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## CABINET

Tuesday, 26th July, 2016

### S U P P L E M E N T A R Y P A C K

1.	<b>RESPONSE TO FINANCE SCRUTINY PANEL REPORT ON THE MEDIUM TERM FINANCIAL STRATEGY</b>	<b>C155- 2016</b>
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To consider a response to the Finance Scrutiny Panel report on the Medium Term Financial Strategy.

(Pages 1 - 10)

2.	<b>RESPONSE TO FINANCE SCRUTINY PANEL REPORT ON THE BUDGET ASSUMPTIONS</b>	<b>C156- 2016</b>
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To consider a response to the Finance Scrutiny Panel report on the Budget assumptions.

(Pages 11 - 18)

3.	<b>COMMUNITY DELIVERY FUNDING ARRANGEMENTS FOR WELSHPOOL TOWN COUNCIL</b>	<b>C157- 2016</b>
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To consider a report by County Councillor Graham Brown, Portfolio Holder for Procurement and Commissioning.

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## CYNGOR SIR POWYS COUNTY COUNCIL

**CABINET**  
**5 July 2016**

**REPORT AUTHOR: Finance Scrutiny Panel**

**SUBJECT: Medium Term Financial Strategy 2016 -2019**

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**REPORT FOR: Discussion**

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- 1 The Finance Scrutiny Panel has begun deliberations on the Medium Term Financial Strategy (MTFS) 2016-19 and offers the following observations for discussion of further development of the Strategy. It is acknowledged that the MTFS will be amended regularly throughout the budget process to ensure its relevance. The Panel proposes to consider the MTFS and offer its comments to Cabinet on a regular basis.
  
- 2 Whilst this initial report tends towards general comments, future meetings will address issues such as the rationale behind some of the key assumptions relating to council tax, reserves, inflation and income generation and whether the principles of the emerging Corporate Improvement Plan are reflected in the MTFS.
  
- 3 The 2020 vision and budget principles are accepted in the current challenging financial climate but the Panel do have concerns regarding the robustness of the MTFS where partner working is involved. There seems to be little recognition by service areas of the challenges faced by communities and rather than incentives being included for communities to take over services, threats that services will be lost are more common. We do not consider that the financial targets within the MTFS can be met if community delivery cannot be achieved in a timely, efficient and effective manner.

Communities note that there appears to be continual cuts but charges always increase which does not develop the vision of strong communities. Unless individual citizens use services, they have little understanding of the challenges in delivering that service. Local complaints tend to reflect those services, such as grass cutting, that are most visible, and there seems to be a disconnect with becoming involved overall. There is a growing need to bridge that gap.

The reasons for the Authority reducing its own involvement in some areas are recognised but it cannot continue to expect to retain control. There should be a recognition that if the Authority is unable to deliver a service that service should not be commissioned but handed over unimpeded. Furthermore there needs to be flexibility in the Authority's vision.

Communications need to be improved – there is too much emphasis on cuts and the authority should be more proactive in informing its citizens of

the benefits of services being run differently or redesigned. The outcomes may not change but more effective communication is essential. One example would be around the issue of school closures where the need to improve standards must be promoted rather than dwell on the closure of a building. The Council has good examples where this has worked, for example, 10 primary schools reduced to 4, with high standards in these new schools. Public perception varies across areas and smaller communities are unaware that larger communities are being asked to take over services. 'Cuts' should be considered 'efficiencies' which could be achieved by changing processes, automation etc. Furthermore, there should be honesty in what can be delivered by the Council and that local negotiations can take place as to what can be delivered. There seem to be lengthy delays in all aspects of transformation.

Consideration should be given to how long the Authority can continue to support every service and reduce budgets year on year. Salami slicing should not continue to be the major approach to budget setting. There needs to be a realistic assessment of what can be afforded. It was acknowledged that politics hampers the debate about what should be provided and where. A further complication is the lack of knowledge regarding actual costs.

The Panel question how flexible the Authority can be in using the budget and believe the budget must be set from the bottom up. A number of services are provided on an historical basis but there should be a holistic overview of the provision of services

The term 'productivity' should be reworded to 'move to a business model'

There were no references to the Health Board within the MTFS despite budgets having to be pooled by 2018. The Panel was concerned that a recent seminar had suggested that integration had been paused but received no satisfactory responses to questions posed. Many savings are dependent on integration.

- 4 With reference to the individual sections of the Strategy, the Panel have the following comments

#### **People**

- More detail should be given regarding the context for savings
- More emphasis needed on what can be delivered
- Equity of access
- Comment should be made regarding which services will be decommissioned – although it was noted that the MTFS was strategic rather than service level
- More schools are likely to become overspent and this cannot be allowed. The MTFS identifies £30M retained with £10M of that reserved for school transport. Whilst the bulk of the remainder was spent on schools, it was thought that this should be identified.
- Overall performance in schools is declining but the focus is on budgets. The documents states the Authority is 'striving' towards

improved performance. This should be changed to 'must' improve performance.

- Can school transformation be delivered? It is not feasible to continue to put pressure on budgets and deliver outcomes. There was some confusion regarding 21<sup>st</sup> Century Schools funding and whether it could only be used for transformational projects or whether it could be used to improve school buildings.
- If the number of schools cannot be reduced, what is the alternative plan?
- Powys has to transform as it is unable to deliver to current budgets. However, does transformation lead to lower costs? Maesydderwen has one of the highest costs per pupil in the authority but standards have improved. The lowest cost per pupil school, Crickhowell High School, has been the best performing green school for some years and lessons need to be learned from this model.
- A figure should be included for the overall budget not just savings – this should apply to all directorates

### **Place**

- The Panel welcomes the identification of services no longer appropriate or required
- What plans are in place for Income Generation?
- Where an issue is subject to review, a timescale should be given – even if it only identifies the year in which the review will be completed
- Processes for transfer of assets must be right. There seems to be little progress and the actual list of assets transferred is short

### **Resources**

- Services should be identified for removal or for further investment if an appropriate business case can be provided
- Levels of council tax need to be considered – council tax can be set against the income of an area and Powys has the second lowest average income in Wales
- Capital drives increases in efficiency. Careful consideration needs to be given as to how capital can be used to ensure savings are delivered. Further borrowing could be justified and the capital budget used proactively. A more integrated approach to capital, revenue and reserves should be taken
- If Impact Assessments (IAs) are used correctly then budgets are deliverable. If mitigation cannot be identified then that item should not be in the budget. More emphasis on alternative plans needs to be included in the budget.
- IAs must accompany budget plans
- There is confidence that general risk is being dealt with. Risk registers must be used proactively in developing the budget and associated IAs. Portfolio Holders must also assess service risks and ensure that appropriate risks are elevated to the Corporate Risk Register.
- The pace of change is causing some concern as there are major risks if transformation is not timely
- Consultations tend to be county wide – should consideration be given to a structure where some choice is left at a local level?

**5 The Panel would welcome further constructive dialogue in the ongoing review of the MTFs.**

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**Background Papers used to prepare Report:**

**Medium Term Financial Strategy 2016-19**  
**Finance Scrutiny Panel notes 20 May 2016**

Appendix – Response to Finance Scrutiny Panel Cabinet Report

<u>Ref</u>	<u>FSP Comments</u>	<u>Responsible Officer</u>	<u>Cabinet Response</u>
			<b>People</b>
1.	More detail should be given regarding the context for savings	Amanda Lewis	<p>Full details on each efficiency saving within the People Directorate are contained within the trackers which have been presented to Cabinet and full Council. The progress against the deliverables is reported through to Portfolio Holders at the Performance &amp; Finance meetings on a quarterly basis and cabinet receive a monthly update through the Financial Overview and Forecast reports.</p> <p>We have utilised a number of other key strategic documents including the Directors Report and the Service Improvement Plans to highlight the changed legislative landscape of the services that are being provided. These include the SSWB Act and the implementation of this, along with the cost pressures that the legislation brings including the potential impact of the national living wage.</p>
2.	More emphasis needed on what can be delivered	Amanda Lewis	<p>In our approach we are describing a whole system response, which includes how we take a collaborative approach with citizens and communities to enable them to support themselves, recognising that individuals will be the experts in their own lives and that as we move from doing for, to doing with, through participation and engagement with all parts of the sector including the third sector, private and business organisations, we will be able to describe more clearly what will be delivered. The report on Day Time Activities including day centres is scheduled for 28<sup>th</sup> July and has a detailed analysis on how the shift in approach to our Early Intervention &amp; Prevention model will be developed.</p>
3.	Equity of access	Amanda Lewis	<p>This is a fundamental requirement in terms of the Council's commitment to fulfilling its strategic intent, and is supported by the strategic equalities plan. Our redesign of services e.g. day time activities and day centres, is seeking to ensure that we can build an approach to early intervention and prevention that touches upon all of our citizens and communities in Powys, rather than building based services which do not enable all citizens to have a response at a time that they want, based on what matters to them.</p>

4.	Comment should be made regarding which services will be decommissioned – although it was noted that the MTFS was strategic rather than service level	Amanda Lewis	As each efficiency saving is progressed which may including detailed consultation with service users, all elements of the commissioning cycle are included, including the de-commissioning of services. Any plan to de-commission will be agreed by the Portfolio Holder and/or Cabinet, and we cannot pre-empt the outcome of public consultation by stating what our intent is without going through a very important part of engagement with our communities and citizens to achieve this.
5.	More schools are likely to become overspent and this cannot be allowed. The MTFS identifies £30M retained with £10M of that reserved for school transport. Whilst the bulk of the remainder was spent on schools, it was thought that this should be identified.	Ian Roberts	<p>There is £21.6m retained with expenditure identified as follows: -</p> <ul style="list-style-type: none"> <li>• Home to School transport- £9m</li> <li>• Freedom Leisure £1.7m ( for schools use of dry side and pool facilities)</li> <li>• Early years- £0.7m ( for statutory provision in 3+ settings )</li> <li>• Educated Otherwise than at School - £1m ( including PRU and medical provision)</li> <li>• Out of county Placements- £1.1m ( including independent and other LA placements for pupils with complex needs)</li> <li>• Specialist Units in Powys - £1.7m</li> <li>• Severance pay -1.7m ( school based redundancies )</li> <li>• School service staffing- £4m</li> <li>• School Transformation operating costs£0.2m</li> <li>• Miscellaneous £0.6m (Subscriptions, contribution to ERW , Teachers Centre, management information systems, copyright licenses for school , ICT SLA for primary schools, subsidy for Free School Meals, Maternity cover for schools, etc.</li> </ul>
6.	Overall performance in schools is declining but the focus is on budgets. The documents states the Authority is 'striving' towards improved performance. This should be changed to 'must' improve performance.	Ian Roberts	Overall performance in schools is not declining. In the academic year 2014-15 at all key stages there was an increase in the majority of performance indicators from Foundation Phase to GSCE. At all stages, Powys performed in the top 4 of Local Authorities with the improvement trend being higher than the Welsh average in many indicators. The Estyn profile for primary schools for 15-16 academic year has more schools requiring no follow up from Estyn than in previous years. There are significant issues relating to secondary school inspection outcomes that are being addressed through the regional secondary school strategy for Powys. <b>It is agreed that the aspiration should be "must" rather than</b>



			<b>“striving”.</b>
7.	Can school transformation be delivered? It is not feasible to continue to put pressure on budgets and deliver outcomes. There was some confusion regarding 21 <sup>st</sup> Century Schools funding and whether it could only be used for transformational projects or whether it could be used to improve school buildings.	Ian Roberts	<p>There is a need to reduce surplus places in our schools and also to reduce the variation in spend per pupil whilst at the same time raising standards. There is considerable pressure on school budgets due to falling numbers in the secondary sector in particular and the need to meet pressures such as pay increases, National Insurance, etc. without growth to the delegated budget which is allocated to schools through the Powys Resource Allocation Formula.</p> <p>Welsh Government has currently allocated funding under band A which ends in 2019. When submitting a strategic outline case to Welsh Government the following issues need to be addressed: -</p> <ul style="list-style-type: none"> <li>• the condition of the school proposed for replacement, refurbishment or relocation;</li> <li>• current capacity of the school/s;</li> <li>• The demand for places at the school / college;</li> <li>• How will the proposed project reduce surplus capacity;</li> <li>• What will the impact of this project be on nearby schools and colleges;</li> <li>• Will it increase surplus capacity elsewhere / will it address sufficiency of places in the area?</li> <li>• How does the school / college work with other providers in the area?</li> <li>• Will the project have any impact on nursery places / early years education, Welsh Medium Education, Play areas, After school care / wrap around childcare, Special Educational Needs Provision, Further Education Provision?</li> </ul>
8.	If the number of schools cannot be reduced, what is the alternative plan?	Ian Roberts	<p>All school reorganisation proposals consider a range of options. These include amalgamation, federation and all through school solutions. There is no efficiency identified in respect of the current secondary school proposals. Without prejudice to any Cabinet decision, should the current primary consultations not result in closure there will be a need to evaluate budget lines including schools delegated budgets as the non-controllable income held centrally is limited.</p>
9.	Powys has to transform as it is unable to deliver to current budgets. However,	Ian Roberts	<p>Transformation does not always lead to lower costs. It very much depends on the solution in</p>

	does transformation lead to lower costs? Maesydderwen has one of the highest costs per pupil in the authority but standards have improved. The lowest cost per pupil school, Crickhowell High School, has been the best performing green school for some years and lessons need to be learned from this model.		place. Where there are school closures then it is probable that there will be efficiencies realised which can be re-invested into the schools delegated budget should this be the Cabinets decision to do so. It is inevitable that there will be variation in delegated budgets received by schools due to the number of pupils on role, ALN provision, schools with dual streams etc. An objective must be to reduce the variation between schools. This is complex within a rural authority
10.	A figure should be included for the overall budget not just savings – this should apply to all directorates	David Powell	The presentation of budget data will be reviewed following FSP's comments
<b>Place</b>			
11.	The Panel welcomes the identification of services no longer appropriate or required	Paul Griffiths	Although there are services that can be decommissioned the quantum in financial terms is relatively low.
12.	What plans are in place for Income Generation?	Paul Griffiths	Every area of opportunity for income generation is being considered as part of service modernisation and income generating opportunities have already been taken across a range of services.
13.	Where an issue is subject to review, a timescale should be given – even if it only identifies the year in which the review will be completed	Paul Griffiths	All projects associated with budget savings have an identified time scale attached. Those savings that are either immediate savings requirements or complex longer term transformational projects have more detail attached whilst others will not.
14.	Processes for transfer of assets must be right. There seems to be little progress and the actual list of assets transferred is short	Natasha Morgan	We took the opportunity to streamline the sales process in the latest review of our Corporate Asset Policy as approved by Cabinet on 23 <sup>rd</sup> February. Our disposals are on track with 5 already agreed this financial year (and a further 8 from this year/previous years still with legal). Extra staff are needed to increase the pace of disposals. Whilst we received approval for this at the start of the financial year, there have been delays in recruitment pending the property services restructure and the ability to find suitable candidates (e.g. we were unable to recruit a temporary valuer despite a national advertising campaign with the industry leading professional body (RICS)). In addition it should be noted that we are working in a challenging market and properties are not selling quickly – we are therefore having to find alternative options e.g. a surplus unit failed to sell after many months of marketing and so we found a tenant to take a lease instead which provides a 15 year income stream for the Council. The development of our Strategic Asset Management

			Plan is looking at how we can get the best outcome for the Council whether that be in the form of income generation, regeneration or capital receipt.
<b>Resources</b>			
15.	Services should be identified for removal or for further investment if an appropriate business case can be provided	David Powell	There is a process in place to support investment on a case by case basis but it is acknowledged that further development in this area can be made. There is an invest to save fund available for services to apply to use if support is needed.
16.	Levels of council tax need to be considered – council tax can be set against the income of an area and Powys has the second lowest average income in Wales	David Powell	The financial model allows for different levels of council tax to be set. Clearly if a lower level is set this increases the level of budget savings required. The annual process can be more explicit about the impact of varying levels of council tax and resulting savings requirement and this will now be clearer in the budget report.
17.	Capital drives increases in efficiency. Careful consideration needs to be given as to how capital can be used to ensure savings are delivered. Further borrowing could be justified and the capital budget used proactively. A more integrated approach to capital, revenue and reserves should be taken	David Powell	The 2016/17 budget saw a closer link made between capital and revenue budgets. This also featured in the new capital strategy. The integration of the financial planning approach across revenue, capital and reserves is supported by the Reserves Policy agreed in December 2015
18.	If Impact Assessments (IAs) are used correctly then budgets are deliverable. If mitigation cannot be identified then that item should not be in the budget. More emphasis on alternative plans needs to be included in the budget.	David Powell	<p>In making a decision regarding funding or service provision, Powys County Council like any public authority must assess the potential impact of that decision, both positive and negative, as regards race, disability and gender. Where further action is required, public authorities must take this into account. Should a public authority be unable to avoid any potential negative impact which arises as a result of the decision, this must be a key consideration of future action, such as considering the effect of the decision when the financial situation has improved.</p> <p>The reality is that, in times of financial constraint, Powys CC has to make difficult and often unpopular decisions regarding funding and service provision. The Public Sector Equality Duties do not prevent authorities making these decisions, provided that decisions are taken in accordance with the duties.</p>
19.	IAs must accompany budget plans	Caroline Evans	Impact Assessments are completed for each individual line of saving identified within the MTFs, and accompany the budget pack to Cabinet and Council when signing off the budget.
20.	There is confidence that general risk is being dealt with. Risk registers must be	Caroline Evans	The risk management process is now embedded throughout the organisation with services

	used proactively in developing the budget and associated IAs. Portfolio Holders must also assess service risks and ensure that appropriate risks are elevated to the Corporate Risk Register.		updating their risk registers on a minimum quarterly basis. The corporate risk register is discussed by Directorate Management Teams, Cabinet and Audit Committee. Risk management has been incorporated into the IAs which allows the risks for each budget saving to be identified and inform the decision making process. Portfolio Holders are appraised of service risks on a quarterly basis at the Performance Review meetings. Moderation is undertaken at Service Management Teams and Directorate Management Teams to ensure that appropriate risks are elevated to the Corporate Risk Register.
21.	The pace of change is causing some concern as there are major risks if transformation is not timely	David Powell	There is now an overall resource plan in place that identifies that over 100 projects are to be delivered. The reporting of progress is key and the resource plan identifies the timeframe and what resources are needed. It is acknowledged that unless transformation is delivered the MTFS will not be delivered.
22.	Consultations tend to be county wide – should consideration be given to a structure where some choice is left at a local level?	Sue Ling	<p>We currently capture postcode and demographic profile information when we carry out consultations – age, gender, disability, etc. As long as we have a large enough sample we can look at the data from a more geographical perspective.</p> <p>Local consultations do also take place. E.g. a recent public transport consultation targeted communities that were going to be affected including across border. We also carried out specific sessions at local areas. Consultations are targeted depending on the topic.</p> <p>Capture people / resident voice. As part of WbFG Act we are looking at locality specifically to undertake some targeted consultation. There are 13 localities within the County.</p>

## CYNGOR SIR POWYS COUNTY COUNCIL

### CABINET

**REPORT AUTHOR:** Finance Scrutiny Panel

**SUBJECT:** Budget Assumptions

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**REPORT FOR:** Discussion

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The Finance Scrutiny Panel have considered the assumptions behind key decisions and made the following comments after which the Portfolio holder's response is included in italics:

- The WAO commented in their review of Financial Resilience that there needs to be better monitoring of performance. Whilst financial monitoring will be undertaken by the Panel it is understood that an alternative model for performance monitoring is being considered. The Panel seek assurance that this is being developed given the impact this should have on services and to ensure that decision making is more informed.

#### Portfolio Holder's Response

*As part of progress towards developing a better performance monitoring system and also linking service delivery performance with finance, both finance and performance have been brought together under one Portfolio Holder. It is also worth noting that these activities now both sit in the Resources Directorate and this helps me as Portfolio Holder get an overall picture of performance. In addition the Strategic Overview Board has been re-introduced and meets every 3 months to look at details of performance across all services. So far it has met twice and adjustments to how the information is presented is still happening, but this is a significant step forward in the improvement process. We are also considering adopting a similar performance monitoring system as Ceredigion CC and the Strategic Director of Resources and Portfolio Holder are meeting with them in near future. Officers in the performance section have already visited Ceredigion.*

- The Panel welcome the improvement in Impact Assessments but note that these were still not always effective. Some services see the completion of IAs as a paper exercise and do not recognise their value. The Panel was pleased to note that officer training is in hand. There needs to be a greater degree of ownership by some Portfolio Holders.

#### Portfolio Holder's Response

*I can really only reiterate what has been said to the FSP previously on this matter. The Council's development of the Impact Assessments has been positive over the last two years, and this has been recognised by WAO who are very complimentary. However, there remains some concerns that have been rightly expressed by FSP and as Portfolio Holder I certainly feel that we can improve the situation further. Following last year's budget process I met with Officers on this matter and improvement measures*

were agreed and are already being implemented. These include training for the relevant Officers and Portfolio Holders, requirement for PH's to sign off and take ownership of all Impact Assessments in their areas. Training has now commenced and 9 training events for Impact Assessments are being held. The first one was on 22<sup>nd</sup> June. In addition we shall be processing Assessments much earlier and in batches which will provide a better process for all concerned in the process

- The outline planning process would be improved by including timelines

#### Portfolio Holder's Response

*Not entirely sure what is actually being referred to here. The Budget planning process is carefully considered and planned, although last year, being the first year of moving to a 3 year budget, the work being much more than anticipated, there was some problems with the planned timetable in the early part of the process, this was not unexpected given the significant adjustment budget holders had to make to the new process and latterly due to uncertainty around the floor arrangement. For the current budget planning process, we initially set a clear timetable, which unfortunately has now been thrown into confusion due the outcome of the EU referendum and the subsequent national political changes which will impact on the process both at Westminster and also at WG. We have been in touch with Welsh Government and as of July 20<sup>th</sup> they indicate a draft Welsh Government budget will be published on 19<sup>th</sup> October and the Provisional Local Government Settlement will be in December (no date given), Therefore we have ended up in an uncertain situation due to national issues and await clarity in due course. However this won't stop budget preparation.*

- One of the four priorities is to 'deliver services for less' – which services will be included? There must be a move away from salami slicing and consideration should be given to which services are to be discontinued, with individual services being considered against the whole. A strategic approach must be taken and silo working avoided. Many concerns are rooted in the traditional way budgets are set. It was acknowledged that the Authority was still in a period of transition.

#### Portfolio Holder's Response

*The majority of budget savings include some element of service change or transformation and each and every one were outlined in the budget papers last year and the MTFS. Members of the FSP should be aware of what each of those were and the proposals being taken forward for service transformation and delivery. This year we do not really intend revisiting all the proposals in the current MTFS, but will of course need to add any additional proposals for 2019/20. There are also some proposals in the MTFS which lack sufficient detail for very good reasons. Those proposals now need to provide details of what is being proposed in order to meet the indicated saving.*

*I do not agree with the comments regarding salami slicing. It is obviously true that we have introduced a basic 20% minimum cut across all services areas, but within that strategic framework, services are required to transform the way they deliver (which includes outsourcing where appropriate). Whilst this basic approach is being pursued, there will always be instances where the proposed savings measures do not result in*

*delivering the anticipated level of savings, which leaves the service having to then consider other ways, often in a short timescale, of covering the resulting savings shortfall.*

- The Panel considered that a different approach should be taken whereby there is less emphasis on what is being cut and more placed on what can be delivered for the available funding. There are good examples of communities delivering services more effectively and these should be promoted. The Council must also have the confidence to 'let go'.

#### Portfolio Holder's Response

*With regard to considering what can be delivered with available funding I think that is exactly where each service is in reality, however it is clear that no matter what is proposed with regard to service changes, we are meeting with resistance to the savings in most cases both politically and also from Communities and residents. In many ways this is understandable but leads to a considerable amount of additional work and often delays in implementation leading to savings targets being missed. This is a significant risk.*

*With regards to the programme for transferring delivery of some local services over to Communities, although a lot of resource has been invested into the process it has been slow to come to fruition and 'patchy'. However Cabinet have recently reviewed the relevant terms and agreed that a more flexible approach must be adopted and this has clearly provided fresh impetus to the programme.*

- Powys 2020 vision – this must be communicated in a way in which the public can understand and be tangible. There is no excuse for a 'fluffy' approach. The vision must be marketed and must be accepted throughout the organisation. The Panel was of the opinion that there needed to be better links between the MTFs and the Vision. Vision needs to be adaptable to change. Communication remained a cause for concern as it was not always delivered with sufficient clarity

#### Portfolio Holder's Response

*Whilst I fully agree that communications are important, I actually feel that in last year's process the 'campaign' style communication really worked. We concentrated on getting information out to Members and to the public on a regular basis and we adopted a completely honest approach. We have had many compliments about this approach from members, press and public, and this helped our residents to begin to understand the size of the challenge facing the Council and that this was in fact a situation imposed upon the Council as a result of the Government's austerity measures. It is the intention to continue with that approach as we move through the budget process this year and as relevant information becomes available.*

- Consultation is not always effective and a better process should be devised if services are to continue to be transferred to communities

#### Portfolio Holder's Response

*Whilst I agree there have been examples of where consultations could have been better, we do strive to conduct good consultations where required. The Budget Planning group includes members of the communications team who advise on consultation. Timescales for required savings often dictate, but we are seeing that the 3 year budget is providing a better planning framework for services and will be leading to better planning of consultations and also a more appropriate consultation windows.*

Consideration should be given to updating the title 2020 Vision in the near future

#### Portfolio Holder's Response

*The cabinet has taken steps to improve the framework within which the budget is set and has a set of Budget Principles, a clear Vision and has now put in place a Corporate Improvement Plan. These complement the One Powys Plan. The outcome of the referendum vote and the uncertainty that now prevails, means that this year we will simply add 2019/2020 to our MTFs and currently we are also working on the Corporate Improvement Plan to incorporate 2020. Therefore at present it is clear that the 2020 vision is still very relevant. Current uncertainty to project beyond that date means we will continue with the existing vision.*

- Consideration should be given to move to a 5 year budget plan in the future with more detail contained earlier within the plan

#### Portfolio Holder's Response

*As I have previously made it clear to FSP the introduction of the 3 year plan is a 'stepping stone' to a possible 5 years planning cycle. However to achieve that we would need to see WG moving to a 3 year funding arrangement with Councils, otherwise trying to do a 5 years plan would be almost impossible. The Finance and Local Government Minister Mark Drakeford has recently informed us that his plans for 3 years' funding for Councils is being abandoned for the time being (due to Brexit situation). With that in mind and the uncertainty regarding funding under a new political regime at Westminster, I have no intention of making a recommendation to cabinet regarding moving to a 5 year budget planning cycle. I have sought the advice of the Strategic Director Resources and he agrees the approach.*



- Valued services – how is ‘valued’ defined and to whom? Valued services are not always statutory services.

#### Portfolio Holder’s Response

*This is quite a difficult area and will become more difficult as the process moves forward and savings become more difficult. It is abundantly clear that what is a valued service for one community is not the same for others. Whilst we have difficulty in even delivering mandatory services, it is also very clear that many non-mandatory services are also regarded a highly important by communities and residents. These services tend to be the ‘visible’ ones that communities value. In addition many non-mandatory services also have an impact on mandatory services. It is also for this reason that I don’t want to take a policy approach that only concentrates on mandatory activity. There is no easy answer to this question.*

- Improving productivity is key

#### Portfolio Holder’s Response

*This is included in our priorities and needs no further comment.*

- The Panel believe the FRM should be stress tested as a matter of good practice and seek assurance that this is in hand

#### Portfolio Holder’s Response

*A certain amount of stress testing has always taken place, for example funding levels and council tax collection rates. Stress testing is good practice and relatively straightforward when you are measuring against a clearly defined set of events and circumstances. Unfortunately, the Council’s position is not simple, and there are many things that can go wrong in a variety of ways, many of which are outside of the control of the Council. The approach has therefore been to build resilience into the system, by making sure we have adequate reserves to get us over any problems that come up, and subsequently buying time (in effect ‘smoothing’ the financial position) whilst forward budget adjustments are made accordingly. To this end the Cabinet have made a clear decision (after seeking the s151 views of the Strategic Director Resources) that the General Reserve shall be maintained at a minimum of 3.5% (this was supported at members’ Seminar on 13<sup>th</sup> July) and we have also created a Budget Management reserve ( currently with over £3m balance)which can be used to assist with short-term problems, especially where there is slippage in budget savings timetables. In addition we have also created a contingency on the budget of £300k for the current year which will rise to £500k for year 2017/18.*

- Some schools seem to manage within their budgets and others cannot – this is an example of where good practice could be shared.

#### Portfolio Holder's Response

*School budgets are an area of great concern and apart from the impact on education standards also present a financial risk to the Council. The projected situation on School Budgets is worrying and the PH for Learning has been instructed by the Cabinet to bring forward a revised policy for licensing of school budgets. There is undoubtedly some good examples of schools where excellent budget management is evident and plenty of opportunity for sharing of expertise. The appointment of a new Schools Finance Officer is seen as major step forward and this is an area that is a priority for her..*

*The underlying factor is that there is simply not enough funding in our education system to sustain it in the present form and the opportunity to substantially improve the level of funding for the service looks very remote indeed in the present funding climate. It is therefore imperative that the schools' transformation agenda is taken forward as fast as possible.*

- Council Tax – this tax is largely based on funding the Authority rather than on a social basis. Increases have tended to be at the lower end of the scale causing other authorities to consider they are subsidising Powys. Powys has the second or third highest council tax base in Wales but the median wage is the second lowest in Wales. A debate is ongoing in the WG regarding the 'floor' and whether it, or any other mechanism may continue. The Panel considered that the settlement should reflect the equitable delivery of service across Wales.

#### Portfolio Holder's Response

*It's important to note the Welsh Government local government funding formula includes a figure for a certain level of annual council tax increase. In s3.4 of the LGF Finance reports are the calculations of the 'standard tax element for councils' or what used to be called CT for Standard Spending. It has a rise of around 4.5% for 2016/17. In other words you can interpret this as the percentage increase that Welsh Government anticipate councils will apply. For Powys the position is also complicated because clearly whilst we are receiving a floor arrangement we are somewhat 'hemmed in' as far as Council Tax increases are concerned. To set a Council Tax below the floor level and below the average for Wales would see the floor arrangement ending with the inevitable long term consequences for funding in Powys. This undermines our case for better funding. In spite of the agreement of a floor for rural Councils by WG, we see the change to the funding formula as the best way forward and are currently working hard to try and bring that about at political and officer level. With regards to the consideration of aligning the Council Tax levels in Powys with the perceived affordability based on the low average wage in Powys, this is not as simple as it may sound. Both the average wage and the GVA figures for Powys are based upon the earnings within Powys, and do not include income received by those who work outside of Powys, so affordability is therefore hard to ascertain. The effect of this is clearly seen down the east side of Powys where house prices tend to be quite high.*

*In addition if we were to consider a change to the levels of overall Council Tax in Powys this would entail adopting a 'standstill' situation on Council Tax increases for several years, which would greatly impact on the delivery of services. This was discussed at the Members' Budget seminar and I have promised to bring forward some figures on this for future consideration, so that an informed debate can take place.*

- Unachieved savings – will savings be met whilst delivering services? It has been typical of recent years that around 80% of savings are achieved in any given year. This figure appears to be falling. The Panel consider that if savings cannot be met they must not be included in the budget. This could be attributed to poor Impact Assessments. The Panel seek the Cabinet's views on achieving delivery of all savings.

#### Portfolio Holder's Response

*As we move forward having achieved £55m of savings since 2012 (with a further £29.8 of savings needed by end of 2019, and a further possible £8m savings needed for 2019/20) achieving the savings targets becomes more challenging. However the Cabinet are clear that services must be held accountable for their savings, and if they do not achieve them in the allotted year, then they will simply get carried forward and added to the savings required for the following year. To deviate from this approach and consider 'letting services off' in circumstances where savings are not achieved would spell disaster by undermining the cash-limited budget approach we have in place. It is worth noting that the current Strategic Director of Resources stopped the practice of 'parking' overspends in service specific reserves where they were not addressed and distorted the financial performance of directorates. . If we remove the savings that have been agreed it would simply mean that the unachieved savings would have to be found from another service, this would be very unfair and demoralising for those services that have worked hard and delivered the savings agreed by cabinet and council.*

*There are many reasons why services sometimes struggle to deliver their savings in accordance with the MTFs, some of which I have covered in previous answers. I do not consider Impact Assessments to be a major contributory factor. The Impact Assessments are not perfect but are adding a rigour to decision making and helping us meet Future Generations Act requirements.*

- Timetabling of Finance Scrutiny Panel involvement in the budget process should be included

#### Portfolio Holder's Response

*We will continue to work closely with the FSP and value the input and challenge that the FSP brings to the process. The WAO sees the FSP as a positive level of challenge and engagement. Unfortunately with the current confusion that has resulted from 'Brexit' our budget planning timetable is now uncertain and will have to, for the time being, remain quite fluid. That makes it very difficult for the FSP to forward plan its meetings and its work programme. However the close working relationship that exists*

*between the Chair of FSP and the Portfolio Holder, will enable us to manage our way through this difficult and uncertain period and still conduct a meaningful and efficient budget process.*

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**Background Papers used to prepare Report:**

**Budget Policy Review 2017/20**  
**Finance Scrutiny Panel notes 14 June 2016**

## CYNGOR SIR POWYS COUNTY COUNCIL.

### CABINET EXECUTIVE 26<sup>th</sup> July 2016

**REPORT AUTHOR:** County Councillor Graham Brown  
Portfolio Holder for Procurement and Commissioning

**SUBJECT:** Community Delivery Funding Arrangements For  
Welshpool Town Council

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**REPORT FOR:** Decision

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#### 1. Summary

1.1 The purpose of this report is to set out for discussion and decision, a proposal for funding arrangements that, it is hoped, will enable transfer of the delivery of the grounds maintenance and street cleaning service for Welshpool Town to the Town Council.

#### 2. Proposal

2.1 Cabinet recently agreed that funding to go to the Town & Community Councils or other Community Groups, where they are taking over the delivery of services, will be based on 45% of the direct delivery costs of the service over a five year period. During the fifth year a review of the arrangements will be carried out.

2.2 The Town Council in Welshpool have asked if the funding could be based on the revenue from the three car parks in the town. After quite lengthy discussion and some debate over this point, it is felt that there may be some middle ground that might be acceptable and feasible for both the Town Council and Powys County Council.

2.3 At the current time, 45% of the direct delivery cost of the services in Welshpool equates to approximately £17,774 p.a. This figure equates to 11% of the ticket machine income based on the 2015/2016 calculations for the three car parks in Welshpool. This would be the base line figure and the £17,774 would be paid each year for three years to the Town Council.

- 2016/17 = £17,774
- 2017/18 = £17,774
- 2018/19 = £17,774

2.4 At the end of the third year the annual figure will be revised, still based on 11%, but it will be 11% of the average of the annual ticket machine income from the three car parks, calculated across the previous three years 2016 - 2019. This figure could be greater or it could be a reduced figure, depending on the volume of usage of the car parks, for example the revised figure could be £18,200. The new figure, still based on 11%, will be paid to the Town Council for each year for the next three years until the process is reviewed on the same basis again at the third year.

- 2019/20 = £18,200
- 2020/21 = £18,200
- 2021/22 = £18,200

2.5 In 2022 the revenue from the three car parks during the period from 2019 – 2022 may have dropped and therefore the 11% based on the average of the annual ticket machine income during this period might be less, for example £16,950. This is the figure that would be paid for the next three years.

- 2022/23 = £16,950
- 2023/24 = £16,950
- 2024/25 = £16,950

2.6 The reason for reviewing the sum to be applied at three yearly intervals is to ensure it correlates with the Authorities three yearly review of service budgets.

2.7 If the Authority were to sell one of the car parks for development for example, these calculations would be adjusted to continue at the same level and with the same theory applied, but would be based on the income from the two remaining car parks.

2.8 The Town Council have asked for the first year's payment to be made up front to enable them to set up and implement the service delivery. After the first year, payments will be made every six months in accordance with the Authorities standard arrangements for similar ongoing payments.

2.9 The review of the full contract as set out in the Service Level Agreement will take place during the fifth year as agreed by Cabinet. If these arrangements were put in place with Welshpool Town Council from 1<sup>st</sup> October 2016, the review of the Service Level Agreement would take place during 2021. This review is required to comply with our Auditing arrangements and does not mean the terms of the contract will automatically come to an end, they may continue if both parties are in agreement for them to do so.

### **3. One Powys Plan**

3.1 Statement from the OPP which supports the objectives of the Community Delivery project:-

#### ***What difference will we make?***

- Our towns and villages are more community focused, self-reliant and resilient.
- Services are retained and run by the community where they are important to that community.
- There is co-location of facilities where appropriate.
- Conditions have been created to support economic development.
- People feel that they matter, that they have a voice and can influence local decisions.

#### ***3.2 What are we going to do?***

- Encourage communities to work with the LSB/PSB partners, local organisations and groups to improve, sustain and co-locate services at a local level.
- Provide more opportunities for people to have a greater voice and influence local decision making and service delivery in their area.

### **4. Options Considered/Available**

4.1 The option could be to continue to apply the 45% based on the service budget, however this would not enable the transfer of the services to take place.

### **5. Preferred Choice and Reasons**

5.1 The preferred choice is to enable the methodology for the funding as explained in section 2 of the main report, to be applied and to transfer the delivery of the two services for Welshpool Town to the Town Council. There is a degree of risk to the Town Council which is based on the usage of the car parks and also on the basis that there continues to be three car parks and the land is not sold for development for example. There is commitment from all parties involved to enable the community delivery ethos to be carried forward.

### **6. Sustainability and Environmental Issues/Equalities/Crime and Disorder, /Welsh Language/Other Policies etc.**

It is not expected that these proposals will impact on these policies in a negative way.

### **7. Children and Young People's Impact Statement - Safeguarding and Wellbeing**

It is not expected that these proposals will impact on these policies in a negative way.

**8. Local Member(s)**

The proposal will be of interest to County Council Members who are also members of their local Town and Community Councils.

**9. Other Front Line Services**

It is not expected that these proposals will have any major impact on front line services.

**10. Support Services (Legal, Finance, HR, ICT, BPU)**

HR Comment

There are currently no direct implications for staff employed by Powys County Council from this request to amend previous agreements . However, any subsequent involvement of staff, particularly TUPE transfer, will be managed in line with the Management of Change Policy.

Finance Comment

The Finance Business Partner Place notes the contents of the report whilst savings should be achieved to cover the cost of the payments to the Town & Community Councils or other Community Groups it should be noted that in future years applying a percentage to the total car park income could lead to a pressure which the service budget is unable to sustain if the car park income increases significantly.

Legal – The recommendations can be supported from a legal point of view

**11. Local Service Board/Partnerships/Stakeholders etc**

It is not expected that these proposals will impact in a negative way on the LSB, partnerships or stakeholders.

**12. Communications**

These changes are of significant interest to Town and Community Councils and community groups and should be communicated widely via proactive news release and social media channels following decision. T&CC's should also be contacted directly by email informing them of the funding changes and project communication documents eg Community Delivery Toolkit should be updated to reflect the changes.

**13. Statutory Officers**

The Strategic Director Resources (S151 Officer) notes the comments made by finance and that the proposed approach contributes to the council's savings requirements.



The Solicitor to the Council ( Monitoring Officer) has commented as follows: “ I note the legal comment and have nothing to add to the report.

**14. Members’ Interests**

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:	Reason for Recommendation:
<ol style="list-style-type: none"> <li>1. To support the proposed methodology set out in section 2 of the report, for the calculation of the annual funding which will enable the delivery of the grounds maintenance and street cleaning services to transfer from the Authority to the Town Council.</li> <li>2. As shown in the example in section 2 of the report, the funding would be based initially on 11% of the 2015/16 revenue from the three car parks in Welshpool.</li> <li>3. The funding will be reviewed in three yearly blocks and the new starting point for each three year block would be based on the figure calculated from the average of the revenue from the three car parks, based retrospectively on the previous three years as shown in ‘section 2. Proposal’ of this report.</li> <li>4. To maintain the review at the fifth year of the full content of</li> </ol>	<ol style="list-style-type: none"> <li>1. If supported, these arrangements will enable the Authority and the Town Council to progress the community delivery ethos with regard to the transfer of the delivery of the grounds maintenance and street cleansing services to Welshpool Town Council.</li> <li>2. The methodology used for the calculations as explained in the main body of the report, will enable what has been a long and detailed negotiation process to come to fruition.</li> <li>3. Reviewing the funding in three yearly blocks will correlate with the Authorities three yearly review of service budgets.</li> <li>4. Maintaining the review at the fifth year of the Service Transfer Agreement supports the auditing requirements for the Authority and maintains a fair and consistent approach.</li> <li>5. The Town Council have identified set up costs for resource and equipment and will rely on the full funding for</li> </ol>

<p>the Service Transfer Agreement as proposed and agreed previously by Cabinet.</p> <p>5. To allow the Town Council to have the first years payment in full, commencing from the 1<sup>st</sup> October 2016, to enable them to set up and implement the service delivery.</p>	<p>the first year to assist with this.</p>
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<b>Relevant Policy (ies):</b>			
<b>Within Policy:</b>	<b>Yes</b>	<b>Within Budget:</b>	<b>Yes</b>

<b>Relevant Local Member(s):</b>	<b>ALL</b>
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<b>Person(s) To Implement Decision:</b>	<b>Paul Griffiths Strategic Director Place Lisa Griffiths Organisational Design &amp; Development Manager (Place)</b>
<b>Date By When Decision To Be Implemented:</b>	<b>ASAP</b>

<b>Contact Officer Name:</b>	<b>Tel:</b>	<b>Fax:</b>	<b>Email:</b>
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**Background Papers used to prepare Report:**