

### Appendix 3

<b><u>BLAENAU GWENT COUNTY BOROUGH COUNCIL</u></b>	
<b>Report to</b>	<b>The Chair and Members of the Corporate Overview Scrutiny Committee</b>
<b>Report Subject</b>	<b>Wales Audit Office Savings Planning - Blaenau Gwent County Borough Council</b>
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<b>Key words</b>	<b>Wales Audit Office Saving plans Financial planning Financial resilience</b>

## Report Information Summary

<b>1.</b>	<b>Purpose of Report</b>
1.1	The purpose of the report is to provide the Corporate Overview Scrutiny Committee with the WAO Savings Planning - Blaenau Gwent County Borough Council.
<b>2.</b>	<b>Scope of the Report</b>
2.1	The report includes detail on the findings from the WAO as well as the responses to the Proposals for Improvement.
<b>3.</b>	<b>Contribution to the National Well-Being Goals – Detail attached as Appendix 1</b>
<b>4.</b>	<b>Recommendation(s) / Endorsement by other groups, e.g. CMT/Committees/Other groups</b>
4.1	The Directorates and CLT have responded to the WAO regarding their findings and endorse the approach identified by the Directorate to respond to the Proposals for Improvement.
<b>5.</b>	<b>Recommendation/s for Consideration</b>
5.1	For the Corporate Overview Scrutiny Committee to consider the information contained within the WAO's report (appendix 2) and provide comment on the response to the Proposals for Improvement.

Why this topic is a priority for the Council?						
Single Integrated Plan (SIP)	Corporate Improvement Plan (CIP)	Performance Management Improvement Framework (PMIF)	Operating Model	Transforming Blaenau Gwent (TBG Programme)	Relevant legislation	Other (please state)
	X	X				WAO

Reporting Pathway							
Directorate Management Team (DMT)	Corporate Management Team (CMT)	Audit	Democratic Services Committee	Scrutiny	Executive	Council	Other (please state)
	1/8/17	3/10/17		4/9/17	27/9/17		

## Main Report

<b>1.</b>	<b>Background and Context</b>
1.1	The Wales Audit Office Savings Planning - Blaenau Gwent County Borough Council was issued in March 2017 (attached Appendix 2). The review covered the audit year 2016/17.
1.2	The report concluded that:  <i>‘Whilst the Council lacks some indicative savings plans for future years it continues to strengthen its financial planning framework to better support future financial resilience’.</i>
1.3	The WAO came to this conclusion because: <ul style="list-style-type: none"> <li>• Whilst the Council lacks some indicative savings plans for future years it continues to strengthen its financial planning framework to better support future financial resilience</li> <li>• The Council reports achievement of 88% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered</li> <li>• The Council continues to strengthen its financial planning framework but lacks some detail in its indicative plans and its use of reserves might not be sustainable</li> <li>• The Council has effective arrangements to monitor savings and forecasts that it will achieve 98% of planned savings for 2016-17, however the level of detail contained in savings proposals is variable</li> </ul>
1.4	Following these findings, one proposal for improvement was identified:
1.4.1	Strengthen financial planning arrangements by: <ol style="list-style-type: none"> <li>a) risk rating the achievability of Financial Efficiency Projects (FEPs);</li> <li>b) developing indicative savings to cover the period of the MTFS, including all known recurring budget pressures in the base budget;</li> <li>c) ensuring FEP business cases presented to Members are sufficiently detailed to clearly show intended actions and allow robust scrutiny of delivery appropriately throughout the year;</li> </ol>

	and d) planning use of reserves over the period of the MTFs.
<b>2.</b>	<b>Performance Evidence and Information</b>
2.1	<p><b>Proposal 1</b></p> <p>a) Develop a risk rating methodology to measure and monitor the achievability of FEP's (October 2017).</p> <p>b) The Council is looking to initially agree savings proposals for two financial years 2018/2019 and 2019/2020. Outcomes will be reviewed to ascertain how savings for the period 2020/2021 to 2022/2023 can be delivered (July 2018).</p> <p>c) The FEP process is continually evolving, to aid better decision making. We ensure through a quality assurance process, that there is a consistent level of sufficient detail provided by departments. We will also ensure that the current reports monitoring financial progress against targets also includes a narrative on service specifications, delivery models and staffing (September 2017).</p> <p>d) A section on the planned use / non-use of reserves will be incorporated in MTFs reported to Executive / Scrutiny / Council (October 2017).</p>
2.2	This proposal will be monitored via the relevant business plan as well as being reported through the Joint Finance and Performance Report.
<b>3.</b>	<b>Risk Implications</b>
3.1	The Council recognises it needs to address proposals for improvement from the WAO in order to ensure compliance with legislation and audit reports. If these requirements are not met, the Council is at risk of reputational damage and intervention.
<b>4.</b>	<b>Financial Implications</b>
4.1	There are no direct financial implications as part of this audit report and all proposals for improvement will be met within existing resources.
<b>5.</b>	<b>Staffing/Workforce Development Implications</b>
5.1	There are no additional workforce implications as part of the WAO review as business plans already identify where capacity is required in order to deliver the service.

<b>6.</b>	<b>Options for Consideration</b>
6.1	<b><u>Option 1</u></b> Accept the WAO review and actions to implement the proposals for improvement.
6.2	<b><u>Option 2</u></b> Provide comment on the WAO review and actions to implement the proposals for improvement for officers to implement in order to provide continuous improvement.
<b>7.</b>	<b>Impact Assessment Against Proposals / Options</b>
7.1	<ul style="list-style-type: none"> <li>• <b>Thinking for the long term</b> The Council is committed to working to the longer term and plans are being developed to consider priorities for the future, linked to the Well-being Objectives.</li> <li>• <b>Taking an integrated approach</b> A number of the proposals for improvement will involve more than one service area, providing an integrated approach to implementation.</li> <li>• <b>Taking a preventative approach</b> The Council is committed to the preventative agenda in order to reduce the need for services later on when the needs will be higher.</li> <li>• <b>Collaborating</b> The Council is committed to working collaboratively with partners in order to deliver improved and cost effective services.</li> <li>• <b>Involvement</b> Services identify where they intend to involve citizens and or partners in their service planning.</li> </ul>
7.2	<b>Equality Impact Assessment (EQIA)</b>  An EqIA is not required for the WAO report. However, should any service changes take place an EqIA will be undertaken.
<b>8.</b>	<b>Conclusion</b>
8.1	The Council is committed to implementing the proposals for improvement identified as part of the Wales Audit Office Service Planning. As action plan has been developed for implementation and will be monitored via the business plans and Joint Finance and Performance Report.

Assess how well your project / activity will result in multiple benefits for our communities and contribute to the national well-being goals.		
Description of the Well-being goals	How will your project / activity deliver benefits to our communities under the national well-being goals?	Is there anyway to maximise the benefits or minimise any negative impacts to our communities (and the contribution to the national well-being goals)?
<p><b>A prosperous Wales</b>            An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.</p>	<p>By implementing the proposals for improvement the Council will be working towards the implementation of the Well-being Objective, <i>'We will be a modern, smart Authority, providing leadership to enable people and communities to thrive'</i>.</p>	
<p><b>A resilient Wales</b>            A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change).</p>		
<p><b>A healthier Wales</b>            A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.</p>		

Description of the Well-being goals	How will your project / activity deliver benefits to our communities under the national well-being goals?	Is there anyway to maximise the benefits or minimise any negative impacts to our communities (and the contribution to the national well-being goals)?
<p><b>A more equal Wales</b>            A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstances).</p>		
<p><b>A Wales of cohesive communities</b> Attractive, viable, safe and well-connected communities.</p>		
<p><b>A Wales of vibrant culture and thriving Welsh language</b>            A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.</p>		
<p><b>A globally responsible Wales</b>            A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.</p>	<p>By implementing the proposals for improvement the Council will be working towards the implementation of the Well-being Objective, <i>'We will be a modern, smart Authority, providing leadership to enable people and communities to thrive'</i>.</p>	



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Savings Planning – Blaenau Gwent County Borough Council

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The team who delivered the work comprised Allison Rees, Janet Smith, Lisa Williams and Jeremy Evans, under the direction of Alan Morris

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# Summary report

## Summary

- 18 Good financial management is essential for the effective stewardship of public money and the continual delivery of efficient public services. The current financial climate and the reduced settlements for local government mean that good financial planning, with well-considered savings plans, is critical to financial resilience.
- 19 This review focuses on answering the following question: **Do the council's financial savings planning arrangements support financial resilience?**
- 20 Good financial planning:
- 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.
- 21 Financial planning for the medium to long term involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and, where necessary, developing appropriate savings strategies.
- 22 A council's strategic priorities and its financial health should be the basis for deciding what is practicable. 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 encourages an incremental and process-driven approach that is too inflexible in a period of rapid external change.
- 23 Councils receive about 80% of their net income from Welsh Government, the exact amount is only known 4-5 months before the start of the financial year. Whilst this has an impact on financial planning councils can use a range of information to anticipate changing circumstances, set priorities, make choices and manage service delivery. They can calculate how much they would need to deliver services (at current or future prices) and review alternative income and spending scenarios to identify gaps and prepare for the future by investigating different approaches.

- 7 During 2015-16 the Wales Audit Office undertook work at all councils to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016. The national summary report concluded that **strategic planning arrangements are improving but authorities have difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience.**
- 8 In this assessment, undertaken during the period June to September 2016, we have focused on work to identify, plan for and deliver savings. We examined the extent to which Blaenau Gwent County Borough Council (the Council) achieved its 2015-16 savings plans, the quality of its medium term financial plans and the robustness of its 2016-17 savings plans.
- 9 We sampled three savings proposals for 2016-17 and looked at the underlying assumptions, whether there are adequate mechanisms to ensure they can be delivered in the planned timescale.
- 10 We followed up our 2015-16 work to determine what the Council did as a consequence of what it learnt and how it has responded to our proposals for improvement in relation to financial planning if we made any.
- 11 In this report we have described some key characteristics of effective financial planning – **What good looks like**. Auditors have used these and other factors to reach a balanced view on the effectiveness of a council’s financial planning arrangements and to evaluate the ability of an authority to deliver its Medium-Term Financial Strategy (MTFS) and planned savings.
- 12 In our 2015-16 review we concluded that **the Council’s financial resilience arrangements continued to improve in the face of some significant financial challenges, but its financial planning arrangements could be further improved in some key areas.**
- 13 In this review we concluded that **whilst the Council lacks some indicative savings plans for future years it continues to strengthen its financial planning framework to better support future financial resilience.**
- 14 This is an **improving position** from 2015-16. The Council has completed a second annual review of the savings planning process and has responded to our proposals for improvement in our Financial Resilience Assessment published in April 2016. The Council continues to strengthen arrangements in readiness for the 2017-18 budget setting process.

# Proposals for improvement

## Exhibit 1: proposals for improvement

It would be unusual if we did not find things that can be improved and, where we do, The Auditor General can take a variety of steps. In this case a proposal for improvement has been made and we would expect the Council to do something about it.

### Proposals for improvement

- P1 Strengthen financial planning arrangements by:
- risk rating the achievability of Financial Efficiency Projects (FEPs);
  - developing indicative savings to cover the period of the MTFS;
  - including all known recurring budget pressures in the base budget;
  - ensuring FEP business cases presented to Members are sufficiently detailed to clearly show intended actions and allow robust scrutiny of delivery appropriately throughout the year; and
  - planning use of reserves over the period of the MTFS.

# Detailed report

## Whilst the Council lacks some indicative savings plans for future years it continues to strengthen its financial planning framework to better support future financial resilience

### Context

- 15 Since 2010, the UK government has reduced spending on public services as part of its plan to reduce the deficit. With cuts to its budget, the Welsh Government has had to make difficult choices as to how to allocate those funding cuts across devolved public services. As a result, the amount of core funding made available by the Welsh Government to local councils has reduced each year. So far, most local councils have managed to reduce expenditure and balance budgets, but the scale of annual reductions is likely to continue. Our analysis shows that between 2013-14 and 2016-17, there is a real-terms reduction of £483 million (10.9%) in this core funding<sup>1</sup>.
- 16 The impact of the decision to leave the European Union may represent a threat to local councils and the wider public sector in Wales. In the immediate aftermath of the decision there was reaction across financial markets resulting in volatility in, for example, share prices, currency exchange rates, oil prices and bond yields, and the UK continues to face a great deal of uncertainty on top of significant questions regarding future economic and trading relationships with Europe. The Welsh Local Government Association (WLGA) has expressed concerns over the implications of the European Union referendum outcome, calling it a 'seismic change in UK public policy'<sup>2</sup> especially as local councils are collectively the largest employer in Wales and the deliverer of many important public services.

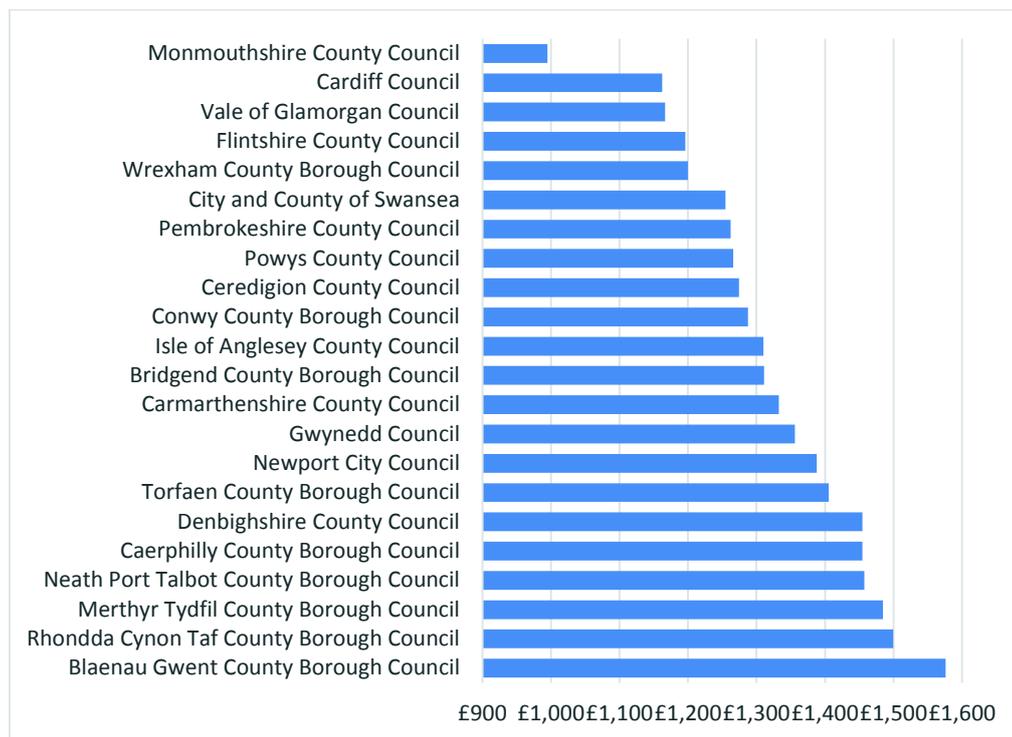
<sup>1</sup> Comparing core funding (Aggregate External Finance (AEF)) across the period 2013-14 to 2016-17 is complicated for two main reasons. Firstly, the Welsh Government has incorporated into core funding grants that were previously provided separately. While this 'de-hypothecation' of grants results in an increase in core funding, it is not necessarily a net increase in funding. The net value of grants incorporated into core funding since 2013-14 is around £76 million in real terms (adjusted for inflation).

<sup>2</sup> Welsh Local Government Association, **Councils voice concern over service impacts of EU referendum**, 24 June 2016

- 17 Whilst the overall Welsh Government funding has reduced, councils have been expected to protect schools and social care from the bulk of the pressures. Social care in particular has struggled even with this protection as for example demographic changes have led to increased demand. However, this does mean that other services have borne the majority of the cuts and have seen reductions in budgets of 30% or more in real terms since 2013-14.
- 18 The Council received £109.2 million in support from Welsh Government in 2016-17. This represents £1,576 per person in the county, above the average for Wales but a real-terms reduction of 9.2%<sup>3</sup> head since 2013-14. There are other key issues that impact on any councils overall financial position, for example the overall Council tax base, the ability to generate income locally and the levels of deprivation.

**Exhibit 2: Welsh Government support (£ per head) in 2016-17**

The graph below illustrates the amount of money each council gets per head of population from the Welsh Government.



Source: Stats Wales ([www.statswales.gov.wales](http://www.statswales.gov.wales))

<sup>3</sup> The percentage reduction per head figure varies from the 2013-14 core funding reduction due to population variation over the same period.

## Savings achievement 2015-16

The Council reports achievement of 88% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered

### What good looks like

- 19 Councils that have a good track record of delivering the majority of planned in-year savings should have well developed savings and delivery plans in place which are underpinned by robust monitoring processes. These councils do not have to continually bridge the gap year on year, by identifying alternative savings, using unplanned one-off funding from earmarked reserves, general reserves, contingency funds or fortuitous unplanned income received during the year.

### What we found

- 20 In our 2015-16 review we found that the Council had arrangements in place to support effective financial planning but had a mixed track record of delivering the intended savings outlined in its budget proposals with some plans lacking key details.
- 21 In our 2016-17 review we found that the Council continued to actively manage and monitor the savings plans with sound arrangements in place. These arrangements allow early identification of concerns about the achievability of the intended savings. Despite these strengths, the Council does not rate the likelihood of achieving each of its savings proposals, known as Financial Efficiency Projects (FEPs). In 2015-16, 33% of the original intended FEPs were not delivered as planned. The Council identified alternative savings to meet 20.5% of the gap with the balance being met from reserves.
- 22 For 2015-16, the Council agreed 80 FEPs, to meet the savings target of £6.1 million. The Council reported the overall financial savings target of £6.1 million was exceeded by £26,930. However, 21 of the 80 original FEPs could not be achieved and were substituted with alternative in-year savings or met from reserves.
- 23 £4.1 million of the original savings proposals were achieved which represented 67% of the total intended savings. A further £1.2 million of savings were delivered from alternative FEPs, resulting in £5.3 million or 87.5% of savings achieved for 2015-16. The remaining savings totalling £750,000 were funded through either the Budget Contingency Fund (£190,000), the Implementation Cost Reserve (£520,000) or a combination of both (£40,000).
- 24 Two high value FEPs, Business Support Implementation and Corporate Procurement Review, did not meet the intended savings targets of £720,000 and £1.25 million respectively. Business Support Implementation required £350,000 from the implementation cost reserve and £1.06 million of alternative

funding was required to achieve the required savings for the Corporate Procurement Review. The Council changed its Minimum Revenue Provision (MRP) policy during the year. The resultant reduction in capital financing charges in its revenue budget offset a significant element of the under achievement of the 2015-16 FEPS.

- 25 The Council use a BRAG (blue, red, amber and green) rating system to highlight financial achievement against the savings target to managers and Members.

In 2015-16 the Council introduced a more structured criteria for applying the rating system based on achievement of the FEPs as follows:

- Blue: Financial targets have been achieved or exceeded'
- Green: Less than 5% adverse variance in financial targets.
- Amber: Between 5% and 15% adverse variance in financial targets.
- Red: Greater than 15% adverse variance in financial targets.

- 26 These definitions were introduced to decrease subjectivity when officers applied the BRAG status in quarterly reports to monitor achievement of each FEP. Those FEPs rated as red are highlighted with the rationale and mitigating actions, if applicable.

- 27 The Council achieved a surplus of £820,000 on its 2015-16 budget after application of £2 million from reserves. Six portfolios had favourable variance of £1.5 million and three portfolios adverse variance of £680,000. The most significant cost pressure was in the Looked After Children budget. The subsequent £1 million overspend within the 2015-16 Children's Services budget was off-set by an underspend in Adult Services. However, the Council is continuing to forecast cost pressure in Children's Services during 2016-17.

- 28 The Council's planned budget strategy did not include the use of reserves to support the 2015-16 revenue budget. However, this year the Council has introduced an earmarked reserve to manage emerging budget pressures, provide investment and meet transitional staff costs arising from transformation projects.

- 29 There is an established monitoring and reporting process for the FEPs. Quarterly joint performance and finance reports are considered by the Corporate Management Team (CMT), Executive and Corporate Overview Scrutiny Committee. The Council also has a Joint Scrutiny Committee specifically for budget monitoring and further challenge is provided through the Cost Pressure sub-group.

- 30 In 2014, the Council established the Transforming Blaenau Gwent steering group. This officer group meets bi-monthly and its main responsibility is to review progress reports and challenge achievement of the FEPs.

## Financial planning arrangements

The Council continues to strengthen its financial planning framework but lacks some detail in its indicative plans and its use of reserves might not be sustainable

### What good looks like

- 31 The MTFS is a key component of an effective, integrated corporate planning framework. Good medium-term financial planning and annual budgeting should reflect a council's strategic objectives and priorities for the year, and over the longer term. MTFSs typically span a three-to-five year period and should identify how resources will be allocated to both the delivery of services and a council's priorities. The impact on citizens and other stakeholders should also be considered.
- 32 Good MTFSs include consideration of key financial risks together with their mitigation. Councils have to make assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services, and these need to be based on reasonable predictions. Councils should also use financial modelling to assess the likely impacts on financial plans and required savings for a range of different scenarios and risks. The MTFS should be frequently reviewed and updated to reflect changes in assumptions and risks.
- 33 Councils should operate within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by Members, and appropriate to the strategic, operational and financial risks it faces. Councils should include details on how reserves will be used over the period of the MTFS.
- 34 Councils should demonstrate that they understand sources of income and the risks arising from these, and that they reviewed their approach to fees and charges for services, to achieve value for money.

### What we found

- 35 In our 2015-16 review, we found that whilst the Council had a five-year MTFS, it had yet to fully identify how it intended to deliver the savings required for the period 2017-18 onwards. Therefore, the Council needed to develop a costed savings plan to underpin its MTFS, which also outlined the level at which it intends to maintain its Council Fund Reserve.
- 36 We found that the Council has responded positively to our 2015-16 proposals for improvement. FEPs covering the funding gap identified in the MTFS for the period 2017-18 to 2019-20 will be considered by full Council in January 2017. In preparation for this Council meeting, briefings took place with all political

groups in September 2016 to provide members with a high-level view on future savings proposals and their likely impact.

- 37 The Council's annual Corporate Improvement Plan sets out three high level priorities, which are directly supported by two improvement objectives. These are unchanged since 2014-15 and one improvement objective is 'Ensuring the continuing financial stability of the Council'. The FEP business case template includes a section entitled 'Corporate Fit' and officers are required to indicate whether the FEP links to the high level priorities and the MTFS. A review of the FEP business cases for the three tracers identifies that in two of them this section was completed.
- 38 The Council is committed to continuous improvement in its financial planning arrangements and for a second year, reviewed the FEP process. Both officers and Members considered how the process can improve further and 16 areas of improvement were recommended to the Executive and Joint Scrutiny (Budget Monitoring) Committee in September 2016. Two of these recommendations also address proposals for improvement from our 2015-16 review regarding:
- 'revision of the FEP business case template to ensure a consistent standard of project details, with a fuller rationale on how projects will be achieved'; and
  - 'managers and officers responsible for FEPs to be clear that the proposal is achievable and deliverable'.
- 39 The 2017-18 FEP business case template introduces a section on the Wellbeing of Future Generations (Wales) Act 2015 reflecting both the five sustainable development principles of the Act and the impact the proposed FEP could have on the public.
- 40 The Council has an updated MTFS for the period 2016-17 to 2020-21 and identifies a funding gap of £29.6 million. The MTFS is reviewed on an annual basis as part of the budget setting process and is provided to Council at the same time as the budget is approved.
- 41 The MTFS is underpinned by assumptions for key variables such as, inflationary factors to include fees and charges and pay awards, demographic changes, reductions in revenue support grant and Council Tax levels. However, assumptions on costs pressure could be improved, for example, by including within the MTFS an estimate of service costs pressures beyond 2016-17. The Council estimated that £1.2 million would be required in 2016-17 to fund the national living wage. Whilst the Council had separate approval to fund this from the general reserve in 2016-17 it did not build this recurring cost pressure into its base budget. This omission will impact future years' budgets.
- 42 In March 2016 the Council agreed a revised reserves policy including a target level of general reserves of 4% of the actual net revenue expenditure. Whilst the planned use of reserves isn't included within the MTPF, the Council needed to use reserves in both 2015-16 and 2016-17 to fund both planned and unplanned expenditure. In 2016-17 the Council also plan to use £1.2 million of general reserves to fund national living wage costs. **Exhibit 3** below shows that

the level of reserves has not reached the Council's target level in recent years, and the target will be under continued pressure in the future, if the Council continues to use reserves as it has over the last two years.

### Exhibit 3: Level of Reserves

The table below illustrates changes in the level of balances held in reserves

	<b>Council Fund Reserve</b>	<b>Earmarked reserves</b>	<b>Council Fund Reserve as a proportion of Net Expenditure</b>
	£ million	£ million	(%)
As at 31 March 2015	5.24	12.50	2.93
As at 31 March 2016	6.07	10.94	3.37
As at 31 March 2017	2.8	10.3	2.10

- 43 Quarterly reports about reserve balances are considered by the Joint Scrutiny (Budget Monitoring) Committee and the Executive. During September 2016 update reports considered a forecast £500,000 adverse variance on its revenue budget for 2016-17 (after using £2.4 million from reserves). The Council is developing and implementing actions plans to address the forecast overspend.
- 44 The Council has an Income Policy and a corporate approach to income generation. The policy outlines the Council's position in terms of charging or recovering costs for a range of services. It also has a Corporate Fees and Charges Register. Fees and Charges are reviewed and set annually as part of the budget setting process.

## Savings Plan 2016-17

The Council has effective arrangements to monitor savings and forecasts that it will achieve 98% of planned savings for 2016-17, however the level of detail contained in savings proposals is variable

### What good looks like

- 45 Councils that deliver savings effectively have well-considered savings plans that sit within longer-term savings strategies which are underpinned by well-developed fully costed individual savings and delivery plans aligned with the MTFS. Savings proposals should be specific and risk assessed in terms of likelihood of achievement.

## What we found

- 46 The Council consulted on the 2016-17 draft savings proposals as part of the Let's Talk public engagement programme, where 184 people attended events and 106 people completed questionnaires.
- 47 The revenue budget for 2016-17 is £138.8 million and on 25 February 2016, Council approved savings of £4.76 million for 2016-17; 3.4% of the revenue budget. The Council classifies its savings into four categories:
- Service Reviews/Efficiencies;
  - Staffing Efficiencies;
  - Budget Management; and
  - Income Generation.
- 48 Each savings proposal has a unique reference number. A responsible officer is assigned and proposals itemised on a line-by-line basis for monitoring and reporting, with a BRAG rating. An assessment is made of the impact on the public and staff; an Equalities Impact Assessment (EQIA) is undertaken; and general risks are identified. The impact on the public for the individual 2016-17 FEPs is assessed as follows:
- Neutral – 37 FEPs
  - Low impact – 26 FEPs
  - Medium impact – 0 FEPs
  - High impact – 32 FEPs
  - Unknown – 2 FEPs
- 49 We reviewed the following three FEPs for 2016-17, to test the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale:
- programmed reduction of management fee for Aneurin Leisure Trust: £238,000 (Budget Management Saving);
  - review of service delivery within Provider Services and Community Options: £107,000 (Service Review/Efficiency); and
  - review of Additional Learning Needs provision: £150,000 (service review/efficiency).
- 50 In line with the corporate procedure each FEP was supported by a business case. However, they were not always clear about how savings would be delivered and lacked detailed information on achievability and alternative options. We found the same in 2015-16, however, the Council's self-evaluation recognised the issues and steps have been taken to address it (para 40 refers). During the fieldwork, it was apparent that whilst the three FEPs were underpinned by reasonable assumptions this information was not included in the business cases presented to Members at full Council.
- 51 In each case, we found evidence of consultation with service users and stakeholders where it was appropriate. As at 30 June 2016, the cases sampled

were reported as 'complete' in the Quarter 1 FEPs update to Joint Scrutiny (Budget Monitoring) Committee and Executive.

- 52 In our 2015-16 review, we found that the Council's track record in delivering its savings plans was variable. As of 30 June 2016, the Council forecast it will achieve 98.5% of savings planned during 2016-17 (£4.7 million savings with a shortfall of £69,752). Quarter 1 FEPs update to Joint Scrutiny (Budget Monitoring) Committee and Executive highlighted 56 FEPs rated as Blue (72% completed), 16 rated as Green (20%), 0 rated as Amber, 4 rated as Red (5%) and 2 (2.5%) were cancelled.

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