

# VALUE FOR MONEY SELF-ASSESSMENT

## PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

20TH JULY, 2006

### Wards Affected

None.

### Purpose

To approve the Council's updated Value for Money self-assessment prior to submission to the Audit Commission by 31st July, 2006.

### Key Decision

This is not a Key Decision.

### Recommendations

**THAT the draft Value for Money self-assessment attached at Appendix 1, delegating authority to the Director of Resources in consultation with the Cabinet Member (Resources) for any final amendments, be approved.**

### Reasons

Having scored 3 (out of a possible 4) for the Key Line of Enquiry (KLOE) on Value for Money (VfM) in the 2005 Use of Resources assessment, the Council is only required to submit an update of our existing self-assessment for 2006. Councils that scored a 1 for this KLOE have to submit a new self-assessment for 2006.

### Considerations

1. The draft VfM self-assessment update has been prepared in accordance with the guidance provided by the Audit Commission and is attached at Appendix 1. The self-assessment can be fine-tuned if further relevant evidence emerges following discussion at Cabinet as the final submission date is not until the 31st July, 2006.
2. The Audit Commission guidance suggests we concentrate on highlighting any areas that have changed sufficiently in our opinion for our auditor to reassess the arrangements in place.
3. The key principles that underpin the Audit Commission's approach to assessing the VfM KLOE are that:
  - they will judge VfM from a community-wide perspective rather than that on individual service users;

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Further information on the subject of this report is available from Andrew Tanner, Assistant County Treasurer on (01432) 260162

- they will look at gross costs as net costs can mask high spending if income is also high;
  - costs alone do not reflect value; local context and quality of service need to be taken into account, not just immediate costs in arriving at VfM judgements;
  - full long-term costs and benefits should be taken into account, not just immediate costs;
  - numerical data on costs and performance provide a starting point for questions;
  - VfM judgments need to allow for local policy choices about priorities and standards of service;
  - Judgments should address current performance in achieving VfM and how well VfM is managed and improved over time and the extent to which a long-term approach is taken; and
  - Judgements should rely primarily on evidence of outcomes achieved and the effectiveness of activity to improve VfM.
4. There are 2 headings within the KLOE on VfM:
- how well the council currently achieves VfM; and
  - how well the council manages and improves VfM.
5. The Council has the opportunity to provide an overview of how its costs compare with others under the first heading – current achievement of VfM. Explanations should be given where costs are out of line with the all England comparison and the Chartered Institute of Public Finance & Accountancy ‘nearest neighbour’ group. The Audit Commission provides a web-based VfM toolkit to make this exercise easier. The questions in the KLOE are designed to take the Council from describing costs to value through the following steps:
- **Step 1** – describe the overall financial context, homing in on what costs are and how they compare;
  - **Step 2** – describe how external factors affect costs, such as having a disproportionately high older population;
  - **Step 3** – describe how factors within the council’s control affect costs, such as local choices about the range of discretionary services provided or the standard of service to be provided;
  - **Step 4** – describe how the council’s own priorities affect costs.

6. Under the second heading – managing and improving VfM – the Council has the opportunity to provide an overview about how it systematically sets out to secure improving VfM across all services. Councils need to be able to demonstrate it has good processes, good commitment from all service managers and good evidence of a VfM culture. The opportunity will therefore be taken before submission to include as much evidence to show that VfM is a core part of Herefordshire's financial management culture.
7. The draft Medium-Term Financial Management Strategy approved by Cabinet on 13th July, 2006 sets out the overall approach to efficiency review and improving VfM in Herefordshire. The MTFMS will be provided as supporting evidence to our VfM self-assessment update.
8. Councils are required to submit their 2005/06 backward look Annual Efficiency Statements with their self-assessment update for 2006.
9. The Audit Commission will report on its VfM judgement and overall Use of Resources score in November / December.

## **Risk Management**

The Council's VfM self-assessment is important for its reputation. The draft update was prepared in consultation with accountancy staff and finance managers across the Council to ensure the evidence of progress since the baseline self- assessment in 2005 has been gathered and accurately presented for inspection. A robust submission is essential to at least maintaining our current VfM score of 3 and is important as it helps relieve the burden of future inspection.

## **Consultees**

Accountancy staff and finance staff supporting Directorates.

Chief Executive.

Cabinet Member (Resources).

## **Background Papers**

Background papers are held in the Resources Directorate.