

Powys County Council's

Medium Term Financial Strategy

2015 to 2018

Foreword by the Leader

Setting the budget and medium term financial strategy in the face of unprecedented reductions in grant income from Government remains the most critical challenge facing Powys County Council.

The Strategy lays out a realistic position for our funding levels going forward. The UK Government remains committed to its deficit reduction programme. As a result we have factored in reducing funding for the next 4 years.

It is essential that we prepare for the long-term. Whilst we cannot be precise about how we will respond by the end of the decade, we can set out our vision for the direction of travel. In addition we must also prepare for the significant changes to services that will be brought forward by Welsh Government.

To meet the long-term financial challenge will require a new approach. We must look out how we manage demand through forward funding preventative activities and also reconsider how we deliver our services. We will always seek efficiency savings as far as we can but we know that efficiency savings on their own will not close the financial gap we face over the long-term.

That is why in 2014 we took a number of significant steps to prepare for the challenge we face. We have revised our vision as a Council to signal our shift in emphasis towards greater working with our communities. The new vision 'Stronger Communities in the Green Heart of Wales' will underpin this approach. We have also established clear priorities to deliver our Powys 2020 programme and this is based on our guiding principles of Valued Services; Supporting the Vulnerable; Local Delivery; Personal Responsibility; Value for Money and Improving Productivity. Together these form a clear basis for the future.

Stronger Communities in the Green Heart of Wales is not our only response to this significant challenge. We've already reshaped the organisation and have a strong integrated Joint Strategic Plan with our key partners. The 'One Powys Plan' was revised this year and is at the heart of our response to the financial challenges.

We are rolling out a Community Delivery Project so that there is greater community involvement in service delivery. This is because it won't be possible to deliver services in the way that our previous funding levels allowed. Furthermore as a Commissioning Council, we will explore different options for services from in-house provision, to utilising the commercial sector, to extending our joint working with our key partner Powys Teaching Health Board. Working in partnership with our Community and Town Councils as well as the voluntary and community sector will be an increasing part of our response to the challenge we face.

Having taken this approach we will be able to identify savings, reduce demand and increase efficiencies. These changes will need to be at a pace and of sufficient scale and impact to meet the funding changes outlined in the Medium Term Financial Strategy.



**Barry Thomas,
Leader of Powys County Council**

Introduction

This document is the financial strategy for Powys County Council for the period 2015 to 2018. It has been developed as part of the overall strategic planning process that involves the 'Statement of Intent' which captures the financial, regulatory and policy drivers affecting the council and sets the direction and approach. It also incorporates the plan for delivering a balanced budget for 2015/16.

This financial strategy includes all Council services funded by the revenue budget, the Housing Revenue Account and the Capital programme. This information is presented in a 5 year Financial Resourcing Model (FRM) attached as Appendix 2 and a 5 year Capital Strategy (Appendix 4).

The FRM sets out how a balanced budget will be delivered for 2015/16, however, this position is reliant on the delivery of £11.634m savings during the year.

The FRM identifies the requirement for further savings of £35.503m over the remaining period of this strategy. Given that local government does not have funding data from Welsh Government beyond 2015 this assessment is based on indicative figures and work undertaken by the WLGA and the Institute for Fiscal Studies focusing on how Local Government Settlements in Wales may be affected by the national deficit recovery programme in the future. However, forecasting for future years is difficult to predict with any great certainty and is subject to multiple internal and external influences. Even so, it is highly likely the reducing funding for Powys will continue because the national deficit recovery programme will continue to at least the end of the decade.

Strategic Context

Economic and Demographic Context

As indicated in the introduction, the Council's budget settlement continues to be adversely affected by the Government's austerity measures to significantly reduce public spending in order to address the UK's debt situation.

In 2008, the country experienced a significant economic downturn, largely due to a crisis in the financial sector. The Government's response to this downturn was to increase public spending as an intended stimulus. The increase in public spending was mainly funded through borrowing.

A year into the downturn, concern developed about the levels of public debt and the main political parties entered the 2010 general election with plans to reduce public spending and raise taxes in order to start paying back the deficit. In October 2010, the UK government finalised its Spending Review and set out its budget plans for eliminating the structural deficit by 2015. The consequence of these plans has been a significant reduction in spending on public services, with the brunt of the cuts being directed at local government.

The Chancellor's autumn statement indicated that tax receipts will be £23bn lower than expected by 2017/18. The mechanism to reduce the deficit will instead be delivered through, in the Chancellor's words 'very substantial savings in public

spending'. The Office for Budget Responsibility (OBR) indicate that, going forward, it is clear that significant savings will be needed to address both reductions in Welsh Government financial support and the cost of local spending pressures. The OBR states that the scale of the cuts implied would reduce the state to its smallest size, relative to GDP, since before the second world war. As a consequence, the Council anticipates that it will need to deliver cumulative savings of at least £70m by the end of the decade.

The local context affecting our funding and demand for services is heavily influenced by Powys being sparsely populated with a wide geographic area requiring services. It has a higher than average elderly population that is predicted to increase at a rate that is significantly greater than the national average. This statistic can largely be attributed to people living longer as a result of better healthcare and improved lifestyles together with an inward migration of people to the County above retirement age.

Conversely the county's younger population is declining with a reducing birth rate and a sizeable outward migration of young people looking for further educational and career opportunities being the main contributors to this trend.

These factors in combination are presenting significant challenges. The provision of services to a dispersed and relatively small population is expensive as a result of greater transport costs and the demand for facilities to be delivered locally or within a commutable distance. Additionally, a consequence of an ageing population is the increased demand for more complex and therefore more expensive care support.

2020 Vision

The Council's response to the challenges that it faces is captured in its vision of what the Council will look like and how public services will be delivered by 2020. It envisages 'strong communities in the green heart of Wales' that are vibrant, economically active and work in partnership with the Council to deliver services locally. In support of this vision, the Council has established four key priorities. They are:

- Remodelling council services to respond to reduced funding
- Supporting people within the community to live fulfilled lives
- Developing the economy
- Improving learner outcomes for all, minimising disadvantage

Statement of Intent

Each year the Council produces a Statement of Intent as a key part of its business and financial planning process. It captures the financial, regulatory and policy pressures affecting the Council and sets a direction for the cabinet's approach to the Council's budget and improvement priorities.

It presents the combined point of view and best understanding from officers and members of how the council will meet its citizen, service and financial obligations over the medium term in a deliverable and sustainable way. It also sets out the

approach being adopted by Council directorates in responding to the pressures and challenges. These approaches are summarised later in this strategy and the supporting actions are detailed in the schedule attached as Appendix 3. The full Statement of Intent is attached as Appendix 5.

Budget Strategy and Principles

The Council's Budget strategy centres on the Council's vision and the four organisational priorities that aim to meet the challenges presented by the combination of reduced funding and service pressures. The priorities are outlined in a previous section.

In 2014 the Cabinet adopted a set of Budget Principles which are intended to provide a greater link between the Council's Vision, the strategic plan (One Powys Plan) and the use of resources. The budget principles are key in order to deliver our priorities and achieve our efficiency targets by shaping our decisions to allocate resources.

The budget principles are as follows:

- Valued Services- in future services must support the Council's outcomes. Those that don't will have to be provided by others
- Supporting the Vulnerable - Scarce resources mean we must focus on the truly vulnerable not those who have historically received support and services
- Local Delivery – Services delivered within communities by communities are more responsive and efficient
- Personal Responsibility – Nationally we must move from the entitlement culture; our population and our employees will be encouraged to take more control of their lives and take on greater responsibility
- Value for Money – the council must look for value for money in everything it does
- Improving Productivity – once the preserve of private enterprise productivity and performance now matters in the public sector.

These principles will underpin and shape our budget.

Revenue Budget Funding

The Council's net revenue budget is funded from Welsh Government (WG) Grant, locally generated income and Council Tax income.

The Welsh Government (WG) will fund 73.2% of the Council's 2015/16 net revenue budget, compared to 75.2% in 2014/15 and 76.6% in 2013/14. The funding is provided in a settlement known as Aggregate External Finance (AEF).

As part of the UK Government's austerity measures for 2015/16 the AEF has decreased across Wales by an average of 3.4%. Powys received one of the lowest

settlements in Wales with a 4.4% decrease, equivalent to a decrease in funding of £8.079m after adjusting for transfers.

To mitigate the year-on-year impact on any Authority, a damping mechanism or 'floor' has been applied within the settlement. This means that no Authority will experience a reduction in funding of more than 4.5%. This calculation excludes any funding already committed in terms of the Local Government Borrowing Initiative or Private Finance Initiative and after any adjustments for transfers.

Powys benefits from this arrangement and without this safety net would be £2.2m worse off. This adjustment is a discretionary and has been determined by the Minister for Public Services for the financial year 2015/16 but is not guaranteed for future years.

The AEF for Powys for 2015/16 totals £174.3 million and consists of the following:

- Revenue Support Grant (RSG) totalling £135.4m
- Non Domestic Rates (NDR) totalling £38.9m. Powys collects rates from business ratepayers on behalf of WG. It is then redistributed to local authorities in proportion to resident population over 18.

The settlement mechanism usually gives no requirement to specifically fund certain services, nor any specific service levels. However since 2012/13 WG indicated that it expected Councils to protect funding for schools, this is again expected for 2015/16 at 1% above the overall change in the Welsh Revenue Budget. This is 0.6% or £431k. Powys has fulfilled this commitment and indeed exceeded the 1% by £1.3m over the last 3 years we can therefore demonstrate that no further funding is required as we have already exceeded the protection over a 4 year average.

The paragraph in the statement from the Minister for Public Services states:

“We continue our commitment to protect schools funding. The settlement includes resources to protect funding for schools at 1% above the overall change in the Welsh Revenue Budget.”

For 2015/16 a Council Tax increase of 4.0% for a Band D property has been included in our planning assumptions. This represents an increase of £40.22 per annum and a Council Tax of £1,045.62. Powys continues to remain below the previous year average for all Welsh authorities.

Housing Revenue Account

The authority is due to exit from the Housing Subsidy in April 2016. The subsidy in 2014/15 is £5.8m. The current estimated amount of the subsidy settlement will benefit the authority by £0.8m.

The Council holds 5,405 units of Housing stock. House rents have been increased by 2.7% which is in line with the Welsh Governments policy for Social Housing Rents. This equates to an average increase of £2.21 per week bringing the average rent to £77.75 per week (52 Weeks) / £84.23 (48 Weeks) per week. (This has not yet been taken to Cabinet for consideration and approval).

Grants

In addition to RSG and Council Tax raised the Council receives income from specific grants and income from fees and charges. These form part of the gross budget which is an indication of overall spending power.

The Outcome Agreement Grant is changing. The overall amount for the Successor Outcome Agreement Grant is included in the list of Grants for Wales. Powys County Council is allocated £1.38m in 15/16.

Ten Education grants have been combined into a single Education Improvement Grant for Schools, which should will reduce the administration burden on the authority and reduce the audit fee. The amount of the combined 10 grants across Wales was £163.2m, while the Education Improvement Grant for Schools is £141.0m. This is a decrease of £22.2m. The impact for Powys is not yet known.

There are a number of grants that cease in 2014/15. The largest grant for Powys is the LA animal health and welfare framework funding. The grant in 2014/15 was £0.145m.

Budget Delivery Plan 2015/16

Due to inflation and spending pressures from increasing regulation and the aging population the Council's savings target for 2015/16 amounts to £16.339m. The details of how the budget will be balanced are reflected in the Cabinet's headline policy initiatives which appear below:

- Council Tax increase 2015/16 – within the range 3.5% to 4.95%. For subsequent years a notional increase of 3.25% will be used.
- Reserves – To increase general fund reserves by £0.5m each year with a target level of 4% of budget.
- To increase the focus of income generation opportunities.
- Capital – Refresh the Council's Capital Strategy and to challenge the allocation to 21st Century Schools in order to release to other areas.
- Third Party Spend – Seek to achieve the £8m identified by Northgate with £1.8m identified for the forthcoming year.
- Property – Increase the pace of disposals; single occupancy buildings to be challenged together with an assessment of the long term future of County Hall, Neuadd Brycheiniog and Neuadd Maldwyn.
- Leisure – Future provider will be required to produce substantial reductions in the current net subsidy for leisure centres.
- Schools – The current number of schools in the primary and secondary sector is not sustainable:
 - A 50 pupil minimum number for primary schools will be introduced. All schools falling below this figure will be challenged.
 - The number of post 16 centres / secondary schools will be reduced.
 - Schools modernization will need to make a net contribution to the Council's overall savings annually.
- Highways, Transport and Waste – The service will be re-commissioned to produce a £6m saving over the next three years. The number of depots will

be reviewed. There will also be a review of waste disposal contracts, a review of waste collection rounds, increased fleet/transport targets, increased fee recovery and a review of working practices across all services.

- Community Delivery – We will seek to re-commission a number of services by transferring delivery to town and community councils with the aim of securing a 50% reduction in the current cost of provision.
- Support Services – Further reductions on the current delivery model are marginal. New delivery model to be explored including integration with the Powys Teaching Health Board.
- Social Services (Adults and Children) – The Cabinet will permit funding transfers across the Adults/Childrens blocks to contain expenditure within these two areas. This may lead to a permanent redistribution. Further growth pressures on the Adult Services budget must be met from efficiencies within the overall Adults/Children’s area.
- Change Capacity – The Cabinet will allocate resources and will invest in short term and long term change capacity.

The full schedule of proposals to balance the Council’s budget are presented on a service by service basis in Appendix 3. A summary of service proposals follows.

People Services

Our people services include adult social care, children’s services and housing. These services are developing a number of ‘whole system’ approaches both within the services, the council and in our work with partners in order to make our contribution to the Council’s savings requirements. By ‘whole system’ approach we mean that we look at the broader picture of what is being delivered to service users as a whole and work to redesign our approach so that each component part of service delivery compliments and contributes to the overall service delivered and improves the impact and service users experience.

We are progressing:

- The redesign of our service and management structures including the de-commissioning of services. Where there is value to be added we will work regionally to improve purchase power and make better use of specialist skills where critical mass does not exist in Powys.
- Continue to build on the success of our early intervention and prevention approach with well-defined and integrated care pathways, including a joint approach with Powys teaching Health Board and other partners such as the third sector.
- Develop clearer eligibility criteria alongside full cost recovery access model to services such as income generation (where a client can afford more) and direct payments.

As part of this strategy there will be changes to the type and level of service we offer our citizens, however we remain focused on supporting and protecting the most vulnerable.

Our people services will remain committed to:

- High quality, efficient and effective services that focus on impact and outcomes.
- Engaging our citizens in building social capacity (both individuals and communities) - in essence partnering with our citizens to deliver services.
- Developing effective and efficient care pathways from universal through to acute, through managed demand for the whole population in collaboration with our partners.
- Equity of access - ensuring that the resource requirement and true service cost is fully understood.
- Partnership and collaboration with key partners.

Schools Service

Our schools service has an overall annual budget of £97m, £72m of which goes directly to schools and forms their delegated budget. An additional £9m per annum is used to provide home to school or college transport.

Transforming learning and skills is one of the five main themes of the One Powys Plan 2014-17. We are committed to ensuring that “All children and young people are supported to achieve their full potential”.

We must strive towards improving the performance of our schools and standards in terms of learner outcomes and well-being to ensure that Powys Local Authority, its schools and learners are amongst the highest performing in Wales.

At all times we must work to ensure the impact of budget reductions on the achievement, attainment and well-being of our children and young people is minimised.

We will:

- Through regional and hub partnerships within ERW implement the national model for school improvement.
- Continue to restructure our services for additional learning needs, inclusion and behaviour through implementation of the revised Strategy for Special Educational needs.
- Implement the revised School Transformation Policy and revised methodology for reviewing schools to ensure quality leadership, teaching and learning, affordability and sustainability in all phases of education.
- Implement the 21st Century School Capital Programme.
- Protect schools delegated budgets in line with the Welsh Government’s commitment of increasing expenditure at 1% above the settlement provided to Wales by the UK Government via the Barnett Formula over the lifetime of the current administration in Cardiff Bay. However the figure of 1% is an average over this term and this Council has thus far provided increases in excess of this figure.

- Pass on to schools delegated budgets all increases or reductions which relate to changes in pupil numbers.
- Expect schools to take account of all inflationary pressures including staffing costs when preparing their budgets.

The council is commencing an overall review of provision in its secondary sector and this also links to the budget plan.

Place Services

Our place services include recreation and leisure, highways, transport and waste, property, regeneration, regulatory services (trading standards for example) and commissioning. These are front line services, many of which are highly valued and essential to health and wellbeing.

We will seek to achieve maximum efficiency and effectiveness whilst remaining within the allocated budget.

Through our overall approach we will:

- Ensure that our new operating model is applied to all staff structures so that the workforce is efficient, responsive and accountable.
- Review third party spend so that contracts and specifications are appropriate and proportionate and meeting our priorities.
- Adopt a commissioning approach to service delivery based on proven need.
- Review our use of property to maximise the opportunities for shared service delivery whilst reducing our property portfolio to eliminate unnecessary cost, and increase capital receipts.
- Consider ways we can reduce transport costs whilst taking into account the rural nature of Powys and citizen needs.
- Where possible and appropriate, maximise the recovery of costs (particularly in areas where alternative service provision is available).
- Consider further partnership working in order to increase efficiency and reduce cost.
- Identify services that may be no longer appropriate or required.
- Develop a community delivery approach to service delivery via the Stronger Communities Programme Board and our partners.

In highways, transport and waste services we will:

- Continue the modernisation of our fleet management, passenger transport and the waste collection service to ensure vehicles and staff are deployed in the most productive way possible whilst meeting waste and recycling targets.
- Consider how fees and charges can be used more effectively to support our budget requirements.
- Review the way we manage and deliver front line services in order to achieve cost reduction targets.

In regeneration, property and commissioning services we will:

- Review the amount of property we own and use including reviewing the number of locations we operate from, taking opportunities to reduce our portfolio and meet cost reduction targets, but making sure we can still support our priorities as a council.
- Review our regulatory services in terms of service delivery, to ensure a proportionate approach whilst continuing to improve community safety.
- Continue to ensure planning services are efficient and effective and achieving key performance targets.

In leisure and recreation services we will:

- Develop and implement a new not-for-profit procurement initiative with a suitable partner to manage leisure and sports centres.
- Continue to review the provision of leisure and sports centres, and libraries, to ensure long term affordability and sustainability.
- Continue to progress the transfer of our assets to other organisations where appropriate and possible, in order to encourage and facilitate community engagement in the delivery of appropriate services.

Resource Services

The Directorate provides services such as finance, HR and payroll. The focus is on changing the services delivered by working with the rest of the organisation to determine service levels and areas for priority support. There will be a requirement to demonstrate value for money and this will require the assessment of alternative models of service provision either through collaboration or other providers. This will provide the direction of travel for budget savings over the next three years.

In professional services we will:

- Challenge whether we remain the provider of service or push for greater commissioning.
- Take out management layers.
- Put in place agreements with other services to specify agreed service levels.
- Continue to develop our new Commercial Services function.
- Explore collaboration where appropriate.

In business services we will:

- Redesign our income and awards service (revenues and benefits).
- Reduce third party spending.
- Seek commercial income generating opportunities.
- Review processes to take out unnecessary activities.

Change and Governance Services

We have made significant progress in remodelling our change and governance services and have delivered £1m efficiencies over the last 12 months.

Our priority remains the support of overall organisational development and this will need to evolve further to support the multi organisational development required from the finding of the Williams commission. We will continue to target being effective but economical in our performance management service, making better use of technology and a 'business intelligence' approach.

Following reductions in the level of resources available for customer services we will target staff in support of the most vulnerable in the community and make further use of technology to provide the best possible access to services within available resources.

In information services we will seek to achieve excellence in business change and support for innovation but to be effective and economical for our core services and further develop our use of collaboration & partnership working.

In our corporate, legal and democratic services we will seek to be develop our services around introduction of the new model constitution and investments in new technology.

Looking Further Ahead and Funding assumptions beyond 2015/16

Financial projections as far as the end of the decade will always be difficult and will have a high level of uncertainty. Significant concerns exist about demographic costs and the age profile of the population will require Powys to assess where its future budgets should be allocated so that it addresses this risk. Whilst the Medium Term Strategy has delivered a balanced 2015/16 position there is much more to be done. The relatively easy savings have been taken and major service redesign and transformation.

It has been assumed that the settlement from WG for 2016/17 will be a decrease of 4% and a decrease of 2.5% for 2017/18. This is based on the indicative figure from WG and work undertaken by the WLGA and the Institute for Fiscal Studies focusing on how Local Government Settlements in Wales may be affected in the future.

Forecasting inflation includes a number of assumptions. It assumes an ongoing pay award of 1% per annum. Inflation can be a major cost driver and we need to keep this under review because if inflation rises above Bank of England projections this will be a pressure on our budgets.

It is also assumed that the protection for schools will remain at 1% above the settlement that WG receives from Central Government in London. Other inflation factors are included in the plan for these future years.

We have adjusted our indicative future increases in Council tax to an increase of 3.25% and this is included in 2016/17 and 2017/18. This will be subject to political

determination on an annual basis but if the safety net provided by the floor is removed this would need to be revised upwards or further cuts sought.

Service pressures particularly around Adult Social Care are likely to continue and the trend around pupil numbers will be closely monitored because the council will have to ensure it also provides a level of provision to meet the numbers of pupils. This may require difficult decisions to be made about the number of schools we can afford.

These factors will have a significant impact on the longer term strategic planning given their link to the Council's funding requirement, especially as significant further savings are required through to 2020 to produce balanced budgets as required by the Local Government Act.

Looking to 2020, it is clear that we are seeing a significant change in local government driven by funding reductions leading to the need to reduce the size of local government and in some cases challenge whether current services are the best way to provide value for money. Part of our response will see the review of whether our service provision is sustainable.

The savings identified will continue to reduce headcount, and generate service efficiencies, some of which are transformational, however a large number of the proposals put forward will inevitably impact on front line service delivery. The figures beyond 2015/16 are therefore subject to revision as alternative models of delivery and other savings are identified through the Council's budget and cost improvement strategy, these together with any unforeseen budget pressures will be considered as the Council determines its budget.

The council is already working with strategic partners to ensure we have access to the latest best practice for corporate cross cutting activities. This approach already covers transport, third party expenditure and income. We will seek to build on this approach. For example we are revising our approach to income generation where we will seek to recover the cost of services where it is appropriate to do so. This is in line with the response of many other local authorities and is a strategic approach to an important source of funds.

Our future approach will also centre on Community Delivery. In the One Powys Plan there is a commitment to develop a scheme that encourages communities to work with local organisations to improve services at neighbourhood level. The council held a series of events in autumn 2014 as part of its consultation to develop the approach.

This approach is in effect a new relationship with communities and will see a different response to service reduction that has generally seen the removal of services to save money. Inevitably some services will have to stop or be scaled down because the funding is no longer available. The Community Delivery approach will see some service provided locally in a different way by local organisations. This will play a role

in our response to funding reductions and this different relationship with local organisations will see some services delivered locally for less money. At the moment we have not factored any savings into our financial plan from this approach but these will be included in future years.

Cost Improvement Strategy

The Council recognises that it must operate at a much lower cost and that services must be cost effective and focused on core outcomes for residents, business and communities, regardless of whether services are delivered solely by the Council, in partnership or via a third party.

The magnitude of budget reduction required cannot be achieved through an annual budget process of targeting services with savings (commonly referred to as 'salami slicing'). It is a continual process which is developed within a clear cost improvement strategy. This requires a better understanding of each services cost base and the application of a model of key cost cutting themes which require consistent and coherent cross council action.

The objective of the cost improvement strategy is:-

- To set out the financial gap between demand and funding.
- Identify additional cross-council approaches that help services improve cost.
- Collate an overall cost improvement programme and help stakeholders to prioritise and commit.
- Provide rigorous processes for benefit management and for understanding and managing cost.
- Challenge to ensure robust and reliable benefit delivery and to track that deliver.

The cost improvement streams are as follows:-

Income - Agree fees and charges principles and policy; collate fees and charges register and baseline. Apply principles and benchmarks to scope potential opportunities. Develop business case for each change and agree new fee levels.

Third Party Spend - Prepare spend analysis and contract relet schedule. Prepare opportunity diagnostic and apply in services. Identify and deliver tactical negotiations prepare sourcing strategies for longer term opportunities.

Service Commissioning Review - Agree service lines for commissioning undertake initial scoping of cost, current approach, statutory and citizen requirement and service pressures, Use this to identify tactical service changes and priority opportunities for service commissioning

Management Delaying - Set spans and layers principles and structure diagnostic approach; establish current staff baseline and reporting structures. Apply principles and identify roles who will no longer manage. Agree people process to risk assess and release posts.

Transport - Improve utilisation of vehicles and reduce leased vehicles by managing individual service requirements together from a single fleet. Deliver alongside Northgate intervention.

Property - Collate single property register. Identify influencable property costs – lease terminations, revenue costs etc. Review current and future occupancy against capacity. Set occupancy principles and work with services to identify opportunities to adjust and release cost.

Aggregate Support - Review status of current support functions against the new operating model and assess the level of fragmentation. Scope potential opportunities for aggregation.

Enabling - Provide improved cost base and cost driver analysis to services. Outline an opportunity management process to track identification, testing and development of cost reduction opportunities at a whole council level.

Channel Shift - Identify main tasks people want to complete with the Council and shift these to electronic self-service channels. Publish a new, fully mobile compatible website structured around these tasks with up to date and relevant content. Establish frameworks for developing services online and for maintaining the website.

Equalities Impact Assessment

We have a duty to provide an Equality Impact Assessment (EqIA) to support the budget planning process, in order to understand whether our proposals will have an adverse impact on any particular group of people or could result in direct or indirect discrimination. We have undertaken these assessment to meet the requirements of the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011.

Where required the budget proposals have been equality impact screened, those proposals that are deemed to be high or medium risk are likely to need full EqIAs. The proposals will not be able to be implemented until those assessments have been undertaken and properly considered.

Capital Programme

It is important that the Council continues to renew its core infrastructure, such as schools and housing, in spite of cuts by central government. The Council is also aware that much of its capital investment is spent with businesses within Powys or its near neighbours.

Maintaining the capital programme has a significant regeneration impact on the economy of Powys alongside the direct effect of better infrastructure to deliver services from.

Capital investment also has a significant input into the delivery of revenue savings and it is essential that both budget strategies are developed in tandem.

The Council receives a core capital allocation from Welsh Government. In 2015/16 this allocation is £7.523m. In addition to this the capital programme is funded through

borrowing money and repaying this over a number of years. The repayment costs form part of the annual revenue budget.

The Capital Strategy is attached as Appendix 4. The Strategy itemises the Council's capital programme for the next 5 years with the budget totalling £145.946m. This is a significant commitment. In addition a further £152.8m is included for the Housing Revenue Account (HRA). The HRA priority is the Welsh Quality Housing Standard Programme with the standard to be achieved by March 2018. The Subsidy Settlement is estimated at £85.892m.

Risks

There are a number of risks associated with the budget plans. In 2014 the council revised its approach to risk management and this is now managed on a corporate basis with regular reports to Audit and Governance. The corporate risk register has also formed part of the background data assisting the budget setting process

The following risks are noted below:

Budget Savings - The level of savings required in 2015/16 are significant. Any unforeseen delays in implementation will impact on the achievement of the reductions required. Progress on the delivery of agreed savings targets will be reported to Cabinet on a monthly basis. The Reserve position of the Authority is in line with the prudent range of 3 - 5% and these are available to "smooth" any slippage in delivery of the savings. However the emphasis is placed on ensuring savings are delivered. The approach is supported by the policy around the use of reserves: all reserves are corporate rather than service based. If reserves are used for temporary support of the revenue budget the replenishment of these reserves will be required in the following year in addition to the achievement of the saving itself. Plans within service areas need to be managed robustly in order to limit any underachievement and monthly budget monitoring and savings delivery monitoring ensures Cabinet and has visibility of financial performance.

Income – the budget is supported by approximately £60m of generated income and therefore services need to constantly review their income levels and develop creative plans to ensure that they are sustained. This risk is being mitigated by an overall strategy for income and a move to full cost recovery wherever appropriate.

Council Tax – collection rates continue to be good in Powys at 97.6%. However the most recent data shows that across the UK collection levels are falling. Our good performance needs to be sustained. It is not yet known whether the welfare reform will have an impact on the collection of council tax within Powys but future assumed collection levels will be kept under review. The budget includes an increase in the council tax base for 2015/16 based on known data.

Equal Pay – the council has mitigated the financial risk of potential future equal pay claims by holding a reserve to support these costs. This is kept under review.

Treasury Management – the revenue budget and capital programme are supported by daily cash movement managed within our borrowing and investment strategies, the financial climate has a significant impact on these activities. We continue to monitor these on a daily basis. Any variation in the cost of borrowing is being mitigated by a

proactive approach to refinancing our borrowing wherever possible. This ensures that wherever possible our long term borrowing for our capital projects takes advantage of the historically low level of debt interest.

Change Delivery Capacity – a number of savings are now categorised as ‘transformational’. In other words a proactive approach to change is required rather than the more traditional percentage budget cut. It is important the council recognises that at a time of change investment may be needed to deliver change. In some cases specialist skills will be required for short periods. The 2015/16 budget includes funding for this change.

Variations to Settlement Assumptions - the Council makes every effort to ensure that its assumptions about budget settlements for future years are based upon the best available evidence. However, future settlements cannot be predicted with absolute accuracy and can be influenced by political and economic policy changes. The Council currently benefits from a mechanism that ensures that no authority in Wales receives a settlement reduction of more than 4.5%. This mechanism is referred to as a ‘floor’ and there is no guarantee that the floor will be applied in future years. The floor in the Council’s settlement for 2015/16 protected it from a further reduction in its settlement of £1.7m.

Consultation

The Council ran eight stakeholder consultation events during late September/early October 2014 with a targeted group of stakeholders to engage on three key issues:

- The council’s financial position and possible savings ideas and views on key services;
- Community delivery including the potential and any concerns around this approach;
- Proposed changes to the eligibility criteria for adult social care.

The events were organised in conjunction with Powys teaching Health Board who gave participants an insight into their financial position. PAVO offered their support by facilitating the community delivery workshops.

Over 100 workshops took place over this period allowing interested stakeholders like town and community councils, third sector representatives, volunteers and service users to hold conversations and contribute their thoughts and ideas around the three key issues listed above. Powys teaching Health Board also ran a workshop to capture views around their savings programme. Approximately 300 people attended the events.

The feedback from stakeholders at the consultation events has been used to shape the Council’s savings plans for the forthcoming year and also its strategy for future years. The detailed feedback from these consultation events is included as Appendix 6.

The Council will use an on-line budget simulator to support the development of its budget strategy for future years. The tool allows citizens to ‘take control’ of the Council’s budget and simulates the difficult decisions that the Council has to make in balancing its budget. The simulator will also provide valuable feedback on what the people of Powys see as the priorities for spending over future years

