

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
MEETING DATE:	26 NOVEMBER 2013
TITLE OF REPORT:	REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE
REPORT BY:	CHIEF FINANCE OFFICER

1. Classification

Open

2. Key Decision

This is not an executive decision.

3. Wards Affected

County-wide

4. Purpose

- 4.1 As part of the work to support their Value for Money Conclusion the external auditors have reviewed the Council's arrangements for securing financial resilience. Audit and Governance Committee are asked to note the report.

5. Recommendation(s)

THAT: the report be noted.

6. Alternative Options

- 6.1 There are no Alternative Options.

7. Reasons for Recommendations

- 7.1 The external auditors are required to produce a report on the financial resilience of the Council as part of their work programme.

8. Key Considerations

8.1 The auditors reviewed the financial resilience of the council by looking at;

- Key indicators of financial performance
- Its approach to strategic financial planning
- Its approach to financial governance; and
- Its approach to financial control

8.2 Their overall conclusion is that the council faces very significant financial risks which need to be responded to urgently.

8.3 The Council's reserves have been falling for several years and it has lower reserves than other similar councils and is at its target reserves level for the General Fund reserve. Therefore, a significant general fund overspend in 2013/14 would be a real challenge for the Council at a time when further reductions are expected to central government funding. It is important that the Council draws up plans to address the forecast deficit in 2013/14.

8.4 The Council now appears to be giving greater priority to carrying out the reforms to Adult Social Care delivery needed to achieve a balanced budget but this will take some time to deliver. It is also taking steps to ensure greater stability in senior management in this key area. Capacity and stability in management has remained an issue across the Council but this area has been particularly affected. In the longer run, the Council faces some difficult decisions about the future role of the Council in order that high priority statutory services such as social care can be delivered.

8.5 The actions which the external auditors consider as necessary are:

- Develop a plan to address the forecast deficit in 2013/14.
- Continue to improve the forecasting of the outturn of Adult Social Care expenditure.
- Further develop the review of the budget setting process.
- Continue to monitor progress on the transformation of the delivery of Adult Social Care.
- Challenge savings plans before including them in the programme and then monitor delivery closely.
- Ensure commitment accounting in Adult Social Care is delivered.
- Continue to reshape the Council's priorities to ensure that key services can be sustainably delivered in the future.
- Develop a contingency in the budget or reserve to deal with undelivered savings.

9. Community Impact

9.1 There is no community impact arising from this report

10. Equality and Human Rights

10.1 The content of the report has not direct impact on equality or human rights.

11. Financial Implications

11.1 There are no financial implications arising from this report

12. Legal Implications

12.1 This report has no legal implications.

13. Risk Management

13.1 The Audit & Governance Committee has responsibility for corporate governance and will monitor progress made by management in addressing any issues identified in the external auditor's report.

14. Consultees

14.1 S151 Officer

15. Appendices

15.1 Grant Thornton – Review of the Council's Arrangements for Securing Financial Resilience

Audit Findings Action Plan

16. Background Papers

16.1 Audit Findings for Herefordshire Council presented to Audit & Governance Committee on 25 September 2013

The Annual Audit Letter for the year ended 31 March 2013