

**MINUTES OF A MEETING OF THE FINANCE PANEL
HELD BY ZOOM
ON
FRIDAY 30TH JUNE 2023**

Present: County Councillor AW Davies (Chair)
County Councillors, E A Jones, E Vaughan, C Walsh, P Lewington, G Preston, C Kenyon-Wade.
Co-opted Member: Gareth Hall.

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

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

1. APOLOGIES

Apologies for absence were received from:
County Councillors: J Pugh, G Ratcliffe.
Officer: W Richards.
Lay Member, L Hamilton – observer

2. ELECTION OF CHAIR AND VICE CHAIR
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RESOLVED that County Councillor Aled Davies be elected Chair for the ensuing year.

RESOLVED that County Councillor Pete Lewington be elected Vice-Chair for the ensuing year.

Acknowledged the re-appointment of Gareth Hall as the Governance and Audit Committee Representative to Finance Panel for the ensuing year.

3. MINUTES

Documents Considered:
28.04.2023

Outcomes:

- Minutes agreed by Panel members present as a true and accurate reflection of the meetings and ratified accordingly by the Chair.

Actions completed:

1. Governance & Audit Working Groups outcomes to be added to Forward Work Programme when appropriate.
Verbal progress updates received from Gareth Hall as follows:
HTR: Internal Audit report on Highways drawing to a close, excellent interchange with Officers, satisfied with actions taken and will be a follow up Audit to validate.

HOWPS: Work ongoing and liaising with internal group as work embedding back with the Council. Outcome Report should be presented to Panel in near future.

Capital: Early on the group made the distinction between the current Councils asset base, what it is and how it is managed, looking at new projects within the Capital programme which add to that base, procurement process and financing. There are many examples of good practice across the Council i.e., Post Covid rationalisation of the Estate, working with other bodies to attain full occupation through subletting and renting out of workspace, as in County Hall where there has been approximately £1m of investment. It would be good to have a higher profile on such positive outcomes.

Asset Review of the Council is yet to be completed, to allow for cross referencing. This is purely looking at buildings and properties, the Capital Programme has a broader spectrum of other assets i.e., vehicles, equipment, IT.

The Schools Capital Programme has been reviewed with a 9-year ambitious rolling programme.

Have reviewed not only the business planning process but also the 5year Medium Term Financial Plan, a Capital programme should really span 10-years.

This will be put into context with Sustainable Powys projects and the Corporate Plan priorities with how these will be translated into actions, what assets are to be retained to provide the best outcomes for the residents of Powys, and what assets are to be disposed of or put into 3rd party ownership, to generate additional income to contribute to budgetary demands.

2. Grant Advice notes for 2022/23 information to be forwarded to Chair. Received, Chair may wish to have further information.

Actions Outstanding from last meeting: -

1. Chair/ Vice Chair and Head of Service to discuss wording of Terms of Reference.
2. Head of Service to discuss outside this forum PTHB contract and uplifts. Chair to be involved in discussion.
3. Information on receipt of £2.2m Capital Efficiency works grant to be forwarded to Chair / Panel.
4. Head of Service will review comment in relation to funding returned to WG and advise.

Not yet received detail from the Member concerned after raising, nor has Head of Service been able to uncover anything other than a small amount of grant funding returned. Head of Service to seek information from the Member concerned.

5. Bro Hyddgen capital project delivery timescales, Head of Service will request information and forward to Panel.

4.	DISCLOSURES OF INTEREST
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There were no Declarations of Interest from Members relating to items to be considered on the agenda.

5.	FINANCIAL OUTTURN REVENUE REPORT 2022/23 AS AT 31ST MARCH 2023
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Background:

Cabinet Member for Finance & Corporate Transformation commented that the outturn was far better than expected, although a large surplus does not necessarily point to good management, however there were reasons:

At Quarter 1 last year, it became very apparent the Council were forecasting potentially a £7m deficit at year end, a plea to services to review and create as many efficiencies as possible, in which they succeeded, and these contributed to the underspend. The economic forces i.e., inflation, War in Ukraine impacted pressures on the budget, as well as grant from WG arriving late in the financial year, the position has set the Council up well for the new year where we continue to face significant pressure and managing the budget will be still very difficult.

- Final outturn reports a net underspend after contributions to specific reserves of £6.7m, though against the budget it is a 3% variance – excludes schools and Housing Revenue Account (HRA).
- This was an improved position from that reported in February as a result of some additional grant funding from Welsh and UK Governments – Shared Prosperity Fund, confirmation of which arrived late in the financial year, therefore reflected as such in the accounts.
- The position has released funding to support the pay award pressures. The base budget set for 2023/24 recognised increases on pay but the negotiations have exceeded assumptions, therefore setting aside much of the underspend will help support those costs for 2023/24.
- Underspend will only support the budget for one year and not the ongoing base budget which creates an additional gap in the budget plan for 2024/25.
- As previously agreed, any underspend on capital elements of the revenue budget (Minimum Revenue Provision or borrowing) will be transferred to the Capital Financing reserve to support the Capital Programme or minimise borrowing requirements in future years.
- Section 3 sets out delivery against budget across all Council services, Children’s Services reported an overspend of £2m, some of which was the inability to deliver against savings projected, where savings are no longer possible, they have been written out of the budget plan 2023/24
- Largest underspend of £4m reported under Corporate Activities, where the Risk budget and Capital element mentioned earlier sit.
- Use of surplus confirmed with £2.3m for Capital, £3.8m into the pay award reserve. The balance of transformation funding that was not spent, to be rolled forward to support future transformation costs.
- Table 1 the HRA ended the year with a slight surplus, which will be transferred to the HRA reserve.
- Schools Delegated budgets reported a £2.6m variance against budget.
- Delivery of cost reductions was 78%. with some written out of the budget and some carried forward as assurance given that they can be delivered in the new financial year.
- Reserves table shows the General Fund Reserve represents 4.2% of the Revenue Budget, in line with the set principle of 4%.

- Schools had intended to draw heavily on reserves however only £2.3m was drawn from reserves, reducing the overall balance from £8.6m to £ 6.295m as at 31.03.23.

Points raised by the Panel:	Responses received from Officers or Cabinet Members.
<p>There was an expectation of £2m savings from Children’s Services, which was ultimately undeliverable and later written out of the budget, which goes back to an earlier meeting point that savings targets have to be realistic. Were there mitigating circumstances which made this unachievable i.e., increased costs, inflationary or contract pressures or increased demand on the Service.</p>	<p>When savings are proposed a full impact assessment is undertaken and any risk reported, savings plans are stretched as much as possible and do acknowledge there is some risk of delivery.</p> <p>In this case Children’s Services reported quite early in the financial year of the risk on delivery, commentary from the Head Of Service (Appendix A) with further commentary in (Appendix C) looking at savings to be delivered in this new financial year.</p> <p>In total £1.6m was written out at budget setting 23/24.</p> <p>Cabinet Member accepted point made on deliverability of savings targets. Children’s Services is a volatile area and is extremely difficult to get it right all the time. The Governance and Audit Committee have completed a Deep Dive into Children’s Service and encouraged that projecting a slight underspend at the end of Q1, cultural changes in the service is positive.</p>
<p>Reserves were put aside to cover pay inflation for 2022/23, were the monies set aside in February for 2023/24 not adequate to cover all pay inflationary</p>	<p>All pay was covered 22/23, drew on some of the reserves set aside to manage this. The biggest gap is moving into the financial year 2023/24. What has been set aside we hope will cover the increased pay awards.</p> <p>Pay awards not yet settled with the Unions, for every 1% increase over and above what we budgeted costs approximately £1.5m more, including teachers.</p>
<p>The £6.7m underspend is to be used to address the increasing pressure on 2023/24 budget, if there were no</p>	<p>Cabinet Member responded that with regard to the budget setting, Heads of Services had already included efficiencies within the budget setting</p>

underspend where would the monies come from

Table 1 shows variances do we learn lessons from those variances to understand the reasoning? Do they go into future budgeting exercises?

The Cabinet Member stated that Services were asked to review budgets, to make additional savings, what would have happened if these were not forthcoming, should the practice of reviewing and monitoring budgets be embedded in culture.

process, however it became apparent that more would be required.

Most of the underspend came via grants rather than efficiencies through services. It is a fair point that where efficiencies made over and above those identified there is a need to carry those through to future financial years.

If the Council did not have the £6.7m underspend, a lot would have been dependent on the WG settlement, requests for further efficiencies or increase Council Tax in the following year.

If Council had not delivered the budget there would be a risk of drawing on the General Fund Reserves, which stand at just under £10m around 4% budget plan.

That action would increase pressure on future years and would impact on Council Tax levels going forward. It is important to have longer term view on financial resilience. The Council would not wish to have an overspend this year which would mean Council Tax increases to bring budgets back in line.

Services are allocated budgets at the beginning of the year, they have plans to delivery against that, the request was for Services to decide what they could not deliver, without incurring a significant level of risk.

Whenever there are opportunities for funding elsewhere, services are proactive in bidding for grants and additional funding etc., we do not always know of these opportunities at the beginning of the financial year, nor what grants will be forthcoming in future years.

In response to lessons learned, assurance given from Head of Finance, that a review is undertaken for each Services budget. This ensures that

	continuing underspends are captured, in next year's budget plans.
Chair commented that from a Council Taxpayers point of view, seeing an underspend of £6.7m which equates to more than 6% in council tax, would raise questions, however from an officer point of view the sustainability of the Council is paramount.	
Would the information on understanding Service underspend be included in a report.	Yes, will set out what has been reviewed, including the pressures being funded and if these were still required. Energy was a key pressure in 2022/23 and inflation built into the 2023/24 budget, as energy costs start to fall these will be re-aligned.
Reserves are quite low compared to other local authorities, at what point would this be flagged and what are the implications of doing so in the future.	As part of budget setting Council receives the S151 Officers opinion, as to the robustness of the level of reserves held, this is reviewed on an annual basis. Many factors support this assessment - future settlements, the impact of inflation and costs pressures facing the Council. The S151 Officer will advise if at any point they feel there are insufficient reserves to manage the level of risk that the Council holds, it is under constant review.
Powys has low reserves in comparison to other Local Councils please advise what this means.	Powys are in bottom quartile when last reported, data based on the outturn position for each Council There is a benchmarking tool to access showing where Powys is compared to others, across all of Wales which will be reviewed later in the year. Different Councils have differing circumstances and levels of risk, therefore difficult to compare. Deadline for today for the draft accounts, final accounts to be audited by Audit Wales by 30.11.23

Actions:

Information to be shared with the Panel on the assessment outcomes of understanding Service underspend.

6.	FINANCIAL OUTTURN CAPITAL REPORT 2022/23 AS AT 31ST MARCH 2023
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Background:

- Original programme of £134m of which £25m was the HRA.
- Spend at year end was £65m of which £15m HRA, Table 2.2 shows the services remaining budget.
- The majority of the underspends were rolled forward into future years.
- Table 2.5 sets out how the Capital Programme is financed, 54% funded by grant, 13% funded from revenue, 0% Capital Receipts with £21m financed via borrowing which is a drop from where it was at the beginning of the year.
- There is an ongoing pattern that grants are awarded in year and borrowing reduces.
- Section 3 sets out the grants received since last report,
- Section 4 sets out the funding that has been carried forward to 2023/24.
- Section 5 covers the virements.
- Capital Receipts received for 2022/23 totalled just under £3m, including £400k for the HRA.
- At year end there are £1.14m sales still agreed but had not been finalised expected now in 2023/24.

Points raised by the Panel:	Responses received from Officers:
Capital receipts of £100k used to fund the Capital Programme, where are the rest of the Capital Receipts.	They are held on balance sheet to be used in future years.
Why not use Capital Receipts to reduce borrowing.	This was considered looking at the borrowing rates which were continuing to rise, whilst expectation is they will fall in the future. Decision made on what the Council held and the longer-term view, to bridge the gap. With rates rising it would be more beneficial to draw in the new financial year or possibly use effectively for smaller projects or transformation.
There are costs related to holding Capital Receipts.	The last borrowing at the end of March was 4.2 – 4.5% from anything from 1-2yrs to 50yrs. The expectation is between 18months to 2 years for the rate to drop back to 2.83%.
What is the current Public Works Loans rate at present.	Approximately the same rate a quoted above between 4.2 -4.5%.

The underspends on the capital programme are they fully committed to be spent in this financial year.

Work will be undertaken with Service Areas to re-profile as only reported 69% spend against the full year budgets. Schools has already been mapped out to re-align with planned construction dates.

Whilst funds are committed to schemes, we are trying to establish whether required in 2023/24, 2024/25 or 2025/26 and reset to be more realistic.

Any overall underspend on projects will be recovered. Virements are actively monitored.

7. FORWARD WORK PROGRAMME

Additions:

Review of TOR to be added in July or September

Governance & Audit Committee, Working Groups Outcome reports – Nov 2023.

8. EXEMPT ITEM

The following Resolution was passed by the Panel:

RESOLVED to exclude the public for the following item of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

The Monitoring Officer has determined that category 3 of the Access to Information Procedure Rules applies to the following item. His view on the public interest test (having taken account of the provisions of Rule 14.8 of the Council's Access to Information Rules) was that to make this information public would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information).

These factors in his view outweigh the public interest in disclosing this information. Members are asked to consider these factors when determining the public interest test, which they must decide when considering excluding the public from this part of the meeting.

9. SUSTAINABLE POWYS

A confidential presentation on Sustainable Powys was shared with Finance Panel Members.

County Councillor A W Davies (Chair)