



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