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# Savings Planning Follow Up – **Bridgend County Borough Council**

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The team who delivered the work comprised Katherine Simmons, Samantha Clements, Lisa Williams, Mark Jones and Sara-Jane Byrne under the direction of Huw Rees.

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# Summary report

## Summary

### What we reviewed and why

- 1 Our report on savings planning, issued to the Council in March 2017<sup>1</sup>, made a proposal for improvement for the Council to strengthen financial planning arrangements by:
  - ensuring that savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget; and
  - identifying indicative savings proposals over the period of the Medium Term Financial Plan.
- 2 In May/June 2019 we assessed the Council's progress in addressing our proposals for improvement and considered the effectiveness of the Council's arrangements for achieving its savings proposals.
- 3 As part of our 2019-20 performance audit work programme, we will be reviewing financial sustainability at all Welsh councils. This work will examine medium and longer term financial strategy, budget management, cost pressures, efficiency and savings plans, and levels and use of reserves. The findings from this review will feed into that work.

### What we found

- 4 Our review sought to answer the question: Has the Council effectively addressed our proposals for improvement in the March 2017 Savings Planning report?
- 5 Overall, we found that: **The Council has strengthened arrangements to develop and achieve savings plans, but further work is needed to develop a deliverable medium term financial strategy.**
- 6 We reached this conclusion because:
  - The Council has identified some indicative savings proposals to cover the period of the medium term financial strategy, but more work is needed to fully develop proposals for 2020-21 and beyond;
  - The Council has strengthened the arrangements for developing budget savings proposals, but further work is needed to ensure that timescales for delivery are as accurate as possible; and
  - In prior years, achievement of savings plans has been variable, but the Council achieved most of its 2018-19 savings plans and now needs to ensure that its strengthened arrangements continue this improved position.

<sup>1</sup> Wales Audit Office, Savings Planning – Bridgend County Borough Council, March 2017

## Proposals for improvement

- 7 We have not identified any further proposals for improvement from this follow up. As set out in paragraph 3 above, we will continue to explore the Council's progress in our financial sustainability review later in the year.

# Detailed report

**The Council has strengthened arrangements to develop and achieve savings plans, but further work is needed to develop a deliverable medium term financial strategy**

**The Council has identified some indicative savings proposals to cover the period of the medium term financial strategy, but more work is needed to fully develop proposals for 2020-21 and beyond**

8 In reaching this conclusion we found that:

- The Council has updated the medium term financial strategy 2019-20 to 2022-23 (MTFS) and reported this to members as part of the 2019-20 budget setting process in February 2019.
- The MTFS update identified total budget reductions required for the best, most likely and worst case scenarios for the period 2019-20 to 2022-23 based on estimated funding available.
- A detailed analysis of the budget proposals identified at that time by risk categories (red, amber or green) highlighted that whilst budget reduction proposals covering all the savings required were identified for 2019-20, there is a shortfall in future years of some £21m. This equates to 61% of budget reduction proposals required over three years as shown in **Exhibit 1** below. We recognise that the data in **Exhibit 1** reflects a point in time and it is accepted that this will have moved on as part of a continuous MTFS planning cycle.

Exhibit 1: RAG status of budget savings for the duration of the 2019-2023 Medium Term Financial Strategy

Year	GREEN Proposal developed and deliverable	AMBER Proposal in development but includes delivery risk	RED Proposals not fully developed and include high delivery risk	Budget reductions identified so far	Budget reductions not yet developed	Total required
	£'000	£'000	£'000	£'000	£'000	£'000
2019-20	3,024	2,703	1,894	7,621	0	7,621
2020-21	37	1,040	2,603	3,680	7,072	10,732
2021-22	0	975	584	1,559	6,960	8,519
2022-23	0	900	0	900	7,409	8,309
Total	3,061	5,618	5,081	13,760	21,421	35,181
% of total required	9%	16%	14%	39%	61%	100%

Source: Extract from Medium Term Financial Strategy 2019-20 to 2022-23, reported to Council on 20 February 2019<sup>2</sup>

- The Council acknowledged in the MTFFS update report that ‘a number of the proposals for 2020-21 onwards require further information and analysis and so are not sufficiently well developed to be included at this point in time. Proposals currently under consideration include:
  - The wider digital transformation of Council services
  - Further development of efficiencies in the corporate landlord function
  - Income generation opportunities
  - Further reductions in employee numbers
  - Possible reconfiguration of post 16 education provision
  - Working with partners to protect sustainable community facilities’
- Cabinet and Corporate Management Board (CMB) has also given a commitment to try to find at least 50% of the budget reductions through smarter use of resources rather than by cutting the quality or level of services. Recognising this gets incrementally harder to achieve over time, the smarter use of resources aims to include:
  - Review of business support services
  - Efficiencies in collaborative services
  - Review of contractual arrangements
  - Changes in capital funding

<sup>2</sup> Bridgend County Borough Council, **Medium Term Financial Strategy 2019-20 to 2022-23**, February 2019, page 20

- Staffing restructures and rigorous application of vacancy management
- Council officers were clear about the need to identify budget savings across the period of the MTFS but recognised that engagement with members on budget proposals is almost exclusively related to the next year’s budget in order to meet the immediate financial requirements.
- The Council has begun to consider whether a two-year budget setting process could be developed. The Council has also started mapping the impact of the estimated budget reduction requirement on the Council workforce and service delivery as a whole. However, these plans are in their early stages.

**The Council has strengthened the arrangements for developing budget savings proposals, but further work is needed to ensure that timescales for delivery are as accurate as possible**

9 In reaching this conclusion we found:

- The process for developing budget savings proposals has been started earlier. The approach to setting directorate budgets and financial scenario planning for 2019-20 was presented to Cabinet and Corporate Management Board in April 2018. Directorates were required to submit proposals for 2019-20 by June 2018, some two months earlier than previous years.
- The additional time allocated to the process gives officers and members greater opportunity to develop and engage on proposals. For example, since 2019-20 budget setting, the Budget Research and Evaluation Panel (BREP) had earlier engagement in the process and were able to access the full range of information related to proposals in order to provide meaningful feedback.<sup>3</sup>
- A ‘One Council’ approach, whereby all directorate budgets have efficiency targets (currently 1% a year) was agreed very early on to reinforce collective ownership.
- After allowing for the 1% efficiency targets across the Council, the Council prioritised delivery of its three corporate priorities (supporting a successful economy, helping people to be more self-reliant and making smarter use of resources). The remaining budget shortfall was then allocated to those areas that did not support delivery of these priorities.
- The Council established a budget reduction contingency fund in 2016-17. Following agreement with the Section 151 officer, this contingency fund has been used to partly mitigate shortfalls on a number of budget reduction

<sup>3</sup> The Budget Research and Evaluation Panel (BREP) are a member led panel made up of members of the Corporate Overview and Scrutiny Committee (COSC) who assist the Council in developing the forthcoming year budget proposals through an assessment of the proposals, constructive challenge and recommendations to Cabinet.



proposals. The Council has used this contingency fund to meet specific budget reduction proposals on a one-off basis pending alternative measures. For example, the Council used it for the Materials Recovery and Energy Centre (MREC) budget reduction proposal in 2018-19.

- Finance officers are becoming more involved in the development of proposals, challenging both their accuracy and the realism of timescales for delivery. The Council uses this information to determine the RAG status of its savings plans within its budget setting reports. We found that both members and officers had a good knowledge and understanding of the RAG status classifications and their meaning.
- Members and officers recognise the challenges of achieving what can be complex budget proposals. If planned savings cannot be delivered as anticipated in the financial year, services are expected to find alternative savings to compensate. This was evident through our review of a small sample of budget reduction proposals for 2019-20. The Council's RAG status illustrated that the following proposals will be partially met within planned timescales:
  - SSW22 – Identify further savings from library and cultural facilities and related services including reviewing the numbers of facilities (libraries, community centres) and reductions in services or opening hours.
  - SSW24 – Staffing reconfiguration across Social Services and Well-being Directorate.
- We found that where savings are partially met this is often due to insufficient time being allowed for public consultation and contract negotiations with partners. Officers were clear, however, that they would be required to find alternative savings where planned savings were unlikely to be achieved.
- We also followed up on some of the savings proposals that we looked at in our 2017 review. Whilst these proposals were developed prior to some of the changes to the current budget setting processes, we found that none of the planned proposals were/will be achieved in full or within planned timescales.
- Our 2017 review identified that proposal/summary templates were submitted to the corporate finance team for each savings proposal but not all of the savings proposals were supported by fully costed business cases (where appropriate) and delivery plans when the annual budget was agreed. In our 2019 review whilst we found that all four budget reduction proposals reviewed contained a MTFs corporate template, two of these did not have documentation that fully explained how the savings would be achieved.

In prior years, achievement of savings plans has been variable, but the Council achieved most of its 2018-19 savings plans and now needs to ensure that its strengthened arrangements continue this improved position

10 In reaching this conclusion we found that:

- The Council's track record of achieving planned savings, as reflected in Exhibit 2 and Exhibit 3 has been variable.

Exhibit 2: value of budget reduction proposals achieved in part and in full, 2015-2019

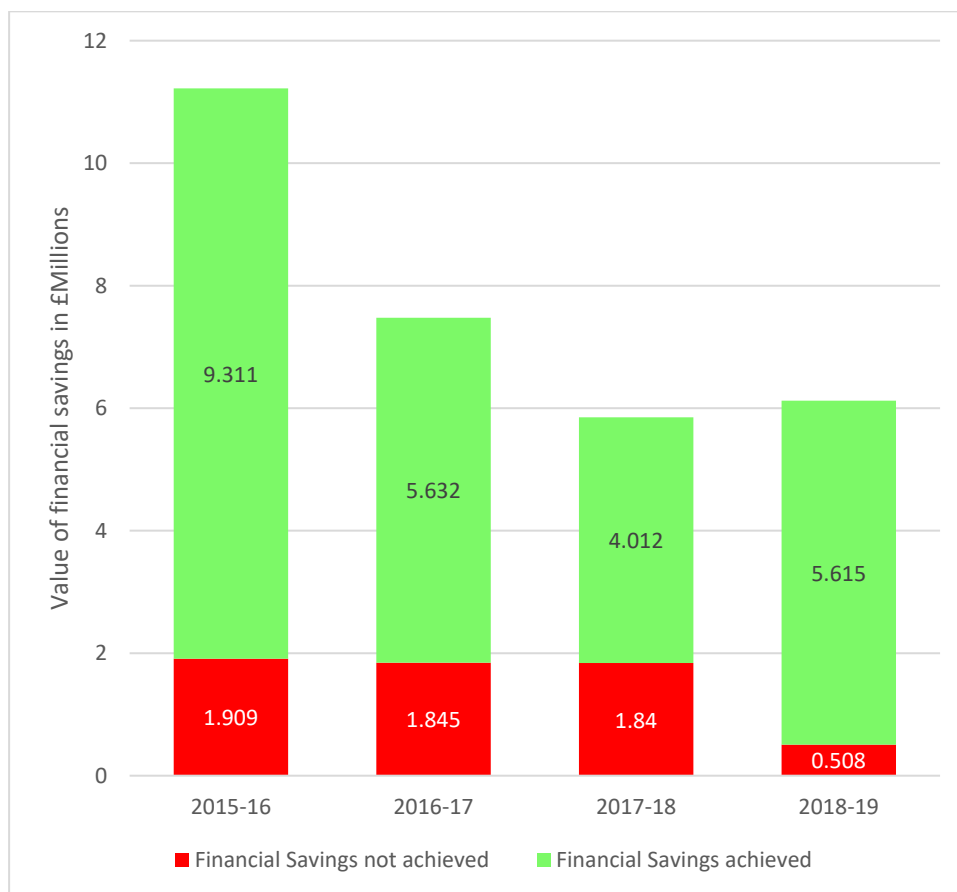
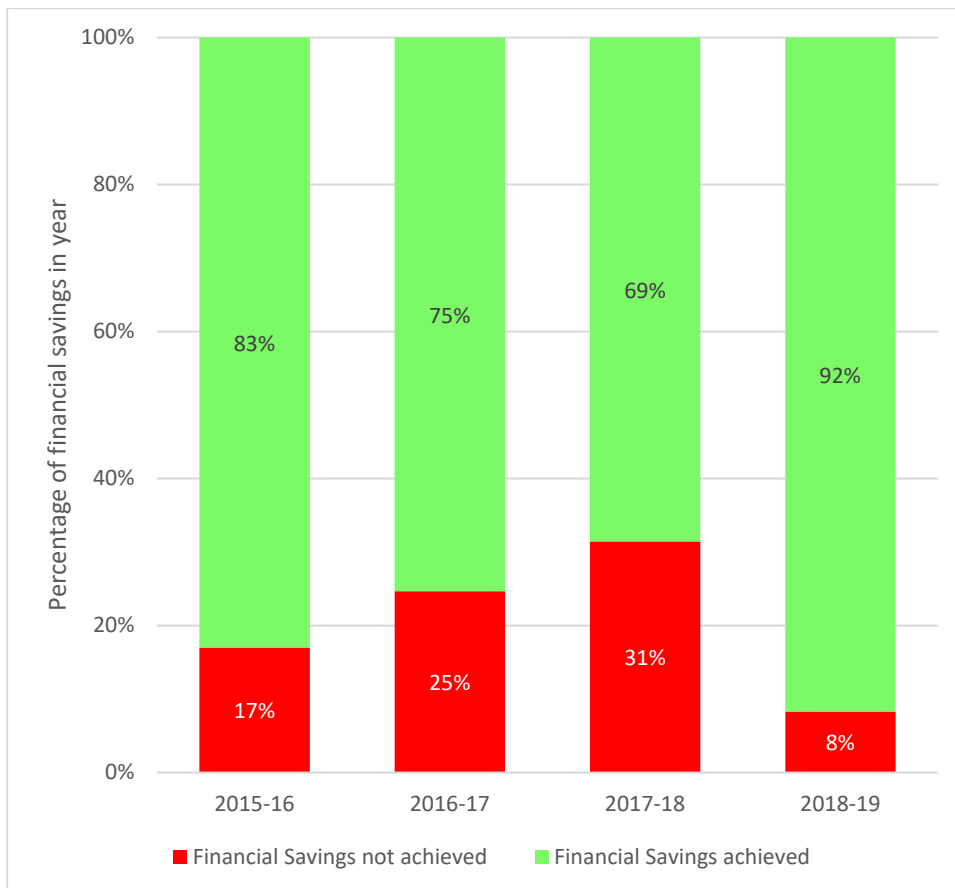


Exhibit 3: percentage of budget reduction proposals achieved in part and in full, 2015-2019



Source: The above figures have been extracted from Bridgend County Borough Council Cabinet reports, 5 July 2016, 27 June 2017, 19 June 2018 and 18 June 2019.

- Improvements to the arrangements for identifying budget reduction proposals highlighted in paragraph 9 above should help the Council to identify proposals earlier in future years. The onus is now on the Council to ensure that its improved arrangements have the desired impact and that the trajectory of improvement in the level of savings delivered continues in future years.

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