

**MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT BY ZOOM ON  
FRIDAY, 24 FEBRUARY 2023**

**PRESENT**

County Councillor A W Davies (Chair)  
County Councillors P Lewington, J Pugh and C Walsh

Cabinet Portfolio Holders In Attendance: County Councillor D Thomas (Cabinet Member for Finance and Corporate Transformation)

Officers: Jane Thomas (Head of Finance)

Others In Attendance: L Hamilton (Chair of the Governance and Audit Committee – Observer)

<b>1.</b>	<b>APOLOGIES</b>
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Apologies for absence were received from County Councillors, A Cartwright and E.A. Jones

<b>2.</b>	<b>MINUTES</b>
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**Documents Considered:**

- Minutes 25-11-2022.

**Issues Discussed:**

- None

**Outcomes:**

Agreed by all present as a true and accurate reflection of the meeting and ratified accordingly by the Chair.

<b>3.</b>	<b>DECLARATIONS OF INTEREST</b>
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There were no Declarations of Interest from Members relating to items to be considered on the agenda.

<b>4.</b>	<b>FINANCIAL FORECAST FOR THE YEAR ENDED 31ST MARCH 2023 (AS AT 31ST DECEMBER 2022)</b>
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**Documents Considered:**

- Quarter Three 2022-23 Financial Forecast Update
- The report provides an update on the forecast financial outturn (both revenue and capital) for the 2022-23 financial year based on the updated position at quarter three (as of 31st December 2022). The report explains the changes from quarter two, covering how well we are achieving our savings targets, what reserves we may have to use to balance the outturn, what grants have been received and whether any budget virements need

to be approved. The report allows the Service Heads to provide an update about their financial position and challenges in Appendix B

### **Issues Discussed:**

The Head of Finance highlighted the following points: -

- The Pay awards that were agreed nationally have seen an additional £7.9m, some of which was provided for. However, there is a budget shortfall to be managed across the year of £3.8m through mitigating action across all service areas in reviewing their expenditure.
- The Q2 projected deficit was £7m. £5.3m was covered off by specific reserves and the risk budget plan for the current year. A deficit of £1.7m remained and would call on general fund reserves, if still materialised by the end of the year.
- Services had taken further action to limit expenditure and the position being reported at Qtr3 was improved. Specific reserves would still be drawn upon but there is now no expectation to draw down on general reserves, as a £1m surplus is now projected at Year end. Table 1 shows the overall position, with base budget and cost pressures, including the level of underspend offsetting some of the cost pressures.
- The largest improvement of £800k was from Children's Services, Social Care Commissioning managed to pull back on £700k as utilised grant funding. All Corporate budget assumptions have been reviewed; Council Tax, debt collection, capital budgets based on current projects resulting in an improved position of £600k due to reduced borrowing this year and reprofiling of some capital schemes.
- There has been a slight change in costs reductions, of the £10m savings to be achieved this financial year. £7.2m has been realised, with a further £1.2m expected by the year end. This has left £2.3m of unachieved savings, of which £1.6m had been written out of the budget, as agreed on 23.02.2023 by Council.
- There was an expected draw on reserves, some of which was planned and included within the budget, the use of some specific reserves would be required this year, to meet additional pressures and balance the budget.
- The updated Schools Delegated budget position is noted, with the draw on reserves being made to manage some of the pressures seen. Some schools are drawing on reserves to smooth budgets over the year as planned. Some schools have not actioned their recovery plans and would be expected to continue to manage that over the longer term.
- The reserve position overall has moved from the £63.7m opening balance of revenue reserves, to £49m at the end of this financial year a draw of approximately £14.7m.
- With regard to grants and virements for Q3, lower levels of additional grant funding have been received this year, in comparison to previous years, which was to be expected. Virements within the report are related to HTR and £300k for the Reimagining review support work over the next year.
- **Questions:**

Question	Response
The figures included in Section 2.5 were queried as appeared to be £100k out	Officer Response: Will review and advise but was likely the figures would have been rounded to one decimal place.
The Virement figures shows nothing left to vire?	Officer Response: The figures balance. The virement process moves funds from one budget line to another.
The Reimagining Powys has a Project resource attached can this be explained?	Officer Response: The Re-imagining of Powys project will require additional officers to drive and lead. A project Officer, administrative and finance support posts.
Structured plans for the Reimagining Powys would be with Cabinet by the end of Summer 2023, assurances sought that the recruitment process has commenced, if so when is the expected start date?	Officer Response: Once the virement of funds for the project had been approved by the Cabinet, the recruitment process was initiated, the JD/PS were already completed. Posts will be applicable to internal as well as external candidates.
Welcomed the improved financial position, with Children's and Adults Services contributing to this in addition to grant funding being used. Grants can only be used once; would the costs pressures therefore increase in Q4 for those particular service areas?	Officer Response: Grants run until the end of the financial year; Some grants are one-off, although often grants run over a number of years dependent on the various T&C's. The Council utilises grants to support current work activity or fund pressures that have arisen from that work. If the work activity were to be continued, there would be increased pressures to the particular Service Area, if the grants were to cease. Finance are continually working with Services Areas to ensure that the longer-term position is considered if grant funding were no longer available.
Are further improvements expected during Q4 or has the peak been reached and a negative position would materialise?	Officer Response: The Council continues to take a prudent approach. We will review the position again at the end of February. Training is undertaken with HoS and budget Managers to ensure forecasts are as accurate as possible
With regard to school budgets do we provide guidance to schools in setting budgets that are deemed realistic in the real world.	Officer Response: Schools have and continue to receive guidance. The scheme for the financing of schools sets out the parameters for Governing Bodies to operate within when financial planning.

	<p>In addition, there is continual process of training for Governors, Head Teachers, and finance staff within schools. The Schools Finance Team work directly with schools on a daily basis and offer surgery sessions at specific times in the year.</p> <p>In the next 2 weeks the budget packs will be received by schools, followed by a series of meetings to go through budget plans, challenge and advise The Team around the School which includes Finance, HR and Education Officers offers a robust and holistic system of support to schools.</p>
<p>Is guidance provided to all services around the Change Agenda to set realistic expectations going forward?</p>	<p>Officer Response: Other Service Areas have nominated Finance Business Partners who offer similar support and guidance to all Service Areas, Service Leads and Budget Managers</p>
<p>Assurance sought that Service Areas have included in budget planning for the cessation of grant funding, that there was an understanding of Service Area responsibilities to secure resources, prior to staffing resources being impacted.</p>	<p>Officer Response: Service areas are supported by the Finance Team on clear exit strategies for the cessation of grant funding.</p>
<p>Could the Primary, Secondary, All Age and Special schools' information be included within the quarterly out-turn reports as individual lines for the separate categories or sectors, to permit detailed scrutiny of financial position going forward?</p>	<p>Cabinet Member Response: The Primary Sector has an overall accumulative reserve balance at March 2022 surplus of £7.9m</p> <p>The Secondary Sector has an overall accumulative reserve balance at March 2022 deficit of £846k.</p> <p>The All-Age Sector has an overall accumulative reserve balance at March 2022 surplus of £864k.</p> <p>The Special Schools Sector has an overall accumulative reserve balance at March 2022 surplus of £1.005m</p> <p>The total accumulative figure at the end of March 2022 of £8.9m, which included the £5.7m which was injected into the Schools Delegated Budget at the end of the financial year 2021/22.</p>

	<p>The projected figures at the end of March 2023:</p> <p>The Primary Sector has an overall accumulative reserve balance surplus of £4.9m</p> <p>The Secondary Sector has an overall accumulative reserve balance deficit of £2.5m.</p> <p>The All-Age Sector has an overall accumulative reserve balance surplus of £587k.</p> <p>The Special Schools Sector has an overall accumulative reserve balance surplus of £733k.</p> <p>The total accumulative reserve budget surplus figure at the end of March 2023 of £3.7m.</p>
<p>There is a shift of £5.2m in schools delegated reserves with specific circumstances in relation to covid recovery grants, however within a single financial year well over half of the reserves has been utilised, a request was made for further detail to appropriately evaluate and monitor the risk, in particular with regard to the secondary schools' sector.</p>	<p>Cabinet Member Response:</p> <p>Whilst accepting of the reduction in reserves of £5.2m, there were a number of deficit recovery plans that were made redundant when the £5.7m was injected into the Schools budget at the end of 2021-22. If the deficit recovery plans are re-introduced, we should see significant savings and a significant reduction in the overall deficit figure for secondary schools.</p> <p>As requested, schools sector information will be included in the quarterly reports moving forward.</p>
<p>Request made for a separate piece of work to be undertaken in reviewing the previous year's forecasting to evaluate progress and highlight areas that need to be addressed.</p> <p>Chair commented that quite a bit of this work had been undertaken, especially around cost reductions and analysis if undelivered.</p> <p>Chair agreed that Finance Panel would be most appropriate forum to provide</p>	<p>Officer Response:</p> <p>The out-turn report sets out the position at the end of the year, reports actual expenditure against the budget it also reports what has changed against the final projected forecast given at Q3. The out-turn report includes commentary from Heads of Service to explain reasoning.</p> <p>Cabinet Member Response:</p> <p>This is a Plan / Do/ Review piece of work, and request is for the results to</p>

<p>the necessary level of scrutiny.</p>	<p>be reviewed, and where required lessons learned.</p>
<p>Point raised for work to be undertaken around Organisational Memory, what has been effective or ineffective. Increase learning from past issues, share good practice to replicate in other Services Areas or School Sectors, to develop the culture and team working, in line with the Change Agenda</p>	<p>Officer Response: Forecasting has been impacted previously by poor housekeeping e.g., cancellation of orders. The overview gives an idea of where Service Areas are, however, transparency could be improved if Heads of Service provide better narrative to explain changes in the position.</p>
<p>Further comment made that once the Organisational Memory work has been completed, processes to be maintained or implemented to identify failings prior to impact on services or delivery.</p>	<p>Officer Response: In agreement</p>
<p>There have been significant savings and possibly grant funded substitutions to help reduce the deficit, therefore at the financial year end the draw on reserves will match the outcomes?</p>	<p>Officer Response: The financial year will begin and end with a balanced budget, however the report would demonstrate what was meant by the use of reserves to balance any shortfall through the final reserve movement.</p>
<p>Would it be possible for the Council to review at the end of the financial year what was not undertaken due to costs reductions, what services have been impacted, the impact of lack of service delivery on the residents of Powys. Aware that capital projects may be delayed e.g., a new school, which would impact on service delivery and residents alike. Grant substitution does not impact on the service.</p> <p>Panel request additional information on understanding the cost reductions throughout the financial year and the impact on service delivery and residents.</p>	<p>Officer Response: Some information is held within the quarterly performance and monitoring reports, if service areas hold vacancies for a while, there is an inevitable knock-on effect that some services cannot be delivered.</p>
<p>The narrative or commentary provided by Service Areas needs to be improved with further detail to allow analysis into the data. The narrative has to be of a high standard which is also understandable by the public.</p>	<p>Officer Response: Request will be shared across Service Areas</p>
<p>An adjustment was made during the year to the Collection Rate which</p>	<p>Officer Response: There are more details on the</p>

<p>helped reduce the deficit slightly, could information on the original, adjusted, and next years presumed figures be made available to Panel?</p>	<p>collection rate for Council Tax in the Treasury Management Report. The presumed Collection Rate was amended when the Council Tax base was set for last year in Nov 2021, if collection levels are overachieved a benefit is reported against budget.</p>
<p>Could the advice notes on grants to schools at the end of the last financial year be made available to Finance Panel, to ascertain the remit set by Welsh Government.</p>	<p>Officer Response: Will forward, understood that the remits set were quite broad.</p> <p>Cabinet Member Response: It was clear they were not to be used for deficit recovery. The deficit figure has reduced significantly as part of the funding was used to reduce deficits particularly in the secondary school sector, where deficit recovery plans need to be reintroduced.</p>

**Outcomes:**

Panel made the following observations:

- The Panel welcomed:
  - The improved financial position with Children’s and Adults Services and the assurance that the Finance Team continually work with Services Areas to ensure that the longer-term position is considered, if grant funding were no longer available.
  - Assurances that the recruitment process has commenced for additional posts to undertake the Re-Imagining Powys Project.
  - The extensive guidance and support afforded to Schools and to other Service Areas, particularly around Budget setting.
  - Assurances that the cessation of grant funding was considered in Service Areas budget plans.
- The Panel noted:
  - Assurances from the Governance & Audit Committee Chair to the Finance Panel, that the committee had taken a strong interest in the financial governance relating to schools’ budgets being managed and supported by officers.
- The Panel requested that:
  - It undertakes scrutiny and review of the previous year’s forecasting to evaluate progress and highlight areas that need to be addressed.
  - Schools’ reserves, broken down by sector, be included within the quarterly budget monitoring reports to permit detailed scrutiny of financial positions.
  - Work be undertaken around Organisational Memory, what has been effective or ineffective. Increased learning from past issues, good practice

- to be replicated in other Services Areas or School Sectors, further development of culture and team working in line with the Change Agenda.
- Additional information be provided for the cost reductions achieved during the financial year, and the impact on service delivery and residents.
  - The narrative or commentary provided by Service Areas be improved. The narrative has to be of a high standard which is also understandable by the public.
  - The advice notes on grants to schools at the end of the last financial year be made available to Finance Panel, to ascertain remits set by Welsh Government.
- The Panel expressed concern:
    - That within a single financial year, over half of the Schools reserves has been utilised.

**The Panel made the following Recommendations to Cabinet:**

1. That Finance Panel undertakes scrutiny and review of the previous year's forecasting to evaluate progress and highlight areas that need to be addressed.
2. That work be undertaken around Organisational Memory, what has been effective or ineffective. Increased learning from past issues, good practice to be replicated in other Services Areas or School Sectors, further development of culture and team working in line with the Change Agenda.
3. Additional information be provided for the cost reductions achieved during the financial year, and the impact on service delivery and residents.
4. The narrative or commentary provided by Service Areas to be improved with further detail.

That schools' reserves, broken down by sector, be included within the quarterly budget monitoring reports to permit detailed scrutiny of financial positions.

<b>5. CAPITAL FORECAST 2022-23, AS AT 31ST DECEMBER 2022</b>
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**Documents Considered:**

- Capital Forecast 2022-23, as at 31st December 2022
- The 2022/23 Capital Programme was approved by Council on the 3<sup>rd</sup> March 2022. It included capital schemes totalling £133.88m, of which £25.55m related to the Housing Revenue Account (HRA). The programme has been updated following the reprofiling of projects and additional grants received from Welsh Government.

**Issues Discussed:**

The Head of Finance highlighted the following points: -

- (2.2) Table 1 shows the breakdown via service area of the original budget, approved virements. Commenced the year with a Capital budget of £133.8m, there have been virements of over £40.5m during the year which could be attributed to re-profiling or receipt of grant monies.
- The revised programme at the 31st December 2022 is budgeted at £93.37m



following the successful award of additional grants and the reprofiling of budgets between financial years. Actual spend amounts to £41.08m, representing 44% of the total budget.

- Forecasting is critical and Project Managers need to accurately profile budgets.
- Appendix A Chart 2 shows the financing of the capital programme, a large proportion £43.4m is financed via grants. There are revenue contributions, capital receipts and supported or prudential borrowing to fund the remainder of the Capital Programme.
- Interest rates have increased borrowing costs this year, further detail would be found in the treasury management report which is discussed at Governance & Audit Committee.

- **Questions:**

Question	Response
Is the unallocated line always there and is this always held centrally?	Officer Response: There is always an unallocated line, the value can alter, the reason for such a high amount could be 21 <sup>st</sup> century schools held until projects are confirmed and allocated Will provide further information
Request for further details on the Community Development and technology for Powys Community Skills Initiative.	Officer Response: Will request the information from the Service and forward on.
It is concerning that there is still 56% of the budget remaining at the end of Q3.	Officer Response: the profiling of schemes needs to be up to date to accurately forecast and manage cashflow. It is a concern that only half of the budget has been spent, however borrowing has been delayed. No concerns being reported as to the inability to spend grant supporting the programme, which can be dependent on timescales of T&C's. The Finance Team continue to push managers to improve their forecasting and commitments.
Requested confirmation on the rules of virements from one financial year to the next does that have to be agreed via Full Council or is this under the remit of Managers?	Officer Response: Virements between financial years does not have to be approved via Full Council. Budgets can be re-profiled as long as costs of the overall remain within budget. If a budget is no longer deemed sufficient it would be subject to normal virement rules and have to have approval. Schools Capital Board, and Capital Oversight Board monitors Capital projects.

<p>Can you advise where the School Capital Board would report?</p>	<p>Officer Response: It is an internal Officer not Member led board, which monitors and challenges capital projects</p>
<p>Would it be appropriate to have a Board set up with Councillors and Senior Officer involved to monitors contracts via quarterly reports, review previous contracts, to effectively challenge and identify issues as soon as possible and not at the end.</p>	<p>Officer Response: It is an area that the Council has looked to strengthen, a new Procurement Lead has just commenced in post and has established a Contracts and Commissioning Board of Officers improve contract management and forward planning. Where there are particular concerns on major contracts, Audit would be involved, and an independent review could be undertaken.</p>
<p>Governance and Audit Committee Chair informed that the committee is seeking assurances around contract management and the skills and expertise within the team. The work described is an approach seen in other organisations for contract management, with the exception of having a Senior Responsible Owner (SRO) at an Executive level or Service Lead to take a strategic overview of projects without being involved in the minutiae of the day to day running. This approach can identify underperformance and areas for improvement, as well as areas for learning and good practice</p>	<p>Officer Response: Senior Reporting Officers are in place for Transformation Projects For Capital Projects there is a Budget Manager in place supported by Project Officers.</p>
<p>Chair commented that it would not be appropriate for Councillors to become involved in the detail, as it is important to hold to account Senior Officers of Projects at a Cabinet level. We currently have a good robust procurement team, which could always be strengthened to improve further.</p> <p>There needs to be a clear ask at the outset of any project, with robust management to avoid supplementary works without clear supportive evidence and financing in place. Public procurement has more bureaucracy and rules than a private business.</p>	<p>Officer Response: Not every scheme will come in on time and within budget, issues will arise along the way. It is important to have those issues clearly reported as to why costs have exceeded expectations, processes need to be in place and in general they are.</p>

**Outcomes:**

Finance Panel made the following observations:

- The Panel welcomed:
  - That despite the underspend on the Capital budget, no risks were being flagged with regard to the inability to spend grants which support programmes, dependent on timescales of T&C's.
  - The Finance Team continue to push managers to improve their forecasting and add commitments to financial systems.
- The Panel requested that:
  - Further details on the Community Development and technology for Powys Community Skills Initiative be made available.
- The Panel expressed concern:
  - That 56% of the Capital budget remained unspent at the end of Q3 and raised as a concern. The profiling of schemes must be maintained to enable finance teams to accurately forecast and manage cashflow.

**Finance Panel Recommendations to Cabinet**

**There were no recommendations made to Cabinet.**

<b>6. FORWARD WORK PROGRAMME</b>
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**Documents Considered:**

- Forward Work Programme for 2023.

**Issues Discussed:**

- Finance Panel to receive regular information on the Reimagining Powys work and the development of the financial plan for 2024-2025 and beyond.
- Also include Benchmarking against Other Local Authorities in Wales and IBPs within the Re-Imagining Powys work.
- Q4 report to be brought forward to June 30<sup>th</sup> meeting.

Work to be undertaken with the Chair around what information is to be shared within a Public or Private session.

<b>Question</b>	<b>Response</b>
Request for lay members to be included in the Re-imagining Powys seminar. Lay members would therefore be aware of the direction of travel of the Council.	Officer Response: Lay Members will be invited to the seminar.

**County Councillor A W Davies  
(Chair)**

**County Councillor A W Davies (Chair)**