Finance Panel

Observations to Cabinet – Financial Overview and Forecast 30 September 2021

The Finance Panel met on Friday 29 October to consider the above report and make the following observations:

- Some services have noted that additional grant could mitigate their budget position. The 2020/21 outturn reflected the receipt of additional funding late in the year. Potential additional funding should not be relied upon to manage service budgets. This makes baseline budgeting very difficult.
- It is projected that 22% of cost reductions approved in the budget are now not considered to be achievable, this is unacceptable.
- Interest rates are likely to rise and must be considered during budget planning. Consideration to be given to switching from short term to long term borrowing.
- Inflation is likely to rise and could potentially have a significant impact on the MTFS
- The Finance Panel intend to highlight to scrutiny committees the importance of regular meetings or working groups to review financial reports including progress in achieving cost reductions
- The Panel is concerned that the Children's Services budget is projecting a substantial overspend at year end. It is recognised that this is a statutory service and that some pressures are unavoidable and must be managed. However, there have been large discrepancies due to poor housekeeping and this must be rectified to ensure an accurate forecast can be provided. The budget for Children's Services has doubled over the life of this Council and Members recognise the difficulties that have been experienced by the service. They are satisfied that a much safer service is being provided but remain concerned that the level of expenditure per child is significantly higher in comparison to other rural authorities and the Welsh average. There is a need to understand why this is the case. It was noted that Gwynedd County Council have a much lower cost per head and yet still received a positive inspection report.
- Some services are closer to balancing their budgets, but this is being managed through staff slippage. What impact does this have on service delivery?

- The Panel believe there is a structural imbalance in the financing of the primary school and secondary school sectors and that this poses a risk to the Authority's budget. Each sector must be sustainable in its own right.
- Whilst some responses and mitigation proposals are well thought through, here are a number of directorate and HOS responses that are lacking in appropriate detail and on one occasion there is no response at all to the deficit position.
- It is important that Heads of Service and Cabinet Members take ownership and accountability for their sections and that the budget as set by the Council for the year is adhered to. Accountability is vital for financial stability.
- Much closer monitoring of the budget by Cabinet and scrutiny is needed to ensure the Q3 data is within budget and the mitigating factors as outlined in this paper are carried through to achieve this.
- Scrutiny Chairs should be advised that they should set up a system to regularly evaluate the financial position of their areas and challenge where necessary.

The Panel remain concerned regarding the affordability of capital borrowing and its effect on the revenue budget. This particularly relates to the cost of the schools' transformation capital programme, the increase in interest rates and the increase in the cost of materials. This will be considered by the Governance and Audit Committee this week, but it is important that the Council and Cabinet keeps this under urgent review.

Members of the Finance Panel on 29 October 2021: County Councillors J G Morris (Chair), A W Davies, J Gibson-Watt, J Pugh, P Roberts, D A Thomas, D A Thomas, R G Thomas, R Williams and Mr J Brautigam