

Report of the Director of Resources

Audit Committee – 20 September 2016

WALES AUDIT OFFICE REVIEW OF FINANCIAL RESILIENCE AT THE CITY & COUNTY OF SWANSEA

Purpose:	To report the findings by the Wales Audit Office on their Financial Resilience Assessment of the City & County of Swansea where they considered whether the Authority has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term
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FOR INFORMATION

1. Background

- 1.1 The WAO undertook a Financial Resilience Assessment of all Local Authorities across Wales including the City & County of Swansea. The Assessment considered whether the Authority has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term (typically three to five years ahead), but focussed narrowly around the issue of achievement and allocation of Corporate savings rather than performance and ability to meet its financial targets as a whole.
- 1.2 The review concluded that the Council has improved medium-term financial planning, but the pace at which planned savings are being achieved is too slow and accountability for delivering all savings proposals has yet to be resolved.
- 1.3 The latter point referred to the non-allocation of Corporate Savings that were identified during the budget process to Directorate Budgets during the year. The result of that was non-allocation of some £2.194m of corporate savings for 2015/16. However, whilst the report is critical of that non-allocation, it also acknowledges that the Council has managed to achieve its overall savings requirement for 2014/15 and, indeed, were the report to be written now it would also acknowledge the achievement of the overall savings targets for 2015/16 as evidenced by the net outturn position for that year.

2. WAO conclusions & proposals for improvement

2.1 The WAO reached their overall conclusion as follows:

- Financial planning - The Council has improved medium-term financial planning arrangements and understands the overall financial savings required but is not achieving specific savings as quickly as planned. **The clear response from the Council on that point is that it has achieved a net underspend position for both 2014/15 and 2015/16 and. As such, savings are clearly being achieved.**
- Financial control - Controls are in place for managing the Council's financial activity but a lack of clarity about responsibility for delivering some savings targets weakens overall control. **The response of the Council to this is that for 216/17 the vast majority of savings have been allocated across Service Directorates, e.g. the management of the Social Services overspend through the Budget Performance Review Group process.**
- Work carried out by internal and external audit during the year did not identify any significant weaknesses in the key financial systems.
- Financial governance - Financial governance arrangements are in place but weakened by the lack of accountability for delivery of some savings targets. **This is clear restatement of the above points but again the Council would emphasise that collectively savings have been achieved across both of the last two financial years in excess of those originally budgeted**

2.2 Overall, the WAO review concluded that the City & County of Swansea financial planning, control and governance arrangements were at medium risk. This is entirely understandable in terms of medium term financial planning given that the Council:-

- Is subject annually to the effect of funding decisions on the overall funding level devolved to Wales from the Westminster Government.
- Is further subject to funding decisions made annually by Welsh Government.
- Has no indication of the level of core Welsh Government funding beyond the current year.

2.3 Medium risk means that there are some shortcomings in systems, processes or information that may affect the Authority's ability to deliver the desired outcomes of its financial plan.

2.4 The WAO make the following Proposals for Improvement:

- P1. Ensure timescales for the delivery of specific savings proposals are realistic and act to drive delivery. **This is clearly aspirational**

as all savings plans are dependent on consultation outcomes and operational delivery.

- P2. Ensure responsibility for delivery of planned savings is assigned to specific managers' services. **This has largely been achieved for 2016/17 but in reality is a book-keeping exercise. The real issue remains the difficult delivery of in year savings and the substantial effort and resource that is constantly being applied to service reform.**

3. Response and next steps

- 3.1 More detail can be found in the report at Appendix A. The Corporate Director (Resources) will outline the Council's response to the Audit Committee.

4. Equality and Engagement Implications

- 4.1 There are no direct equality and engagement implications.

5. Legal Implications

- 5.1 There are no legal implications.

6. Financial Implications

- 6.1 There are no financial implications other than those outlined within the proposals for improvement noted in para 2.4 of the report.

FOR INFORMATION

Background papers: *None*

Appendices: Appendix A – WAO Financial Resilience Assessment City & County of Swansea