

Pecyn Dogfennau Cyhoeddus

Cabinet

Man Cyfarfod
**Siambr y Cyngor - Neuadd y Sir,
Llandrindod, Powys**

Dyddiad y Cyfarfod
Dydd Mawrth, 12 Chwefror 2019

Amser y Cyfarfod
10.30 am

I gael rhagor o wybodaeth cysylltwch â
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Dyddiad Cyhoeddi

Mae croeso i'r rhai sy'n cymryd rhan ddefnyddio'r Gymraeg. Os hoffech chi siarad Cymraeg yn y cyfarfod, gofynnwn i chi roi gwybod i ni erbyn hanner dydd ddau ddiwrnod cyn y cyfarfod

AGENDA

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| 1. | Y GYLLIDEB AR GYFER 2019-20, STRATEGAETH ARIANNOL TYMOR
CANOLIG 2019-2024 A'R RHAGLEN GYFALAF AR GYFER 2019-2024 |
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Ystyried adroddiad gan y Cynghorydd Sir Aled Davies, Aelod Portffolio ar faterion Cyllid, Cefn Gwlad a Thrafndiaeth. Bydd sylwadau gan y Panel Craffu Cyllid yn dilyn.

(Tudalennau 1 - 4)

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol



Finance Scrutiny Panel

Scrutiny Observations to Cabinet on: 2019/20 Budget Proposals

The Finance Scrutiny Panel met on 5 February 2019 and considered the following documents:

- Report of the Portfolio Holder
- Medium Term Financial Strategy
- Financial Resource Model
- Budget Savings
- Fees and Charges Report
- Register of Fees and Charges
- Prudential Indicators
- Reserves Policy

The Panel thank the Portfolio Holder for Finance and the Deputy Chief Executive and Deputy Head of Financial Services for attending scrutiny.

Scrutiny make the following observations:

The Panel submitted comments on the budget to Cabinet in December 2018 on the information they had available at that time (Appendix A). This report addresses the most up to date information provided although our original recommendations still stand.

The Panel considers the proposed budget to be high risk. This is the highest risk budget we have encountered so far and we have grave concerns regarding its deliverability. The Impact Assessments contain too many high risks in significant areas of spend and savings for us to have confidence that this budget will be delivered without further inroads into reserves. The budget is reactive to the current position in which the Council finds itself and we cannot over emphasize the need for effective strategic planning to ensure the Council is financially resilient going forward.

We acknowledge the difficulties arising following the critical CIW Inspection into Children's Services and the additional funds needed for the service to improve. The role of the Improvement and Assurance Board is acknowledged but we question their lack of fiscal responsibility which has led to an uncontrolled increase in Children's Services expenditure. This focus on social care has skewed the Council's budget to the extent that it puts an enormous pressure on the Council's budget and limits options for other areas. However, ceasing some of the less expensive services may well lead to greater pressures on higher cost services in the future.

Previous concerns regarding the lack of pace of transformation, as identified by the WAO and Scrutiny, have not been addressed and this now puts the whole Authority at serious risk. Opportunities have been missed which may have avoided the need for current budget difficulties.

The failure to engage in a timely manner with scrutiny, the wider membership and communities had led to a lack of trust and is hugely damaging to the reputation of the Council. Other options, such as the relaxation of regulation by the Welsh Government in using capital receipts to support transformation, have received insufficient consideration. It is disappointing that at the time of writing this report we have not seen the policy which will support this.

Perhaps the largest risk going forward are the increases in deficits being recorded by schools. We welcome the new Funding Formula but there are concerns regarding its implementation with the existing mix of schools. We recognise that Powys has the highest per pupil gross funding in Wales. The policy for the future delivery of education is unclear and creates uncertainty for the budget.

To date, the three big spending areas of Children's Services, Adult Social Care and Education, have had a degree of protection. There can no longer be areas which are sacrosanct. Not only do services need to deliver within existing budgets, expenditure should also be brought in to line with comparator Authorities.

Whilst we welcome that the budget has been set without reliance on reserves, we have significant concerns regarding the risks associated with some of the proposed savings. It seems likely that there will be an overspend at the end of 2018/19 which will reduce reserves further – the latest indication is that reserves could reduce from £9.6M to £6.6M. The scale of the overspend and scale of ambition are likely to put severe pressure on future budgets. The contributions of £2M to a Budget Management Reserve and £500K to the General Reserve are welcome as a minimum given the anticipated pressures for 2020/2021. However, these sums are very limited given the levels of risk within the budget.

There are improvements in Social Care with a stable management structure in place and positive steps being taken to control expenditure but there is still a long way to go. Children's Services is currently overspending by approximately £400K per month and it is clear that this level of expenditure will not cease early in 2019/20 leading the Panel to question the assumption that Children's Services will run within budget

We note that there are still minor amendments being made to the proposals and reiterate the wish for an earlier involvement by scrutiny to support the budget setting process. A CIPFA review of the budget was carried out in January – we have not yet seen the outcome of that review, but again suggest that this is too late in the process to be effective. Our previous report welcomed the introduction of the Savings Panel which we understand commenced deliberations in May 2018. However, there have been insufficient number of transformational savings and strategic plans identified.

Membership of the Finance Scrutiny Panel on 5 February 2019:

County Councillors: J G Morris (Chair), M Dorrance, J Gibson-Watt, P Roberts, D A Thomas, R G Thomas, E Vaughan and Mr J Brautigam

Finance Scrutiny Panel – 13 December 2018
Scrutiny Observations to Cabinet on: 2019/20 Budget

The Panel met with the Portfolio Holder with responsibility for Finance. The Section 151 Officer and Head of Financial Services were also present.

Underlying the Panel's deliberations is the WAO Statutory Recommendation in regard to savings targets. The Panel welcome the establishment of the Savings Panel to challenge all savings proposals prior to their consideration by Cabinet. Members acknowledge the risk of non-delivery of savings and recognise that this has not been a strong point for the Council.

Due to the short timescales and the lack of information on a number of key high spending areas the Panel were unable to consider each proposal in detail, but offer the following strategic comments in relation to the process and proposed budget for 2019/20;

- Children's Services is taking up increasing resources which limits options available to the Council. The budget for 2019/20 will be in the region of £25M and this is accepted whilst the service is undergoing improvement. However, this level of resourcing is unsustainable in the medium to long term and robust plans must be in place to bring expenditure to a more manageable level as quickly, and as safely, as possible.
- The Panel remain concerned that there is still little evidence of the transformational work required to take the Council forward. As this Council moves towards its mid-term it is not appropriate to repeat the style of budgeting of the past or blame previous decisions. The WAO have highlighted a lack of pace in transformation and the Panel would echo this. Previously the Panel have supported a move to zero based and outcome based budgeting but this has not to date evolved.
- The Mid Wales Growth Deal is not fully explored or indicated in this budget or future plans.
- Impact Assessments reflect that there will be service cuts and increased income generation but the Panel question whether this is achievable given that there will inevitably be staff cuts to achieve the savings required.
- It seemed that there was contradiction within some elements that charges will be raised to protect services and yet services are still to be cut. Furthermore,

it seemed that those elements which were required to attract new recruits were also to be removed.

- There is still no clear vision of what we expect Powys County Council to look like in 5 years' time. The philosophy remains that we must continue to provide existing services whatever the cost. The CIW had criticised that the Council was driven by central functions, but this can be attributed to the lack of clarity in the longer term. The Panel have not had sight of a fully worked up Medium Term Financial Strategy and this is urgently required in order to understand the shape of the Council in the future. A clear steer is required from the Council's executive in order for officers to formulate direction and budget decisions.
- The Impact Assessments have classified many of the savings proposals as 'red'. If these savings are achieved, then there is a significant risk in delivering Vision 2025.
- There remains a substantial element of salami slicing within the budget. Transformation will require radical action and tough decisions are needed to deal with the pressures the Council is facing.
- The pressures within social care are well rehearsed, but there are increasing difficulties in school budgets. The Council's high schools are all in deficit positions and this is becoming more prevalent in primary schools. Merging schools is not delivering the required levels of savings. The Authority is already funding education at a higher level than the Welsh average and a fundamental review is required. The funding of Education services poses a major risk to the Council.
- There is scepticism that the proposed savings will be achieved and that, together with the budget gap of £4.5M, is a significant risk to the Council
- There would be a relatively low yield from Council Tax increases with a 1% increase only realising £650K. A 10% increase would do no more than meet the increase in expenditure in Children's Services. Increases in Council Tax should take into account the ability of residents to afford it, given the low average wage in Powys and that there are more homes above band D in Powys than the average across other authorities.
- The Panel recommend that an exercise in outcome based budgeting should be carried out as soon as the 2019/20 budget has been agreed
- The balance sheet remains strong but those assets must work to support the revenue budget. The Council must maximise the potential from capital receipts.
- Reserves must not be used to support a balanced budget. Indeed, consideration should be given to a commitment to reserves in future budgets.

The Panel note that the difficulties which the Council faces surpass political boundaries and urge the Cabinet to develop a cross party solution to take the Council forward. The budget is a whole Council responsibility and consideration could be given to introducing a formal support process for Cabinet. Any decisions must be realistic and fair for residents. Co-operation across the Council will help deliver transformation for the longer term benefit of everyone.

Members of the Finance Scrutiny Panel present; County Councillors J Morris, (Chair), M Barnes, M Dorrance, J Gibson-Watt, P Roberts, D A Thomas, E Vaughan, GIS Williams and Mr J Brautigam