

Report to: **Executive Committee –**  
Report of: **Joint Report of the Executive Members for Resources and Service Improvement**  
Date: **16<sup>th</sup> January 2007**  
Subject: **Use of Resources – Value for Money**  
Ward: **All**

## **1.0 Purpose of the Report**

1.1 To agree a process for managing and improving value for money (VFM) within the Council's services.

## **2.0 Consultation**

2.1 The report has been considered and agreed by the Management Team and has been communicated to the Corporate Support Team.

## **3.0 Background**

### *Use of Resources Assessment/Annual Audit Letter*

3.1 In 2005/6 the Audit Commission assessed the council in its' Use of Resources covering the following areas: -

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

3.2 In overall terms the Council scored 3 out of a maximum of 4. In our Audit Letter it was stated that overall the Council is judged to be working at above minimum standards and performing well in a number of areas covered by the review. Key strengths were identified in the council's arrangements for:

- Financial reporting
- Maintaining a good financial standing
- Ensuring probity and proprietary
- Maintaining a sound system of internal controls

### *Value for Money Assessment*

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3.3 In terms of value for money the Council was judged has having adequate arrangements for providing value for money (VFM) but needed to review and develop a corporate approach to assessing and improving VFM.

3.4 The assessment identified the following improvements needed to move to the next level.

- Demonstrate sustained improvement in key services
- Develop a corporate approach to assessing and improving VFM.
- Ensure there is an understanding where costs appear to be high in some services.

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- Be clear about the expected outcomes from investment in services to establish benchmarks against which VFM can be measured. In other words identify in advance what is expected to be delivered from the resource allocations and measure whether expectations have been achieved or not.

3.5 It is recognised that in terms of what is expected from both the private and public sector value for money is a high priority for the general public. In terms of the CPA Framework and future Use of Resources inspections, consultation processes indicate that more focus will be given to VFM in future with increased weightings likely to have a bearing on overall scores.

## *Efficiency Agenda/Financial Pressures*

3.6 In the current budget process it has been established that reduction measures are not a viable option in the longer term given the likely efficiency requirements from the pending comprehensive spending review and the recent white paper. All council's will be required to consider sharing services and involving the voluntary sector in future service delivery.

3.7 However implementation of the above approaches will take time and in the interim the Council will still be required to achieve efficiencies. As well as establishing whether VFM is being delivered the proposals in the report will also enable members and officers to review the level of resources and policies related to the delivery of services to establish whether or not they are still relevant. This may lead to establishing cashable efficiencies to be redirected into changing priorities. =

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## **4.0 What is Value for Money?**

4.1 Prior to Use of Resources Assessments it is probably true to say that many authorities were under the impression they delivered value for money. Unfortunately when asked in the assessment to prove it very few could and only 4 authorities in the whole country were assessed as performing strongly in terms of delivering value for money.

4.2 The definition of *value for money* is the optimum combination of whole life costs and benefits to meet the customer requirements. It was traditionally known as the 3 E's whereby:

- Economy is the price paid for providing the service. (Staff, materials, assets and buildings).
- Efficiency is the measure of how much you get out (the results) from what is put in. Could be number of bins emptied.
- Effectiveness can be whether citizens are happy with the results. For example all bins emptied on the correct day with no spillages.

4.3 Value for money is achieved when:

- Costs are relatively low
- Productivity /performance is high.
- Outcomes are successful and satisfaction is relatively high.

4.4 It is probably fair to say that the accomplishment of the above in all services will be rare, however authorities scoring high in the VFM judgment will have carried out reviews to find out the position of the service in terms of costs and performance. Following the reviews there should be a trend of year on year improvement in services and customer satisfaction and potentially a reduction in costs. Good examples of this at Easington is the change to Zonal Working in Environmental Services aimed at reducing costs and improving performance together with the Pride in Easington Project to improve services and raise awareness of environmental issues across the District and as a result increase customer

satisfaction.

## **5.0 Audit Commission Approach to Assessing Value for Money**

5.1 The key principles that underpin the Audit Commission approach are: -

- It will be judged from a community wide perspective rather than through individual service users.
- Where possible gross costs will be examined. (Gross costs represent the full cost of a given service. Often costs are reduced through income streams (net cost) but of course this does not present the true picture).
- It is acknowledged costs alone do not reflect value and therefore the local context and quality have to be taken into account.
- Full long term costs and benefits should be taken into account.
- Numerical data on costs and performance provide a starting point for questions, not answers.
- Judgments have to allow for local policy choices (alongside the national policy context) about priorities and standards of service.
- Judgments should address current performance in achieving value for money and how well value for money is managed and improved over time.
- Judgments should rely on evidence of outcomes achieved and the effectiveness of activity to improve value for money.

5.2 The key lines of enquiry are as follows:

- How the council currently achieves value for money
- How the Council manages and improves value for money

5.2.1 In terms of current achievements the areas of focus are: -

- Costs compare well with others allowing for external factors
- Costs are in proportion to the level of service delivery, performance and outcomes achieved.
- Costs reflect policy decisions.

This aspect requires us to demonstrate that we know what current performance is, that we are aware of costs and variations between comparators and that we are aware of how decisions came about and how local context affected decisions.

5.2.2 In terms of how the council manages and improves value for money the areas of focus cover the following arrangements: -

- Monitoring and review.
- Securing improvements in value for money and achievement of efficiency gains.
- Taking account of long-term costs in procurement and other spending decisions.

The key to this aspect is that VFM is shown to influence and affect council management, the decision-making processes and the outcomes that arise as a result.

## **6.0 Position Statement**

*-Use of Resources Assessment – Value for money*

6.1 The assessment identified improvements to be carried out in order to move the Council to the next level. At this stage it is worth considering the Council's progress against the suggested improvements.

1. Demonstrate sustained improvement in key services
2. Develop a corporate approach to assessing and improving VFM.
3. Ensure there is an understanding where costs appear to be high in some services.
4. Be clear about the expected outcomes from investment in services to establish benchmarks against which VFM can be measured. In other words identify in advance what is expected to be delivered from the resource allocations and measure whether expectations have been achieved or not.

### *1. Demonstrate sustained improvement in key services*

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The council recognises performance management as a key element of modern local government and a cornerstone of CPA. Over the last 12 months the Council has tackled performance on a corporate basis with high level reporting mechanisms utilising the Executive, Scrutiny, Management team and corporate support team.

Performance is considered across best value performance indicators (BVPIs), Local performance indicators and against the corporate plan, which is supported by service plans recently reviewed against best practice.

The 2005/6 final performance reports indicated improvement across services generally. In terms of the BVPIs it is acknowledged that we as a council need to determine which of these indicators are important to us in terms of delivering our overall objectives and through performance improvement teams concentrate on lifting performance to upper quartile levels.

### *2. Develop a corporate approach to assessing and improving VFM.*

A Corporate framework for providing a scheduled and systematic approach to assessing and improving value for money is shown in appendix 4 to this report. It must be stated, however, that the Council's Management and Corporate Support Teams and indeed Elected Members are currently proactive in recognising the need for reviews where service requirements change and indeed where performance needs improvement. Current projects are discussed below but the number of reviews being undertaken reflects a proactive approach.

#### *Performance- corporate approach*

Performance is now reported quarterly to the Audit Committee with a final best value performance report being approved by the Council at year-end.

This process includes identifying low performing services, which are then referred to performance improvement teams to identify difficulties and where possible develop actions to improve. This was successful in 2005/6 where 11 indicators were identified and of those 9 improved during the year. This approach will continue from year to year.

#### *Awareness*

To increase focus on value for money, awareness sessions have been held with the Council, management team and senior managers. Appendix 1 sets out feedback for improvement from various groups and the suggestions informed the development of the procedures.

#### *Approach to reviews – Challenge from Management Team and Members*

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= Officers and members proactively carry out continuous reviews of services for various reasons including changes in services, feedback from constituents, through corporate plans. Issues are flagged up in services plans for future reporting. =

= Reports are rigorously challenged at management team and indeed through senior member processes where senior managers as a general rule are expected to meet costs from existing budgets.=

*3. Ensure there is an understanding where costs appear to be high in some services.*

= In considering costs we must consider local circumstances and clearly the Council has to consider:

- Most wards in the district suffer from deprivation.
- The Council has a significant elderly population, which is increasing.
- Population is stabilising.
- Specific service pressures.
- Realignment of budget efficiencies to meet changing priorities.

In carrying out cost analysis we must acknowledge that a phased approach needs to be adopted. In other words we cannot tackle everything in one year and we need to ensure the process does not impede operational managers in delivering their services.

In considering costs we need to bear in mind that comparisons are based on per head of population and not activity and also that over the years the Council has made deliberate decisions to improve services by increased investment. Recycling and anti-social behaviour are two recent examples and of course economic and social regeneration are examples of major realignment following the demise of the coal industry. These decisions are well documented through service plans and budget reports.

### *Toolkit - Cost analysis*

Over the last few months the Council has examined financial information at its disposal and although we are compared by the audit commission to nearest neighbours or CIPFA family It is felt more appropriate to have a model which compares us to other deprived areas bearing in mind we are the most deprived District nationally.

Over the last few weeks CIPFA and the Audit Commission have made the 2006/7-budget information available and the model has been updated.

The broad summary extracted from the model shows that despite significant levels of deprivation and the fact that neighbourhood renewal funding and the injection of reserves will be reflected in those budgets, in overall terms expenditure per head of population is within 1% of the authority group average spend. A substantial element of the variance refers to flood defence because we are a coastal authority. Our average council tax payable is the 15<sup>th</sup> lowest nationally when compared to other District Councils.

There are swings and roundabouts within the overall data reflecting policy decisions made by the Council over the years to address priorities.

As the Audit Commission explains the information provides a starting point for further analysis.

*4. Be clear about the expected outcomes from investment in services to establish benchmarks against which VFM can be measured.*

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This of course is an essential ingredient of proving value for money because if we do not link our investment to objectives how will we know it has achieved what we set out to do.

In this area reporting mechanisms around corporate performance and service plans outline whether or not we achieved what we set out to do with the money allocated. However we need to be clearer to ensure our plans are outcome focused to enable us to measure achievements.

We have adopted this approach in service planning and are applying the principles in the review of our corporate plan, which will strengthen the service/financial planning processes.

The Local Strategic Partnership (LSP) is subjected to a review from Government Office on this approach and clearly as our services are delivering improvements through the LSP then aspects are outcome based.

This is an area the council is developing through our corporate planning approach and the introduction of more local performance indicators. The approach will strengthen the Council's performance management framework by focusing on outcomes from each key objective.

## *Current Projects*

- 6.2 Since the last assessment where we achieved a score of 2 a number of large scale reviews and key initiatives have been undertaken across the authority all linked to achieving value for money in terms of cost, efficiency and effectiveness and indeed challenging services generally. These have been identified corporately as areas of priority or part of an ongoing process. These are identified in appendix 2.
- 6.2.1 At this stage we should acknowledge that whilst the assessment ranked at level 2, there are a significant number of initiatives and reviews being undertaken and these are linked very much to improving value for money in terms of cost, efficiency and effectiveness and indeed challenging services generally. These have been identified corporately as areas of priority or part of an ongoing process.
- 6.2.2 This is reinforced by the Council focusing on service improvement during the last financial year where £1.5m was released to improve service and capacity and pump prime efficiencies. The report covered the following themes and took account of impact and sustainability issues.
- Clean and tidy communities
  - Making the district safe.
  - Quality service for our people.

## *Summary*

- 6.3 In summary the council is very proactive in tackling service issues particularly around cost and performance, the initiatives set out in appendix 2 are wide reaching covering a number of services. Over the last 3 to 4 years significant reviews have been undertaken or are currently in progress, which will deliver benefits to the council.
- 6.4 The above reviews will be completed with relevant reports to members.

## **7.0 Managing and improving Value for Money**

### *Best Practice Authorities*

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- 7.1 Whilst taking on board the comments from the Audit Commission officers have looked at practices in those authorities, which scored 4 in the assessment. Appendix 3 is a summary of best practice compared with our approach.
- 7.2 Over the last 12 months we have improved our approach to value for money but there are still improvements to introduce and key issues to address are to: -
- Develop an approach that ensures value for money is continually monitored.
  - Ensure that where additional resources are required they are linked to outcomes.
  - Clarify any anomalies relating to costs.
  - Increase evidence of customer satisfaction.
  - Ensure all managers see the delivery of value for money as part the day job.

## **8.0 Proposals for Consideration=**

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- 8.1 Appendix 4 sets out the proposed framework to test and improve value for money in services areas.
- 8.1.1 Section 6 within the framework outlines the process to establish whether or not services are achieving value for money and where necessary to carry out a review and implement a plan for improvement.
- 8.1.2 A pragmatic approach has been taken to develop the process to and briefly the process has 4 key stages: -

**Stage 1** identifies the current position of each service and by Heads of Service completing a simple grid.

**Stage 2** will require an exercise to develop a programme of priorities for further analysis around the following criteria.

- Customer Impact/known importance
- Performance
- Cost
- Satisfaction
- Lack of Information (there will be a number of don't knows).

It is suggested that at this stage the Executive Members for Resources and Service Improvement are involved.

**Stage 3** sets out a timescale and process for reviews, which will develop options and action plans for improving VFM of the service.

At this stage it is proposed to establish a team to consider the VFM issues and collation of the data, which could include the relevant Executive Members together with a Scrutiny Committee representative.

**Stage 4** is an element of the process to ensure reviews are progressing in a timely manner, the progress achieved and subsequent monitoring of the action plans. This will be progressed through updates to Executive Committee and monitoring and challenge through the relevant Scrutiny Committees.

### *Timescales*

- 8.2 Whilst the above process needs formal agreement by members value for money initiatives are ongoing as indicated in the report and therefore the Management Team has

commissioned work to begin within the suggested timescales.

**Stage 1:** Matrix of Services to be completed by Heads of Service by 31<sup>st</sup> January 2007

**Stage 2:** Management Team to determine the areas to be examined by a Value for money review. This decision to be taken by 28<sup>th</sup> February 2007

**Stage 3:** A three-year programme of reviews will be agreed to commence in April 2007.

## 9.0 Implications

### 9.1 Policy

There are no direct policy implications the report firms up our approach to value for money and our commitment to maximise the use of our resources.

### 9.2 Financial

There are no financial implications at this stage.

### 9.3 Legal

None

### 9.4 Risk

A risk assessment has been carried out and the necessary actions required to manage the risks identified will be implemented.

### 9.5 Communications

None

### 9.6 Corporate Plan and Priorities

The approach will strengthen the council's approach to value for money and is designed to give assurance that resources are effectively used to improve performance and customer satisfaction and develop capacity within the organisation.

#### **Priority: Striving for Excellence in the workplace**

**SFE2:-** To develop the capacity to achieve in the organisation.

### 9.7 E Government

None.

### 9.8 Procurement

None.

### 9.9 Equality and Diversity

None

## 10.0 Recommendations

10.1 To agree the framework to improve value for money as outlined in Appendix 4 of the report.

10.2 To agree the process and timescales as summarised paragraph 8. The full details of the process are included in Section 6 of the framework.

### **Background Papers**

Use of Resources Assessment – Audit Commission – Issues February 2006.

Benchmarking Information on VFM approaches from other local authorities.

Key Lines of Enquiry (Use of Resources) – Audit Commission.