

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 JUNE 2014

REVIEW OF ASSURANCE OVER VALUE FOR MONEY

Report of the Corporate Director – Strategic Resources

1.0 PURPOSE OF THE REPORT

- 1.1 To consider the arrangements made within the County Council in respect of achieving Value for Money
- 1.2 To consider how assurance is obtained about these arrangements

2.0 BACKGROUND

- 2.1 The Audit Committee terms of reference include that in respect of Value for Money “to have oversight of the arrangements across the County Council in securing Value for Money”. This is achieved through on-going evaluation of a range of activity within the Council but an annual report is considered by the Committee in order to give due focus to value for money.
- 2.2 A sound working definition of good value for money is the optimal use of resources to achieve intended outcomes. In this context ‘optimal’ should be taken as the most desirable possible given any valid restrictions or constraints.
- 2.3 Value for money (VfM) is achieved by having package of arrangements in place. A useful thought process is to consider how optimal the arrangements for achieving good value for money are in terms of planning (being clear about what is wanted), implementation (delivery) and monitoring (being able to assess performance).
- 2.4 The stages set out in **paragraph 2.2** are used as the structure for the remainder of this report with Planning in **section 3.0**, Implementation in **section 4.0** and Monitoring in **section 5.0**.
- 2.5 In addition the **section 6.0** highlights progress and intention since the presentation to the Audit Committee on 18 April 2013 on activities it noted as ‘moving forward’ in terms of further arrangements for VfM.
- 2.6 A summary of the already existing key arrangements and further developments during 2013/14 are set out in **Appendix 1**. This provides an at a glance overview and may help the Committee to visualise the overall picture. Further detail on these items is discussed in the report.
- 2.7 The period of austerity continues and it is increasingly important that VfM is a central part of what we do. The 2020 North Yorkshire Programme is a critical part

of the Council's response to this and more detail is given in section 3.1. Similarly Vfm is a critical part of our day-to-day activities and planning and efforts will continue to be made to embed this. Elements of this will be incorporated into Performance Management Framework, service and team planning.

3.0 PLANNING

3.1 The key documents for strategy planning in the context of value for money are set out below:

- The **Council Plan** is the overall strategic plan, where vision, values and objectives are set out. At this stage we are asking for people's views on our vision, values and objectives. The feedback we receive will go into our 2020 North Yorkshire County Council plan to take us to the end of the decade. This plan also sets out key achievements for 2013/14.
- The refreshed **2014-17 North Yorkshire community plan** has recently been launched. This has gone through a period of partner consultation to ensure it focusses on important issues for our communities which need partnership effort to be tackled effectively.
- Financial aspects of our value for money planning are reflected in the **Budget** and **MTFS**. 2014/15 is the final year of the savings associated with the previous **One Council vision and approach**. Savings are on track to achieve the full quantum of £7.6m savings required over the period 2011/12 to 2014/15. A post implementation review will be undertaken to assess the success of the delivery of the assigned benefits, financial and otherwise, to the programme.
- The **2020 North Yorkshire Programme** aims to realign the council fundamentally in the face of the challenges from significantly reduced funding levels. Good governance arrangements have been put in place at strategic and directorate level. Lessons learned from the **One Council vision and approach** have been used to inform the governance of the current programme. The programme includes arrangements to design and realise significant benefits including a £73.4m savings programme. All six cross cutting themes within the programme have a direct impact on achieving value for money:
 - **Stronger Communities:** Working with communities to enable them to take a greater role in the shaping and provision of services
 - **Partnership Working and Alternative Delivery Models:** Working with others to provide new ways of delivering services
 - **Customer:** Changes to the ways in which customers access and/or receive services, for example, online access to services, greater use of the customer service centre or changes to physical access points
 - **Commercial Focus:** Changes to current charging models for services and/or opportunities to generate income and achieve the most value from existing and future contract arrangements

- **Property:** Impacts on requirements for, and the use of, the property estate
- **Organisational Development:** Changes to the organisation including management/staffing structures and roles, skill sets and culture including a focus on innovation and productivity
- The **Performance Management Framework** is under further review to ensure it best fits the new context for the organisation. The core component of this framework is to ensure the alignment of key management processes to deliver best performance and value for money. These are:
 - MTFS / Budget
 - Organisation Development
 - Programme Management
 - Risk Management
 - Performance Reporting
 - Data Management

The review is also setting out improvements to service and team planning that is aligned to organisation goals and is underpinned by a performance system to aid monitoring, reporting and decision making.

- The **2020 Workforce Strategy** supports the **2020 North Yorkshire Programme**. The strategy sets out an approach to ensure we have the right people, with the right skills and working in the right way to achieve the aims of the organisation. One of the five key areas identified include Driving Performance – this will work to ensure that we focus on performance and value for money in our everyday approach.

3.2 The plans and strategies above set out clear vision and objectives along with approaches to achieve them. This gives a sound footing for meeting the planning requirement for achieving value for money.

4.0 IMPLEMENTATION

4.1 The **Council Plan** sets out achievements for 2013/14 on **pages 4 to 6**. Examples are given across all directorates and also include achievements relating directly to service, budget and workforce including:

- New extra care schemes under construction for adult social care
- Taking responsibility for Public Health for the first time in 2013/14
- Established 20 projects from the Innovation Fund totalling £921k
- Review and improvements in safeguarding for children and young people and adults
- Delivery of a major highways capital programme
- Further work under skills to increase the number of apprenticeship opportunities
- Increased levels of volunteering in certain services

4.2 As well as those issues set out in the Council Plan itself the new style Q performance reports presented to the Executive set out a number of

achievements for 2013/14. The Q4 report is tabled for the 17 June Executive meeting. There are always areas for improvement and these are also set out in those reports.

- 4.3 Within the context of a good level of performance in 2013/14, the council also achieved a sound financial outcome. Savings targets were achieved and in some cases accelerated savings from future years. This has led to a position where additional investments can be considered alongside resource requirements to implement the **2020 North Yorkshire Programme**. This represents a sound base and opportunity to achieve further VfM in the coming period.

5.0 MONITORING

- 5.1 As reported in April 2013 there are a number of monitoring mechanisms in place that contribute to ensuring the Council remains on track to achieve its objectives and value for money. These are listed below with a brief outline of key issues:

- Risk Registers are operated for individual services, directorate and at the corporate level. Items on the register are aligned to key service areas and activities with the Risk and Insurance Management team acting to ensure quality and consistency in the content and approach of each register. Items of enough significance appear in the next level up register. All registers are monitored regularly during the course of the year including at the Audit Committee itself. There are a number of items on the Corporate Risk Register that most directly relate to VfM matters. These are:
 - **Funding Challenges:** with a risk of not having sufficient funding to meet statutory obligations and public expectations.
 - **2020 North Yorkshire change programme:** Similar to the item above, a failure to deliver this programme could lead to unmet statutory obligations and an inability to deliver a balanced budget.
 - **Organisational Performance Management:** if the council does not operate a true performance management framework this could lead to a misalignment of activities and services to the objectives of the council. This would yield a sub-optimal use of resources and not meeting our intended aims.
- Statements of Assurance are also co-ordinated corporately, in this case by the Corporate Governance Officers' Group (the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit). Directorate and corporate statements are monitored regularly and reported to the Audit Committee to provide assurance of the effective operation of them – see Annual Governance Statement elsewhere on this Committee agenda. Items in the corporate Statement of Assurance that most directly relate to VfM are:
 - Ensuring that performance management is embedded across the Council and increased productivity remains at the heart of Council plans.
 - Ensuring that the Council has the right skills, capacity and resilience in order to manage the 2020 North Yorkshire Programme and continue to deliver the best possible services for communities.

- Ensuring that the Council has good decision making backed up by sound advice as it works its way through a significant period of change.
 - Ensure Economic Growth is a key focus for all service areas.
- External Audit provide key assurance through the annual audit of the accounts and express an opinion on whether the Authority has put in place 'proper arrangements to secure economy, efficiency and effectiveness in its use of resources'. The conclusion for 2012/13 was that proper arrangements were in place with an unqualified opinion. The assessment for 2013/14 is currently underway.
 - Matters arising from internal audit reports are also reported to the Audit Committee, timed to coincide with directorate reports on Risk Registers and Statement of Assurance. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the County Council for 2013/14 is that it provides **Substantial Assurance**. This is subject to a separate report on the same Committee of 26 June 2014.
- 5.2 The Q reports to the Executive were reviewed in 2012/13 and a new style and content has been in operation for the whole of 2013/14. Previous national indicators are no longer in place and this afforded the opportunity to focus our reporting on key indicators for our service delivery and outcomes. A wide range of officers and Members were involved in this review. A number of services were selected as theme areas that are reported in each Q report.
- 5.3 Overview and Scrutiny have taken on a role to provide additional in-depth review of those performance reports after the relevant service has presented their performance to the Executive. This provides an additional opportunity to scrutinise performance of the council as part of ensuring our services represent good VfM.
- 5.4 The new Q reports were reviewed in the fourth quarter and a report taken to the **Corporate and Partnerships Overview and Scrutiny Committee** on 28 April 2014.
- 5.5 Overall good feedback has been received for the new reports. Further enhancements to performance reporting are being considered as part of the review of the Performance Management Framework. Options being considered include adopting more exception reporting to react appropriately to particular issues arising, look to further develop the integration of performance and financial dependencies and reporting and put in place a performance system to streamline the production of reports and enable timely consolidation of reports and provide transparent line of sight from team and service objectives to council level objectives.
- 5.6 Various benchmarking activities occur across the Council, some of which is reported to the Executive in the Q reports. Benchmarking activity includes:
- HAS unit costs through the annual data submission for the PSS-EX1 return to the Department for Health

- CYPS CIPFA Benchmarking Clubs and section 251 returns
- BES review of costs and budgets based on revenue outturn and estimate returns

5.7 In addition 'softer' learning from other local authorities also takes place. Two examples are given in **section 6.1**. Softer networking has also been used in developing the 2020 Finance Programme and future operating model for the finance function.

6.0 PROGRESS SINCE APRIL 2013 REPORT

6.1 A number of items were noted to the Audit Committee on 18 April 2013 as activities to further develop moving forward. These were:

- **On-going savings requirements closer alignment to performance aims:** savings targets have been closely aligned to the performance aims of the Council for the current MTFS starting from 2015/16. This is in recognition of the need to ensure that resources are allocated to meet our objectives and outcomes set out in the Council Plan. Under the **2020 Finance Programme** a financial planning model is being developed that again is centred round integration with performance. This will effectively be a joint service and financial planning model where service is the driver for resource allocation set within affordability limits, of course.
- **Learn from others:** there are specific examples of external peer reviews for 2013/14. Firstly, the Library service where a peer review was undertaken by the Local Government Association. Secondly a Sector Led Improvement review was carried out in Adult Social Care. The results for both services were positive and reported to the Executive in the Q2 and Q3 reports respectively. In addition specific benchmarking has been undertaken in HAS and CYPS covering unit costs and service delivery. Programmes and projects within the 2020 North Yorkshire Programme are also making use of 'softer' networking; for example as part of the 2020 Finance Programme other local authorities have been visited and surveyed as to determine best practice and lessons learned on similar change programmes. This type of work will be further utilised and reported to the Committee as part of its assurance arrangements.
- **VfM audits:** Internal Audit is now a member of the Corporate Performance Management Group and has undertaken a piece of work on data quality. Advice on major procurements is also available from Internal Audit at the early stages of such procurements and this is a valuable role to help ensure VfM. Internal Audit are also interested to explore carrying out more post implementation reviews (one was recently completed on the Highways Depot Programme). A review of the One Council programme is also under discussion in terms of the scope and timing.
- **Review of Q reporting:** Q reports have been reviewed; new ones implemented and subsequently reviewed and reported on - see **paragraphs 5.2 to 5.5** for details.

- **Review of Council Plan:** the Council Plan has been reviewed and is currently being consulted on. This was noted in **paragraph 3.1**. The new Council Plan will be a key driver for performance and the newly developing Performance Management Framework will ensure alignment of activities to its objectives. This will be achieved through effective communication of Council objectives, aligned service and team plans, alignment of key management processes (as noted in **paragraph 3.1**) and an underpinning performance system that enables timely and efficient reporting to aid transparency, monitoring and decision making.
- **Team performance and innovation:** further internal peer reviews were carried out in 2013/14 focussed on how team performance is determined and managed. The foundation for the reviews were the Key Performance Questions (KPQs) set out as part of the Performance Management Framework. These focus teams on questions concerning:
 - What level of activity has the team dealt with?
 - How has the team performed in relation to budget?
 - What does the team know about the quality of its output?
 - How does the team demonstrate delivery to the required customer standard?
 - How is the team seeking to improve performance?

The results of the review indicated that team performance management was in a healthy position. Any enhancements to the KPQs will be considered as part of the review of the Performance Management Framework taking into account the vision and values of the 2020 North Yorkshire Programme.

6.2 Progress has been made on the items noted in the presentation to the April 18 2013 Audit Committee. There is more to do given the continuing funding challenges faced by the Council. This work is being aligned closely to developments in the 2020 North Yorkshire Programme.

6.3 Important elements of those improvements are:

- Finalise the Council Plan based on consultation results and ensure it acts as the driving force for performance.
- Deliver on the 2020 North Yorkshire Programme including developing our commercial skills, productivity and innovation.
- Put in place a refreshed Performance Management Framework that acts to align our management processes to delivering Council objectives and aid learning and decision making.
- Collaborate effectively within the organisation to make the maximum use of our skills and knowledge to deliver VfM.

7.0 SUMMARY

7.1 Good VfM is the optimal use of resources to achieve intended outcomes.

7.2 A wide ranging package of activities is required to ensure delivery of good VfM and as such the assurance framework is also wide ranging.

7.3 Previously reported arrangements provided sound assurance and further enhancements have been made. This will continue as part of how the Council develops itself to meet future challenges and expectations.

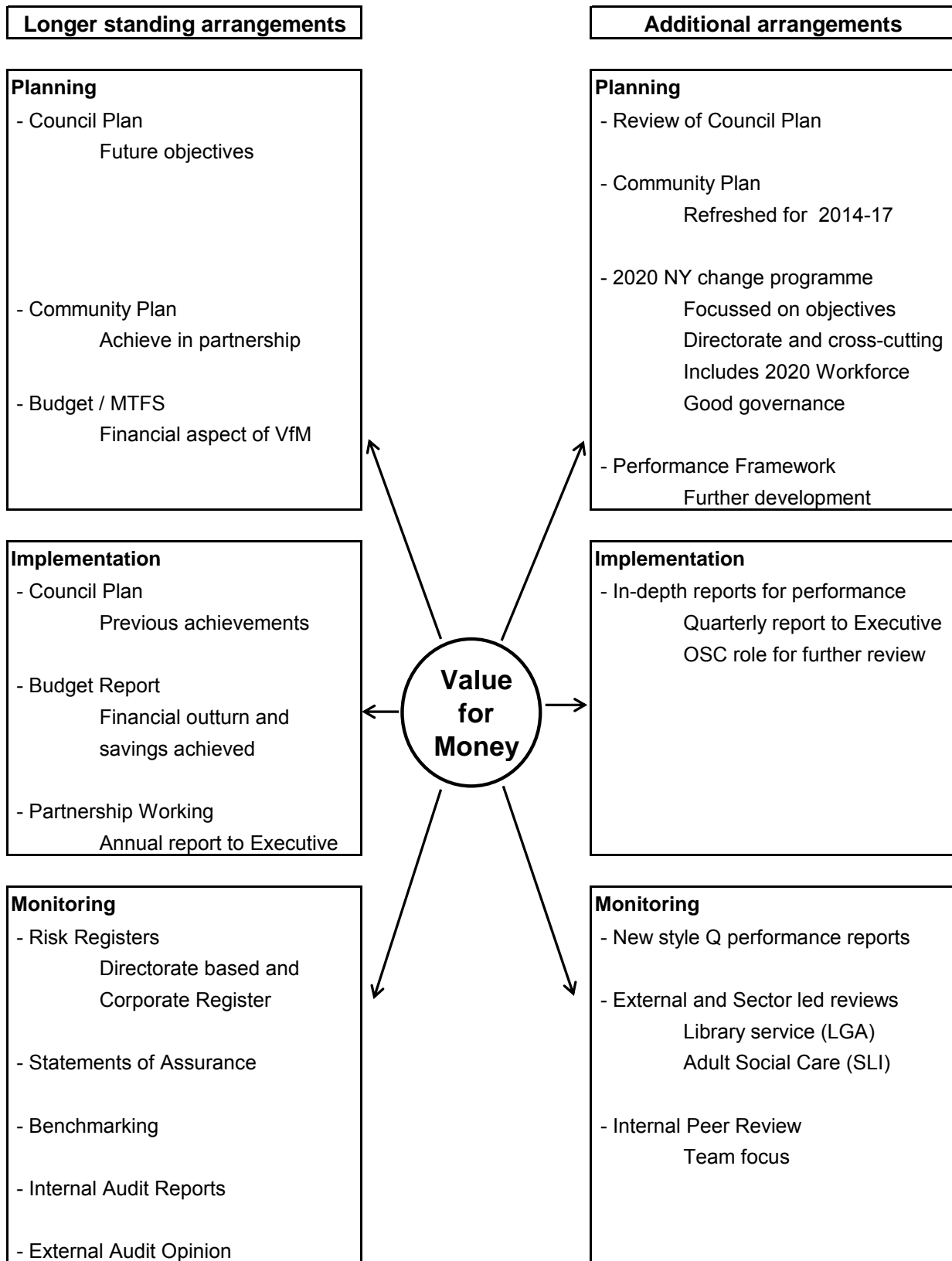
8.0 **RECOMMENDATIONS**

8.1 That the Audit Committee -

- a) Consider the arrangements currently in place for assuring value for money;
- b) Identify any areas for further development in the assurance arrangements;
- c) Confirm if they are satisfied that this report adequately contributes to the requirements of fulfilling the terms of reference noted in **section 2.1**.

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Note: the longer standing arrangements continue to operate. The additional arrangements noted above complement and add to them