

# CYNGOR SIR POWYS COUNTY COUNCIL

## CABINET REPORT

10<sup>th</sup> May 2016

**REPORT AUTHOR:** County Councillor Wynne Jones  
Deputy Leader and Portfolio Holder for Finance

**SUBJECT:** Budget Setting for 2017/18 and updating the Medium  
Term Financial Strategy

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**REPORT FOR:** Decision

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### 1. Summary

- 1.1 This report outlines the proposed approach to budget setting for 2017/18 as well as the steps to be taken to agree the next update of the Medium Term Financial Strategy (MTFS) covering 2017 to 2020. It continues to support the commitment that Cabinet has made to provide a balanced 3 year financial plan.
- 1.2 At Council on 25<sup>th</sup> February, the 2016/17 budget was agreed that included £10.697m of savings and a total of £29.8 million over the MTFS period of 2016-19. The Council's budget continues to address the unprecedented and ongoing financial challenge arising from a combination of service pressures and an ongoing reduction in funding from Welsh Government.
- 1.3 It is anticipated that the financial challenge faced by Powys County Council will continue for a number of years to come and is likely to extend beyond the period covered by the MTFS and the end of the decade.
- 1.4 The council, along with two other Welsh authorities, received additional funding (referred to as a 'floor') as part of this year's final settlement which limited the decrease in the settlement to 3%. The provisional settlement announced by Welsh Government would have resulted in Powys receiving a settlement reduction of 4.1%.
- 1.5 Whilst work has been undertaken by the Welsh Government and WLGA Distribution Sub-Group to recommend changes to the distribution formula there is no guarantee that these recommendations will be accepted or whether the 'floor' will be awarded in future years. It will therefore be necessary to make prudent assumptions about the level of settlement in the MTFS for the 2017-20 period.

### 2. Proposal

#### **Links to Corporate Objectives**

- 2.1 For 2016/17, the budget was developed within the framework established by the Statement of Intent. A range of issues including community needs and residents' views, financial and inflationary pressures, performance and regulatory reviews from Wales Audit Office, Estyn and CSSIW were also considered.

- 2.2 The intention for 2017/18 and beyond is that the budget setting process and the initiatives and activities developed to respond to a decreasing budgetary allocation support the Council's strategic priorities as set out in the Corporate Improvement Plan. It will therefore be necessary at the outset to confirm the strategic priorities for the forthcoming period so that budget planning can develop in alignment with these priorities. The budget setting timetable as set out in section 4 below has therefore been scheduled to follow the approval of the final draft of the Corporate Improvement Plan by Cabinet on 24<sup>th</sup> May 2016.

### **Capital Strategy**

- 2.3 The budget setting process for 2016/17 included consideration of future priorities for capital expenditure including how the Capital Strategy supports the delivery of strategic priorities. This year this will be further developed. The budget setting timetable as set out in section 4 includes early consideration of capital expenditure priorities in support of the delivery of revenue priorities.

### **Income**

- 2.4 The Council has implemented an Income and Cost Recovery Policy that establishes an expectation that the review and development of income generation opportunities and the review of fees and charges are activities that are incorporated into the budget setting process. The budget setting timetable therefore incorporates these activities.

## **3. Timetable**

- 3.1 The Council is required under the Local Government Act 2003 to set a balanced budget. The timetable is required to allow enough time to set Council Tax by the deadline of on or before 11<sup>th</sup> March and issue the demand notices (bills). These requirements are addressed in the following timetable that includes other key activities such as adequate scrutiny of emerging budget proposals is carried out.
- 3.2 The initial work in preparation for the 2017/18 budget will commence in May 2016 following the approval of the Corporate Improvement Plan and will set out the overall assumptions to be included in the budget. This will include inflation levels and other key factors such as the assured council tax base. This will allow financial modelling to take place. At the same time Directorates will be asked to submit information on likely pressures to be met in 2017/18.
- 3.3 The following table establishes the key strategic service and financial planning milestones leading to the delivery of proposals for a balanced budget, Medium Term Financial Strategy and council tax rate setting in February 2017.

<b>Date / Period</b>	<b>Activity</b>
10 <sup>th</sup> May 2016	Budget setting approach and timetable agreed by Cabinet
24 <sup>th</sup> May 2016	Corporate Improvement Plan agreed by Cabinet
Early June 2016	Cabinet workshop to consider draft service proposals and capital expenditure priorities for 2017/18
By mid June 2016	Services further refine the detail and profiling of savings proposals for 2017/18, taking direction from the outputs of the first Cabinet workshop.
End June 2016	Second Cabinet workshop to consider refined service

	proposals
w/c 11th July 2016	Council seminar on draft budget proposals and draft capital expenditure priorities
1 <sup>st</sup> – 31 <sup>st</sup> July 2016	Development of budget simulator and other consultation programme / materials
Mid-August 2016 – Mid-October 2016	Public consultation
October 2016	Provisional settlement received
Mid to end October 2016	Analysis of consultation results
End October 2016	Cabinet review of consultation results and fees and charges proposals
November 2016	Council Tax Base agreed by Cabinet
Mid-November 2016	2 <sup>nd</sup> Council Seminar on draft proposals and consultation results
Early December 2016	Final Settlement received
Mid December 2016	Final draft savings and budget proposals, capital expenditure priorities and proposed changes to fees and charges tested at 3 <sup>rd</sup> Council seminar
Late January 2017	Cabinet agree Budget, Medium Term Financial Strategy, Capital Strategy, Fees and Charges Register and proposed Council Tax rates
16 February 2017	Council approve Budget, Medium Term Financial Strategy, Capital Strategy, Council Tax rates and Fees and Charges Register
9 March 2017	Council meet to approve final Council Tax schedule

#### **4. Consultation**

- 4.1 The Council works in accordance with the National Principles for public engagement in Wales in its consultation and engagement activity. It is important to commence a timely dialogue with key stakeholders (including the public) in order that feedback can usefully inform the final budget proposals.
- 4.2 A review has been conducted into last year's consultation which was primarily conducted on-line through the use of a budget simulator. The approach generated a good response and it is proposed that a budget simulator is also used as part of this year's consultation process but supported with a greater variety of alternative methods of contributing to the consultation, including more drop in sessions at venues such as libraries and a paper questionnaire for those unable to access the budget simulator on-line.
- 4.3 It is also proposed that refinements are made to the simulator so that citizens are able to provide feedback on Council Tax rates in the context of the overall budget setting challenge and that a greater range of options over budget setting are provided with a more objective description of service consequences to budget decisions.

## **5. Impact Assessment**

- 5.1 For last year's budget setting process, a Single Integrated Impact Assessment (SIIA) was completed for each of the savings proposals identified. These SIIAs were included in the budget pack distributed to Members as part of the sign-off process. This was a significant improvement on the process for the previous year.
- 5.2 Although the process has been greatly improved a number of suggestions to facilitate continuing improvement is proposed for the 2017/18 budget process:
- To improve clarity the template has been renamed from Single Integrated Impact Assessment (SIIA) to Impact Assessment (IA);
  - The IA project team has made some revisions to the template following feedback from officers and members. The changes include an amendment to the judgement criteria and the inclusion of drop down boxes for staff to select. This will ensure that there is greater clarity about the information to be included on the template;
  - The process of gathering IAs for 2017/18 savings has already commenced;
  - Further training on completion of the IA toolkit is being provided to: -
    - Cabinet;
    - Heads of Service;
    - Officers identified to complete IAs for 2017/18 savings.
  - Accountability of the IA and the governance / sign-off process to be incorporated into the training programme;
  - Cabinet sign-off group to meet bi-monthly to review the IAs as they are received, rather than processing large numbers at end of year;
  - Discussion to take place with chair of Finance Scrutiny Panel to discuss how they wish to review the IAs.
- 5.3 The effective completion and monitoring of impact assessments is considered pivotal to the council's approach to meeting the specific duties set out in the Well-being of Future Generations (Wales) Act 2015.

## **6. Scrutiny**

- 6.1 A key element in the budget setting process is the role of scrutiny, and the key points where scrutiny need to be involved will be built in at an early stage to enable appropriate challenge. These key intervention points will be built into the scrutiny and audit committee and the Joint Chairs Steering Group's forward work programmes. There are several roles that scrutiny can play as follows:
- (i) Ongoing monitoring of the budget and its delivery on the basis of exception reporting. This can identify issues and risks and make recommendations to the Cabinet.
  - (ii) Testing underlying assumptions which form the budget e.g. levels of inflation, demographic changes and service pressures.
  - (iii) Reviewing the Council's budget planning cycle including setting the Medium Term Financial Plan, public consultation exercise and impact assessments.
  - (iv) Providing an independent perspective to the issues raised as part of the consultation process.
  - (vi) Scrutinising the links between the proposed budget, the Medium Term Financial Strategy, the Corporate Improvement Plan and the One Powys Plan to ensure that the Council's aims can be delivered with the financial resources in place i.e. a "holistic" overview.

6.2 Scrutiny's role is not to propose alternative budgets or individual proposals within the budget. This would be the role for the individual political groups to undertake.

## **7. Options Considered/Available**

7.1 As the budget is developed a range of options will need to be considered both at an individual service level and corporate level in order that the council operates effectively within a reducing financial envelope.

## **8. Preferred Choice and Reasons**

8.1 This is set out in the report. The proposed timetable indicates the necessary milestones for budget setting.

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

9.1 The Well-being of Future Generations (Wales) Act 2015 came into force on the 1<sup>st</sup> April 2016. This places a specific duty on the council (alongside all other public bodies in Wales) to ensure that the 5 sustainable development principles of long term; collaboration; involvement; integration and prevention are considered fully in its decision making process. The effective completion and monitoring of impact assessments is considered pivotal to the council's approach to meeting its specific duties in the Act.

9.2 The requirements of the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 and the Welsh Language (Wales) Measure 2011, together with other key policies are also considered through the completion of the impact assessment which will be deployed as part of this year's budget setting process.

## **10. Other Front Line Services**

10.1 All Heads of Service, Strategic Directors and Portfolio Holders will be involved in the compilation of the 2017/18 budget.

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

11.1 The Finance function will provide funding scenarios and develop the Financial Resource Model and Medium Term Financial Strategy, the teams will be closely involved in the process to support the identification and assessment of budget pressures and savings proposals.

## **12. Local Service Board/Partnerships/Stakeholders etc**

12.1 The Council will undertake consultation with stakeholders as described in section 4 above.

## **13. Corporate Communications**

13.1 The content and implications of the budget, medium term financial Strategy and capital programme are of significant interest to residents, our staff, our partners and the third sector. Any opportunity which allows citizens to contribute to public

consultation activities should be communicated widely via proactive press releases, the council's website and social media as well as through utilising existing partnership channels. This will be supported by the council's own internal channels i.e. staff intranet and staff newsletter.

#### **14. Statutory Officers**

14.1 The Strategic Director Resources (Section 151 Officer) comments as follows:

14.2 The reduction in funding from the Welsh Government will continue to be a significant challenge for all the Councils in Wales and it is important that Powys builds on its approach to financial planning.

14.3 When planning for setting the budget it is important that Cabinet and all Councillors are aware of the legal requirements and obligations. Councillors are required to act prudently when setting the budget and Council Tax so that they act in a way that considers local taxpayers. This also covers the impact on future taxpayers. The approach being taken to plan over the medium term assists this requirement.

14.4 The Local Government Finance Act 1992 requires a Council to set a balanced budget. To do this the Council must prepare a budget that covers not only the expenditure but also the funding to meet the proposed budget. The budget has to be fully funded and the income from all sources must meet the expenditure.

14.5 Local authorities must decide every year how much they are going to raise from council tax and they base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the Council Tax before the year begins and can't increase it during the year, as part of the budget setting process outlined in the report the Council will have to consider risks and uncertainties that might require more expenditure on their services than they planned.

14.6 Allowance is made for these risks by:

- making prudent allowance in the estimates for services; and
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

#### **15. Members' Interests**

15.1 The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If specific budgetary matters are debated in which a Member has an interest they should declare it at the start of the debate on that budgetary matter and complete the relevant form.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<b>That the approach to budget setting for 2017/18 and the Medium Term Financial Strategy and the timetable outlined in this report is agreed.</b>	<b>To aid business planning and development of the budget over a 3 year period.</b>

<b>Relevant Policy</b>	
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(ies):			
<b>Within Policy:</b>	<b>Y</b>	<b>Within Budget:</b>	<b>Y</b>

<b>Relevant Local Member(s):</b>	
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<b>Person(s) To Implement Decision:</b>	David Powell
<b>Date By When Decision To Be Implemented:</b>	April 2016

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**Background Papers used to prepare Report:**