

# North Yorkshire County Council

## Audit Committee

28 June 2021

### Value for Money

#### Report of the Corporate Director – Strategic Resources

#### 1.0 Purpose of report

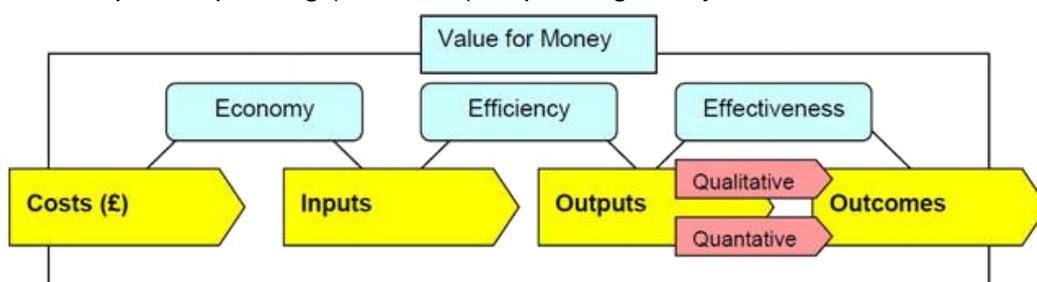
- 1.1. To consider the ongoing arrangements made within the County Council in respect of achieving Value for Money (VfM).
- 1.2. To consider how overall assurance is obtained about the effectiveness of these arrangements.

#### 2.0 National Context

- 2.1 Under the Local Audit and Accountability Act 2014 (the Act) and the Code of Audit Practice (the Code), requires the Councils Auditors to form an opinion on the Authorities arrangement for VFM.
- 2.2 Section 20(1) of the Act requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

#### 3.0 Local Context

- 3.1 The Audit Committee's 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"***
- 3.2 This is to be achieved through the on-going evaluation of a range of activity within the Council, however it is felt that an annual report is to be considered by the Committee in order to give due focus to value for money.
- 3.3 The National Audit Office (NAO) uses three broad criteria to assess the value for money, for authorities spending, commonly called the 3Es. These are:
- **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.



- 3.4 Overall, this can be summarised as: *“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.**
- 3.5 The Local Audit and Accountability Act 2014 (the Act) makes the National Audit Office’s (NAO) Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice (the Code). The Code sets out what auditors are required to do to fulfil their statutory responsibilities under the Act. Auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited. A new Code came into force on 1 April 2020, after being approved by Parliament. It was developed following a consultation process during 2019. The revised Code will therefore apply to the audit of the Council accounts from 2020/21 and replace the 2015 Code which preceded it. Under these arrangements the accounts for 2019/20 will be audited under the 2015 code and accounts from 2020/21 will be audited under the 2020 code.
- 3.6 **Auditor responsibilities under the new Code of Audit Practice**  
Under the 2020 Code of Audit Practice there is still a requirement to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness, the 3E’s on its use of resources. However, there is no longer an overall evaluation criterion which needs to be concluded on. Where auditors identify a significant weakness in proper arrangements, they are required to report by exception within the audit report on the statement of accounts.
- 3.7 The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to **report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money** through economic, efficient and effective use of its resources for the relevant period.  
The specified reporting criteria are:
- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
  - **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
  - **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- 4.0 **Proper Arrangements**  
However, under the new code there is still a requirement to maintain proper arrangements with regard to the 3Es.
- 4.1 Informed decision-making
- Acting in the public interest, through demonstrating and applying the principles and values of sound governance
  - Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management
  - Reliable and timely financial reporting that supports the delivery of strategic priorities
  - Managing risks effectively and maintaining a sound system of internal control
- 4.2 Sustainable resource deployment
- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions

- Managing and utilising assets effectively to support the delivery of strategic priorities
- Planning, organising and developing the workforce effectively to deliver strategic priorities

#### 4.3 Working with partners and other third parties

- Working with third parties effectively to deliver strategic priorities
- Commissioning services effectively to support the delivery of strategic priorities
- Procuring supplies and services effectively to support the delivery of strategic priorities

#### 4.4 In the Annual Audit report for 2019/20, the Councils Auditors, Deloitte LLP said about the council's arrangements for VfM;

“Under the National Audit Office’s Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body’s arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.”

#### 4.5 Value for Money Conclusion

“We have satisfied ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.”

To perform this work, we have:

- planned our work based on consideration of the significant risks of giving a wrong conclusion;
- carried out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VFM.

#### 5.0 Assurance for 2020/21 and beyond.

##### 5.1 It is not possible to simply produce definitive and objective information that can determine whether VfM is achieved or not. There are a number of areas within the Council, however, that contribute towards evaluating and securing VfM. The following is not an exhaustive list of the range of actions that occur but do stand to illustrate the broad approach that takes place to secure good VfM for the council.

#### 5.2 The Council Plan

The Council Plan continues to be the strategic framework that is used to align objectives and resources. The Council Plan for 2021/25 was approved in February 2021 and identified five ambitions up to 2025. These are:

- Leading for North Yorkshire
- 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, and
- Innovative and forward thinking Council

##### 5.3 Leading for North Yorkshire” – this ambition sets out our place shaping outcomes and priorities, including: Rural Commission, Climate Change, Stronger Communities and volunteering, Health and Wellbeing, Broadband, Equalities and Devolution. Importantly providing leadership for the people of North Yorkshire over the past year during the Covid 19 outbreak.

- 5.4 The three outward facing ambitions remain largely unchanged from the existing plan:
- Every Child and young person has the best possible start in life.
  - Every adult has a longer, healthier, independent life.
  - North Yorkshire is a place with a strong economy & commitment to sustainable growth

5.5 A new ambition “Innovative and forward thinking Council” is a sharper clearer version of what was the Modern Council ambition. The outcomes and priorities have been carried over and modified. However, this ambition now places a greater emphasis on the delivery of our support services and ensuring that the Council is keeping pace with the requirements of society and its residents.

5.6 The Council Plan is inevitably a high-level document but it helps to provide alignment to service plans, internally and with partners, to deliver the desired outcomes.

### 5.7 **MTFS**

In addition to the 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. For 2021/22 service planning has again 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 or decisions may inhibit longer term decision making which drives long term value. To the end of 2020-21 the County Council has made savings totalling £181.8m. It has identified that a further £29.2m is estimated to be required from 2021/22 to 2023/24. Savings of £10.7m have already been identified, with £18.5m remaining to be found. These aggregate savings of £211.0m broadly equate to an almost 40% reduction in the Council's spending power since 2011. During this period the Council has broadly seen its responsibilities grow, rather than shrink, so it would be a fair assessment to conclude that the Council delivers stronger VfM in 2021 than it did in 2011. Austerity has undoubtedly put significant pressure on councils and their services but it has also meant that councils have had to increasingly focus on doing the same / more with less.

5.8 The MTFS identifies a recurring shortfall of £18.5m over the period to 2023/24. After ten years of austerity it is inevitable that savings proposals are harder to identify and deliver without the addition of a global pandemic and possible structural reform. The Beyond 2020 Programme remains the Council's response to the on-going need for savings but the need to divert resources to support the pandemic has meant that progress on the transformation programme has been slower than planned. The thrust of the programme remains valid but it will need to be reviewed in a post-Covid environment and with due regard to the outcome of local government reorganisation which is discussed further below.

### 5.9 **Transformational programme**

The Programme is still in its relatively early days but significant work to date has identified a number of opportunities which it is believed will generate some financial savings in the near future. The Beyond 2020 transformation programme is structured initially around four key themes:

### 5.10 **Beyond 2020 Transformational themes:**

- **Assess & Decide** – how we carry out assessments across a range of services and how this informs decision making on provision of services.
- **Healthy People, Healthy Places** – prevention and early intervention, working with communities and individuals.
- **Modern Council** – equipping staff to do the best job they can in a working environment that helps to deliver the best outcomes for our customers. This includes further improvements to internal processes, technology, culture and

the working environment to continuously improve the Council's efficiency and effectiveness

- **Infrastructure** – This theme brings together a number of significant programmes which invest in the infrastructure of North Yorkshire including **Transport; Waste; and Highways** with the implementation of a new highways company to replace the current supplier

### 5.11 Focussed Reviews

Focussed reviews provide a precise and data led approach 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.

5.12 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.

5.13 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. To date the following reviews have been under taken :

2019/20

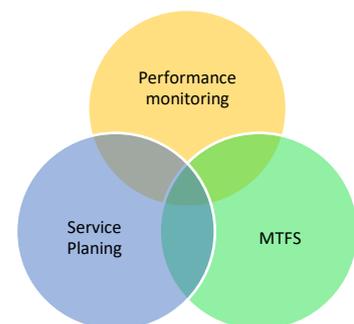
1. SEN Transport
2. Social Service Assessments
3. Has Transport
4. Home to school Transport

2020/21

- 1 Brokerage
- 2 Financial assessments
- 3 EDT Out of Hours

### 5.14 Service Planning

Service planning is now well embedded and is central to the Council Plan, the MTFs and the performance monitoring regime. This approach was further strengthened in 2020/21 with the introduction of the Grant Thornton CFO Insights tool, to give better benchmarking, financial and community data.



5.15 The starting point for the exercise is benchmarking North Yorkshires performance, spend and unit cost data against that of the class leaders, whether Counties, Unitary or Met Districts. The challenge is then to understand why they are performing as well as they are and what can North Yorkshire learn from them? This is then considered alongside the MTFs for the next three years, any pre-agreed saving targets are factored in, the expenditure profile over the next three years and any additional savings requirements, currently set at 2.5% and 5%.

5.16 The service planning regime also includes a challenge session with the Chief Executive and Corporate Director, Strategic Resources to focus on VfM by reviewing performance levels and identifying savings opportunities that do not impact adversely upon outcomes and performance levels. The outcome of these sessions is then built in to the following Budget process. These challenge session are being spread out more evenly in 2021 due to Covid and LGR pressures but all should be completed by November 2021.

### **5.17 Local Government Reorganisation**

The business cases put forward by both the County Council and six of the District Councils set out a belief that there were opportunities to save over £56m - £69m per annum through unitarisation of local government in North Yorkshire. This is through the reduction in senior management, back office staff and systems, reduced property needs, removal of duplication / unnecessary interfaces in some services and an ability to make better procurement decisions.

- 5.18 The Council has put forward a business case for change and has contributed towards the government consultation. A decision is expected from government imminently and at that point the largest single transformation programme for the Council (regardless of which option is chosen) will begin. The transition to a unitary council(s) will be resource and time intensive but should result in financial savings and no detriment to customers with many areas resulting in improvements from a customer perspective. This transition can therefore be seen as the largest contributing strand towards greater VfM.

### **5.19 Procurement and Contract Management**

The Committee is familiar with the Procurement Strategy. This sets out how the Council will achieve its procurement and contract management ambitions, aims and objectives. Across the life of this strategy the Procurement and Contract Management Service will manage spend of around £1.6 billion. This strategy sets out the plans to achieve best value, efficient use of resources, technology, innovation and procedures to ensure we make the best use of that spend.

- 5.20 The Procurement and Contract Management Service had a target of delivering an additional £1.15 million cashable saving up to 2020. The delivery of these savings was completed in the first financial quarter of 2021/22. Work is now underway to plan the delivery of an additional £1 million cashable savings up to 2024. There are headwinds that need to be considered in this approach given the wider supply chain and market instability due to the effects of the pandemic and global trade conflicts. It is important that this situation is monitored to ensure that savings are not made at the expense of quality / performance or this would be contrary to the pursuit of VfM.
- 5.21 In responding to Covid, all public bodies including North Yorkshire, have needed to procure enormous volumes of goods, services and works with extreme urgency. On 18 March 2020, the Cabinet Office issued information and guidance on public procurement regulations and responding to the pandemic. This guidance noted that public bodies are permitted to procure goods, services and works with extreme urgency using regulation 32(2) (c) under The Public Contracts Regulations 2015. This sets out the various options available to public bodies if they have an urgent requirement for goods, services or works due to an emergency such as COVID-19, including the use of direct awards to suppliers without any competition.
- 5.22 Although nationally concerns have been raised about the risks to public money that could arise from greater use of this regulation. These concerns revolve about the transparency of contracts being awarded during the pandemic, potential bias or conflicts of interest in the procurement process, and that some contracts may have been given to unsuitable suppliers. None have been directed at North Yorkshire CC. The Council created a Supply Chain Resilience Board during Covid to strengthen the Councils response to the pandemic which helped to ensure a strong grip on contract management during a difficult period.

### **5.23 Qualitative Measures**

In talking about VFM, both the qualitative and quantitative aspects must be considered. The Council is rated as “Outstanding” on children’s services by OFSTED. Again, however, Covid has reduced some of the regulatory reviews so this last year has seen little change in this area.

5.24 Both the service planning and the quarterly performance monitoring regimes involve an assessment of quality measures including customer feedback and compliments / complaints. This requires services to consider how quality is assessed specifically in their own areas.

### **5.25 Financial Resilience**

During an exceptional year, councils have had to cope with significant levels of unexpected expenditure and large losses on income. Whilst various grants have been introduced to support these costs, including lost income, it remains unclear at this stage what the longer term impact of the pandemic will mean for local authorities and future settlements.

5.26 The Council’s relatively high level of financial resilience, including good reserve balances, has proven to be extremely valuable this year and will provide some ‘breathing space’ to more fully understand the medium term implications for the Council’s finances and to develop an appropriate longer term financial strategy to reflect these.

5.27 The Committee will also be aware that the Chartered Institute of Public Finance and Accountancy (CIPFA) have issued a new Financial Management code and an assessment has been undertaken which compares the Council against this standard. This initial assessment, reported to Audit Committee, found that the Council’s processes, structures and procedures are largely compliant with the new code but which also put forward a small number of areas to enhance compliance with an appropriate responsible officer identified.

### **5.28 The quarterly performance reports - Q reports**

The quarterly performance reports (Q reports) have continued to develop, based on comments from Management Board, Executive, Scrutiny Committee Members and other Members.

5.29 The reports now have a stronger emphasis on challenging the directorates over their performance. The reports remain to be themed around the now five key ambitions of the Council. With each ambition taking the lead for greater scrutiny once in the annual reporting cycle.

5.30 A major 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 & Executive a broader overview of performance across the Council, as well as progress against the council ambitions and service plan objectives. The suite has been further reviewed to ensure it remains relevant to Councils ambitions.

5.31 Overview and Scrutiny 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 train to align elements of performance with individual Scrutiny Committee’s future work programme and forward plans.

**6.0 Development Areas**

6.1 Due to the outbreak of Covid-19, resources have been redirected at the immediate challenge of fighting the virus and ensuring our communities are safe and supported. This means there has been less capacity to focus on planned activity to improve VFM. Progress has therefore been slowed in some areas. However, the forced social distancing and homeworking has accelerated our approach to modern ways of working, for example as an organisation we travelled 5.5m less business miles than average, emitting around 1500 cubic tonnes less carbon dioxide and saving 28,000 working days in travel time. Whilst some services such as social care will need to return to a degree of direct customer contact and travel in the future, the lessons learned from the Covid crisis will provide valuable evidence to support new and efficient ways of working going forward.

- 6.2 As we move out of the Covid crisis in to recovery, capacity will be refocussed on our transformation objectives which are based upon;
- 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.
  - 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 or working, systems and procedures
  - Our Beyond 2020 transformation programme will re-commence as set out above.
  - Continued development of the Quarterly Reporting Framework (Q Reports) to improve transparency and highlight areas in need of performance scrutiny.
  - Progression towards Local Government Reorganisation in North Yorkshire. If this goes ahead as expected then this programme is likely to subsume all of the other areas identified above as part of a medium-term plan.

<b>7.0</b>	<b>Recommendations</b>
7.1	That the Audit Committee: <ul style="list-style-type: none"> <li>a) Review the arrangements currently in place for assuring value for money;</li> <li>b) Identify any areas for further development in the assurance arrangements;</li> <li>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.</li> </ul>

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28 June 2021

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