

NORTH YORKSHIRE COUNTY COUNCIL**AUDIT COMMITTEE****24 SEPTEMBER 2015****REVIEW OF ASSURANCE OVER VALUE FOR MONEY****Report of the Corporate Director – Strategic Resources****1.0 PURPOSE OF REPORT**

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

2.0 BACKGROUND

- 2.1 The Audit Committee terms of reference in respect of Value for Money are “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 concise definition of VfM is the assessment of the cost of a product or service against the quality of output received. It is therefore not simply about cheapest price.
- 2.3 VfM plays an integral part of many aspects within the Council, ranging from how the Council Plan is drawn up right down to individual decisions that take place on a daily basis; in other words VfM is built into the fabric of the Council as it is a fundamental consideration within every action.
- 2.4 By way of example, within any decision process, in order to help ensure VfM has been considered and realised some simple questions can be asked:
 - What level of quality are we looking for?
 - Is expenditure required? And if so, can we be sure it will help achieve the objectives of the Council?
 - What is a fair price to pay for the good or service?

By answering these questions confidence can be gained that the decision will have a positive VfM outcome.

3.0 NAO CONSULTATION

- 3.1 The National Audit Office (NAO) are currently in consultation on how best auditors undertake the VfM conclusion in the future and any changes will apply from 2015/16 accounting year.

- 3.2 The direction of travel the NAO are looking to take for the VfM Code is for it to be principles based and so the requirements for auditors to be satisfied are at a relatively high level. Although the challenge remains for the local body to secure the “3 E’s”: economy, efficiency and effectiveness.
- 3.3 This is then distilled into the “proper arrangements” which give auditors guidance on how to substantiate VfM. This is split into three categories:
- 3.3.1 *Informed decision making* – e.g. appropriate cost & performance information to support decision making.
- 3.3.2 *Sustainable resource deployment* – e.g. managing assets effectively (including finances) to support delivery of strategic priorities.
- 3.3.3 *Working with partners and other third parties* – e.g. commissioning effectively to support delivery of strategic priorities.
- 3.4 The auditor will then reach a statutory VfM conclusion based on the following criteria:
- “In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*
- 3.5 Further detail will be provided when available and discussions are likely to take place with KPMG as the external auditors for 2015/16 and beyond.

4.0 EXISTING ASSURANCES

- 4.1 Within North Yorkshire County Council, there are a multitude of activities that individually may not be able to guarantee VfM but by considering each of these through the lens of VfM we gain increased confidence. The following is not an exhaustive list of the actions that occur but do stand to highlight the broad approach that takes place:
- The **Council Plan** continues to be a framework that is used to help focus efforts, ensuring they are aligned with our strategic objectives. This is one of the key principles behind delivering VfM: alignment of goals to promote effective utilisation of resources.
 - One of the goals of the **2020 North Yorkshire Programme** is to improve the productivity within the Council by conducting a transformational change in the way we work. This includes not only modernising the IT kit, e.g. laptop, smart phones, video conferencing, etc... but also changing the way in which that technology is used. As the workforce decreases it is essential that the workload can be absorbed at this requires investment (in order to save).
 - A **plan on a page** approach has been adopted over the last twelve months where the reception has been generally positive and strong uptake throughout the authority. The principle of plan on a page is to identify the high level objectives of each service and the enablers required to achieve them. **Appendix A** shows a high level version for the 2020 Council Plan and outlines the vision, values and objectives. Acceptance of this approach has strengthened congruence and clarity of goals across the Council at all levels.

- Over the last few months, NYCC has developed a **Corporate Procurement Strategy** for the Council, see **Appendix B**. One of the key drivers behind this new strategic approach is to move procurement away from a purely transactional service and towards one which adds far greater value across the authority. By focusing on areas, such as Contract Management, the procurement function can deliver greater VfM through more intelligent and efficient purchasing.
 - Through the 2020 Finance programme, there is a greater focus on **base budget reviews** (more akin to a zero-based budget setting approach). At a high level, this has two main impacts:
 - i. Creates the ability for the service and finance to challenge each spend line within a budget to ensure value.
 - ii. Allows clarity within the budget that the service is delivering against the strategic objectives of the service and Council.
 - In addition to the above annual budget setting process, the Council also completes a Medium Term Financial Strategy (**MTFS**). The value of this is to look further ahead when planning resources with the aim of optimising them over multiple years. An issue created with focusing solely on the short term is that decisions can destroy long term value.
 - Within the 2020 NY Programme structure, a **business case** appraisal process is conducted. The aim of this, through presenting a robust set of options, is to ensure the right level of scrutiny is applied in the decision making process.
 - The quarterly performance reports (**Q reports**) continue to evolve with a stronger emphasis on reporting the right level of detail. The Q1 report for 2014/15 was reviewed at Executive on 18th August which promoted healthy discussion around performance of various services across the authority but with an in-depth focus on service in BES. A report of this nature allows County Councillors the opportunity to further challenge VfM within the Council as VfM is a product of both budget and quality of outputs.
 - Overview and Scrutiny also continue to provide an additional level of challenge through in-depth review of service performance.
- 4.2 The above, of course, builds upon an overall Council Programme that seeks to deliver £73m of savings over the next 5 years whilst protecting frontline services as much as possible.

5.0 DEVELOPMENT AREAS

- 5.1 The following items have been identified as areas that will further improve our ability to drive VfM:
- Continue to develop and synchronise the plans on a page with regular reporting & monitoring cycles. The aim of this is to improve consistency of planning approach across the authority. It also aims to develop richer and more insightful

performance metrics for each service, such that we have increased certainty in the value of what we are measuring.

- Explore shifting focus and resource towards production of more insightful & intelligent data across the Council to not only assist decision making but provide recommendations to address current challenges. Additionally, look at the use of predictive analytics to help with scenario planning as part of budgeting setting & decision making processes.
- In conjunction with stronger use of information, the business intelligence function aims to provide greater insight into wider benchmarking to gain a clear picture on the relative cost drivers of a service.
- Earlier delivery of performance data so management can make decisions which have the opportunity to impact more immediately.

6.0 SUMMARY

- 6.1 VfM is the optimal use of resources to achieve intended outcomes.
- 6.2 A wide ranging package of activities is required to ensure delivery of VfM and as such the assurance framework is also wide ranging.
- 6.3 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.
- 6.4 The overall ambition for development areas is to push for having the right quality of information at the right time.

7.0 RECOMMENDATIONS

- 7.1 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.

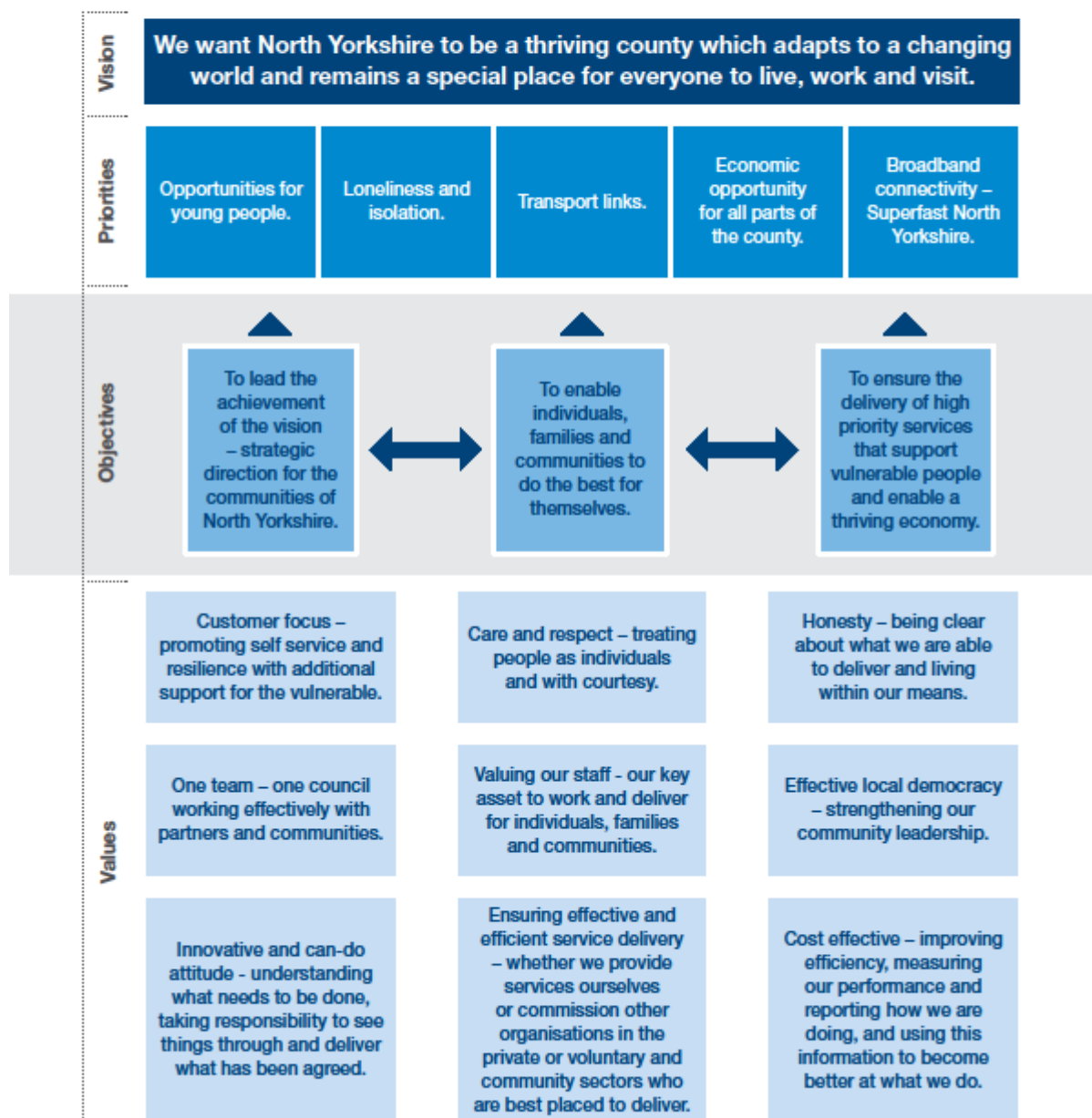
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Appendix A – NYCC Council plan on a page



2020 Council plan on a page



Appendix B – NYCC Corporate Procurement Strategy

Corporate Procurement Strategy 2014 - 2020

