

VFM: Management Self-Assessment

Appendix B

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Name of individual completing this form: Sue Maycock / Lucy Pledge / Dave Simpson

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.

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	Yes	LCC has a Transformation Programme which is in progress. <i>Embed latest programme highlight report (Lucy, to do once audit process complete)</i> Local authority reorganisation is still a possibility for the future. At the moment we are looking for collaborative opportunities with North Lincolnshire and North East Lincolnshire Councils.	 App D3 Strategic risk register - Feb 2021.p	Transformation Programme – James Drury Reorganisation – Debbie Barnes

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
		 Public Agenda Pack - 8 February 2021.pdf Appendix A = Combined Assurance Report including assurance over transformation program		
Outsourcing, or transfer to alternative delivery models, e.g. formal partnerships, mutuals, social enterprises, joint ventures, or transferring services and functions back in-house/insourcing etc	Yes	Nothing current, but work has started on looking beyond the end of the current services contract with Serco, which finishes in March 2024.		James Drury
Major (new) capital projects	Yes	Major road scheme – North Hykeham Relief Road had funding approved by DfT in the current year. The project is not due to start for a couple of years yet, however there will be some preliminary expenditure in the short term. Arrangements are well established for preparing and monitoring the capital programme. The Capital Strategy refers to the affordability of the capital programme, and we have set a voluntary prudential limit on the proportion of capital financing charges to net revenue budget i.e. no more than 10%.		Andy Gutherson
Commercial activities, such as investment or trading, where the organisation has not considered the risks and benefits and is not managing those risks	No	Our trading activities are generally well established and risks are managed. A new company has been set up in 2020/21 for trading legal services, although trading has not yet started. Commercial investment is historic and minimal (see Annex F of Capital Strategy), and our Capital Strategy does not support new commercial investment for profit (see Annex B of Capital		James Drury

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
		Strategy). Our subsidiary companies are: <ul style="list-style-type: none"> • Transport Connect Ltd (trading) • Lincolnshire Futures Ltd (dormant) • Lincolnshire County property Ltd (dormant) • Legal Services Lincolnshire (Trading) Ltd (not yet started trading) • ESPO (jointly owned) • EMPSN (jointly owned)  Capital Strategy 2021_22 Final.docx		
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	No			Andrew Crookham
Legislative/policy changes requiring a body to take on a significant new function(s)	No			Debbie Barnes

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:				
Material levels of unidentified savings/funding gaps in financial planning that would substantially threaten the	No	Medium Term Financial Plan shows a deficit of £6m in 2022/23 and a deficit of £9m in 2023/24. These are not material	Yes – Risk No. 6	Andrew Crookham

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
delivery of the plan		<p>gaps in the context of our overall budget, and we have sufficient reserves to cover them. The Transformation Programme is expected to fill part of the deficit and our future funding assumptions are cautious.</p> <p>Current MTFP assumptions are:</p>  <p>Current MTFP Assumptions extract.</p>		
Seeking to make significant use of capital resources to relieve short-term revenue pressures	No		Yes – Risk No. 6	Andrew Crookham
Significant inconsistencies between budgetary information and the financial position as reflected in the financial statements	No	Generally this is "No", however 2020/21 has been significantly impacted by covid expenditure and grant income, neither of which were budgeted for.	Yes – Risk No. 6	Andrew Crookham
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	No	<p>Medium Term Financial Plan assumptions are prudent / realistic and are reviewed continually throughout the budget process.</p> <p>Our Budget Book 2021/22 includes the S151 Officer's statement on the robustness of the budget and the adequacy of reserves.</p>	Yes – Risk No. 6	Andrew Crookham
Unsustainable planned use of reserves to bridge funding gaps	No	Use of reserves to support future budget deficits is only ever a temporary "cushion" as we transition towards a lower budget.	Yes – Risk No. 6	Andrew Crookham
Significant unplanned use/reliance on reserves to cover unplanned spending.	No	We hold a revenue and a capital annual contingency, which are sufficient to cover unplanned spending.	Yes – Risk No. 6	Andrew Crookham

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
Persistent failure to meet savings plans or financial targets	No	The outturn position has historically always been within budget, and savings plans are generally achieved with only minor exceptions.	Yes – Risk No. 6	Andrew Crookham
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	No	<p>The Council has a Constitution which incorporates the legal requirements relating to Council meetings, procurement, financial regulations, employment of senior staff and the ethical framework. This is reviewed annually regularly by the monitoring officer and a new version of the Constitution approved at the annual meeting. Any amendments are approved at a meeting of the full Council.</p> <p>Financial Regulations were reviewed last year and Contract Regulations were last reviewed 19 February 2021.</p> <p>All decision making reports are required to be reviewed for legality and financial probity. All reports have legal and resources comments on them as a control to avoid acting contra to the statutory framework. The monitoring officer presents an annual report to the Audit Committee.</p> <p>The Council has a Codes of Conduct for employees; it sets out</p>		David Coleman

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
		<p>expected ethical standards and is based on Nolan Principles for standards in public life. New employees are made aware of The Code of Conduct as part of the Council's induction process.</p>		
<p>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.</p>	No	<p>Our performance on closing the accounts and producing the financial statements is historically good.</p>		Andrew Crookham
<p>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</p>	No	<p>There is no evidence that we fail to act on recommendations made by auditors or inspectors.</p>		Andrew Crookham
<p>Pervasive and significant weaknesses in internal controls, especially where these have had a significant financial/service-delivery impact or exposed the body to fraud</p>	No	<p>The Council has in place appropriate internal control arrangements including budget setting and monitoring and outturn reporting against which to consider the reasonableness of financial transactions.</p> <p>Internal Audit delivers a risk based programme, including due diligence work of key financial systems to provide management with assurance about the effectiveness of internal controls in place. The Head of Internal Audit & Risk</p>		Andrew Crookham

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
		opinion assessed the governance, risk and control environment as 'performing adequately' in 2019/20.		
A weak or ineffective audit committee that fails to provide appropriate challenge or hold officers and members to account.	No	The Council has an effective audit committee in place that discharges its role in accordance with good practice. It accounts for its performance to the Council each December.		Andrew Crookham
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, departmental statutory guidance issued to local government and local NHS bodies, 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	No			Andrew Crookham
Improving economy, efficiency and effectiveness:				
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	No			
Significant financial loss or failure to deliver efficiency/performance improvements as expected when working through significant partnerships	No			

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	No			

Do any of the following risk factors apply?

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
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	No	Turnover of TCWG would be linked to the election cycle, but our cohort of elected members has been fairly stable. In 2018/19 and 2019/20 there was a turnover of executive officers at CLT level, but CLT membership has been stable since then.	Yes – Risk No. 7	TCWG - Andrew Crookham Officers - Debbie Barnes
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.	No			
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	No	Our Treasury Management Strategy and our Capital Strategy allow us to respond to emerging economic conditions which may impact on investment or borrowing, as evidenced by the impact of covid on the economy during the last year.		Andrew Crookham

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scenario planning or sensitivity analysis may need to be revisited				
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.	No	Medium Term Financial Strategy considers risk and is supported by the Medium Term Financial Plan Our Budget Book 2021/22 includes the S151 Officer's statement on the robustness of the budget and the adequacy of reserves.	Yes – Risk No. 6	Andrew Crookham
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.	No		Yes – Risk No. 6	Andrew Crookham
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.	No	Staff surveys have been conducted to ascertain the impact on staff of working from home since the first covid lockdown. Staff bulletins have regularly been published which signpost employees to wellbeing material. Webinars have been held for all staff to attend, to discuss the future of Smarter Working, and there has been engagement on this with the trade union.		Andrew Crookham

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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>	No			Andrew Crookham
Working with partners and other third parties				
<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>	No			
<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>	No		Yes – Risk No. 8	James Drury
<p>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</p>	No	Contract management processes have been improved over the past year and this is on-going.	Yes – Risk No. 8	James Drury

Matter	Yes/ No	Comment	Is this included in the Strategic Risk Register?	Lead executive director?
end up with less than they budgeted for, pay more than budgeted for the same outputs, or may not achieve the required outcomes.				
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 re-let.	No	<p>A few of our contracts were extended in 2020/21 due to the pandemic and the temporary relaxation of procurement rules. These are shown in this spreadsheet summary:</p>  <p>Summary of Contracts Extended d</p>	Yes – Risk No. 8	James Drury

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