

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