

Report to the Finance and Performance Management Scrutiny Panel

Date of meeting: 31 March 2009



Portfolio: Finance and Performance Management

Subject: Value For Money Strategy - Review

Responsible Officer: S. Tautz (01992 564180)

Democratic Services Officer: G. Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) That the Council's draft Value For Money Strategy for 2009 to 2012 be adopted; and**
- (2) That arrangements for annual scrutiny of the Council's Value For Money performance be agreed.**

Executive Summary:

1. (Deputy Chief Executive) The Council is required, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The relationship between economy, efficiency and effectiveness is often defined as 'Value For Money'.

2. The Council's Value For Money (VFM) Strategy was first adopted in 2006, and has recently been reviewed in light of the completion of the detailed 'Value For Money Review' of the Council's costs and performance, which was undertaken during 2008 in light of the Audit Commission's concern at the level of costs identified in its Use of Resources Judgement for 2006/07. A presentation of the findings of the VFM Review was made to the Finance and Performance Management Cabinet Committee in August 2008 and a copy of the detailed report arising from the review has been placed on deposit in the Members' Room.

3. Scrutiny of the Council's VFM performance has traditionally been undertaken by the Scrutiny Panel, through the development of a VFM analysis tool. The purpose of the analysis tool has been to provide an initial indicator of the relationship between the Council's service costs and performance, in order to identify areas where further more detailed and targeted analysis or improvement activity may be required.

Reasons for Proposed Decision:

4. The VFM Strategy sets out the Council's overall approach to ensuring the provision of value for money services. The revised version of the Strategy builds upon the work undertaken as part of the corporate VFM Review in 2008, as a result of which improvements are also proposed to existing arrangements for the annual scrutiny of the Council's VFM performance.

Other Options for Action:

5. None. The VFM Strategy seeks to bring together best practice within the Council in terms of the provision of value for money services. Failure to identify arrangements for securing and improving value for money might mean that opportunities for improvement are lost, and may adversely affect the reputation of the authority.

Report:

Value For Money Strategy 2009-2012

6. The Council's VFM Strategy was first adopted in 2006, and has recently been reviewed by the internal Use Of Resources Working Party. VFM is defined as the relationship between economy, efficiency and effectiveness (i.e. the value chain).

- Economy is the price paid for what goes into providing a service – for example, the cost per hour of a refuse collector or the rent per square metre of accommodation;
- Efficiency is a measure of productivity – how much you get out in relation to what is put in. For example, the number of Housing Benefit applications processed per worker per week or the number of Council homes maintained per £1,000 spent; and
- Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. For example, the number of planning applications processed (quantitative) and satisfaction levels amongst different sections of the community with street cleansing standards (qualitative).

7. VFM is the perception of persons' paying for goods and/or services that the goods and/or services received were worth the price paid. A number of factors may be considered in assessing whether VFM is achieved including suitability, quality, whole life costs and the relationship between economy, efficiency and effectiveness. VFM is high when there is an optimum balance between economy, efficiency and effectiveness i.e. relatively low costs, high productivity and successful outcomes.

8. The achievement of VFM is central to the delivery of quality services, improved outcomes for citizens and businesses and continuous improvement. The Comprehensive Performance Assessment process placed great emphasis on the delivery of VFM through the annual Use of Resources judgement, and VFM will be equally central to Comprehensive Area Assessment when introduced from 1 April 2009.

9. The Council has had a robust and integrated approach to VFM for many years. This has included a whole series of arrangements, including devolving budgets to service managers, comprehensive benchmarking and cost comparison arrangements, a track record of outsourcing/market testing, an effective Procurement Strategy and investment in new technology to deliver service improvements and efficiencies. In addition, a corporate 'VFM Review' was undertaken in 2008 through an analysis of information available from a variety of sources (including cost and performance data published by the Audit Commission), in order to reach an overall conclusion on the provision of VFM by the Council. An annual review of the Council's VFM performance is also undertaken by the Finance and Performance Management Scrutiny Panel, and best practice suggests that the Council should articulate these activities in the form of a coherent and consistent strategy, to be applied across the Authority.

10. The revised version of the Council's VFM Strategy 2009-2012 is attached as Appendix 1 to this report, and sets out the framework for how VFM will be approached across the Council over the next three years. The Strategy assigns responsibility for VFM across every level of the Authority, and incorporates an action plan, progress against which it is

intended will be monitored by the Committee on a six-monthly basis. The Strategy will also contain details of the Council's key performance indicators for each year, a report on which will be found elsewhere on the agenda for this meeting.

Value For Money Performance Analysis

11. The VFM Analysis Tool was originally developed as a means to better understand the Council's unit costs for individual services, and how they related to performance and compared with other organisations. The analysis has previously been recognised as a model of good practice by the Audit Commission.

12. The purpose of the VFM analysis is only to provide an initial indicator of the relationship between service costs and performance, to identify areas where further more detailed and targeted analysis may be required, and which may then lead to a need for some form of corrective action or additional resource allocation. The first results of the analysis (for 2006/07) were considered by a Sub-Group of the Scrutiny Panel, as a result of which a specific Task and Finish Panel was established to consider the provision of VFM within the Council's planning functions. The Scrutiny Panel will be aware that the sub-group has also recently considered the analysis for 2007/08 and, as a result, progress reports in relation to a range of ongoing issues with major VFM implications will be found elsewhere on the agenda for this meeting.

13. In order to improve these existing arrangements for the annual scrutiny of the Council's VFM performance, it intended to refocus the analysis to concentrate in future on the use of the national cost and performance information published by the Audit Commission through its VFM Profile tool, supported by relevant commentaries from service directors. The corporate VFM Review adopted this approach to cost comparison, and proved useful in benchmarking the Council's costs and performance with other authorities, as it is based on a consistent set of data returns across all local authorities. The VFM Profile Tool facilitates comparison with pre-defined and bespoke local authority groupings in order to determine relative 'rankings'. It is intended that future analysis of the Council's cost performance should focus on comparisons with its 'nearest neighbour' authorities (those that are geographically and demographically similar), and the district and borough councils across Essex, in order to gain meaningful benchmarking information.

14. The Audit Commission's VFM Profile tool is updated during late February/early March each year. In order for the Council's own annual VFM analysis to be developed from this tool, it will be necessary to defer the Scrutiny Panel's traditional consideration of the authority's cost and performance information from late in each calendar year to the early part of each municipal year. However, this approach will allow members to receive more up to date cost information than has previously been the case. The Scrutiny Panel may therefore wish to agree arrangements for the consideration of the VFM analysis, and the composition of any necessary sub-group, as part of the formulation of its work programme for each year.

15. The Scrutiny Panel is requested to agree the Council's draft Value For Money Strategy for 2009 to 2012, and proposed arrangements for the annual scrutiny of the Council's VFM performance. This report was considered by the Finance and Performance Management Cabinet Committee at its meeting on 16 March 2009, and the draft Value Strategy and proposed arrangements for future VFM scrutiny were agreed, subject to the concurrence of the Panel.

Resource Implications:

It is considered that the budget and human resource implications of the implementation of the draft Value For Money Strategy and the on-going review of the Council's Value For Money performance can be met from within existing resources.

Legal and Governance Implications:

VFM is a key component of the annual Use of Resources judgement, and will be equally central to Comprehensive Area Assessment when introduced from 1 April 2009. Failure to identify arrangements for securing and improving value for money might mean that opportunities for improvement are lost, and may adversely affect the reputation of the authority.

Safer, Cleaner and Greener Implications:

There are no direct implications arising from the implementation of the draft Value For Money Strategy and the on-going review of the Council's Value For Money performance for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative, or any Crime and Disorder issues within the district.

Consultation Undertaken:

The draft Value For Money Strategy has been developed by the Use Of Resources Working Party and has been agreed by Management Board. Revised arrangements for the on-going review of the Council's Value For Money performance have been considered by the Finance and Performance Management Scrutiny Panel.

Background Papers:

A copy of the Corporate VFM Review undertaken in 2008 has been placed on deposit in the Members' Room. The achievement of VFM is central to the published frameworks for the Use of Resources and Comprehensive Area Assessments for 2009.

Impact Assessments:

The lack of a coherent approach to VFM could lead to wasteful effort or an under-appreciation of the more strategic implications of taking forward particular initiatives.