

Value for Money Strategy

1 Executive Summary

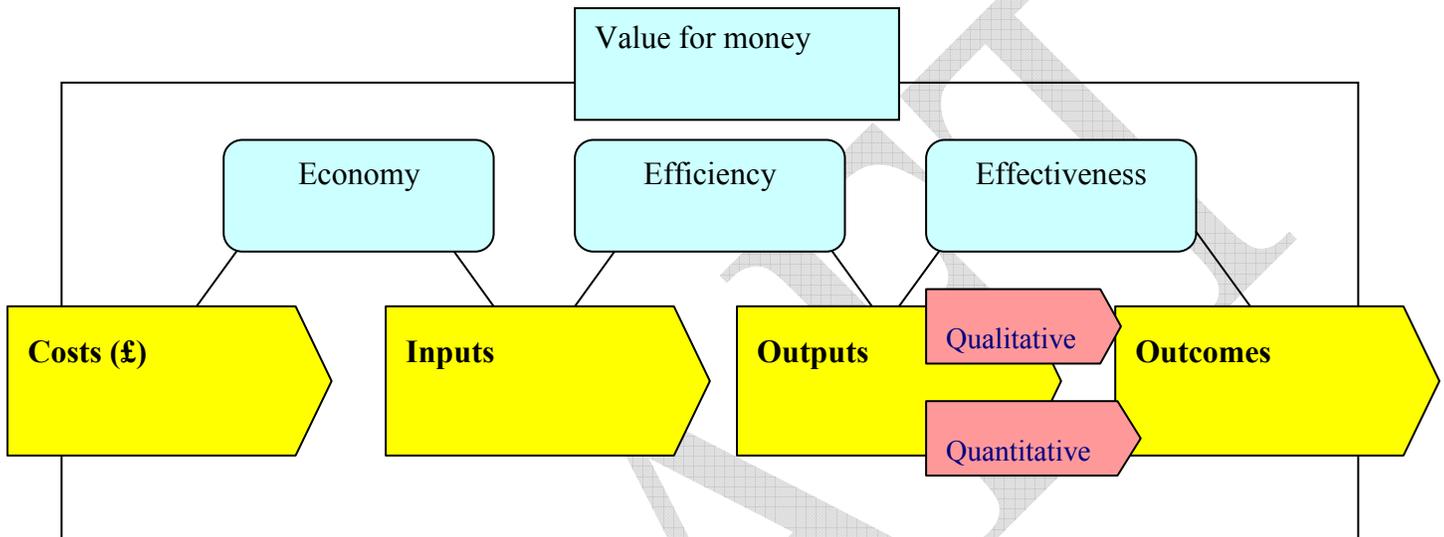
- 1.1 Breckland Council is determined to deliver good value for money. The main reason is to ensure that we provide the best possible outcomes for the people of Breckland
- 1.2 Value for Money is part of good management. It is about achieving the best possible outcomes, for the whole community, relative to the level of resources required to achieve those outcomes. *Value for money is achieved when a service produces the required outcomes in the most efficient and effective way, and at a reasonable cost*
- 1.3 To help to improve the achievement of Value for Money the Council has identified a number of steps that together form the basis of this Strategy. In summary, these steps are as follows:
- We need to become an organisation where people better understand what value for money is, how it can be measured and how they can help to achieve it.
 - We require specific actions that will enable us to identify value for money improvements across as many of our services as possible
 - We must be able to demonstrate that we are achieving these improvements in value for money.

2 What is Value for Money?

- 2.1 Value for money is achieved when a service produces the required outcomes in the most effective way, and at a reasonable cost.
- 2.2 Judging whether we are receiving or providing value for money can be difficult, whether we are a purchaser or a provider of goods or services. This may be particularly the case for public bodies where policy aims need to reflect the differing needs of our communities. However, there is a series of tests that can be applied to help us focus our attention on delivering good value for money.
- 2.3 The most important test is to confirm that the service is meeting a real need and providing at least some of our customers with a real benefit. If it does not do this, the service will not represent value for money no matter how cheaply or efficiently it is run.
- 2.4 Conversely, services that are appreciated by customers will not represent good value for money if they cost more than they need to, if they are provided inefficiently or they are not affordable.
- 2.5 Achieving value for money depends on getting all these elements right. The Audit Commission describes this in terms of the relationship between economy, efficiency and effectiveness.
- **Economy** is the price paid for what goes into providing the service – for example, the cost per hour of care workers; the rent per square metre of accommodation. This will clearly affect the final cost of the service.
 - **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 home care worker per week; kilometres of road maintained per £1,000 spent. This will determine how much of a service can be provided for a given

level of investment and again will clearly affect the final cost of the service, or the volume of service that can be delivered for a set level of expenditure.

- **Effectiveness** is a measure of the outcomes achieved and can be quantitative or qualitative. For example, the number of people prevented by home care services from needing residential care would be a quantitative measure of the effectiveness of the home care service. Satisfaction levels among older people with their independence and quality of life would be a qualitative measure of the effectiveness of the service.



2.6 So value for money is high when there is an optimal balance between all three of these elements – relatively low costs, high productivity and the achievement of outcomes which are of real benefit to people in Breckland.

3 The Current Position and Why Value for Money is Important

3.1 For some Council services, we believe that we already provide excellent value for money. In some areas we know that we have to improve value for money and we are working to deliver the improvements. For some of our services, we are not clear enough about whether our current service delivery represents value for money or not. This combination of circumstances is fundamental in informing our approach to value for money.

3.2 Providing good value for money is important for the following reasons:

- It enables us to provide the best possible level of services and achieve the best possible outcomes for our customers within a set level of expenditure
- It helps us to achieve a balanced medium term financial position without precipitous short-term management actions
- It helps to demonstrate our accountability to the people of Breckland
- It helps to generate a sense of pride amongst employees

- It demonstrates to Government and our external assessors that we are spending public money in an effective way
- It enables us to make a positive contribution to the view of Local Government as a model of good practice.

3.3 For these reasons one of our nine Corporate Objectives is "To ensure organisational effectiveness"

3.4 The Government's Comprehensive Performance Assessment framework for measuring the performance of Local Government now includes value for money as one of the key areas of review. Our external assessment by the Audit Commission in 2005 led to a score of 2 out of 4. This defined our performance as "adequate", meaning that the council was providing value for money but that there was scope for improvement. A further review was conducted in 2007. We are currently awaiting a score and feedback from this review. This strategy's action plan will be amended to take account of the findings.

3.5 The government has recently published its Comprehensive Spending Review (CSR 2007), supported by guidance from the Department of Communities and Local Government entitled 'Delivering Value for Money in Local Government: Meeting the challenge of. This sets out the government's agenda for achieving 3% cashable savings across the local government sector. It is therefore vital for Breckland to achieve these savings if it is to find the resources necessary to pay for new government initiatives that are not funded by the new local government settlement.

3.6 Many of the components required to deliver value for money are already in place within the Council. We have a Community Plan and Corporate Plan that set out what we want to achieve and a Medium Term Financial Strategy and budget setting process that provide a framework for making resource allocation decisions.

3.7 In addition, we have well-established performance and financial management frameworks, including project management and service redesign best practice models, effective partnership working relationships in a number of areas, and significant member and employee development programmes. Nevertheless, we need to do more to demonstrate that we are delivering value for money in some areas or explain why some of our service costs are higher than average.

4 Value for Money Objectives

4.1 We need to become an organisation where everyone understands what value for money is:

- The Council's approach to value for money needs to be clearly set down
- Elected members need to be aware of their role in supporting the delivery of value for money
- Managers at all levels need to have the skills and the information required to enable them to deliver value for money,
- All employees should be aware of the contribution they can, and should, make in delivering value for money as part of their routine activities and have the opportunity to influence how this is achieved
- Fundamentally the Council must be an organisation which promotes a culture of continuous improvement, and in which seeking value for money in the delivery of services is the norm.

We require specific actions that will enable us to improve value for money across as many of our services as possible:

- Appropriate resources need to be made available to create the capacity for the Council to deliver the value for money agenda
- There should be key individuals across the Council who are responsible for acting as catalysts for achieving value for money
- We need to identify actions that will deliver value for money across the short, medium and long terms
- Programmes of value for money reviews should be very focused with clear terms of reference. They should first target those areas of greatest potential benefit, for instance high cost and lower performing services
- The Council should continue to allocate its resources to the areas of highest priority.
- We must be able to demonstrate that we are achieving these improvements in value for money:
- We need a more systematic approach to setting service standards, reviewing service outcomes, and comparing costs and outputs and how they change over time
- Indicators should be set which measure what is important to us
- Targets should be realistic but stretching
- Our policy and performance framework should provide the facility to demonstrate that we are implementing the outcomes from an active value for money service review programme
- Our Medium Term Financial Strategy should be instrumental in determining the scale of the financial savings required through improved value for money and should demonstrably capture the cashable savings achieved

4.4 We will also seek to satisfy all the Audit Commission's criteria for judging value for money in the Key Lines of Enquiry

5 A Revised Approach to Value for Money

5.1 The Council aims to take the following steps:

- A systematic approach to delivering value for money, backed by a corporate Value for Money Strategy
- The establishment of a small Value for Money Team
- The identification of Value for Money Champions in each portfolio who will provide a clear lead in Portfolio's, and form a Corporate Value for Money Steering Group
- A clear and understandable definition of value for money
- Develop a methodology for the production of VFM profiles, reviews of services, and identification of VFM improvements
- The identification of a rolling programme of value for money reviews
- Implement the quick wins identified by the Business Improvement Team.

- 5.2 Making judgements about the value for money of local authority services is complex. There are important questions to ask about the degree of need, numbers of people served, equality considerations, the benefit to a community as a whole, which sometimes make the judgement difficult. These judgements need to take non financial benefits into account in an explicit and robust way. For example, the value of a particular service might be described in terms of its accessibility, its responsiveness, its flexibility in reacting to customer needs and its outcomes, as well as its cost.
- 5.3 The Council is adopting a more systematic approach to these issues. An analytical framework is being developed which will be used to produce value for money service profiles which will identify opportunities for improvements in value for money. These will be supplemented by other specific key activities as outlined in the next section. Together these will move the Council closer towards being an organisation where we achieve optimum value for money across all services.
- 5.4 This work is underpinned by a small number of value for money activities and principles which are set out below:
- To integrate value for money principles within existing performance management, planning, review and scrutiny processes and to link them to the delivery of our Annual Efficiency targets
 - 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 relevant to delivering service improvements and meeting the needs of people of Breckland
 - To promote a culture of continuous improvement.
 - To train and develop managers and help them fulfil their obligation to achieve value for money for the Council as an integral part of their work
 - To take into account full long-term costs and benefits, not just immediate costs
 - To allow for local policy choices (within a national policy context) about priorities and standards of service in value for money judgements. This reflects the fact that there is an affordability issue for the Council as a whole as it makes choices about its policies and standards of service.
 - Costs alone do not reflect value. The service outcomes required by the Council are of prime importance and need to be taken into account in arriving at value for money judgements.

6 Key Actions in Achieving Value for Money

- 6.1 There are a number of areas where positive actions will help to improve our level of performance in terms of delivering value for money:
- To develop a common understanding of what is meant by value for money and develop an overarching value for money strategy.
 - A definition of value for money is set out in section one of this strategy. This provides the context for our corporate value for money approach.
 - Concentrate harder on the identification of the standards of service we desire and on the evaluation of the outcomes derived from our services, which will enable us to refocus our approach to service improvement
- 6.2 This work will be tackled through the production of value for money service profiles.

- Stage One – clarifying the objectives of particular services, the standards and levels of service desired and the outcomes which are being sought
- Stage Two - bringing performance and financial information for the service together, including comparative cost and performance data (such as the information provided by BVPIs and the Audit Commission's Value for Money Profiles). A best practice benchmarking database will be developed to support these activities. This consolidated information will help the Council to gain a better understanding of the "shape of a service" (understanding how well the service is meeting its objectives in as broad a sense as possible, including the inter-relationships and linkages between services). This wider perspective is crucial to a full appreciation of service outcomes. Stage two will result in the identification of potential value for money improvements.
- Stage Three - determining the focus of a formal value for money review. Depending upon the potential improvements identified in stage two, reviews will be scoped to concentrate on:
 - The contribution to corporate objectives
 - The volume and standards provided
 - The cost of service provision
 - The service quality

- 6.3 The Value for Money Team will scope these reviews, identify the resources and skills needed to carry them out and monitor progress. Significant reviews may need some external consultancy support, and will be carried out on an invest-to-save basis. Their prioritisation will be determined by the outcome of the service profiles, which will include cross cutting reviews. Information gathered during phase 1 of project CREATE and other benchmarking exercises will be used to inform these reviews.
- 6.4 We need to use this to improve our approach to target setting, and to use this process more effectively to determine resource allocation, in a way which recognises that affordability across the Council as a whole is a key issue
- 6.5 It is proposed to develop a training programme which will specifically address the development of target setting as this is fundamental to the specification of service objectives and the assessment of the resources needed to achieve them.
- 6.6 Responsibility for improving value for money lies with all employees. Managers are responsible for awareness of good practice in their own area of operation and ensuring that this is followed appropriately. All employees are being encouraged to seek to improve value for money and bring to their manager's attention any opportunities for improvement. In order to deliver this, value for money principles are being integrated within our existing service planning and review framework. The Annual Delivery Plan and Service Delivery Plans will include specific actions to deliver value for money improvements.
- 6.7 We particularly need to ensure that whole life costing principles and option appraisals are a key part of making investment decisions in our capital programme. We are improving our processes for making capital spending decisions and these will be incorporated into Capital Programme setting for 2008/2009 in accordance with our Capital Strategy.
- 6.8 Our corporate procurement activity will maintain a strong focus on delivering value for money. Resources are being concentrated on partnership approaches, and targeting categories of spend that represent the largest value and/or most scope for saving. The Council has made significant progress in reviewing its procurement activities to ensure it meets the requirements of the National Procurement Strategy, and is setting procurement savings targets to reflect the outcome of our procurement activity.

We will need to continue to focus on the benefits brought about by effective procurement practices when the National Procurement Strategy is superseded by the National Sustainable Procurement Action Plan.

- 6.9 There are existing teams within the Council that can contribute significantly to the achievement of value for money. The Business Improvement Team will work to improve services to customers by redesigning business processes.
- 6.10 We need to improve the relationship between our performance reporting and financial reporting, since this contributes to the measurement of value for money.
- 6.11 The Council has adopted a robust approach to integrate performance management, risk management, financial planning and monitoring information, to provide a sharper focus for value for money.
- 6.12 We need to confirm the principle of switching resources from low priority areas. The Government's review of public sector efficiency "*Efficiency Review: Releasing Resources to the Front Line*" (the Gershon Review) focused on the objective of releasing resources into front line services that meet the public's highest priorities. This will result in Members and senior officers, through the Star Chamber process making some difficult decisions about reducing the level of service or changing the way we deliver services in some areas.
- 6.13 We need to give greater prominence to demonstrating the delivery of value for money in many of our reports to Members. Public reports should contain specific references to demonstrating value for money. This will ensure that consideration of outputs and outcomes, and business case justification, options appraisal, whole life costing, benchmarking and comparative analysis, are dealt with whenever key decisions are taken. The Management Team and Head of Financial Services will take a lead in ensuring that these issues are being considered.
- 6.14 We need to further develop the awareness and skills of managers on ways to improve the value for money offered by the services they manage, and provide training for Members on how to evaluate the benefits gained from our expenditure and assess and challenge the value for money provided.
- 6.15 The Chief Accountant, in conjunction with the Business Improvement Team and the Performance Team will focus on the following key areas of responsibility:
 - Develop a Value for Money Strategy and framework
 - Raise awareness of value for money across the council
 - Research and promote good practice
 - Devise and co-ordinate a rolling programme of reviews within and across portfolios
 - Co-ordinate work to achieve Gershon savings
 - Assist in the preparation of key reports and recommendations to ensure that the value for money dimension is properly reflected.

High-level Value for Money Champions, drawn from senior managers of each portfolio, will support the Value for Money Team. Their role will include:

- Advise on the annual value for money review programme
- Ensure close liaison with other relevant groups

- Lead or take part in cross cutting service reviews or reviews in other Portfolios
- Show a clear lead on value for money
- Ensure that knowledge and understanding of value for money is cascaded through the Portfolio
- Be involved at an early stage of all new revenue and capital spending proposals and ensure that these are based on a sound business case which reflects the Medium Term Financial Strategy and the Capital Strategy
- Produce quarterly progress report on value for money as part of the performance management process.

7 Demonstrating that we are achieving value for money

- 7.1 The steps outlined below will move us towards being an organisation where we can demonstrate that we are achieving value for money.
- 7.2 The development of the scrutiny function to undertake a challenging role on value for money. It is proposed that the relevant Panel includes within its future work programme an action to specifically look at value for money issues, initially through monitoring the delivery of this strategy, and that all Scrutiny Panels are charged with the task of challenging the value for money dimension to reports they receive.
- 7.3 Developing a reporting and review programme linked to service planning and performance monitoring. The three times per year Annual Efficiency Statement returns from the previous comprehensive spending review are going to be replaced by a single National Indicator to ensure that local government delivers the 3% savings required by the CSR 2007. Details of the new regime are yet to be published, but Breckland will need to develop a process to ensure that it sets targets, identifies efficiencies and monitors and reports progress in order to achieve the national target.