

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET

7 February 2017

REPORT AUTHOR: Finance Scrutiny Panel

SUBJECT: Budget Proposals 2017/18

REPORT FOR: Information

The Finance Scrutiny Panel (FSP) has held several meetings during the year and met with officers and Cabinet Members.

The FSP notes the fluid budget position and the large overspend position around Adult Social Care (ASC) and as a result the FSP offers the following comments based on information available as at the end of January 2017.

The savings proposals have been based on those presented as part of the 2016/17 MTFS (Medium Term Financial Strategy). However, the FSP would have welcomed more verifiable detail at an earlier stage in order to provide more effective scrutiny of proposals and support for the process. As a result the FSP feels unable to comment in detail on the proposals. The FSP notes the continuing development of the longer term approach but raises concerns that the budget process was not more advanced at the time of presentation and suggest that, as it is a 3 year plan, an earlier indication ought to be available of the budget detail going forward.

The following key points are brought to Cabinet's attention:

- The FSP welcome the move to a three year budget plan but are disappointed that this foundered early in the financial year in some areas
- The principle of the 3 year Plan supported by cash limited budgets no longer exists in some important areas. Changes were adopted part way through the year without substantial reasons or evidence.
- The FSP supports the Portfolio Holder for Finance in his wish to move to a five year budget plan but acknowledge this cannot happen until the Welsh Government move to a five year plan from its current one year approach.
- The FSP recognises the fact there is a Reserves Policy but would wish to see greater clarity around the proposals for the replenishment of reserves if these are substantially reduced in order to offset the projected overspend at the end of 2016/17.
- Further savings are expected to be made in ASC – assurance is sought that such savings are achievable given the failure to achieve savings in previous years and particularly within the 2016/17 budget

- Budgets were cash limited in the current year although this has not been adhered to in some areas. There needs to be greater understanding of whether we are working on a cash limited budget or a demand led budget based on overspend. Regular overspends undermines those areas that work within a cash limited financial envelope.
- Scrutiny is being hampered by the lack of detail in budget plans preventing proposals to be scrutinized effectively. Prompt and accurate data must be provided
- The FSP is concerned that a substantial draw on reserves is unsustainable going forward. We do not support proposals to establish an individual service reserve. Should reserves be needed, any Directorate must apply for funds supported by strong, sound and rigorously scrutinised business plans.
- The FSP accepts the intention to take a more strategic approach to budget savings but is concerned that the continuation in some areas of the 'salami slicing' model is detrimental to a controllable financial and focussed environment
- The FSP is disappointed that Cabinet have not explored other budgeting models, such as zero based budgeting, which would enable improved financial control and scrutiny and give a more accurate cost of each service. However it is pleased that the Chief Executive's Recovery Plan will start to address this issue by a base budget review in Adult Services and would like to see this rolled out to all directorates.
- FSP welcome the progress made with regard to the quality of Impact Assessments. However concerns remain, in some assessments that increased cost impacts exist within the identified risks and mitigating actions. As no clear evidence is available to demonstrate how such costs have been incorporated into final action plans it remains unsure whether identified levels of savings can be delivered.
- We welcome the proposals for increased funding in education but require further, detailed information on how this will be allocated
- Once again the Panel would wish to stress its concerns that increases in Council Tax do not reflect the average income within the County. Powys County Council is one of the highest self-funders in Wales.

Conclusion

Whilst noting the progress being made, the extent of changes to the 3 year Plan are undesirable and in future we would seek a more consistent approach. We should expect a 3 year plan to be more robust and not see it derailed within the first quarter of the financial year.

Cabinet should not put forward untested proposals, which when subject to public consultation, are withdrawn. There have been a number of situations where Cabinet decisions have adversely impacted the ability to achieve savings. This has a major impact on current and future budgets upon which the savings were predicated. All budget measures should be stress tested before being incorporated.

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Background Papers used to prepare Report:

Budget Seminar presentations – Cabinet and Council

Draft (confidential) Financial Resource Model