

Powys County Council's

Medium Term Financial Strategy

2016 to 2019

Foreword by the Leader

The setting of the budget and medium term financial strategy in the face of continuing reductions in grant income from Government remains the most critical challenge facing Powys County Council. Our response has been to move to a three year balanced Medium Term Financial Strategy (MTFS). The strategy also recognises that the future may well be even more challenging by creating a surplus in year three. This gives the Council strategic options beyond the three year time frame of the current MTFS

This year we saw the original provisional settlement deal a further blow to our finances with the largest grant reduction out of the 22 local authorities in Wales with a 4.1% reduction. However I am pleased that we were able to work with other rural authorities, and all our Assembly Members and others to see this reduced to a level of 3%.

In the absence of any indicative funding levels from Westminster for Welsh Government the Strategy lays out a realistic assessment for our funding levels going forward. Despite a more optimistic view from the Chancellor in last year's autumn statement the UK Government remains committed to its deficit reduction programme. As a result we have factored in reducing funding as key assumption in the medium term financial strategy.

The Cabinet has committed to protecting front line services wherever possible. This means we are less concerned with who provides a service than we are with ensuring services are delivered. Therefore it is likely we will see services delivered in a different way or by other organizations.

Whilst we cannot be precise about how we will respond by the end of the decade, we have reset our vision for the direction of travel. In addition we must also prepare for the significant changes to services that will be brought forward by Welsh Government.

Our vision is a Council that places working with our communities at the heart of its response and 'Stronger Communities in the Green Heart of Wales' underpins this approach. Clear priorities to deliver our Powys 2020 programme and this is based on our guiding principles of Valued Services; Supporting the Vulnerable; Local Delivery; Personal Responsibility; Value for Money and Improving Productivity. Together these form a clear basis for the future.

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

Unlike the rest of local government in Wales we have stability in terms of the longer term. The decision to keep Powys as an entity recognizes we have a unique position in Wales. Unlike any other local authority in Wales we have a single Local Health Board that shares the same boundary. This points to the future direction we will take; we remain separate organisations but will work ever more closely together. As a Commissioning Council, we will explore different options for services from in-house provision, to utilising the commercial sector, to extending our joint working with our key partner Powys Teaching Health Board.

I remain confident that having taken this approach we will deliver the required savings, reduce demand and increase efficiencies. These changes will need to be at a pace and of sufficient scale and impact to meet the funding changes outlined in the Medium Term Financial Strategy.



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

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Introduction

This document is the financial strategy for Powys County Council for the period 2016 to 2019. It has been developed as part of the overall strategic planning process that involves the 'Statement of Intent' which captures the financial, regulatory and policy drivers affecting the council and sets the direction and approach. It also incorporates the plan for delivering a balanced budget for 2016/17, and indicative budgets for the following 2 years to March 2019. This means the Council has a balanced on-going financial plan to enable service transformation within a realistic estimated funding envelope.

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

The FRM sets out how a balanced budget will be delivered for 2016/17, however, this position is reliant on the delivery of **£10.004m** savings during the year.

The FRM identifies the requirement for further savings of **£19.883m** over the remaining period of this strategy. Given that local government does not have funding data from Welsh Government beyond 2016/17, this assessment is based on indicative figures and work undertaken by the WLGA and the Institute for Fiscal Studies focusing on how Local Government Settlements in Wales may be affected by the national deficit recovery programme in the future. It is therefore based on best possible available information. However, forecasting for future years is difficult to predict with any great certainty and is subject to multiple internal and external influences. Even so, it is highly likely the reducing funding for Powys will continue because the national deficit recovery programme will continue to at least the end of the decade.

Strategic Context

Economic and Demographic Context

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

The Spending Review announced on 25th November 2015 set budgets for government departments and the devolved administrations for each financial year for the rest of this Parliament (2016/17 to 2019/20).

Day-to-day spending is set to fall by £18 billion or 6% between 2015/16 and 2019/20 in real terms, meaning that many departments will see budget reductions. Some departments are protected from spending reductions, including the NHS, some schools spending, defence spending and the international development budget. This means that other departments have seen larger reductions, in many cases on top of reductions seen over the previous Parliament.

It is widely accepted that the Spending Review has been less severe than estimated before the announcement on 25th November. However the position for Powys is likely to see little change in our comparative funding level in Wales. This is not only because of the likely population levels but also because the funding formula for local government fails to recognise the full cost of service delivery in sparsely populated areas and the inadequate weighting for areas with a higher average population age.

For the UK the pace of spending cuts has been reduced with the position a result of improving forecasts for revenues and marginally less borrowing than anticipated over the next five years. Targets for a surplus by the end of the parliament remain intact. Underpinning the spending plans is the economic projections provided by the Office for Budget Responsibility (OBR). Compared to Summer Budget 2015, the Office for Budget Responsibility now forecasts higher tax receipts and lower debt interest, with a £27 billion improvement in the public finances.

Scotland, Wales and Northern Ireland will all receive more money to be spent on infrastructure (capital) projects, with each government deciding where this will be spent. This will be an increase of around 14% for Scotland, 16% for Wales and 12% for Northern Ireland.

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

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

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

2020 Vision

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

- Remodelling council services to respond to reduced funding

We need to find a way of dealing with increased demand and expectations on some of our services while spending less than we do now. This means taking a new look at how we deliver services rather than simply carrying on doing what we did in the past so that we meet people's needs in the most appropriate and cost effective way. This process is called commissioning. This may mean re-designing a current service or working with a partner so that they provide the service on our behalf. In the future the council will be smaller with people employed by other organisations, such as the voluntary sector, town and community councils, not-for-profit organisations or commercial enterprises.

- Supporting people within the community to live fulfilled lives

People living longer puts more pressure on older people services. We need to move away from traditional based services which are expensive and not built around the personal requirements of those in need. We need to ensure that the homes we provide for older people meet the needs of this generation of vulnerable older people. This requires the design of new services that promote prevention and personal control which are community based. We need to build on our current commissioning relationship with our partners to design and deliver services that promote independence and alternatives to institutional care. This can contribute to the long-term sustainability of our communities by developing the local care economy.

- Developing the economy

A healthy and enterprising economy is essential for sustaining communities which is why economic development is one of our top priorities. Low levels of economic activity have contributed to the number of young people who leave in search of opportunities elsewhere and don't return. This has had a direct impact on services such as schools, as the number of young people in our county declines. It also affects the supply of people in the local workforce and on the ability of successful local businesses to grow within the county. Traditional approaches to regeneration have not secured sufficient economic growth. Our new regeneration strategy will focus upon how we can support the local economy. For example, through using our land ownership and influence to promote economic activity in all sectors, and through the decisions we make in respect of the improvement and maintenance of our existing housing stock and the development of new homes. Improved transport links and access to superfast broadband will make Powys an attractive proposition to invest in, or to relocate to. That's why we are already lobbying for, and securing, investment in infrastructure that will encourage growth, including an hourly service on the Cambrian railway line, the Newtown Bypass and working with BT to introduce high speed broadband to rural communities.

- Improving learner outcomes for all, minimising disadvantage

We want Powys to be an attractive place to work for young people with ambition to succeed. In the past the county has been rightly proud of the academic achievement of its young learners. However, there are many Powys pupils whose attainment could be better, especially those from low income households.

Transforming skills and learning is a key aim of the council to make sure all children and young people are supported to achieve their full potential.

To succeed in our ambition we need first class teaching, high quality leadership, appropriate class sizes with a fair distribution of resources.

Although many of our schools are highly regarded it's clear that the quality of most of our school buildings are no longer suitable for education in the 21st century. Our young people demand the investment to compete with other parts of the country. We need to provide modern learning environments to take advantage of the latest technology.

It is in everyone's interest that the council's focus is on driving up the attainment and ambition of the majority of its pupils with a special emphasis on those from more disadvantaged backgrounds. We must also provide stimulating learning environments for our able and gifted students and provide improved access to Welsh medium education.

To be successful we must ensure that our schools can offer the range of courses that are both attractive to our pupils but also meet the needs of the local economy. This way we can attract investment and economic growth from within.

Statement of Intent

The Council maintains an internal Statement of Intent as a key part of its business and financial planning process. It captures the financial, regulatory and policy pressures affecting the Council and outlines the Cabinet's intent and approach to the Council's budget and improvement priorities.

It presents the combined point of view and best understanding from officers and members of how the council will meet its citizen, service and financial obligations over the medium term in a deliverable and sustainable way. It also sets out the approach being adopted by Council directorates in responding to the pressures and challenges. These approaches are summarised later in this strategy and the supporting actions are detailed in the schedule attached as Appendix 3. The full Statement of Intent is attached as Appendix 5.

Budget Strategy and Principles

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

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

The budget principles are as follows:

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

These principles underpin and shape our budget, ensuring we deliver the Powys 2020 vision.

People Services

Our people services include adult social care, children's services and housing. These services are developing a number of 'whole system' approaches both within the services, the council and in our work with partners in order to make our contribution to the Council's savings requirements. By 'whole system' approach we mean that we look at the broader picture of what is being delivered to service users as a whole and work to redesign our approach so that each component part of service delivery compliments and contributes to the overall service delivered and improves the impact and service users experience. We must deliver savings of £8.168 by 2018/19.

We are progressing:

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

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

Our people services will remain committed to:

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

Schools Service

Our schools service has an overall annual budget of £99m, £69.8m of which goes directly to schools and forms their delegated budget. An additional £9.5m per annum is used to provide home to school or college transport. A total of £4.576m savings is required by 2018/19.

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

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

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

We will:

- Through regional and hub partnerships within ERW implement the national model for school improvement.
- Continue to restructure our services for additional learning needs, inclusion and behaviour through implementation of the revised Strategy for Special Educational needs.
- Review the school age of admissions policy

- Implement the revised School Transformation Policy and revised methodology for reviewing schools to ensure quality leadership, teaching and learning, affordability and sustainability in all phases of education.
- Implement the 21st Century School Capital Programme.
- Pass on to schools delegated budgets all increases or reductions which relate to changes in pupil numbers.
- Expect schools to take account of all inflationary pressures including staffing costs when preparing their budgets.

The council will also consider recommendations to the provision in its secondary sector and this also links to the budget plan.

Place Services

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

We will seek to achieve maximum efficiency and effectiveness whilst remaining within the allocated budget. This will require delivering savings of £9.024m by 2018/19.

Through our overall approach we will:

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

In highways, transport and waste services we will:

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

In regeneration, property and commissioning services we will:

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

In leisure and recreation services we will:

- Continue to review the provision of leisure and sports centres, and libraries, to ensure long term affordability and sustainability.
- Create a universal youth service that is primarily delivered through the Third sector / Community Enterprise.
- Continue to progress the transfer of our assets to other organisations where appropriate and possible, in order to encourage and facilitate community engagement in the delivery of appropriate services.

Resources and Corporate Services

The Directorate provides a range of corporate services such as strategic planning, finance, HR, ICT, payroll and business intelligence. The focus is on changing the services delivered by working with the rest of the organisation to determine service levels and areas for priority support. There will be a requirement to demonstrate value for money and this will require the assessment of alternative models of service provision either through collaboration or in partnership with other providers. Working to the following operating principles we will re-design a service that meets the business requirements whilst realising the budget savings of £3.298m over the next three years:

- Continue to reduce operating costs and provide an appropriate level of service – customer expectations to be managed
- Keep the authority `safe`
- Increase the level of resilience
- Challenge all areas via `root and branch` reviews

- We may not be the provider of choice – a new model will recognise this
- Continue to deliver current improvement programme

In professional services we will:

- Integrate with Health if the business case supports this approach
- Seek an external provider for specific services if a case exists
- Reduce number of operating systems
- Re-engineer processes
- Reduce staffing levels

In ICT services we will:

- Reduce number of systems and integrate core systems
- Modernise key systems to support self service
- Seek alternative providers of the service (in whole or in part) or partner where appropriate with Private sector and Public sector partners
- Review ICT contracts to drive down costs as part of the 3rd party spend project
- Reduce numbers of directly employed staff

In business services we will:

- Continue current improvement programme
- Re-engineer processes
- Increase external income
- Assess transactional services for further efficiencies and look at other providers for sharing services e.g. payroll
- Reduce staffing levels

Revenue Budget Funding

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

The Provisional settlement was announced on the 9th December 2015, but confirmation in the form of the final settlement is not expected until the 2nd March 2016. As a consequence, our budget planning has, out of necessity, been based on the information provided in the provisional settlement. This presents us with an element of risk, however discussions with Welsh Government Officials have acknowledged this risk and that their commitment in supporting the mitigation of this risk is to provide a provisional settlement that is the same or very close to the final settlement.

The Welsh Government (WG) will fund 71.9% of the Council's 2016/17 net revenue budget, compared to 73.2% in 2015/16 and 75.2% in 2014/15. The funding is provided in a settlement known as Aggregate External Finance (AEF).

As part of the UK Government's austerity measures for 2016/17 the AEF has decreased across Wales by an average of 1.3%. Powys received the lowest settlement in Wales with a 3% decrease, equivalent to a decrease in funding of £5.229m after adjusting for transfers.

The AEF for Powys for 2016/17 totals £170.4 million and consists of the following:

- Revenue Support Grant (RSG) totalling £129.9m
- Non Domestic Rates (NDR) totalling £40.5m. Powys collects rates from business ratepayers on behalf of WG. It is then redistributed to local authorities in proportion to resident population over 18.

The provisional settlement for 2016/17 does not include any specific requirement to protect the funding of any individual service. It is not evident whether this position will change with the final settlement and is inconsistent with the position adopted by Welsh Government over the last few years whereby an element of protection for schools funding was included.

For 2016/17 a Council Tax increase of 4.25% for a Band D property has been included in our planning assumptions. This represents an increase of £44.44 per annum and a Council Tax of £1,090.06. Powys continues to remain below the previous year average for all Welsh authorities.

Housing Revenue Account

The authority exited the Housing Subsidy in April 2015. The 11 Welsh local authorities which have retained their social housing stock all exited the Housing revenue subsidy system from 2nd April and became self-financing. The change enables councils to retain all the rental income they receive from tenants.

The Councils holds 5,392 units of Housing stock. The proposal for Housing rents is to increase by 1.4% in line with the Welsh Government policy for Social Housing Rents. This equates to an average increase of £1.08 per week bringing the average rent to £78.83 per week (52 Weeks) / £85.40 (48 weeks) per week

Grants

In addition to RSG and Council Tax raised the Council receives income from specific grants and income from fees and charges. These form part of the gross budget which is an indication of overall spending power. The general direction is to see these reduce in number in line with greater 'freedom and flexibility' that Welsh Government is seeking to provide. However it remains the case that Wales has retained many more specific grants than is the case in England. The further reduction in specific grants will provide a greater ability to bring a Powys dimension to large areas of expenditure.

An example is that the Outcome Agreement Grant has transferred into the RSG in 2016/17.

Six grants will cease in 2016/17. The largest grant for Powys is the NDR Relief Grant 2015/16.

Budget Delivery Plan 2016/17

Due to inflation and spending pressures from increasing regulation and the ageing population the Council's savings target for 2016/17 amounts to £10.055m. The details of how the council will manage its finances in the medium term are reflected in the Cabinet's headline policy initiatives which appear below:

- A move to a balanced three year financial strategy based on a more strategic approach to financial planning that better understands the links between revenue, capital and reserves
- A greater emphasis on a more transformational approach to service change in order to work within a reducing funding envelope.
- Council Tax increases – within the range 3.5% to 5%. For subsequent years a notional increase of 3.75% will be used.
- Reserves – To increase general fund reserves to a target level of 4% of budget, however for 2016/17 and due to the profiling of delivering overall savings (delivery generally profiled for years 2 and 3) to delay this payment and the £560k repayment of the Wind Farm costs for one year in 2016/17 and a reduction to £280k in 2018/19. A one year call on the Budget Management Reserve is include in the FRM.
- To increase the focus of income generation and cost reduction opportunities with the allocation of a £0.62m target across service areas in 2016/17 and a further £400k in each of the following 2 years.
- Capital – Refresh the Council's Capital Strategy and Capital Programme ensuring it is aligned to the priorities of the Council and the delivery of savings.
- The move away from a procurement based approach to one of allocation of opportunities to Service areas for delivery in 2015/16.
- Property – Increase the pace of disposals; single occupancy buildings to be challenged together with an assessment of the long term future of County Hall, Neuadd Brycheiniog and Neuadd Maldwyn.
- Schools – The current number of schools in the primary and secondary sector is not sustainable:
 - A 50 pupil minimum number for primary schools will be introduced. All schools falling below this figure will be challenged.
 - The number of post 16 centres / secondary schools will be reduced.
 - Schools modernization will need to make a net contribution to the Councils overall savings annually.
- Highways, Transport and Waste – The service will be re-commissioned to produce a £6m saving over the next three years. The number of depots will be reviewed. There will also be a review of waste disposal contracts, a review

of waste collection rounds, increased fleet/transport targets, increased fee recovery and a review of working practices across all services.

- Community Delivery – We are re-commissioning a number of services by transferring delivery to town and community councils with the aim of securing a significant reduction in the current cost of provision.
- Corporate Services – New delivery model is being created including, where appropriate, integration with the Powys Teaching Health Board.
- Adult Social Care – The Cabinet has provided an element of protection for the service for 2016/17, from which the service will need to meet demographic pressures, inflationary increases and other financial pressures. The service will contribute 5% of its budget as savings in 2017/18 and 2018/19.
- Change Capacity – The Cabinet recognises that making the significant changes we must deliver will require resources and will invest in change capacity.

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

Looking Further Ahead and Funding assumptions beyond 2016/17

Any organisation must prepare for the future and whilst financial projections as far as the end of the decade will always be difficult and have a high level of uncertainty they give a basis for planning. Significant concerns exist about demographic costs and the age profile of the population will require Powys to assess where its future budgets should be allocated so that it addresses this risk. Whilst this Medium Term Financial Strategy presents a balanced position for 2016/17 and beyond, there is much more to be done. The relatively easy savings have been taken and major service redesign and transformation are necessary to deliver services as a much lower cost.

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

Forecasting inflation includes a number of assumptions. It assumes an ongoing pay award of 1% per annum. Inflation can be a major cost driver and although it is £977k currently we need to keep this under review because if inflation rises above Bank of England projections this will be a pressure on our budgets.

We have adjusted our indicative future increases in Council tax to an increase of 3.75% and this is included in 2017/18 and 2018/19. This will be subject to political determination on an annual basis but if the safety net provided by the floor is removed this would need to be revised upwards or further cuts sought.

Service pressures particularly around Adult Social Care are likely to continue and the trend around pupil numbers will be closely monitored because the council will have to

ensure it also provides a level of provision to meet the numbers of pupils. This may require difficult decisions to be made about the number of schools we can afford.

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

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

The savings identified will continue to reduce headcount, and generate service efficiencies, some of which are transformational, however a large number of the proposals put forward will inevitably impact on front line service delivery. The figures beyond 2016/17 are therefore subject to revision as alternative models of delivery and other savings are identified through the Council's budget and cost improvement strategy, these together with any unforeseen budget pressures will be considered as the Council determines its budget.

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

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

This approach is in effect a new relationship with communities and will see a different response to service reduction that has generally seen the removal of services to save money. Inevitably some services will have to stop or be scaled down because the funding is no longer available. The Community Delivery approach will see some service provided locally in a different way by local organisations. This will play a role in our response to funding reductions and this different relationship with local organisations will see some services delivered locally for less money. At the moment we have not factored any savings into our financial plan from this approach but these will be included in future years.

Income Generation and Cost Improvement

During the 2014/15 financial year, the Council commissioned PWC to assist it in carrying out a review of income generating and cost improvement (generally the full recovery of all costs associated with delivering a service) opportunities. As a result of this work, a number of business cases were developed to progress new income streams or cost improvement activities and whilst significant elements have been delivered in 2015/16 these additional income and cost improvement targets are built into the budget for 2016/17 as a specific target for each service. For future years, explicit targets for income generation or cost improvement will not be set but it will be expected that these funding streams will be actively pursued as part of an overall response to efficiency demands.

The Council has introduced an Income and Cost Improvement Policy which establishes the framework within which income generation and cost improvement activity is carried out. It will also review its fees and charges on an annual basis, using appropriate benchmarking to ensure that its fees and chargers are commensurate with other providers.

A Member and officer board has been established to provide governance and oversight to income and cost improvement activity within the Council and to provide challenge and scrutiny as necessary.

Third Party Spend Improvement

The Council has entered into partnership with Northgate Public Services with the objectives of reducing 3rd party spend on goods and services, implementing a greater level of commercial business practice and developing the internal capacity to support this ambition and influence and develop behaviours and culture that are conducive to supporting these objectives. The target cumulative spend improvements for this work is £8.5m between 2015 and 2019 with total cumulative spend improvements achieved by March 2015 standing at £4.5m. It should be noted however that some of the savings relate to cost avoidance and are therefore not 'cashable savings'.

Work plans for 3rd party spend reductions have been established and agreed for each service and a Commissioning and Procurement Board comprising Cabinet Members and officers provides governance, scrutiny and oversight for this activity.

Capital Programme

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

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

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

The Council receives a core capital allocation from Welsh Government. In 2016/17 this allocation is £7.49m. In addition to this the capital programme is funded through borrowing money and repaying this over a number of years together with the interest on the loan. The repayment costs form part of the annual revenue budget.

The Capital Strategy is included with the budget papers as Appendix 4. The Strategy itemises the Council's capital programme for the next 4 years with the budget totalling £163.001m. This is a significant commitment. In addition a further £69.4m is included for the Housing Revenue Account (HRA). The HRA priority is the Welsh Quality Housing Standard Programme with the standard to be achieved by March 2018.

Reserves

The Council holds reserves so that it can meet unforeseen expenditure and to smooth expenditure across financial years. This is recognised good financial management. Reserves are also a key indicator of the Council's overall financial standing and a component of its financial management arrangements.

Reserves are an essential part of good financial management. They enable the Council to manage unexpected financial pressures and plan for future spending commitments.

It is important that the Council makes well-informed decisions about reserves, and are accountable for these to local taxpayers and service users.

While there is no universally appropriate level for Council reserves, the reserves held should be proportionate to the scale of future spending plans and the risks faced as a consequence of these.

In setting the annual budget, a further risk-based review of the level of reserves is undertaken, alongside any underspend in the current year, to make an assessment as to whether it is possible to release funding to support the following year's budget. That review is informed principally by an assessment of the role of reserves in supporting future spending plans.

When taking decisions on utilising reserves or not, it is important that it is acknowledged that reserves are a one-off source of funding and once spent, can only be replenished from other sources of funding or reductions in spending.

The reserves policy approved by Cabinet in December 2015 establishes the framework within which decisions are made regarding the level of reserves held by the Council and the purposes for which they will be maintained and used.

Summary of Impacts and Risk Assessment for 2016/17

We have taken steps to increase our awareness of the consequences of our savings and ensure we are taking into account Welsh Government's legislative requirements. The scale of the reductions required means that we must carefully assess the impacts. For this reason the process has been reviewed so that we have a comprehensive assessment of impacts to support decision making.

All budgetary proposals carry associated impacts – whether it is an impact on service delivery, equality and poverty, Welsh language, well-being of future generations, safeguarding, or a combination of any or all of these. The level of savings required for this year and the next two years of the MTFS is considerable and requires robust consideration regarding their impact. There must be an appropriate balance struck between, on the one hand being aware of the impact and seeking to avoid or mitigate adverse impacts and, on the other, the benefit gained from making the saving. It is therefore inevitable that a certain, manageable amount of risk is inherent within the budget.

Impact Assessment Process

In 2012, The Equality and Human Rights Commission provided advice from an equalities perspective in terms of the Council's assessment process. Following on from The Equality and Human Rights Commission guidance a combined assessment approach has been adopted. This integrated process is in place for this year's budget and considers impacts against the following theme areas in a holistic and proportionate way. It recognises that the themes are not exclusive, often interconnect and form a well-rounded evidence base for planning and decision making: -

- Equalities, including each of the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, sex, sexual orientation, race, religion and belief. The assessment considers the impacts in terms of the General Duties with the Equality Act 2010 namely:
 - Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
 - Advance equality of opportunity between people who share a protected characteristic and those who do not;
 - Foster good relations between people who share a protected characteristic and those who do not.
- Wellbeing of Future Generations; the forthcoming Wellbeing of Future Generations Bill will from April 2016 require all public bodies to demonstrate

that we are improving social, economic and environmental wellbeing, whilst also looking to the future, planning for the long term and ensuring that we don't compromise the ability of future generations to be able to do the same.

- Safeguarding, ensuring vulnerable persons are safe to access services preventing their abuse or neglect.
- Welsh Language (Wales) Measure 2011; the Measure ensures that the Welsh and English languages are treated equally, Welsh speakers have the right to exercise language choice when accessing services from public bodies and gives the Welsh language official status in Wales. We must consider the Welsh Language when we are developing policies and strategies or when considering new ways of providing services;
- Poverty, prevention including helping people into work and mitigating the impact of poverty;
- Business Risk, impacts on risks to the business in delivery of priorities and service delivery, and assess the cumulative effect of the proposal.

As well as the general guidance provided in completing the assessments, training has been provided to support services in developing their assessments. Risks identified within the impact assessments will be monitored in service risk registers or the corporate risk register going forward.

Key Impacts and Corporate Risks

The 2016/17 budget proposals continue to seek to protect families, communities and front line services where possible, as well as continue to support the delivery of the key priorities within the One Powys Plan. Furthermore they are shaped by consideration of the impacts on equality groups and the vulnerable in our society.

The individual impact assessments will assist and inform the Cabinet and full Council at the meetings as part of setting the 2016/17 budget.

Mitigation, Review and Monitoring

As part of the impact assessment process the author of the assessment is asked to identify mitigation to any negative impacts that have been identified. The risks and the identified mitigation must be managed within the appropriate service risk registers to ensure continual monitoring and management of the risks.

The corporate risk register is reported to Cabinet, Management Team and Audit Committee on a regular basis and forms part of on-going monitoring of impacts and risk.

Heads of Service and their management teams are responsible for reviewing and managing risks within their service areas. Risks identified for services will need to be integrated into the service planning process and regularly reviewed to ensure that they are being managed appropriately.

Risks

There are a number of risks associated with the budget plans. In 2014 the council revised its approach to risk management and this is now managed on a corporate

basis with regular reports to Cabinet and Audit Committee. A risk assessment has been undertaken of each of the budget savings proposed by service areas. This assessment identifies the deliverability of the saving, along with the likely impact to service delivery. As well as Risk, the impact on Equalities, Welsh Language, Future Generations, Safeguarding and Poverty are also included within the assessment.

The risk assessment allows a risk status to be attached to each saving, and significant risks are monitored within service risk registers. The corporate risk register has also formed part of the background data assisting the budget setting process.

The following risks are noted below:

Budget Savings - The level of savings required in 2016/17 is significant. Any unforeseen delays in implementation will impact on the achievement of the reductions required. Progress on the delivery of agreed savings targets will be reported to Cabinet on a monthly basis. The Reserve position of the Authority is in line with the prudent range of 3 - 5% and these are available to "smooth" any slippage in delivery of the savings. However the emphasis is placed on ensuring savings are delivered. The approach is supported by the policy around the use of reserves: all reserves are corporate rather than service based. If reserves are used for temporary support of the revenue budget the replenishment of these reserves will be required in the following year in addition to the achievement of the saving itself. Plans within service areas need to be managed robustly in order to limit any underachievement and monthly budget monitoring and savings delivery monitoring ensures Cabinet and has visibility of financial performance.

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

Council Tax – collection rates continue to be good in Powys at 97.6% at the end of a financial year with the figure rising above 98% after the accounts have been closed. However the most recent data shows that across the UK collection levels are falling. Our good performance needs to be sustained. It is not yet known whether the welfare reform will have an impact on the collection of council tax within Powys but future assumed collection levels will be kept under review. The budget includes an increase in the council tax base for 2016/17 based on known data.

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

Treasury Management – the revenue budget and capital programme are supported by daily cash movement managed within our borrowing and investment strategies, the financial climate has a significant impact on these activities. We continue to monitor these on a daily basis. Any variation in the cost of borrowing is being mitigated by a proactive approach to refinancing our borrowing wherever possible. This ensures that wherever possible our long term borrowing for our capital projects takes advantage of the historically low level of debt interest.

Change Delivery Capacity – a number of savings are now categorised as ‘transformational’. In other words a proactive approach to change is required rather than the more traditional percentage budget cut. It is important the council recognises that at a time of change investment may be needed to deliver change. In some cases specialist skills will be required for short periods. The 2016/17 budget includes funding for this change.

Variations to Settlement Assumptions - the Council makes every effort to ensure that its assumptions about budget settlements for future years are based upon the best available evidence. However, future settlements cannot be predicted with absolute accuracy and can be influenced by political and economic policy changes.

Political Approval of Budget – the Council is required under the Local Government Act 2003 to set a balanced budget for the forthcoming financial year, and this must be approved by Full Council.

Availability of Reserves – the Council may suffer other costs that may arise due to unexpected events such as: -

- Civil emergencies and Natural Disasters
- Failure to deliver statutory duties – failure to deliver, including safeguarding activity in relation to adults, children, Health and Safety or Public health could result in possible negligence claims.
- Increased threat of legal litigation in respect of service delivery standards and regulations and multiple Insurance Claims. This risk is the likelihood of needing to replenish the insurance fund immediately from reserves as a result of several claims above our excess.
- Increase in energy cost prices.

Our assumptions which we made in producing the budget are proved to be inaccurate and we may have limited time to change our plans and therefore may be unable to balance the budget.

Retained Business Rates – there is a risk that local economic volatility in Powys may result in lower levels of business rates being collected than current estimates tell us. The Council has a number of on-going economic development projects to support the local economy.

Future available resources are less than assumed.

Consultation

Over the past few years the council has sought to engage residents in the decision making process around setting its budget. The views of residents have been sought in a number of ways.

Three pieces of engagement and consultation were undertaken during 2015/16 to help inform the budget setting process for the next three years to enable savings to be found and to aid the decision making process.

Residents Attitude Survey - Summer 2015

- 385 telephone interviews conducted. Research is robust data at a county level.
- Just over half of residents (52%) were unaware that the council had had a 4.4% decrease in funding from the Welsh Government which equalled a £7.7m funding gap.
- Respondents were asked whether they felt it mattered who delivers services. Overall, 67% felt it didn't matter and 33% felt it did. *(In the 2013 survey 26% respondents felt it did matter so there has been an increase of 6%).*
- 52% of respondents would prefer the council to charge for services that were currently free rather than increase council tax, increase charges for things that residents already pay for, or increase charges for things that businesses pay for e.g. trade waste. *(There was less desire for this in the 2013 survey so there has been a subtle shift in resident view here).*
- 2/3rds of respondents did not feel that reducing our workforce further or only providing statutory services was a good way to reduce our costs.
- Residents were not keen for increases in council tax. Only a quarter opted for a 2.5% increase which is lower than that already proposed for 2015/16.
- When asked to consider what their current and future priorities might be, the analysis identifies some interesting differences. Respondents are twice as likely to identify environmental / street-scene type services as an immediate priority as opposed to a future priority (26% and 13% respectively). Conversely, caring for those in need (for example, elderly social care) is felt to be a priority for the future rather than now.
- Services relating to the development of the local economy are identified as the single key priority for improving quality of life and helping communities thrive.

Citizens Panel Survey - Autumn 2015

- 262 responses received. Profile of the panel is predominantly older residents who volunteer to take part in surveys.
- 59% citizen panel members said they were aware of current funding issue however a further 36% said they didn't really understand the background or why we were in this situation.
- 70% feel they have seen a difference and a reduction in the level of service provided over the past year. E.g. street cleaning, potholes, refuse collection, care.
- 92% are very or fairly concerned about the situation facing Powys.
- 80% of panel members stated they still tend to get their information about Powys via local media however 27% said they picked up flyers and posters and leaflets, 22% said they used the council's website and 22% said they got information from their town and community council.
- Over a hundred budget saving ideas were given by panel members and these were varied. They ranged from increasing council tax to selling the land and properties we hold and from boosting inward investment to protesting to Welsh Government about the current settlement.

Budget Simulator – Autumn 2015

- 476 residents submitted a budget that addressed the necessary savings targets. The number of responses should allow for a fairly robust resident overview at a county level although people self-selected (i.e. chose to take part in the exercise or not) and were not chosen at random to do so using a social research sampling plan.
- Figures show that the home web page created to promote the simulator exercise had over 2,000 'hits' and 1,438 unique page views. This means that a third (33%) of those viewing the page went on to submit a budget and 67% didn't.

Conclusions:

The research conducted over the course of this year suggests that residents have a growing awareness of the budget deficit facing the Council and the need to make savings over the next three financial years.

There is a definite appetite from residents for more outsourcing of services with a clear mandate around the importance of delivery of a service not who delivers it.

There is a reluctance to see the services that provide for the more vulnerable in our society being cut. In particular there was less appetite for budget cuts for children with disabilities, services for looked after children and home care services.

There was also a reluctance to jeopardise services by cutting budgets to the point where there may be difficulty in maintaining statutory requirements.

There is some acceptance that the council should be looking at charging for services that are currently free although there is little support for an increase to council tax, increased charges for things that residents are currently paying for or increased charges for services that businesses in Powys use. However some comments received supported an increase in council tax to sustain current levels of service delivery. Interestingly when the council conducted the Simalto budget simulation exercise a few years ago, respondents were asked if they would be prepared to pay more in council tax to sustain their chosen service priorities and the majority said yes. This implies that there is a link between a willingness to pay an increase in council tax and a resident's perception around their getting value for money services that meet their needs.

Residents are now seeing and stating that they have seen a decrease in the level of services provided by the council over the past year and satisfaction with the services that we provide overall as a council has decreased over the past five years.*

*Source – Residents Satisfaction Survey

There are calls for fewer councillors and more senior level posts to be deleted.

There are hundreds of comments and ideas and suggestions about where efficiencies could or should be made which need further consideration once fully analysed into themes.

Mechanisms for Delivery

There are many pathways leading to improvement / change objectives that services will need to consider. These can be summarised as follows

- Change in statutory requirements
- Improvement priorities agreed in response to a service self-evaluation
- Objectives agreed in response to regulatory recommendations
- Objectives identified to deliver budget savings / MTFS commitments
- Objectives identified to manage / mitigate corporate risks
- Objectives required to ensure statutory compliance
- Other

The council has consolidated its improvement activity into the following 2 channels:

- One Powys Plan (OPP) Transformation Programme 2014/17: The single integrated improvement plan agreed with key partners across Powys is a 3 year plan that is reviewed and updated on an annual basis. The OPP 2014/17 and supporting updates incorporate the council's annual improvement plan.
 - Integrated Health and Adult Social Care
 - Older People
 - Carers
 - Mental Health
 - Learning Disabilities
 - Children and Young People
 - Vulnerable Families
 - Healthy Lives
 - Transforming Learning and Skills
 - Education
 - Training and Jobs for Young People
 - Stronger Communities
 - Stronger Communities
 - Transport
 - Organisation and Partnership Development
- Service Improvement Plans (SIP): These are evaluated and renewed on an annual basis and are the key documents for communicating the services key improvement objectives on a rolling 3 year basis. The plan follows the standard principle planning questions, namely:
 - *Where are we now?*
 - *Where do we want to get to?*
 - *How will we get there?*

SIPs are developed by the following services

- Chief Executive
 - Schools Service
 - Communications
 - Law and Governance
- People Directorate
 - Adult Social Care
 - Children's Services
 - Housing Services
- Place Directorate
 - Regeneration, Property and Commissioning Service
 - Highways, Transport and Recycling Service
 - Leisure and Recreation Service
- Resource Directorate
 - Business Services
 - Professional Services and Commissioning
 - ICT

Within some basic corporate parameters, services are able to adjust their planning arrangements meet service needs.

A quarterly monitoring process is in place to ensure effective monitoring of agreed improvement / change objectives. This should provide assurance to members that agreed commitments will be met as planned.

The council continues to assess whether its approach needs to change. As a result of a review it will introduce a Corporate Improvement Plan so that there is an effective link between the One Plan and SIPs. This work has commenced and follows an assessment of how we can seek further improvement.