



CABINET - 27TH JULY 2016

SUBJECT: FINANCIAL RESILIENCE REPORT

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND S151 OFFICER

1. PURPOSE OF REPORT

1.1 To present Cabinet with the Wales Audit Office (WAO) report on its financial resilience assessment of Caerphilly CBC.

2. SUMMARY

2.1 In May 2015 the Authority received a 'Financial Position Assessment' report from the WAO. This was a generally positive report which concluded that: -

- The Council has good financial management arrangements in place and recognises that it needs to address some areas for improvement to help deliver its future savings plans.
- The Council has a good track record of operating within its budget and has developed a framework to monitor the delivery of its proposed savings in 2014/15.
- The Council's future plans and arrangements to deliver savings are adequate and improvements are currently being implemented.

2.2 During the period May to December 2015 the WAO completed a follow-up review on the financial resilience of all Local Authorities in Wales. The focus of the work was on the delivery of 2014/15 savings plans and the 2015/16 financial planning period. The work focussed on answering the following question: -

"Is Caerphilly County Borough Council managing budget reductions effectively to ensure financial resilience?"

2.3 The review also considered whether: -

- financial planning arrangements effectively support financial resilience;
- financial control effectively supports financial resilience; and
- financial governance effectively supports financial resilience.

2.4 The WAO report detailing the findings of the financial resilience review was issued in April 2016 and is attached as Appendix 1.

2.5 A member of staff from the WAO will be in attendance at the Cabinet meeting to present the report.

3. LINKS TO STRATEGY

- 3.1 Strong financial management is a key component in supporting the Council to deliver its strategic plans and priorities.

4. THE REPORT

- 4.1 The WAO report on the outcome of the financial resilience review was issued in April 2016 and is attached as Appendix 1. Overall the report concludes that: -

The Council has effective financial control arrangements and a track record of achieving savings in advance. However, it does not have a comprehensive medium-term financial plan and monitoring progress of savings is fragmented. We came to this conclusion based on our findings in relation to financial planning, financial control, and financial governance arrangements.

- 4.2 The WAO report gives a risk rating for financial planning, financial control and financial governance. The descriptors for risk ratings are as follows: -

Low risk	Arrangements are adequate (or better) with few shortcomings in systems, processes or information. Impact on the Authority's ability to deliver its financial plan may be minimal.
Medium risk	There are some shortcomings in systems, processes or information that may affect the Authority's ability to deliver the desired outcomes of its financial plan.
High risk	There are significant shortcomings in systems, processes or information and/or there is a real risk of the Authority's financial plan not delivering the desired outcomes.

- 4.3 The risk ratings in the report for Caerphilly CBC are as follows: -

Financial Planning	Medium risk
Financial Control	Low risk
Financial Governance	Low risk

- 4.4 These risk ratings are a positive reflection of financial management within the Council but the WAO report does include the following proposal for improvement: -

The Council should strengthen its financial resilience by: -

- *developing more explicit links between the Medium-Term Financial Plan (MTFP) and its corporate priorities;*
- *developing a longer-term MTFP with comprehensive multi-year savings plans to cover the period of the MTFP;*
- *continuing to develop a more strategic asset management plan which is aligned to its MTFP;*
- *reporting 'Whole Council' financial and savings progress reports to Members on a regular basis; and*
- *developing income generation/charging policies.*

4.5 The officer response to the above proposal for improvement is as follows: -

- The Acting Director of Corporate Services & Section 151 Officer will maintain a dialogue with the WAO regarding the most effective way to demonstrate a link between the MTFP and corporate priorities.
- In February 2016, Council approved an updated Medium-Term Financial Plan covering the five-year period 2016/17 to 2020/21.
- Asset management will continue to be dealt with through the Strategic Asset Management Group. An Asset Management Strategy will be presented to the Policy & Resources Scrutiny Committee on the 4th October 2016.
- A 2016/17 'Whole-Authority' mid-year budget monitoring report will be presented to Cabinet outlining projected expenditure for the year and details of progress in achieving savings targets. This report will be in addition to the budget monitoring reports that are already prepared for individual Scrutiny Committees and the 'Whole-Authority' budget monitoring report that is currently prepared in January each year for the Policy & Resources Scrutiny Committee.
- A corporate policy on income generation/charging will be progressed once the WAO produces a final report on its "All Wales Local Government Improvement Study: Strategic approach to income generation and charging".

5. EQUALITIES IMPLICATIONS

5.1 This report is for information purposes so the Council's Equalities Impact Assessment process does not need to be applied.

6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

7. PERSONNEL IMPLICATIONS

7.1 There are no direct personnel implications arising from this report.

8. CONSULTATIONS

8.1 There are no consultation responses that have not been reflected in this report.

9. RECOMMENDATIONS

9.1 Cabinet is asked to: -

9.1.1 Consider and comment upon the content of the WAO report.

9.1.2 Note the officer response to the WAO proposal for improvement as detailed in paragraph 4.5 of this report.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that Cabinet is aware of the review work undertaken by the WAO and the resultant findings, conclusion and proposal for improvement.

11. STATUTORY POWER

- 11.1 Local Government Acts 1972 and 2003.

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Consultees: Corporate Management Team
Gail Williams, Interim Head of Legal Services/Monitoring Officer
Cllr Keith Reynolds, Leader
Cllr Barbara Jones, Deputy Leader & Cabinet Member for Corporate Services

Background Papers:

Audit Committee (9/9/15) – WAO Report, Financial Position Assessment, Caerphilly CBC, May 2015

Appendices

Appendix 1 – WAO Report, Financial Resilience Assessment, Caerphilly CBC, April 2016