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REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	20 OCTOBER 2005	CATEGORY: DELEGATED
REPORT FROM:	DEPUTY CHIEF EXECUTIVE	OPEN:
MEMBERS' CONTACT POINT:	STEVE POWELL (Extn 5822)	DOC: s:\cent_serv\committee reports\finance and management\2005\20 october 2005\use of resources - vfm.doc
SUBJECT:	USE OF RESOURCES JUDGEMENT - VALUE FOR MONEY ELEMENT	REF: SP
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

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## 1.0 Recommendations

- 1.1 That the improvement panel consider the implications of the value for money assessment.

## 2.0 Purpose of Report

- 2.1 To consider the value for money (vfm) element of the use of resources judgement submitted to the Audit Commission and key issues arising there from.

## 3.0 Executive Summary

- 3.1 The vfm section of the use of resources judgement has been submitted to the Auditors in the prescribed format and within stipulated time limits.
- 3.2 The submission demonstrates that the Council is a low spending authority with an around average council tax providing good performance where 40% of BVPI's are upper quartile.
- 3.3 The key messages for the Council to take from the report are that there is a need to:
- Review non growth expenditure
  - Create a value for money focus within the Council
  - Implement procurement policies, practices and procedures

## 4.0 Detail

- 4.1 The use of resources judgement assesses how well the Council manages and uses its financial resources. It is an ongoing annual assessment carried out by the Audit Commission. The likelihood is that this judgement will be a prominent element of the new CPA framework for all Councils from 2006.

- 4.2 The value for money (vfm) section of the judgement (see Annex A), which is a self-assessment exercise, was supplied to the auditors by the required date of 30 September. The remaining financial section is required by 30 October this year.
- 4.3 Auditors will evaluate the submission and also carry out a two-week inspection at the Council Offices in November. A final scored judgement is expected in March 2006.
- 4.4 Five key lines of enquiry (KLOE's) or themes will be followed by auditors in order for a scored judgement to be reached. Each theme is scored 1 – 4 with 1 being inadequate and 4 indicating that a Council is performing strongly, the five themes are:
- Financial reporting
  - Financial management
  - Financial standing
  - Internal controls
  - Value for money

The remainder of this report deals with the value for money submission.

- 4.5 The vfm theme poses two main questions that the Council must address:
- How well does the Council achieve value for money?
  - How well does the Council manage and improve value for money?

In terms of the scored judgement, the first question contributes more to the overall outcome than the second.

- 4.6 In undertaking the self-assessment use must be made of vfm profiles developed by the Audit Commission for all councils. The profiles have been compiled from a range of data sets, including those supplied by this Council. With these profiles vfm comparisons can be made between all other district councils or alternatively with selected groups of councils who have similar characteristics.

#### Key Messages

- 4.7 An overview perspective from a vfm standpoint suggests that the Council has a broad corporate framework in place, the main elements of which include the community strategy, the corporate plan, financial strategies and the best value performance plan. Value for money is currently achieved through a variety of mechanisms including partnerships, procurement and financial management.
- **The main issue for the future is to establish a clear value for money focus**
- 4.8 When the Council's position is compared to the vfm profiles of other authorities there are some areas of expenditure that vary from the low spend trend e.g.
- Housing services
  - Central over heads

- 4.9 The higher spending in housing may be attributable to comparisons with councils who have not retained their stock and where the stock has been retained, the relative number of houses in the property portfolio. Further analysis in this area is required.
- 4.10 High levels of un-apportioned overheads may be attributable to the treatment of pension commitments made in accordance with FRS17.
- 4.11 Among the local factors that influence vfm are the growth of the district, pockets of deprivation and the rural nature of the area. Resources are directed to these areas out of either necessity or by a deliberate policy choice. The overall effect is to contain growth within budgets and to fully evaluate service developments. Expenditure and policy decisions contained in a range of strategies and plans influence and set parameters within which expenditure choices are made. The situation is helped by the Council being effectively debt free. The resultant effect is that Council costs are comparatively low and where performance results in 40% of BVPI's in the upper quartile range.

- **The key message here is the need to review non growth expenditure**

- 4.12 Value for money has been improved through the monitoring of capital and revenue budgets and human resource policies such as the sickness absence-monitoring scheme. Over the past three years vfm has been achieved through:

- Financial management
- Partnering
- Procurement
- Best value reviews

- 4.13 Following an examination of Council spending patterns, more development of the many facets of procurement will need to be undertaken so that they incorporate value for money principles.

- **Procurement policies, procedures and practices need to be implemented**

## **5.0 Financial Implications**

- 5.1 Vfm has the potential to produce substantial cost savings within the Council and is closely linked to the Gershon efficiency agenda.

## **6.0 Corporate Implications**

- 6.1 The issues raised must be addressed not in isolation but in conjunction with other corporate areas as they have a direct impact on any future CPA.

## **7.0 Community Implications**

- 7.1 Following effective vfm policies in conjunction with other initiatives will improve services to the community.

## **8.0 Conclusions**

- 8.1 As the submission suggests, compared to other councils we are low spending with average levels of council tax, delivering good service performance, which however can be improved. The self-assessment identifies an opportunity to improve value for money across the Council.

## **9.0 Background Papers**

- 9.1 Audit Commission vfm guidance and council profiles