



# Value for Money Strategy

## Contents

1. **Setting the Scene**
2. **What do we mean by Value for Money?**
3. **Objectives of the Value for Money Strategy**
4. **Delivering Value for Money – Methodologies**
5. **Responsibilities**
6. **Maintaining and Creating a Value for Money for Money Culture**
7. **Funding for Value for Money**

**Annex 1 - Council's Structure for Managing VFM**

## 1. Setting the Scene

The Council's vision for Ryedale is of a place where all residents can enjoy life, with strong, prosperous and welcoming communities.

The Council's Aims are:

- To meet housing need in the Ryedale District Council area
- To create the conditions for economic success
- To have a high quality, clean and sustainable environment.
- To help all residents to achieve a healthy weight by encouraging an active lifestyle, in communities where everyone feels welcome and safe
- To transform the Council

The Council has a background of dealing with the demands of the area, its demographics and expectations against difficult financial circumstances. Savings are required every year as cost pressures, priorities and Government funding have been balanced. Efficiencies have featured for many years and the principles of Gershon are now enshrined into the Council's Financial strategy. Efficiency and minimising front line service impact, whilst directing resources to priority areas are the cornerstones of the Financial Strategy. Value for Money and continuous improvement is required in all services as the Council moves forward.

## 2. What do we mean by Value for Money?

The Council has a statutory duty to deliver Best Value in the provision of its services. Best Value means local councils must aim to continually improve the *Economy*, *Efficiency* and *Effectiveness* of their service delivery.

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 service requests (qualitative). Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.

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’.

The Council will continually look for ways to improve economy, efficiency and effectiveness in the delivery of its services. Economy, efficiency and effectiveness are important to the Council and every effort is made to ensure that services are fit for purpose and that the Council’s perceptions of fitness for purpose and service quality are influenced by feedback from service users, partner organisations and other stakeholders.

The Council is clear that VFM means that:

- Services are of the right quality, that is, they are fit for purpose.
- Services are delivered economically, that is, from a supplier (internal or external) whose price is competitive for the quality of service delivered.
- Services are delivered efficiently, that is, through streamlined processes that link seamlessly with partner organisations where necessary.
- Services are delivered effectively, that is, they meet the needs of local people at the right time.
- The Council releases resources from areas that are not a priority so as to fund service improvement without an increase in Council Tax.

### **3. Objectives of the Value for Money Strategy**

To achieve VFM, the Council has the following objectives:-

- To target resources towards meeting the needs of local people.
- To integrate best value principles within existing management, planning, review and scrutiny processes.
- To provide services that meet the needs of local people through the most economic, efficient and effective means.
- To undertake structured reviews of service areas on a targeted basis and to act on review findings to improve future performance and efficiency.
- To benchmark the Council’s performance against that of organisations in the public, private and voluntary sector where appropriate and against industry standard benchmarks.
- To adopt recognised good practice where this is appropriate for meeting the needs of people in the Area.
- To promote a culture of continuous improvement.
- To train and develop managers and help them fulfill their obligation to achieve VFM for the Council as an integral part of their work.

### **4. Delivering Value for Money – Methodologies**

The Council has a number of different methodologies and structures for promoting and delivering VFM. The Officer VFM Group is the overarching group tasked 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.

Annex 1 outlines the broad structure under which the Council manages VFM. The VFM group sits above the various work streams that are already contributing to VFM, and simply maintains an overarching strategic overview of the work of the different groups and processes.

### **Value for Money Reviews**

The area of work which is the focal point of the VFM group is the benchmarking and reviewing high cost areas. This will be achieved through a series of VFM reviews. The following methodology will be applied:

Services will be prioritised for VFM review based on:

- high absolute cost
- high absolute income
- high relative cost from available reliable benchmarking information
- audit commission profiles in terms of
  - relative cost
  - Customer Satisfaction
  - Performance Indicator information
- consistent underperformance by a service identified by the VFM group result in that service's review being brought forward.

### **Review Process**

- Reviews will be led by the relevant Head of service in which the service falls
- Reviews will use a VFM pro forma prepared by the VFM group as the basis for review
- Reviews are 'task and finish' and should be undertaken within a 9 month period
- The relevant Policy Committee will be involved in each review
- The VFM group will monitor the implementation of recommendations arising out of VFM reviews.

### **Other reviews**

Other reviews will take place within the Authority including but not limited to Best Value Reviews, Service Transformation Reviews and Policy reviews. The VFM group will ensure that other reviews consider issues relating to VFM.

## **5. Responsibilities**

The responsibility for delivering VFM lies with all staff and is not restricted to those with resource or financial management responsibilities.

The Council's VFM group has the responsibility to put in place and revise the VFM strategy and the methodologies that can be used when assessing VFM. It is the VFM Groups' responsibility to review the VFM Strategy on a 12 month basis.

Managers have the responsibility to keep up to date and maintain an awareness of developments in good practice in their own service areas. Managers should actively identify and review new and developing practice and apply it to Council services where appropriate.

## 6. Maintaining and Creating a Value for Money Culture

In achieving VFM, there are many objectives for organisational behavior and activity to be taken into account.

These include:

- The culture of the organisation, for example, continually striving to do more at the appropriate quality for less money.
- Adopting good practice
- Clearly defining the Council's aims, strategies and policies
- Providing an organizational structure which promotes accountability, through placing power at the point where responsibility is required to be taken, together with appropriate control and oversight exercised at a higher level.
- Being committed to effective communication and staff development so that the culture and aims of the organization permeate to, and are identifiable at, all levels within the organisational structure.
- Providing an appropriate infrastructure in systems, resources and training.

In order to promote the above, training and communication of VFM issues will be considered by the VFM group.

## 7. Funding for Value for Money

### **Invest to Save Schemes**

Invest to Save schemes are those that require an initial pump prime funding but where the scheme will repay the outlay plus interest within a given period of time with the repayment period not exceeding the life of the asset. Where additional external resources are available to support the investment then these will be taken into account when assessing the schemes viability.

Any funding required will be dealt with as part of the Budget strategy as capital or revenue growth bids. In assessing such bids the Council's prioritisation methodology will be applied. All bids will be assessed on the basis of a:

- Business Case (Head of Service)
- Financial Appraisal (Financial Services and Revenues Manager)
- Risk Assessment (Head of Service)
- Report to Policy Committee / Council (Corporate Director (s151))



