

## Audit Summary – Savings Delivery

### Background and Context

- 1.1 The Council is required to set a balanced annual budget (Local Government Finance Act 1992). In 2017, the Council set-up the Delivery Executive (DE). Its role is to monitor savings proposals and their progress to delivery through consideration and evaluation of RAG reports received from directors responsible for achieving the savings. The Change Team are responsible for setting agendas for DE, maintaining the Action Log, and updating the Master Savings Tracker (“tracker”). They have no authority to challenge the RAG reports submitted or initiate a “call-in” to have a responsible director attend the DE.
- 1.2 In the current environment of high inflation and funding pressures the Council more than ever needs to find savings from the services that it provides. Gross planned savings for 2022-23 were £24.2m. This included £6.4m rolled forward from 2021/22, as not realised in previous years.

### Scope and Objectives

- 1.3 The objective of this assignment was to review and assess whether planned savings were being delivered and the effectiveness of monitoring and accuracy of reporting of the agreed savings for 2022/23.
- 1.4 The scope involved clarifying the definition of a saving with both attendance at a DE meeting to assess monitoring in action and “Deep Dives” of 15 savings (12% by number, 60% by value) to gain detailed understanding of the saving and how they would be realised. In line with best practice a risk-based approach was taken, involving documenting, and evaluating the effectiveness of internal controls and governance in managing the risk.

### Audit Opinion

- 1.5 Overall, Internal Audit provided “**Limited Assurance**” over the effectiveness of the processes, monitoring, and accuracy in place to manage successful savings delivery. This led to uncertainty whether under delivery of savings would put a balanced budget for 2022/23 at risk.

### Key Messages and Findings:

- 1.6 Internal Audit found there was a mature structure to the activities of the DE.
- 1.7 Internal Audit raised three high priority and five medium findings in respect of the following key weaknesses:
- A few Service Directors responsible for savings were confused about what a saving is as there is no approved Council definition; time and effort may be wasted monitoring activities that do not result in savings
  - In Internal Audit’s “Deep Dive” seven out of 15 of the savings reviewed did not have a “savings delivery plan”; DE will find it harder to challenge the savings assumptions or monitor progress
  - Savings recorded on the “tracker” are not easily reconciled to ABW
  - Delivery of the savings target for 2022-23 of £18m was in doubt; Internal Audit calculated that at least 33% of savings were “at risk” compared to 19% reported on the “tracker”
  - DE’s Terms of Reference give little scope for undeliverable savings to be rescheduled or removed from the “tracker”
  - The current action Log was not used to its full extent as a robust monitoring process to progress declared ‘actions’ to deliver or mitigate savings.

## Management Response

1.8 The findings of the report have been accepted by management who have agreed management actions to address them. These include:

- A savings framework to be developed that clearly defines what constitutes a cashable saving; this will be communicated to all senior managers; this is in progress
- Finance to define protocols for the ownership of cross-cutting savings; Change Services to implement reporting in line with these in 2023/24; this is in progress as part of the work on the savings framework referred to above
- Monitoring and reporting arrangements for cross cutting savings to be implemented in 2023/24; this is in progress as part of the work on the savings framework referred to above and options around improved savings monitoring and reporting options are currently being considered
- Change Services to restate with DE expectations for 2023/24 in relation to Saving Plan production (including if DE still support Savings Plans as an appropriate tool); PMO to then reconfirm what is agreed with ESM's to assess process is working (any gaps will be flagged to DE and relevant Directors). Portfolios, Programmes and Projects (previously Change Services) have restated with DE the expectations for 2023/24 in relation to savings plan production, with all savings lines having a saving plan in place as per previous years and these now scheduled to come to DE in Q2, with an initial focus on the Top 4 priority programmes
- Finance to clearly set out the processes and procedures for appropriately recording and tracking of savings in ABW and include accounting codes on the "tracker". Rather than being done through ABW, this is being aligned instead to codes being added to the savings tracker so clarity held on where savings were expected to be made from cost centres
- Change Services to update DE's Terms of Reference and gain DE's approval for the changes; this will include the DE's expectation of the role of Change Services in savings delivery and assessing if DE would like a formal review of actions to form part of the standard agenda and if so PMO to seek to allocate time to specifically following up actions and feeding back. Draft proposed updates to the DE Terms of Reference, in line with Audit recommendations, are scheduled on the agenda for the next DE
- Reduce the potential impact of optimism bias through upskilling senior managers, with a clarification on accountabilities, and responsibilities. For 2023/24 we have introduced mandatory performance objectives on Financial Management and Complying with Management Requirements, for all Executive Directors, Directors, Heads of Service and some 4th tier managers where relevant to their specific responsibilities. These reflect the existing expectations of managers, around effective financial management and compliance but sets them out in an explicit, consistent and measurable way. These collective objectives will be monitored throughout the year with the line manager and will be assessed against the actual performance as reflected in our various reporting tools:
  - The introduction of a new Organisational Scorecard which includes budget management information and savings delivery
  - New PM3 tool will provide us with the opportunity to review confidence levels and optimism bias in practice

This more explicit accountability on compliance and effective budget management will be combined with support and training for managers where required and will include support from the new transformation strategic partner and part of the set-up of the new Transformation Office

- Change Services PMO, as part of the Terms of Reference review, to assess if DE would like a formal review of actions to form part of the standard agenda and if so PMO to seek to allocate time to specifically following up actions and feeding back. (Included within Action 5 above). Review of actions is now a standing agenda item at the start of all DE meetings.