

**AUDIT COMMITTEE: 20 JUNE 2017**

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**MANAGEMENT RESPONSE TO WAO REPORTS ON SAVINGS PLANNING**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 9.1**

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**Reason for this Report**

1. To present to the Audit Committee the Wales Audit Office (WAO) Report on Cardiff Council in respect to Savings Planning and consider the management response to proposals for improvement.

**Background**

2. 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 report for Cardiff concluded that the Council had improved its arrangements for financial planning and had sound financial control and governance arrangements, but needed to develop robust plans to support the timely delivery of its savings proposals.
3. A further review was planned for Autumn 2016 which focussed on answering the following question: Do the council's financial savings planning arrangements support financial resilience?
4. This work was carried out in Autumn 2016 in order to determine what the Council did as a consequence of what it learnt and how it has responded to the proposals for improvement in relation to developing robust plans to support the timely delivery of savings proposals. In addition, a sample of three 2016/17 savings proposals was undertaken in order to look at the adequacy of delivery mechanisms in place.
5. Having conducted the follow up work, the conclusion from WAO is that the Council has a transparent and effective savings planning approach which supports financial resilience. This is noted to be an improved position from 2015-16. The full report can be found in Appendix A.
6. The report contained three proposals for improvement which are set out below:  

P1 Strengthen financial planning arrangements by:

  - Ensuring that all savings proposals are fully developed prior to the start of the year, with realistic timescales when the annual budget is set;
  - Developing an Income Generation / Charging Policy;
  - Continuing to develop links between the Organisational Development Plan and annual savings.
7. The Auditor General for Wales concluded that the Council has strengthened links between the Organisation Development Plan and savings proposals are improving but further work is required. In addition, the Council has also strengthened the link between the MTFP and its service plans but some savings proposals continue to be under-developed when the budget is set.

## **City of Cardiff Council Response**

8. Members of the Audit Committee will be aware of the significant challenges that the Council faces in terms of budget reductions at a time of increasing demand for services.
9. The specific proposals arising from the WAO Report have been reviewed and accepted in principle with the suggested actions identified with the detailed response set out in Appendix B.
10. Preparatory work has already commenced in respect to the 2018/19 Budget Strategy with directorates working on developing robust budget proposals with appropriate milestones and actions required in order to provide an informed view on how the budget saving will be delivered and any risks. The work has looked to build on the previous governance arrangements as well as working closely with the work on reviewing the focus of the Organisational Development Plan.
11. Whilst there is no corporate income generation / charging policy, some directorates have begun to develop their own set of principles and drivers for change. There is a need to ensure that any corporate policy does not undermine the objectives of each directorate whilst retaining at its heart a strategic alignment across all directorates. It is proposed that the income generation / charging policy will focus on the main areas of income into the Council whilst being mindful of any significant income activity in other Councils.
12. It is also worth noting that the ability to increase income contains an element of risk. A good example of this is the decision made to contract with GLL to run the leisure centres, thus any income generation / charging policy needs to consider the delivery model of a service as well as the fee / charging structure.
13. In November 2016, WAO published a study titled Charging for Services and Generating Income by Local Authorities. This item is scheduled for the Audit Committee meeting of September 2017.

## **Reason for Report**

14. To present the Auditor General's findings and set out the process for providing assurance that the Council is having due regard to the output of regulatory activity.

## **Legal Implications**

15. There are no legal implications directly arising from this report.

## **Financial Implications**

16. There are no financial implications directly arising from this report.

## **RECOMMENDATIONS**

17. To note the work of the Auditor General in respect to Savings Planning and the management response to proposals for improvement.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**20th June 2017**

*The following appendix is attached*

*Appendix A: Wales Audit Office (WAO) Savings Planning – City of Cardiff Council*  
*Appendix B: Management Response Cardiff Council – Savings Planning*