



Budget Savings

City of York Council

Internal Audit Report 2015/16

Business Unit: Corporate and Cross-Cutting
Responsible Officer: Director of Customer and Business Support Services
Service Manager: Corporate Finance & Commercial Procurement Manager
Date Issued: 26th May 2016
Status: Final
Reference: 19090/008

	P1	P2	P3
Actions	0	0	1
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

In 2015/16, the council's budget was reduced by £11.9m, or 9.5% of the net budget. These extensive budget savings are combined with significant financial pressures, including the increased number of vulnerable people requiring care from the council, the reduction in people's disposable incomes, recent welfare reforms and new responsibilities such as public health.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that there are robust plans in place to achieve savings targets and to identify potential risks to achieving these targets.

The following savings have been reviewed:

- Transforming Young People's Services - Further Stretch;
- Street Lighting Efficiencies;
- Highways Maintenance;
- Place Based Services;
- Transactional Efficiencies across Finance, and;
- Adult Care

They were reviewed to ensure that:

- they have been accurately assessed both in terms of the costs that can be saved and the timescale within in which the savings are to be achieved;
- there are action plans in place to deliver the savings;
- savings proposals are monitored, and potential problems are reported promptly;
- the risks that might prevent these savings from being achieved are being appropriately managed in accordance with the risk assessment published as part of the 2015-20 Financial Strategy

Key Findings

The six savings proposals that were selected during the audit were chosen due to being less specific on the corporate savings proposals document, and generally higher-risk due to their value - which in all cases was over £100k.

The audit found that the savings proposals had all, with one exception, been calculated appropriately with achievable timescales and therefore had been achieved within the 2015/16 financial year. For all of the savings, key targets had been identified beforehand and had been adhered to. Furthermore, service managers were well-placed to achieve the savings and were supported by monthly budget monitoring meetings with Finance.

Overall, it was found that savings were well organised and planned. However, one saving had been achieved through different means than had been previously agreed. A business plan had been prepared by the previous Service Manager, which detailed service areas that would be reduced or removed to meet the savings proposal. This was not adhered to, however, and the Service Manager instead chose to generate more income. A further two savings proposals had been achieved at the very start of, or prior to, the 2015/16 financial year, however this was not reflected on the corporate savings spreadsheet.

Overall Conclusions

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Savings Proposals Achieved Using Different Means than Previously Agreed

Issue/Control Weakness

Savings proposals were not achieved through previously agreed means.

Risk

Savings proposals are achieved by means that are unbeknownst to Members and therefore not aligned with the priorities of the Council.

Findings

A sample of six savings proposals were reviewed to determine whether there was a clear action plan to deliver the savings and whether this was being adhered to.

In one case, the savings proposal had an extensive business plan containing key areas of the service where savings would be achieved and a full breakdown of the amount to be saved. Although the budget saving had been achieved overall, the business plan had not been followed and there was a gap between how the saving had been planned and how it was implemented. Instead, the Service Manager chose to increase income levels, rather than the previously specified savings or reductions.

A further two savings proposals had been primarily achieved in the previous financial year but were not reflected within the corporate savings spreadsheet. One had been achieved based on cash reserves at the start of the year, and the other savings proposal had been achieved during 2014/15 through the removal of staff vacancies and the cancellation of a training event.

Agreed Action 1.1

Any significant changes to how the savings have ultimately been delivered will be reported to members as part of the regular monitoring reports to Executive.

Priority

3

Responsible Officer

Corporate Finance &
Commercial
Procurement Manager

Timescale

30th September 2016

Summary of Savings Proposals Reviewed

Ref.	Proposal	Directorate	Savings Type	2015/16	Comments
S05b	Transforming Young People's Services – Further Stretch	Children's Services, Education and Skills	Revised Efficiency	£103k	This saving was for a wider proposal of £310k over two years (including 2014/15). The overall figure was agreed by Children's Services Education and Skills (CSES) directorate as contribution to achieving the savings target allocated by Director of Resources. £57k of £160k was delegated to Communities & Neighbourhoods (CANS) directorate, leaving £103k remaining to be saved by CSES. With the exception of c£7k, which carried into the 2015/16 financial year, the savings had been mostly achieved by the end of 2014/15. No formal action plan was available, in part due to the Service Manager having taken voluntary redundancy in August 2014; however the initial plan was to meet the savings proposal by not filling vacant Advisor and Practice Manager posts relating to the Connexions service and the cancellation of a training course. The saving has been achieved.
N/A	Street Lighting Efficiencies	City & Environmental Services	Revised Prioritisation	£200k	This saving was based on the calculated savings of replacing street lights with energy-saving lanterns, based on a capital bid for £5.3m, of which the proposal was granted £1.8m. An action plan was not formally drafted; however a contract was negotiated to replace the high-energy lanterns before winter. The calculated saving of £200k was based on an incomplete asset register and was calculated using a full year's worth of energy savings, however the lantern replacement was only completed in March 2016. As a result, the savings proposal will not be achieved and is projected to miss target by c£15k.
N/A	Highways Maintenance	City & Environmental Services	Revised Prioritisation	£300k	£300k saving was based on a business case prepared by a previous Service Manager, and was taken from the budgets identified in the business case by way of a virement. The business case specified the means in which the savings would be achieved to meet the budget reduction, e.g. asphalt repairs and anti-skid/cushion replacement activities to be halted. However, there was a gap between how the saving had been planned and how it was implemented, as the Service Manager chose to instead increase income levels, rather than the previously specified savings or reductions. The Service Manager justified this by stating that his methodology removed the risk of statutory services being affected. The saving has been achieved.
N/A	Place Based Services	Communities & Neighbourhoods	Revised Transformation	£250k	The action plan to achieve this savings proposal was initially the removal of seven positions within the Hazel Court team. However, a growth bid was secured for £190k for a variety of focused services, such as fly-tipping removal and graffiti removal. The Service Manager responded by switching roles to a more generalised operative role and co-ordinating services better to improve the efficiency of the services outlined within the growth bid. KPIs were reviewed and no issues were identified. The saving has been achieved.

CBSS5010	Transactional Efficiencies across Finance	Customer & Business Support Services	Revised Efficiency	£306k	The amount of budget saving was based from previous under spends – the Finance team reviewed the capital programme and therefore knew it could save money by short-term lending and borrowing internally from cash reserves. A breakdown of calculations was completed by the technical accountant before proposing the saving. The saving has been achieved.
N/A	Adult Care	Health & Wellbeing	Revised Transformation	£1,300k	The initial plan was to save £3m over the course of 14/15 and 15/16, however there was no formal agreement in place. This was decided to be unrealistic, therefore £1.3m was allocated to 15/16 and a further £1.7m deferred until 16/17. Responsible officers were allocated segments of the £1.3m, which was mainly achieved through straightforward means, e.g. previous under spends, renegotiation of the Better Care Fund contract and anticipated adult care costs not being as high as previously anticipated. The saving is projected to achieve £50k more than expected (£1.35m).

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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