

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

29 JUNE 2017

REPORT OF THE HEAD OF FINANCE

SAVINGS PLANNING REPORT

1. Purpose of this report

- 1.1 The purpose of this report is to present the findings of the “Savings Planning” audit work carried out by Wales Audit Office (WAO) on all local authorities across Wales.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 The Council’s financial resilience is important in ensuring the council has the future resources necessary to deliver against its corporate priorities.

3. Background

- 3.1 In 2015-16, the WAO carried out work at all 22 councils in Wales to assess the adequacy of their financial planning, control and governance arrangements, which resulted in a local report to each council and a national report summarising findings. Nationally, the work found that councils have had difficulty in developing and delivering savings and changes to services at the pace required to ensure their future financial resilience.

- 3.2 Bridgend’s local report for 2015-16 was viewed favourably and in summary found that “Whilst the Council faces some significant financial challenges, its current arrangements for achieving financial resilience are sound”.

4. Current Situation / Proposal

- 4.1 This year, the scope of the WAO’s work has focussed more specifically upon the development and delivery of Councils’ medium term financial strategies and movement in reserves.

- 4.2 Between the two reports, Bridgend has made a number of changes which will impact upon the council’s financial resilience and savings planning. These include:

- The creation of a budget reduction contingency reserve, in recognition of the higher proportion of significant service change required to deliver the scale of Medium Term Financial Strategy (MTFS) budget reductions year on year.
- The introduction of a formal monitoring and reporting process for any prior year budget reduction proposals not fully realised in-year.
- An overhaul of the MTFS development process with significantly increased emphasis on strategies to deliver against different budget settlement scenarios.

- A more thorough mid-year review and assessment of the council's reserves position in relation to known and foreseeable risks and expenditure commitments, and a corresponding increase in the detail and transparency of financial reporting to members.
- The deletion of the Corporate Director - Resources role, with the Head of Finance redesignated as the Section 151 Officer (previously deputy) and appointment to the Corporate Management Board.

4.3 The 2016-17 all-Wales report from the WAO found in summary that:

“Medium Term Financial Planning in councils is generally effective but shortcomings in savings planning present a risk that some councils will not achieve the savings they need to make.”

The full report is provided at Appendix A.

4.4 Bridgend's local report summary findings are that:

“Whilst the Council has a sound financial planning framework underdeveloped savings plans may not fully support future financial resilience”

And the audit in particular found that:

“Some of the Council's approved savings plans for 2016-17 are not well developed and lack sufficient detail, increasing the risk that they will not be delivered in the planned timescale”

The report made one proposal for improvement:

“Strengthen financial planning arrangements by:

- Ensuring that savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget; and
- Identifying indicative savings proposals over the period of the MTFP”

The full report is attached at Appendix B.

4.5 The Head of Finance has presented the report to the Corporate Management Board and Cabinet, and both have accepted the findings of the report and as a consequence additional work has been included in the 2018-2022 MTFS development to address the proposal for improvement.

5. Effect upon policy framework & procedural rules

5.1 The Medium Term Financial Strategy is a key policy document of the council and underpins delivery of the Corporate Plan.

6. Equality Impact Assessment

6.1 Whilst the audit report findings do not themselves raise any equality issues, budget reduction proposals identified in the Council's Medium Term Financial

Strategy can have particular equalities impacts. When these proposals are being developed, consideration is given to their potential impact on protected groups within the community, and equality impact assessments developed as required.

7. Financial implications

7.1 There are no financial implications arising as a consequence of this report.

8. Recommendation

8.1 It is recommended that Audit Committee note the contents of the report.

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Background Documents:

WAO Financial Resilience report 2015-16: Bridgend CBC

WAO Financial Resilience report 2015-16: Welsh Local Authorities