
REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM: 12
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REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	DOC:
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SUBJECT:	VALUE FOR MONEY ANNUAL REVIEW	REF: PJJ/CTS
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 Members to note the report and the ongoing improvements to managing and improving Value for Money.

2.0 Purpose of Report

- 2.1 To continue to embed the principles of Value of Money into the culture of the organisation and robustly challenge how we deliver our services.

3.0 Executive Summary

- 3.1 The Council's vision is "*Making South Derbyshire a healthier, more prosperous and safer place to live by offering value for money services*" therefore Value for Money (VFM) is at the heart of everything that we do.
- 3.2 The Council has a general duty (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 (otherwise known as VFM).
- 3.3 Since SDDC first developed its programme of reviews, following the above, a number of things have impacted, the Comprehensive Performance Assessment (CPA) and the Gershon efficiency agenda, and more recently the emerging Comprehensive Area Agreement (CAA) that is to replace CPA, Local Area Agreements (LAA'S) and the consistent drive for efficiency savings with reducing financial support from Government.

- 3.4 In October 2005 the Council agreed a revised methodology, which assisted in embedding the principles of Best Value (Consult, Challenge, Compete and Compare) but also more specifically outlined the processes that were needed to be in place to improve Value for Money. These were essentially around work programmes to improve performance, procurement and consultation.
- 3.5 As a consequence of the focus and delivery of these work programmes we achieved an improved Use of Resources score in 2006 from the Audit Commission for “managing and improving Value for Money”, and further improved this score in 2007, to achieve a level 3 for both ‘achieving good value for money’ and ‘managing and improving value for money’. The score of 3 is classed by the Audit Commission as ‘*consistently above minimum requirements-performing well*’.
- 3.6 We have also had two Audit Commission external reviews on Cultural Services in 2007 and more recently, Strategic Housing Services and have achieved some of the best results in the country, that is ‘*2 star good service with promising prospects for improvement*’ for Culture and ‘*a good 2 star service with excellent prospects for improvement*’ for Strategic Housing.
- 3.7 In view of the reduction in government funding from 2007/8 and the need to keep Council Tax at a reasonable level the Medium Term Financial Plan was extended to 5 years from 2007/8 in order to identify funding gaps. This is to enable us to have time to ‘turn the ship around’ and identify solutions to fund the gap.
- 3.8 To date various restructurings have taken place to enable sustained savings to be made and to ensure we are fit for the future. This included reducing the Senior Management Structure, a more focussed policy team, a new Customer Services unit and creating a Business Improvement Team.
- 3.9 Members have received annual reports on the progress made in Procurement, Business efficiency and Consultation, and have received regular reports on Performance.
- 3.10 To ensure all Heads of Service undertake a review of their services in a robust manner, a revised Service Planning process has also been developed that highlights the contribution of individual services to the wider VFM agenda and to ensure we sustain continuous improvement. This process has been undertaken using models of Best Practice.

4.0 Detail

Background

- 4.1 The Council has a general duty (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.
- 4.2 Since SDDC developed its programme of reviews a number of things have impacted, not least Comprehensive Performance Assessment (CPA), the Gershon efficiency agenda and a much reduced 3 year financial settlement from the 2007 Comprehensive Spending Review.

4.3 In October 2005 Members agreed a revised methodology which assisted in embedding the principles of Best Value (Consult, Challenge, Compete and Compare) but also specifically outlined the processes that were needed to be in place to improve Value For Money, as follows: -

- ✓ **To adopt an integrated process for embedding the 4 'C's.**
 - The approach outlined here was to help embed the principles of Best Value and ensure each service area and corporate priority are reviewed on a regular basis.
 - All three-work areas of Procurement, Performance Management and Consultation were to deliver comprehensive work programmes, in line with corporate strategies, demonstrating that the key principles of Value for Money are being managed on an authority wide basis.
- ✓ **To undertake an annual review of how well SDDC aligns with the Value for Money principles.**
 - This would check how effectively the process is being applied and will draw on any issues raised by the Audit Commission in their annual review, together with any other reviews. This has been drawn together in the annual Direction of Travel report for the Use of Resources Assessment. The current Value For Money self-assessment that is required by the external auditors to assist them undertake their VFM judgement for Use of Resources is attached at **Appendix A.**
- ✓ **To provide information, support and training for the Overview and Scrutiny Committee** to ensure they feel equipped to undertake the necessary challenge to performance.
 - This included training to help Members constructively challenge performance and information to help determine where performance is open to improvement.
- ✓ **To provide an action plan/work programme for reviews in line with the Procurement Strategy.**
 - This programme to include strategic service reviews (alternative forms of delivering services) for all services, a review of all current contracts/partnerships etc, and corporate/central purchasing including e-government initiatives.
- ✓ **Liaise with the Audit Commission** on ad hoc national and specialist reviews and ensure agreed recommendations are reported to the relevant Committee and actions built into service and performance plans. This to date has included the Best Value Review of Housing Maintenance, the Cultural Review and Strategic Housing Services.

5.0 Current Position

5.1 Since the introduction of the revised Comprehensive Performance Assessment (CPA) in 2006 the focus of the Audit Commission is now the annual Use of Resources assessment. This is a far more rigorous test particularly in relation to continuous improvement where, in addition to judgements in financial reporting, management, standing and internal control (reported to this committee on 20th March 08) we also have to prove that:

- ✓ The Council currently achieves good value for money, and
- ✓ The Council manages and improves value for money.

5.2 The Audit Commission score the relevant sectors of this assessment as follows:

Level 1 = below minimum requirements - inadequate performance

Level 2 = Only at minimum requirements - adequate performance

Level 3 = Consistently above minimum requirements - performing well

Level 4 = Well above minimum requirements - performing strongly

5.3 The Council's overall score for 2007 was a level 3, performing well. For the VFM aspect of the assessment the Council scored as follows: -

	<u>2007</u>	<u>2006</u>	<u>2005</u>
The Council currently achieves good value for money	3	2	2
The Council manages and improves value for money	3	3	2

5.4 The improved scores, and bearing in mind that it gets harder each year, is owing to significant improvements in the corporate planning process, performance management, procurement and efficiency savings. We are therefore in a good position.

Key findings and conclusions

5.5 As part of the Audit Commission's work, they highlight opportunities for the Council to improve. Some areas were identified and these are summarised below:

- Producing a set of accounts that are effectively exemplary
- Closer monitoring of performance on debt collection
- A planned programme of ethics training for staff
- Looking closely at the costs of all services and value for money provided
- Continue to develop a value for money culture within the Council.

5.6 Plans are already in place to meet these opportunities, such as greater use of I.T. for the final accounts process, including working papers for auditors and the implementation of a new Debt Recovery Section. In addition, several services are being reviewed and tested against procurement and efficiency principles. Value for Money is now a key cross cutting theme in the Council's Corporate Plan.

5.7 Attached in Appendix 1 is the Council's Value for Money self-assessment based on the Audit Commission Key Lines of Enquiry (KLOE's) see Table 1.

Table 1 – KLOE’s

<p>The Council currently achieves good value for money</p>	<p>KLOE 5.1 requires you to demonstrate an understanding of our costs and how they compare to others, taking account of local context. The focus is not on costs alone, but on the relationship between costs, performance and local context. The areas of focus cover the following:</p> <ul style="list-style-type: none"> • costs compare well with others allowing for external factors; • costs are commensurate with service delivery, performance and outcomes achieved; and • costs reflect Council priorities.
<p>The Council manages and improves value for money</p>	<p>KLOE 5.2 asks how we manage and improves value for money. It is about whether we have good processes, use them effectively and monitors their impact. The areas of focus cover the following arrangements to:</p> <ul style="list-style-type: none"> • monitor and review value for money; • improve value for money and achieve efficiency gains; and • take account of full long-term costs and benefits, including environmental and social costs, when taking procurement and other spending decisions.

- 5.8 There is an established efficiency agenda and a programme of reviews per the Business Improvement Project (an update was reported on 1st May 2008). In addition there is a disinvestment policy as part of the Financial Strategy and as part of the budget process for 2009/10 and onwards we will be looking for sustained savings that reflect those areas that are less of a priority in the Corporate Plan, together with areas for potential growth.
- 5.9 We have an exemplar Procurement strategy delivering cashable savings within the Council as evidenced in the annual report also reported to the 1st May meeting.
- 5.10 We have arrangements in place to undertake an annual Statistical Review that will include the most up to date financial and performance data compared with all English districts, Derbyshire and comparatively sized Districts (Family Group). This will assist the benchmarking of services with other LA’s and identify those that perform better or at lower cost.
- 5.11 We now have three years of an established reporting framework for managing performance with all services reporting quarterly to Policy Committees to enable effective challenge on performance and ensuring improvement in service delivery is embedded. This has been further improved this year with more comparative data to aid challenge through the Audit Commission’s Value for Money profiles.
- 5.12 We have a consultation strategy and action plan (annual review was considered by this committee on 12th June 2008) which will help develop and co-ordinate consultation both externally and internally. This is an essential part of VFM in that we need to be effective and ensure the outcomes of all our efforts are clearly what the community (and internal users of support services) wish to see. There is clearly more to do in this area particularly in measuring outcomes.

5.13 For 2008/11 we reviewed our Corporate Plan to ensure that it was more outcome focussed and will be measuring our performance wherever possible in ways that make a difference to the community. The Annual Report published in July 2008 was the Council's first ever.

6.0 What next?

6.1 Ensure we benchmark and keep an eye on other Councils performance.

6.2 We are bringing together the strands of financial planning, process improvement, customer satisfaction and learning and development together as part of the Council's Corporate Planning Cycle. This will enable us to target our resources at the Council's priorities and to make sure we have the capacity and are delivering on those things that matter to the community.

6.3 Over the coming year, the move from Comprehensive Performance Assessment to Comprehensive Area Assessment and the White Paper on 'Communities in Control' will pose different challenges relating to improving outcomes for local people. We are planning for this and have briefed both Members and officers on the issues we need to tackle.

6.4 We need to ensure our services fully meet the needs of all our community, and have now attained level 2 of the equalities standard and will be working towards level 3.

6.5 We have plans to consult with all sectors of the community when reviewing the Corporate Plan for 2009/12 to ensure it is representative and reflects the wishes of the community.

7.0 Financial Implications

7.1 No financial implications directly associated with this report.

8.0 Corporate Implications

8.1 The commitment to achieving value for money is a key part of our Vision 'by offering value for money services' and relate to the priority theme 'Higher Quality Services'.

9.0 Community Implications

9.1 Our commitment to Value for Money will ensure we can continue to deliver those key services required by the community at low cost.

10.0 Conclusions

10.1 For the past two years the Council has been assessed as 'performing well and above minimum standards' for the Use of Resources theme. We have also achieved level 3 for both parts of the VFM theme in 2007 and we have shown year on year improvement in this area.

10.2 We believe that we have at least maintained our score of 3 for criterion 5.2 and for criterion 5.1 (achieving good value for money) and therefore for the theme overall, and are 'performing well and above minimum requirements'. This update document adds to our previous comprehensive submissions by detailing significant improvements made over the last financial year.

11.0 Background Papers

Annual Report 2008

Corporate Plan refresh 2008/9

IPF VFM Statistical review 2008

Housing Inspection 2008

Use of Resources Assessment 2006, 2007 & 2008

Audit Commission's on-line VFM profile tool 2008