at a forty year high, and a lengthy period of austerity which had eroded the resilience of public services.
- Should the future UK Governments maintain current spending plans future spending settlements were projected to decline. The budget plans were therefore developed within that context.
- The Council was seeing significant financial pressures across all services from inflation and increased service demand, even with the increased funding provided within the settlement.

Section 151 Officer Comment:

- There had been a better than expected settlement at 8.7%
- That level of increase was however, lower than the current level of inflation.
- The capital allocation was not as good by comparison to the revenue budget, with a slightly higher allocation but not a significant increase to support the capital programme.
- The Panel had previously considered the development of the budget.
- In terms of the net overall budget and allocations to services Table 5 in the report set out the proposed allocation to each service as well as the level of pressures seen by services, and the level of savings proposed of over £16m to bring the budget back into a balanced position.
- With pressures of £25m, savings of £16m and a Council Tax increase of 5% this overall brought the budget into a balanced position for 2023-24.
- The Medium Term Financial Strategy set out the ongoing position for the Council. Funding settlements were expected to be lower in future with significant budget gaps expected over the next 5 years. The Council in its current form was not sustainable and would need to be on a different footing with work already commenced on reimagining the Council with a lower level of resource.
- The opinion of the S151 Officer in terms of the budget was set out in Section 4 of the report and gave the opinion that the budget was appropriate.

Questions:

Question	Response
In earlier discussions on the budget the Cabinet Member described the forthcoming budget as taking the Council from the brink of the abyss and in the next years going over the abyss. Could that be repeated.	Cabinet Member Response: This was based in the context of projected settlements in future and the economic forecasts to 2026 where national debt at that time was being forecast by the ONS or the Institute of Fiscal Studies to be running between 96% and 99% of GDP. The reason the analogy was used was if that were to be the case it would suggest that there would not be much funding available for public financing.
With the settlement received has the	Cabinet Member Response:

<p>pressure been eased and for future years.</p>	<p>The proposed budget would set the Council up on a good platform to protect and develop services with the programme to reimagine the Council.</p>
<p>The Cabinet Member and the S151 officer have highlighted the challenges the Council will be facing in the next few years. Settlements will be lower in future. The proposed Council Tax is set at 3.8%. Will Council Tax need to be increased significantly in the future.</p>	<p>Cabinet Member Response: The initial challenge was to keep Council tax as low as possible due to cost of living pressures. It was necessary to set a tax increase as that protected the financial base for next year. A reduced settlement for next year was anticipated and that increase would provide some protection from setting a significant increase in Council Tax in 2024-25. Setting a lower rate of Council Tax would have meant a greater use of reserves or reductions in services. Forecasts were also indicating that external pressures such as inflation would be reducing which would assist the costs of services.</p> <p>Officer Response: In terms of setting Council Tax this was a balance considering people's ability to pay as well as the services the council needed to maintain and provide to residents particularly vulnerable residents. The Impact Assessment accompanying the budget proposal provided greater detail which assisted the Cabinet come to the proposal suggested.</p> <p>In relation to Council Tax levels this varied considerably throughout Wales with the average proposed around 5% which was the proposal for Powys.</p>
<p>The Fire Authority is a large proportion of the increase this year. Will this be the same next year or will the Fire Authority find other ways of reducing its funding gap.</p> <p>Powys receives a relatively low settlement in comparison to other authorities due to the nature of the properties in Powys. Is this being reviewed and will this assist future settlements.</p> <p>The Council has the opportunity to set premiums for second homes. What is</p>	<p>Officer Response: Second home premiums and empty home premiums had been reviewed and were set to increase from April. There were some Council Tax reforms being considered at a national level but the outcome and the potential impact on Powys was not known currently. Powys has a relatively higher Council Tax base compared to other authorities. That did have an impact on settlements and Powys could gain or lose depending on circumstances at the time.</p> <p>In relation to the Fire levy, all authorities</p>

<p>the position regarding this.</p>	<p>received some funding in their settlement to pay the fire authority levy. The Fire Authority and the Chief Fire Officer set the budget. Those authorities were facing similar increased pressures as the Council such as pay increases, inflation.</p> <p>The Chief Fire Officer would set the budget which they felt was appropriate and the local authorities would challenge that budget in discussion with the Chief Fire Officer. An increase of over 17% increase in the fire levy had been proposed which the Council needed to manage within the overall budget position. This level would not decrease but it was hoped that increases in future would be less as inflation decreased.</p>
<p>What is the fire levy worth. The sum for fire was passported from the local authority to the Fire Authority.</p>	<p>Officer Response: The fire levy is worth £1.2m which would remain in the Fire Authority's base budget.</p>
<p>The FRM (Finance Resource Model) shows cost reductions of £16.5m. Of that £16.5m what elements are one off funding (e.g. grants, BES grants) which will impact on the following year's budget.</p>	<p>Cabinet Member Response: It was believed to be £2.4m with possibly an additional £1m in HTR (Highways, Transport and Recycling) budget.</p> <p>Some of the rationale in relation to one off funding was due to the expectation of lower inflation which would reduce pressures on services and allow them to cover some one off costs and being carried forward into the following year. The BES (Bus Emergency Scheme) was an emergency funding scheme for one year only. This funding did not come out of the base budget and was a separate budget.</p> <p>Officer Response: There were a few one-off elements totalling £1.5m for funding body reviews, direct payments and refunds. There was also the one off proposal to reduce the level of revenue contribution for replacement vehicles (£1m). There were other elements in the budget supported by grant on a one year basis and other smaller elements in Social Care.</p> <p>The BES funding was supporting some</p>

	<p>of the costs for operators for one year only. It would be necessary to factor in all sources of funding into the budget plan which limited the pressure on Council Tax.</p> <p>If costs did not come down then those cost pressures could remain in the next and future financial years.</p>
<p>The use of school reserves to balance budgets is not mentioned. Is that not one-off funding.</p>	<p>Officer Response: In terms of schools pressures, all additional funding from Welsh Government in the settlement had been passported to schools to deal with the teachers' pay awards and some other pressures but Council could not fully fund all pressures. Therefore, schools would need to have proposals to manage those additional pressure costs themselves. Some schools had significant reserves which could be drawn on, but this pressure is recognised in the 2024 - 2025 budget if it continues to exist.</p>
<p>A confidential paper to the Learning and Skills Scrutiny Committee indicated a movement in school reserves over a two year period from a positive to a negative position. Is that sustainable.</p> <p>There were significant variations between schools and some serious issues for some schools could be hidden by cumulative figures.</p>	<p>Officer Response: It was not sustainable over the longer term. However, schools had not considered recovery plans and governing bodies decided on what actions to undertake, so the figures were indicative figures and it was unlikely that the indicative figures would be the position as schools would need to put plans in place to recover.</p> <p>Cabinet Member Response: Looking at the projections for schools to 31st March, 2024, only one sector was showing a deficit which was secondary schools and the Council was seeking to address that situation. All other schools were showing a positive position.</p> <p>At 31 March 2022, schools were showing a cumulative surplus and had received £5.7m grant funding as well late in the financial year. The Primary, All Age and Special schools sectors were showing a surplus overall at the end of March 2024.</p>

	<p>It was accepted that there were challenges in the secondary sector which would be addressed during the year on a case by case basis.</p>
Will the same restrictions be applied to those schools that are in an unlicenced position.	<p>Officer Response:</p> <p>The scheme for financing of schools and the licencing of deficits would remain in place and would apply as previously and the Council would work with schools to manage their budgetary issues and take action where necessary, where governing bodies did not take appropriate action. Some of the deficits in secondary schools were not due to inflationary pressures but were deficits that had accrued over a number of years.</p>
Schools have been protected to a certain degree in this financial year in relation to increased fuel costs due to the Council's buying scheme. Are we expecting significant increases in fuel costs next year.	<p>Officer Response:</p> <p>The Council was fortunate that its contracts had protected it during the current financial year. The renewal of those contracts were to be in place from April and there was an expectation of an increase in costs.</p>
<p>All funding from Welsh Government has been passported to schools. Welsh Government only provides 70% of the funding for schools with the Council providing the remainder. Has the Council passported an equivalent level to schools. The percentage increase from the Council was 5.5%. This is one of the lowest increases in the budget. Have schools been unfairly targeted.</p> <p>The issue relates to the delegated schools funding formula which needs to be adjusted, which should be considered by the Schools Forum to reduce some of the costs e.g. property and back office costs.</p>	<p>Officer Response:</p> <p>Would not agree that schools had been unfairly targeted. As part of the budget development some services were proposing additional savings which were challenged by the Council's senior leadership team, considering the impact of removing some of the costs which was why there were different percentage increases across services. Table 5 showed the net percentage increases.</p> <p>Cabinet Member Response:</p> <p>The 30% funding provided by Council tax would not equate to an increase in the base budget. The increase for other services might be higher but these related to smaller budgets than schools. In addition, the savings sought from schools was significantly less than for other services so they had not been treated unfairly.</p> <p>Officer Response:</p> <p>In respect of Table 5, this provided a transparent view of where schools are. In relation to the formula, the increase in the level of funding would flow through</p>

	<p>the formula as appropriate. The table showed the level of pressure that schools faced once they had received that funding. The savings were suggestions and potential ways that governing bodies could limit their costs, but it was for them to decide how they managed the shortfall. The formula would not need to be changed with the funding allocated against the individual headings.</p>
The Panel has been considering some of the larger savings in the budget. The Governance and Audit Committee had discussed the saving of £2.5m in the contribution to the pension fund following the latest revaluation. The Committee asked for sight of the sensitivity analysis in advance of the actuaries report, to obtain an understanding of the savings and any potential for fluctuations.	<p>Officer Response:</p> <p>Council had been given assurance that the reduction had been carefully considered by the actuary and calculated on a prudent basis. A statement would be provided to the Governance and Audit Committee. Due to the performance of pension funds most authorities were seeing a reduction in contributions.</p>
Do the recommendations of actuary need to be approved by Pensions Committee before being included in the budget.	<p>Officer Response:</p> <p>This did not need the approval of the Pensions and Investment Committee. The Actuary would define the level of contribution and the calculation. The Pensions and Investment Committee would receive the report.</p>
<p>£2.5m over 3 years against a fund of over £650m is a relatively small amount of money in terms of savings by comparison with the fund as a whole. As we are in uncertain times Members need to be aware of the assumptions behind the actuarial assessment and also the potential impact on the budget if those assumptions are incorrect.</p> <p>The contribution to the pension fund was / is in two parts, a percentage of salaries paid and a payment against the deficit which existed at the time when the fund changed from final salary to career average salary.</p>	<p>Officer Response:</p> <p>The contribution rate relates to primary and secondary rates, the primary rate was the ongoing contribution, the secondary rate was the deficit recovery.</p> <p>The deficit recovery element of the fund had improved significantly, that rate saw the most significant change. The Governance and Audit Committee would consider the matter in greater detail and the statement from the Actuaries set out the assumptions used to maintain the prudent approach.</p>
In terms of balancing the budget in the FRM and the use of £3.8m reserves from schools and one off grants and sources of funding, there was still some risk in adults social services and needing third parties to agree to some of the savings.	<p>Officer Response:</p> <p>The figure for one off grants and other sources of funding was over £3m, but the £3.8m from schools was not necessarily all coming from reserves, with some coming from changes within schools. Schools would review their</p>

	<p>expenditure across their budgets on an annual basis and would not draw all of that down from reserves.</p>
In the Impact Assessment (P196) and the narrative around schools. There is a sentence in the cost reductions around governing bodies, which refers to the reduction in the numbers of teachers to balance the budgets.	<p>Cabinet Member Response:</p> <p>Prior to the £5.7m received late by the Council in 2021 there were some schools who had budget deficit recovery plans in place and some of those plans included potential redundancies to balance budgets. Some schools, instead of keeping budget deficit plans live, opted to use the additional funding to move them back into a surplus position.</p> <p>This also reinforced the need to continue with the Transformation Programme and possibly speed that up to increase the envelope of funding available to education.</p>
<p>There is no evidence in the budget of speeding up of transformation process.</p> <p>Would be good to see the skeleton outline of what reimagining the Council's budget will look like.</p>	<p>Cabinet Member Response:</p> <p>The budget was to set the Council on a firm footing to take things forward. There was urgency around the reimagining Powys project with an emphasis on transformation for all services.</p>
Whilst Central and Welsh Government are being criticised for a lack of funding Council tax is still not being increased by rate of inflation which is the element in your control.	<p>Cabinet Member Response:</p> <p>It was the first time in years that Council Tax had been set below the rate of inflation but also took into account the cost of living crisis and people's ability to pay.</p>
The use of reserves and one off funding to balance the budget, what is that equivalent in terms of Council Tax.	<p>Cabinet Member Response:</p> <p>Council tax was not meant to cover that. The expectation was (based on predictions and assumptions) that financial pressures due to inflation would ease in the coming years.</p>
<p>Will the fall in inflation sort out the deficits.</p> <p>The costs would continue and would not be covered by a recurring funding stream. The gap was being covered by one-off payments.</p> <p>Inflation would impact on contractors and pay. What was included for pay inflation in the proposed budget</p>	<p>Cabinet Member Response:</p> <p>Roughly every 1% of inflation costed the Council about £1m. Forecasts predicted a 6% reduction in inflation in twelve months which would be worth £6m to the Council and would be more than the one-off savings.</p> <p>This was covered by the increase in the base budget for the next year. This was general, non pay inflation. Table 5 showed the pay pressures separately to the non pay inflationary pressures.</p>

	<p>Officer Response:</p> <p>Pay inflation on contracts delivering Capital schemes would fall on the Capital Budget. Revenue services delivered through contract that would be considered as non pay inflation and would be included in the service pressures rather than included under pay.</p> <p>For schools the teachers pay award from September 2022 was built in at 5% (part year) and there was an indicative pay award for teachers for 2023-24 of 3.5% which was built into the schools delegated budget figures. For other pay inflation 3% was built into service budgets but an additional 2% was held centrally until the percentage rates were confirmed. A sum for additional pay awards for teachers above 3% was also being held centrally.</p>
<p>Take issue with the comment that this is the first time that Council Tax increases are below the rate of inflation. If the Cabinet could not do it this year then they could never do it. Last year the opposition wanted a 0% Council Tax, and it was increased by 3.39%. Where would we have been this year is that had not gone through.</p> <p>This downplays the buying power and sustainability of the Council.</p> <p>Services will be delivered at a lower cost.</p> <p>This is still a standstill budget which puts some services at risk.</p> <p>Clearly in relation to school reserves and movements there are redundancies involved in that. The budget was underfunding schools by £3.8m and to put that right would require redundancies.</p>	<p>Cabinet Member Response:</p> <p>Last year no-one wanted to know about the financial challenges the Council was facing and all authorities had to reduce the impact on residents and set a Council tax level at a manageable level below the rate of inflation.</p> <p>An effective budget was to set a Council Tax at a rate that was acceptable and to manage to redesign services to deliver the same services at a lower cost.</p> <p>The proposals in the budget were to make changes through service redesign, income generation and some service reduction. The challenge was to deliver services at an acceptable standard at a reduced cost.</p> <p>It was a standstill budget to provide a springboard to move forwards following the challenging twelve month period.</p> <p>The budget did not deliberately create redundancies in schools. Prior to the additional funding going into school delegated budgets there were school deficit reduction plans in place that might</p>

	<p>have included redundancies. As part of the £5.7m funding was used by some schools to clear the deficit balance. Those deficit recovery plans were then set aside. Schools might have to reintroduce deficit recovery plans in future which could have future redundancies.</p> <p>What would be required would be good financial management by schools. Schools would need to manage their budgets and they would be supported by Education officers in financial surgeries. All decisions were for the schools to take.</p> <p>Officer Response: Schools routinely make staffing changes resulting in redundancies every financial year in response to changes in pupil numbers, class numbers etc.</p>
<p>One of the MTFS principles was that reserves would not be used to fund recurrent pressures or to keep down Council tax rises. Has that principle been broken.</p> <p>What will be the position of overall financial reserves at the end of the 2023 – 2024 financial year.</p>	<p>Cabinet Member Response: The general fund reserve had not been used to keep down Council Tax or to fund budget pressures. The Council's policy was to keep 4% of the net revenue budget as the reserve and the reserve was currently 4.2%.</p> <p>Officer Response: The principle in the MTFS was not to plan a budget that looked to draw on reserves to fund recurrent budget pressures. There was no expectation in the proposed budget to use reserves to fund ongoing pressures. Schools could use reserves to manage one-off pressures, but there was no recurring budget line in the budget to draw on reserves.</p>
<p>Therefore, there will not be a deficit or a consequence of schools using reserves rolling forward to subsequent years. Ultimately if a schools is in deficit the Council is responsible for that and High schools are potentially moving into a £4m deficit.</p>	<p>Officer Response: This was if they did not take appropriate action. Schools would have to look at recovery plans to manage any projected deficit. The Council would not have a clear picture of budget plans until schools submitted their budgets.</p> <p>In terms of the budget plan and the ability to fund all the pressures across the whole of the Council that would have</p>

	<p>required an additional £24m being included in the budget plan. That was unaffordable and Council Tax payers could not be expected to pay that level of increase. Every service had to consider how to manage this pressure collectively and schools were not immune from that. Schools were advised in September 2022 that the Council could not protect them from all pressures and they would have a role in managing the Council's pressures.</p> <p>Reserves were one off only and their use was not sustainable on a continual basis.</p>
<p>The settlement for schools could have been improved with an increase in Council tax.</p> <p>School reserves have been used instead of increasing Council Tax.</p> <p>There is a significant risk for schools in the rapid use of reserves in this and the next financial years. Is there a risk to the stability of some schools.</p>	<p>Officer Response:</p> <p>The Council had those options for any service budget. School reserves had not been used for recurrent pressures.</p> <p>It was a matter for Council to decide the level of Council Tax as it considered to be appropriate under the circumstances.</p> <p>Cabinet Member Response:</p> <p>The Panel could recommend to Cabinet to increase Council tax to cover any costs if it wished and that would be considered, weighed against the cost of living crisis.</p> <p>There was a risk in all budgets which had to be managed particularly in a period of financial challenge where the risk increased. The proposed budget managed risk and protected services at the same time.</p>
<p>With the one-off measures to balance the budget where is the pressure shown in subsequent years in the FRM.</p> <p>All the one-off elements have been transferred into service headings.</p>	<p>Officer Response:</p> <p>Where those one-off savings or adjustments were included in the FRM there would be a corresponding pressure against the service in future years.</p>
<p>On page 189 the figures for the profile of savings delivery in the Impact Assessment is incorrect. These are savings identified to date not cost reductions required.</p>	<p>The comment is correct, these were savings identified rather than the cost reductions required.</p>
<p>Fire Service Levy. In the pressures under appendix F it states that the levy for 2023-24 is 13% and then 5%. Can this be clarified.</p>	<p>Officer Response:</p> <p>For the Fire Service levy the Council had initial indications of a 13% increase, but it was subsequently increased further</p>

	<p>For future years it was estimated that the level of increase would be 5%. The 17% increase would be added to the base budget and that could increase by a further 5% per annum in future years.</p>
<p>HTR (Highways, Transport and Recycling) the reduction in the level of revenue contribution to the reserve that supports the replacement of vehicles. What is the current level of the reserve. The Head of Service suggested that the Council may keep vehicles for longer. Has work been undertaken by the service to understand the implications of this.</p> <p>The Head of Service had commented that perhaps the Council was selling vehicles too soon. In the last twelve months the recycling fleet was replaced and before that there were frequent cancellations of routes due to breakdowns. Should the assessment have been undertaken by the Service before the funding decision was taken as it could lead to additional funding needing to be made available in future years.</p> <p>The Head of Service also stated that replacing existing vehicles with electric vehicles would cost twice as much as current vehicles. How does the reduction in funding compare against the Cabinet's green agenda.</p>	<p>Officer Response:</p> <p>It was not known whether the Service had undertaken that work. At the beginning of 2022-23 the reserve was £8.8m. That indicated a delay over past years in replacing vehicles. It was proposed to draw £2m from the reserve during the current financial year leaving a balance of £6.7m. The budget proposal was to reduce the contribution to the reserve for one year with £1m not being added to the fund. That was only being proposed for one year.</p> <p>Because of the delays over past few years and the availability of vehicles the fund had not been drawn upon as heavily as was expected. The proposal was challenged as a higher figure was initially proposed but this was reduced following the challenge.</p> <p>Cabinet Member Response:</p> <p>The ambition was to achieve Net Zero by 2030 as a Council, but that had to be considered against the financial resource available and external influences and the rate that the infrastructure could be developed, which could mean a slower pace of development. The Council had piloted the use of electric refuse vehicles and would learn from that and take opportunities to roll out other vehicles. There was a larger capital outlay for electric vehicles but that did not take account of the reduction in environmental impact which needed to be measured.</p>
<p>Are there other examples of investments in the budget which have been made to achieve a net zero Council</p>	<p>Cabinet Member Response:</p> <p>There were a number of examples such as turning down heating in corporate buildings thus reducing energy use, increasing recycling, making corporate housing stock as energy efficient as possible, grants to schools to increase energy efficiency and using renewables, and moving Council housing stock to</p>

	green energy. There were a range of measures which the Council could undertake some through capital works and some by grant and the work started under the previous Council needed to be continued.
There is not much evidence of investment in schools in the capital programme or not highlighted as schemes to reduce energy costs and consumption.	Cabinet Member Response: The 21 st Century schools programme would invest an additional £123m in the next five years. That would have to include elements of energy efficiency and a greener programme, but specific details on individual schemes was not available.
Are there new elements within the capital programme which were not there before. The new build / repurchase budget is £13m in the capital programme under the HRA with varying amounts over the five year period.	Cabinet Member Response: There was a new housing programme which would meet green standards. The new Corporate Plan would include measures and detail of the numbers of new houses to be built and also bringing empty properties back into use. Welsh Government had also made it clear that all new schools had to be carbon neutral. The Social Housing grant figures provided by WG were indicative figures for years two and three. The Council utilised those indicative figures working with strategic partners to look at their pipeline projects for future developments. The Council had previously set strategic priorities around Extra Care followed by general needs housing.
Can the Cabinet member provide an assurance about the affordability of the capital programme following the impact of changes in interest rates. What is the Cost of the capital programme. The proportion of the revenue budget to finance the capital programme is going to fall. Inflation has assisted the position with costs peaking at over 4% and then reducing to 4%. Some of this is also due to the slow progress on capital projects themselves.	Officer Response: The ratio of finance and costs and net revenue stream were set out on page 24 of the capital strategy. The financing costs ranged from £11.35m rising to £14.89m over five years. Rates increase from 3.8% to 4.3% and then reduce to 4% by 2027-28. These were for the general fund with costs for the HRA being higher but were fully funded by the HRA. There was a separate business case for every house built which included affordability and the pay back period. A business case

	<p>framework existed for all projects in the capital programme.</p> <p>Based on what was known currently there were no concerns regarding the affordability of the capital scheme.</p> <p>Cabinet Member Response: The capital programme had to be monitored closely due to increases in interest rates. An increase in the speed of transformational projects was supported but the programme needed to be managed closely due to the potential impact on the revenue budget.</p>
<p>Capital Receipts (Page 176 of the pack), it was encouraging to see that the amount for capital receipts had doubled but a greater increase was anticipated.</p> <p>Could the level of funding from Welsh Government for capital schemes to the Council be explained. The increase on a Wales basis was £30m. Powys should be seeing a 4% to 5% of the total allocation.</p>	<p>Officer Response: In terms of the plan it was recognised that more receipts were becoming available. The indicative figure in the plan was £4.2m per year but that would be driven by the asset review.</p> <p>Welsh Government had higher expectations for its capital funding than was received. Therefore, what was available to local authorities was retained at the 2022-23 level with very little increase.</p> <p>Some of the capital allocation to Welsh Government was specific (£20m to support the Net Zero Wales plan) and therefore the full increase did not all flow through the settlement which was why Powys had the increase indicated. All authorities had seen small increases currently and it was unclear what the Council could draw down through specific grants as well.</p>
<p>It seems that schools had a good sum given to them at the end of last term. The Council is in unprecedented times due to inflation and other uncontrollable factors. The Council is trying to get a budget through to give it a better understanding of the position following that. Is that a fair assessment.</p> <p>Comment: There were many unknowns presently and so it was difficult to predict where</p>	<p>Officer Response: The budget proposal sought to produce a balanced budget for 2023-24. It did not address the longer term situation but did place the Council in a position to begin developing measures to react to the future position from 2024-25. Some of the elements in the budget bought some time but a majority of pressures and commitments were funded in the base budget. Some elements needed to be developed further.</p>

<p>the Council was going. It was likely that the Council would have services that were untenable and those needed to be identified. The Council needs to assess the impact of previous cuts on services. If the Council reduced the number of schools, does it know what would be the cost of redundancies as that would be a pressure against the savings made.</p>	
<p>The proposed budget puts additional pressure on future years' budgets.</p> <p>All pressures in services have been reconciled to a point, but not for schools.</p>	<p>Officer Response: It did not put additional pressure on future budgets but provided some time to start to address some of the current pressures although not resolving those pressures on a permanent basis.</p> <p>In terms of any redundancies that were proposed they had to be accompanied by a business case and there was provision to meet redundancies in the overall risk budget so that the cost did not have to be borne by the Service. The saving was then released immediately at a service level.</p> <p>Cabinet Member Response: Whilst the budget could not fund all pressures developing in services alternatives to what had been proposed were frightening.</p>
<p>There has been rigour in the process to develop the budget proposals. What lessons can be learned in looking at future budgets. Was encouraged by the Impact Assessments and the methodology adopted to assess and determine the savings proposals.</p> <p>This methodology through the business planning process and integrated budgets should look at the effectiveness and efficiency of what the Council is intending to do. There should be a set of performance indicators and measures to link how the budget contributes to achieving the high level objectives of the Council. The Panel is looking forward to a briefing on the reimaging the Council. The Council needs to look at doing the right things in terms of service delivery and as efficiently as</p>	<p>Cabinet Member Response: The Cabinet started the process by reviewing all service integrated business plans. What became apparent was that although the service plans were ambitious the pressures developing within those plans could not be funded within the existing funding envelope. The plan for the current year was to stabilise the Council's budget which was achieved and provided a platform to move forward with the reimaging of the Council. Once that plan was finalised it could be shared with the Panel. There would also be consultation with Members.</p> <p>Officer Response: Across the Council there was a quarterly monitoring report which reviewed performance. At the beginning of each</p>

<p>possible. Speed in the process is also important.</p>	<p>year a number of measures and objectives were set and these were monitored against service delivery of those measures and objectives. There was further work to be undertaken in relation to benchmarking to aid scrutiny.</p>
<p>Concerned about the risk contained in the budget, particularly in schools and adult services. Are the risks manageable from a Section 151 Officer's perspective.</p>	<p>Officer Response: There was an element of risk in every budget but it was heightened this year due to the level of inflation and the uncertainty seen over a period of twelve months. The development of the budget proposals, the robustness of the estimates, the level to which pressures could be funded or not, and the level of risk still being carried as a result, had been factored into the S151 Officer's assessment of the budget along with the level of reserves held and the ongoing revenue risk budget. This was why the Cabinet had agreed, following the Section 151 Officer's recommendation that the risk budget be increased.</p>
<p>A heightened level of risk remains in the budget but reserves are at the lower end of acceptability. Therefore, there are reserves set aside to balance some of the risks.</p> <p>Will the Cabinet Members promise no knee jerk reactions in the next financial year.</p>	<p>Officer Response: In terms of the general fund and budget management reserve there was an expectation that there would have been a need to draw those reserves in the current year but that likelihood had diminished as the quarter 3 report showed an improving financial position which limited the use of those reserves. Reserves had been increased at the end of the previous year due to additional funding received and would be used to manage costs in the current year and next financial year. No use of the General fund reserve was planned in the budget proposed. There was no proposal to increase the level of reserve in the budget plan.</p> <p>The process in place for monitoring the budget and putting action in place to deal with issues as they arose was already tested and in place.</p> <p>Cabinet Member Response: The need for reserves could not be underestimated as they are essential. Every budget had an element of risk but</p>

	good financial managers mitigated and managed risks and therefore there was no need to worry about reserves. There should be no need for knee jerk reactions in the future. What happened in relation to the leisure centres was unfortunate and the Council was in a position to plan its way forward. However the Council would have to respond to any emerging economic circumstances.
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The Panel made the following observations to the Cabinet:

The Panel welcomed:

- The reduction in the cost of financing the capital programme which had been of concern previously, however this is due to a higher level of revenue budget and delays in the capital program.
- The anticipated increase in capital receipts as a result of the asset review which is yet to be completed.
- The rigour in the process to develop the budget.

The Panel noted that:

- There would be a need to reimagine the Council and that work had commenced. However the Panel felt that this budget showed no evidence of radical change.
- The Fire Authority levy had been set at over a 17% increase for 2023-24 and was anticipated to be at a lower rate in future years (budgeted at 5%)
- There was an assumption that a reduction in the rate of inflation would reduce future service budget pressures in the following year's budget.
- Whilst funding from Welsh Government in the settlement had been passported to schools, this did not cover all budgetary pressures and school governing bodies would need to take decisions to balance budgets which includes the use of budget recovery plans.
- Whilst schools had been protected in the current year due to Council utilities contracts, it was anticipated that costs would rise following the renewal of contracts from April.
- In their opinion schools had been unfairly treated in terms of the budget increase provided by the Council.
- In relation to the reduction of contributions to the Pensions Fund this had been considered by the actuaries from a position of prudence a point of view supported by the Scheme Advisory Board. In addition, the revised contribution rates had included a buffer to provide a greater level of protection to the fund. The Finance Panel was reassured by the Section 151 Officer that the decision was prudent.
- Estimated pay awards have been included in service budgets and a sum was set aside and held corporately should pay awards be higher than those estimates.
- This was a standstill budget for most services which provided an opportunity for the Council to prepare for future years. Some Panel members felt that this was a lost opportunity to the urgent need to start to restructure council delivered services

- All budget pressures currently identified were included in the FRM.
- Whilst all budgets contained an element of risk, in the view of the Section 151 Officer the current budget contained the highest level of risk seen to date.
- There was no intention to increase the level of general fund reserves in the budget proposed. The General Fund Reserve will be maintained at a minimum of 4%

The Panel requested:

- That all Members be advised of the proposals for the reimaging of the Council once proposals had been prepared.
- That the figures in the profile of savings delivery quoted in the Council Impact Assessment be updated as they are currently incorrect.

The Panel remained unconvinced about:

- The use of one-off funding to balance the 2023/24 budget, the Panel believed, will have a negative impact on future budgets as it immediately increase the budget gap in the following financial year.

The Panel expressed concern regarding:

- Secondary schools falling into further deficit.
- The risk to schools in the next and future years due to the levels of funding provided.
- The reduction in the contribution to reserves for vehicle replacement for the Highways, Transport and Recycling Service and whether any review had been undertaken before the proposal was made. The Panel's view was that replenishing the reserves will be even more difficult in future years as WG funding is expected to be less.
- The role of the Education Service can be to advise schools what options are available to reduce costs. A school's budget is a decision for the Head Teachers and Governing Bodies, and therefore could impact on the deliverability of the proposed cost savings identified in the delegated budget line.

The Panel disagrees:

- That a reduction in the rate of inflation would remove pressures in the base budget.
- With the Cabinet Member that the underfunding of schools would not lead to a reduction in the teaching force in Powys.
- With the reduction in the Highways, Transport and Recycling Service reduction to the revenue contribution to the transport reserve as this is a one off reduction and will add further pressures in future years.

Scrutiny's Recommendation to Cabinet:

1. **That all Members be advised of the proposals for the reimaging of the Council once proposals had been prepared**
2. **That the figures in the profile of savings delivery quoted in the Council Impact Assessment be updated as they are currently incorrect**
3. **Production of timely information to the Finance Panel**

4. MTFs principles are maintained and followed

County Councillor A W Davies (Chair)