



Financial Planning Assessment

Vale of Glamorgan County Borough Council

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Status of report

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Summary report

Background to our work

1. Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services, and for ensuring authorities' ability to continue to deliver services to meet statutory obligations and the needs of local communities. It will help authorities take the right decisions for the short, medium and long term. Good financial management:
 - is essential to 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.
2. Managing for the long term is not about predicting the future; it is about preparing for it. Planning involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income, and developing appropriate savings strategies.
3. An authority'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.
4. During the period May to August 2014, the Wales Audit Office examined authorities' financial position and how they are budgeting and delivering on required savings. This work considered whether authorities have robust approaches in place to manage the budget reductions that they are facing to secure a stable financial position that will enable them to continue to operate for the foreseeable future. The focus of the work was on the 2014-15 financial planning period. In order to inform views on the planning for and successful delivery of budgets, we also considered the track record for the previous financial years 2011-12 to 2013-14.

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5. The work focused on answering the following question: **Is the authority managing budget reductions effectively to ensure financial resilience?** In this report, we set out our conclusions on both the track record and future prospects:
- **Track record** – whether the Vale of Glamorgan Council (the Council) successfully identified, planned for, and delivered the savings required in the period 2011-12 to 2013-14; and, if there was a shortfall, how was this addressed?
 - **Future prospects** – whether the Council has an effective corporate framework for financial planning, exercises effective financial management and control, has a robust framework for reviewing and challenging financial performance; and whether the Council has realistic plans to make the savings required for 2014-15 and is taking appropriate steps to deliver them.
7. We have analysed a range of data produced by the authority from published accounts, performance returns to the Welsh Government and the Local Government Data Unit. We also completed a review of Council reports and interviewed a small number of key staff.
8. We concluded that: **The Council has effective financial management arrangements in place.**
9. We came to this conclusion because we found that **the Council has a good track record in delivering a balanced budget within year, monitoring of service specific savings is undertaken by scrutiny committees.**
10. We also found that **the Council has an effective corporate process for developing its future financial plans.**
11. Our detailed findings are set out in [Appendix 1](#) and are based on the extent to which the Council has put in place, and is operating, effective financial management and controls. These should support the Council to secure a stable financial position that enables it to continue to operate going forward.

The Council has effective financial management arrangements in place

The Council has a good track record in delivering a balanced budget within year; monitoring of service specific savings is undertaken by scrutiny committees

12. The Council completed a rigorous process to identify budgets and shortfalls for the periods 2011-12 to 2013-14.
13. During this period, the Council accurately identified the level of savings required to meet the projected shortfalls. Savings plans were produced by Directorates which included detailed savings proposals within the services, which were monitored by the appropriate scrutiny committees.
14. The Council is developing a formal corporate reporting arrangement to provide an overview of progress against planned savings.

The Council has an effective corporate process for developing its future financial plans

15. Looking to 2015-16 and beyond, the Council has an effective corporate framework for financial planning in place, together with financial management and control. This framework will enable the Council to continue to review and challenge financial performance and monitor spend against budget.
16. The Council's Medium Term Financial Plan (MTFP) covers the three-year period to 2017 and is updated every 12 months to take account of the most recent data. The Council currently monitors measures including reserves, balances, and actual spend in comparison with budget as well as staff absence. The Council does not include these key performance indicators within the MTFP itself, although it does monitor many of the potential indicators by means of other financial management arrangements. Other potential indicators such as schools balances and liquidity could be considered for inclusion in monitoring financial management arrangements.

Appendix 1

Detailed Findings

| Key line of enquiry | Fieldwork findings | Conclusions |
|--|--|--|
| Track Record 2011-12 to 2013-14 | <p>In 2011-12: the budget set in the Council meeting of 28 February 2011 (minute 957) was £202.036 million, before the planned use of £500,000 of reserves. The reported expenditure within the financial statements for 2011-12 was £202.451 million resulting in a £415,000 overspend. However, during the year, the Council received an additional, if unplanned, council tax income of £1.050 million. Therefore, instead of using £500,000 of reserves as planned, the Council was able to increase the Council Fund Balance by £135,000.</p> <p>In 2012-13: the budget set in the Council meeting of 7 March 2012 (minute 951) was £203.556 million, before the planned use of £500,000 of reserves. The reported expenditure within the financial statements for 2012-13 was £202.701 million resulting in an £855,000 underspend. In addition, during the year, the Council received an additional, unplanned, council tax income of £1.480 million. Therefore, instead of using £500,000 of reserves as planned, the Council was able to increase the Council Fund Balance by £1,835,000.</p> <p>In 2013-14: the budget that was approved for 2013-14 totalled £220.234 million and included a savings target of £5.408 million. The results for 2013-14 show that actual expenditure against budget was £217.394 million meaning an underspend of £2.840 million. In addition, extra council tax income of £2.792 million was received. The combined result of both of these was that the Council Fund was increased by £4.132 million as opposed to reserves of £1.5 million being used to meet the budget (as approved).</p> | The Council has a good track record of delivering within budget. |

| Key line of enquiry | Fieldwork findings | Conclusions |
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| <p>Strategic Financial Planning</p> | <p>The Corporate Plan sets out the Council's priority outcomes, which helps direct and set the Council's improvement objectives. As part of the objective-setting process, a workshop is held which includes the directors and heads of service to discuss and agree the objectives. A level of challenge is provided by a member of the Corporate Performance Team and a Cabinet member. Individual service teams are then tasked with creating action plans to provide details as to how the improvement objectives are to be achieved. It is the same service teams that also draft the budget breakdowns and prepare the savings proposals. Therefore, the service teams know that they should not include savings targets where this would impact upon the successful delivery of the improvement objectives. However, as there does not appear to be any evidence or document trail to demonstrate that the savings proposals have been considered in the selection of the improvement objectives, funds could be cut from areas that the Council has reported that it wants to improve.</p> <p>The MTFP covers a three-year period but is updated every 12 months to take account of the most recent data. The MTFP is intended to be an iterative tool to inform the budget strategy and identify future funding shortfalls and increases in cost pressures. From this data, the Council can put measures in place to address these shortfalls. In order to track the effectiveness of the MTFP, the Council monitors reserves and balances, and levels of spend against set budgets.</p> <p>The Council does not include any key performance indicators within the MTFP itself, although it does monitor many of the potential indicators by means of other financial management and performance management arrangements. This includes monitoring reserve balances; performance against budget; management of sickness absence and borrowing ratios. Other potential indicators such as schools balances and liquidity could be considered for inclusion as performance indicators in the MTFP which could strengthen the Council's monitoring of financial management.</p> | <p>The Council's corporate framework for strategic financial planning is effective but could be refined by including Key Performance Indicators within its MTFP.</p> |

| Key line of enquiry | Fieldwork findings | Conclusions |
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| <p>Financial Management and Control</p> | <p>The Council has effective and long-established budget-setting and savings monitoring systems in place. Monitoring of budgets and savings takes place at Directorate level and reports are taken to Scrutiny every quarter.</p> <p>Budget monitoring reports are presented regularly to individual scrutiny committees. For example, a specific budget savings programme to address Social Service cost pressures has long been monitored by the Social Care Scrutiny Committee. This has resulted in more detailed reporting of savings being incorporated into monitoring reports.</p> <p>At present, savings proposals are not collated and monitored centrally. The Council recognises the need to collate information on all its savings proposals, to keep abreast of significant changes such as the introduction of the Council's reshaping services agenda and new savings targets. It is therefore considering how it will address this need as part of its initial baseline assessments.</p> <p>In some areas, such as reserves, there are clear and established policies. For example, when budget proposals are made to Cabinet, they are accompanied by a paper on potential reserves. However, in other areas, there are no formal policies or public documents in place. For example, when savings proposal reports are presented to members, they do not indicate who is responsible or accountable for achieving the budgets or savings targets. It is also unclear how responsibility for achieving budgets or savings is delegated from directors to heads of service or other group leaders.</p> <p>There is also no formal policy in place regarding Council-wide income generation and charging.</p> | <p>The Council's financial management and control arrangements and systems are effective and the Council is considering making some improvements to strengthen the central monitoring of the savings plans.</p> |

| Key line of enquiry | Fieldwork findings | Conclusions |
|------------------------------------|---|--|
| <p>Financial Governance</p> | <p>To date, the Council has been able to meet its budgets as it has been in a strong financial position. Further, the budget-setting process included contingency plans for the Council to meet its budget targets.</p> <p>Members are given the opportunity to challenge budget performance as reports against budget are presented to Scrutiny each month and Cabinet every quarter.</p> <p>By monitoring the progress against the budget, the Central Finance Team is able to identify any variances from the total budget and challenge appropriately.</p> <p>However, performance against specific savings proposals is reported by service level teams to heads of services and directors only, and is not monitored outside the local team. This means that the Central Finance Team has no indication of whether the savings proposed will be achieved.</p> <p>The lack of public reporting makes it harder to confirm whether identified savings have been met. The S151 Officer has recognised this weakness and has started to introduce procedures to address this.</p> | <p>The Council's financial governance arrangements are adequate with improvements proposed for central monitoring of the achievement of planned savings.</p> |

| Key line of enquiry | Fieldwork findings | Conclusions |
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| <p>Current Savings Plans 2014-15</p> | <p>The Council's Final Budget Proposals were presented to Cabinet on 24 February 2014. They showed a shortfall of £7.391 million plus £1 million from reserves. The MTFP also identified savings from 2014-15 to 2016-17, but cost pressures have since changed and so savings have been adapted. A separate paper the 'Saving Proposals' Plan shows how the savings targets will be broken down among services/directorates. The 'Savings Proposals' Plan includes savings elements which are specific and non-specific with over 80 savings proposals generated for one financial year. Each saving is measurable against a figure provided within the plan. However, some of the 'targets' are more like suggestions rather than specific targets eg, to undertake 'a review of Day Service'. There are no details in the plan regarding the prioritisation of the savings proposals or how difficult each of the proposals will be to achieve or the impact if they are not achieved. Also, there is no information on whether the Council needs to invest or spend in order to achieve savings. The savings proposed within the plan are relevant, but whilst they have been broken down into financial years, no timescales or targets are included. Further, although they are indicated as taking place within one financial year, the proposals are not broken down into further milestones of timescales. Neither do the proposals indicate whether contingencies or slippage have been taken into account.</p> | <p>The Council's current savings plans for 2014-15 are adequate.</p> |

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