

No.

CORPORATE PERFORMANCE AND RESOURCES SCRUTINY COMMITTEE

Minutes of an Extraordinary Remote Meeting held on 2nd October, 2024.

The Committee agenda is available [here](#).

The recording of the meeting is available [here](#).

Present: Councillor J. Protheroe (Chair); Councillor E. Goodjohn (Vice-Chair); Councillors G.D.D. Carroll, P. Drake, R. Fisher, C.P. Franks, H.C. Hamilton, S.M. Hanks, Dr. I.J. Johnson, B. Loveluck-Edwards and N.J. Wood.

Also present: Councillors I.R. Buckley, L. Burnett (Executive Leader and Cabinet Member for Performance and Resources), W.A. Hennessy and G. John (Cabinet Member for Leisure, Sport and Wellbeing).

436 ANNOUNCEMENT –

Prior to the commencement of the business of the Committee, the Chair read the following statement: “May I remind everyone present that the meeting will be live streamed as well as recorded via the internet and this recording archived for future viewing”.

437 DECLARATIONS OF INTEREST –

Councillors G.D.D. Carroll, C.P. Franks and B. Loveluck-Edwards declared a personal interest in that they were Governors of schools in the Vale, but the matters before Committee were not considered prejudicial as the reports were generic.

438 CLOSURE OF ACCOUNTS 2023/24 (REF) –

RECOMMENDED – T H A T the reference be considered in conjunction with Item 4, the Report of the Director of Corporate Resources, as below.

Reason for recommendation

In order that the reference and report may be considered together.

439 CLOSURE OF ACCOUNTS 2023/24 (DCR) –

The Section 151 Officer presented the report, advising that the Council encountered significant revenue pressures during 2023/24 referring in particular to inflationary pressures regarding contracts and pay pressures (which reflected cost of living, market pressures and the Council’s commitment to paying the real living wage).

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In addition, the Council continued to experience significant demand pressures for supporting Social Services, Homelessness and pupils with Additional Learning Needs during 2023-24.

The year end revenue position was a breakeven position after net transfers from reserves of £34.235m, made up of £417k transferred from Council Fund, £12.961m from the Housing Revenue Account, £11.785m transferred into specific reserves from revenue and £12.078m transferred from specific reserves to provide one off funding for projects and overspends and £8.779m drawdown from reserves to fund the Capital Programme and for displacement required by capital grants. The Council Fund also stood at £11.106m as at 31st March, 2024.

Challenging savings and efficiency targets had been set for 2023/24 which included a target of £2.75m for schools and £4.628m of Corporate savings. The progress against these savings targets was reflected in the appendix to the report and, whilst services had mitigated some savings in year in 2023/24, these savings would be kept under review in 2024/25 as services moved to identify these on a more sustainable basis over the medium term.

After taking account of Directorate movements to and from reserves, the revenue outturn showed a surplus of £2.080m which it was proposed be transferred to reserves to be utilised as follows:

- £2m Establish a new reserve to offset Education Deficits in 2024/25 on a provisional basis whilst the Council worked with schools on establishing a co-ordinated approach to tackling school deficits;
- The balance of £80k had been transferred to the General Fund.

The Housing Revenue Account had a slightly reduced projected draw down on the ringfenced reserve of £12.961m to reduce the level of reserve to £3.525m which was thought to be reasonable in the context of the pressures in the service area in 2024/25.

The level of Useable Reserves reduced in year although by less than had been projected but some of these commitments had been slipped into 2024/25 in accordance with Capital Expenditure slippage. The Council had also undertaken a further reserve reallocation exercise in year as outlined in the 2024/25 budget proposals and this was reflected in the outturn position. Of further note the Section 151 Officer said that collections were improving with the Team having been efficient in collecting historical debt. The majority of schools had also achieved a balanced budget and finance officers and the Education department were working with schools to tackle those in deficit.

The Chair enquired as to the work with schools that was being undertaken with the Operational Manager for Accountancy advising that peer support was being offered, reviews of contracts and agency spend, curriculum planning and a more strategic approach to procurement. The Chair also suggested that it may be opportune for the Council to consider a dedicated procurement officer for schools which she thought would be most beneficial.

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Councillor Loveluck-Edwards enquired as to what assessment had been made to ensure Governing Bodies of primary schools with deficit budgets were given the right support and guidance. The Section 151 Officer in response said that the finance officers and Education department were working closely with Headteachers. The Operational Manager for Accountancy further commented that currently work was underway to review the Finance training that was provided to Governors and that she would speak further with colleagues as to what other work may be being considered and advise Members accordingly.

Councillor Dr. Johnson asked that in future reports if the detail regarding planned and unplanned use of reserves could be specified and also that the reports detail whether the money earmarked in reserves was sufficient or not for the pressures identified. In referring to the primary schools deficit budgets and the reserves in comprehensive school budgets he enquired as to how the Council could set about resolving this. The Section 151 Officer said with regard to the queries relating to procurement and the use of reserves, he would pick this up with his Education colleagues however, with regard to the primary schools deficit budgets there was currently no answer he could provide as this was worked through using a formula governed by regulation. However, he said that the Schools Budget Forum and the Schools Task Group were very well aware of the situation. The schools funding formula had been in place for a number of years with the number of pupils in a school being the main driver for budget allocations, the Vale Council had also continually put as much funding as possible into school budgets. There were a number of PowerPoint slides that officers could arrange to be shared with Members which detailed how the budgets were made up, notwithstanding the fact that the Council had to manage the pressures against the funds it received. Both Councillors Carroll and Franks commented that they supported the suggestion for further financial support / advice for Governing Bodies having regard to the deficit budgets some of the schools found themselves in.

In recognising the financial pressures facing the Council, Councillor Dr. Johnson asked what pressure could be put on Welsh Government (WG) to act on such matters. The Section 151 Officer said that as a Council a range of lobbying through the WLGA, WG, the Society of Welsh Treasurers as well as cost pressure surveys being undertaken. The Leader he said was also, through conversations with WG, pushing for a better share of funding.

Having considered the report, Committee subsequently

RECOMMENDED –

- (1) T H A T the report and the financial measures taken and proposed be noted.
- (2) T H A T That the allocation of overall Council surplus as set out below be noted:
 - £2m transfer to new reserve to offset school deficits on a provisional basis in 2024/25;
 - £80k to Council Fund to offset general pressures.

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(3) T H A T the comments of the Committee made at the meeting as above be referred to Cabinet and that Cabinet consider the following –

- That a dedicated procurement officer for schools be considered;
- That further consideration be given for Governing bodies to be provided with further support and guidance with regard to school budget deficits;
- That future closure of accounts reports detail planned and unplanned use of reserves and that the reports also specify the detail as to whether the money earmarked in reserves was sufficient or not for the pressures identified.

Reason for recommendations

(1-3) Having regard to the contents of the report and discussions at the meeting.

440 CAPITAL CLOSURE OF ACCOUNTS 2023/24 (REF) –

The reference from Cabinet of 18th July, 2024 as contained within the agenda was presented. The Section 151 Officer drew Committee's attention to Appendix 2 to the report which provided a summary of the position of the Capital Programme by Directorate to 31st March, 2024. Several schemes totalling £5.395m had been required to be added late in the Programme with the report noting the current adjusted Programme of £103.829m and capital expenditure during the year of £88.620m.

Following a query from Councillor Dr. Johnson as to whether the £15m slippage quoted in the table within the report would be spent over the next year, the Section 151 Officer advised he would obtain the information and advise Members accordingly.

RECOMMENDED – T H A T the recommendations of Cabinet be noted.

Reason for recommendation

Having regard to the contents of the report and discussions at the meeting.

441 ANNUAL TREASURY MANAGEMENT REPORT 2023/24 (REF) –

The reference from Cabinet of 18th July, 2024 as contained within the agenda was presented, it being noted that the Council was required by Regulations issued under the Local Government Act 2003 to produce an Annual Treasury Management Review of activities and the actual prudential and treasury indicators for 2023/24. The report also met the requirements of both the CIPFA Code of Practice on Treasury Management (the Code), the CIPFA Prudential Code for Capital Financing Local Authorities (the Prudential Code) and the Welsh Government Revised Guide on Local Government Investments (April 2010). The Section 151 Officer advised that the report demonstrated compliance as set out in the Treasury Investment Strategy which had been produced at the start of the financial year.

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The Treasury Strategy for 2023/24 was set assuming planned expenditure of £103.968m split (£58.949m General Fund and £45.019m HRA). The final budget for 2023/24 was £103.829m (£56.243m General Fund and £47.586m HRA). Capital Outturn was £88.620m, a variance of £15.209m which was largely due to slippage. Slippage of £15.013m had been requested £8.292m for General Fund and £6.721m for HRA.

The Chair commented that she thought the term “under borrowed” was an interesting term and enquired as to what the advantage was to the Authority for under borrowing. The Section 151 Officer stated there were a couple of benefits it was more expensive to borrow and also it reduced the lending risk on investments with third parties and the Council was cautious who it lent to. The Chair further enquired as to how the Council actively set an authorised limit and how the operational boundaries were calculated. In response the Section 151 Officer said they were generally set around affordability with an eye to the Council's future capital commitment. The Operational Manager for Accountancy said that operational boundaries were considered to be a limit that the Council set and would not exceed it in terms of borrowing and, when setting them, the Council needed to think about how much capital finance it needed to borrow and also what its cash flows would be in a month i.e. payroll and accounts payable outgoings. The authorised limit was the limit you would never want to exceed and the Council tended to give itself a little head room in this regard. If it was however, considered that it needed to be exceeded then a report would be brought to Members for approval immediately.

Councillor Dr. Johnson referred to Tables 7 and 8 and paragraph 2.23 and asked with regard to the new debt reported for Public Services of £5m for a more detailed explanation regarding this and the total debt as it was going down by £5m over the year and also in Table 10 the debt was going down from £94m to £34m. The Section 151 Officer said that as the total value of the reserves and balances declined, investments would also decline and also there would be cash flows which varied from one year to the next. Councillor Dr. Johnson enquired as to what the concessionary loan was that was referred to in the report. The Operational Manager said this was a loan from Welsh Government which was an interest free loan, it was due for repayment and the period had been extended to 2025 which had been associated with the regeneration scheme.

There being no further questions, it was subsequently

RECOMMENDED – T H A T the Annual Report on Treasury Management 2023/24 be accepted.

Reason for recommendation

Having regard to the contents of the report and discussions at the meeting.

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442 QUARTER 1 REVENUE MONITORING 2024/25 (DCR) –

The report noted that revenue position for 2024/25 continued to reflect challenging demand and inflationary pressures with continuance of the key service pressures that were seen in the 2023/24 outturn position into 2024/25. The cost pressures allocated as part of the 2024/25 budget were adjusted to reflect the funding available and therefore did not provide full funding for pressures and these pressures had continued to increase in the first quarter of 2024/25. There was evidence of increasing demand in respect of Children's and Young People's Care and Adults' Social Care reflecting an increased incidence and complexity of need as well as significant increases in the cost of placements and care packages. Support for Additional Learning Needs (ALN) continued to be an area of significant pressure within Learning and Skills with corresponding pressures on school transport costs for pupils in ALN provision.

Across the services inflationary pressures were also being experienced in respect of pay, most notably where market forces were being utilised and for the funding gap between provision for the 2024/25 pay award and the likely pay award for 2024/25. The Council only allocated very limited contractual inflation as part of the 2024/25 budget and no general inflation for some years and this would have a general impact on the resilience of revenue budget. The delays on implementation of savings would also impact the 2024/25 outturn across services.

Unplanned use of reserves were noted as approximately £13.629m and the Council had various workstreams progressing to mitigate the unplanned use of reserves and reduce in year overspends. Challenging savings and efficiency targets had been set out for 2024/25 which included a target of £7.676m Corporate savings. The progress against these savings targets was reflected in the Appendix to the report. The Council also continued to monitor the delivery of 2023/24 savings not achieved in year.

The Chair queried why very limited contractual monies had been allocated. The Operational Manager said that the Council had allocated specified contractual inflation targets, for example school transport and the residential home pressures which had exposed the Council to global inflation pressures, and as a result the Council had tried to create some additional in- built savings.

Councillor Loveluck-Edwards enquired as to whether the approach that the Vale was taking was different to other Local Authorities. The Operational Manager advised that all Councils shared information informally, there was a Treasurers Group and a Chief Accountants Group that regularly exchanged information and that going forward there would be more emphasis on benchmarking and the review of good practice and a sharing of good ideas. Councillor Loveluck-Edwards said that she was keen to ensure the message was communicated to the public and that their views were being heard and it was important that the Council did not shy away from the increased challenges it faced. The Operational Manager stated that the engagement work being undertaken was an important part of the budget setting process although internally colleagues were considering how to engage better and provide informative information and to ensure that the Council's messages and challenges were getting across.

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In referring to the Appendix and the Red status for various actions under Social Services, Councillor Dr. Johnson enquired as whether there was further information in this regard. With regard to the Dock Offices he also enquired how this was unfolding, in particular having regard to UK Government regeneration funding. The Section 151 Officer said that there were a couple of sources of funding the Council was considering, the Towns Funding and also the Levelling Up Fund and the Director of Place had been in regular contact with UK Government on both of these matters. It was however anticipated he said that the Council would know more by 30th October, 2024 when the UK Chancellor's budget was announced.

With regard to Children's Services, the Operational Manager said there were a number of savings to be made in the Children and Young People Service that could be positive although it was important to ensure that the right placements were made.

RECOMMENDED –

- (1) T H A T the position with regard to the Authority's 2024/25 Revenue Budget be noted.
- (2) T H A T the virements included as part of the report be noted.

Reason for recommendations

(1&2) Having regard to the contents of the report and discussions at the meeting.

443 CAPITAL MONITORING FOR THE PERIOD 1ST APRIL TO 30TH JUNE, 2024 (DCR) –

The report provided an update on the progress of the Capital Programme for the period 1st April to 30th June, 2024. Details by scheme were shown in Appendix 1 to the report. Appendix 2 to the report provided a summary of the position of the Capital Programme by Directorate from approval at Council on 6th March, 2024 through to 30th June, 2024, including any changes requested within the report. The report also set out any requested changes to the 2024/25 and future years' Capital Programme.

The current approved Programme of £139.927m was also noted. Furthermore Committee was advised that many areas were continuing to experience an increase in costs associated with delivery of schemes. Tenders were being received over the current allocated budgets and officers were reporting the requirement to re-negotiate submitted tenders. Schemes would also be closely monitored over the coming months and it was anticipated that slippage requests would be requested in future reports. Officers would continue to work with project managers and sponsors to ensure value for money and that all possible funding opportunities were identified and fully explored.

Councillor Dr. Johnson commented on the £140m of spend compared to the previous year of £100m, and asked whether the Council was confident it was

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spending the money in the way it was intended. Comments were also made regarding the slippage of £5m for Ysgol y Deri having regard to the fact the contractors had gone into administration. The Operational Manager advised that she did expect there to be further slippage as there were a number of challenges in delivery in respect of a broad range of projects and some were significant and complex schemes. In referring to the Housing Improvement Programme she said that the Council did have a preferential rate for housing borrowing and would keep the rates under review.

The Chair, in understanding the pressures for bids which exceeded the Council's budget, suggested that the Council consider a different approach, referring possibly to the suggestion that prior to the commissioning of work the Council published a fixed capped price advising at that time that any bids received over the capped price would be disqualified. The Operational Manager agreed to take the suggestion to his Procurement Team for their consideration.

Having considered the report, it was subsequently

RECOMMENDED –

- (1) T H A T the progress made on delivering the 2024/25 Capital Programme within the remit of the Committee in the attached Appendix 1 be noted.
- (2) T H A T the use of Delegated Authority within the remit of the Committee, as set out in the report, be noted.
- (3) T H A T the use of Emergency powers within the remit of the Committee, detailed in Appendix 1 to the report, be noted.
- (4) T H A T the changes to the 2024/25 Capital Programme and future years' Capital Programme within the remit of the Committee, as set out in the report be noted.

Reason for recommendations

- (1-4) Having regard to the contents of the report and discussions at the meeting.

444 FINANCIAL STRATEGY 2025/26 TO 2029/30 (REF) –

Cabinet had referred the report to the Scrutiny Committee for its consideration, it being noted that the purpose of the report was to set the strategy for development of the Council's 2025/26 budget and 2025/26 to 2029/30 Medium Term Financial Plan. There was little budgetary flexibility with 81% of the Council's budget committed to Education, Housing, Social Care and Council Tax support. The funding gap for 2025/26 was forecast at £9.392m and over a five year period £34.5m. These figures were likely to grow because of emerging pressures which were subject to review.

Since the report had been prepared the Section 151 Officer advised that there had been some changes on how it had been pulled together compared to previous years,

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in particular considerable awareness raising on what the Council spent its money on and how it was funded. The Section 151 Officer further advised that the Council was a low funded Authority and had set a relatively low level of Council Tax compared to other Local Authorities, with it further being noted that there was a lack of flexibility in its spending because it was committed in a number of areas. The Council's focus was also on setting the Corporate Plan and plans for consultation, in accepting that it was a really challenging time for local government no matter what the outcome of the general election had been this year. The inflation rate was higher than hoped for, there had also been an increase in private sector rents up to 18% over the last two years in the Vale of Glamorgan and the Council would be further reviewing its cost pressures and then reporting to Cabinet. There had also been a change in focus with the Strategy this coming year in identifying measures via reshaping and transformation. The reshaping programme update was shortly due to go before Cabinet for consideration. It was also important to ensure that the reserves matched the Council's risks and there would be a number of further reports coming through over the next few months and in particular consultation being undertaken in January 2025. It was likely that the Welsh Government settlement was to be reported by 11th December, 2024.

Councillor Dr. Johnson, in commenting that the Council and Local Government had had a difficult decade to deal with, referred to the lack of funding received from Westminster and how it was allocated by Welsh Government. He was hoping that the Council would receive some good news from the UK Chancellor at the end of the month and subsequently Welsh Government Ministers later in the year.

Councillor Ewan Goodjohn queried why the Council had estimated a 2% pay award and was it now prepared to budget for more. The Section 151 Officer said that the forecast in March had been 2% in line with the Treasury's target for inflation however now it was likely the Council would need to amend its base budget. Councillor Goodjohn also asked whether there had been any improvement in the modelling of trying to find out when the Council received grants as well as how likely it was that they would receive grants. The Section 151 Officer commented that the budget had to be regularly amended and updated during the year advising that cash flow management was more difficult on the capital side as opposed to the revenue side. With regard to the cost of capital financing some of it was around the use of reserves and the Council was trying to tie these projections in in more detail. In conclusion Councillor Goodjohn said it was also important to consider invest to save projects and wondered whether there was any scope for any other investment / invest to save programmes for example through the procurement function. The Section 151 Officer in response said he was open to consider any idea and they could certainly be explored although, however, he needed to be clear with his colleagues about expectations.

Having regard to the reference and the report and the financial challenges facing the Council, it was subsequently

RECOMMENDED – T H A T the comments of the Scrutiny Committee be referred back to Cabinet for consideration, in particular having regard to investment in spend to save projects and relating to a strategic procurement function.

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Reason for recommendation

Having regard to the financial challenges facing the Council and considering other opportunities to assist.