

**VALUE FOR MONEY
STRATEGY
2009-2012**

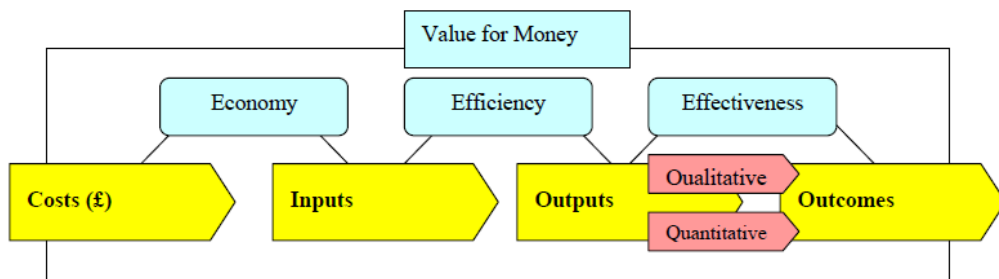
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1. BACKGROUND

- 1.1 It is important that the Council has a good understanding of the inter-relationship between its performance and its costs, and that it uses this information to make sound strategic and policy decisions. This Value for Money Strategy sets out the Council's approach to ensuring that it provides value for money over the next three years (2009-2012). The action plan within the Strategy will be subject to a review of progress every six months by the Finance and Performance Management Scrutiny Panel.
- 1.2 The Audit Commission undertakes an annual Use of Resources assessment to evaluate how well councils manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support and improve Council services. This assessment is based upon national 'Key Lines of Enquiry' (KLoEs), for which value for money is a key component. This national framework provides the basis for the Council's actions to improve its performance in relation to value for money.
- 1.3 The Audit Commission has long defined value for money as the relationship between economy, efficiency and effectiveness and consideration of these aspects runs throughout the use of resources framework. Value for money is about obtaining the maximum benefit over time with the resources available. It is about achieving the right local balance between economy, efficiency and effectiveness or, spending less, spending well and spending wisely to achieve local priorities for services. Value for money is high when there is an optimum balance between all three elements.



- 1.4 The Audit Commission also acknowledges that value for money can be achieved in different ways and is also specific to different contexts, and a key component in assessing effectiveness is relevance to and impact on local priorities. What is value for money for one organisation, or locality, may not be the same for another.
- 1.5 The Council continues to operate a sound well-established approach to the achievement of value for money. In order to achieve value for money and to focus resources on its main priorities, the Council's Vision and Medium Term Priorities are set out within the Council Plan 2006-2010. A new Council Plan will be developed during 2009/10 and will be subject to extensive consultation with local residents, partner organisations and other stakeholders.
- 1.6 Further scope for linking resource allocation to priorities and performance and maximising value for money in the Council's use of resources is achieved through the inclusion of value for money as a mandatory element of the

Council's business planning process. Value for money is required to be addressed as a standing item in all Business Plans, and the agenda of meetings of individual service management teams.

2. POLICY STATEMENT

- 2.1 The Council recognises its responsibilities as a custodian of public funds to strive for value for money in the delivery of services.
- 2.2 The Council seeks to achieve and where possible improve value for money by ensuring that:
- costs compare well with other local authorities, and where appropriate other sectors, allowing for external factors;
 - costs are commensurate with service delivery, performance and outcomes achieved;
 - costs reflect policy decisions;
 - performance in relation to value for money is monitored and reviewed;
 - efficiency gains are achieved;
 - full long term costs are taken into account when making procurement and other spending decisions; and
 - external funding and partnership opportunities are sought in order to enhance funding for the Council.
- 2.3 This Value For Money Strategy sets out the Council's approach to value for money and methodology in achieving these aims for the period from 2009 to 2012, including the responsibilities of members and officers for the delivery of value for money. The Action Plan will be reviewed for each year of the Strategy, and progress in achieving specific actions and targets will be reviewed by the Finance and Performance Management Scrutiny Panel on a six-monthly basis.

3. VALUE FOR MONEY REVIEW 2007/08

(a) Background

- 3.1 In order to reinforce the Council's commitment to value for money, it completed a detailed corporate 'Value For Money Review' in 2008 to explore the facts that underlie the Audit Commission's views on the provision of value for money by the Council, and in order to reach an overall conclusion on the Council's provision of value for money. The purpose of the review was to :
- examine and comment on the Council's costs, as stated in the Audit Commission's Value For Money Profile Tool, and how they compared with other local authorities in comparator groups;
 - examine and comment on the Council's performance in respect of the performance data within the Audit Commission's Value For Money Profile Tool;
 - reach conclusions on the Audit Commission's value for money assessment of the Council;
 - consider the nature and limitations of the comparative data, particularly issues that could significantly affect the data and the Council's ranking;

- assess Council Tax levels, considering how they compare with other councils and the value for money provided by the Council from the 'citizen's perspective'; and
- consider the most cost effective future strategy to continuously improve value for money in terms of reduced costs, higher performance, or both.

3.3 The Value For Money Review raised a number of concerns about the accuracy and reliability of comparing the Council's costs with other councils using the Audit Commission's Value For Money Profile Tool. Some of these concerns were:

- a lack of commentary surrounding the data on the Commission's website to assist councils in understanding it;
- the use of net costs as a basis for the Commission's data rather than gross expenditure, thereby distorting the true cost of council services by masking costs with income;
- significant differences between local authorities in the comparator groups, which not only affected the overall net cost of services but also the comparisons between services; and
- reliance by the Commission on poor quality data when making comparisons between, and rankings of, local authorities.

3.4 As a result of the Value For Money Review, the Council concluded that:

- it is very important that the Council strives to continuously improve value for money;
- the Council agrees with the Audit Commission's comment in 2008 that its overall net costs 'are higher than comparable councils', but that the Council's perceived costs are artificially high for a number of reasons and the Council's ranking is therefore adversely affected;
- the Council knows where its costs are high compared with other councils and understands the reasons, but despite these higher costs the Council's council tax is very low and will remain low for at least the next three years;
- although the Council's net costs are comparatively high, there is no need to reduce overall costs, rather, there is a need to improve the Council's overall performance and the performance in specific areas;
- the Council will continue to seek and implement efficiency gains and reduce costs at service levels where possible. It will then, rather than reduce overall costs, continue to re-invest the savings in a targeted way to help further improve performance; and
- to justify the Council's level of spend, and the re-investment of efficiency gains, the Council must improve its performance.

3.5 These conclusions, mirror some of the key principles which underpin the Audit Commission's approach to Value for Money (as stated in the 2008/09 Audit Commission "Use Of Resources: Guidance For Auditors – 3.5 Value For Money in the use of resources"), namely:

- where possible to look at gross costs, as net costs can mask high spending if income is also high (balancing value for money for the whole community with charging levels that do not represent a barrier to people using the service);

- costs alone do not reflect value – local context and quality of service need to be taken into account in arriving at value for money judgements;
- numerical data on costs and performance provide a starting point for questions, not answers; and
- value for money judgements need to allow for local policy choices (within a national policy context) about priorities and standards of service

(b) The Council's Approach To Council Tax Levels

- 3.7 The Council's Medium-Term Financial Strategy is based on maintaining a policy of Council Tax increases of no more than 2.5% and remaining a low tax council. This means that the Council is able to deliver the full range of statutory services, and a wide range of discretionary ones, within a very low precept. This is possible due to the Council's healthy financial position.
- 3.8 There are a number of reasons why the Council is able to set such a comparatively low Council tax, including:
- good financial management;
 - the Council's debt free status;
 - relatively high exchequer support;
 - General Fund balances; and
 - Efficiency gains.
- 3.9 It is the Council's view that, from the perspective of the Council Tax payer, the Authority provides good value for money.
- 3.10 As a result of the Council's healthy financial position it does not have an immediate funding problem, however, there is a need in future years to identify savings. Therefore, there is no reason or need to reduce the Council's overall net expenditure on services, in order to simply reduce the overall cost of General Fund services.

(c) Future Focus Of The Council's Value For Money Strategy

- 3.11 It remains very important that the Council strives to continuously improve value for money. However, the Value For Money Review established that:
- although the Council's net costs are comparatively high (using the Audit Commission's Value For Money Profile Tool), there is no need to reduce the Council's overall costs;
 - however, there is a need to improve the Council's overall performance and the performance in specific areas.
- 3.12 The Council has concluded that it will continue to seek and implement efficiency gains, and reduce costs at service levels where possible. Rather than reduce costs, it will then continue to re-invest the savings in targeted ways, to help improve performance further.

(d) Findings For Future Action

- 3.13 Having regard to the Value For Money Review, on an annual basis the cost comparison information as derived from the Audit Commission's Value For

Money Profile Tool, is to be updated and reported, with any identifiable actions from the exercise to be monitored on an ongoing basis.

4. THE COUNCIL'S VALUE FOR MONEY METHODOLOGIES

4.1 The Council has a number of different methodologies and structures that it employs to deliver and promote value for money. These include:

- the Council has identified Use Of Resources, including value for money, as a key priority and has established a corporate officer-level Use Of Resources Working Party to progress the Council's approach to Use Of Resources and to ensure value for money in the services the Council provides;
- on an annual basis the Finance and Performance Management Scrutiny Panel compare and consider Council costs and performance, as detailed in the annual Value For Money Review, with a view to making recommendations for action to the Overview and Scrutiny Committee;
- value for money, including benchmarking, is a key element of the Authority's annual business planning process;
- reviews by Overview and Scrutiny examine and challenge services and costs and include consideration of value for money issues;
- the annual Internal Audit Plan ensures a variety of value for money related issues are addressed and all studies undertaken by the Internal Audit Unit incorporate a value for money element where appropriate;
- the Council continues to allocate overheads as fully as possible and guidance produced by the Director of Finance and ICT assists in the allocation of overheads within individual service budgets;
- the Council has joined the Essex Procurement Hub which has delivered a number of cost savings and is a cost effective way of obtaining expert procurement advice leading to increased value for money. Example areas of savings include the waste management contract, IT hardware, lease cars and the next stage will be the enforcing of the agreed framework of the Hub;
- the Council has adopted a corporate level approach of separating ongoing General Fund expenditure (Continuing Services Budget (CSB)) from expenditure on one-off projects (District Development Fund (DDF)). Growth in the CSB or DDF is subject to a value for money evaluation process;
- capturing annual efficiency gains identified under the Gershon regime; and
- annual improvement plans are produced for each of the Council's Key Performance Indicators which contain details of service costs wherever possible and feed into the annual development of Directorate Business Plans.

5. MEMBER LEVEL RESPONSIBILITIES

(a) Executive Functions

5.1 On an annual basis, the Cabinet (and, as appropriate, Portfolio Holders) will:

- determine relevant key priority objectives for the following year;
- consider the outcomes of the annual consultation exercise of partners and stakeholders when setting spending levels for the budget;

- allocate resources in line with agreed budget priorities, taking into account performance;
 - plan actions and allocate resources in the light of agreed priorities, identified community issues, deprivation indices and customer consultation feedback;
 - set targets for cost reductions and efficiency gains;
 - agree the annual efficiency plan; and
 - review any savings produced through the Procurement Strategy.
- 5.2 The Cabinet will also review the allocation and use of resources on an on-going basis, especially when making policy decisions, to ensure value for money.
- 5.3 The Finance and Performance Management Cabinet Committee may also undertake some of these functions as directed by Cabinet.

(b) Overview and Scrutiny Functions

- 5.4 The role of Overview and Scrutiny will be to compare and assess performance and associated costs.
- 5.5 On an annual basis the Overview and Scrutiny Committee will:
- establish and monitor a work programme for the year ahead, which may include reviews of service areas via the Task and Finish Panel framework. One of the aims of any review undertaken will be to ensure that unit costs and performance are compared, scrutinised and improved where appropriate; and
 - receive reports on any reviews undertaken and make recommendations to Cabinet.
- 5.6 The Finance and Performance Management Scrutiny Panel will carry out the scrutiny of the Council's performance and costs, consisting of:
- the monitoring of performance against Key Performance Indicators (KPIs) for each year, on a quarterly basis;
 - consideration of local unit cost information, compared to national/regional/local benchmarks and links to performance indicators where appropriate, through an annual cost and performance analysis; and
 - the monitoring of progress with key capital and revenue projects in terms of both financial and operational issues, on a quarterly basis.

6. OFFICER LEVEL RESPONSIBILITIES

(a) Corporate Executive Forum

- 6.1 On a quarterly basis the Corporate Executive Forum (CEF) will carry out the following tasks:
- scrutinise performance information for the KPIs; and
 - consider progress with the identified key capital projects, on both a budgetary and operational basis.
- 6.2 On an annual basis CEF will:

- scrutinise performance information for all performance indicators;
- review the Council's Value For Money framework by considering key unit cost and quality indicators (derived from the Audit Commission's VFM Profile Tool), and the Council's performance with reference to benchmark groups, surveys etc; and
- provide a strategic steer for Members and officers on the development of the Council's priorities and associated value for money/performance management considerations, taking into account quality and cost.

6.3 On an ongoing basis CEF will:

- through the Cabinet Agenda Planning Group, ensure that full and accurate cost information is included in reports to the Cabinet, to ensure the proper alignment of resources with priorities; and
- ensure that appropriate processes are in place to secure high standards of data quality, as laid down in the Council's Data Quality Strategy, which is reviewed annually.

(b) Service Directors

6.4 On a quarterly basis Directors will:

- provide performance indicator information to CEF and members, reviewing performance and taking corrective action as necessary. This will follow a critical review of all Performance Indicator information with service managers in order to agree any required action to be taken as a result;
- review their budget expenditure, ensuring that resources are prioritised to key areas, and that budgetary performance is understood;
- identify and quantify any efficiency gains that have arisen in the previous quarter and identify any opportunities for future efficiency gains; and
- review progress with capital programme projects.

6.5 On an annual basis Directors will:

- review and update appropriate benchmarking data to determine whether their service provides value for money in terms of unit costs (against the Council's overall approach to value for money and benchmarking);
- take any necessary corrective action in the light of this;
- ensure 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 their comparisons with all district councils, and investigate further any areas where unit costs appear to be inappropriate or unreasonably high.

(c) Performance Improvement Unit

6.6 The Performance Improvement Unit will carry out the following functions:

- the maintenance of the 'Ten Performance Manager' performance management system;
- co-ordination of the collection and reporting of performance indicator data;

- co-ordination of the collection and reporting of unit cost data, where appropriate linking this to KPI data; and
- periodic review of the Value For Money Strategy and the six-monthly review and annual update of the action plan.

(d) Use of Resources Working Party

6.7 The Working Party will carry out the following functions:

- the maintenance, development and progression of the Council's approach to the annual Use of Resources Assessment, ensuring that value for money is a key element throughout the services that the Council provides;
- the review of annual Use Of Resources KLoEs and the identification of appropriate actions;
- the consideration of all related value for money issues.

Appendix 1 - Value For Money Strategy Action Plan 2009/10

Action	Target	Responsible Officer(s)	Timescales	Outcome
Establish a revised set of Key Performance Indicators based around the new set of National Indicators and a review of the Council's existing local performance indicators.	1 April 2009	Management Board, Performance Improvement Unit	Revised KPI set to be in place from 1 April 2009	Performance improvement against a wider range of priority areas than has previously been achieved.
Achieve year-on-year improvement against 4 out of every 5 agreed Key Performance Indicators (refer to Appendix 2 for details of agreed KPIs)	31 March 2010	Management Board	Outturn performance to be reported from April 2010	Performance improvement against a wider range of priority areas than has previously been achieved.
Undertake an annual VFM cost and performance review, with directors to report reasons for cost position and proposals for improvement.	April 2010	Management Board, Use of Resources Working Party, Performance Improvement Unit	Completion of VFM cost and performance review dependent on publication of VFM Profile Tool by the Audit Commission	The use of a consistent set of local authority data to facilitate consistent benchmarking in terms of cost and performance.
Rollout and implementation of the Business Performance Planning Framework.	1 April 2010	Performance Improvement Unit, Human Resources Unit	The Council's new Business Performance Planning Framework is	The alignment of business, budget, workforce planning and development processes into a clear framework to enable focus on priorities.

			being implemented across 2009/10	
Review and monitor progress against the key VFM areas identified by the Finance and Performance Management Scrutiny Panel as part of the consideration of the VFM cost and performance analysis for 2007/08 (Benefits Admin, Green Waste Collection, Housing Repair Response Times)	31 March 2009	Director of Finance and ICT, Director of Environment and Street Scene, Director of Housing	Reports to be made to Finance and Performance Management Scrutiny Panel meeting on 31 March 2009	Securing progress against the key VFM areas identified by the VFM cost and performance analysis for 2007/08.

Appendix 2 - Key Performance Indicators 2009/10 (to be populated)

NI / KPI Ref	Description	2008/09 Actual	2009/10 Target	2009/10 Target +/- vs 08/09 Actual %
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Appendix 3 - Value For Money Glossary

Benchmarking: Comparing costs, performance indicators and processes for a service with those of an equivalent service, e.g. Housemark benchmarking club which compares across a range of housing management functions

Business Plans: Business plans provide details about the Council's key priority objectives as well as each directorate or service's strategic and operational objectives for the year ahead and how these will be achieved. Business plans provide a link between corporate objectives at the strategic level and the individual personal action plans of staff.

Comparator Performance / Comparative Costs / Comparator Groups: The Audit Commission's VFM Profile Tool enables a local authority to compare its costs and performance with a range of groups or clusters of authorities. The following comparators are considered most useful in comparing the Council's costs:

- **Nearest Neighbours** – those Districts (not London Boroughs) which are deemed to be similar to the Council, and generally lie just inside or outside the M25;
- **Office of National Statistics (ONS) Local Authority Cluster** – those District Councils which the ONS considers to be similar to the Council in key ways; and,
- **Crime and Disorder Reduction Partnership (CDRP) Family Group** – those District Councils which are considered to have a similar crime profile to the Council.

Continuing Services Budget: As part of the Council's prudent approach to financial management, it separates General Fund expenditure into two elements. The Continuing Services Budget (CSB) accounts for "Ongoing annual costs in the General Fund" (see below for District Development Fund (DDF))

Cost Effectiveness: A form of analysis that combines cost and outcomes – for example, comparing the costs of alternative ways of producing the same outcome for users.

Council Plan: The Council Plan 2006-10 reflects the Council's medium-term aims and priorities, and the aspirations of the Community Strategy.

Council Vision: The Council's vision and strategic aim for the Epping Forest District for 2006-10 is for the District to be a safe, healthy and attractive place in which to live and work.

District Development Fund: As part of the Council's prudent approach to financial management, it separates General Fund expenditure into two elements. The District Development Fund accounts for "One-off expenditure in 1-3 years for specific projects" (see above for Continuing Services Budget (CSB))

Economy: The price paid for providing the service (staff, materials, assets etc.) e.g. how much it costs to empty a refuse bin

Effectiveness: The measure of the impact achieved, e.g. how satisfied customers are with the refuse collection service (qualitative) or how many bins were emptied on the correct day with no spillages (quantitative).

Efficiency: How much you get out from what you put in, e.g. how many bins are emptied.

Gershon (Annual Efficiency Gains): Councils are required to submit annual efficiency gains, at least 50% of which must be cashable. Cashable efficiency gains allow resources to be diverted to other front line services whilst maintaining the same output – less inputs for the same outputs. Non-cashable efficiency gains occur through increased productivity – the same inputs for greater outputs.

Key Performance Indicators (KPIs): The KPIs are a measure of the Council's performance in terms of its corporate priorities and core areas of service provision. The aim of the KPIs is to provide focused improvement and achieve comparable performance with that of the best local authorities.

Medium Term Priorities: The Council's medium-term priorities reflect the core issues that the authority faces in respect of the provision of services over the period from 2006 to 2010.

Value For Money (VFM): VFM is about obtaining the maximum benefit over time with the resources available. It is about achieving the right local balance between economy, efficiency and effectiveness or, spending less, spending well and spending wisely to achieve local priorities for services. VFM is high when there is an optimum balance between all three elements - when costs are relatively low, productivity is high and successful outcomes have been achieved. (Audit Commission Guidance to Auditors 2008).

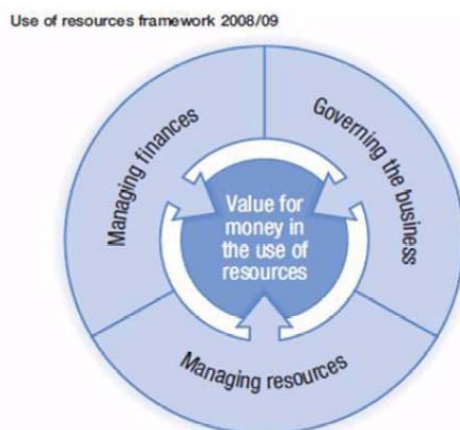
Appendix 4 - The Value For Money and Use Of Resources Framework

The Use Of Resources assessment forms part of the joint inspectorates' framework for Comprehensive Area Assessment (CAA). CAA will consist of two assessments, of the area and of the organisations in an area.

Local Area Agreements (LAA) are central to the new settlement between central government, local government and citizens. This is a long term strategy for the local area based on consultation with local people about the sort of place they want the area to be. The agreed local priorities will form the initial focus for the area assessment.

Area Assessments: The area assessment will look at how well public services are delivering better results for local people in local priorities and how likely they are to improve in the future. Use of resources will make a valuable contribution to the area assessment.

Organisational Assessments: The use of resources assessment is a key component of the proposed organisational assessment for councils. The use of resources assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The assessment is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people.



The key lines of enquiry in the three themes of the use of resources framework collectively comprise the auditor's assessment of value for money in the use of resources.

Assessing Value For Money (VFM) is a challenge. Inevitably some elements, such as quality and sustainability, are more subjective and more difficult to measure than other elements. 'Value' can often take many years to materialise, for example in long-term contracts. What is VFM at one point in time may not be a year later. It is therefore important when considering VFM to evaluate the optimum balance over the whole life of the service taking into consideration whole life costs and benefits.

VFM is also specific to different contexts and a key component is assessing effectiveness and relevance to and impact on local priorities. What is VFM to one organisation, or locality, may not be the same for another.

(abridged Audit Commission advice on Use of Resources to auditors 2008)

Appendix 5 - Value For Money, Use Of Resources and Comprehensive Area Assessment (based upon Audit Commission “Use of Resources: Guidance for Auditors – Section 3 The Assessment Framework”)

