

Public Document Pack

Finance Scrutiny Panel – 20 March 2019

MINUTES OF A MEETING OF THE FINANCE PANEL HELD AT COUNCIL CHAMBER - COUNTY HALL, LLANDRINDOD WELLS, POWYS ON WEDNESDAY, 20 MARCH 2019

PRESENT

County Councillors JG Morris (Chair), A W Davies, M J Dorrance, J Gibson-Watt, P Roberts, D A Thomas, R G Thomas, E Vaughan and G I S Williams and Mr J Brautigam,

Cabinet Portfolio Holders In Attendance: County Councillor S Hayes (Adult Services)

Officers: Jane Thomas, Head of Finance and Lisa Richards, Scrutiny Officer

1. APOLOGIES

There were no apologies for absence.

2. ELECTION OF CHAIR

County Councillor J G Morris was elected Chair for the remainder of the year to the Council's AGM in May 2019.

3. ELECTION OF VICE CHAIR

Mr J Brautigam was elected Vice Chair for the remainder of the year to the Council's AGM in May 2019.

4. NOTES

Documents:

- Notes of the last meeting of the Finance Scrutiny Panel held on 5 February 2019

Outcome:

- Noted

5. FINANCIAL OVERVIEW AND FORECAST

Documents:

- Financial Overview and Forecast as at 28 February 2019

Discussion:

- The forecast overspend at year end had improved slightly to £2.7M during January and £2.5M at the end of February
- Savings delivery stands at 50%. When £3.9M of savings that are to be written off are included, this figure rises to 74%

- The Panel asked how Powys compared to other Authorities in this regard. Powys' delivery of savings was poor compared with other authorities in a review undertaken by Wales Audit Office some time ago. This had been picked up by the WAO and recommendations were made for more robust savings plans. This was an ongoing situation and the Finance Scrutiny Panel had gone so far as to recommend that savings levels should be set at 120% to ensure that 100% were achieved. This did not meet with approval. It does however suggest that there is a systemic failure. No sanctions are in place to mitigate failure to achieve savings. Although this had been subject to previous reports, the Head of Finance intended to strengthen reporting structures to Cabinet regarding achievement of savings. Heads of Service will now be tasked with providing explanations for failure to achieve savings and proposed actions. The profiling of savings also needed to be more robust to enable more effective challenge.
- Members thought that there should be more effective review throughout the year. Accountability is key and it is intended that Heads of Service are more accountable. Members highlighted the need for Portfolio Holders to share this accountability.
- Some savings plans that were put forward were considered by the panel to be undeliverable and yet Members had been informed that every impact assessment was scrutinized in detail by a Cabinet Panel therefore, the Cabinet and Portfolio Holders must assume responsibility. The Portfolio Holder should know if savings within their areas are deliverable. Some Impact Assessments were contradictory and many were high risk. There had been no impact assessment regarding the proposed Council Tax rise.
- An extract of a statement made in a report to Cabinet by the Chair of the Improvement and Assurance Board was read out indicating that the Chair thought it was highly improbable that any or all of the additional costs will be offset within Social Care. This is of concern particularly as the budget for Children's Services is £4M lower than their current spend. Control of this expenditure does not fall to the Head of Service or Portfolio Holder. The Panel remained concerned that the Board was unaccountable. The Head of Finance anticipated that significant savings would be made to offset pressures but there was risk around *all* savings being achieved.
- Group Leaders were also on the Improvement and Assurance Board. It seemed as though the Board did not believe it should discuss the Council's budget but provide assurance that a safe service could be delivered. There is more interest now as the implication is that Children's Services is a significant risk to the Authority as a whole. The Head of Finance noted that the Board were looking for assurance that services are adequately funded.
- A recommendation had previously been made that all Heads of Service should receive financial management training. This has been provided but attendance was questionable. The Panel thought that such training should be mandatory and should also include Portfolio Holders.
- CIPFA had undertaken an assessment of financial management within the Authority and a report was imminent. Once that report has been received an action plan will be developed. The Panel will have an opportunity to review the report.

- The outturn can often swing significantly in the last month – efforts have been made to ensure capitalisation is carried out in advance etc. This year the main improvement has been in the cost of children’s placements. More benefits may affect the final figure, such as the mild winter. To date there has not been a significant increase in the level of WG grants arising at year end.
- Cabinet have been informed that LAC numbers were static but these have gone up by 12 in a short period. The Portfolio Holder accepted that the figures had been static over the year but had increased recently due to a particular set of circumstances. Overall, the average cost had decreased and further clarification is needed on the definition of respite. The situation will need to be monitored over the longer term.
- Schools delegated budgets are of particular concern and the overspend continues to rise. Further detail will be circulated on a school by school basis. The draw on reserves has increased significantly. It was suggested that the Panel take this up as an issue – consider current figures and recovery plans against those deficits. It was suggested that LA governance in this area should also be considered. A further piece of work should be undertaken to assess the impact of the new Funding Formula and whether there are any specific impacts on schools of a certain size. The issue will be discussed at Co-ordinating Committee but the Panel suggest that the Chair and Vice of the Panel, Chair of Learning and Skills Scrutiny Committee and Cllr E Vaughan meet to discuss the way forward.
- The Authority maintains a policy that reserves should not fall below 3%. However, when the management reserve is included, reserves are at 6.3%. Specific reserves have been reviewed to limit the impact on general reserves, for example the holiday time directive, equal pay and 21 Century Schools.
- Was building up of reserves ethical when council tax has been increased by an unprecedented level? The Head of Finance confirmed that an appropriate level of reserve was required given the risk to the budget. The report shows that £15M of reserves have been used over the last 12 months.
- The Panel questioned the level of grants to cover the Teachers Pay Award and increases in Superannuation. The costs of superannuation will hit the budget in September and the Welsh Government are to fully fund first year costs.
- Children’s services were showing a 30% variance despite a 47% increase in budget. The budget for 2019/20 would be £21M.
- An overspend of £150K was showing for fleet workshops – the contract for servicing of HoWPS vehicles had been lost and this seemed to be counterproductive. There were issues around the waste service – scrutiny had recommended that plans that were fit for consideration should be provided for the proposed green waste service prior to implementation. Scrutiny had also considered the way in which spares were procured for the Workshops with conflicting information regarding achievement of savings.
- Adult Social Care were on target
- The Panel requested that trends be included in future savings reports

Outcomes:

- **Observations regarding savings achieved, training and risk around the comments raised by Chair of the Improvement and Assurance Board be submitted to Cabinet.**
- **The Co-ordinating Committee be asked to discuss the way forward regarding scrutiny of the delegated schools' budgets**

6.	CAPITAL PROGRAMME
-----------	--------------------------

Documents:

- Report of the Portfolio Holder for Finance

Discussion:

- The Capital Programme was revised throughout the year
- £57M had been spent, £29M was committed and £9.5M was unspent
- Profiling of expenditure remains problematic
- Managers need a greater commitment to accuracy
- All projects for this year and next are to be reviewed
- The Capital Programme needs more challenge. The Capital Programme had not been raised in discussion at the Council's budget meeting.
- The Panel suggested that the Capital Programme should also be considered as part of the fiscal management training
- The Panel would also like to track capital receipts throughout the year as these could have a significant impact on the revenue budget
- Corporate dashboards had been developed and should now have sufficient information to be reliable
- A list of transformational projects was requested – it is essential to plan a forward programme for both projects and disposals to fund transformational work. This should be a fundamental element of budget planning.
- Initially it was thought that the Capital Receipts Directive indicated that receipts could only be used for transformational work in the year in which they were realised. However, clarity had been sought and it was confirmed that receipts raised over the entire period of the directive could be applied over the same period
- The Panel questioned whether the Authority was being proactive enough. The definition of transformation was broad - there was a need to encourage Directorates to develop projects for consideration.
- It was suggested that the Panel should scrutinize the Directive to clarify the Authority's understanding
- The revenue report should have more input from Heads of Service. The Panel should consider this in more depth to ensure there is scrutiny and diligence of the budget – the Head of Finance believed the monitoring report covered this and it would be her responsibility to ensure that all concerns were highlighted. It was the Panel's responsibility to consider in depth the areas that were a cause of concern or refer them to the appropriate scrutiny committee. It was the Head of Finance's opinion that the new operating model will provide more transparency further down the organisation.

Outcomes:

- **The Capital Receipts Directive to be considered at a future meeting of the Panel**

7. PHYSICAL DISABILITY BUDGET REVIEW

Documents:

- Physical Disability Budget Review

Discussion:

- The report is the final one in a series of three commissioned to look at services for young adults as part of the ASC Recovery Plan
- All three reports were produced in conjunction with service areas
- Trend analysis shows that spend has seen a steady increase, and income levels have increased especially from 'other bodies'. However, when benchmarking is considered, it is clear that Powys does not receive the levels of income that the other local authorities do, particularly from joint arrangements with the Health Board
- the mix of Service provision that is operated in comparator authorities, would appear to be more cost effective
- There is a lack of a commissioning strategy in Powys together with a lack of appropriate placements
- The Service have accepted the recommendations and action plan
- The number of registered disabled people in Powys is significantly, proportionally higher. It was noted that registration is not compulsory and it is unclear whether Powys collects more data. This was not considered to be a useful comparator.
- The Portfolio Holder for Adult Services acknowledged the difficulties in obtaining robust data – this was a controversial area and dependent on how it is defined.
- The Panel questioned whether the Authority was collecting all monies due to it? More challenge was being provided by the service and the level of income from joint arrangements has increased. The health element of packages must be identified early in the process. The service recognises the need to maximise what it receives from partners. Monies the Authority is owed are being actively pursued – unfortunately this is an annual occurrence but it is likely that monies will be paid during April. The Portfolio Holder for Adult Services questioned whether the apparent difference could be attributed to recording methods.
- The Panel suggested that the document should be shared with partners such as the PSB. The Head of Finance was aware that a piece of work was being undertaken by the WLGA regarding an analysis of future Health and Social Care funding and that it could usefully be shared with them.
- The Portfolio Holder for Adult Care would welcome the three reports being considered by a scrutiny working group
- Sports Development had been cut in the 2019/20 budget and the Panel questioned how this would affect physical wellbeing in this area. The portfolio Holder for Finance indicated that there would be no impact as the officer was still in post.

Outcomes:

- **The Co-ordinating Committee would be asked to allocate scrutiny of the three reports to a working group. The Co-ordinating Committee would be asked to include the Lay Member on that working group.**

8.	FORWARD WORK PROGRAMME
-----------	-------------------------------

Documents:

- Forward Work Programme

Discussion:

- The Head of Finance is preparing a report for EMT on the process for next year's budget
- Incremental budgeting is no longer appropriate
- Budgeting needs to be outcome focussed
- Priorities need to be identified
- Finance Panel will be given the opportunity to consider the report with the objective of assessing the level of engagement of all Members with the budget process.

Outcome:

- **The forward work programme was agreed and the following items will be included:**
 - **Capital Receipts Directive (14 May)**
 - **Schools Delegated Budgets (immediately)**
 - **CIPFA assessment of financial management and action plan (14 May)**
 - **Future Budget process (12 June)**

County Councillor JG Morris (Chair)