

THE VALE OF GLAMORGAN COUNCIL

CABEINT: 20<sup>TH</sup> FEBRUARY, 2025

REFERENCE FROM GOVERNANCE AND AUDIT COMMITTEE: 6<sup>TH</sup> JANUARY, 2025

“ AUDIT WALES: FINANCIAL SUSTAINABILITY REVIEW OF THE VALE OF GLAMORGAN COUNCIL JULY 2024 (REF) –

The reference from Corporate Performance and Resources Scrutiny Committee on 20<sup>th</sup> November, 2024 as contained within the agenda was presented by the Head of Finance / Section 151 Officer.

Councillor Hooper referred to the national picture across Wales and asked what did good look like in regard to the recommendations that had been put to the Council, for example would it relate to multi-year budget settlements or something else. In reply, the Head of Finance stated that the national report had yet to be produced by Audit Wales, but it related to something else other than multi-year budgets and more around the level of detail provided by some Councils and their saving proposals.

Councillor E. Goodjohn commented that improvements could be made to the budgeting process, with a more open and wider debate needed on budgetary pressures outside of a formal Committee setting, and more opportunities for Councillors to discuss and be informed of financial challenges. He added that Councillors required more information as to why budgetary decisions were made and why were some saving proposals rejected and were there any alternative proposals. The role of Councillors was to look at the baseline thought process behind a financial decision and did they make logical sense. To do that Councillors required more information and opportunities to discuss.

Councillor Hooper commented that previously the Committee had discussed an option of zero-based budgeting techniques, with officers advising that the Council did not have the resources. With the possibility of longer-term budget settlements, Councillor Hooper asked whether zero-based budgeting was something that could be considered again. In response, the Head of Finance stated that the key areas were the Council's Medium Term Financial Plan and its reshaping programme, each of those would consider financial savings required by the Council. Zero-based budgeting was extremely resource intensive and thought needed to be given as to how that approach could be developed.

The Chair commented on the importance for the Council's Corporate Plan to reflect the priorities that the Council could actually afford. The Council also faced challenges as a result of new legislation which did not always come with additional funding, and so would usually place pressure on existing resources. It was noted that most grants were allocated on a hypothecated basis which if withdrawn due to lack of funding, could raise public expectations. The Council needed to make bold

decisions on what services it could afford and for there to be dialogue with the public on Council plans and budgets.

There being no further comments or queries, the Committee

RESOLVED –

(1) T H A T the Council actions contained in Appendix B to the report be endorsed.

(2) T H A T the report be referred to Cabinet for its oversight and endorsement, with Cabinet also advised of the views of the Governance and Audit Committee in relation to the following:

- Improvements could be made to the budgeting process, with a more open and wider debate needed on budgetary pressures outside of a formal Committee setting, with more opportunities for Councillors to discuss and be informed of financial challenges.
- Councillors required more information as to why budgetary decisions were made and why were some saving proposals rejected and were there any alternative proposals.
- The role of Councillors was to look at the baseline thought process behind a financial decision and did they make logical sense. To do that Councillors required more information and opportunities to discuss.
- For the Council to explore further the opportunity to consider the use of zero base budgets;
- The importance for the Council's Corporate Plan to reflect what priorities the Council could actually afford;
- Challenges as a result of new legislation which did not always come with additional funding, which usually placed pressure on existing resources. Most occasions grant money was allocated on a hypothecated basis which could be withdrawn and so could raise public expectations.
- The Council needed to make bold decisions on what services it could afford and for there to be dialogue with the public on Council plans and budgets.

#### Reasons for decisions

(1&2) Having regard to the contents of the report and discussions at the meeting.”

Attached as Appendix: Report to Governance and Audit Committee: 6<sup>th</sup> January, 2025

THE VALE OF GLAMORGAN COUNCIL

GOVERNANCE AND AUDIT COMMITTEE: 16<sup>TH</sup> DECEMBER, 2024

REFERENCE FROM CORPORATE PERFORMANCE AND RESOURCES  
SCRUTINY COMMITTEE: 20<sup>TH</sup> NOVEMBER, 2024

“ AUDIT WALES: FINANCIAL SUSTAINABILITY REVIEW OF THE VALE OF  
GLAMORGAN COUNCIL JULY 2024 (DCR) –

As part of the Council’s annual audit work programme for 2023/24, the Auditor General for Wales undertook a review of the Council’s financial sustainability.

The review was undertaken to help fulfil the Auditor General’s duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act). The review may also inform a study for improving value for money under section 41 of the 2004 Act, and or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations (Wales) Act 2015. The review sought to provide assurance that the Council had proper arrangements to support its financial sustainability.

The Audit Wales’ Review concluded that, “Overall, whilst having arrangements for the short to medium term, the Council lacks a long-term plan and regular assessments of the impact of decisions to support its long-term financial sustainability.” The Head of Service / Section 151 officer advised that there had been no surprises to the Council and he had been content with the recommendations.

The key findings of the review (Appendix A to the report) were reported as follows:

- The Council had arrangements in place to manage its financial resilience in the short to medium term, but its longer term approach was less certain due to being at an early stage in its transformation agenda;
- The Council had a clear approach to manage its financial position over the short to medium term which was well-understood by senior officers and Members. The Council’s Medium Term Financial Plan (MTFP) contained reasonable assumptions and forecasts;
- Although the Council understood its financial position, a limited evidence base and a mixed track record in delivering savings meant this understanding might be limited in depth and accuracy;
- The Council had clear arrangements for reporting its financial position, but this did not include an understanding of the impact of delivering on its objectives nor how it affected the longer term.

Two recommendations had been made to strengthen the Council’s approach:

**“R1:** We have identified some weaknesses in how the Council plans its approach to financial sustainability in the medium to long-term. To address this, the Council should improve its long term planning to determine how it will address its funding gap for the length of its plan to support service transformation and promote long term financial sustainability.

**R2:** To report on the impact of its financial approach, the Council should develop reporting arrangements to provide members with the impact of its financial position and MTFP on local communities and delivery of its well-being objectives. To report on the impact of its financial approach, the Council should develop reporting arrangements to provide members with the impact of its financial position and MTFP on local communities and delivery of its well-being objectives.”

In response to the recommendations, the Director of Corporate Resources and the Head of Finance / Section 151 Officer had developed an action plan which would be progressed by the Council and was attached at Appendix B to the report.

In line with the Council's performance monitoring arrangements, progress against regulatory improvement areas would be monitored via the Strategic Insight Board Insight Tracker. All Scrutiny Committees would continue to be informed of progress against the Council's regulatory improvement areas through quarterly performance monitoring arrangements. This would be supplemented with a six monthly and annual review of regulatory progress, which would be reported to the Governance and Audit Committee and Cabinet for final oversight. Progress would also be monitored by Audit Wales as part of the Council's annual audit work programme.

Councillor Goodjohn enquired as to whether there was any scope in future Medium Term Financial Plans for details on the savings proposals that were rejected in order to provide a greater understanding of the proposals and the impacts for the budget. The Head of Finance said he would consider the suggestions and how they could be added to the process.

The Chair also asked if EIAs could be published and shared with Members.

Councillor Carroll raised his concern regarding the Audit Wales conclusion that the Council lacked a long term plan and enquired what actions were being taking to resolve this. In response the Head of Service said that work was underway with regard to the reshaping programme developing into a more transformational approach with reshaping initiatives being proposed to balance budgets over the mid and long term. He further advised that the generous settlements from Welsh Government for 2021/22 meant that the reshaping programme was pushed back with 2023/24 being the first significant savings programme for a number of years. For 2024/25 a similar programme had been prepared but challenges were recognised in delivering it.

Following discussion, it was subsequently

## RECOMMENDED –

(1) T H A T the findings from Audit Wales’ Review of the Council’s Financial Sustainability (attached at Appendix A to the report) and the response to the Review findings and Audit Wales’ recommendations (attached at Appendix B to the report) be noted.

(2) T H A T the report be referred to Governance and Audit Committee and thereafter to Cabinet for their oversight and endorsement of the proposed Council actions (as contained within Appendix B to the report) to address the recommendations.

(3) T H A T Cabinet be requested to consider sharing with Members the EIAs that have been drawn up to support savings proposals in order that Members can see how the savings proposed impact local communities.

### Reasons for recommendations

(1) Having regard to the contents of the report and discussions at the meeting.

(2&3) To ensure the Council responds appropriately and implements areas of improvement as identified by Audit Wales.”

Attached as Appendix: Report to Corporate Performance and Resources Scrutiny Committee – 20<sup>th</sup> November, 2024

Meeting of:	<b>Corporate Performance and Resources Scrutiny Committee</b>
Date of Meeting:	<b>Wednesday, 20 November 2024</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Audit Wales: Financial Sustainability Review of the Vale of Glamorgan Council July 2024
Purpose of Report:	To advise Members of the findings of the Auditor General for Wales' assessment of the Vale of Glamorgan's financial sustainability and the Council's response to its findings .
Report Owner:	Tom Bowring, Director of Corporate Resources
Responsible Officer:	Tom Bowring, Director of Corporate Resources
Elected Member and Officer Consultation:	No specific ward member consultation has been undertaken. Regulatory reports apply to the whole authority and inform Scrutiny Committees' annual work programme, the Cabinet annual work programme and the Council's improvement programme. Progress in relation to areas for improvement arising from the Annual Regulatory Plan (including local and national reviews) is regularly reported via the Council's Strategic Insight Board Insight Tracker to the Strategic Leadership Team, relevant Scrutiny Committees, Governance and Audit Committee and Cabinet for final oversight.
Policy Framework:	This is a matter for Executive decision by Cabinet.
Executive Summary:	<ul style="list-style-type: none"> <li>As part of the Council's annual audit work programme for 2023/24, the Auditor General for Wales undertook a review of the Council's financial sustainability.</li> <li>The review was undertaken to help fulfil the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act). The review may also inform a study for improving value for money under section 41 of the 2004 Act, and or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations (Wales) Act 2015.</li> <li>The review sought to provide assurance that the Council has proper arrangements to support its financial sustainability.</li> <li>Audit Wales review concluded that, ' Overall, whilst having arrangements for the short to medium term, the Council lacks a long-term plan and regular assessments of the impact of decisions to support its long-term financial sustainability.'</li> <li>The key findings of the review (<b>Appendix A</b>) are as follows:</li> </ul>

- The Council has arrangements in place to manage its financial resilience in the short to medium term, but its longer term approach is less certain due to being at an early stage in its transformation agenda.
- The Council has a clear approach to manage its financial position over the short to medium term which is well-understood by senior officers and members. The Council's Medium Term Financial Plan (MTFP) contains reasonable assumptions and forecasts.
- Although the Council understands its financial position, a limited evidence base and a mixed track record in delivering savings means this understanding may be limited in depth and accuracy.
- The Council has clear arrangements for reporting its financial position, but this does not include an understanding of the impact of delivering on its objectives nor how it affects the longer term.
- Two recommendations have been made to strengthen the Council's approach.
  - R1:** We have identified some weaknesses in how the Council plans its approach to financial sustainability in the medium to long-term. To address this, the Council should improve its long term planning to determine how it will address its funding gap for the length of its plan to support service transformation and promote long term financial sustainability.
  - R2:** To report on the impact of its financial approach, the Council should develop reporting arrangements to provide members with the impact of its financial position and MTFP on local communities and delivery of its well-being objectives To report on the impact of its financial approach, the Council should develop reporting arrangements to provide members with the impact of its financial position and MTFP on local communities and delivery of its well-being objectives
- In response to the recommendations, the Director of Corporate Resources and the Head of Financial Services (Section 152 Officer) have developed an action plan which will be progressed by the Council. This is attached as Appendix B.
- In line with the Council's performance monitoring arrangements, progress against regulatory improvement areas will be monitored via the Strategic Insight Board Insight Tracker. All Scrutiny Committees will continue to be informed of progress against our regulatory improvement areas through quarterly performance monitoring arrangements. This will be supplemented with a six monthly and annual review of regulatory progress, which will be reported to the Governance and Audit Committee and Cabinet for final oversight. Progress will also be monitored by Audit Wales as part of the Council's annual audit work programme.
- Corporate Performance and Resources Scrutiny Committee members are being asked to consider the contents of the appended report (**Appendix A**) including the Council's response (in the form of an action plan - **Appendix B**) with any recommendations /comments being referred to Governance and Audit Committee and thereafter, onto Cabinet for their consideration and endorsement of the proposed actions to address the recommendations.

## Recommendations

1. That the Corporate Performance and Resources Scrutiny Committee considers the findings from Audit Wales' review of the Council's Financial Sustainability (**Appendix A**) and the response to the review findings and Audit Wales' recommendations (**Appendix B**).
2. That, subject to recommendation one, the report be referred to Governance and Audit Committee and thereafter to Cabinet for their oversight and endorsement of the proposed Council actions (**Appendix B**) to address the recommendations.

## Reasons for Recommendations

1. To provide for scrutiny of the findings of Audit Wales' review of the Council's Financial Sustainability and the Council's response to its findings.
2. To ensure the Council responds appropriately and implements areas of improvement as identified by Audit Wales.

## 1. Background

- 1.1 As part of the Council's annual audit work programme for 2023/24, the Auditor General for Wales undertook a review of the Council's financial sustainability.
- 1.2 The review was undertaken to help fulfil the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act). The review may also inform a study for improving value for money under section 41 of the 2004 Act, and or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations (Wales) Act 2015.

## 2. Key Issues for Consideration

- 2.1 **Appendix A** contains the Audit Wales report outlining the key findings of the review.
- 2.2 The review undertaken during April to May 2024, sought to provide assurance that the Council has proper arrangements to support its financial sustainability and considered the following questions:
  - Does the Council have a clear strategy for its long-term financial sustainability?
  - Is the Council's financial strategy supported by a clear understanding of its financial position?
  - Do the Council's reporting arrangements support regular oversight of its financial sustainability?



- 2.3** A similar audit has been undertaken in all 22 Welsh Local Authorities and will inform a national report to be published later in the year.
- 2.4** The review concluded that, ‘ Overall, whilst having arrangements for the short to medium term, the Council lacks a long-term plan and regular assessments of the impact of decisions to support its long-term financial sustainability.’
- 2.5** The key findings of the review (**Appendix A**) are as follows:
- The Council has arrangements in place to manage its financial resilience in the short to medium term, but its longer-term approach is less certain due to being at an early stage in its transformation agenda.
  - The Council has a clear approach to manage its financial position over the short to medium term which is well-understood by senior officers and members. The Council’s Medium-Term Financial Plan (MTFP) contains reasonable assumptions and forecasts.
  - Although the Council understands its financial position, a limited evidence base and a mixed track record in delivering savings means this understanding may be limited in depth and accuracy.
  - The Council has clear arrangements for reporting its financial position, but this does not include an understanding of the impact of delivering on its objectives nor how it affects the longer-term.
- 2.6** Two recommendations have been made to the strengthen the Council’s approach.
- **R1:** We have identified some weaknesses in how the Council plans its approach to financial sustainability in the medium to long-term. To address this, the Council should improve its long-term planning to determine how it will address its funding gap for the length of its plan to support service transformation and promote long-term financial sustainability.
  - **R2:** To report on the impact of its financial approach, the Council should develop reporting arrangements to provide members with the impact of its financial position and MTFP on local communities and delivery of its well-being objectives To report on the impact of its financial approach, the Council should develop reporting arrangements to provide members with the impact of its financial position and MTFP on local communities and delivery of its well-being objectives
- 2.7** In response to the recommendations, the Director of Corporate Resources and the Head of Financial Services (Section 151 Officer) have developed an action plan which will be progressed by the Council. This is attached as Appendix B.
- 2.8** In line with the Council's performance monitoring arrangements, progress against regulatory improvement areas will be monitored via the Strategic Insight Board Insight Tracker. All Scrutiny Committees will continue to be informed of progress against regulatory improvement areas through quarterly performance monitoring arrangements. This will be supplemented with a six monthly and annual review of regulatory progress, which will be reported to the Governance

and Audit Committee and Cabinet for final oversight. Progress will also be monitored by Audit Wales as part of the Council's annual audit work programme.

- 2.9** Corporate Performance and Resources Scrutiny Committee members are being asked to consider the contents of the appended report including the Council's response (in the form of an action plan - **Appendix B**) with any recommendations /comments being referred to Governance and Audit Committee and thereafter, onto Cabinet for their consideration and endorsement of the proposed actions to address the recommendations.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** Performance Management is an intrinsic part of corporate governance and integrated business planning which underpins the delivery of the Council's Corporate Plan and its Well-being Outcomes. Our Corporate Plan has been structured around the Well-being of Future Generations (Wales) Act 2015, through the development of four Well-being Outcomes and eight Well-being Objectives. By aligning our Well-being Outcomes in the Corporate Plan with the Well-being Goals of the Act, this will enable us to better evidence our contribution to the Goals.
- 3.2** External Regulation is an important vehicle for driving continuous improvement across our services. Progressing the improvement areas identified by our regulators not only enables us to demonstrate our commitment to continuous service improvement, but also contributes to further strengthening our impact on the national well-being goals through the achievement of our well-being objectives. The focus of this report will in particular assist in strengthening our work around involvement.
- 3.3** The areas of improvement identified by our external regulators and the associated action plan produced by officers has been developed with the five ways of working in mind. The focus of these is on developing innovative ways of working that better integrate services, whilst enabling us to work more collaboratively with our partners and citizens to involve them in improving service delivery. These improvement actions also focus on preventative actions that will enable us to sustain and future proof our services into the longer term.

### **4. Climate Change and Nature Implications**

- 4.1** There are no implications directly arising from this report, although failure to progress the improvement areas outlined in the report could have a negative impact on any future external regulatory assessments and could result in a special inspection by the Auditor General for Wales if deemed that the Council is not meeting the performance requirements.

## **5. Resources and Legal Considerations**

### **Financial**

- 5.1** There are no additional budgetary implications directly arising from this report, although failure to progress the improvement areas outlined in the report could have a negative impact on any future external regulatory assessments of the Council which could in turn put funding opportunities at risk.

### **Employment**

- 5.2** There are no direct workforce related implications associated with this report. However, there are a number of issues contained within the report that if not effectively managed have the potential to impact on our staff establishment and performance overall. This may in turn impact adversely on achievement of our well-being Objectives.

### **Legal (Including Equalities)**

- 5.3** The Well-being of Future Generations (Wales) Act 2015 (WBFG) and the Local Government & Elections (Wales) Act 2021 (LG&E) require the Council to publish annual Well-being Objectives, keep performance under review and consult and report on our performance through an annual self-assessment relating to the previous financial year.
- 5.4** The Auditor General for Wales is statutorily required under the Well-being of Future Generations (Wales) Act 2015, to examine public bodies to assess the extent to which they have acted in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them.
- 5.5** Under the LG&E Act, a special inspection of the Council may be undertaken if the Auditor General for Wales considers that the council is not, or may not be meeting, the performance requirements. This inspection is to assess the extent to which the Council is meeting the performance requirements, in exercising its functions effectively; using its resources economically, efficiently and effectively; and in ensuring its governance is effective for securing the above.

## **6. Background Papers**

None

# Financial Sustainability Review – Vale of Glamorgan Council

Audit year: 2023-24

Date issued: September 2024

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

Summary report	
Why we did this audit	4
Our audit duties	4
Our objectives for this audit	4
Why financial sustainability is important	4
What we looked at and what does good look like	4
Our audit methods and when we undertook the audit	6
What we found	6
Our recommendations for the Council	9
Appendices	
Appendix 1 – audit questions and criteria	10

# Summary report

## Why we did this audit

### Our audit duties

- 1 The Council has to put in place arrangements to get value for money for the resources it uses, and the Auditor General has to be satisfied that it has done this.
- 2 We undertook this audit to help discharge the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations Act (Wales) 2015.

### Our objectives for this audit

- 3 To provide assurance that councils have proper arrangements to support their financial sustainability.
- 4 To explain councils' financial position and the key budget pressures and risks to their financial sustainability.

## Why financial sustainability is important

- 5 A combination of factors including the rising cost of delivering services and increased demand for some services is placing significant pressure on local government finances.
- 6 Despite these pressures, councils are still required to set a balanced budget whilst delivering a number of statutory services. Councils also provide a range of non-statutory services that communities rely on.
- 7 In this context, it is important that councils develop a strategic approach to their financial sustainability over the longer term to help them to secure value for money in the use of their resources.

## What we looked at and what does good look like<sup>1</sup>

- 8 We reviewed the Council's strategic approach to support its financial sustainability, its understanding of its current financial position, and its arrangements for reporting and oversight of its financial sustainability. This audit was limited to a consideration

<sup>1</sup> Defined as 'what should be' according to laws or regulations, 'what is expected' according to best practice, or 'what could be', given better conditions.

of the arrangements that the Council has put in place to support its financial sustainability. It was not a review of the Council's wider financial management, or of the individual financial decisions that the Council has made or intends to make.

- 9 We recognise that some factors which will impact on councils' financial sustainability will be beyond the scope of this audit, as this audit focused on the arrangements that councils are putting in place. However, where we identified common issues through our fieldwork that go beyond the arrangements that councils have put in place, we will report on these in our planned national summary report.
- 10 We also recognise the unprecedented financial challenges that councils have faced for many years and are likely to continue to face for at least the medium term. This includes the public sector funding pressures that followed the financial crisis in 2008 and the impact of the pandemic both at the time and its continued aftereffects. More recently councils have also faced significant real-terms reductions in spending power as a consequence of the fastest increase in inflation for decades. Alongside all of these events there have also been significant increases in the demand for some services, including for example the impact of an ageing population and the resulting increased demand for some services. These factors are largely outside the control of any individual council.
- 11 Against this longer-term background of financial challenges councils have needed to respond to more recent challenges at pace and we understand that inevitably in many, if not all councils, some of the specific details of how financial pressures will be tackled over the medium-term are still to be determined. This report sets out our view on the council's financial arrangements, and where appropriate where we think these could be strengthened to help improve the council's financial sustainability over the medium-term. Our report should be viewed in the context of these wider and longer-term financial pressures.
- 12 The audit sought to answer the overall question – **Does the Council have proper arrangements to support its financial sustainability?** To do this we looked to answer the following questions:
- Does the Council have a clear strategy for its long-term financial sustainability?
  - Is the Council's financial strategy supported by a clear understanding of its financial position?
  - Do the Council's reporting arrangements support regular oversight of its financial sustainability?
- 13 The audit criteria that we used to assess the Council's arrangements against each of our questions is set out in **Appendix 1**. This has been informed by our cumulative knowledge, as well as drawing on some publications produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).





## Our audit methods and when we undertook the audit

- 14 Our findings are based on document reviews and interviews with a sample of councillors and senior officers. The evidence we have used to inform our findings is limited to these sources. We undertook this work during April to May 2024.
- 15 We are undertaking this work at each of the 22 principal councils in Wales and, as well as reporting locally to each council, we also intend to produce a national report.



## What we found

- 16 Overall, we found that, **whilst having arrangements for the short to medium term, the Council lacks a long-term plan and regular assessments of the impact of decisions to support its long-term financial sustainability.**
- 17 We set out below why we reached this conclusion.
- 18 **The Council has arrangements in place to manage its financial resilience in the short to medium-term, but its longer-term approach is less certain due to being at an early stage in its transformation agenda.**
- 19 A clear, robust, and agreed financial strategy is important to identify how the Council will respond to anticipated future funding pressures, and particularly how the Council will meet its projected funding gap in the short, medium, and long term.
- 20 The Council has a clear approach to manage its financial position over the short to medium term which is well-understood by senior officers and members. The Council's Medium-Term Financial Plan (MTFP) contains reasonable assumptions and forecasts.
- 21 However, information within the MTFP is at a high level, stating what needs to be done, but not always how it will be done. The Council has not fully identified how it will deliver all the savings required over the period covered by the plan, which poses a risk of the Council being unable to close the funding gap. Its longer-term plan to address its financial strategy is focused on transformation, which is at the early stages of development. Given this, we cannot conclude on the effectiveness of the Council's longer-term proposals at this stage.
- 22 The Council has a clear plan for using a proportion of reserves over the medium-term to manage its financial challenges and implement its transformation programme. As of 31<sup>st</sup> March 2023, the Council had £94.7 million of useable reserves<sup>2</sup>. This is equivalent to 30.1% of the Council's annual spending on

<sup>2</sup> Our definition will differ from the Council's own definition of usable reserves. Further information can be seen within our [data tool](#).

services- the ninth highest in Wales in our analysis<sup>2</sup>. The Council budgeted to use £2.3 million of its reserves in 2023-24, however a further £6.9 million of reserves was projected to be required by quarter three. This balanced overspends in areas such as Social Services and deficits in schools' balances.

- 23 The Council is forecasting its useable reserves will reduce to £48.5 million by 2029. This would represent 15.7% of its 2024-25 budgeted spend. Without a clear, detailed savings and transformation plan across the medium to long-term, additional pressure will be placed on these limited reserves to balance the budget. Progressing with transformation and understanding its impact are, therefore, critical to closing the budget gap and ensuring financial sustainability over the medium-term.
- 24 **Although the Council understands its financial position, a limited evidence base and a mixed track record in delivering savings means this understanding may be limited in depth and accuracy.**
- 25 A thorough understanding of current and future funding pressures, alongside other risks to financial sustainability is important to ensure that the Council's financial strategy is well informed and appropriate to the scale of the financial challenge it faces.
- 26 The Council has obtained detailed spending analysis to help inform its financial understanding, but it is unclear how this has been used in its MTFP beyond 2024-25. Having a range of sources helps provide a rich evidence base that strengthens the assumptions and potential savings proposals identified from them.
- 27 The Council has identified a range of risks to its financial sustainability and has short to medium term mitigations in place where possible. These include recognition of increased pressures in demand, particularly in the areas of education, social care, and homelessness. However, whilst senior officers noted in our interviews that school balances are a concern, and this was highlighted in the recent Estyn inspection report, this risk is not included within the Corporate Risk Register. This means there is not senior oversight of the risk and limits members' ability to understand the impact of school balances on its overall financial position, together with other risks to its financial planning. It also questions the completeness of risks considered within its financial planning.
- 28 The Council has a mixed track record of achieving its savings targets across its directorates. Whilst high proportions of savings have been made overall, the cumulative volume has been modest in comparison to current challenges. However, it is recognised that settlements for 2021-22 and 2022-23 were higher than anticipated, therefore reducing the need for significant savings. For example, whilst £4.7 million was required in 2023-24 (78% achieved at end quarter 3), only £0.7 million (100% achieved) and £0.5 million (76% achieved) were required in 2022-23 and 2021-22, respectively. In 2021, we also found variability in savings delivery. As the savings in 2024-25 have increased to £7.7 million, the uncertainty in the Council's ability to deliver savings of this scale make it difficult for us to be assured that the Council will meet its savings targets.

- 29 **The Council has clear arrangements for reporting its financial position, but this does not include an understanding of the impact of delivering on its objectives nor how it affects the longer-term.**
- 30 Clear, regular, and transparent reporting arrangements are important to enable effective oversight of the Council's financial position, the action it is taking to ensure its financial sustainability and the impact of this on its local communities.
- 31 Members receive regular reports to help them monitor and challenge the Council's financial position. Reports include progress against savings targets. They also include both high level and detailed analysis to support understanding.
- 32 However, these reports do not set out the impact of the Council's finances on delivering its objectives. The Council reports its financial and performance information separately, which makes it difficult for members to understand the correlation between decisions on spending or saving, and its performance and impact on service users. Whilst some savings proposals are assessed for impact prior to being agreed by members, the level of analysis varies. Assessing impact through delivery can help understand the effectiveness of decisions and offer lessons for the future.
- 33 Following implementation of savings proposals, whilst reporting links overall performance with the five ways of working, it does not provide any tangible link to the well-being objectives. Without this link, it is difficult for the Council to understand the correlation between decisions on spending or saving, performance, and service level impact fully.



## Our recommendations for the Council

### Exhibit 1: our recommendations for the Council

#### Recommendations

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- R1** We have identified some weaknesses in how the Council plans its approach to financial sustainability in the medium to long-term. To address this, the Council should improve its long-term planning to determine how it will address its funding gap for the length of its plan to support service transformation and promote long-term financial sustainability.
- 
- R2** To report on the impact of its financial approach, the Council should develop reporting arrangements to provide members with the impact of its financial position and MTFP on local communities and delivery of its well-being objectives.

# Appendix 1

## Audit questions and criteria

**Exhibit 2: overall question: Does the Council have proper arrangements to support its financial sustainability?**

Level 2 questions	Criteria
Does the Council have a clear strategy for its long-term financial sustainability?	<ul style="list-style-type: none"><li>• The Council has clearly set out its strategic approach to support its financial resilience over the short, medium, and long term.</li><li>• The Council has a medium-term financial plan.</li><li>• The Council's strategic approach is widely understood and supported by senior officers.</li><li>• The Council has considered a wide range of options to improve its long-term financial sustainability, including comparison with other bodies.</li><li>• The Council has identified all the savings it intends to make to meet its funding gap over the medium term, supported by well-evidenced plans based on reasonable assumptions.</li><li>• The Council's strategy includes the strategic use of reserves to manage its savings programme over the medium term.</li><li>• The Council has modelled the anticipated impact of its financial strategy over the medium term (e.g. potential service reductions and council tax levels on local communities).</li></ul>
Is the Council's financial strategy supported by a clear understanding of its financial position?	<ul style="list-style-type: none"><li>• The Council has calculated its funding gap over the short to medium term based on reasonable assumptions.</li><li>• The Council has benchmarked its assumptions with appropriate comparator bodies.</li><li>• The Council has a good understanding of its key budget pressures in the medium and long term.</li><li>• The Council has a track record of successfully addressing key budget pressures.</li><li>• The Council has identified the key risks to its financial sustainability and has put in place mitigations.</li></ul>

Level 2 questions	Criteria
<p>Do the Council's reporting arrangements support regular oversight of its financial sustainability?</p>	<ul style="list-style-type: none"> <li>• It is clear who is responsible for monitoring the Council's financial position, including its sustainability over the medium to long term.</li> <li>• The Council regularly reports its financial position to members to enable oversight and scrutiny.</li> <li>• The Council has arrangements to transparently report the impact/anticipated impact of its financial strategy on the achievement of its corporate objectives and on local communities to members and other stakeholders.</li> <li>• The Council's savings plan includes what has been agreed, how much progress has been made in implementation, and links to both its budget and medium-term financial plan.</li> <li>• The Council regularly reports progress in delivering planned savings to members to enable oversight and scrutiny.</li> </ul>



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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

# Management response form



**Report title:** Financial Sustainability Review – Vale of Glamorgan Council

**Completion date:**

**Document reference:**

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	<b>We have identified some weaknesses in how the Council plans its approach to financial sustainability in the medium to long-term. To address this, the Council should improve its long-term planning to determine how it will address its funding gap for the length of its plan to support service transformation and promote long-term financial sustainability.</b>	<p>The Council set out its approach to addressing medium to long term sustainability in a report to Cabinet in January. Detailed work has been undertaken during the intervening months on the approach and a prospectus was issued to all Chief Officers including sponsor, leads and scope of the various streams on 9 September 2024.</p> <p>This work will dovetail with the Council's overall budget planning with the continuing need for short term tactical savings. This</p>	<p>Ongoing as per the response but with some specific reporting and decision points.</p> <p>An update on the Reshaping Programme will come forward to Cabinet in autumn 2024 and there will be specific references in the budget reports in January and March 2025.</p>	Director of Corporate Resources/Head of Finance



Ref	Recommendation	<b>Management response</b> Please set out here relevant commentary on the planned actions in response to the recommendations	<b>Completion date</b> Please set out by when the planned actions will be complete	<b>Responsible officer (title)</b>
		<p>was recognised in the Financial Strategy to Cabinet in July 2024.</p> <p>Further reports on the progress of the Reshaping Programme and development of the MTFP will go forward to Cabinet later in the autumn 2024 to ensure effective delivery.</p>	<p>It is a long term programme and there will be further monitoring and reporting beyond the 2025/26 budget cycle</p>	
R2	<p><b>To report on the impact of its financial approach, the Council should develop reporting arrangements to provide members with the impact of its financial position and MTFP on local communities and delivery of its well being objectives.</b></p>	<p>The Council does complete Equality Impact Assessments for all of its saving proposals, whilst available these aren't published and aren't generally accessible. The Finance Team will enhance the information put forward in its Budget Reports to provide further information on these impacts. Currently the Annual Self-Assessment does include financial commentary on a directorate basis alongside the performance narrative. This approach will be applied to</p>	<p>More comprehensive coverage in January 2025/25 Budget report.</p> <p>Enhanced quarterly reporting from Quarter 3 2024/25 as an interim response. Quarter 1 2025/26 will reflect new performance monitoring framework following</p>	<p>Head of Finance</p> <p>Operational Manager – Corporate Strategy</p>

Ref	Recommendation	<b>Management response</b> Please set out here relevant commentary on the planned actions in response to the recommendations	<b>Completion date</b> Please set out by when the planned actions will be complete	<b>Responsible officer (title)</b>
		the quarterly reporting to Cabinet and Scrutiny. This will cover historical impact as well as the potential implications in the future.	approval of the new Corporate Plan and Directorate Plans.	