

VFM: Management Self-Assessment

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Name of individual completing this form: D Catlow, Asst Director Finance

This self-assessment helps ensure both auditor and organisation are familiar with and understand the potential risk factors that may lead to additional audit work and reporting. We will perform our own risk assessment and triangulate our findings against this self-assessment.

At this stage, we are not seeking detailed commentary or explanations of any mitigating controls etc. For example, where the medium-term financial plan includes material levels of savings yet to be identified this is a risk indicator that we will follow up.

It is management’s choice whether to present a version of this paper to Audit Committee.

The National Audit Office’s guidance notes are available here: <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

Risk indicators - do any of the following apply?

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
Organisational change or transformation, including mergers or local authority reorganisation	Y	The Council, along with its neighbouring authorities, Nottinghamshire, Notts City and Derby City secured an East Midlands Devolution Deal which will provide a guaranteed funding stream of £38m per annum for 30 years. The creation of EMCCA means that the authorities continue as they are now, with the mayor and combined authority focusing on wider issues like transport, regeneration and employment across both cities and counties.	N	Chris Henning
Outsourcing, or transfer to alternative delivery models, e.g. formal partnerships, mutual, social enterprises, joint ventures, or transferring services and functions back in-house/insourcing etc	Y	<p>The Council's cleaning, caretaking and property design services transferred to two new joint venture companies Vertas Derbyshire Limited and Concertus Derbyshire Limited on 1 September 2020. In addition, on 1 February 2022 Programme and Projects management staff TUPE'd to CDL.</p> <p>The council intends to refresh its partnerships database and partnerships protocols during 2024/25</p>	N	Janet Scholes

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Major (new) capital projects	Y	<p>Major regeneration pipeline is in place which is regularly reported to Cabinet. Examples include £160m Chesterfield Staveley Regeneration Route and £56m South Derby Growth Zone.</p> <p>The Council has invested in a Waste treatment facility in Sinfin, Derby</p>	N	Chris Henning
Commercial activities, such as investment or trading, where the organisation has not considered the risks and benefits and is not managing those risks	N	The Council does have a number of traded services but these are all well established and have operated for some time.		
Debt restructuring, especially where this involves entering into unusual or complex forms of new borrowing, or is being used to finance unusual or complex schemes	N			
Legislative/policy changes requiring a body to take on a significant new function(s)	N			
<p>Commercial property investment:</p> <p>If the Authority holds significant levels of commercial properties held for investment purposes, were these funded through borrowing or internal resources?</p> <p>What is the MRP/VRP policy on these properties?</p> <p>What was the purchase cost vs most recent valuation?</p> <p>Does the Council hold a reserve to cover movement in valuation and/or void periods – if so, for what value?</p>	N	<p>The Council owns a number of commercial units which are produce rental income, but this is not considered to be significant at a Council level. These assets were acquired to drive regeneration and job creation and are held as operational assets on the balance sheet, subject to MRP in line with the Council's MRP policy for all operational land and buildings.</p>		

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<p>Capital receipt flexibilities: Where the Authority is planning to make use of the flexible capital receipts to support transformational projects: What is the value in 2023/24 and planned for 2024/25? Please provide a copy of the approved plan. How does the Council ensure only approved projects are funded this way?</p>	N	<p>There are currently no plans to make use of capital receipts flexibilities and use capital receipts to fund transformational projects.</p> <p>The Council is currently reviewing its MTFP and will consider all options of funding to help deliver future priorities.</p>		Mark Kenyon
<p>Combined Authorities: Are any of your services being transferred to a combined authority?</p>	Y	<p>EMCCA was established on March 2024, in due course it will assume responsibility for strategic transport functions from DCC</p>	N	Chris Henning

Illustrative significant weaknesses - are you aware of any of the following?

Matter	Yes/No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
Financial sustainability:				
<p>Material levels of unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan</p>	Y	<p>The 2024/25 budget included specific plans to deliver savings. Active monitoring in place against those plans.</p> <p>The County has adopted a Programme Management Approach to deliver of its savings plans and reports to a Savings Delivery Board chaired by the CFO.</p> <p>There remains pressure on Childrens and Adult social care budgets, although work is underway to mitigate these pressures where possible.</p>	Y	Mark Kenyon

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Seeking to make significant use of capital resources to relieve short-term revenue pressures	N			
Significant inconsistencies between budgetary information and the financial position as reflected in the financial statements	N	Not recognised as an issue in previous external audits.		
Financial plans based on key assumptions that are unrealistic, e.g., are over-reliant on uncertain income streams that are significant to the delivery of plan, or not backed by appropriate supporting evidence	N	Budgets have been approved by S151 officers as reasonable. Temporary inflationary pressures over the past two years placed challenges on the assumptions used but the overall approach to setting assumptions is considered reasonable		
Unsustainable planned use of reserves to bridge funding gaps	Y	<p>The Council has, for several years, used reserves to help balance the annual budget, against significant inflationary and pay pressures.</p> <p>The MTFP included in the budget demonstrated a declining reliance of reserves and maintenance of a general reserve at minimum acceptable levels. Achieving this position is contingent upon delivering the financial plan</p>	Y	Mark Kenyon

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Significant unplanned use/reliance on reserves to cover unplanned spending.	Y	<p>See above. For several years, the Council has used reserves identified for budget management purposes to help balance the annual budget, The 2024/25 budget included specific saving actions to deliver and included a reduced level of planned reserve usage</p> <p>Pressure on budgets generally relates to demand led cost pressures in services for Children and Adults and inflationary cost rises over the past two years</p> <p>The 2024/25 budget plans for a reduced use of reserves and for reserve usage to be sustainable within the course of the plan. This is contingent upon delivery of the financial plan</p>	Y	Mark Kenyon

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Persistent failure to meet savings plans or financial targets	Y	<p>Where departments are unable to meet agreed savings targets, they are required to bring forward alternatives. In recent years against significant cost pressure there have been overspends requiring significant use of reserves</p> <p>As part of the budget process for 2024/25 all unachieved savings brought forward were written off and departments required to identify definite plans to balance their budgets</p> <p>A formal savings board has been established to monitor deliver of budget savings for 2024/25 with the process being managed and reported on through the Project Management Office.</p>	Y	All ED's
Governance				
Decision making that is unlawful, or could lead to significant loss or exposure to significant financial risk, or reputational risk such as conflicts of interests	N	The Council has in place robust internal controls and strong governance arrangements. The Governance group meets on a regular basis and there is a regular Head of Paid Service meeting which includes a meeting between the Head of Paid Service, Section 151 Officer and the Monitoring Officer.		

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Serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.	N	The Council has a strong track-record of delivering its accounts on time and with minimal external audit recommendations. The delay in production of accounts for 2023/24 relates to the impact of the implementation of a major system upgrade on the asset accounting module of SAP at year end. These issues are specific to asset accounting and is not expected to repeat in future years.		
Failure to implement or achieve progress on recommendations raised, either as a result of previous external audit recommendations, or those from another regulator or inspectorate	N	No external audit recommendations in PY		
Pervasive and significant weaknesses in internal controls, especially where these have had a significant financial/service-delivery impact or exposed the body to fraud	Y	The report of the Head of Internal Audit to the Audit Committee contained a limited opinion as to the effectiveness of the system of internal control	N	All ED's
A weak or ineffective audit committee that fails to provide appropriate challenge or hold officers and members to account.	N	Training has been provided to Audit Committee members. An action is in place to supplement the Committee with external independent members to provide further expertise and support		

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<p>Significant or repeated departure from key regulatory and statutory requirements or professional standards, such as the CIPFA Financial Management Code, Prudential Code, Treasury Management Code etc. Note that in assessing arrangements, auditors are not expected to test bodies' compliance, for example with the CIPFA Financial Management Code, but evidence of significant failures to comply could be indicative of a significant weakness in arrangements</p>	N	<p>An analysis of compliance with the financial management code was presented to the Audit Committee in September 2022</p> <p>The Council intends to conduct a review of compliance with the Financial Management Code in 2025</p> <p>During 2022 an external assessment was completed by Grant Thornton of the Finance Service across the Council. This has led to a further piece of working being undertaken that will lead to a major redesign of the finance service during 2024 and 2025.</p>		
Improving economy, efficiency and effectiveness:				
<p>Failure to take appropriate action or secure improvement in areas where the body has identified, or a relevant inspectorate or regulatory body has identified, weaknesses in terms of cost/effectiveness or service performance</p>	N	<p>Internal audit recommendations are monitored through to implementation by the audit service. Monthly updates are provided to each Executive Director on the status of recommendations as well as CMT being provided with an overall update through the year. Management complete the tracker to confirm if they have been implemented.</p>		
<p>Significant financial loss or failure to deliver efficiency/performance improvements as expected when working through significant partnerships</p>	N			

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
Significant financial loss or failure to deliver efficiency/performance improvements as expected when managing significant outsourced contracts/services	N			

Do any of the following risk factors apply?

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Informed Decision Making				
High/sudden turnover of those charged with governance (TCWG) or key operating personnel, or over-reliance on individuals. The organisation might be unable to respond appropriately to unplanned changes in the composition of key personnel, leading to loss of resources or reduced performance	Y	CMT consists of experienced officers supported by senior leads. There is a recognition that all Executive Directors are relatively new in post as well as the Council's Section 151 Officer.	N	
Incomplete or inaccurate management information used for decision-making purposes. The organisation might be unaware of or otherwise unprepared for responding to business risks that could materially affect its ability to carry out its functions.	N	The Council's APEX system provides a suite of performance reporting to support decision making which is reported regularly to Members.	N	

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Bodies may need to ensure that any significant decisions about future investment or borrowing plans fully consider the potential for the increased levels of uncertainty that may arise as the UK prepares to leave the European Union. Previously applied parameters applied to scenario planning or sensitivity analysis may need to be revisited	N	The EU deal has minimum risk to the Council.	N	
Sustainable resource deployment				
Absence of an achievable medium-term resource plan that makes appropriate reference to the organisation's position and performance together with consideration of relevant risks. Where such a plan does not exist or is not achieved, the organisation is at increased risk of being unable to deploy its resources sustainably.	N	<p>The Revenue Budget Report 2024-25 sets out details of a revised Five-Year Financial Plan, together with the risks and uncertainties faced over both the short and medium-term.</p> <p>Work is ongoing during 2024/25 to build on the medium-term financial planning process to ensure it is a live document that is congruent with the Councils agreed strategic planning. Risks to achieving the budget and hence plan were set out in the budget document</p>		

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Reduction in surplus or increase in deficit that is either sudden or an ongoing trend, and that is not supported by a viable resource plan. This might be evidenced by depletion of reserves (either planned or unplanned), reallocation of resources to support unbudgeted costs, or unplanned extensions of borrowing. Sustained or excessive budget deficits, where permitted, will limit an organisation's ability to allocate resources strategically and may lead to poorer service outcomes.	Y	Recent years have seen a significant use of reserves. The reserves strategy was approved by Council in February 2024	Y	Mark Kenyon
Significant deterioration in staffing indicators, such as staff survey outcomes, staff turnover, staffing ratios or days lost to sickness, against either historic baselines or comparable bodies. Where significant deterioration in such indicators is apparent it can be a signal that the culture of the organisation is under strain, which could put the organisation's ability to meet its planned objectives at risk.	N	Significant work has taken place in the last few years to engage with employees to understand the well-being of staff and to drive the Modern Ways of Working initiative. Results of the Employee Engagement Survey have been shared with teams and appropriate action plans developed. Significant work is taking place to address recruitment and retention issues. Market supplements are being considered where it is appropriate to do so		

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<p>Postponement or cancellation of capital investment, or clear deterioration of the carrying value of operational assets, that either is or should be recognised in the statutory accounts, such that the organisation's ability to perform its objectives might be reasonably expected to deteriorate as well. Also, delay in capital investment could affect service provision by "sweating" existing assets beyond their useful life. Where the organisation relies heavily on its property, plant and equipment to deliver services, any decline in availability of those assets below that demanded may well be detrimental to outputs and outcomes</p>	N	<p>The Council continues to implement and follow a proactive asset management and rationalisation model.</p>		
<p>Working with partners and other third parties</p>				
<p>An imbalance in partnership working, with one party able to disproportionately direct the culture and outcomes of the partnership. This could in turn lead to additional resources being required to secure partial outcomes, with associated impact on proper arrangements for VFM.</p>	N	<p>The Council ensures all third-party arrangements are supported by robust contractual arrangements with any partnership arrangements being considered in terms of the risks and benefits There is a current proposal for an internal review and update of the Partnership Protocol and database under consideration.</p>	N	
<p>Where significant functions are commissioned or contracted out by the organisation, an absent or unfit framework to cover these arrangements would be likely to present a risk of weaknesses to proper arrangements, where those services are material.</p>	N	<p>As above. In addition, the Councils Financial Regulations and Standing Orders to Contracts ensures robust processes are in place for the letting, maintaining and review of contracts. Arrangements for monitoring spend against contracts need improvement</p>	N	

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A lack of a clear and documented process for letting, maintaining, and reviewing material contracts that is adhered to in practice. Without this the organisation may end up with less than they budgeted for, pay more than budgeted for the same outputs, or may not achieve the required outcomes.	N	The Councils Financial Regulations and Standing Orders to Contracts ensures robust processes are in place for the letting, maintaining and review of contracts. Monitoring of spend against contracts is an issue that requires improvement		
Repeated commissioning from previous service partners without sufficient regard to the market position. While there may be good reasons for maintaining effective partnership arrangements, a default to previous suppliers for each new project may not represent good VFM. Repeat contracting of a monopolistic supplier may both increase the unit cost of the contract and constrain alternative options when the contract is relet.	N	As above		

VFM Arrangements – initial document requests

Document	If not uploaded – weblink to public document
Annual Budget (including capital / HRA etc) and Medium-Term Financial Strategy approved for 2023/24	https://democracy.derbyshire.gov.uk/documents/s19049/2023%2001%2030%20Council%2015.2.23%20Revenue%20Budget%20Report%202023-24%20v1.2%20for%20Mod%20Gov.pdf
Annual Budget (including capital / HRA etc) and Medium-Term Financial Strategy approved for 2024/25	https://democracy.derbyshire.gov.uk/documents/s23718/Revenue%20Budget%20Report%202024-25.pdf

Document	If not uploaded – weblink to public document
Financial monitoring outturn for Q4 / End of 2023/24	https://democracy.derbyshire.gov.uk/documents/s25859/Performance%20Monitoring%20and%20Revenue%20Outturn%202023-24.pdf
Financial monitoring position for Q1 2024/25 (if not yet available, please just reference the committee and likely date this would be published)	Cabinet 12 September 2024
Annual Treasury Investment strategy, including MRP policy for 2023/24	https://democracy.derbyshire.gov.uk/documents/s23721/Capital%20Programme%20Approvals%20Treasury%20Management%20and%20Capital%20Strategies%20for%202024-25.pdf
Annual Treasury Investment strategy, including MRP policy for 2024/25	https://democracy.derbyshire.gov.uk/documents/s18890/Capital%20Programme%20Approvals%20Treasury%20Management%20and%20Capital%20Strategies%20for%202023-24.pdf
Strategic Risk register at Q4 / End of 2023/24	<p>2023-24 Q3:</p> <p>https://democracy.derbyshire.gov.uk/documents/s24523/Strategic%20Risk%20Register%20-%202023-24%20Quarter%203%20Update.pdf</p> <p>Risk reports are reported to Audit Committee twice a year now (Q1 and Q3) with any exceptional risks reported in the interim.</p>
Corporate Plan covering 2023/24 and 2024/25	<p>2023-24:</p> <p>https://democracy.derbyshire.gov.uk/documents/s19409/Council%20Plan%20and%20Service%20Plan%20Refresh%202023-24.pdf</p> <p>2024-25:</p> <p>https://democracy.derbyshire.gov.uk/documents/s24619/Service%20Plans%202024-25.pdf</p>
Corporate plan performance monitoring at Q4 / End of 2023/24	https://democracy.derbyshire.gov.uk/documents/s25859/Performance%20Monitoring%20and%20Revenue%20Outturn%202023-24.pdf

Document	If not uploaded – weblink to public document
Any regulatory judgements / inspection letters from Ofsted / CQC made since April 2023	Ofsted inspection reports: https://reports.ofsted.gov.uk/provider/44/80460 CQC Assessments (see Services sections): https://www.cqc.org.uk/provider/1-101668364 Derbyshire County Council: local authority assessment - Care Quality Commission (cqc.org.uk)
Most recent LGA peer review (since 2023 – please put N/A to anything prior to this)	No reports finalised yet for 23/24
Self-assessment against CIPFA FM Code	https://democracy.derbyshire.gov.uk/documents/s16498/Financial%20Management%20Code.pdf