

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET
5 July 2016

REPORT AUTHOR: Finance Scrutiny Panel

SUBJECT: Medium Term Financial Strategy 2016 -2019

REPORT FOR: Discussion

- 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 21st 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