# AGENDA MANAGEMENT SHEET

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| ***Name of Committee*** | **Cabinet** |
| ***Date of Committee*** | **21st July 2005** |
| ***Report Title*** | **Value for Money Strategy** |
| ***Summary*** | Report requesting Cabinet approve the Value for Money Strategy |
| ***For further information please contact:*** | David Clarke<br>County Treasurer<br>Tel: 01926 412003<br>davidclarketr@warwickshire.gov.uk |
| ***Would the recommended decision be contrary to the Budget and Policy Framework?*** | No. |
| ***Background papers*** | None |

***CONSULTATION ALREADY UNDERTAKEN:-***    Details to be specified

| | | |
|---|---|---|
| Other Committees | ☐ | ................................................ |
| Local Member(s) | ☐ | |
| Other Elected Members | ☒ | Cllr F. McCarney; Cllr. D. Booth |
| Cabinet Member | ☒ | Cllr Farnell; Cllr Cockburn - Portfolio Holder |
| Chief Executive | ☐ | ................................................ |
| Legal | ☒ | David Carter, County Solicitor & Assistant Chief Executive |
| Finance | ☒ | David Clarke, County Treasurer - reporting officer |
| Other Chief Officers | ☐ | ................................................ |
| District Councils | ☐ | ................................................ |
| Health Authority | ☐ | ................................................ |
| Police | ☐ | ................................................ |
| Other Bodies/Individuals | ☐ | ................................................ |

Warwickshire County Council

***FINAL DECISION   YES***

***SUGGESTED NEXT STEPS:*** Details to be specified

| | | |
|---|---|---|
| Further consideration by this Committee | ☐ | ..................................................... |
| To Council | ☐ | *.....................................................* |
| To Cabinet | ☐ | ..................................................... |
| To an O & S Committee | ☐ | ..................................................... |
| To an Area Committee | ☐ | ..................................................... |
| Further Consultation | ☐ | ..................................................... |

Warwickshire County Council

# Cabinet - 21st July 2005.

# Value for Money Strategy

# Report of the County Treasurer

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**Recommendation**

Cabinet are asked to approve the Value for Money Strategy

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## 1.    Introduction

1.1    Delivering Value for Money (VFM) has always been an integral element of service delivery within Warwickshire.  There are a number of strands to our approach to VFM which ensures that we derive the maximum benefit from the money we spend.  However, we have never codified all of these strands into a single VFM Strategy.

1.2    The new Key Lines of Enquiry to be used to assess the CPA "Use of Resources" during 2005 have recently been published.  VFM is now one of the key themes that will determine the rating that the authority receives for its use of resources.

1.3    Shropshire County Council has acted as a pilot of the new Use of Resources criteria.  We have met with Shropshire to learn from their experience.  One useful piece of advice from Shropshire is that codifying the elements of VFM work which are undertaken into a VFM strategy is helpful.

1.4    Taking on board Shropshire's advice **Appendix A** (attached) is a VFM strategy document.  The document codifies the various strands of VFM work that are already undertaken within Warwickshire.  An earlier draft of the VFM Strategy has been considered by COMT.  The Leaders' Liaison Group are due to discuss this document on 14th July and any changes to the strategy will be verbally reported to Cabinet.


DAVID CLARKE
County Treasurer
Shire Hall
Warwick
01 July 2005

# Warwickshire County Council

# Value for Money Strategy

## Contents

## 1.  Background Context

The County Council has been successful in recent years in dealing effectively with increasing demands for key services.  For example, the changing demographic profile of the County Council is creating considerable additional demand for services for older people and the volume of waste continues to increase.

In some service areas the County Council has been increasing resources in priority areas and we now spend above our Formula Spending Share (FSS) in a number of services.  At the same time the levels of increase in council tax has been below the average County Council increase in most years.

It is against this backdrop of increasing demands for services in the context of a constrained budget that the County Council has worked creatively to secure value for money and achieved a CPA 'excellent' rating in 2004.  In achieving this the County Council has consistently been scored in the highest CPA category for the use of resources.

## 2.  Defining Value for Money

VFM has long been defined as the relationship between economy, efficiency and effectiveness.  For the purposes of this VFM Strategy we have adopted the following definitions which have been taken from the CPA Use of Resources Guidance for Councils.

**Economy** :  The price paid for what goes into providing a service

**Efficiency** :  A measure of productivity

**Effectiveness** :  A measure of the impact achieved that can be quantitative or qualitative

VFM is therefore considered to be delivered when there is an optimum balance between economy, efficiency and effectiveness.

The County Council has a statutory duty to deliver Best Value in the provision of its services.  Best Value means continual improvement in terms of the economy, efficiency and effectiveness of service delivery.

Under Best Value we need to demonstrate that our services:

~   meet the needs of local people;
~   are being provided to the level and quality desired by the community;
~   are at a price local people are willing to pay;
~   are competitive with other potential suppliers;
~   are capable of securing continuous improvement over time.

The County Council continually looks for ways to improve economy, efficiency and effectiveness in the delivery of its services.  Not least this process is driven by:

~ constraints on available funding to meet budget pressures;
~ savings targets declared as part of the budget process;
~ the Gershon regime.

The principles of Best Value underpin the County Council's corporate procurement strategy.  We also work hard to ensure that our services are fit for purpose and that our perceptions of fitness for purpose and quality are influenced by feedback from service users, carers and families, partner organisations and other interested parties.  We are clear that value for money in Warwickshire means that:

• Services are of the right quality, that is, they are fit for purpose.

• Services are planned, managed and delivered with due regard to the risks involved.

• 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 internally and with partner organisations wherever possible.

• Services are delivered effectively, that is, they meet the needs of local people at the right time.

• We release resources from areas that are a lower priority so as to fund service improvement without an increase in Council Tax.

## 3.  Value for Money Strategy Objectives

To achieve value for money, the County Council aims to target resources towards meeting the needs of local people.  In delivering the Council's corporate objectives the Council is committed to upholding the following four principles:

• We aim to achieve improvement for all but with the fastest improvement for the most deprived;

• We aim to ensure equality of opportunity for all;

• We aim to be a customer focused organisation;

• We aim for sustainability, by taking into account the needs of future generations in our planning.

## 4. Methodologies of Delivering Value for Money

The County Council has a number of different approaches to promoting and delivering value for money.  These include:

- The identification of growth and savings through the budget process (4.1).

- Base Budget Reviews (4.2).

- Making effective use of Resources (4.3).

- Effective corporate procurement mechanisms (4.4).

- Achieving economies through partnership working (4.5).

- Performance management (4.6).

- An efficient organisational structure maintained through the active management of staffing costs and information (4.7).

- Scrutiny (4.8).

- Internal audit (4.9).

- Capturing efficiency gains under the Gershon regime (4.10).

Set out below is a short synopsis of these different approaches to securing Value for Money.

### 4.1 The Identification of growth and savings through the budget process

Growth proposals put forward as part of  the budget process are quantified and linked to corporate objectives.  The service performance implications are identified, and proposals are prioritised.  Consideration is given to whether the growth proposal is better delivered by a revenue or capital solution.

The County Council has a long tradition of requiring all departments (excluding schools) to deliver up to a 2½% efficiency savings target.  This has been an integral part of the medium term financial planning strategy for many years.  Within this overall target, specific annual savings targets for each department are included within the budget resolution.  These can be differential targets for departments to reflect different priorities and risk assessments of various services.  While an element of these savings targets is cash backed, there is usually an element of the savings target that departments are allowed to recycle within the department.

## 4.2 Base Budget Reviews

In 2004 the County Council began to capture baseline information linking budgetary and service information.  This, together with benchmarking information enables an assessment to be made of priority areas for base budget reviews.

All budget reports are taken through the relevant Overview & Scrutiny Committee and one of the tasks of these committees is to:

~ probe base budgets;
~ consider the reasonableness of pressures put forward;
~ explore whether all possible funding strategies, other than relying on the council tax, have been investigated;
~ test the validity of service developments put forward.

In addition to this a corporate approach is taken in specific areas such as property, where it is more beneficial to undertake base reviews corporately rather than from a service perspective.

## 4.3 Making Effective use of Resources

### *Use of Information Technology*

The use of ICT is seen as critically important to the modernisation and transformation of council services generally and to the achievement of corporate ambitions to be more citizen focused with high standards of service delivery in particular.  This importance is reflected in the County's Strategic Plans and Annual Business Plan.  It is also acknowledged within the corporate strategic risk register.

In order to secure value for money:-

- Corporate investments in ICT are targeted, prioritised and funded with agreement by COMT

- Procurement is undertaken competitively

- Corporate projects are managed according to the Prince2 standard

- Performance of ICT services and the ICT infrastructure is reported against targets on a quarterly basis

- Aspects of the ICT service provided are benchmarked externally

- The corporate and departmental based ICT services are undergoing a strategic review of capability, capacity and alignment with business objectives in 2005/06.

Where possible, partnership working is pursued to secure economies of scale and to access external funding.  Recent examples include:

- The Warwickshire OnLine Partnership (WOLP) between the County and the five Districts / Boroughs in Warwickshire was formed to create an externally hosted Joint Contact Centre technical facility. This attracted a £2m grant from the ODPM and joint procurement saved a further £600,000 for the Partnership.

- The "We Learn" project being tackled in partnership with Research Machines (RM) with £12m PFI funding is using ICT to transform teaching and learning in Warwickshire Schools.

### *Use of Property*

The County Council is pursuing a property strategy aimed at maximising the cost effectiveness of building utilisation while maintaining an appropriate presence within the main population centres of Warwickshire. This strategy looks at rationalising our building stock as well as using flexible ways of working which minimises the need for accommodation.

We have an aggressive approach to disposing of surplus assets and reinvesting the proceeds to their maximum advantage.

### *Use of Resources*

Since the introduction of the CPA Use of Resources assessment, the County Council has always achieved the highest level. This demonstrates the effectiveness of our whole approach to the use of resources. Some of the elements that contribute to this assessment are mentioned throughout this document.

### 4.4  Effective Corporate Procurement

The County Council has adopted a corporate structure for the management of procurement. The key elements of this structure are:-

~ A Procurement Steering Group which reports to Cabinet and includes senior councillors and the Chief Executive to oversee procurement generally, set targets and monitor progress;
~ A County Procurement Unit (CPU) responsible for providing a professional lead on procurement. It's role is to ensure the co-ordination of corporate arrangements ensuring effective policy, strategy, processes and competencies are in place, to support departments in their procurement.
~ A procurement Reference Group comprising senior managers in all departments to contribute to the development of strategic objectives, to share good practice and to monitor performance.
~ Working Groups are short life groups established to look at specific product areas, make recommendations, implement changes and then disband.

There are a number of other crucial elements that ensure that we deliver VFM through procurement:

- Our Procurement Code of Practice sets the procurement good practice toolkit for use across the authority;

- Our procurement policy is built around Best Value;

- We have implemented an e-procurement strategy which has improved procurement Management Information and contract management;

- We have moved away from awarding contracts on the basis of lowest price in favour of awards based on the most economically advantageous tender;

- We have adopted Prince project management methodology;

- We take full advantage of our buying power through our membership of ESPO;

- We have introduced the use of "Gateway Reviews" to further strengthen our VFM.

## 4.5 Achieving Economies Through Partnership Working

The County Council has a track record of entering into partnership in order to draw on the skills and expertise of partner organisations. This approach enables the maximum impact to be made from scarce resources. No one particular partnership model is used as different circumstances require different approaches. Some examples of successful partnership arrangements are:

~ the joint funded Domestic Violence Multi Agency Team;
~ the creation of the 'Positive about Young People' programme which works alongside our Youth Offending Team (YOT);
~ the joint working with our District Councils to increase household waste recycling;
~ the Warwickshire Strategic Partnership Plan;
~ the establishment of a COMPACT with the Community and Voluntary sector;
~ the Warwickshire On-line Partnership

We also look to make a contribution to agendas beyond the boundaries of Warwickshire. For example, we are leading on the project work supporting joint Fire and Rescue working across the region.

## 4.6 The Role of Performance Management in Securing Value for Money

The County Council is very much of the view that effective performance management drives service improvement and secures better value for money.

The County Council's Performance Management Framework document codifies the Council's approach to performance management and includes:-

- the elements of the Performance Management Framework.

- the corporate headline performance indicators.

- the performance reporting requirements.

- the performance reporting timetable.

Performance standards are included in the Corporate Business Plan and cascaded down into individual service plans.

## 4.7 Working in an Efficient Organisational Structure maintained through the Active Management of Staffing Costs and Information

The County Council is a well managed organisation. The organisation is characterised by:

- Effective and well understood political structures, as set out in its constitution.

- A small corporate centre relative to other similar sized organisations.

- The devolvement of service delivery responsibilities, resources and accountability to Service Directors and Cost Centre managers.

- Clarity over the delegation of roles, responsibilities and accountabilities through the constitution.

- Clear standards and efficient corporate governance mechanisms.

- Strong systems of financial management and internal control.

These characteristics create a management framework that is conducive to securing value for money across all of our activities.

## 4.8 The role of scrutiny in delivering value for money

Scrutiny plays a key role in ensuring that the County Council is achieving value for money. It does this through four key approaches; Scrutiny reviews, budget scrutiny (annual and ongoing), monitoring the impact of

cost effectiveness targets on levels of service, and monitoring the implementation of management review actions plans and scrutiny review recommendations.

**Scrutiny Reviews**

The County Council brought together the various stands of scrutiny review in 2004/05 when it introduced its Corporate Review Programme. The review programme sets out the areas of review and scrutiny that will be undertaken by each of the Overview and Scrutiny Committees.

The key steps in developing the programme are:-

- Departmental and member consultation to draw on the links with the corporate business planning process and key drivers;
- COMT consideration of a draft corporate review programme;
- Cabinet consideration of the proposed corporate review programme;
- Publication of the programme by the June statutory deadline.

The scrutiny review approach adopted ensures that a small number of in-depth reviews in priority areas take place. It enables increased engagement with local communities and maximises the benefits from the reviews in terms of service improvement and value for money.

**Budget Scrutiny**

The annual budget process ensures that the budgets are scrutinised in a number of different ways and forums i.e.

- ~ Chief Officers as part of preparing the departmental budget pressures;
- ~ Overview & Scrutiny Committees receiving budget reports as part of the autumn round;
- ~ Budget Working Group verifying the classification of budgets;
- ~ Corporate Capital Panel considering the priority of capital schemes;
- ~ Party Groups scrutinising the budget details as part of their deliberations on the Party budget proposals;
- ~ Public consultation, allowing the public to comment on the budget
- ~ County Council considering and approving the whole budget;

**Monitoring the impact of cost effectiveness on the level of service**

One of the PSA1 stretched targets for the County Council was the delivery of a 2.5% efficiency target over a three year period. This was subject to regular review to ensure that the target was met. In line with the guidance from ODPM, Overview and Scrutiny Committees have a role in ensuring value for money by monitoring the impact of cost efficiencies on the level of service. Monitoring reports are taken to Overview & Scrutiny Committees to show progress against the delivery of savings targets.

The Council has a history of including cost effectiveness targets in its medium term financial strategy and has wholeheartedly embraced the requirements of Gershon efficiency gains.

**4.9 The Role of Internal Audit in Securing Value for Money**

All staff have responsibility for securing value for money, and managers have responsibility for creating the systems of internal control that are necessary to support and guide staff. The role of internal audit, as detailed in the Terms of Reference endorsed by the Standards Committee and in the CIPFA Code of Practice, is to provide an independent and objective opinion on the Authority's control environment. A key element of the environment is the framework of controls established by management to secure value for money. Internal audit is responsible for providing advice and assistance to managers on these controls and providing assurance that their control responsibilities are being properly fulfilled.

**4.10 Capturing Efficiency Grains under the Gershon Regime**

In line with the requirements of the Gershon regime, the County Council has refined its processes for delivering efficiency gains. This involves the collection of intelligence on efficiency gains and their reporting through COMT and the Cabinet.

There are a number of key corporate efficiency savings themes as well as departmental initiatives that are used to deliver these gains. The regime is the subject of reporting to the ODPM and scrutiny by external audit.

## 5. Responsibilities for Value for Money

The responsibility for delivering Value for Money lies with all staff and is not restricted to those with resource or financial management responsibilities. The high level of devolvement to cost centre managers means that responsibility for value for money is also devolved to an appropriate level within the County Council.

The responsibilities of Members are set out in the terms of reference for both the offices they hold and the committees and panels of which they are a Member. This information is contained within the Constitution.

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

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

There are a number of organisational processes that contribute to the delivery of value for money.  These include:

- The Cost Centre Managers Model and the Scheme of Carry Forwards which allows for the automatic right to carry forward end of year underspends to avoid the 'spend it or lose it' culture.

- The scheme of delegation which provides an incentive to cost centre managers to deliver value for money as they retain the right to invest generated savings into their area of activity.

- The culture of the organisation, for example, continually striving to do more at the appropriate quality for less money.

- Adopting good practice from within and outside of the County Council.

- Clearly defining the organisation's aims, strategies and policies.

- An organisational 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.

- The adoption of the Prince2 project management methodology which ensures projects are delivered efficiently and effectively.

- The use of risk management techniques, is an important tool in risk, and therefore cost, minimisation.

- Adherence to Contract and Financial  Standing Orders which ensures that proper practices are followed when tendering and which helps secure value for money.

- Effective communication and staff development which ensures that the culture and aims of the organisation permeate to, and are identifiable at, all levels within the organisational structure.

- The provision of an appropriate infrastructure in terms of systems, resources and training.

- The use of collaborative/partnership working both internally and externally where aggregate business benefit can be achieved.