

North Yorkshire County Council

Audit Committee

7 March 2019

Review of Assurance over Value for Money

Report of the Corporate Director – Strategic Resources

1.0 Purpose of report

- 1.1 To consider the ongoing arrangements made within the County Council in respect of achieving Value for Money (VfM).
- 1.2 To consider how overall assurance is obtained about the effectiveness of 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 The National Audit Office (NAO) uses three criteria to assess the value for money of authorities spending:

- **Economy:** minimising the cost of resources used or required (inputs) – spending less;
- **Efficiency:** the relationship between the output from goods or services and the resources to produce them – spending well; and
- **Effectiveness:** the relationship between the intended and actual results of public spending (outcomes) – spending wisely.

This can be summarised as *“the optimal use of resources to achieve the intended outcomes”*

A further definition of what VfM means is:

- *“The assessment of the cost of a product or service against the quality of output received”*. It is therefore not simply about buying at the 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 National Audit Office

- 3.1 The National Audit Office (NAO) produced Auditor Guidance Note AGN 03 – “**Auditor’s conclusion on arrangements to secure value for money in the use of resources**” in November 2015 to assist Auditors on how they should arrive at their VfM Conclusion. This remains the prime guidance for our external auditors.
- 3.2 The direction of travel the NAO are looking to take for the VfM Code is for it to be principles based, which requires auditors to be satisfied at a relatively high level that the authority has secured 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:
- **Informed decision-making** – e.g. appropriate cost & performance information to support decision-making.
 - **Sustainable resource deployment** – e.g. managing assets effectively (including finances) to support delivery of strategic priorities.
 - **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 In the Annual Audit Letter for 2017/18, the Councils Auditors KPMG said about the councils arrangements for VfM

We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VfM conclusion) for 2017/18 on 30th July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority’s arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

In addition the Auditors looked at VfM risk areas and commented in the letter that

We undertook a risk assessment as part of our VfM audit work to identify the key areas impacting on our VfM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified no significant matters.

4.0 Existing assurances

- 4.1 Within North Yorkshire County Council, there are a number of activities that individually may not guarantee VfM by themselves, but by considering each of these against the principals of VfM and in conjunction with the “proper arrangements” help ensure increased confidence that VfM is being achieved.

The following is not an exhaustive list of the actions that occur but do stand to highlight the broad approach that takes place to secure good a:

- 4.2 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.

- The Council Plan has recently been updated. It sets out the vision and values and describes a three-pronged approach - to provide leadership, enable individuals, families and communities to do the best for themselves, and to ensure the delivery of our own high quality services.
- The plan identifies four key ambitions for up to 2022:
 - every child and young person has the best possible start in life;
 - every adult has a longer, healthier and independent life;
 - North Yorkshire is a place with a strong economy and a commitment to sustainable growth that enables our citizens to fulfil their ambitions and aspirations; and
 - we are a modern council which puts our customers at the heart of what we do.
- The plan describes how the council needs to continue to change, details some of our recent achievements and sets out our priorities for action for the next four years. It also details where our funding comes from and on what it is spent.

4.3 2020 North Yorkshire Programmes primary aim is to improve the productivity within the Council by conducting transformational change in the way we work. For example, the Modern Council project integrates our approach to delivering savings by drawing together property, people and technology in to a single project. The approach includes not only modernising the IT kit, e.g. laptop, smart phones, video conferencing, etc. Also changing the way in which that technology is used, to rationalise our property portfolio, by introducing new ways of working, supported Organisational Development and modern HR policies. As the workforce decreases it is essential that the workload can be absorbed at this requires investment (in order to save).

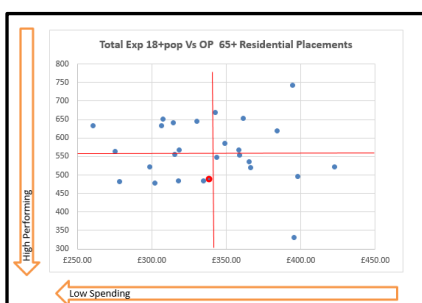
4.4 During the 2018/19 an exercise was undertaken to review and challenge both the performance and VfM of all services and teams across the council. The exercise was entitled Better Efficiency through Sustained Transformation (BEST). However, at the heart of the exercise were the core principals of VfM; Economy Efficiency and Effectiveness.

The Best process followed a five-step plan to arrive at the key outcomes of:

- Ensuring services are been delivered in line with the principals of VfM
- Any opportunities for improvement to services or development of new saving proposals were taken

The initial step of the exercise was a **Desk Top Analysis** of spend & benchmarked performance based on national finance returns (DHCLG RO forms) and a range of national data sets to provide broad brush indication of cost of service including a range of unit costs, typically at a cost per population level. This gave an initial indication of relative spend that could be compared between like authorities.

The second step was a **Desk Top performance analysis**. Performance data was analysed to give a performance take on the service, often combining a number of indicators to give a holistic view of the service. This performance data was then combined with the financial data to produce a range of quadrant charts



The charts showed the relative position of North Yorkshire to other shire authorities on an axis of cost and performance. With the best performing authorities in the bottom left-hand quadrant.

Armed with this information, services were then challenged to look at the best in class and understand why they are high performing especially if performing better than North Yorkshire.

4.5 Following on from this analysis and conversations with the high performing authorities, the service's developed a **VfM Options Long List** of potential savings opportunities for discussion at MB/Programme Board. These long lists where then further refined and challenged to produce an **Options Short Listing**.

Having agreed on which of the options shortlist were to be taken forward, these were fed into the existing 2020 system for **Analysis & Business Case Development**.

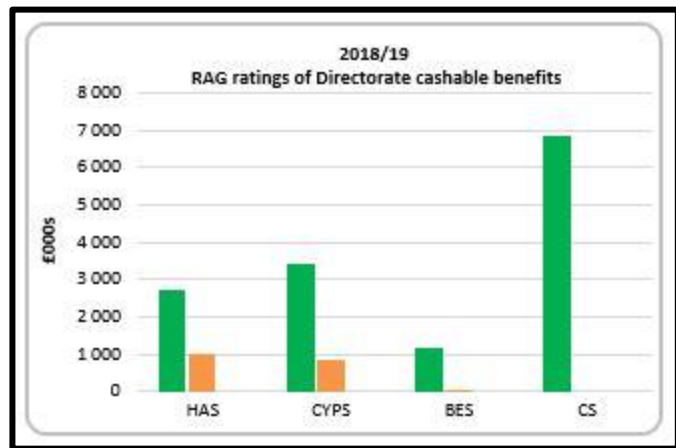
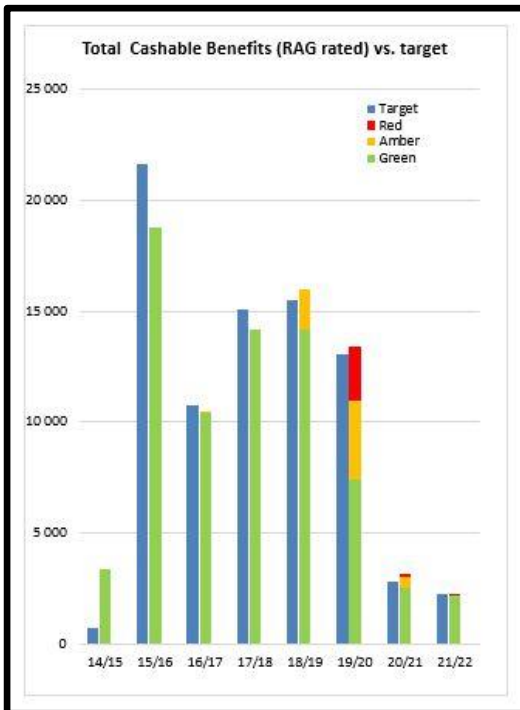
An example of one saving to come out of the BEST process was the decision to revise the start date of winter maintenance on call arrangements, saving some £130k, with no adverse effect on service delivery. BEST principals now form part of service planning.

- 4.6 A strengthened, more rigorous approach to service and team planning has been developed by the Strategy and Performance team for 2019/20. The revised approach draws on the BEST methodology, and provides services with further opportunity to benchmark their performance and spend against that of best in class. Financial and performance data is to be collated by a central resource using national, statutory data sets to compare North Yorkshire performance. Services use this data to identify high performing peers from whom learning can be applied to improvement plans locally. Service planning now incorporates multi-year medium term financial planning targets, improving transparency and strengthening the relationship between spend, performance and improvement.
- 4.7 The Procurement and Contract Management Service has overall responsibility for all aspects of the procurement cycle, including policy, procedure and process. The Service is managed by the Head of Procurement & Contract Management who leads on procurement policy. The structure also includes a specific team for Contract Management. This role has oversight for Contract Management across the Authority, and continues to share best practice and training to Officers. The team has taken responsibility for managing a number of corporate contracts, including the operational hand over to P2P. In the main, and apart from contracts designated as corporate, contract management will continue to happen within Directorates, with support and guidance from the Procurement and Contract Management Service as required.

The Council's Procurement and Contract Management Service is ultimately responsible to the Corporate Procurement Board (CPB) within the Council's management structure. CPB owns the Council's corporate procurement strategy and the supporting strategy action plan. A new strategy and supporting action plan was published in November 2018. This sets out how the Council will achieve its procurement and contract management ambitions, aims and objectives over the next four years. Across the four year life of this new strategy the Procurement and Contract Management Service will manage spend of around £1.4 billion. This strategy will set out the plan to achieve best value, efficient use of resources, technology, innovation, and procedures to ensure we make the best use of that spend.

The Procurement and Contract Management Service has a target of delivering an additional £1.15 million cashable saving up to 2020. Savings secured to date against the savings target total £856,263, and there is a high degree of confidence in meeting the remaining target of £293,737 by March 2020.

- 4.8 In addition to the annual budget setting process, the Council also completes a three year 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. For 2019/20 Service planning has also been framed on the same three year period. The purpose of this longer term view is to avoid the issue created by focusing solely on the short term is that decisions can inhibit longer term decision making which drives long term value. The executive summary of the MTFS highlights that we have already made savings totalling £141.9m. However, a further £44.3m is required from 2018-19 to 2021/22. From this, we have already identified £33.6m of savings, with £10.7m remaining. These aggregate savings of £186.1m broadly equate to over a third reduction in the council's spending power since 2011.
- 4.9 The charts below show the current position of the planned savings relating to the 2020 programme for North Yorkshire



As you can see for 2018/19 majority of benefits are rated as green (high confidence of achieving, Amber and Red indicating reducing levels of confidence of achieving savings) with a pipeline of agreed saving coming in over the next three years. A significant proportion of which is also rated as green

4.10 Council Resilience Model

In this ongoing period of austerity, a number of organisations have started to develop resilience models to demonstrate how authorities are coping with austerity and ultimately helping to prevent another council collapsing as in the case of Northamptonshire.

The statements below are from the councils MTFS for 2019/20 resilience

- Overall various factors indicate that the Council has a relatively high level of financial resilience;
- The County Council currently has a reasonable level of reserves relative to its revenue expenditure although these are forecast to reduce significantly over the MTFS period if other funding or further savings are not identified;
- The County Council has maintained a relatively high level of budget provision for services outside of demand-led services (such as social care) meaning it has more flexibility to potentially identify further savings;
- The external auditor has given unqualified conclusions on the County Council's arrangements to secure value for money in previous years. This means the auditor is satisfied that NYCC had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

4.11 The quarterly performance reports (Q reports) have continued to evolve over the year, based on comments from Management Board, Executive and the Executive Member with portfolio responsibility for Performance. The reports now have a with a stronger emphasis on challenging the directorates over their performance. The reports are themed around the four key ambitions of the council. With each ambition taking the lead for greater scrutiny once in the annual reporting cycle. A key part of the performance framework and thus the quarterly performance reports is the corporate KPI suite. Drawing them together and framing them in this way provides Management Board & Cabinet a broader overview of performance across the Council, as well as progress against the council ambitions. The suite has recently will be reviewed to ensure it remains focussed around the Councils ambitions.

4.11 Overview and Scrutiny also continue to provide an additional level of challenge. Quarterly performance briefings are provided to Chairs of Scrutiny Committee's (Scrutiny Board), and plans are in development to align elements of performance with individual Scrutiny Committee's work programme and forward plans.

4.12 During 2018/19 members of the Strategy and Performance Team have worked closely with the Data & Intelligence function of T&C, to develop a range of performance dashboards that help inform better management decisions.

5.0 Development Areas

5.1 The following items have been identified as principles that will further improve our ability to drive positive VfM. It is important that we leave no stone unturned in the pursuit of customer focus and more cost effective service delivery. This approach operates at all levels in the organisation, from strategic through to operational service and team. At each stage we need to test service delivery against four defined and customer focussed considerations;

- **Demand management** – can we deliver better customer outcomes by working differently with partners, communities and individuals to be more resilient and avoid the need for services. Where services are required are they delivered at the most appropriate level to meet customer needs.
- **Assessment gateway** – can we make our processes more customer focussed and effective by supporting people to access the right community or partner services to meet their needs, prior to or following contact with the Council.
- **Professional decision making** – Can we be more cost effective at delivering the most appropriate outcomes to meet customer need
- **Overall efficiency of process** – can we deliver better customer outcomes and reduce wasteful effort by improving our ways of working, systems and procedures

5.2 Transformation ideas.

- Management Board set ambitious expectations of the organisation, and have commissioned a series of top down targeted research papers. Research cuts across service areas and provides an unbiased consideration of opportunities for delivering innovative new ways of working.
- Research papers test the North Yorkshire operating context against class leading peers nationally and internationally and provides the basis for learning from the very best.

5.3 Focussed Reviews –

- Focussed reviews provide precise and data led approaches to reviewing processes across the organisation. Reviews use research on how the class leading peers deliver services, detailed analysis of North Yorkshire data and process mapping.
- Reviews are delivered by a core central team who work with services to provide an unbiased view of improvement opportunity. Including process redesign and revised performance and financial models.
- Initially, reviews are targeted at areas of overspend or poor performance, but eventually will provide universal coverage of all services on a 3 year rolling cycle.

5.4 Continued development of the Quarterly Reporting Framework (Q Reports) to improve transparency and highlight areas in need of performance improvement

5.5 To embed and improve the new format for service planning. Ensuring that the teams are learning from the best in class and can answer the four questions above.

6.0 Recommendations

6.1 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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