



REPORT TO: POLICY AND RESOURCES COMMITTEE

DATE: 25 JUNE 2009

REPORTING OFFICER: CORPORATE DIRECTOR (s151)

SUBJECT: VALUE FOR MONEY STRATEGY

WARDS AFFECTED: ALL

1.0 PURPOSE OF REPORT

- 1.1 This report will set out the Council's proposals for improving and demonstrating Value for Money (VFM) within the Authority and recommends a VFM strategy for approval.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that members approve the Council's VFM strategy at Annex A.

3.0 BACKGROUND

- 3.1 Value for Money is a common and well-understood phrase within Local Government and has long been an issue in all Local Authorities.
- 3.2 The Council has undertaken a significant amount of work over a number of years in relation to VFM service provision. In addition to this both the Council's External and Internal Auditors have undertaken specific VFM reviews as part of their work and VFM formed an important part of the Council's Best Value Process. More recently the Audit Commission has specifically reviewed the Council's management of VFM as part of the Use of Resources Assessment.

4.0 POLICY CONTEXT

- 4.1 The proposals in the report are consistent with current Council policy.

5.0 REPORT

- 5.1 There are a number of issues that currently affect local authorities, which mean it is even more important than before to have clear policies and procedures within the Council to ensure that VFM is at the heart of what the Council does. These pressures include:
- Financial pressures which, without the achievement of improved efficiency, will result in the Council having to possibly reduce services.
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- Efficiency targets set by central government of 3% per annum – and the possibility these will increase after 2010/11
 - The significant focus through Comprehensive area Assessment (CAA) on the achievement and demonstration of Value for Money in service provision.
- 5.2 In order to address these issues it is important that the Council is clear in terms of what VFM is actually about, what the CAA Assessment will expect to see in place and how best the VFM agenda can be taken forward within the Council.
- 5.3 VFM is ostensibly the relationship between economy, efficiency and effectiveness of providing a service.
- **Economy** is the price paid for what goes into providing a service – for example, the cost per hour of employees; 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 people visited per week; kilometres of road maintained per £1,000 spent.
 - **Effectiveness** is a measure of the impact achieved and can be quantitative or qualitative. For example, number of homelessness preventions (quantitative), satisfaction levels among different sections of the community with Customer First service requests (qualitative). Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.
- 5.4 VFM is high when there is an optimum balance between all three – relatively low costs, high productivity and successful outcomes. The Improvement and Development Agency in its procurement guidance has defined best VFM as the ‘optimum combination of whole life costs and benefits to meet the customer’s requirement’.
- 5.5 Annex B to this report details the specific requirements in relation to VFM as part of the CAA process. In addition to this achieving good value for money is the key to performing well in other aspects of the overall assessment.
- 5.6 In order to take the initiative forward an officer VFM group will be established, led by the Corporate Director (s151), with the following terms of reference:
- Act as the focal point for VFM within the Authority
 - Identify areas of high absolute spend and high relative benchmark cost compared to similar authorities and ensure those services are subject to appropriate review and the high cost/relative spend is linked to Corporate Priorities
 - Ensure investment in services results in improved performance and ensuring proper performance measures are in place for all projects
 - Ensure the appropriate mechanisms are in place to ensure that the costs and quality of services are recorded and can be monitored, and where required take action
 - To produce and maintain the Council’s Corporate VFM strategy.
 - Promote VFM throughout the Authority.
- 5.7 The VFM group will maintain an overarching strategic view to ensure a consistent approach to the subject. It has been identified that information relating to benchmarking and reviewing high cost areas is a current weakness, which the VFM group will take responsibility for.

- 5.8 It is clearly important that Members be involved in challenging high costs areas, seeking to reduce costs and improve effectiveness. The Audit Commission require authorities to have identified, through benchmarking, high cost/low performing service areas, to then review these areas, and take action to either reduce costs/improve performance. The role of Members in driving down costs, increasing income and improving performance is a key issue for the Council and the Audit Commission.
- 5.9 A number of key actions have been identified initially for the group to address:
- Identification of high priority areas that require a VFM review, based upon a risk/value/potential benefit analysis.
 - Benchmarking analysis to inform the prioritised programme of reviews, and to on an ongoing basis highlight high spending/low performance areas for review.
 - Regular reporting to Corporate Management Team on VFM
 - Regular reporting to Members on the outcomes of VFM reviews
 - Review of the VFM Strategy
 - Embedding the culture of VFM
- 5.10 Whilst services are subject to regular reviews, specific VFM reviews will be an important part of the process. In many cases where other reviews have been recently undertaken there will be a 'light touch' assessment but focus very specifically on VFM issues.
- 5.11 An initial analysis of areas which could be subject to VFM reviews will be undertaken. This will focus on high absolute spend/income services within the Authority as well as reviewing the Audit Commission profiles to identify services that were high relative cost, customer satisfaction ratings and existence of performance data and any other benchmarking information available. It is proposed that member involvement is through reports to Policy Committees as required on reviews and implementation of recommendations.
- 5.12 A checklist for the reviews will be devised which examines service issues, financial issues, performance benchmarking, best practice and service satisfaction.
- 5.13 Reviews for future years have also been identified and it is also proposed that any service identified as 'under performing' on a consistent basis will be subject to a VFM review.
- 5.14 Attached at Annex A is a proposed VFM strategy for the Authority. The adoption of such a strategy is an important part of the process and again represents best practice. Embedding a culture of VFM within Services and Members is an important part of the process and training on VFM issues will be considered as part of the Authorities corporate training programmes.

6.0 OPTIONS

- 6.1 The proposals within this report whilst seeking to improve the Council's assessment by the Audit Commission are more focussed in delivering services, which represent best VFM. The focus on VFM is entirely in accordance with the principles of Gershon and may release resources to assist in the management of the Council's finances. Failure to undertake this next step will lead to potential waste and inefficiency as well as further pressures on the Council's budget and adverse external inspection.

7.0 FINANCIAL IMPLICATIONS

7.1 There are no financial costs to the proposals within the report, it is anticipated that improvements in VFM will result in cashable and non-cashable savings to the Authority.

8.0 RISK ASSESSMENT

8.1 The significant risks are :

- (i) Failure to make improvements in VFM results in poor services and waste and failure to achieve efficiency targets.
- (ii) Failure to make improvement impacts on Council's external inspection rating

8.2 These risks are mitigated through the implementation of VFM reviews and embedding of culture through implementation of the VFM strategy.

9.0 LEGAL IMPLICATIONS

9.1 There are no legal issues.

10.0 CONCLUSION

10.1 The Council needs to undertake a more co-ordinated and structured review of its VFM and services. The initial discussions with the CAA inspectors have highlighted this as an improvement point for the Council. Approval of the proposals within the report with appropriate monitoring and reporting to members will improve the Council's efficiency.

OFFICER CONTACT: Please contact Paul Cresswell if you require any further information on the contents of this report. The officer can be contacted at Ryedale House, Malton telephone number 01653 600666 ext.214 or e-mail Paul.cresswell@ryedale.gov.uk.