

North Yorkshire County Council

Audit Committee

1 March 2018

Review of Assurance over Value for Money

Report of the Corporate Director – Strategic Resources

1.0 Purpose of report

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| 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.

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.

2.2 The National Audit Office (NAO) uses three criteria to assess the value for money of authorities spending i.e. the optimal use of resources to achieve the intended outcomes:

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.

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.

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.

- 3.2 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.

- 3.3 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.”

In the Annual Audit Letter for 2016/17, the Councils Auditors KPMG said

“We issued an unqualified conclusion on the Council’s arrangements to secure value for money (VfM conclusion) for 2016/17 on 11 September 2017. This means we are satisfied that during the year the Council had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

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

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:

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 been recently updated and encompasses other corporate strategies such as: Young and Yorkshire 2, A Vision for Health and Adult Services - People Living Longer, Healthier, Independent Life’s, Modern Council , Business and Environmental Services Ambition for Growth

- 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. 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... But 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).
- Service Planning via the **plan on a page** approach has been adopted over the last 3 years 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 2018 service 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. The service plans now include a range of Key Performance Indicators (KPI) that measure the success of the plan. These KPI now form the basis of the corporate KPI suite which is reported on in the performance Q report to Executive.
- During the past 12 months two new corporate services have been established that will have a direct impact on ensuring improved VfM. The two services are The Procurement and Contract Management Service and The Strategy and Performance Team, as part of a wider review of Strategic Support
- The new 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 role for Contract Management. This role has oversight for Contract Management across the Authority, and continue to share best practice and training to Officers. The role will also take 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.

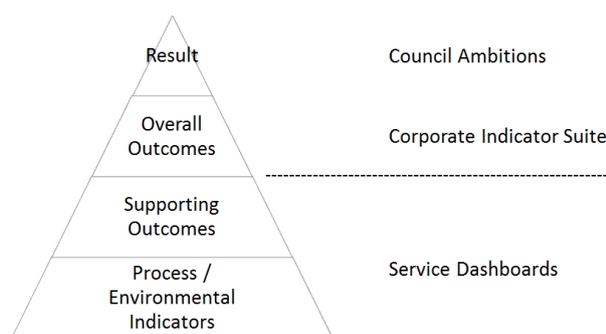
This forms the Council's Procurement and Contract Management Service, which is ultimately responsible to the Corporate Procurement Board (CPB) within the Council's management structure. CPB owns the Council's corporate procurement strategy and the supporting strategy action plan

- The Strategy and Performance Team proposes to further enhance the Council's performance framework, by building on current good practice within the organisation, and applying it more consistently across services.

This includes opportunities for the Council to gain further assurance that it:

- Sets strategic priorities that are outcome focussed and consistent with identified need.
- Maximises the use of resources and achieves value for money.
- Continues to focus on delivering good VFM, and where there are opportunities found for development that they are supported.
- Teams and individuals understand their own contribution and how they are performing against it.

- Whilst a number of services are already working in this way, the proposals are designed to ensure consistency, and to support managers to have focussed performance improvement conversations. The proposed enhancements that will be facilitated by the new Strategy and Performance Team are set out in **Appendix B** below;
- 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. 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 quarterly performance reports (**Q reports**) continue to evolve with a stronger emphasis on reporting the right level of detail, data and commentary. As from Q2 (30 September 2017) the Strategy and Performance team have introduced new style of reporting based on the Outcomes Based Accountability (OBA) model. This has delivered a **hierarchy of performance indicators**, which will streamline the performance management process, maintain focus on delivery and improve our ability to tell the performance story. This is particularly helpful when assessing how well we are doing, or what could be done differently around many of the complex systems which the Council has a leadership role in influencing and delivering. (a copy of the new Q report is attached)



- An initial corporate KPI suite has been developed from indicators currently being utilised across the organisation. 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. It will be reviewed annually to ensure it remains focussed around the Council's priorities.
- 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.

4.2 By the end of 2017/18 the County Council will have delivered £142m of savings. It is estimated, however, that a further £44m will be required from 2018/19 to 2021/22. The aggregate savings requirement of £186m broadly equates to a reduction of over a third in the Council's spending power since 2011. It is therefore essential that the County Council has a sound medium to longer term strategy to address this financial challenge.

5.0 Development Areas

5.1 The following items have been identified as areas that will further improve our ability to drive positive VfM:

- Continue to develop the plans on a page with regular reporting & monitoring cycles to Executive via the new style Q reports. 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, via the corporate KPI suite
- The Strategy and Performance team to develop the stronger use of data and information, in partnership with the Data & Intelligence function of T&C. This will provide greater insight into the performance of the council. A key aspect of this this will be benchmarking across the services and with other authorities, to enable a clear picture on the relative cost drivers of a services.
- Service objectives will be developed through the Service & Team Planning cycle and refreshed every 12 months. These plans will ensure corporate performance questions continue to be a central feature, but in future overlaid with a balance of quantity, quality and outcome measures as set out below. Initially this will be through traditional methods, but over time this will increasingly be delivered through self-service and automation driven through BI software. This will also provide the ability to drill down to team, or even individual level data.
- Earlier delivery of performance data so management can make decisions which have the opportunity to impact more immediately.
- At the beginning of 2017, Sir Michael Barber was appointed to advise and investigate how central government can ensure it is delivering maximum value for every pound spent on public services. Sir Michael Barber published his review in November 2017
[\(<https://www.gov.uk/government/publications/delivering-better-outcomes-for-citizens-practical-steps-for-unlocking-public-value>\)](https://www.gov.uk/government/publications/delivering-better-outcomes-for-citizens-practical-steps-for-unlocking-public-value)

The Council will take stock of the recommendations set out in the report and will need to consider if and how it incorporates appropriate aspects in to the Councils governance structures.

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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 Corporate Director – Strategic Resources
 March 2018

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Appendix A – NYCC Council plan on a page

<p>Council Vision</p>	<p>We want North Yorkshire to be a thriving county which adapts to a changing world and remains a special place for everyone to live, work and visit.</p>
<p>Council Ambitions Supported <i>(Could be 1 or all Council Ambitions)</i></p>	<p>Every child and young person has the best possible start in life.</p> <p>Every adult has a longer, healthier and independent life.</p> <p>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.</p> <p>We are a modern council which puts our customers at the heart of what we do.</p>
<p>Service Purpose:</p>	<p></p>
<p>Service Outcomes: <i>(Could be more or less than 4)</i></p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p>
<p>Required support from other Service areas</p>	<p>E.G Human Resources</p> <p>E.G Technology & Change</p> <p>E.G Strategy & Performance</p> <p>E.G Finance</p>

Appendix B

	Proposed enhancements to strategic planning and performance management
a	A proportionate approach to service and team planning, recognising that many operate on time lines beyond the current 12 month cycle. Where appropriate services will set out a longer term plan consistently aligned to the Council's strategic direction with a light touch annual review focussing on the delivery detail for the next financial year.
b	By supporting the development of good quality service and team plans alongside performance dashboards, managers and teams will have access to the information required for them to articulate performance against the Key Performance Questions, which underpin the current performance framework
c	A performance management group for every service management group, supported by the Strategy and Performance Team, as set out in Figure 2. These will be tailored to meet specific service requirements, but should meet at least on a quarterly basis.
D	Consistency of performance information across the Council. Many services have good performance information, but we will ensure each service operates at the level of the current best. We will develop a consistent baseline suite of Key Performance Indicators (KPIs), based upon the learning from work on the proof of concept Corporate Dashboard. This approach will provide visibility of performance across the Council and key partnerships. The indicator suite will be constructed in order to provide transactional performance information and the ability to develop evidence based narrative of progress towards ambitions.
E	The production of open data, where this adds value, and Business Intelligence products, with drill down facility from strategic to service and team level indicators. Work is on-going to prioritise the development of these products based on risks to the organisation and potential impact in terms of service improvement.
F	The Strategy and Performance Team providing capacity for "deep dive" analysis and challenge around performance development opportunities identified by senior officers.
G	Revisions to quarterly reporting which better align performance and financial information, and which provide a balance between inward facing performance challenge and balanced performance reporting in the public domain. For example: <ul style="list-style-type: none"> • a revised and more focussed internal process for supporting transparent performance discussions with services, corporate Management Board and Executive Members. This will include a mechanism for RAG rating performance and escalating/de-escalating areas of concern. • an enhanced external performance report to inform customers about what and how well the Council is doing against its corporate and service objectives. This would include better developed narrative evidencing progress towards ambitions, priorities and outcomes set out in the Council Plan. This report would be reported to the Executive.
H	Co-ordinating the corporate strategic planning calendar to ensure even greater synergy between MTFS and Council Plan objectives (see Figure 3), whilst at the same time recognising that some activity will need to take place outside of this calendar for pragmatic or political reasons.