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Evaluation of Social Services contributions to the Medium Term Financial Plan

Caerphilly County Borough Council

Audit year: 2011-12

Issued: September 2013

Document reference: 396A2013

Status of report

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The team who delivered the work was project managed by Jackie Joyce and comprised Ruth Morgan, PricewaterhouseCoopers LLP.

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Summary report

Summary

1. Following the onset of a global recession in 2009-10 and the resulting Public Sector Comprehensive Spending Review undertaken by the Coalition Government, all public sector bodies faced a period of economic uncertainty as £81 billion was expected to be cut from public spending over the next four years.
2. In anticipation of a potential reduction in its Revenue Support Grant from the Welsh Government for 2011-12 Caerphilly County Borough Council (the Council) undertook an exercise in the autumn of 2010 across all service areas to identify the savings initiatives. At the time the Council anticipated that it would need to address a potential £25 million reduction in its Revenue Support Grant settlement figure by 2014-15.
3. The Council has not needed to realise the level of savings originally anticipated for a number of reasons, including: the 2011-12 Revenue Support Grant settlement was larger than expected; the national pay freeze did not add the usual level of inflationary costs; the superannuation scheme made a saving rather than a deficit; and more interest than forecast had been received on savings in the financial year 2011-12. In addition, the Council has been operating a successful re-deployment scheme for a number of years, to reduce the number of staff it needs to recruit and to maximise the benefits from 'natural staff wastage'. However, the Council's 2011-12 final accounts show an overspend of £164,847 in Social Services.
4. In 2011 a Social Services Integration Feasibility Study was undertaken and the Council and Blaenau Gwent County Borough Council agreed to progress with integrating their social services functions. The purpose of the proposed integration was to aid long-term sustainability. However, following a report to Caerphilly's Council in April 2013, the integration is no longer being taken forward.
5. As part of the 2011-12 Regulatory Programme, the Wales Audit Office identified the need to review how councils across Wales were meeting the financial challenge. The purpose of this initial work was in part to identify areas for more detailed review in terms of financial planning. We subsequently undertook further work within Social Services.
6. This review sought to answer the following questions:
 - How is the proposed integration with Blaenau Gwent County Borough Council being factored into the Medium Term Financial Planning process?
 - Is the increase in Social Services costs, in 2011-12, due to a non-recurrent event or a trend and in particular how have this year's results impacted on planning?
 - How are savings targets determined and why did the savings target for Social Services reduce from £6.4 million to £1.5 million?
 - What is the role of the service in developing their savings programmes and understanding their costs base?
 - What has the Council done to distinguish between statutory services and non-statutory services and how is the planning of the latter linked to its objectives and financial planning?

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7. We concluded that: Although Social Services is managing within overall budget, the Council does not have a rigorous approach to developing business cases and setting, delivering, monitoring and evaluating savings in order to meet future demands and challenges.
8. Based on the work we have undertaken, we came to this conclusion because:
- the potential impact of the Social Services integration with Blaenau Gwent County Borough Council was not factored into the Council's medium-term financial plan and it did not have a fully costed business case for the integration;
 - except for the small overspend in the Social Services budget in 2011-12, which was due to a non-recurrent event rather than a trend, Social Services has achieved underspends every year for the past five years;
 - the savings target for 2011-12 reduced due to a better than expected Revenue Support Grant settlement but the Council missed the opportunity to take a strategic view of Social Services in order to address the increasing demands upon the service;
 - although Social Services develop a range of savings options they do not consistently or robustly identify the expected and actual benefits of the savings and monitoring the delivery of savings is poor; and
 - the Council undertook some analysis of statutory and non-statutory services in 2010 but it has not yet considered these as part of a strategic approach to financial planning linked to its corporate priorities.

Recommendations

Recommendations

R1 When contemplating a significant change to the way in which services are delivered, the Council should prepare a fully costed business case prior to initiating major programmes to support the change.

R2 The financial impact of significant proposed service changes should be reflected in medium term financial plans directly where the change is certain to proceed or as a sensitivity if the change is not certain.

R3 The Council should ensure that Members are provided with sufficient information at the earliest opportunity to enable them to make informed decisions.

Proposals for Improvement

Proposals for Improvement

P1 In order to ensure effective monitoring and evaluation of savings, the Council should implement a consistent approach to project management and monitoring savings, including benefits realisation, managing risks and identifying lessons learnt.

P2 Social Services should continue to maintain and develop the saving initiative worksheet they have developed and the Council should consider how this approach can be shared across the Council.

P3 The Council should undertake further analysis to identify the non-statutory services that it could prioritise to achieve a significant saving and those statutory services that could be re-modelled to realise benefits in line with its corporate and service priorities.

9. Our detailed findings are outlined below in [Appendix 1](#).

Appendix 1

Detailed findings

Question	Conclusion	Sub-conclusions and evidence
How is the proposed integration with Blaenau Gwent County Borough Council being factored into the Medium Term Financial Planning process?	The potential impact of the Social Services integration with Blaenau Gwent County Borough Council was not factored into the Council's medium-term financial plan and it did not have a fully costed business case for the integration.	<ul style="list-style-type: none">• Caerphilly County Borough Council and Blaenau Gwent County Borough Council completed a Social Services Integration Feasibility Study in 2011. Having agreed to progress with integration, a high-level three-year plan was developed. However, following a report to Caerphilly's Council in April 2013, the integration is no longer being taken forward.• The purpose of the proposed integration was to aid long-term sustainability. The Council did not consider there to be any medium-term financial planning implications and so the integration was not factored in to its medium-term financial plan. However, given the potential scale of the proposed integration it would have been reasonable to have expected the Council to have reflected this in its medium term financial plan and to articulate the risks and issues so that members could be fully aware of the implications and how this may impact on the future. We understand that potential savings of approximately £600,000 as a result of management changes were identified but not articulated in the medium-term financial plan. This raises questions about the effectiveness of the medium-term financial plan as a forecasting tool.• Significantly, the Council embarked upon the integration process without a properly costed business case in place. Papers were submitted to members about the integration but these did not outline the costs and benefits of the integration and did not constitute a business case. This raises concerns about the governance of the integration in terms of how decisions may have been taken on the integration without a business plan being present. We have previously raised similar points on the provision of information to members for decision making. We would have expected a business case to have been developed before elements of integration were taken forward. This would have enabled the Council to take the implications of the integration into account in its medium-term financial plan.

Question	Conclusion	Sub-conclusions and evidence
<p>Is the increase in Social Services costs, in 2011-12, due to a non-recurrent event or a trend and in particular how have this year's results impacted on planning?</p>	<p>Except for the small overspend in the Social Services budget in 2011-12, which was due to a non-recurrent event rather than a trend, Social Services has achieved underspends every year for the past five years.</p>	<ul style="list-style-type: none"> • There is evidence of an overspend of £164,847 (0.2 per cent) in the 2011-12 final accounts. This overspend was as a result of the transport budget being re-assigned to Social Services. Without this there would have been an underspend of approximately £197,000. On assignment of the transport budget to Social Services immediate action was taken to mitigate the overspend. The Council recognises that additional work is required to ensure that the risks of an overspend in the financial year 2012-13 are fully mitigated. • In September 2012 the Council was expecting to balance the Social Services budget during 2012-13. The Council's report to Cabinet, on 9 April 2013, on the Social Services integration with Blaenau Gwent showed a projected net underspend of £10,000 in Social Services in 2012-13 which comprised an underspend of £438,000 (2.25 per cent) in Children's Services, an overspend of £425,000 (0.88 per cent) in Adult Services and £3,000 (0.09 per cent) in Business Support. • The month nine budget monitoring report to the Council's Health, Social Care and Well-Being Scrutiny Committee on 12 February 2013 provides an explanation and breakdown of these under and over spends. The underspend in Children's Services is essentially the balance between an overspend in external residential care (£289,000) and underspends in management, fieldwork and administration, fostering and youth offending. The main overspends in Adult Services relate to a £187,000 projected overspend in transport provision and over £600,000 overspend in Supported Living offset by underspends in other areas, such as Home Assistance and Reablement. We acknowledge that under and overspends of this size are not out of the ordinary in such a volatile service which is sensitive to small changes in demand. • Budget setting has been sound at directorate level. Where under and overspends arise, it is important to understand the reasons for these and to use this to further refine budgets in the future at both a directorate and detailed service level.

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<p>Is the increase in Social Services costs, in 2011-12, due to a non-recurrent event or a trend and in particular how have this year's results impacted on planning?</p>	<p>Except for the small overspend in the Social Services budget in 2011-12, which was due to a non-recurrent event rather than a trend, Social Services has achieved underspends every year for the past five years.</p>	<ul style="list-style-type: none"> The table below identifies the Social Services budgets and spending in its key divisions over the past five years: <table border="1" data-bbox="846 501 2007 916"> <thead> <tr> <th rowspan="2">Year</th> <th rowspan="2">Budget £,000</th> <th colspan="4">Actual Expenditure £,000 under/(over)</th> <th colspan="2">Total variance</th> </tr> <tr> <th>Adult</th> <th>Children</th> <th>Business Support</th> <th>Transport adjustment</th> <th>£,000</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2008-09</td> <td>£67,112</td> <td>82</td> <td>(93)</td> <td>152</td> <td></td> <td>141</td> <td>0.2</td> </tr> <tr> <td>2009-10</td> <td>£67,352</td> <td>66</td> <td>110</td> <td>(62)</td> <td></td> <td>114</td> <td>0.2</td> </tr> <tr> <td>2010-11</td> <td>£70,983</td> <td>423</td> <td>549</td> <td>22</td> <td></td> <td>994</td> <td>1.4</td> </tr> <tr> <td>2011-12</td> <td>£69,763</td> <td>(24)</td> <td>233</td> <td>(12)</td> <td>(362)</td> <td>(165)</td> <td>0.2</td> </tr> <tr> <td>2012-13</td> <td>£70,674</td> <td>(21)</td> <td>180</td> <td>11</td> <td>(149)</td> <td>21</td> <td>0.03</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The table demonstrates the strong financial performance of the service. Excluding the adjustment for the transfer of the Transport budget to Social Services from 2011-12, overall Social Services has underspent every year for the past five years. In 2011-12, there was an overspend of 0.23 per cent, primarily explained by the re-assignment of the Transport budget to Social Services. There has been a very small overspend of less than 0.03 per cent in Adult Services over the past two financial years. We recognise that this is not unusual in such a volatile service area. We have not explored the impact of budgets on service performance and will consider this as part of our work on the Sustainability of Social Services as set out in our 2013-14 <i>Performance Audit Work and Fees letter</i> dated 8 May 2013. 	Year	Budget £,000	Actual Expenditure £,000 under/(over)				Total variance		Adult	Children	Business Support	Transport adjustment	£,000	%	2008-09	£67,112	82	(93)	152		141	0.2	2009-10	£67,352	66	110	(62)		114	0.2	2010-11	£70,983	423	549	22		994	1.4	2011-12	£69,763	(24)	233	(12)	(362)	(165)	0.2	2012-13	£70,674	(21)	180	11	(149)	21	0.03
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<p>How are savings targets determined and why did the savings target for Social Services reduce from £6.4 million to £1.5 million?</p>	<p>The savings target for 2011-12 reduced due to a better than expected Revenue Support Grant settlement but the Council missed the opportunity to take a strategic view of Social Services in order to address the increasing demands upon the service</p>	<ul style="list-style-type: none"> • The Social Services Director and the Financial Services Manager understand the savings targets the Directorate is working to achieve, including the disparity between £6.4 million and £1.5 million. The efficiency saving target of £6.4 million was set in 2010 for Social Services. This figure was based on the Council having a £25 million reduction in the Revenue Support Grant over the next four years (2010-11 to 2014-15). • The Corporate Management Team set the savings requirements for each service area on a pro-rata basis split in proportion to the level of budget for each directorate. It was, therefore, identified that Social Services would have a £6.4 million budget gap should the £25 million reduction come to fruition. Social Services were then tasked with working up plans on how they could meet this budget gap, should this scenario be realised. A seminar was held for Members in September 2010 to specifically consider the savings options to meet the £6.4 million budget gap in Social Services. The savings target subsequently reduced from £6.4 million to £1.5 million as the Revenue Support Grant received was better than the Council had anticipated. The service area, therefore, identified the opportunities they would implement to meet the £1.5 million actual efficiency target for financial year 2011-12. • However, there is no evidence to explain how this savings target was reduced. The evidence and rationale for how savings options were identified is not clear and there are some gaps in the identified benefit and the actual benefit. • Given that the Council had spent significant time and resources to identify how it would deliver the original £6.4 million savings target for Social Services, it did not maximise the opportunity to consider the strategic direction of the service in order to address the increasing demands upon the service. • Due to the protection of Social Services afforded by the Welsh Government the Council responded to this by reducing its savings target and focusing reconfiguration of services for those collaborative arrangements already committed to, such as the Gwent Frailty Programme and the Pan-Gwent Adult Placement Scheme. • Each February the Deputy Chief Executive presents a report to the Council outlining the budget proposals for the forthcoming financial year. This report outlines the assumptions that have been used to develop the savings targets.

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<p>How are savings targets determined and why did the savings target for Social Services reduce from £6.4 million to £1.5 million?</p>	<p>The savings target for 2011-12 reduced due to a better than expected Revenue Support Grant settlement but the Council missed the opportunity to take a strategic view of Social Services in order to address the increasing demands upon the service</p>	<ul style="list-style-type: none"> For the financial year 2012-13 the assumptions included that the Revenue Support Grant would have a 1.37 per cent uplift in the financial year 2013-14 and 0.62 per cent uplift in financial year 2014-15, due to current inflation this is a real terms cut. This provision includes a one per cent protection for Schools and Social Care. Therefore the report outlined that the cumulative savings the Council needs to achieve over the following years are: <table border="1" data-bbox="842 635 1693 852"> <thead> <tr> <th data-bbox="842 639 1263 681">Year</th> <th data-bbox="1272 639 1693 681">Cumulative Savings</th> </tr> </thead> <tbody> <tr> <td data-bbox="842 687 1263 745">2012-13</td> <td data-bbox="1272 687 1693 745">£3.410 million</td> </tr> <tr> <td data-bbox="842 751 1263 809">2013-14</td> <td data-bbox="1272 751 1693 809">£7.095 million</td> </tr> <tr> <td data-bbox="842 815 1263 852">2014-15</td> <td data-bbox="1272 815 1693 852">£9.578 million</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Savings were considered well in advance of the year based on prudent assumptions, for example, the anticipated Revenue Support Grant for 2010-11, which was not known at the time. This has enabled the Council to identify sufficient savings proposals to meet the eventual shortfall, which was not as significant as had been expected, thereby giving the Council savings options for it to consider and choose from. The proportion of the ultimate savings delivered may, therefore, vary from the original savings target identified. Officers told us that the process to determine savings is an iterative one. For example, for the 2013-14 budget proposals, the Council has identified where savings could be achieved after protection and growth are provided to schools and social services. The residual budget from which savings can be achieved equates to approximately £110 million. Savings targets are then identified in proportion to the level of budget for each directorate, rather than against the Council's corporate priorities. Each directorate identifies suggestions on how it can deliver its savings target, which are subsequently discussed by the Management Information Group, now the Cabinet Policy Development group. 	Year	Cumulative Savings	2012-13	£3.410 million	2013-14	£7.095 million	2014-15	£9.578 million
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<p>How are savings targets determined and why did the savings target for Social Services reduce from £6.4 million to £1.5 million?</p>	<p>The savings target for 2011-12 reduced due to a better than expected Revenue Support Grant settlement but the Council missed the opportunity to take a strategic view of Social Services in order to address the increasing demands upon the service</p>	<ul style="list-style-type: none"> • A Member seminar was held in January 2013 at which a list of the savings targets for each directorate was provided. The seminar, which is held each year, provides the main opportunity for members to discuss the budget proposals but the presentation makes no reference to the Council's priorities. • Trades unions and the political groups are consulted on budget proposals, and reports on significant or controversial proposed savings are discussed at the Council's Scrutiny Committees. For example: reports on specific actions/initiatives to deliver savings relating to social care have been taken to the Health, Social Care and Well-Being scrutiny committee. These include proposals to close Tŷ Darren Residential Home and Tredegar Court.

Question	Conclusion	Sub-conclusions and evidence
<p>What is the role of the service in developing their savings programmes and understanding their costs base?</p>	<p>Although Social Services develop a range of savings options they do not consistently or robustly identify the expected and actual benefits of the savings and monitoring the delivery of savings is poor.</p>	<ul style="list-style-type: none"> • Once Corporate Management Team has agreed the savings targets for each directorate, directorates are then given the opportunity to identify and discuss options for achieving these targets. This is undertaken annually as part of the process to develop the Medium Term Financial Plan and directorates are responsible for delivering the savings programmes. • Having been provided with a savings target to achieve in 2010, for example, Social Services identified a range of options to deliver the savings required following discussions at Departmental Management Team meetings. As Social Services were subsequently only required to save a smaller amount of £1.5 million, they discounted some options and took forward others to deliver this revised target. • The service used a consistent savings template to consider the opportunities identified. The format of the template included sections to identify the estimated savings, staffing implications, service user and political impact. However, our review of a sample of completed templates found that the level of detail was limited. In particular, we noted that completed templates did not articulate how the savings would help the Council to formulate a longer-term strategy for delivering Social Services. We would have expected the templates to outline how the savings options aligned to the Council's strategy for social services in order to prioritise those options that would be taken forward.

Question	Conclusion	Sub-conclusions and evidence
<p>What is the role of the service in developing their savings programmes and understanding their costs base?</p>	<p>Although Social Services develop a range of savings options they do not consistently or robustly identify the expected and actual benefits of the savings and monitoring the delivery of savings is poor.</p>	<ul style="list-style-type: none"> • There was no clear process or criteria used to determine the selection of savings options. Revised options did include some controversial options such as the closure of Tŷ Darren residential home. Reports relating to the more sensitive options were presented to the Health, Social Care and Well-Being Scrutiny Committee and did outline the costs and benefits of the proposed saving. • Social Services do not explicitly monitor the level of savings achieved, rather it is incorporated within routine budget monitoring arrangements. The achievement of a balanced budget is linked to the achievement of the Service's savings target. Simply focusing on monitoring of a balanced budget would assume that all the agreed savings plans had been achieved. Routine budget monitoring also has the potential to undermine the ability of the Council to evaluate and learn from savings plans that were met in full and those that were not to fully inform discussions and decisions about future savings proposals. As the Council faces more difficult savings requirements it will become increasingly important to separately monitor the performance of savings plans, particularly where recurrent savings are required. • Social Services lack a consistent approach to managing saving initiatives as well as other projects. There is little evidence of continual learning from the initiatives they are pursuing, other than anecdotal and internal professional opinions, such as the finance service's and front line managers' opinions. The service needs to consider how to identify lessons learnt and use these to inform future planning and decisions.

Question	Conclusion	Sub-conclusions and evidence
<p>What is the role of the service in developing their savings programmes and understanding their costs base?</p>	<p>Although Social Services develop a range of savings options they do not consistently or robustly identify the expected and actual benefits of the savings and monitoring the delivery of savings is poor.</p>	<ul style="list-style-type: none"> • Social Services could not easily identify those initiatives that had been completed, the expected benefit versus the actual benefit and profiling of the benefits being realised. The list being used operationally was the original list to achieve £6.4 million. It is understood that as a result of our information request as part of this review, the service area has developed a service initiative worksheet so they can now identify what they have completed, what is ongoing and what is yet to be delivered. • At the time of our fieldwork, officers told us should significant cuts be required the Council do not believe there are any significant quick wins they could achieve. They have said that they would have to: <ul style="list-style-type: none"> – review the saving profile for the Council; – consider the potential to increase Council Tax; – consider the potential to generate additional income; and – revisit their work on statutory and non-statutory services. • This, therefore, supports our view that the Council missed the opportunity in 2010-11 to take a wider and strategic view of Social Services and to press ahead with achieving larger savings. • The integration of corporate finance officers into the service areas aids the inclusive nature of the way in which savings are considered. The Senior Financial Officer sits within the directorate’s management team. This link provides consistency across the Council for advice and support. It also ensures that there is sufficiently detailed understanding of service areas within the corporate arena. Corporate management has described the working relationship in Social Services as particularly strong and the benefit is recognised by the service area. • The now Acting Director of Resources, former Social Services Director and Service Financial Manager were not expecting the 2013-14 Revenue Support Grant settlement to require Social Services to make exceptional savings, such as those modelled for the £25 million potential reduction. The Social Services Management team have established that should they need to meet such a gap (for example, £6.4 million) in the future, then staff engagement would be undertaken early in the budget setting process to explore all possibilities and to evaluate these.

Question	Conclusion	Sub-conclusions and evidence
<p>What is the role of the service in developing their savings programmes and understanding their costs base?</p>	<p>Although Social Services develop a range of savings options they do not consistently or robustly identify the expected and actual benefits of the savings and monitoring the delivery of savings is poor.</p>	<ul style="list-style-type: none"> • However, the Council is currently in the process of revising its Medium Term Financial Plan in response to the revised Revenue Settlement Grant and the anticipated impact of the Coalition Government's Spending Review on 26 June 2013. Using scenarios developed by the Welsh Local Government Association, the Acting Director of Resources forecasts the need for the Council to achieve £20 million savings on a worst scenario basis over the next three years. This is more than three times the cumulative savings target originally estimated by the Council in its 2013-2016 Medium Term Financial Plan. • There are some good examples in the service where unit costs have been regularly analysed and updated. However, it is not apparent that there is a consistent approach between service analyses, thus making it difficult to compare the efficiency and effectiveness of the service. For example, different descriptors and headings are used for costs in the examples of unit costs analyses provided.

Question	Conclusion	Sub-conclusions and evidence
<p>What has the Council done to distinguish between statutory services and non-statutory services and how is the planning of the latter linked to its objectives and financial planning?</p>	<p>The Council undertook some analysis of statutory and non- statutory services in 2010 but it has not yet considered these as part of a strategic approach to financial planning linked to its corporate priorities.</p>	<ul style="list-style-type: none"> • An initial analysis of statutory and non-statutory services across the Council was undertaken in 2010. It aimed to establish which services were statutory and non-statutory. This analysis has not fed into any decision-making and the Council has not completed any additional work on this. This is partly because the initial findings highlighted the difficulties in being able to clearly draw a line between statutory and non-statutory services. The Council recognises that different delivery models are possible to achieve statutory requirements, although they do not currently understand what these models could be for each of the services. The Head of Finance understands that this analysis could feed into a wider piece of work to consider the Council’s fees and charges to generate additional revenue. • There are currently no links between this work and the Council’s financial planning, but as statutory and non-statutory service reviews have been identified as a response to address a significant budget gap, the Council needs to explore how it would approach this type of exercise, including how to prioritise those services where the most financial benefit could be realised. • As part of the 2013-14 budget proposals process, consideration was given to increasing fees and charges but these were not taken forward by members. The Council has recently agreed to remove charges for bulky waste items. If the distinction between statutory and non-statutory services was better understood, the Council could prioritise cost recovery on those non-statutory functions.



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