

AGENDA MANAGEMENT SHEET

Name of Committee Cabinet

Date of Committee 13 July 2006

Report Title Value for Money Strategy

Summary The report seeks Cabinet approval for the updated Value for Money Strategy.

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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 Tandy, Cllr Roodhouse, Cllr Hicks, Cllr Booth – for information
- Cabinet Member Cllr Farnell, Cllr Cockburn - “approved for consideration”
- Chief Executive Jim Graham – comments incorporated as part of SDMT considerations
- Legal David Carter - comments incorporated as part of SDMT considerations
- Finance David Clarke - reporting officer
- Other Chief Officers The strategy has been considered and commented on by Strategic Directors
- District Councils
- Health Authority

Police

Other Bodies/Individuals

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

Cabinet - 13 July 2006

Value for Money Strategy

Report of the Strategic Director, Resources

Recommendation

Cabinet are asked to approve the Value for Money Strategy attached at Appendix A.

1 Introduction

- 1.1 Delivering value for money has always been an integral element of service delivery within Warwickshire. There are a number of strands to our approach to value for money, which ensure we derive the maximum benefit from the money we spend. A Value for Money Strategy was approved, for the first time, last year to codify these strands. The Strategy provided a starting point for the CPA Value for Money self-assessment introduced in 2005.
- 1.2 However, over the last year, the authority has made significant advances in both its understanding and approach to the delivery of value for money. The key change in our approach has been the development and approval of the medium term efficiency strategy and accompanying medium term efficiency plan. Other changes, more closely linked to the recognition of our all encompassing definition of value for money (delivering the right services, to the right place, for the right price, at the right time), include:
- The role of our service priorities, developed through feedback from consultation, as a way of ensuring we are delivering the right services.
 - The role of partnerships, the access strategy and the emerging Local Area Agreement, ensuring we use resources efficiently.
 - The importance of risk management in ensuring our service and financial performance targets are delivered.
 - The use of formal project management ensuring we realise the benefits from our service developments.
 - The importance of recruiting, retaining and developing staff to deliver value for money.
- 1.3 As a result, it is felt to be worthwhile updating the Strategy to reflect these and other changes. Cabinet are asked to approve the updated Value for Money Strategy attached at **Appendix A**.

DAVID CLARKE
Strategic Director, Resources
14 July 2006

Warwickshire County Council

Draft Value for Money

Strategy

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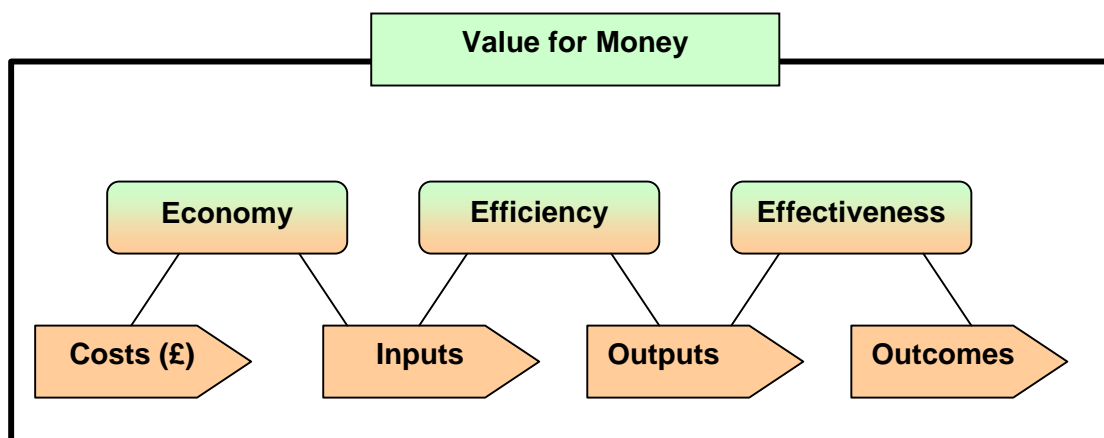
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1 Background Context

- 1.1 We have been successful in recent years in dealing effectively with increasing demands for key services. For example, the changing demographic profile of the Warwickshire is creating considerable additional demand for services for older people and the volume of waste continues to increase.
- 1.2 We have been increasing our investment in priority areas. Over the same period our level of increase in the council tax has been below the average county council increase.
- 1.3 It is against this backdrop of increasing demands for services in the context of a constrained financial environment that we work to secure Value for Money across all areas of service provision.

2 What is “Value for Money”?

- 2.1 The Audit Commission defines Value for Money as “the optimum combination of whole life costs and benefits to meet customers requirements.” When broken down this can be viewed as the relationship between economy, efficiency and effectiveness.



Economy: Services are delivered from a supplier (internal or external) whose price is competitive for the quality of service delivered.

Efficiency: A measure of productivity such that services are delivered through streamlined processes that link seamlessly with partner organisations, where necessary.

Effectiveness: Services meet the needs of local people at the right time. A measure that can be quantitative or qualitative.

- 2.2 Value for Money is therefore considered to be delivered when there is an optimum balance between economy, efficiency and effectiveness.

3 Our Value for Money Strategy

3.1 In developing our strategy we have defined what these technical definitions mean for us. Our Value for Money strategy is:

“We will achieve Value for Money by efficiently delivering effective and economic services to our citizens. Services will meet the needs of the population and our priorities and be delivered to the right place, for the right price, at the right time.”

3.2 In delivering our Value for Money Strategy we are committed to upholding the following four principles:

- We aim to be an organisation that puts the customer at the heart of everything we do;
- 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 for sustainability, by taking into account the needs of future generations in our planning.

4 Our Value for Money Strategy Objectives

4.1 To support the strategy and ensure we uphold the principles outlined above we have developed a range of objectives that provide a greater degree of focus and codify our approach in more detail.

4.2 We will remain a cost effective, high performing council that spends its taxpayers money wisely by:

- Maintaining a clear focus on our citizens priorities
- Working “smarter” and making the best use of new technologies to improve services whilst reducing costs
- Actively managing procurement across the organisation
- Driving out efficiency savings and making the best use of our assets to further invest in our priorities
- Working through an efficient organisational structure
- Making appropriate use of management systems e.g. risk management, performance management
- Ensuring we recruit the right people and retain and develop their skills

- Working with partners to achieve economies and deliver more efficient and effective services
- Actively pursuing external funding to contribute to the delivery of our priorities
- Achieving public confidence in our prudent financial management, service delivery and corporate governance through positive external audit and inspection feedback, and
- Maintaining a level of council tax such that the public feel we make good use of the money we spend and it reflects the quality of services they receive.

5 Our Methodologies of Delivering Value for Money

5.1 We use a range of different approaches to promoting and delivering value for money to ensure we meet the objectives outlined above. This section sets out a short synopsis of these.

5.2 Maintaining a clear focus on our citizens priorities

Our purpose and aspirations are expressed in our vision statement, developed and shared by the Cabinet and Strategic Directors. The vision sets out a picture of where we want to be in the longer term, and clearly places our customers at the centre of its focus.

The medium term economic and financial context in which we expect to be operating shows a lack of any significant additional financial resources over the medium term. As a result we have revised our corporate business planning and medium term financial planning processes to focus more explicitly on the delivery of our corporate vision for services. This ensures all decisions about investment and reduced funding for services are determined to reflect our citizens' priorities.

At all stages proposals are subject to the rigorous scrutiny by both members and the Strategic Directors Management Team to ensure proposals offer value for money and deliver clear and measurable outcomes.

We reinforce this focus on our citizens' priorities through a range of public consultation processes. Results show that residents' satisfaction with the authority and the services provided is closely associated with their perception of value for money. We consult with residents on value for money via the annual Public Satisfaction Survey and on priorities via the Citizens Panel.

We have a customer service and access strategy with a clear focus on putting customers first. Through the implementation of this strategy we will ensure customers receive the best possible services through a medium that is most appropriate and convenient for them. This will be done through:

- Efficient, effective customer-focused processes
- Customer driven technology
- Localised services and solutions
- Empowered, committed and customer focussed staff
- Working in partnership with all public service providers in Warwickshire.

There is a clear synergy between the project work which will lead to the delivery of these themes and our methodologies for delivering value for money. By making sure value for money is a consideration at each stage of the implementation of the customer service and access strategy we will deliver on our objective of maintaining a clear focus on our citizens priorities.

5.3 **Working “smarter” and making the best use of new technologies to improve services and reduce costs**

Delivering customer-focused services does mean working smarter. We will provide a seamless service for neighbourhoods by providing one access point for any service provided by any public or voluntary/community agency in the county. At all times we will apply a value for money/best value approach when making judgements about operational deployment and local expectations.

We have developed a “new ways of working” programme which draws together the key elements and resources (ICT, Property, HR, Finance etc) within our organisation which we will need to deliver the customer service and access strategy. The programme outlines how, through re-engineering of these processes, we can improve the experience received by our customers by delivering efficiency and effective services.

The use of ICT, in particular, is seen as critically important to the modernisation and transformation of our services and to the achievement of corporate ambitions to be more citizen-focused with high standards of service delivery.

In order to secure value for money from our ICT investment:

- Corporate investments in ICT are targeted, prioritised and funded with agreement by SDMT
- Procurement is undertaken competitively
- Aspects of the ICT service provided are benchmarked externally
- The corporate and directorate based ICT services are undergoing a strategic review of capability, capacity and alignment with business objectives in 2006/07.

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

- The Warwickshire On-Line 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

5.4 **Actively managing procurement**

We have 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. Its role is to co-ordinate corporate arrangements ensuring effective policy, strategy, processes and competencies are in place, to support directorates in their procurement.
- A Procurement Reference Group comprising senior managers in all directorates to contribute to the development of our procurement objectives, to share good practice and to monitor performance.
- Short-life Working Groups 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 Value for Money through procurement:

- Our Procurement Code of Practice is fully integrated with Contract Standing Orders and provides managers across the authority with good procurement practice guidance;
- We have implemented an e-procurement strategy which has automated our ordering processes, provides appropriate procurement management information and has improved 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 take full advantage of our buying power through our membership of ESPO;
- We have introduced the use of “Gateway Reviews” to further strengthen our value for money.

We also ensure we get value for money from services we procure/provide internally. Our “Internal Market Standard of Required Practice” provides customers and service providers across the authority with guidance on the effective operation of the internal market. It contains a set of minimum standards as a guide to tackling areas for improvement. The guide covers a:

- Service level agreement template,
- Standards of operations, and
- Financial rules.

5.5 **Driving out efficiency savings**

We have a long tradition of requiring all directorates (excluding schools) to deliver up to a 2½% annual 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 directorate are included within the budget resolution. These can be differential targets for directorates to reflect different priorities and risk assessments of various services.

We have formalised our approach to the delivery of efficiency savings partly due to the increasing constraints on the level of resources and partly in response to the government's new efficiency planning requirements. The 2.5% efficiency savings target remains as minimum position in our medium term financial planning strategy. Schools are also subject to the government's efficiency planning requirements. This is done through separate arrangements co-ordinated nationally by the DfES.

Our medium term efficiency strategy is structured around the key issues that will determine the success of the agenda to deliver new ways of working. Supporting the delivery of the efficiency strategy is a medium term efficiency plan to help deliver efficiencies over the next 3 years. The plan details efficiency projects to deliver the strategy and is comprised of three elements:

- Large-scale projects, designed to deliver new ways of working, that will also deliver specified efficiency gains in both cash and quality terms. These projects flow directly from the approved strategy.
- Smaller scale initiatives in service directorates that are undertaken to deliver improvement in service quality and/or deliver cost savings and meet the efficiency savings targets set as part of the budget process.
- Cost-Performance driven projects that flow from the evaluation of the cost and performance data produced by District Audit as part of their CPA Value for Money assessment process.

This third strand of the efficiency plan is to undertake a few projects with the objective of either reducing costs whilst maintaining performance (where the service appears to have a high absolute cost base relative to other shire counties) or improve performance (where performance appears to be below average for the level of investment compared to other shire counties).

Annually an overview comparing our relative performance and cost across all services is undertaken. As a result of this analysis a three-year programme of value for money reviews is agreed, although this is subject to an annual review as more recent data becomes available. This on-going review of the plan will ensure that scarce resources are directed at those areas where there is the greatest potential improvement in value for money.

There are formal processes in place to identify, monitor and report on any efficiency gains planned/delivered through to Strategic Directors and the

Cabinet. The regime is also the subject of reporting to the ODPM and scrutiny by external audit.

5.6 **Making the best use of our assets**

We are 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 for many years carried out a corporate rolling review of our asset portfolio. We continue to review and update this through the maintenance of our asset management plan. The plan is designed to:

- Be a rolling review of asset holdings and the justification for them
- Enable continuous review of the suitability of assets and their purpose (including their running costs) and their effectiveness in supporting customer and service needs
- Be a means of establishing performance targets for use of the asset and for the performance plan and therefore a means of facilitating comparisons internally and externally.

We take advice on property and commercial valuations using our internal professional property unit and, when appropriate, external advisors as well, to optimise our returns.

We have an aggressive approach to disposing of surplus assets and reinvesting the proceeds to their maximum advantage. To underpin this we are developing a capital receipts strategy to formalise the decision-making processes between our asset management processes and our asset disposal programme. This will also ensure any investment of capital receipts generated is fully integrated with the capital strategy which outlines our investment priorities.

5.7 **Working in an efficient organisational structure**

We are a well-managed organisation. The organisation is characterised by:

- Effective and well-understood political structures, as set out in our constitution.
- The devolvement of service delivery responsibilities, resources and accountability to Strategic Directors, Heads of Services and Cost Centre Managers to enable local decision-making.
- Clarity over the delegation of roles, responsibilities and accountabilities through the constitution, including our financial standing orders and contract standing orders.
- 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.

5.8 Making appropriate use of management systems

- **Risk Management**

Risk management is an integral part of our governance arrangements and supports the organisation in achieving its objectives. It enables risks and losses to be controlled, allowing resources to be used in the most efficient manner. Losses are often measured in money terms but they also include costs of disruption, inconvenience, lowering of morale, adverse publicity and, ultimately, failure to achieve objectives.

- **Performance management**

We are very much of the view that effective performance management drives service improvement and secures better value for money. Our corporate business planning process takes forward the corporate vision and works across directorates to agree priorities and actions to deliver the vision, through service planning. Targets are set as a basis for performance management, by members and strategic directors, of progress towards achieving the vision.

Our Performance Management Framework document codifies our approach to performance management and includes:

- roles and responsibilities for performance management
- our planning framework
- the corporate headline performance indicators.
- the performance reporting requirements and timetable.
- performance standards are included in the Corporate Business Plan and cascaded down into individual service plans

These are supported by guidance notes, which are reviewed annually.

- **Internal Audit**

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 Audit and 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.

- **Financial Performance Management**

We operate at a very devolved level of cost centre management within a defined cost centre management framework and within the requirements of Financial Standing Orders and Contract Standing Orders. Cost centre managers are responsible for delivering their service within budget. Our carry forward arrangements allow for a planned underspend to be retained by the cost centre manager while an overspend is the first call on the following year's budget.

Under the process for corporate budget monitoring Cabinet receives a quarterly budget monitoring report that summarises the overall forecast end of year position and highlights the corrective action necessary to deliver the service within budget. Similarly capital reviews are undertaken quarterly and reported to Cabinet with major variations highlighted.

On the same agenda as the budget monitoring report Cabinet also receives a service performance report. This growing linkage of financial and service performance reporting that is crucial for members being in a position to assess value for money i.e. does the cost of service provision offer value for money given the level of service performance.

- **Project Management**

Change has become a way of life for organisations, such as ours, that need to remain effective and efficient. It is essential to manage the inherent risk associated with change and innovation. We use business cases to drive all our project management processes, from initial project set-up through to the finish of the project. The adoption of Prince 2 project methodology provides us with a framework covering the wide range of disciplines and activities required in a project. The use of this approach is to ensure that the business benefits or objectives are achieved within budget, within time and to the required quality.

5.9 **Recruiting the right staff and retaining and developing their skills**

However good our systems and processes for delivering value for money our most important asset in determining our success is our people. Therefore we make sure our policies in this area support and promote customer-focus and value for money. As part of our new ways of working" modernisation agenda we have in place a work stream focussed on creating a high performance culture. This will involve ensuring work-planning activities are clearly linked to achieving financial strategies, developing talent and succession planning activities and ensuring individual development profiles mirror targets and objectives cascaded down from the Strategic Directors Management Team.

5.10 **Achieving Economies Through Partnership Working**

We have 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.

We are developing the Warwickshire Local Area Agreement (LAA), which will be completed by March 2007. The LAA will bring into sharp focus the overall purposes of our partnership working. Amongst the objectives of the LAA are "enhancing efficiency" and "strengthening partnership working". The LAA will also give the opportunity for our partners and ourselves to consider pooling and/or aligning existing funding streams in support of agreed outcomes.

Finally, through the LAA and other discussions, we will be pursuing an audit of our existing partnership arrangements. Through this audit we will ensure that our existing partnerships are reviewed and assessed as to whether they are clearly linked to our corporate objectives, add value to our work, and that appropriate arrangements are in place for accountability and governance.

5.11 **Actively pursuing external funding**

We pursue external funding where its receipt provides a benefit in terms of delivering our overall vision. Through our medium term financial planning process we identify the need for additional funding to enable us to deliver our objectives. We then actively work to deliver this funding through partnership working, sponsorship etc.

We were one of the first authorities to enter into a Public Service Agreement with central government. We agreed a set of challenging stretched targets over key service areas securing £1 million in pump priming grant and, by achieving 75% of our stretched targets, £5.4 million performance reward grant. We have now agreed, with the government, a new set of performance targets for the second round of Public Service Agreements, which has secured us £1.3 million pump-priming grant and potentially £14 million performance reward grant.

In addition we have secured £18.7 million in external funding for economic regeneration projects in Warwickshire between 1994 and 2005. This funding has been secured from both European Union and Government Office grants and is above the notional allocation for the authority due to our track record of delivering programmes both within time and budget, whilst achieving agreed policy outcomes. We have been particularly successful in securing grants from Advantage West Midlands three principal drivers for economic change – the Regeneration Zone, High Technology Corridor and Clusters programmes – plus attracting significant investment for a number of regional strategic flagship sites in the county such as Stratford Waterfront. We maintain close working

relationships with the Government Office and Advantage West Midlands to make sure we benefit from all potential opportunities to maximise the amount of funding for Warwickshire.

5.12 Achieving public confidence through positive external audit and inspection feedback

Being a public sector organisation we are acutely aware of the customer expectation for a high quality service delivered for as low a cost as possible. In striving to achieve this we pay due regard to proper stewardship and governance arrangements. An important way of demonstrating our performance in this area is the feedback we receive from our external auditors and various inspectors.

Our plans and performance are subject to external scrutiny, through the CPA with annual assessments of service performance and three yearly corporate assessments. Performance data quality is also audited as part of the annual production of a Best Value Performance Plan. Part of the CPA Use of Resources assessments provides a specific judgement and score on value for money. Our external service inspections, for example OFSTED inspections of schools and the education service and HMI inspections of the fire and rescue service also comment on value for money at a service level.

All assessments and feedback reports are published. We develop improvement plans to address areas of weakness identified through external inspections, and sets targets for improving scores. We are keen to learn from this feedback and use it to help justify our statements to the public regarding performance.

5.13 Maintaining a level of council tax such that the public feel we make good use of the money we spend and reflects the quality of services they receive

We 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.

6 Responsibilities for Value for Money

6.1 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.

6.2 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.

- 6.3 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.

7 Our Value for Money Culture

- 7.1 We recognise that, as an organisation, we will achieve our goals if we operate within an organisational culture that reflects our values, attitudes and behaviours.

- 7.2 We have a clear value for money strategy and a wide range of methodologies for ensuring our value for money objectives are delivered. All these contribute to the maintenance and further development of our value for money culture. This culture is reinforced through a range of organisational processes. 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.
- 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.
- 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