

Title of Report:	Value for Money
Report to be considered by:	Resource Management Select Committee
Date of Meeting:	15 March 2011

Purpose of Report: To update the Committee on the Value for Money (VfM) position of the Council's services and the work of the VfM Group.

Recommended Action: The Committee notes the latest VfM position of the Council's services.

Other options considered: None

Key background documentation: None

The proposals will also help achieve the following Council Plan Theme(s):
<input checked="" type="checkbox"/> CPT13 - Value for Money

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Implications

Policy: None

Financial: None
If there are any financial implications contained within this report this section **must** be signed off by a West Berkshire Group Accountant. Please note that the report cannot be accepted by Policy and Communication unless this action has been undertaken.

Personnel: None

Legal/Procurement: None

Property: None

Risk Management: None

Equalities Impact Assessment: For advice please contact Principal Policy Officer (Equalities) on Ext. 2441.

Executive Summary

1. Introduction

- 1.1 Value for Money is one of the Councils priorities set out in the 2007–2011 Council Plan.
- 1.2 A VfM Group was established to ensure that the Council understands the VfM position of its services and action is taken if any service appears not to offer VfM for the Council Tax payer.
- 1.3 Value for money is not just about being low cost; it is about delivering an appropriate quality of outcome for the resources used. Clearly it is important that if a service is high cost when compared to others the Council understands the reasons why and has made a conscious decision that it wishes to allocate a high level of its resource to that service.

2. Strategy

- 2.1 In order to ensure that the Council maintains a consistent approach a strategy has been established for measuring and improving VfM across all Council services.
- 2.2 The key element of the strategy is the data obtained from an annual report produced by the Audit Commission that benchmarks the Council's services against all other unitary authorities. The strengths of the AC report are that it is compiled externally, the information it uses is obtained from statutory returns and, most importantly, it provides reliable comparative data.

3. Current Position

- 3.1 The annual VfM Statement is reported to the Executive and Council as part of the annual refresh of the Council's MTFS.
- 3.2 Attached as Appendix A is the latest VfM Statement, this indicates that the majority of the Council's services are average cost or below.
- 3.3 Whilst it is anticipated that VfM will remain an important element of the Council's financial strategy, the role of the VfM Group will be reviewed in response to the priorities in the new Council Plan.

Executive Report

1. Introduction

- 1.1 Value for Money (VfM) is one of the outcomes in the Council Plan and a VfM Group is in place to manage the work programme.
- 1.2 Value for money is not just about being low cost; it is about delivering an appropriate quality of outcome for the resources used. Whilst low cost and high quality services are the ideal, it is perfectly possible to provide good VfM with high cost services as long as the quality is also high. Clearly it is important that if a service is high cost when compared to others the Council understands the reasons why and has made a conscious decision that it wishes to allocate a high level of its resource to that service. This may be, for example, that the service is directly related to achieving one of the Council's priorities.
- 1.3 Each year the Audit Commission (AC) publishes a report benchmarking the Council against all other unitary authorities. The AC uses a range of sources for its data including the Revenue Allocation Form, the Revenue Outturn Form, Section 52 Return (Education) and PSSEX1 Return (Social Care). In addition to the AC data we have a wide range of other good quality benchmarking information that enables us to add additional levels of analysis.

2. Strategy

- 2.1 In order to ensure that the Council maintains a consistent and structured approach to measuring and improving its VfM position, the following strategy has been adopted.
 - The annual AC report is used to provide a high level overview of our services. The strengths of the AC report are that it is compiled externally, the information it uses is obtained from statutory returns and, most importantly, it provides reliable comparative data for all other unitary authorities.
 - It is vital that the information we supply to the AC by way of the various statutory returns is accurate. The quality assurance of this data is undertaken by the VfM Group.
 - If a service believes the AC report does not give a fair reflection of its VfM position then it will be invited to provide evidence to the VfM Group to consider. The AC use 'per head of population' as the standard method for comparing costs across councils. For some services our relatively small population number yet large geographical area can distort the comparisons.
 - For a number of services the data from the AC report does not go into sufficient detail to enable VfM conclusions to be drawn. These services are required to identify other appropriate sources of benchmarking data that can be used. The quality assurance of this local benchmarking is undertaken by the VfM Group.
 - The annual VfM Profile report will identify those service areas where VfM issues appear to exist and therefore will be reviewed by the VfM Group. The VfM Group will report its findings to the relevant Head of Service for consideration.

2.2 The Council's approach to VfM has been audited by KPMG as part of the Use of Resources assessment and their 'Audit Opinion' work. The Council has always scored well for its VfM approach and work.

3. Current Position

3.1 The annual VfM Statement is reported to the Executive and Council as part of the annual refresh of the Council's MTFS. Attached as Appendix A is the latest VfM Statement, this was included in the MTFS as part of the budget papers for the 2011-12 financial year.

3.2 The majority of the Council's service grouping's costs are significantly below average. The exceptions are waste collection and disposal and certain aspects of Adult Social Care. A review of Waste Services was completed in 2009/10 and work is currently underway to review Adult Social Care.

3.3 Clearly all Councils are currently making significant changes to their services and budgets and therefore we would expect to see the VfM position of our services to fluctuate considerably over the next 4 years.

3.4 It is anticipated that VfM will remain a very important element of the Council's financial strategy. However the role of the VfM Group will be reviewed in response to the priorities in the new Council Plan.

Appendices

Appendix A - Value for Money Statement

Consultees

Local Stakeholders: N/A

Officers Consulted: N/A

Trade Union: N/A

Value for Money statement

The Council reviews its comparative Value for Money (VfM) position on an annual basis. Using the latest benchmarking information available from the Audit Commission¹ and specific CIPFA benchmarking clubs, the Council reviews how high or low its comparative costs are, and then seeks to understand the reason behind these results.

The Audit Commission information excludes support service cost comparisons (the cost of much of the CEX directorate has been allocated to front line services where appropriate). To ensure that as much of the CEX directorate is benchmarked as possible, the Council has joined specific benchmarking clubs for areas such as exchequer services, finance, and HR.

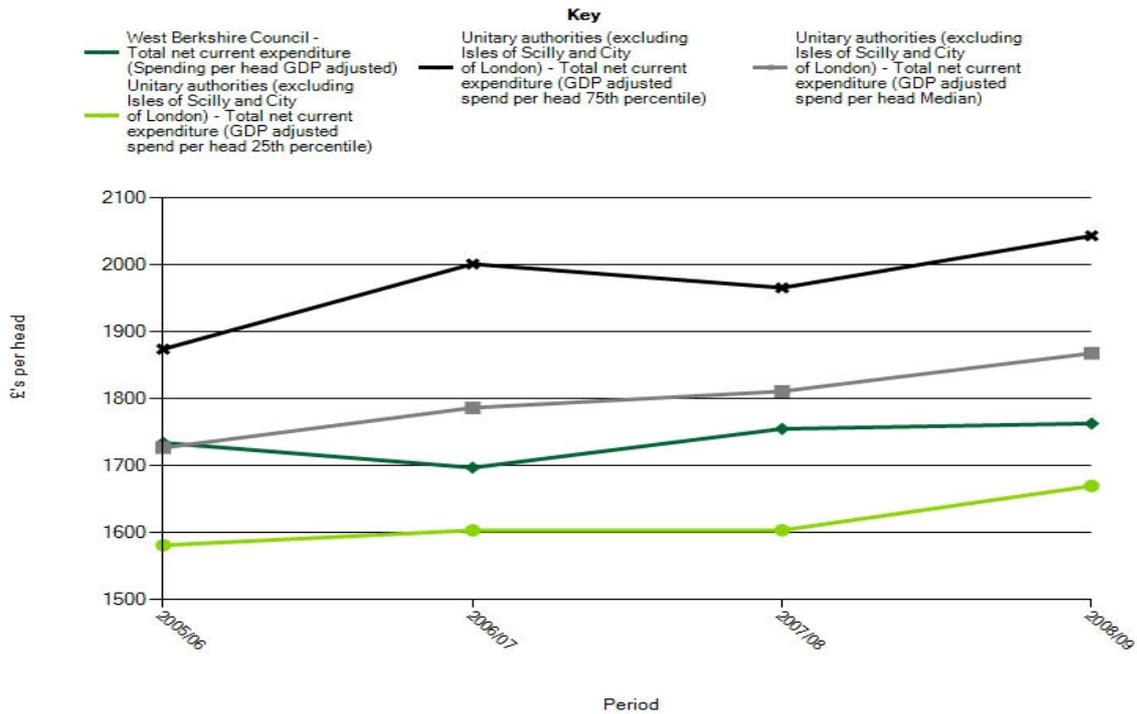
The Council has a corporate VfM group which undertakes a number of VfM reviews into those services where costs are above the national average (for all unitary Councils). Over the past 18 months the group has reviewed a range of services including libraries, car parking and waste management.

Below is a summary of the Council's VfM position. The information from the Audit Commission uses the actual expenditure from the 2008-09² financial year. The information from CIPFA uses the actual outturn from 2009-10:

¹ <http://vfm.audit-commission.gov.uk/RenderReport.aspx?Gkey=282VqlaaVSLhf8izWEP0TAWQVWtk4RJPeIlaZ5eraF7VNpn0xPhUMQ%3d%3d>

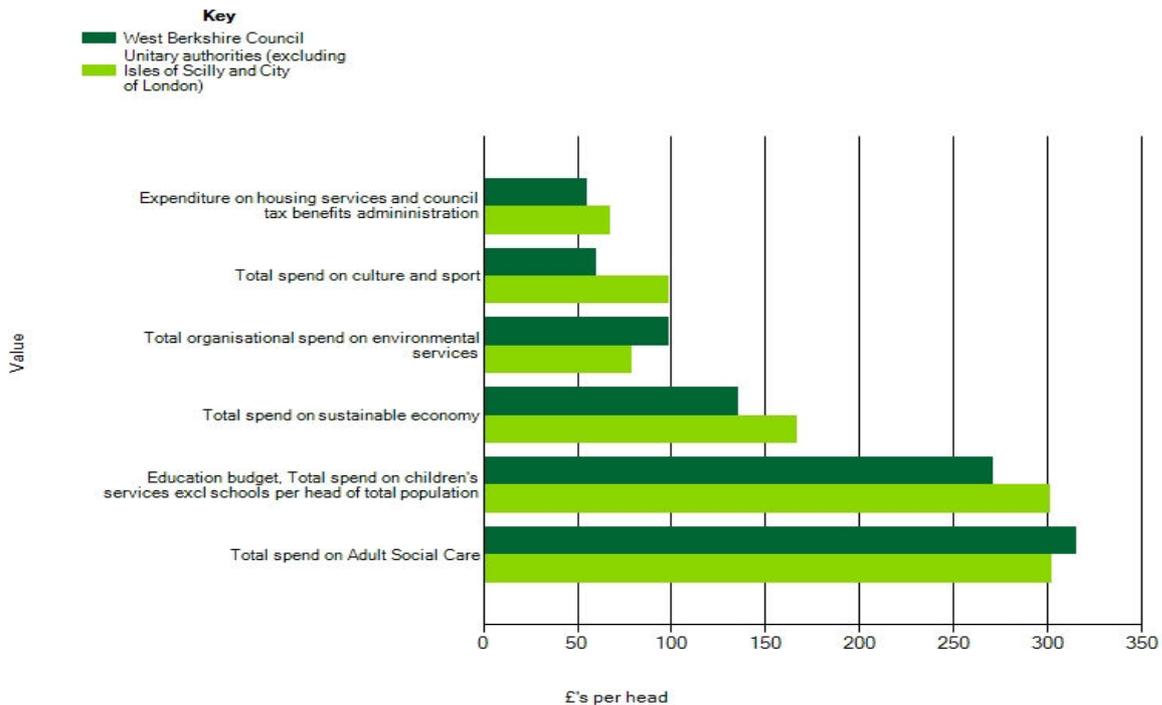
² The 2009-10 information is released during December 2010, but is not interpreted by the commission until March 2011.

Graph 1a: Summary expenditure



The graph above shows that over the past four financial years, the Council's expenditure has gone from close to the average to below average compared to other similar authorities.

Graph 1b: Spend per service grouping

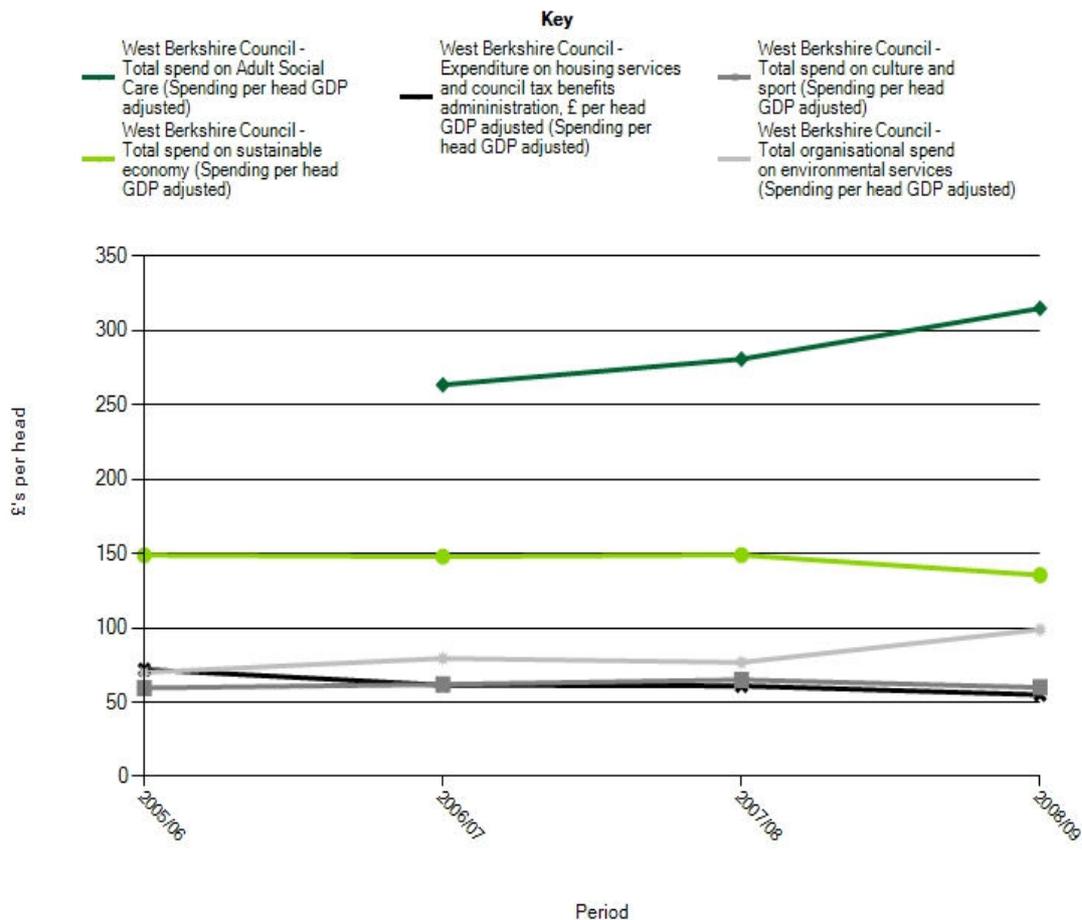


The graph above shows that the majority of the Council's service grouping's costs are significantly below average, except from environmental services (waste collection and disposal for this analysis) and Adult Social Care.

Waste services have seen long term investment over the recent period and the Council has signed a long term agreement with Veolia environmental services to collect and dispose of waste. The Waste Service had been subject to a recent review by the council's VfM Group.

Adult Social Care budgets have seen significant investment over the past three years (and as per the MTFs will continue to do so) to match the demand for the service. Already the largest service in the Council, this area is highly likely to be one of only a few services to increase in size over the medium term. This trend is highlighted in the graph below. A number of actions are in place including the development of a detailed financial model, membership of the CIPFA Benchmarking Club for ASC and detailed benchmarking against the other Berkshire Councils.

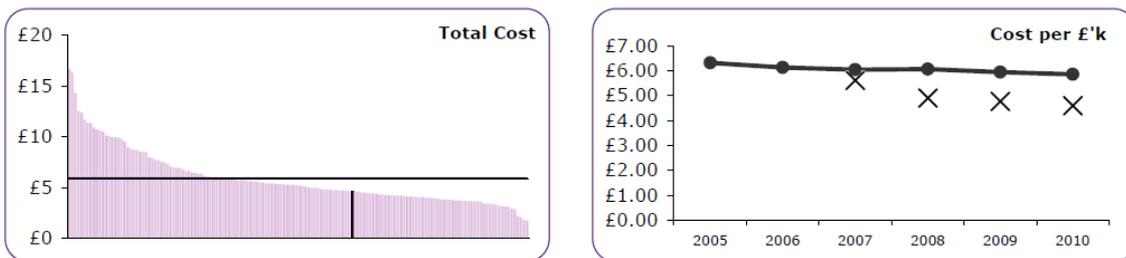
Graph 1c: Comparative spend over time



Corporate services comparisons

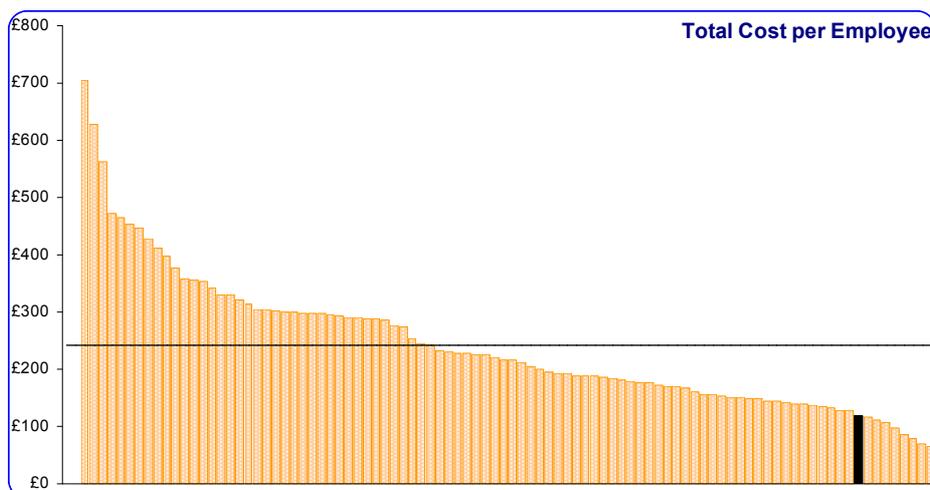
Below are a number of graphs highlighting the comparative costs of some of the Council's support services. This data comes from CIPFA benchmarking clubs, and this is a well established and independent source of benchmarking information. A large number of Councils belong to these clubs, and the analysis below compares the Council against all members of the club. The results are irrespective of geography, type of Council or how they deliver their services (in-house, in partnership, outsourced).

Graph 1d: Accountancy



Cost of accountancy function per '000s of gross revenue turnover

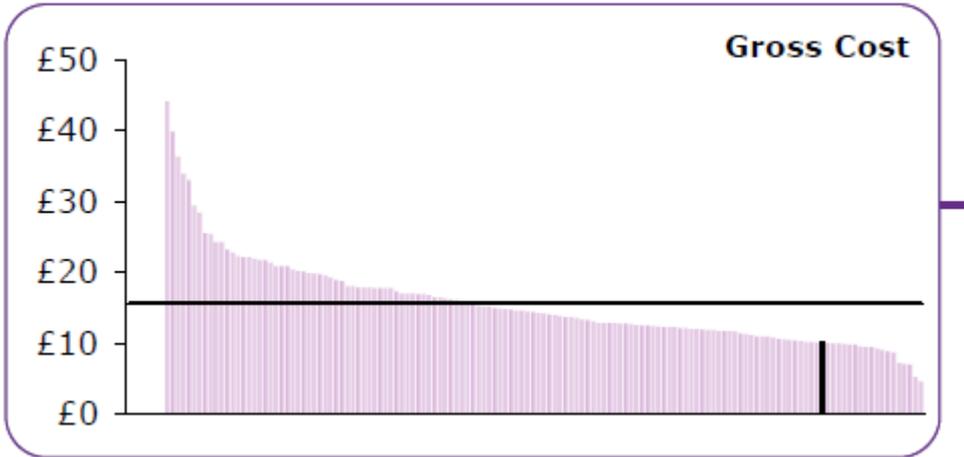
Graph 1e: Human Resources



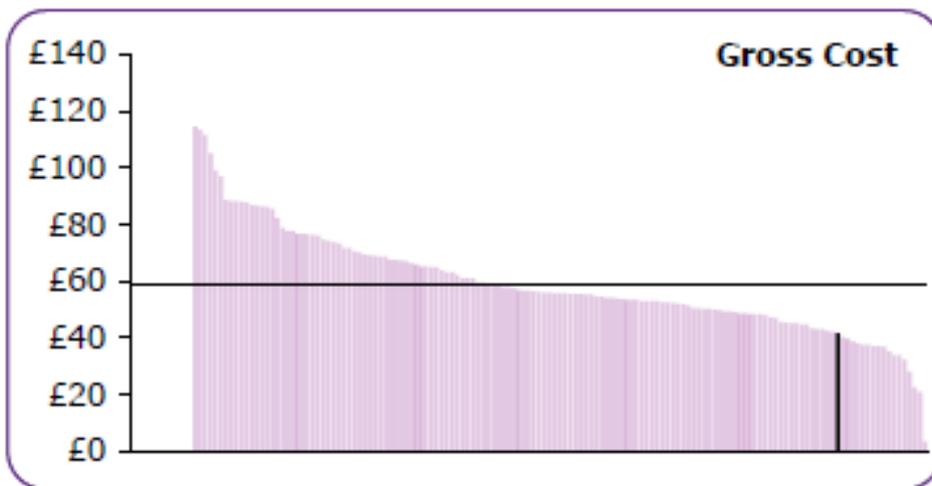
The above is the total HR service cost per employee of the respective organisations. This compares against many other local authorities.

Graph 1f: Benefits & Exchequer

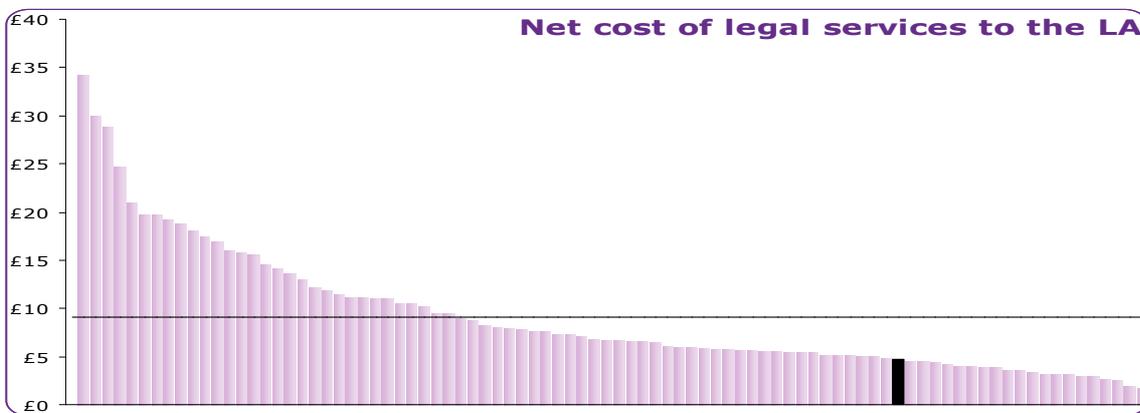
Cost of collecting Council Tax per dwelling:



Costs of benefits administration per weighted caseload

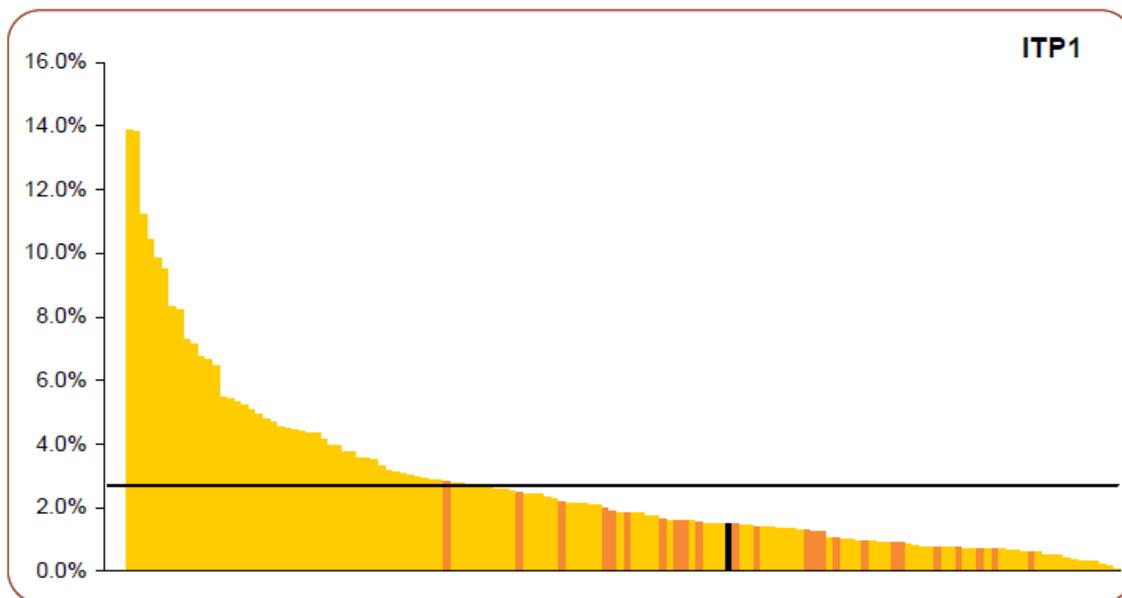


Graph 1g: Legal



This graph shows the cost of the Legal service per head of population compared to other local authorities in the benchmarking club.

Graph 1h: ICT



This graph shows the cost of ICT compared to a large number of other public sector bodies. This information is from a CIPFA / KPMG benchmarking club and relates to the 2008/09 financial year.