

CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE

5th April 2017

REPORT AUTHOR: David Powell, Strategic Director – Resources

SUBJECT: WAO Thematic Review of Financial Resilience

REPORT FOR: Information

1.0 Introduction

1.1 From 2013-14 the Wales Audit Office (WAO) has been delivering a rolling programme of Corporate Assessments (CAs), based on a four-year cycle. This means that, in addition to an annual programme of improvement studies and audits, each Welsh local authority will receive an in-depth CA during a four year period. In the intervening years the WAO will keep track of developments through programme updates.

1.2 Powys County Council was due to receive its in-depth CA to take place in the autumn of 2016, as informally indicated by WAO. During conversations with WAO early last year, the Council was informed that the CA process was changing. Instead of the in-depth CA, the Council would be subject to a risk-based assessment, in addition to three national thematic reviews: -

1. Financial Resilience (undertaken Summer 2016);
2. Governance (undertaken Autumn 2016);
3. Transformational Change (awaiting Project Brief from WAO).

1.3 This report sets out the findings of the review of Financial Resilience, the first of the national thematic reviews, as well as the Council's response to those findings.

1.4 The report was delivered at a time when the Council continues to manage its financial planning within a framework that sees Powys consistently receive greater funding reductions than the other 21 local authorities in Wales.

2.0 Background

2.1 The review of Financial Resilience focuses on answering the following question: **Do the Council's financial savings planning arrangements support financial resilience?**

2.2 Fieldwork for the Financial Resilience review was carried out during summer 2016, and this work was followed up by interviews with Cabinet Members and Officers during w/c 31st October 2016 when WAO was on-site undertaking the risk-based assessment.

2.3 Following on from the previous review undertaken in 2015-16, WAO examined the Council's financial savings arrangements, and reviewed how the required savings are being delivered. The review considered whether robust approaches are in place to plan, manage, and deliver the budget savings at a pace required to ensure financial resilience.

2.4 As part of the review of financial planning, WAO followed up on proposals for improvement from 2015-16, and the delivery of 2015-16 planned savings. WAO also looked at the extent to which planned savings were achieved, considering the Council's response to unachieved savings – what was initiated as a consequence, and what were the lessons learnt.

- 2.5 WAO sample tested three savings plans for 2016-17 to test underlying assumptions and determine whether there are adequate systems in place to ensure they can be delivered in the planned timescale. The savings plans tested were: -
1. Replacement telephony – VOIP;
 2. Removing funding for breakfast clubs – schools; and
 3. Options review for domestic waste collection – 3 weekly collections.

- 2.6 WAO's 2015-16 national summary indicates a move from traditional types of savings to savings that impact on services directly or are more transformational in nature. It is clear that savings requiring transformational change of one sort or another are more difficult to achieve. In preparation for the review, the Council was asked to classify 2015-16 and 2016-17 savings proposals into two categories: transformational, and other. This enabled WAO to report whether the shift towards transformational savings from the more traditional type of savings has continued, and whether the Council is getting better at achieving these types of savings.

3.0 Findings

- 3.1 Overall the report concludes that **whilst the Council is strengthening its arrangements for developing savings plans, some are insufficiently developed and have unrealistic delivery timescales which may not fully support future financial resilience.**
- 3.2 Savings achievement 2015-16 – the Council has reported achievement of 76% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered.
- 3.3 Financial planning arrangements - the Council is strengthening its financial planning arrangements but some savings proposals are not sufficiently well developed prior to inclusion in the MTFP.
- 3.4 Savings Plan 2016-17 – the Council has achieved 73% of its 2016-17 original planned savings but some savings plans are not sufficiently well developed when the annual budget is agreed and have unrealistic delivery timescales.
- 3.5 The report includes one proposal for improvement to strengthen financial planning arrangements, with three subsets to that proposal: -
- P1 Strengthen financial planning arrangements by:
- Ensuring that the service savings targets set for third party spend, income and cost improvement opportunities can be achieved in planned timescales;
 - Ensuring that all savings plans are sufficiently well developed for inclusion in the annual budget; and
 - Forecasting the use of reserves over the MTFP period.

4.0 Further Work

- 4.1 An action plan has been developed in response to the proposals for improvement identified in the report. Progress of delivery of the action plan will be monitored on a quarterly basis via the regulatory tracker process. A copy of the action plan is appended to this report

5.0 Statutory Officers

- 5.1 The Strategic Director, Resources (S151 Officer) has made the following comment:

“The Strategic Director Resources (S151 Officer) welcomes the work undertaken by WAO as it will only strengthen the response to meeting savings requirements.’

- 5.2 The Solicitor to the Council (Monitoring Officer) has commented as follows:

“I have nothing to add to the report”.

6.0 Future Status of the Report

6.1 Not applicable

| Recommendation: | Reason for Recommendation: |
|---|--|
| That the Audit Committee notes the outcome of the WAO review and the Council’s response. | To ensure the WAO report is noted by Committee |
| That the Audit Committee agrees the action plan and thereafter receives regular updates on progress | To ensure the action plan is delivered |

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| Relevant Policy (ies): | | | |
| Within Policy: | Y | Within Budget: | Y |

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| Relevant Local Member(s): | Not Applicable |
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| Person(s) To Implement Decision: | |
| Date By When Decision To Be Implemented: | |

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