

CYNGOR SIR POWYS COUNTY COUNCIL

CABINET

REPORT AUTHOR: Finance Scrutiny Panel

SUBJECT: Budget Assumptions

REPORT FOR: Discussion

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 22nd 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 20th they indicate a draft Welsh Government budget will be published on 19th 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 13th 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

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