



Financial Planning Assessment

Gwynedd Council

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Summary report

Background to our report

1. Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services, and for ensuring authorities' ability to continue to deliver services to meet statutory obligations and the needs of local communities. It will help authorities take the right decisions for the short, medium and long term. Good financial management:

 - is essential to good corporate governance;
 - is about managing performance and achieving strategic objectives as much as it is about managing money;
 - underpins service quality and improvement;
 - is the basis of accountability to stakeholders for the stewardship and use of resources; and
 - is a key management discipline.
2. Managing for the long term is not about predicting the future; it is about preparing for it. Planning involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and developing appropriate savings strategies.
3. An authority's strategic priorities and its financial health should be the basis for deciding what is practicable. Well-considered and detailed long-term financial strategies and medium-term financial plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning encourages an incremental and process-driven approach that can be too inflexible in a period of rapid external change.
4. Between August and November 2014, the Wales Audit Office examined authorities' financial position and how they are budgeting and delivering on required savings. This work considered whether authorities have robust approaches in place to manage the budget reductions that they are facing to secure a stable financial position that will enable them to continue to operate for the foreseeable future. The focus of the work was on the 2014-15 financial planning period. In order to inform views on the planning for and successful delivery of budgets, we also considered the track record for the previous financial years 2011-12 to 2013-14.

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5. The work focused on answering the following question: **Is the authority managing budget reductions effectively to ensure financial resilience?** In this report, we set out our conclusions on both the track record and future prospects:
- **Track record** – whether the authority successfully identified, planned for, and delivered the savings required in the period 2011-12 to 2013-14; and, if there was a shortfall, how was this addressed.
 - **Future prospects** – whether the authority has an effective corporate framework for financial planning, exercises effective financial management and control, has a robust framework for reviewing and challenging financial performance; and whether the authority has realistic plans to make the savings required for 2014-15 and is taking appropriate steps to deliver them.
6. In Gwynedd Council (the Authority), we have analysed a range of data, including the Authority's published accounts and its performance returns to the Welsh Government and the Local Government Data Unit. We also interviewed a small number of officers and reviewed reports and minutes that the Authority and its committees have considered. Our detailed conclusions are set out in [Appendix 1](#) and are based on the extent to which the Authority has put in place, and is operating, effective financial management and controls which are supporting it to secure a stable financial position that enables it to continue to operate going forward.
7. Our overall conclusion is that **the Authority has effective financial management arrangements with no immediate shortcomings**. We came to this conclusion because we found that:
- the Authority has a good track record of accurately identifying and meeting its annual budget shortfall; and
 - the Authority's future plans and arrangements to deliver 2014-15 savings plans are fit for purpose, are effectively managed and are likely to be achieved, but the medium-term outlook remains extremely challenging.

The Authority has effective financial management arrangements with no immediate shortcomings

The Authority has a good track record of accurately identifying and meeting its annual budget shortfall

8. Between 2011-12 and 2013-14, the Authority accurately identified its annual budget shortfall and successfully identified a range of savings to bridge the gap. Where delays arose in the identification and delivery of a small number of savings plans, appropriate remedial action was taken. They included increasing corporate efficiency savings targets and the use of balances to provide more time to identify additional schemes.
9. The Authority's budgetary control arrangements are underpinned by detailed guidance and monitoring arrangements at officer, member and executive level. Financial forecasting is well developed and is subject to regular review.

The Authority's plans and arrangements to deliver 2014-15 savings are fit for purpose, are effectively managed and are likely to be achieved but the medium-term outlook remains extremely challenging

10. The Authority has an effective corporate framework for financial planning and exercises effective financial management and control. It has a robust framework for reviewing and challenging financial performance and the Authority has developed a range of realistic savings plans and efficiencies in 2014-15.
11. In the medium term, the Authority anticipates needing to make additional savings of at least £34 million between 2014 and 2018. Whilst good progress has been made in identifying additional efficiency savings over these years, it remains a significant challenge. The Authority recognises the need to keep all its options open to fully develop a range of further savings, including identifying potential service reductions.

Proposals for improvement

12. There are no proposals for improvement, but the detailed results identify a number of potential opportunities for the Authority to consider in further strengthening its financial planning arrangements.

Appendix 1

Detailed results of our review

Key line of enquiry	Fieldwork findings	Conclusion
<p>Track record 2011-12 to 2013-14</p>	<p>The Authority accurately identified its annual budget shortfall between 2011-12 and 2013-14. It successfully identified a range of savings to meet the financial gap, and where slippage arose in the identification and delivery of a small number of savings plans, appropriate remedial action was taken. This included increasing corporate efficiency savings targets and the use of balances, providing more time to identify additional schemes.</p>	<p>The Authority has a good track record of accurately identifying and meeting its annual budget shortfall by identifying and delivering a range of savings.</p>
<p>Strategic financial planning</p>	<ul style="list-style-type: none"> • The Authority's Strategic Plan 2013-17 (the Strategic Plan) clearly and succinctly describes the Authority's priorities. The Strategic Plan does not link to the Financial Strategy to demonstrate how resource allocations align with its priorities. • The Authority has a corporate planning framework that supports delivery of the corporate visions, aims and improvement objectives, but its planning and performance monitoring/reporting arrangements are not consistently applied across services and departments. • The Authority regularly reviews its Financial Strategy and the assumptions made within it. As part of the process the Authority considers the appropriateness of its balances and reserves but it could better articulate its future plans for these within the strategy. The Authority could also look to develop a suite of key performance indicators within its Financial Strategy covering: <ul style="list-style-type: none"> Outcome measures. Scenario planning. Benchmarking. Resource plans for future periods in respect of balances and reserves. <p>The Financial Strategy takes a comprehensive and reasonable account of a range of variable factors including the Authority's extrapolation of the Revenue Support Grant receivable from an analysis of the Chancellor's Autumn Statement spending figures, but there is scope to further develop the Financial Strategy to refer to the impact of legislative changes eg, welfare reforms ie, universal credit, bedroom tax.</p>	<p>The Authority's corporate framework for strategic financial planning is effective but could be strengthened by:</p> <ul style="list-style-type: none"> • clearly linking the Strategic Plan and the Financial Strategy to demonstrate the proportion of the Authority's revenue and capital expenditure that is supporting individual improvement objectives; • consistently applying planning and performance monitoring/reporting arrangements across services and departments; and • further developing the Financial Strategy to include key performance indicators.

Key line of enquiry	Fieldwork findings	Conclusion
Financial management and control	<ul style="list-style-type: none"> • The Authority has established clear policies on the management of its finances. • The Authority has effective budget setting and budget monitoring systems and it has developed a range of prudential indicators. Budgetary control arrangements are underpinned by detailed guidance and monitoring arrangements at officer, member and executive level. Financial forecasting is well developed and is subject to regular review. • The Authority has a good track record of spending to budget and proactively managing forecast overspends in-year. • The Authority has an effective Finance Department that is considered fit for purpose. • The Authority does not have a formal policy on the use of reserves, but the purpose and appropriateness of reserves are considered by officers and members. However, the Authority should be firmer in enforcing the planned use of departmental and other reserves. 	<p>The Authority's financial management and control arrangements are fit for purpose and it regularly measures, monitors, and reports on budget performance. The Authority should put a formal policy on the use of reserves and balances in place and strengthen its ability to enforce the agreed use of departmental and other reserves.</p>
Financial governance	<ul style="list-style-type: none"> • The Authority's Financial Procedural Rules provide a robust framework for reviewing and challenging financial performance, which is underpinned by clearly defined budget monitoring and control procedures. • Budget monitoring and control procedures are clearly defined and are properly communicated. Budget monitoring procedures define reporting lines and responsibilities and ensure that budget monitoring takes place. • The Authority has a good track record of accurately reporting budget performance and delivering savings. Quarterly budget monitoring reports are reported to Cabinet and the Audit Committee also received regular financial outturn reports. • The Authority has a good track record of largely delivering the agreed savings, but it was not possible to realise 17 per cent or £640,000 of savings in 2013-14 due to delays with some schemes. This was offset by service underspends, additional saving schemes and the use of 'contingency budgets'. 	<p>The Authority has a robust framework for reviewing and challenging financial performance, although there is scope for the reports to be complemented by key performance indicators.</p>

Key line of enquiry	Fieldwork findings	Conclusion
<p>Current savings plans 2014-15</p>	<ul style="list-style-type: none"> • The Authority anticipates a funding shortfall of around £34 million over the next four years, including a budget shortfall of £10.4 million in 2014-15, representing a 3.4 per cent reduction in Revenue Support Grant. • Efficiency savings plans have been developed for 2014-15 and subsequent years across all departments. Savings plans are specific and there is a clear description of where savings will be made. They are measurable and the Authority has assessed the impact of savings. Means for measuring and tracking savings have been established and performance is regularly reported to the Authority's Savings Panel. • The Authority is progressing with the development of a range of further savings options during 2014 and beyond. 	<p>The Authority's 2014-15 savings plans are fit for purpose, are being effectively managed and are likely to be achieved, but the medium-term outlook remains extremely challenging.</p>

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