

# ***Supplementary Committee Agenda***



**Epping Forest  
District Council**

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## ***Finance and Performance Management Cabinet Committee Monday, 25th September, 2006***

**Place:** Civic Offices, High Street, Epping

**Room:** Council Chamber

**Time:** 6.00 pm

**Committee Secretary:** Graham Lunnun, Research and Democratic Services  
Tel: 01992 564244 Email: glunnun@eppingforestdc.gov.uk

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### **11. VALUE FOR MONEY SELF ASSESSMENT - 2006/07 (Pages 3 - 18)**

(Head of Human Resources and Performance Management) Schedule attached.

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**EPHING FOREST DISTRICT COUNCIL**  
**VALUE FOR MONEY SELF-ASSESSMENT 2006/07**

**1. WHAT HAS BEEN ACHIEVED TO DATE?**

**KLoE 5.1 THE COUNCIL CURRENTLY ACHIEVES GOOD VALUE FOR MONEY**

**Please provide brief details and evidence to support your assessment with focus on:**

- **how the council challenges value for money through services and corporately; and**
- **the relationship between local taxation, overall expenditure and costs; and the level and performance of services provided, taking account of local priorities.**

	<b>Evidence source</b>
<p style="text-align: center;"><b>Commentary</b></p> <p>The council continues to operate a sound, well-established approach to the achievement of Value For Money (VFM). In order to ensure VFM and to focus resources on its main priorities, the council's Vision and Medium Term Priorities for the next four years are set out within the new Council Plan (VFM01) for 2006 to 2010, which was adopted in July 2006. The priorities detailed in the new Council Plan were subject to extensive consultation with local residents, partner organisations and other stakeholders during early 2006. VFM is an element of the authority's annual business planning process (VFM02) that is assuming increasing importance. All of the authority's service areas have their own business plans, which are updated annually, setting out the key priorities and action plans for each area for the year ahead. Corporately, attention and resources are focused on priority issues and proposed initiatives within the annual Best Value Performance Plan (VFM03).</p> <p>Budget-making processes continue to commence early in the financial year, when members consider a medium-term financial strategy (VFM04) that covers all of the current financial issues and key objectives that the council wishes/needs to meet during the next year. This medium-term financial strategy provides options for different financial scenarios and council tax levels, and includes a four-year financial forecast. The agreed outcomes from this exercise are then used as the basis for the formulation of the budget over the coming months. This process identifies at an early stage any growth and savings proposals against policy objectives and community aspirations, in the light of the likely financial resources available. In preparation for the budget for 2007/08, the council intends to consult local stakeholders during Autumn</p>	<p><a href="#">Council Plan 2006-2010 (VFM01)</a></p> <p>Example Business Plans 2006/07 <a href="#">Human Resources (VFM02a)</a> and <a href="#">Planning Services (VFM02b)</a></p> <p><a href="#">Best Value Performance Plan 2006/07 (VFM03)</a></p> <p><b>Medium Term Financial Strategy 2006/07 (VFM04)</b></p> <p>Minutes of Finance and Performance Management Scrutiny Panel meetings <a href="#">Planning Services (VFM05)</a> and <a href="#">Local Land Charges (VFM06)</a></p> <p><a href="#">Use of Resources Working Party Terms of Reference (VFM07)</a></p>

2006 on the medium-term financial strategy, as part of its approach to the achievement of VFM. It is intended that this approach will be repeated for future years future years

The council has continued to adopt a corporate level approach of separating recurring annual expenditure (the Continuing Services Budget (CSB)) from expenditure on one-off projects (the District Development Fund (DDF)). The DDF is able to constrict and expand on an annual basis dependent on funding availability. Any growth in the CSB or new DDF projects is subject to a VFM evaluation process. Firstly, the Cabinet assesses the business case, the overall Growth List is then examined and prioritised through the Scrutiny process and finally agreed by the Cabinet, by reference to the available resources, as part of the budget. These arrangements were first introduced some years ago and have operated successfully over the last twelve months

Examples of other ways in which the council challenges VFM include the authority's revised approach to service reviews. This has undergone significant change through the development of 'Standing' and 'Task and Finish Panels' as part of the overview and scrutiny process, which are tasked with reviewing current approaches to a range of services and issues, and include consideration of VFM issues. Recent examples of this process include panels established to review services currently provided for older people, and the development of a Customer Services Transformation Programme. As part of these new overview and scrutiny arrangements, the Finance and Performance Management Scrutiny Panel has also conducted rigorous examinations of the Best Value Performance Indicator (BVPI) and VFM performance of services including Development Control and Local Land Charges (VFM05), (VFM06).

Following its initial Use Of Resources (UOR) assessment in 2005, the council identified UOR, including VFM, as a key priority and established a high-level corporate officer Use Of Resources Working Group to progress the authority's approach to its overall use of resources (VFM07), and to ensure VFM in the services that it provides. This working group has formed a Value For Money Sub-Group (VFM08) to specifically address VFM issues, which is currently working to establish the authority's true costs of service delivery through the development of a Value For Money Analysis Tool (VFM09). This tool seeks to compare the council's performance in the main service areas using BVPIs and LPIs, with unit costs and relevant benchmark information wherever possible, in order to develop proposals for action to improve VFM. The tool includes commentary comparing performance with costs in the main service areas, and is set out in tabular form and considered in the first instance by the Management Board, and subsequently by the Finance and Performance Management Scrutiny Panel to recommend identified action to improve VFM. Although the VFM Analysis Tool is currently in the early stages of development and refinements to the cost versus performance comparison process will be necessary as this work progresses, the tool has proved useful in determining the council's ongoing approach to securing VFM.

[Value for Money Sub-Group Terms of Reference \(VFM08\)](#)

[Value For Money Analysis Tool \(VFM09\)](#)

[Value For Money Strategy \(VFM10\)](#)

[Data Quality Strategy \(VFM11a\), Appendix 1 \(VFM11b\), Appendix 2 \(VFM11c\)](#)

[Key Performance Indicators 2006/07 \(VFM12\)](#)

[Example Key Performance Indicator Improvement Plans 2006/07 Human Resources \(VFM13a\) and Housing Services \(VFM13b\)](#)

The Cabinet agreed the council's first Value For Money Strategy (VFM10) in September 2006 and a VFM Strategy Action Plan is being developed. The Strategy sets out the way that the council will achieve VFM by ensuring that:

- costs compare well with others, allowing for external factors;
- costs are commensurate with service delivery, performance and outcomes achieved; and
- costs reflect policy decisions.

The VFM Strategy also explains that the council manages and improves VFM by ensuring that it:

- monitors and reviews performance in relation to value for money;
- improves value for money and achieves efficiency gains; and
- takes account of full long term costs in making procurement and other spending decisions.

The VFM Strategy sets out the council's approach to achieving these aims, including the specific responsibilities of members and officers at various levels across the authority for the delivery of VFM.

The council has adopted a Data Quality Strategy (VFM11) that, amongst other objectives, ensures that performance data is correct and robust.

To support and provide focus on its priorities, the council has adopted fifty-two Key Best Value and Local Performance Indicators (KPIs) for 2006/07 (VFM12), covering issues crucial to the authority's core business and corporate direction. Annual improvement plans (VFM13) are produced for each of the KPIs, with the aim of focusing improvement on these key areas and moving performance into the top quartile of comparable district local authorities, whilst also reflecting year on year changes. These improvement plans also contain details of service costs wherever possible, and feed into the development of the council's VFM Analysis Tool. As part of this process, arrangements for the monitoring of the authority's performance has also been rationalised to provide focus on the KPIs, progress against the majority of which are reported to the Finance and Performance Management Scrutiny Panel and the relevant Portfolio Holder at the conclusion of each quarter. Performance reports benchmark current performance with that of the top quartile of district and borough authorities, and all English local authorities, wherever possible. Subject to the annual audit, the council achieved top quartile performance (based on outturns for 2003/04) for 19 (47.7%) of its 40 KPIs for 2005/06.

The council has maintained its debt-free status. The Capital Strategy is updated on an annual basis to reflect the current performance of capital projects and to ensure that priorities remain relevant and that the strategy is adequately resourced. Some aspects of whole-life costing are addressed for capital

projects such as housing stock transfer.	
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<p><b>KLoE 5.1.1 HOW WELL DO THE COUNCIL'S OVERALL AND SERVICE COSTS COMPARE WITH OTHERS?</b></p> <p><b>Please provide brief details and evidence to support your assessment – Key areas of focus:</b></p> <ul style="list-style-type: none"> <li>• <b>current level of overall costs and costs for key services;</b></li> <li>• <b>planned spending in relation to others; and</b></li> <li>• <b>level of overheads and how they are accounted for.</b></li> </ul>	<table border="1"> <thead> <tr> <th data-bbox="590 206 638 672"><b>Evidence Source</b></th> <th data-bbox="590 672 638 2065"><b>Commentary</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="638 206 798 672"> <a href="#">Analysis of Audit Commission 'VFM Profiles' Tool 2004/05 - Corporate and Democratic Core Services (VFM14)</a>   <a href="#">Budget Guidance – Allocation of Overheads (VFM15)</a>   <a href="#">CIPFA Human Resources Benchmarking Report 2006 (VFM16)</a>   <a href="#">Resource Committee Minutes 30 January 2001 (VFM17)</a>   <a href="#">Terms of reference of Internal Audit Studies (Use of Consultants/External Funding) (VFM18)</a>   <a href="#">Cabinet Report (14 March 2005) - Cleansing Standards (VFM19)</a>   <a href="#">CIPFA benchmarking statistics for</a> </td> <td data-bbox="638 672 1455 2065"> <p>VFM, including benchmarking, is a key element of the authority's annual business planning process. The council is a member of several benchmarking clubs, including clubs for human resources, the direct service organisations and environmental health related functions, and also subscribes to the 'Housemark' benchmarking club for the eastern region, which compares costs, resources and performance across a range of housing management functions. Service reviews and overview and scrutiny reviews examine and challenge services and costs, and include comparisons with other local authorities. The district and borough council's across Essex have established a Performance Management Network through which performance can be compared and benchmarking undertaken on specific issues.</p> <p>The council has undertaken an analysis of the Audit Commission's 'VFM Profiles' tool for 2004/05 in relation to, amongst other services, the cost of corporate and democratic core services (VFM14). This analysis has revealed that the Council spends less than comparable local authorities in the following groups:</p> <ul style="list-style-type: none"> <li>• Office of National Statistics Local Authority Cluster;</li> <li>• nearest neighbours; and</li> <li>• nearest geographical neighbours.</li> </ul> <p>In analysing these costs per head results it must be recognised that the council has traditionally sought to focus expenditure on front-line rather than support services, in response to community need and priorities. 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As part of the development of the council's VFM Strategy, the Head of Finance has produced guidance relating to the allocation of overheads within individual service based budgets (VFM15), and in accordance with its normal practice, the council has continued to allocate overheads as fully as possible within budgets.

The council belongs to the CIPFA Human Resources Benchmarking Club (VFM16). This shows that, compared to other district councils participating in the benchmarking exercise, Epping Forest District Council has more staff in the £30,000 to £40,000 annual salary range than other authorities. However, the ratio of full time equivalent Human Resources staff to employees in the workforce is below average. This reflects the decision of the council to place human resources in the provision of high-level advice, guidance and policy formulation rather than administrative functions, and resulted from the requirement of managers for a high-level service when the Human Resources Unit was restructured in 2001 (VFM17). These salary costs also reflect the proximity of the district to London.

The council's annual Audit Plan ensures that a variety of VFM related issues are addressed and, in 2006/07, these included the use of external consultants and opportunities for securing external funding (VFM18). All studies undertaken by the Internal Audit Unit incorporate a VFM element where appropriate, and relevant issues are brought to the attention of Management Board and the responsible chief officer(s) at the conclusion of each audit. The Finance and Performance Management Cabinet Committee receives a quarterly monitoring report from the Chief Internal Auditor that highlights relevant governance, internal control and VFM issues.

The council's overall costs for 2005/06 have been compared to similar sized authorities (nearest neighbours) and authorities that border the Epping Forest District (geographical neighbours). As regards the former, the authority lies between the mid-point and top quartile which means costs are higher than average, although given that a significant number of the similar sized authorities are likely to be away from London and the South East of England this is not surprising. Indeed when compared to authorities in the vicinity of the district, overall cost is below average which also supports the evidence suggesting that costs are generally higher in the South East and particularly in London, than elsewhere in the United Kingdom.

Costs relating to cultural services show that compared to its nearest neighbours, Epping Forest is the highest spending and compared to geographical neighbours is between lower quartile and mid-point. A more detailed analysis shows that spending on sport and recreation is the highest in nearest neighbours, geographical neighbours and ONS Local Authority Cluster. The make up of the authority with four distinct urban areas, means that there are leisure facilities in all four areas whereas some authorities with a similar population may only have one major urban area providing one large facility. The provision of a leisure facility will include a number of fixed costs and as a result the overall cost of four small facilities will be greater than one large facility. Members, in recognition of this level of spending, have actively

looked at reducing expenditure and following a competitive tendering exercise the management of the Councils leisure centres was transferred to Sports and Leisure Management Limited with effect from January 2006. The full financial effects of this new arrangement will not be evident until 2006/07.

When comparing the costs of waste collection using the three comparator groups, Epping Forest falls within the lower quartile in all three. The waste management service was re-tendered in 2002 and let at an extremely competitive price. A new tender exercise is now taking place that both examines costs and adds service improvements. Street cleansing costs are higher than average as members have been keen to promote a clean street scene and, where there have been particular problems with cleansing levels, extra investment has been made to improve services (VFM19).

Total costs for environmental services also compare favourably with the comparator authorities, particularly with geographical neighbours, but that is likely to be due to the higher costs for similar services experienced by London authorities particularly as the services are labour intensive and labour costs are traditionally higher in London.

Planning costs appear high, particularly when compared to the geographical neighbours, and costs are in line with the top quartile. The nature of the district is fairly rural, and the location of Epping Forest and the proximity of the district to London are contributory factors to high costs. The protection of the Green Belt requires strict planning guidelines and members have indicated their desire for this to continue.

The cost of local taxation collection is higher than authorities in the near neighbour group and the highest in the ONS Local Authority Cluster Group (VFM20). The cost of the cashiers' service is comparatively high, but the provision of this service in four distinct areas of the district makes this inevitable. Benchmarking data with other Essex authorities is available and Epping Forest has the third highest cost. However cost allocations are clearly inconsistent across the district councils that make direct comparisons difficult.

Central services costs in total are lower than other authorities in the geographical area. The authority has always been keen to allocate costs as fully as possible so that the cost of front line services fully reflect the support costs incurred in delivering those services.

#### **KLoE 5.1.2 HOW DO EXTERNAL FACTORS AFFECT COSTS AND HOW DO ADJUSTED COSTS COMPARE?**

**Please provide brief details and evidence to support your assessment:**

- **external local contextual factors that influence costs (such as deprivation, geography, demography); and**
- **demand and supply levels.**



Commentary	Evidence source
<p>The geographical area of the Epping Forest District is large, covering urban and rural areas of 131 square miles, and including twelve towns and larger villages ranging in population size from 2,000 to 30,000, totalling 120,000 people. Journey times between towns/villages and the council's offices detrimentally affect the unit costs of services.</p> <p>It is accepted that there are some inequalities in the way in which services are delivered to the whole community as a result of local factors, and that the rural nature of much of the district has led to some services being available at a reduced level in these areas. This issue is reflected in the VFM Strategy and the Council Plan for 2006 to 2010. The council has recognised that it needs to do more in this area and the VFM Strategy sets out the authority's commitment to engage external expertise to help it develop an appropriate approach to ensuring equality in service provision across the whole of the district.</p> <p>The close proximity of the district to London continues to have a major effect on costs, particularly in relation to building and construction projects. For example, research recently published by the National Housing Federation (VFM21) established that the ratio of average property prices to earnings in the Epping Forest District in 2006 was, at 9:3, the highest average price to income ratio in Essex, and far higher than the averages for the county (8:0) and the East of England (8:3). This results in a demand for affordable housing that is well in excess of the supply, and high levels of homelessness applications. The council continues to have around 3,000 applicants on its housing waiting list.</p> <p>Proximity to London also has an effect on performance, due to recruitment and retention difficulties. The council has implemented a new Recruitment and Retention Strategy, a key plank of which is the use of trainee positions, but it is recognised that this cannot full resolve current staffing difficulties.</p>	<p>National Housing Federation Report on Housing Affordability and Supply 2006-2011 (VFM21)</p>

**KLoE 5.1.3 TO WHAT EXTENT ARE COSTS COMMENSURATE WITH SERVICE DELIVERY, PERFORMANCE AND THE OUTCOMES ACHIEVED?**

**Please provide brief details and evidence to support your assessment in relation to the key areas of focus – please refer to the VFM Profiles tool for evidence:**

- **quality and standards achieved, including targeted investment to improve poorer services and quality of life;**
- **results of service inspections; and**
- **range of discretionary services provided.**
- **continuous improvement**

**Commentary**

The council has considered the best delivery models to achieve improvement in a number of key areas whilst also securing VFM, and has targeted investment appropriate to the nature of the particular service and the authority's overall priorities. Significant examples of this investment to improve services and quality of life include the Development Control and Leisure Management functions.

Members have recognised that the council needs to improve its performance in meeting national targets for the determination of planning applications, which over the past three years have determined the level of Planning Delivery Grant received from the government. The council has committed considerable resources to the implementation of an integrated information and communications technology (ICT) system to improve planning performance. The use of Planning Delivery Grant and additional resources has also facilitated an establishment restructure for the whole of Planning Services, designed to improve customer focus by increasing the capacity of professional staff to concentrate on planning issues, whilst being supported by the creation of new technical officer positions, improved ICT facilities, and revised administrative support arrangements. Additional resources were also dedicated to the establishment of a 'hit squad' of temporary officers to clear an existing backlog of applications. The current year to date has seen the authority improve its performance in this area. A report was made to Cabinet on 10 July 2006, and regular reports about development control performance are put into the Member's Bulletin.

The council provides a range of discretionary services that are reviewed from time to time. As a result of the recommendations of a Leisure Management Best Value Service Review and the council's desire to achieve VFM, an external partner was appointed to manage and develop the authority's major leisure facilities with effect from January 2006. By the transfer of risk, lower annual revenue costs and the securing of an £1.5m of additional capital investment, the council has secured its key objectives in this area.

**Evidence source**

Minutes of Finance and Performance Management Scrutiny Panel meetings [Planning Services \(VFM05\)](#) and [Local Land Charges \(VFM06\)](#)

	<p>As previously identified, the Finance and Performance Management Scrutiny Panel undertakes detailed investigation of underperformance in specific areas as required, and has specifically considered performance and VFM issues in relation to the council's planning and local land charges functions (VFM05), (VFM06).</p> <p>The council has established a Customer Services, Media, Communications and Information Technology Portfolio with primary responsibility for important customer service issues. Responsibility for waste management has been temporarily transferred to this portfolio in view of the authority's current focus on the achievement of customer satisfaction in this area. This portfolio will also concentrate on customer service issues for other portfolios as and when the need arises.</p> <p>In response to customer concern at service levels, the council has recently directed significant additional resources to its waste management service. The Council recognised concerns regarding street cleansing standards in some areas and invested additional resources for the provision of 'local teams' which has led to improvements in standards. Following the Council's waste management service provider going into Administration, a Portfolio Holder Advisory Group has been established and tasked with reviewing levels of service provision ahead of the procurement of a new contract.</p>
<p><b>KL0E 5.1.4 TO WHAT EXTENT DO COSTS REFLECT POLICY DECISIONS?</b></p> <p><b>Please provide brief details and evidence to support your assessment in relation to the key areas of focus:</b></p> <ul style="list-style-type: none"> <li>• <b>how costs are assessed when decisions are made;</b></li> <li>• <b>the extent to which higher spending is in line with stated priorities; and</b></li> <li>• <b>the extent of long term cost considerations with major investments or partnerships.</b></li> </ul>	<p><b>Commentary</b></p> <p>The council continues to require that all reports considered by the Cabinet and Portfolio Holders identify the financial (and other) implications and the existing/required budget provision, of decisions and proposed courses of action. Reports may only be referred to the Cabinet that have first been considered by the Executive Agenda Planning Group (VFM22), chaired by the Joint Chief Executive (Resources) that was established in May 2006. This arrangement ensures that proposals originating from both service-providing departments and support service departments are considered in detail by all interested services, and enables both the beneficial and detrimental effects on service delivery of all proposals to be</p>
	<p><b>Evidence source</b></p> <p><a href="#">Executive Agenda Planning Group Process (VFM22)</a>  <a href="#">Capital Strategy (VFM23)</a>  <a href="#">Key Performance Indicators 2006/07 (VFM12)</a></p>

balanced with resource implications. This also ensures that members consider balanced and comprehensive reports, with the most important points being brought to their attention.

The Department of Communities and Local Government (DCLG) requires local authorities to collect and monitor a large number of performance indicators. The cabinet has set an increased target for at least 50% of its KPIs (VFM12) for 2006/7 to be within top quartile (district council) performance at year-end. Improvement plans have been formulated for each KPI, setting out how top quartile performance can be achieved/maintained and identifying the required resources. Through this process, the council targets increased/reprioritised resources to improve/maintain performance in the areas that it considers most important.

The council's Capital Strategy (VFM23) ensures that a strategic approach is taken to capital projects and that capital projects are properly planned, managed and reviewed to ensure that VFM is achieved. The Strategy sets out, and ranks in priority order, eight Key Capital Priorities. Once capital projects have commenced, progress against key milestones, and actual expenditure compared to budget, are monitored on a regular basis. Project teams plan, manage and review projects and monitor expenditure, estimated out-turn, variances to budget and potential claims. On completion of schemes, post-contract evaluation is undertaken using the methodology recommended by the Audit Commission in its 'Guidance on Capital Programmes and Construction Projects'. Each year, four-year forecasts are produced for both the General Fund and the Housing Revenue Account. This enables decisions to be made on large investments, having regard to the effect on the medium term.

## 2. HOW IS VALUE FOR MONEY BEING DELIVERED AND IMPROVED?

### KL0E 5.2 HOW WELL DOES THE COUNCIL MANAGE AND IMPROVE VALUE FOR MONEY?

Please provide brief details and evidence to support your assessment focusing on:

- **how the council manages its costs, while maintaining the quality of services and responding to local needs.**

Commentary	Evidence source
As part of the council's adopted VFM Strategy (VFM10), overview and scrutiny are required to carry out the following tasks on an annual basis:	<a href="#">Value For Money Strategy (VFM10)</a>
<ul style="list-style-type: none"> <li>• to establish and monitor a programme for reviews of service areas via the Task and Finish Panel framework with the aim of ensuring that unit costs are scrutinised and reduced where appropriate;</li> </ul>	<a href="#">Finance and Performance Management Scrutiny Panel</a>

<p>and</p> <ul style="list-style-type: none"> <li>to receive reports on the reviews and make recommendations to Cabinet.</li> </ul> <p>In addition, the VFM Strategy requires the Finance and Performance Management Scrutiny Panel to scrutinise (VFM24) council performance and associated costs by way of:</p> <ul style="list-style-type: none"> <li>performance indicator information (including the selection of KPIs each year);</li> <li>local unit cost information, compared to national/regional/local benchmarks and links to KPI performance where appropriate; and</li> <li>progress with key capital and revenue projects in terms of both financial and operational issues.</li> </ul> <p>On an annual basis, the VFM Strategy requires the Cabinet (and where appropriate Portfolio Holders or the Finance and Performance Management Cabinet Committee) to:</p>	<ul style="list-style-type: none"> <li>consider the outcomes of the annual consultation exercise of partners and stakeholders when setting spending levels for the budget;</li> <li>allocate resources in line with agreed budget priorities, taking into account performance;</li> <li>plan actions and allocate resources in the light of agreed priorities, identified community issues, deprivation indices and customer consultation feedback;</li> <li>set targets for cost reductions and efficiency gains;</li> <li>agree the annual efficiency statement; and</li> <li>review any savings produced through the Procurement Strategy.</li> </ul> <p>The role of Management Board in the VFM Strategy is to quarterly scrutinise performance and cost information for the KPIs and all BVPIs/LPIs, and to consider progress with the identified key capital projects on both a budgetary and operational basis. On an annual basis Management Board also reviews the council's VFM framework by considering key unit cost and quality indicators and performance with reference to benchmark groups, surveys etc, and provides a strategic steer for Members and officers on the development of the council's priorities and associated VFM/performance management considerations.</p> <p>The VFM Strategy also requires Heads of Service to undertake the following on a quarterly basis:</p> <ul style="list-style-type: none"> <li>to provide BVPI/LPI information to Management Board and members, reviewing performance and taking corrective action as necessary;</li> <li>to review budget expenditure, ensuring that resources are prioritised to key areas and that budgetary</li> </ul>
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- performance is understood;
- to identify and quantify any efficiency gains that have arisen in the previous quarter and identify and opportunities for future efficiency gains;
- to review progress with capital programme projects; and
- to critically review all BVPI, local PI and management PIs with service managers and agree any required action to be taken as a result.

On an annual basis Heads of Service are required to:

- review and update benchmarking data to determine whether services provide VFM in terms of unit costs (against the council's overall approach to VFM and benchmarking);
- take any necessary corrective action in the light of this;
- ensure that that all opportunities to review cost data on a local, regional and national basis are identified e.g. by joining relevant benchmarking clubs; and
- critically review the Audit Commission's cost profiles for the council, and comparisons with all district councils, and investigate further any areas where unit costs appear to be inappropriate or unreasonably high.

All of the council's detailed budget heads have a designated 'Spending Control Officer' responsible for monitoring income and expenditure, and for taking appropriate remedial budgetary action when required. All service areas have access, and have specialists trained to use the Council's financial management system, which enables them to drill down into budgets and expenditure. This enables the reporting system to be used to manage and monitor expenditure in user-determined ways. Variations against budgets are required to be reviewed at all Team/Section meetings on a quarterly basis.

Members consider financial reports at key times during the year. The Finance and Performance Management Cabinet Committee considers each stage of the budget formulation process in detail, providing an opportunity for key members to consider budget proposals at an early stage and to discuss matters in detail. On the scrutiny side, the Finance and Performance Management Scrutiny Panel is briefed on the budget and has the opportunity to input into the budget setting process, reporting back to Cabinet via the Overview and Scrutiny Committee.

The council has a Scheme of Virement, which ensures that transfers of expenditure between budget heads are only allowed with approval at an appropriate level, dependent on the amount involved. The full Council must agree additional expenditure, on the recommendation of the Cabinet. Management Board monitors salary expenditure by service on a monthly basis, in order to identify significant under/overspends.

**KL0E 5.2.1 HOW DOES THE COUNCIL MONITOR AND REVIEW VALUE FOR MONEY?**

Please provide brief details and evidence to support your assessment:

- current processes for monitoring and reviewing costs, including consideration of value for money in the annual budget process, internal reviews (including Best Value reviews), and cost indicators.

Commentary	Evidence source
<p>As previously stated, the council has commenced an exercise to identify and compare the costs of service delivery against performance through the development of an in-house VFM Analysis Tool (VFM09), using data from BVPs, Local Performance Indicators (LPis) and local and national benchmarks. Information in relation to service costs is provided to members through quarterly budget monitoring undertaken by the Finance and Performance Management Scrutiny Panel, as part of the adopted VFM Strategy.</p> <p>When service reviews are undertaken, all the detailed costs of the service under review are analysed and reviewed to see if better VFM can be achieved. Cost comparisons and benchmarking are also made with other organisations as part of all reviews.</p> <p>All of the fees and charges levied by the council are reviewed and updated annually by members (VFM25). In the first instance, current and proposed charges for the following year are considered by the appropriate overview and scrutiny panels, who recommend to the Cabinet as appropriate. When large capital projects are being considered, part of the appraisal includes the formulation of a Cost Plan by a quantity surveyor, which enables an indication of costs to be provided, based on current market prices and indicators, and the effect of different start on site dates.</p>	<p>Value For Money Analysis Tool (VFM09)</p> <p>Fees and Charges Review Report (VFM25)</p>

**KL0E 5.2.2 HOW WELL HAS THE COUNCIL IMPROVED VALUE FOR MONEY AND ACHIEVED EFFICIENCY GAINS OVER THE LAST THREE YEARS?**

Please provide brief details and evidence to support your assessment. Please append your backward looking Efficiency Statement covering 2004/05:

- council targets for value for money and efficiency gains; and
- the achievement of efficiency gains.

<p><b>Commentary</b></p> <p>The Council has set a target to achieve a 2.5% per annum improvement on its 2004/5 baseline for net expenditure on services and its net capital spend for 2005/06 and the next two years, to be achieved either through cost savings or increased output. The Finance and Performance Management Cabinet Committee monitor performance against this target on a quarterly basis.</p> <p>The council's backward looking Efficiency Statement for 2004/05 (VFM26) is annexed to this self-assessment.</p>	<p><b>Evidence source</b></p> <p>Backward Looking Efficiency Statement 2004/05 (VFM26)</p>
<p><b>KL0E 5.2.3 DO PROCUREMENT AND OTHER SPENDING DECISIONS TAKE ACCOUNT OF FULL LONG-TERM COSTS?</b></p> <p><b>Please provide brief details and evidence to support your assessment:</b></p> <ul style="list-style-type: none"> <li>• <i>how value for money is built into the council's procurement practice;</i></li> <li>• <i>the extent to which a 'whole life' approach is taken to spending and procurement decisions;</i></li> <li>• <i>identifiable savings achieved through procurement; and</i></li> <li>• <i>use of external funding to deliver council priorities.</i></li> </ul>	
<p><b>Commentary</b></p> <p>The council has reviewed its procurement practices and strategy over the last year in order to improve VFM, and has introduced the corporate 'Essex Marketplace' e-procurement solution. The Procurement Agency for Essex (PAE) has also been engaged to undertake a corporate procurement health check to establish current areas of best practice and to identify the key areas of influence spend, which will assist the council in terms of identifying framework contracts that can be made available on the Essex Marketplace and set the benchmark for a formal corporate procurement strategy. The council is in the process of joining the Essex Procurement Hub (EPH) to undertake all major procurement on behalf of the authority, and to ensure that the council has access to the necessary procurement skills required to develop a procurement strategy. The use of the PAE (advisory) and the EPH (operational) is vital, as the Council does not have any in-house procurement function.</p> <p>The council has reviewed the content and operation of its Contract Standing Orders over the last year, in order to improve procurement practices and VFM.</p> <p>The council works in collaboration with other local authorities and agencies to reduce costs and improve VFM. The authority has agreed the introduction of a choice based lettings scheme, to be commissioned in partnership with neighbouring local authorities to reduce costs, for which a bid for £100,000 to assist</p>	<p><b>Evidence source</b></p>



with set up costs was agreed by the Department for Communities and Local Government. Joint funding has also been received from Go-east for an initiative with other authorities to bring long-term empty private sector properties back into beneficial use, and discussions are currently being held with neighbouring authorities in respect of the establishment of a jointly funded Empty Properties Officer position.

Wherever possible, external funding is secured in order to assist the council to deliver its priorities at a lower cost. For example, the Head of Leisure Services has secured in the region of £2.9m of external funding over the last four years to extend the range of leisure and cultural activities available to all sections of the community. The largest award from Sport England of £1.9m made a significant capital contribution to the new Loughton Leisure Centre, reducing the overall cost to the authority. The council is participating in an Essex County Council led initiative for the sponsorship of roundabouts and similar areas in order to enhance the appearance of the local street scene at no cost to the authority.

The capital costs of town centre enhancement schemes include commuted sums payable to Essex County Council as the Highway Authority, to ensure that once completed they can be properly maintained.

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