

AUDIT COMMITTEE

24 MARCH 2011

REPORT OF HEAD OF FINANCIAL SERVICES

A.4 AUDIT COMMISSION'S VALUE FOR MONEY CONCLUSION

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to the Committee for consideration the proposed Audit Commission approach to issuing an opinion / conclusion on the Council's value for money arrangements 2010/11.

EXECUTIVE SUMMARY

From 2010/11 revised criteria will be used by the Audit Commission in determining the Council's value for money conclusion.

The revised approach has been informed by the most significant cuts faced by the Public Sector in recent times and the inherent risks in ensuring the Council continues to maintain a sustainable financial position and maintains services and effectiveness with reduced funding. The two elements of the new approach are:

- The organisation has proper arrangements in place for securing financial resilience.
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The Council has either completed or is actively progressing a range of actions to ensure that the Council's Financial position remains sustainable in the long term which should provide the knock on benefit of supporting a positive value for money conclusion from the Audit Commission in respect of the 2010/11 financial year and beyond.

The outcomes from the various strands of work will form part of the Financial Strategy process with reports and forecasts presented to members as appropriate during the course of the year.

RECOMMENDATIONS

That the Audit Committee considers and notes the Audit Commission's approach to determining a conclusion on the Council's value for money arrangements for 2010/11 and the corresponding actions completed or currently being progressed within the Council.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The existence of sound governance, internal control and financial management practices and procedures are essential to the delivery of the Corporate priorities supported by effective management and forward planning within this overall framework.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

Although there are no significant financial implications directly associated with the value for money approach, the financial implications and other resources will be considered in within the Council's overall financial planning and governance frameworks.

Risk

The Council's activities associated with securing economy, efficiency and effectiveness in its use of resources is at the core of everything it does. Proportionate and appropriate actions against this backdrop are required to deliver a sustainable and balanced financial position along with robust governance arrangements to protect and enhance the Council's reputation and its ability to successfully engage with its customers and partners.

LEGAL

The arrangements to secure value for money reflect the requirements and responsibilities of the Council.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications from the report although consideration will need to be undertaken where relevant against the range of actions being progressed.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

Up to 2009, the formal reporting of the Council's value for money conclusion was included in the Annual Governance Report issued by the Audit Commission in September which also included the opinion on the Council's Statement of Accounts following the associated audit. The conclusion was based on the achievement of a minimum standard against the outcomes from the wider Use of Resources Assessment as part of the overall Comprehensive Area Assessment. The now abolished Use of Resources Assessment was a scored judgement that took into account a range of themes including Managing Finances, Governing the Business and Managing Resources. Within each theme there was a number of Key Lines of Enquiry (KLOE). Each item was scored and an overall score awarded. The Council scored 3 out of 4 in the last formal assessment in 2009.

In respect of the 2009/10 value for money conclusion, given the timing of the abolition of

the Comprehensive Area Assessment and Use of Resources Judgement and the need to report to the Council, it was both practical and expedient for the Audit Commission to base the judgement on the existing Use of Resources criteria rather than introduce a new set of criteria late in the process.

However in respect of the 2010/11 value for money conclusion, the Audit Commission has set out the following revised criteria against which the Council will be assessed:

- The organisation has proper arrangements in place for securing financial resilience.
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

These new criteria are set against the most significant cuts faced by the Public Sector in recent times and the inherent risks in ensuring the Council continues to maintain a sustainable financial position and maintains services and effectiveness with reduced funding.

Further details are set out in **Appendix A** along with activities undertaken or currently in progress against each of the two revised criteria. This demonstrates that the Council is actively progressing a range of actions to ensure that the Council's finances remain robust and sustainable set against the background of the need to continue to deliver on its priorities.

Delivering and monitoring of the actions highlighted is a significant and key element of the Council's work in 2011/12 and beyond. This should provide the knock on benefit of supporting a positive value for money conclusion from the Audit Commission in respect of the 2010/11 financial year and beyond.

The outcomes from the various strands of work concerning the financial position of the Council will form part of the Financial Strategy and budget setting process with reports and forecasts presented to members during the course of the year as appropriate.

Similarly to last year, the formal value for money conclusion will form part of the Annual Governance Report that also includes the opinion on the Statement of Accounts that will be presented to the Committee at its September 2011 meeting.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

APPENDIX A - 2010/11 Value for Money Criteria and Activities being undertaken by the Council.

APPENDIX A

2010/11 VALUE FOR MONEY CRITERIA AND ACTIVITIES BEING UNDERTAKEN BY THE COUNCIL

VFM Criteria	Actions Completed / In Progress
<p>• The organisation has proper arrangements in place for securing financial resilience.</p> <p>The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to ensure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>In readiness for a tough financial settlement from 2011/12 onwards a Financial Strategy timetable and actions within an austerity plan were considered by Cabinet in June 2010. A number of strands of work were agreed:</p> <p>1) Preparation of a financial forecast to assess the expenditure pressures on the Council and the likely level of income and grant that could be available - Financial Forecasts were undertaken throughout the Financial Strategy process and updated as appropriate as the Financial Settlement from the Government became known. A balanced budget for 2011/12 has been set and the latest forecast for 2012/13 to 2014/15 was included within the Budget Report to Council on 8 February 2011, which set out a budget deficit of £4.4m over the period to 2014/15.</p> <p>2) A review of the 2010/11 budget to determine if there are any areas for reduction and to ensure that the budget is robust, appropriate and focused on those areas that are priorities for the Council – Similarly to last year, budget review meetings were held between Heads of Service and Portfolio Holders where net savings of £407,000 were identified and included in the 2011/12 budget. These budget review meetings along with a further review of the budgets identified additional in year net savings of £1,141,870.</p> <p>Additional savings and income items totalling £677,000 were identified as part of Cabinet’s final budget proposals to Council.</p> <p>3) Consideration of longer term actions to be included in the Austerity Plan including looking at options for reductions in the Council’s overall budget.</p>

At its 10 November 2010 meeting, Cabinet agreed a Tending Spending Review Delivery Plan. This included a range of actions to support the Council in delivering a sustainable budget in future years. Work remains on-going with progress monitored via Heads of Service and Management Team.

An organisational review has recently been launched with the first stage looking at the high level structure within the Council. Fundamental Service Reviews are planned for 2011/12 to 2012/13 supported by a dedicated officer to support the transformational agenda.

Continuous improvement to the Budget Monitoring Process remains with a number of changes to the information presented to Members that provides a clear focus on relevant areas of the budget.

An Austerity Reserve was set up in 2010/11 following reviews of areas of spend including the prioritisation of projects and schemes. This overall approach also enabled the 2011/12 budget to be supported from a limited level of reserves to enable longer term planning rather than short term decision making that proves poor in the long term.

A 'Fit for Purpose' budget totalling £2,376,000 in 2011/12 has been established to support the Council in delivering the organisational review along with the broad range of activities highlighted above to ensure a sustainable and balanced budget is achieved in future years.

Revised financial forecasts will be undertaken as part of the 2012/13 Financial Strategy Framework that will get underway in 2011/12.

The Council's S151 Officer is a member of Management Team

Regular staff bulletins are provided by the Chief Executive providing updates on relevant activities within the Council. A number of meetings have also been undertaken with staff to ensure a consistent message is provided and that opportunity for questions is provided.

- **The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity:

The Council engaged in a new way of consulting on its budget proposals for 2011/12. This provided an interactive tool for residents where feedback could be provided on areas of Council spending and income including fees and charges and options for efficiencies. Outcomes from this action were considered as part of the budget setting process for 2011/12. The outcomes will also form part of future decisions making which will include actions emerging from the Fundamental Service Reviews to be undertaken across 2011/12 and 2012/13.

A review of the future provision of Sports and Leisure Facilities is currently in progress with consultants engaged to identify and investigate various options and opportunities available to the Council.

The Council engages with opportunities for collaborative procurement as a member of the Procurement Agency for Essex and involvement with Essex wide initiatives as appropriate.

The Council has demonstrated a readiness and capacity to manage change with the organisational review now underway and the recruitment of a dedicated officer (funded by external grant) to manage the transformational agenda as previously highlighted above.

Following discussions, the Council is now working closely with the Government to deliver against the Big Society Initiative. This is backed by a £500,000 Big Society Budget identified by the Council to support initiatives and activities as they are identified or emerge with engagement with the voluntary and community sector.

A Suggestions Scheme was launched within the Council in 2010/11 with the aim of seeking ideas from officers on how the Council can do things differently and where savings or efficiencies can be made. A significant number of responses have been received which are currently being reviewed and will form part of the overall actions undertaken as part of the Tendring Spending Delivery Plan.

As previously highlighted a significant activity to support the identification of opportunities for

increased efficiencies and productivity will form part of the Fundamental Service Reviews planned for 2011/12 to 2012/13.

The Council responded to the call for increased transparency from an early stage and has been active in providing expenditure information including salary details on a regular basis via its website.
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Other wider actions in respect of value for money include the Council's governance arrangements such as Ethical Governance which was the subject of a separate report presented to the Committee at its December 2010 meeting. The report set out a project plan that has been agreed in consultation with the Audit Commission and includes a number of actions before and after the local elections in May, with review and progress being monitored by the Standards Committee.