

AUDIT COMMITTEE: 27 June 2016

FINANCIAL RESILIENCE

**REPORT OF THE CORPORATE DIRECTOR
RESOURCES**

AGENDA ITEM: 6.3

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to inform the Audit Committee of the assessment carried out by the Wales Audit Office on behalf of the Auditor General for Wales in respect of Financial Resilience.

Background

3. The Wales Audit Office undertook an assessment during the period May to October 2015, and followed up issues highlighted in the 2014/15 financial position work. The focus on the work was on the delivery of 2014/15 savings plans and the 2015/16 financial planning period.
4. The work focussed on answering the question: Is the City of Cardiff Council managing budget reductions effectively to ensure financial resilience? In the report they consider whether effective support arrangements are in place in respect of:
 - Financial Planning
 - Financial Control
 - Financial Governance

Issues

5. The full assessment report can be found in Appendix A. The assessment concluded that "The Council has improved its arrangements for financial planning and has sound financial control and governance arrangements but now needs to develop robust plans to support the timely delivery of its savings proposals".
6. In concluding their investigation, WAO determined the following risk ratings for each element as follows;
 - Financial Planning - Medium Risk
 - Financial Control - Low Risk
 - Financial governance - Low Risk

7. The Financial Resilience Assessment contains four recommendations in respect of financial planning and the Council's response can be found in Appendix B. The four recommendations were as follows;
- Develop more explicit links between the Medium Term Financial Plan and the Council's improvement planning arrangements
 - Strengthening links between the Medium Term Financial Plan and service plans
 - Ensuring that savings proposals owned by Directorates are linked to the Organisational Development Programme Board
 - Ensuring that all budget savings plans are fully developed as appropriate with realistic timescales when the annual budget is set.
8. The Council's response in Appendix B can be summarised as below:
- The 2016/17 Budget Report marks an improvement to the Medium Term Planning Process in that it identifies a draft solution to the budget gap for 2017/18 and 2018/19 with a clear direction of travel targeted for 2019/20.
 - Further work has already been undertaken in ensuring that there are explicit links between the plan, budget and Medium Term Financial Plan.
 - Steps have also been taken to ensure that there are clear links between directorates' medium term savings proposals and the Organisation Development Programme's focus on accelerating the shift to online services, facilitating alternative delivery models, increasing revenue from commercial activity and reducing the Council's asset base.
 - A series of officer challenge session were held following submission of proposals in September. Directorates are required to indicate their planning status, residual and achievability risk along with mitigating actions, and to outline the next steps and key milestones to achieving the saving.
 - At the time of the 2016/17 Budget Report, a total of 90.5% were realised or at detailed planning stage, compared to 82.4% in the 2015/16 budget report.
 - The 2016/17 Budget Report contained proposals to fully address the Medium Term budget gap for 2017/18 and 2018/19, with a direction of travel set for 2019/20.
9. The 2016/17 Budget process commenced prior to the WAO review and the subsequent publication of their financial resilience assessment. Therefore, the revisions in our approach to the 2016/17 Budget Process were not reviewed by WAO as part of this assessment. The continued drive for improvement in the budget process is an acknowledgment that the scale of the budget savings is such that there is a significant element of risk in them being fully achieved. The procedures put in place look to ensure that detailed plans are in place in order for individual savings to be managed effectively.
10. Financial Control and Governance have been identified as low risk. The assessment highlights the frequent reporting at both officer and member level of both monitoring reports, financial comparators and the reliance WAO has had in the key financial systems of the Council which are seen to be adequate to meet future needs. In addition, good governance is noted through the extensive consultations with many stakeholders that are carried out

Reasons for Recommendations

11. To inform the Audit Committee of the WAO Financial Resilience Assessment of City of Cardiff Council.

Legal Implications

12. There are no direct legal implications arising from this report.

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Financial Implications

13. The financial implications are contained within the body of the report

Recommendations

14. To note the assessment carried out by the Wales Audit Office on behalf of the Auditor General for Wales in respect of Financial Resilience, together with the Council's response.

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Date: 27.06.16

Appendix A – WAO's Financial Resilience Assessment Report
Appendix B – Council's Response to the Assessment Report

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