

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Monitoring the effectiveness of the control environment: Value for Money
Meeting/Date:	Corporate Governance Panel – 14 May 2014
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit Manager
Ward(s) affected:	All Wards

Executive Summary

The Panel at their last meeting requested a report as to how they can satisfy themselves that the Council is ensuring that value for money (VfM) is being obtained and if that cannot be shown, what additional information will be provided in the future.

Value for money is widely accepted as ensuring the best results possible are obtained from any money that is spent. The VfM 3 E's: economy, efficiency and effectiveness are recognised as being the drivers for ensuring value for money is obtained.

Whilst VfM historically is associated with specific studies of service areas, it can also be evidenced in a number of other ways, for example:

- Through collaborative working
- Ensuring sustainable and sound finances, through procurement, business transformation and improvement
- Understanding costs and how they relate to performance and comparison against peers

The Council does not have a VfM framework or strategy that explains its approach to VfM. The Performance Management Framework, adopted by Council in April, does however deal with many of the issues listed above. Whilst obtaining VfM is a requirement for the Council (and is explicitly referred to as one of the 'outputs' of the Corporate Plan) the Constitution does not give oversight of this area to any one Member body.

Information received by the Panel

Through its routine business, the annual review of the Code of Corporate Governance and preparatory work for the Annual Governance Statement (AGS), the Panel receives primarily financially based information that contributes to the achievement of VfM. Major initiatives that sit outside of the Panel's remit, such as the Facing the Future exercise, will be referred to by the Panel when preparing the AGS.

Seeking greater assurance

Whilst service delivery issues and financial performance are reviewed by Overview & Scrutiny Panels and/or Cabinet, and the Panel itself routinely receives information from both the internal and external auditors, there is no summary of the VfM activities undertaken within services or across the Council or its performance relative to its peers.

Whilst the Panel does not need to become involved in considering the details of any VfM exercises or initiatives themselves, they do need to satisfy themselves that work has been undertaken to show that the Council is achieving VfM. This assurance can then be taken into account when preparing the Annual Governance Statement.

Financial and Legal implications

There are no financial or legal implications arising from the report.

Recommendations:

It is recommended that the Panel:

- a) Request the Chief Financial Officer to provide an annual report to the Panel to evidence the arrangements in place to support the achievement of VfM.

1. WHAT IS THIS REPORT ABOUT?

1.1 CIPFA audit committee guidance (discussed at the Panel's March 2014 meeting), includes a list of seven core functions of an audit committee. Core function four states:

- *[The audit committee shall]* Monitor the effectiveness of the control environment, including arrangements for ensuring value for money (VfM) and for managing the authority's exposure to the risks of fraud and corruption.

1.2 Whilst the majority of the seven core functions are currently undertaken by the Panel, the Panel wished to know how they could satisfy themselves that the Council is ensuring that value for money (VfM) is being obtained and if that cannot be shown, what additional information will be provided in the future.

2. CURRENT ASSURANCES

2.1 Whilst VfM historically is associated with specific studies of service areas, it can also be evidenced in a number of other ways, for example:

- Through collaborative working
 - partnering or sharing of services
 - making assets count initiative
 - by seeking out and then adopting recognised good practice
- Ensuring sustainable and sound finances, through procurement, business transformation and improvement
 - medium term financial planning, treasury management, budgetary control, monitoring and out-turn forecasting
 - code of procurement and the explicit VfM requirement
 - peer review process
 - service planning: through retaining documents that show how a service is to build VfM into its work (continuous improvement) and evidence of the outcomes
 - internal and external audit work
 - post implementation review of projects
- Understanding costs and how they relate to performance and comparison against our peers
 - through benchmarking against similar organisations
 - performance indicators and performance management information
 - customer survey's and consequential service improvements

2.2 Through its routine business and in order to fulfill its terms of reference, the Panel receives information that deals with a number of the areas listed above – i.e. annual accounts, internal and external audit reports and procurement issues.

2.3 Through reviewing the evidence that supports the delivery of the Code of Corporate Governance (and the Annual Governance Statement), the Panel is also aware of how VfM is achieved against the Code principles (201/13 extract at Appendix 1) – i.e. external audit value for money conclusion, medium term financial planning, budgetary control and monitoring.

- 2.4 The information that the Panel receives provides only a snap-shot of VfM activity, based primarily around financial outputs. There are a number of areas in the listing at 2.1 above, that the Panel receive little or no information upon, e.g.
- partnering or sharing of services
 - peer review process
 - service planning: continuous improvement
 - success delivery of projects & VfM improvements resulting
 - benchmarking against similar organisations
 - performance indicators & performance management information
 - customer survey's
- 2.5 The lack of information provided to the Panel, has not stopped them from challenge VfM previously. When discussing the 2012/13 Annual Governance Statement, the Panel raised concerns about a number of issues of VfM 'governance' at its July 2013 meeting:
- the lack of customer surveys
 - obtaining assurance on out-sourced services; and
 - evidence of service delivery and performance management plans

3. VfM ARRANGEMENTS

- 3.1 The Code of Corporate Governance includes the following requirement: "Decide how value for money is to be measured and make sure that the Council...has the information needed to review value for money and performance effectively".
- 3.2 The Council does not have a risk register entry that outlines how the risk of not delivering/achieving value for money is to be managed, nor does it have a VfM framework or strategy that explains its approach to VfM. The Corporate Plan 2014-16 does however recognise the need to provide VfM services within the strategic theme of 'A customer focussed and service led Council'.
- 3.3 A formal VfM conclusion is reported to the Panel each year by the external auditors. For 2013/14 the Audit Commission require the external auditor to give their conclusion on the Council's VfM arrangements, based on the following two criteria:
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| <p>Criteria:
The organisation has proper arrangements in place for securing financial resilience; and</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> | <p>Focus of the criteria:
The Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to operate for the foreseeable future.</p> <p>The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p> |
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- 3.4 Chapter 3 of the Audit Commission 'Code of Audit Practice' (Code) describes the Council's responsibilities to put in place proper arrangements to secure VfM, ensure proper stewardship and governance and regularly review the adequacy and effectiveness of these arrangements.

- 3.5 The Code defines 'proper arrangements' as those corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:
- planning finances effectively to deliver strategic priorities and secure sound financial health;
 - having a sound understanding of costs and performance and achieving efficiencies in activities;
 - reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
 - commissioning and procuring quality services and supplies that are tailored to local needs and deliver sustainable outcomes and VfM
 - producing relevant and reliable data and information to support decision making and manage performance;
 - promoting and demonstrating the principles and values of good governance;
 - managing risks and maintaining a sound system of internal control;
 - making effective use of natural resources;
 - managing assets effectively to help deliver strategic priorities and service needs; and
 - planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

Demonstrating achievement of the arrangements above will show that VfM is being obtained.

- 3.6 The Performance Management Framework adopted by Council in April, explains how the performance cycle will consider and deal with a number of the issues listed in 3.5 above. It will not cover all the items listed however, leaving the Panel with a lack of information in a number of areas, e.g.
- understanding cost and performance
 - making effective use of natural resources
 - managing assets
 - planning, organising and developing the workforce
 - commissioning and procuring quality services and supplies

4. INVOLVEMENT OF OTHERS

- 4.1 The oversight of VfM is not the sole responsibility of the Panel. All Members, irrespective of their role, have a responsibility to ensure that the Council is delivering the best service possible for the lowest cost. This challenge also falls to the Managing Director and all levels of staff with managerial responsibility.
- 4.2 The Overview & Scrutiny Panel's currently identify areas of the Council's work that needs to be scrutinised and challenge performance and service improvement initiatives. These reviews include an element of VfM challenge. Whilst no decision has yet been reached, changes are being proposed to the way that the Overview & Scrutiny Panel's operate. The suggestion that they operate in a manner similar to that of a Select Committee, potentially increases the opportunity for greater robust challenge of service performance and with it, the VfM delivered.

5. REASONS FOR THE RECOMMENDED DECISION

- 5.1 The Council has a responsibility to deliver its services economically, efficiently and effectively. It does not have a specific framework/strategy that outlines how this will be achieved. A lot of information on how VfM is being delivered is available, but not collated or reviewed by Members. Providing a formal report to the Panel (and possibly other Member forums) will allow it to form a view as to the effectiveness of the arrangements for ensuring VfM is being achieved.

LIST OF APPENDICES INCLUDED

Appendix 1 – Code of Corporate Governance: 2012/13 Value for Money references

BACKGROUND INFORMATION

Audit Commission Code of Audit Practice
Corporate Plan 2014-16

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**Code of Corporate Governance
2012/13 Value for Money references**

Supporting Principles	Ensuring that the Council makes best use of resources and that tax payers and service users receive good value for money	
Specific requirements	Current position	Evidence/source documents
<p>Decide how value for money is to be measured and make sure that the authority has the information needed to review value for money and performance effectively.</p> <p>Measure the environmental impact of policies, plans and decisions.</p>	<p>Audit Commission's Code of Audit Practice - our external auditors are required to reach a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').</p> <p>Social value of One Leisure. Officers have been tasked with developing financial values to One Leisure benefits. O&S Working Group to be held on 18th July 2013.</p>	<p>External Audit VFM opinion – December 2012</p> <p>Overview & Scrutiny (Social Well Being) Working Group.</p>
<p>Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use.</p>	<p>In Place</p> <p>The primary pressure for value for money is the existence of savings targets and the recognition that good value for money will maximise service retention.</p>	<p>Code of Financial Management, Cabinet & Panel reports Budget Monitoring reports Final Accounts COMT minutes External Audit value for money opinion.</p>
<p>Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary.</p>	<p>In Place</p>	<p>In Place</p>
<p>Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code.</p>	<p>In Place</p>	<p>In Place</p>

Supporting Principles	<p>Ensuring effective leadership throughout the Council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.</p> <p>Ensuring that a constructive working relationship exists between members and employees and that the responsibilities of members and employees are carried out to a high standard.</p>	
Specific requirements	Current position	Evidence/source documents
Ensure that the CFO leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.	In Place	Code of Financial Management Internal audit reviews and opinion