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## Report of the Director of Resources

### Corporate Governance and Audit Committee

Date: 18<sup>th</sup> April 2011

Subject: Value for Money Arrangements

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#### Electoral Wards Affected:

Ward Members consulted  
(referred to in report)

#### Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

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## 1.0 Executive Summary

- 1.1 From the evidence available and the plans for future development of the arrangements, it can be concluded that the Council has sound arrangement for securing value for money. No system of control or arrangements in place can provide absolute assurance and this is similarly true for an assurance about value for money arrangements.

## 2.0 Purpose of the Report

- 2.1 This report updates Members on progress that has been made in ensuring that the Council delivers value for money. It provides an assurance about the value for money arrangements and highlights key activities where further progress can be made.

## 3.0 Main Issues

- 3.1 The Council's value for money arrangements cannot be considered in isolation of the significant financial challenge to the Council, which is without precedent in recent times. In addition to a substantial reduction in Government funding, the Council also faces significant cost pressures that have been taken into account in the 2011/12 budget and will also have an impact in future years.
- 3.2 There are particularly acute cost pressures in both Adult Social Care and Children's Services, and in addition income continues to decline in both City Development and Environment and Neighbourhoods. The budget approved by the Executive Board on 11<sup>th</sup> February 2011 addresses these issues. The budget will mean that by the end of 2011/12 the Council will have lost over 1,500 jobs compared to the position at the start of 2010/2011, of which around 1,100 will have gone by the 31st March 2011.

- 3.3 Any assessment of the value for money arrangements must take into account the unprecedented challenges outlined in the budget. The budget was designed to achieve the level of cost reductions required whilst minimising the impact on services to customers. The following value for money principles underpin the budget:
- common business activities across the Council are centralised and/or managed from a central point in the organisation where this can demonstrate better value for money,
  - provision of services should be by the most appropriate provider taking into account value for money, quality of service, maturity of the market, in-house resilience, etc.
- 3.4 In connection with the 2011/12 budget, a report will be presented to the next meeting of the Corporate Governance and Audit Committee that provides assurance on the extent to which the risk assessments referred to in the budget report are robust.
- 3.5 The above demonstrates that sound value for money arrangements are crucial to maintaining robust financial management arrangements and staying within the agreed budget. Given this crucial role, it is not surprising that the Council's value for money arrangements are subject to review by the Council's external auditors, KPMG. They must undertake work in accordance with the Audit Commission's Code of Audit Practice. The Code (in place for the 2010/11 audit) summarises KPMG's responsibilities as twofold:
- concluding on arrangements in place for securing financial resilience; looking at the Council's financial governance, financial planning and financial control processes and
  - arrangements for challenging how it secures economy, efficiency and effectiveness; looking at how the Council is prioritising resources and improving efficiency and productivity
- 3.6 To further support the value for money culture of the Council it is suggested that value for money objectives should be established. The objectives will be central to any value for money policy. The following are suggested as draft policy objectives:
- Value for money underpins the Council's culture
  - There is a corporate approach to embedding a value for money culture
  - Role and responsibilities for value for money are clearly defined, communicated and understood by all
  - Value for money is an integral part of the corporate and service planning process
  - Value for money is an integral part of the appraisal process
  - Value for money is formally considered as part of decision making
  - All projects and programmes are assessed to ensure they deliver value for money
  - Services review and identify value for money opportunities
  - Training on value for money is provided
  - Members are actively involved in reviewing and challenging value for money activity
  - The effectiveness of value for money arrangements are reviewed annual

- A value for money reporting service is set up to help identify value for money opportunities
- 3.7 Further work is required on the public's perception of whether the Council offers value for money. A number of issues need to be explained further to residents and groups as part of future engagement on the budget. Specifically we need to improve messages about what we spend money on and why this is value for money and, more generally, what steps we take to make the organisation more efficient.
- 3.8 There are numerous other programmes that will significantly impact on the Council's value for money arrangements but two that warrant specific mention here. Firstly, a range of procurement initiatives aimed at saving money are included in the budget. The Council aims to achieve maximum financial benefit from procurement and commissioning. Procurement activities should be organised on a Council wide basis wherever possible. The budget assumes procurement savings and reductions in supplies and services budget of around £25m. Planned activity includes e-auctions, contract extensions, contract renewals, tackling off-contract spend and reducing the number of people in the organisation that have the authority to authorise orders. Secondly, the Business Transformation Programme will need to deliver significant savings over the next four years on programmes such as Changing the Workplace and Access to Services.
- 3.9 In addition, the arrangements set out in the evidence provided by the Council under the former Use of Resources element of the curtailed Comprehensive Area Assessment regime remain in place and are, fundamentally, fit for purpose. Given the significant financial challenge in the 2011/12 budget there is however, a requirement to do more on ensuring value for money.
- 3.10 Other factors that have contributed to the evidence base for the assurance are as follows.

A programme of training and awareness has been started. All scrutiny boards have the authority to undertake value for money reviews. A briefing has been provided to Scrutiny Board (Central and Corporate Functions) and it is intended that this briefing will be rolled out. The following questions were suggested as the sort of questions that need to be asked to determine whether a service delivers value for money:

- How do you know the service provides value for money, i.e. how is value for money sought, managed and monitored?
- How well is the service performing?
- How much does the service cost and how does it compare with similar providers?
- What is the level of quality offered by the service – what are the perceptions of service users?
- How does the quality of the service compare to other high performing providers
- What is the scope for the service to improve?
- Are there other ways of delivering the service?
- How do we know that alternative methods of provision will not offer better value for money?
- What is included in your value for money action plan and will this affect quality outcomes?

3.11 Internal Audit is undertaking a series of value for money reviews looking at both traditional value for money studies and business processes reengineering. It is proposed that additional time will be included in the 2011/12 audit plan to undertake this work. The 2011/12 plan is subject to approval by the Corporate Governance and Audit Committee.

3.12 KPMG's 'Report to those Charged with Governance', presented to Corporate Governance and Audit Committee on 29<sup>th</sup> September 2010 concluded that:

'...the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources'

Such external and independent verification of the Council's arrangements significantly contributes to the evidence upon which the conclusions in this report are based.

#### **4.0 Implications For Council Policy And Governance**

4.1 Corporate Governance and Audit Committee is authorised to review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management).

4.2 Arrangements for securing value for money are considered a fundamental part of the Council's corporate governance arrangements and any assurance on those arrangements will inform the annual governance statement that the Corporate Governance and Audit Committee must approve.

#### **5.0 Legal And Resource Implications**

5.1 There are resource implications of this report. Those implications, by the nature of the issues addressed (some factors are backward-looking, others are forward-looking), are imprecise but will be contained within existing resources.

#### **6.0 Conclusions**

6.1 From the evidence available and the plans for future development of the arrangements, it is concluded that the Council has sound arrangement for securing value for money. No system of control or arrangements in place can provide absolute assurance and this is similarly true for an assurance about value for money arrangements.

#### **7.0 Recommendations**

7.1 Members are requested to:

- Comment on the draft objectives of a proposed value for money policy; and
- Note the assurance that the Council has sound arrangements for securing value for money.

Background Documents Used

None