

Neath Port Talbot County Borough Council

Audit Committee

27 June 2016

Report of the Director of Finance and Corporate Services

Matter for Information

Wards Affected:

All

Wales Audit Office – Financial Resilience Assessment

Purpose of report

1. To consider the Financial Resilience Assessment report received by the Council from the Wales Audit Office.

Background

2. The attached report was based on an assessment carried out by Wales Audit Office (WAO) during the period May to October 2015 followed by interviews with the Head of Financial Services in November 2015. The report was issued to the Council in March 2016 and is part of a comprehensive review carried out by the WAO on all Councils across Wales.
3. The aim of the work was to assess whether the Council is managing budget reductions effectively to ensure financial resilience. Three areas were considered:
 - Financial Planning
 - Financial Control
 - Financial Governance

Risk ratings of high, medium or low were ultimately attributed to each of the areas.

4. Overall the findings of the report were very positive though there are some recommendations for further improvement. The ratings received were medium risk for financial planning and low risk for both financial control and financial governance.
5. The reason for financial planning being considered a medium as opposed to low risk can be found in the overall conclusion of the report which was that **'The Council's financial management and governance arrangements are sound but savings plans for the medium term need to be more fully developed and integrated with the corporate planning process.'**
6. The point was made both during the assessment and at draft report stage, that medium term planning is very difficult when the settlement details provided by Welsh Government cover only one year at a time. As members are aware the Council has over the past 6 years set balanced budgets, as required by statute, and delivered savings of some £70m. This has required the council to actively manage services within the resources available and this has been delivered each year. In considering how to set the 2016-17 Budget Council consulted with the public, staff and other stakeholders, during Autumn 2015, on both budget savings and Council priorities for the coming new financial year. The Council considered these responses and took them into account in finalising the 2016-17 Budget and Corporate Improvement Plan 2016-2019.
7. The report contained only three recommendations:
 - **Develop more explicit links between the Forward Financial Plan, Corporate Plan and Financial plans.**
 - **Develop savings delivery plans which cover each period in the Forward Financial Plan**
 - **Develop a corporate income generation and charging policy to ensure directorates review charges and income as part of the budget setting process on a consistent basis.**

8. In terms of the first recommendation, work is being carried out with the Head of Corporate Strategy and Democratic Services to enhance these links more fully as part of the 2017/18 budget setting process.
9. With regard to the second recommendation, given the nature and size of required savings anticipated for the period covered by the Forward Financial Plan along with the uncertainty around the levels of funding that are likely to be received it is very difficult to develop medium term savings other than in very broad terms. However, as part of the budget setting process for the 2017/18 Budget Directorate Management Teams have been tasked with establishing service savings plans that cover the period 2017/18 to 2019/20.
10. The final recommendation which talks about an income generation and charging policy is already progressed, as a draft policy has been developed and is being tested in some service areas. The policy is due to be forwarded to Cabinet for approval by the end of July. The policy will need to be regularly reviewed and updated as increased emphasis is put on income generation as a means of balancing the budget gap in the coming financial years.
11. In conclusion, the assessment gives a positive view of the Council's financial arrangements and resilience though there are recommendations to make further improvements. Those recommendations have been accepted and work has already started to ensure that they are implemented as soon as possible in order to achieve an even better outcome following any future assessment.

Financial Impact

12. As this is a report on the financial resilience of the Council, all finance related issues are dealt with in the body of the report. There are no financial impacts arising from the implementation of the recommendations

Equality impact assessment

13. There are no equality impacts associated with this report

Workforce impacts

14. There are no workforce impacts associated with this report.

Legal impact

15. There are no legal impacts associated with this report.

Risk management

16. There are no risk management issues associated with this report.

Appendix

17. Wales Audit Office Report – Financial Resilience Assessment

List of background papers

18. None

Officer contact

19. Mr Hywel Jenkins – Director of Finance and Corporate Services
Tel. No. 01639 763251
E-mail: h.jenkins@npt.gov.uk