

CYNGOR SIR POWYS COUNTY COUNCIL

Cabinet - 11 February 2020

County Council - 28 February 2020

REPORT AUTHOR: Finance Panel

SUBJECT: Budget Proposals 2020/21

REPORT FOR: Information

1. The Finance Panel has only recently considered the budget proposals for the forthcoming year due to the late announcement of the provisional settlement. As a result, the Panel's role in the budget process has been limited, as access to the proposals were only available to them at the same time as they were released to the public. There had been an expectation that there would be involvement through the process and the future role of the Panel must be addressed
2. In recognising the external factors which have affected process, the Finance Panel are pleased that the budget proposed is not as draconian as it might have been had the additional funding from the Welsh Government not been available. As a result, we are pleased to see the increased funding for Education, road maintenance and, with certain reservations, Children's Services.
3. We wish to make the following key points;
 - 3.1 The Authority had identified a budget gap between expected Welsh Government funding and expenditure. Proposals including cost reductions, efficiencies and income generation had been considered. Now that the provisional settlement is more favourable than expected, the Panel consider that other savings, which may have been included prior to this announcement, should still be included for consideration. This would allow alternative budgets to be submitted by opposition groups should they so wish.
 - 3.2 The Panel welcome the improvement in Impact Assessments but recognise that further improvements are still possible. The validity of the IAs are questioned as an analysis of undelivered savings, why they have not been achieved and resulting risks, was not available at the time proposals were scrutinized.
 - 3.3 Impact Assessments indicate a number of areas where delivery of proposals remain high risk and the Panel are concerned that the stated mitigation fails to fully address those risks. e.g. the proposed £500k reduction in the Schools Service budget.

- 3.4 We were assured three months into the financial year that savings were on track, but it became apparent, very shortly after that some services would not be able to deliver savings.
- 3.5 Concerns remain that there is still too much reliance on previous year's expenditure in setting future budgets. We understand that there is a wish to move away from traditional budget setting, but the Panel would wish to see evidence that the cost of provision and outcomes are being given greater consideration.
- 3.6 Taking the budget as a whole, the Panel have undertaken some work which demonstrates that compared to similar local authorities, our expenditure has become skewed towards social care and will become ever more so as a result of this budget. This places greater strain and risk on remaining services. We consider that this discrepancy needs to be examined and addressed in order to recognise the importance of our non-statutory expenditure, such as loss of theatres, libraries and youth services, which can add further pressure on our welfare services.
- 3.7 The Panel is encouraged by the introduction of the Integrated Business Plans but, as yet, have insufficient evidence to conclude if these are effective.
- 3.8 The largest cost reductions will be in Social Care and the Heads of Service were expecting that those savings put forward will be achievable. We note that as transformation continues, benefits will flow, for example, Early Intervention is starting to show benefits. Concern remains that some savings are predicated on reducing the high level of agency staff costs, but the Panel are well aware the difficulty of recruitment and hence this risk to permanent appointments remains high.
- 3.9 The improved settlement represents additional funding for Education, but it is recognised that a significant portion of this is taken up by for teacher pay and pensions. We have been assured that further work is underway to address school deficits, but further assurance is needed that the transformation programme must now progress after years of indecision.
- 3.10 Schools should be on a repairing budget rather than an investment budget until such time as there is clarity regarding the core school estate. Slippage on 21st Century Schools budget is impacting upon the revenue budget.
- 3.11 The Panel welcome an additional £1.4 M that has been included for Teachers Learning and Responsibility payments. Failure to properly recognise this and other cost pressures in last year's budget has caused severe budgetary problems particularly within secondary schools.
- 3.12 Council Tax represents nearly one third of our income – this is the third highest proportion in Wales after Monmouth and the Vale of Glamorgan. Powys' council tax has risen 20.9% over the last three years, this compares with just 15.9% for Wales as a whole and is considerably more than our comparator counties, Pembrokeshire excepted. The proposed increase in Council Tax will mean that there will have been nearly a 15% increase in the last two years when the

budget is implemented and given the Band distribution of properties in the Authority the issue of affordability must be recognised.

- 3.13 Whilst we welcome the intention behind the Budget Simulator, we are concerned the low take up does not properly represent the views of our constituents. In particular we are concerned that there was no option to maintain or reduce levels of Council Tax below 5%.
- 3.14 The level of expenditure in Children's Services is unsustainable – actual funding has increased by 60% in three years, but the level of demand has not increased by a corresponding amount. We are concerned regarding the continuing, spiralling cost of Children's Services and note that overspends seem to be rolled over into the base budget rather than being addressed.
- 3.15 The Panel are pleased to note that Adult Services, having identified significant potential pressures, have managed their budget and are achieving savings despite some cost pressures having materialised.
- 3.16 A blanket 2% increase for pay and price inflation appears to be simplistic although it is noted that service specific inflationary pressures have been considered as part of the Integrated Business Planning process.
- 3.17 The Panel were disappointed in the continuing failure to implement the Capital Programme to the budget timetable. Whilst this has some revenue benefit in the short term, longer term benefits of the Capital Programme are being missed.
- 3.18 Capital receipts are currently running ahead of budget, but the Panel believes that they are still well short of their potential, for example, assets worth several million pounds have been on the disposals list for some time. We believe that a more aggressive selling policy would enable the Authority to take advantage of the WG directive on the use of receipts which is due to expire in March 2022. A more ambitious capital asset strategy is needed not only in respect of revenue potential, but also to offset borrowing requirements going forward which would have a positive effect on the revenue budget. That said, we welcome the property review that is currently being undertaken and focus that will bring to the return on investment.

Conclusion

1. Whilst the reasons for the late finalisation of the draft budget are noted, the Panel are of the opinion that greater use could be made of the Panel in considering areas of principle or alternatives in developing the budget at an early stage. This also applies to other scrutiny committees.

Contact Name:	Tel:	Fax:	Email:
John Brautigam	01597 826371		lisa.richards@powys.gov.uk

Background Papers used to prepare Report:

Notes of meetings of the Finance Panel

Finance Panel members: Mr J Brautigam, (Lead Member), County Councillors A W Davies, M Dorrance, J Gibson-Watt, J G Morris, J Pugh, P Roberts, D A Thomas, R G Thomas, E Vaughan and G Williams