

# The additional Value for Money Report for Mid Devon District Council

**Year ending 31 March 2016**

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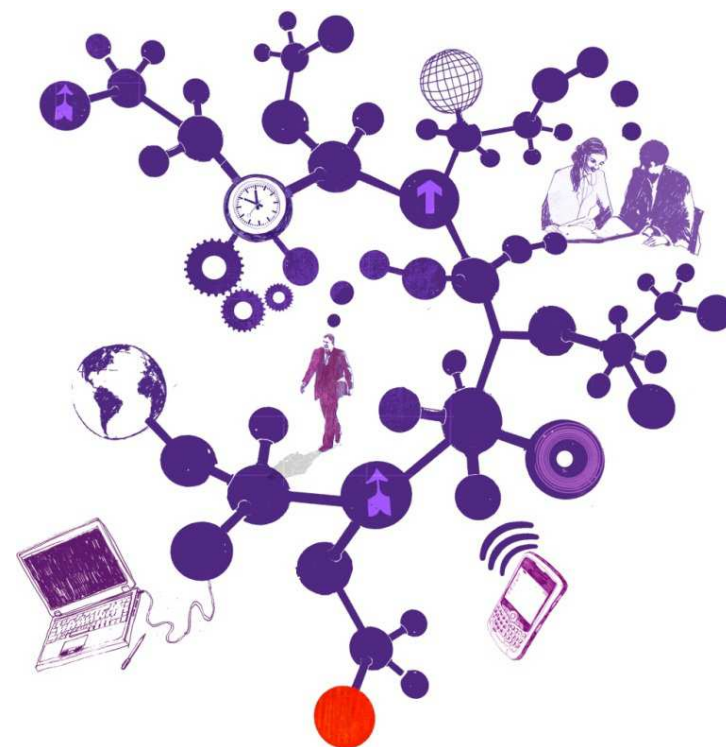
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## Section 3: Value for Money

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## **Executive Summary**

### **Background**

This report has been provided to you in addition to our statutory requirements as by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code'). We are required in the Code to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place. We do this by undertaking an initial risk assessment and focusing upon these risks. These risks and the resultant work have been recorded in the Audit Findings Report.

This report is in addition to the Audit Findings Report and provides detailed commentary on all value for money criteria, not just those areas that we reviewed as part of our risk assessment.

## Value for Money key findings

We set out below our key findings against the key criteria.

VfM criteria	Findings and conclusions	
<b>Informed Decision making</b> Acting in the public interest, through demonstrating and applying the principles and values of sound government	<p>The council has in place:</p> <ul style="list-style-type: none"> <li>a Code of Corporate Governance which is consistent the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The code is reviewed annually by Audit Committee.</li> <li>a Community Engagement Strategy which outlines how the Council will consult with its citizens and includes a timetable for consultations throughout the year.</li> </ul> <p>The Council governs itself through a structure of Committees. All Committee meetings are open to the public and are recorded and put on the website., It has adopted a Constitution which sets out how it operates, and assigns clear roles and responsibilities for decision making bodies and individuals within the Council.</p> <p>The Council's Annual Governance Statement sets out the arrangements and assesses the effectiveness of it's governance arrangements, Identifies weaknesses and sets out action plans to address these. These are reported to Audit Committee and actions monitored until complete.</p> <p>All the expected governance arrangements are in place.</p>	Green
<b>Informed Decision making</b> Understanding and using appropriate and reliable financial and performance information (including where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	<p>The Financial Regulations 2014 are part of the Council's Constitution and provide a framework for managing the Council's financial affairs.</p> <p>Financial monitoring reports are presented to the Cabinet each month. The Council monitors its performance using the quarterly performance and risk report . The report is discussed at length at each Audit Committee. The report updates each corporate risk and sets out performance against internally set Performance Indicators.</p> <p>The Performance Report details a complete range of performance indicators with year on year comparisons and the agreed targets. This allows members to see the performance of each service and to monitor how the service is performing in year, against previous years and against an agreed target. Commentary is provided by the Indicator owner on the performance.</p> <p>The Council undertakes little external benchmarking, but does benchmark the costs of the highest cost services (waste and leisure) and is looking to make this process more corporate wide during 2016/17. Some of the Council's performance indicators reference national targets.</p> <p>The Council uses appropriate and reliable financial and performance information</p>	Green

**Value for Money key findings (continued)**

VfM criteria	Findings and conclusions	
<b>Informed Decision making</b> Reliable and timely financial reporting that supports the delivery of strategic priorities.	<p>The Council has a medium term financial plan (MTFP) that is updated each Autumn . This sets out the budgeted position over the five years, current year and four projected years. This is supported by a detailed annual budget agreed as part of Council Tax setting in January each year. The MTFP and budget are aligned with the Corporate Plan, which was approved in February 2016.</p> <p>Financial monitoring reports are presented to the Cabinet each month. These reports cover both the General Fund (GF) and Housing Revenue Account (HRA), together with the capital programme; and comprises a summary narrative report with two detailed appendix schedules (one for GF &amp; HRA and the other for capital programme). The reporting focuses on budget variances over £10k. The reports are up to date and report on the previous completed month at the point the papers are issue (i.e. 11 Feb meeting had budget monitoring to 31 Dec, with papers being issued 2 weeks ahead of meeting date).</p> <p>The schedule of capital programme is by individual project (showing, spend to date, committed amounts, slippage to subsequent financial year and forecast over/under spends with notes). The reports show spend against the full project budget rather than the annual expected spend.</p> <p>The Committee report procedure requires that reports going to Committee must go to Internal Audit for Data Quality checking prior to the agenda going out.</p> <p>The Council has reliable and timely financial reporting that supports the delivery of strategic priorities.</p>	<b>Green</b>
<b>Informed Decision making</b> Managing Risks effectively and maintaining a sound system of internal control.	<p>The Council has a Risk and Opportunity Management Strategy, which is updated annually and clearly outlines the roles and responsibilities within the Council for Risk Management as well as the Risk Management process. All reports to the Cabinet, Scrutiny Committee, Audit Committee, Policy Development Groups and Regulatory Committees include a risk and opportunity assessment.</p> <p>The Council's Cabinet, Policy Development Groups, Audit Committee and Scrutiny Committee receive quarterly reports on the key business risks and opportunities and takes action to ensure that business risks and opportunities are being actively managed. Each service and peach project maintains its own risk register. This ensures that risk is managed at all levels of the Council and the Corporate risks are presented quarterly in the quarterly performance and risk report</p> <p>Internal Audit plans are discussed and agreed by the Audit Committee. Both Internal Audit and the Audit Committee undertake an annual self-assessment which is discussed by the Audit Committee</p> <p>Although the Audit Team Leader presents summarised audit findings at each committee, all reports are circulated to the audit committee and can be discussed in the meeting. Internal Audit plans have been substantially delivered with some agreed amendments in the year</p> <p>Audit Team Leader's opinion was presented to the Audit Committee at its May meeting. the opinion reads: "generally the systems reviewed contained a satisfactory level of internal control, achieved their desired objectives and complied with the requirements of the Financial and Contract Procedure Rules as laid down in the Council's Constitution."</p> <p>The Council manages risks effectively and maintains a sound system of internal control.</p>	<b>Green</b>

**Value for Money key findings (continued)**

VfM criteria	Findings and conclusions	
<p><b>Sustainable resource deployment</b> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain strategic priorities.</p>	<p>The Council has an MTFP that is updated each Autumn . This sets out the budgeted position over the five years, current and four projected and was presented to members in October 2015. The annual budget and the updated MTFP are monitored and reviewed by management team and subsequently by members. Service managers and supervisors are involved in the first round of identifying savings.</p> <p>The main purpose of the MTFP is to show how the Council will strategically manage its finances over the next 5 years, in order to support the delivery of the pledges/objectives detailed in the Corporate Plan. The MTFP requires an annual update and this undertaken in Autumn each year, with the process starting in early summer.</p> <p>The MTFP provides a financial model which forecasts the cost of providing Council services over a rolling 5 year period, together with an estimate of the financial resources that will be available. This model provides an early warning mechanism if there is a significant budget gap between estimated costs and resources.</p> <p>The starting base for the MTFP is the 2015/16 approved budget, this is then adjusted for any supplementary estimates approved by the Council or any significant budget variances identified in the monthly budget monitoring report to the Cabinet and Policy Development Groups, which detail material budget variances and forecast a year end position . The budget and MTFP are aligned with the Corporate plan which was last revised in 2015.</p> <p>The budget monitoring report are presented monthly to the Cabinet and Policy Development Group meetings and is drawn up to report the latest month end position.</p> <p>The Council plans its' finances effectively to support the sustainable delivery of strategic priorities and maintain strategic priorities.</p>	<p><b>Green</b></p>

**Value for Money key findings (continued)**

We reviewed the Council's MTFP and savings plans, and discussed the projected plans with management	<p>The Month 12 Out-turn report was presented at the May Cabinet meeting and the financial position is reported to Cabinet at each meeting. The financial statements show a net overspend of £169k for 2015/16.</p> <p>The MTFP shows an overall deficit on GF totalling £3.3m over the life of the plan, meaning GF reserve would be overdrawn by £952k by the end of 19/20. The deficit for forecast for 2016/17 is £508k, which increases annually peaking at £1.2m in 2019/20. The MTFP Capital Programme is balanced until 18/19 but has £3.1m deficit for 2019/20.</p> <p>The 2016/17 budget has been balanced with a temporary £326k transfer from NHB reserve. Work on strategic planning for delivering balanced budgets in the future to be commenced with the new corporate plan.</p> <p>Presented in October 2015 this shows a cumulative deficit of £3.3m over the five year period. Management have identified potential service savings of £1,811k which could be delivered over the next 4 financial years. The General Fund Balance stands at £2.2m at the 31 march 2016.</p> <p>The Council has identified the extent of savings required for the next four years and has already identified areas of savings that address the majority of the shortfall. The Council has shown that it can manage the savings process and has a good record of identifying and delivering savings. However, it shouldn't be underestimated that the delivery of the MTFP will be challenging for the Council.</p>	Amber

**Value for Money key findings (continued)**

VfM criteria	Findings and conclusions	
<b>Sustainable resource deployment</b> Managing and utilising assets effectively to support the delivery of strategic priorities.	<p>The Council has an Asset Management and Capital Strategy Plan (AMP) which was last presented to March 2016 Cabinet meeting but was deferred until the next meeting for further info to be added.</p> <p>The AMP identifies principles to improve and regularly review services and establish future methodologies for the creation of a fit for purpose property portfolio for the Council, which is required to be effective and efficient. The Corporate Plan objectives can directly impact on the property from which the Council operates and the investment decisions they make. The governance and review process defined within the AMP ensures these priorities are considered during the decision making process.</p> <p>Progress will be monitored by providing quarterly updates using highlight reports to the Capital Strategy Asset Management Group (CSAG). The AMP also contains performance measures which will be subject to annual reporting to the CSAG, beginning in May 2016. They measure the fitness and efficiency of our estate and are expected to be benchmarked against similar public bodies via the CIPFA methodologies</p> <p>Asset management plan was updated in March 2016 (DRA09). To ensure the best use of resources the Council's assets are linked to the delivery, vision and priorities of the Council. The Council aim is to manage its land and property assets so that they have a direct impact on the quality of services delivered as well as maximising the value derived from the assets.</p> <p>An example of the Council's active asset management was the acquisition, in 2014/15, of a portfolio of town centre shops to directly support its economic development objectives and to support the sustainability of the Tiverton Town centre.</p> <p>The Council actively manages and utilises its assets</p>	Green
<b>Sustainable resource deployment</b> Planning, organising and developing workforce effectively to deliver strategic priorities.	<p>The Council updated its workforce plan in 2015, including updating the HR policy objectives . The Council maintains detailed structure charts, which are kept under review to ensure that they remain appropriate and can be supported within departmental budgets.</p> <p>As part of the objective to realise savings. Vacancies are managed closely and recruitment or replacement decisions need management approval.</p> <p>The Council has a training and development programme which is directly linked to its Appraisal process, and a published pay policy. The Council is conducting a corporate skills audit which will help identify where skills are needed currently and what skills gaps exist in the workforce. The Council will undertake a corporate skills audit once the new Learning and Development L&amp;D officer starts.</p> <p>The Council maintains a fair and transparent job evaluation scheme to provide an objective and measurable method of determining staff pay. This recognises the variety of skills, knowledge and attributes that staff bring to their respective roles. The Council will be undertaking a review of its Job Evaluation scheme over the next 12 months.</p> <p>Mid Devon District Council is working with other local authorities to achieve the best result for the community of Mid Devon, In doing so it seeks to give staff the opportunity to make use of their existing skills and knowledge as well as developing new ones.</p> <p>The Council plans, organises and develops its workforce effectively</p>	Green



**Value for Money key findings (continued)**

VfM criteria	Findings and conclusions	
<b>Working with partners and other third parties</b> Working with third parties effectively to deliver strategic priorities.	<p>The Council has undertaken some joint working with other Council's e.g. Building control with North Devon Council. However, the Council has not considered that benefit has accrued from all such relationships. With limited resources all local authorities are now looking at new and innovative ways to work with partner organisations and other local authorities, and Mid Devon is beginning to further explore these opportunities.</p> <p>The Council has started to widen its consideration of partnerships and joint working and is investigating partnerships to cover strategic planning (Devon Economic development group). In the Council's HR Strategy there is a commitment to support staff in working with other local authorities to achieve the best result for the community of Mid Devon, to give staff the opportunity to make use of their existing skills and knowledge as well as developing new ones.</p> <p>The Council has always worked with local groups, charities and voluntary agencies to help deliver its priorities.</p> <p>The Council has started to increase its working with partners to deliver its strategic priorities.</p>	Green
<b>Working with partners and other third parties</b> Commissioning services effectively to support the delivery of strategic priorities.	<p>Mid Devon currently have not adopted the approach of commissioning services.</p> <p>The Council's contracts process is now managed using the Pro Contract software, through the <a href="http://supplyingthesouthwest.org.uk">supplyingthesouthwest.org.uk</a> procurement portal.</p> <p>Mid Devon DC is part of the Devon Procurement Partnership (DPP). Through collaboration with these organisations, DPP aims to share knowledge, expertise and best practice, and maximise Devon's purchasing influence.</p> <p>The Council's procurement processes were reviewed in 2015/16. The conclusion from the 2015/16 Internal Audit report states "there are a number of weaknesses. The Council needs to ensure that it gets value for money from all the suppliers it regularly uses, but who are not necessarily on a contract. Therefore supplier spend needs to be monitored to establish if the Council is paying any suppliers over the £50k limit where a contract would normally have to be in place" however the overall opinion of the auditor is that the Contracts system is adequately controlled</p> <p>The Council does not commission services externally,</p>	Amber

**Value for Money key findings (continued)**

VfM criteria	Findings and conclusions	
<b>Working with partners and other third parties</b> Procuring supplies and services effectively to support the delivery of strategic priorities.	<p>Contract procedure regulations are in place as part of the Council's Financial Regulations. These Contract Procedure Regulations apply to all contracts made and to all orders placed by, or on behalf of the Council for the procurement, hire and commissioning of goods, services and works including where the Council is acting on behalf of public bodies. It is the responsibility of the Procurement Team to maintain a contract register of all contracts awarded on behalf of the Council.</p> <p>The Council has developed a procurement process and the Council is part of the Devon Districts Procurement Partnership. The service was reviewed by Internal Audit in 2015/16 who concluded " it is the overall opinion of the auditor that the Procurement system is poorly controlled at this time. "</p> <p>The Council has a contracts policy and procedures in place, however Internal Audit have identified some areas for improvement.</p>	<b>Amber</b>



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