

CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE

7th July 2016

REPORT AUTHOR: David Powell

SUBJECT: Action Plan in response to WAO Review of Financial Resilience (2015-16)

REPORT FOR: Information

1.0 Introduction

- 1.1 The Council has been subject to an assessment by WAO on its Financial Resilience. The assessment was undertaken during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period.
- 1.2 Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services. Good financial management:
- Helps councils take the right decisions for the short, medium and long term;
 - Helps councils deliver services to meet statutory obligations and the needs of local communities;
 - Is essential for good corporate governance;
 - Is about managing performance and achieving strategic objectives as much as it is about managing money;
 - Underpins service quality and improvement;
 - Is the basis of accountability to stakeholders for the stewardship and use of resources; and
 - Is a key management discipline.
- 1.3 Long-term financial management is not about predicting the future; it is about preparing for it. Councils need to understand future demand, assess the impact of probable changes, review the gap between funding needs and possible income, and develop appropriate savings strategies.
- 1.4 Well-considered and detailed long-term financial strategies and medium-term financial plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning alone encourages an incremental and process-driven approach that can be ineffective in a period of rapid external change.
- 1.5 Financial resilience is achieved when a council has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.

2.0 Background

2.1 The work undertaken by WAO focused on answering the following question: **Is the Council managing budget reductions effectively to ensure financial resilience?** Also considered within the report is whether:

- **Financial planning arrangements effectively support financial resilience;**
- **Financial control effectively supports financial resilience; and**
- **Financial governance effectively supports financial resilience.**

2.2 Given the continuing pressures on funding, WAO has considered whether the Council has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term (typically three to five years ahead). They have also considered evidence of the Council's approach to managing its finances in the recent past and over the medium term when reaching a view on the Council's financial resilience. Financial resilience is achieved when a council has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.

2.3 Based on fieldwork carried out in all Welsh local authorities, WAO has drawn together a list of key characteristics of good practice and have appended this to the report to assist practitioners in developing their arrangements.

2.4 The assessment was undertaken during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period.

3.0 Findings

3.2 Overall the report concludes that **the Council is improving its financial management arrangements with the benefit of increasingly rigorous internal scrutiny and challenge, but recognises that it needs to better align and monitor service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal.** This conclusion is based on findings in relation to financial planning, financial control and financial governance arrangements. WAO rated the risk to the Council's delivery of its financial plan for each of these elements as follows: -

Element	Risk Rating	Descriptor	WAO overall assumption
Financial planning arrangements effectively support financial resilience	Medium risk	There are some shortcomings in systems, processes or information that may affect the council's ability to deliver the desired outcomes of its financial plan.	The Council continues to develop and refine its long-term approach to financial planning, working to integrate and align it with its corporate change and improvement planning.
Financial control effectively supports financial resilience	Medium risk	There are some shortcomings in systems, processes or information that may affect the council's ability to deliver the desired outcomes of its financial plan.	Whilst the Council's overall financial control arrangements are adequate, arrangements for the combined scrutiny of service and financial performance remain less than effective.
Financial governance effectively supports financial resilience	Medium risk	There are some shortcomings in systems, processes or information that may affect the council's ability to deliver the desired outcomes of its financial plan.	The Council's developing financial governance arrangements are leading to increasingly rigorous internal scrutiny and challenge of its budget setting and financial performance.

4.0 Progress

- 4.1** A Monthly Budget Planning Group has been established to develop, deliver and maintain the budget process for 2017/18. The Group is chaired by the Strategic Director – Resources, and is attended by officers involved in the budget process as well as the Portfolio Holder for Finance. Terms of Reference for the group have been agreed.
- 4.2** An Action Plan has been developed in response to the areas of weakness identified within the review. A number of actions have been completed / implemented since WAO has completed the review.
- 4.3** Based on the fieldwork carried out in all Welsh local authorities at the time of undertaking the review, WAO has drawn together a number of key characteristics of good practice and have appended this to the report.
- 4.4** A self-assessment process has been undertaken to identify where the Council is already currently adhering to best practice. Where the Council is currently not complying with the areas of best practice then it will be considered as part of the Monthly Budget Planning Group to assess whether it is reasonable and achievable to align our working methods to meet this best practice.
- 4.5** WAO has given us initial notification that the Corporate Assessment process has been revised. The process instead will now be based upon three key themed reviews: -
1. Financial Resilience (expected May/June/July 2016);
 2. Governance (expected autumn 2016); and
 3. Service Transformation (expected early 2017).
- 4.6** Regular progress updates on the action plan will be provided to Audit Committee and the Finance Scrutiny Panel.

5.0 Appendices

5.1 Financial Resilience Action Plan



FR Action Plan.docx

5.2 Financial Resilience Good Practice Self-Assessment



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Self-Assessment.doc

6.0 Next Steps

6.1 Progress on the attached plan will be monitored and reported to the Audit Committee.

7.0 Statutory Officers

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

Financial resilience is an increasingly important requirement for any local authority. The work carried out by WAO makes an important contribution to ensuring the Council has appropriate awareness as well as actions in place to deliver this key requirement.

7.2 The Solicitor to the Council (Monitoring Officer) has made the following comment:

8.0 Future Status of the Report

8.1 Not applicable

Recommendation:	Reason for Recommendation:
The Audit Committee agree the attached Action Plan and Self-Assessment.	In order to ensure the Authority uses the issues raised in the WAO report to build its financial resilience.

Relevant Policy (ies):			
Within Policy:	Y / N	Within Budget:	Y / N

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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