

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET EXECUTIVE

11th April 2017

**REPORT AUTHOR: County Councillor Wynne Jones
Portfolio Holder for Finance**

SUBJECT: Finance Scrutiny Panel Report February 2017

REPORT FOR: Information

1. Summary

The Cabinet wishes to acknowledge the hard work of the Members of the Finance Scrutiny Panel over the past year and they have played a valuable role in the budget process. The Portfolio Holder for Finance, being the regular contact between the Finance Scrutiny Panel and the Cabinet, feels that it is still a developing role and relationship, which can only be viewed as positive going forward.

The Cabinet has received the FSP Report (February 2017) and would like to respond as follows:-

2. Overspend in Adult Social Care and Cash Limited Budgets

The overspend in 2016/17, particularly in the Adult Social Care Service, clearly affects not only the revenue budget for financial year 2016/17 but will also impact on current revenue reserves and on the budget going forward. To allow such an overspend to continue would have put the Council at financial risk, hence urgent action had to be taken and an action plan put in place.

It is therefore pleasing that in the period December/January that the ASC Service saw an improved projected end of year position including delivering efficiency savings of over £700k which is both welcome and encouraging. However, this improved performance needs to be sustained over a period of time before we can confidently claim that the overspending situation has been completely rectified.

Meanwhile the service is having to cope with increased demand. This is especially evident around the number of people living very long lives and in need of high value packages. There are also other cost pressures brought about by pressures such as the Living Wage that also have to be met. In addition there was not one reason for the overspend. Other matters which need to be addressed include the cost of in-house domiciliary care in the South of Powys and the undelivered savings arising because Day Centre closures were not taken forward over the last 3 years.

Therefore within the 17/18 budget proposals we have maintained the requirement on the ASC Service to continue to make efficiency savings and we have also included a significant amount of growth which has been accommodated within the Finance Resource Model (FRM). However, it is clear that if the overspending was to continue into 2017/18 then this would put the Council under an unacceptable financial risk, especially with a worsening funding situation affecting many of our schools going forward and thus increasing the Council's risk. Therefore it was decided, following a review of reserves, to create a Specific Reserve (with clear access criteria) that could be available to ASC Service and by doing so we were taking a prudent approach and therefore 'de-risking' the Council as far as the ASC Service was concerned.

If this approach had not been taken the other alternative would have been to attempt the 'de-risking' on the FRM, which would have meant that the additional £2.5m of pressure would have removed the ability to put any money into education (a much needed area for financial support), would have meant that we could not have saved Day Centres, Household Waste Recycling Centres and would have had to set a considerably higher Council Tax increase. Cabinet therefore feels that this is by far the best approach and hopefully the Specific Reserve will not be needed and can then in due course be moved into the General Reserve.

We note and agree with the FSP comments regarding cash limited budgets which are meant to provide a clear spending constraint on services. However, it remains difficult in situations where there is overspending, it is impossible with most customer facing services to withdraw service in order to bring the service budget back within its cash limit. The problem is even more complicated when savings measures do not happen in the timeframe envisaged. The approach taken has been to hold services to account for their savings even though they may not have been achieved entirely within the original programmed timeframe, and to manage the problem in the short term where necessary.

3. Reserves

The Council's General Fund Reserve will reduce as at 31st March 2017 because of the in-year overspend in ASC. The reduction in the level of General Fund Reserve will continue in 2017/18 as a result of the agreed decision to stop the £500k per year feed to the General Fund Reserve from the base budget for a period of one year. The Budget Management Reserve (used to jointly calculate the amount of General Fund Reserve) will also fall. The FSP are right in highlighting this fall as we have to be mindful of the fast developing situation around Education budgets. However, Cabinet Policy has been amended (after seeking the advice of the S151 Officer) that in order to support and maintain front line services, it was prepared to allow the General Fund Reserve to fall from the previous level of around 4.5% of budget. It was stressed that this approach was acceptable as long as it did not fall below the 3% level. At end of 2016/17 the total of the General Fund Reserve and Budget Management Reserve will be comfortably above the 3% level, but

Cabinet agrees that further large overspends in 2017/18 could well take us below this figure which would be an unacceptable risk.

The decisions previously taken by Cabinet to preserve our reserves, despite political pressure along the way to use them, has proved the right policy. It would have been naïve to think that we would not at some time need them as we proceeded through several years of austerity. However, the nature of austerity and financial risk means that with further financial pressure appearing in Education the next Cabinet will need to consider whether the level of General Fund Reserve should be increased.

4. Savings Plans

The tracker showing the savings for 2017/18 was largely intact from when the initial 3 year plan was put together in 2015/16 with only a very few changes, mostly around the ASC efficiency savings. As a result it seems fair to suggest that for the most part the FSP should have been aware of them. Cabinet agrees that the individual 'fact sheets' for each and every saving for 2017/18 was not available for the FSP. Cabinet were of the impression that the FSP were taking a more strategic view and looking at the process rather than at the individual proposals coming from Cabinet. Therefore Officers were tasked with producing the fact sheets in time for Members to view just before the Council's Budget Meeting. This is a matter that needs further discussion between Cabinet and FSP and suggest this should be one of the matters to be discussed at the impending review meeting.

5. Impact Assessments (IAs)

The positive comments of the FSP are welcome encouragement as this year there has been a considerable effort to improve the IAs with training for staff, Cabinet Members, and FSP. The Cabinet have used a sub-committee arrangement to process the IAs and as the process started early, many were rejected and sent back for improvement or omissions to be rectified. At the end of the process each Cabinet Member was sent an electronic file with all their IAs included and they were required to complete an electronic sign-off accordingly.

The result of this good work has seen 61 IAs come forward of very good quality and at the same time we are now seeing that the IAs are beginning to become an integral part of decision making rather than a separate process.

The sub-committee has expressed a view that we need to consider a stage 2 to the IAs, where the impact is assessed after implementation. This is being taken forward and we will report progress to the FSP in due course.

6. Zero Based Budgeting

When the Council moved to 3 year budget planning in spring of 2015, there was simply not enough time or resource to also move to zero based budgeting, as it was clear that the Council needed to first of all take forward

service transformation as a priority. However as we now move towards 2019/20 and tackle the indicative shortfall in funding of £6.8m, it is clear that progress on zero based budgeting must now form part of solution going forward, especially as the time required is afforded within the 3 year approach.

7. Council Tax

The comments regarding the level of Council Tax in Powys versus the average wage, is rehearsed again in this year's FSP report. The Council Tax in Powys is still below the Welsh average which is quite remarkable considering we have had the lowest settlement in Wales for 6 of the last 7 years. Whilst we accept that if we were to align it with the average earnings levels it would probably sit a little lower in the Wales League Table. In order to re-align Council Tax in this way, there are 2 ways of achieving this aim, to actually cut Council Tax or to freeze it for a number of years. Both of these actions, at a time of continued austerity funding cuts, would have a severe impact on the services provided to our residents.

8. Changes to the 3 year plan

It is sound strategic planning to update a 3 year plan on an annual basis. Circumstances changes including the legislative and financial framework set by both the UK and Welsh Governments will always need to be updated every year no matter what the situation is. For example this year we have had to accommodate the following:-

- The ASC situation
- The result of the 3 year triannual review of the Pension Scheme.
- Worsening School Budget situation
- WG budget changes, including cuts to specific grants
- Inflation accelerated by Brexit
- ALN Tribunal decisions.
- Impact of changes to Capital Budget
- New legislative pressures.

This will not be a unique situation that only affects this current budget round, but the 3 year planning cycle is invaluable in the way it allows you to see what is likely to happen 3 year hence and to start planning for it. A 5 year situation would be even better and Powys CC should move to a 5 year cycle as soon as WG move to a 3 year budgets for Councils.

9. Reversing previous decisions

FSP makes a strong and valuable point about the impact and cost of including savings in the MTFs and then reversing the decision at a later date. This year we have reversed the previous decisions on Day Centres, HWRCs and Leisure Centres, although Leisure Centres did not impact on budget as funding was found from elsewhere. The decision not to go ahead with closure of Day Centres and 2 x HWRCs was taken as a result of huge public

opposition as well as Member opposition. In total £1.6 million has had to be 'added back' into the FRM for 2017/18 and another £900k previous savings not achieved will have to be written off against reserves at the end of 2016/17. Around £4m of the funding shortfall in 2019/20 can be attributed to these changes, and therefore it is important that all Members of Council understand that there is a huge cost when decisions are made but are not then taken forward.

10. One Powys Plan

Information report, no impact on objectives.

11. Options Considered/Available

No alternative options are considered appropriate as a result of this report.

12. Preferred Choice and Reasons

None to consider.

13. Sustainability and Environmental Issues/Equalities/Crime and Disorder,/Welsh Language/Other Policies etc

The proper management and control of the Council's finances together with the associated delivery of services will have an impact across all Council services. It is not sustainable to allow service areas to overspend without a plan to address the underlying cause of the overspending.

14. Children and Young People's Impact Statement - Safeguarding and Wellbeing

In terms of all front line children's social care activity any pressures on increased numbers of children and/or need for high cost placements to meet children's needs we ensure that the financial pressures associated with this are accommodated within existing budgets where possible. Regular reporting on budgetary pressures, demands on service, etc. are included in the directorate financial strategy which feeds for consideration into the overall budget proposals.

15. Local Member(s)

This report relates to all service areas across the whole County.

16. Other Front Line Services

This report relates to all service areas across the whole County.

17. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)

The Professional Lead – Finance acknowledges the findings of this report and can confirm that the Finance team will continue to support the delivery and improvement demands arising through 2017/18.

The Professional Lead – Legal notes this Finance Scrutiny Panel progress report and its aims will continue to be supported by the Legal Services as and when required.

18. Public Service Board/Partnerships/Stakeholders etc

Information report, no involvement of the Public Service Board is required.

19. Corporate Communications

Information report, no proactive communication action required.

20. Statutory Officers

The Strategic Director Resources (S151 Officer) notes the contribution that FSP has made to the budget process and longer term strategic planning in 2016/17.

The Solicitor to the Council (Monitoring Officer) has commented as follows: “I note the legal comment and have nothing to add to the report

21. Members’ Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:	Reason for Recommendation:
Cabinet to note and comment on the contents of the report.	To ensure an appropriate response to the valuable work carried out by FSP.

Relevant Policy (ies):	n/a		
Within Policy:	Y / N	Within Budget:	Y / N

Relevant Local Member(s):	n/a
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Person(s) To Implement Decision:	n/a
Date By When Decision To Be Implemented:	n/a

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Background Papers used to prepare Report: