

# **Report to the Finance and Performance Management Scrutiny Panel**

**Date of meeting: 14 November 2006**



**Portfolio:** Finance & Performance Management

**Subject:** Value for Money Analysis 2005/6

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## **Recommendations:**

- (1) That the Scrutiny Panel considers the Value for Money (VFM) Analysis 2005/6, attached as an Appendix, and whether the Panel:**
  - (a) would like any clarification to be provided to a future meeting on any of the content; and/or**
  - (b) feels that any of the information provided by the VFM Analysis should be brought to the attention of the Overview and Scrutiny Committee, to help inform the Committee's Work Programme for 2007/8;**
- (2) That the pages of the VFM Analysis relating to the following services be considered further by the Panel at a future meeting, once the outstanding cost information has been obtained and/or the required analysis has been undertaken and a commentary provided:**
  - (a) Housing Services (outstanding Housemark information)**
  - (b) Environmental Services (Commentary on Performance V Cost); and**
- (3) That information comparing costs and performance at the corporate level be gathered and considered at a future meeting of the Panel.**

## **Background**

1. The Audit Commission now undertakes an annual Use of Resources (UoR) Assessment, which evaluates how well councils manage and use their financial resources. It is a more stringent test than the auditor-scored judgements that formed part of the comprehensive performance assessment (CPA) framework up until 2004. The scope of the assessment has also been widened. The assessment focuses on the importance of having sound and strategic financial management, to ensure that resources are available to support the Council's priorities and improve services, covering five themes. One of the five themes is "Value for Money" (VFM).

2. In March 2006, the Audit Commission reported on its UoR Assessment for the

Council. Overall, out of a possible score of 1-4, it gave the Council a score of “ 2 – Only at minimum requirements – adequate performance”. A score of “ 2 “ was also given for the Value for Money theme, although the Audit Commission’s judgement for one of the two components of the VFM Score, relating to whether the Council manages and improves value for money, only scored “1 – Below minimum requirements – inadequate performance”.

3. The Audit Commission will be visiting the Council during week commencing 15<sup>th</sup> January 2007 to undertake the Council’s UoR Assessment for 2006/7.

### **Progress since the 2005/6 UoR Assessment**

4. Following last year’s UoR Assessment, the Management Board formed a high-level Use of Resources (officer) Working Party, chaired by the Head of Housing Services and including Heads or Assistant Heads of Service from each service. The Terms of Reference for the Working Party included a requirement to study the Audit Commission’s Key Lines of Enquiry (KLOEs) and the Council’s Audit Score Feedback for 2006-7 in respect of the Use of Resources and to identify those recommended improvements/tasks that are required to enable the Council to move to the next level for each KLOE.

5. Accordingly, the Working Party formulated a detailed Work Programme / Progress Report, which listed the required tasks to reach the next level of the UoR KLOE, and assigned officer responsibilities, priorities and target completion dates for each task. In view of the amount of detailed work required to improve the Council’s VFM Score, the Working Party made an early decision to form a small Value for Money Project Team, chaired by the Head of HR and Performance Management, to oversee the completion of the required tasks relating to the VFM KLOEs.

6. The Working Party, Project Team and individual officers have been working through the Work Programme since June 2006 and have made significant progress in completing its tasks. This has included:

- Production and approval of a Value for Money Strategy, Data Quality Strategy and Staff Code of Conduct
- Formulation of the Council’s Value for Money Self-Assessment
- Introduction of many new approaches and procedures (e.g. procedure note for closure of accounts processes and a proposed consultation on the Medium Term Financial Strategy)
- Production and approval of a Business and Internal Control Assurance Framework
- Formulation of proposals for the introduction of an independent Audit and Governance Committee from May 2007
- Approval of the Corporate Risk Register and Risk Management Strategy by members, and the embedding of risk management within the organisation
- Improved budgetary information to members and monitoring by officers
- Introduction of a Value for Money Analysis for 2005/6 (see below).

7. During 2006, the Audit Commission amended the UoR KLOEs. As a result, the Working Party has reviewed its original Work Programme, and revised it to incorporate additional tasks that need to be undertaken as a result of the KLOE.

8. The significant progress made by the Working Group appeared to be recognised by the Audit Manager of the District Audit Service at a positive meeting with the Head of Housing Services in October, at which it was agreed that the UoR Work Programme / Progress Report would be used by the Audit Commission, in lieu of the Council completing a separate UoR Self-Assessment, for the 2006/7 UoR Assessment. It is felt that this is helpful

to the Council, not only because of the saving in officer time to complete a Self-Assessment, but mainly because the Work Programme / Progress Report is action-focussed on the areas that the Council needs to improve to reach the next level, and has comprehensively tracked completed actions and achievements.

### **Value for Money Analysis 2005/6**

9. A central theme running through the Audit Commission's VFM KLOEs is the importance of the Council having information on its costs, and knowing how these compare to other organisations and how they relate to the quality of the Council's services. Stated linkages of performance and associated costs with the Council's overall objectives, contained within the Council Plan, are also important.

10. In order to better understand the Council's unit costs for services and how they relate to the Council's performance and compare with other organisations, the UoR Working Party has spent some time formulating a Value for Money (VFM) Analysis, which is attached as an appendix. This is not based on any other organisation's approach or model, but has been developed in-house. Due to its relatively small print size, the VFM Analysis has been enlarged and reproduced for the Scrutiny Panel on A3 paper to assist members.

11. It is emphasised that the model still has some gaps and needs much refinement and development over the next twelve months, but the attached VFM Analysis is the first step of the Working Party's intention to create a valuable tool to inform further analysis and discussions on VFM, by officers and members, on an annual basis.

12. It is also important for the Scrutiny Panel to understand that the purpose of the VFM Analysis is only to provide an initial "indicator" of the relationship between performance and costs for services, to prompt discussion, and to identify areas where further - more detailed and targeted analysis - may be required, which may then lead to a need for some form of corrective action or additional resource allocation. It would be both inappropriate and imprudent to take any action directly in response to considering the initial information provided.

13. The VFM Analysis is separated into the nine Council Services that have BVPIs and LPIs. Most Services are then broken down into distinct areas of activity within the Service, for which BVPIs and LPIs are available. When looking at the information for each service, there are three distinct groupings of data, relating to each service area activity, as follows:

- Clutches of BVPIs and LPIs
- Clutches of cost information
- A short commentary on performance and cost

14. It is important to note that the cost information on a particular row does not relate to the performance data on the same row. The clutch of performance data for a particular service area grouping should be considered with the associated clutch of cost information for that service area grouping. The first two pages of the VFM Analysis provide further explanation on how to use the model.

15. Although the VFM Analysis is still at a relatively early stage of development, with a number of gaps within the required data, it is felt important that the Scrutiny Panel is presented with the information at this initial stage. Indeed, the Council's new Value for Money Strategy gives the Scrutiny Panel the responsibility of carrying out the scrutiny of the Council's performance and costs, compared to national/regional/local benchmarks where available, and to the links to KPI, BVPI and LPI performance, on an annual basis.

16. The Scrutiny Panel is therefore invited to:

- Discuss and comment on any of the information or conclusions;
- Request clarification on any of the content for a future meeting; and
- Consider whether any of the information provided by the VFM Analysis should be brought to the attention of the Overview and Scrutiny Committee, to help inform the Committee's Work Programme for 2007/8. For example, the Overview and Scrutiny Committee may ask a Task and Finish Panel to investigate and analyse the value for money of certain aspects of a Service's activity, based on the initial indicators contained within the VFM Analysis, as part of its terms of reference and/or work programme.

17. It should be noted that one area of development for the VFM Analysis is a comparison of costs and performance at the corporate level. This is an issue that the Working Party will be considering, and will bring forward to a future meeting of the Scrutiny Panel, in due course.