

Budget Savings 2014-15
City of York Council
Internal Audit Memo

Service Area: Corporate and Cross Cutting
Responsible Officer: Director of Customer and Business Support Services
Service Manager: Corporate Finance & Commercial Procurement Manager
Date Issued: 22/05/2015
Reference: 19090/007

1.0 Introduction and scope

- 1.1 As a result of the worldwide recession the government announced unprecedented cuts in public spending. For York this amounted to a reduction in the council's budget of £23m over two years. 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.
- 1.2 The audit took a sample of savings from across the council 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 2014-19 Financial Strategy;
 - equality impact assessments have been included as part of the savings proposal and have been monitored during the year.

An annex has been included which provides details of the findings to the individual savings proposals with the comments below providing responses to the bullet points listed above.

2.0 Initial findings/conclusions

Initial calculation

- 2.1 The council has traditionally set its budgets on a rolling basis with existing budgets being adjusted due to growth and savings items rather than undertaking zero based calculations. Therefore the initial calculation of savings was only done on a zero based calculation in four of the ten cases in the sample. There were four cases that were based on a budget underspend in previous years but didn't have a formal calculation to support this.
- 2.2 However, this approach is reasonable given that this is how the council sets its budgets. Of the two remaining savings proposals in the sample one related to a scheme that was being cancelled with the other relating to a controversial traffic restriction scheme where it was not possible to calculate in advance the amount of income from fines that could be generated.

Action plan and in year monitoring

- 2.3 The action plans were usually based on the initial method of calculation described in the paragraph 2.1 above. In cases where there was a detailed calculation at the outset then this was used during the year to implement the savings proposal. It was also noted that cases which relied on previous years' underspends to justify the savings tended to rely on the budget monitoring process to ensure the saving was achieved. In cases where the original plans to achieve the savings were not accomplished, underspends within other budgets ensured that the council's overall budget didn't overspend.

Risks to the savings proposals

2.4 Even though the council's risk register includes an entry for savings, there was no formal process for recording risks to individual savings not being achieved even though during the audit discussions were held with the relevant service manager to identify potential risks to the saving not being achieved. Although this approach is acceptable for the eight savings that were achieved with the benefit of hindsight it could have identified issues with one of the two savings that were not due to be achieved. This involved the controversial traffic restriction scheme in Coppergate which has been suspended until a decision has been made on its legitimacy by the Traffic Commissioner.

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3.0 Recommendations and further work

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3.2 Further work on budget savings is planned as part of the 2015/16 audit plan.