

## Value For Money Framework 2006 - 2009

### Finance Directorate





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# 1. INTRODUCTION

- 1.1 The Council's vision is to make Chorley the place of choice to live, work and invest in the North -West.
- 1.2 Our priorities are set out in the Corporate Strategy as follows:

PRIORITY	PROSPERITY		PEOPLE		PLACE	PERFORMANCE
STRATEGIC OBJECTIVE	1. Put Chorley at the heart of regional economic development in the central Lancashire Sub-Region	2. Reduce pockets of inequality.	3. Get people involved in their communities	4. Improved access to public services.	5. Develop the character and feel of Chorley as a good place to live.	6. Ensure Chorley Borough Council is a performing organisation.

- 1.3 Achieving value for money is a core requirement of the strategic objective of ensuring Chorley Borough Council is a performing organisation, and successful achievement of VFM will be a major contributor to CPA and use of resource assessments.
- 1.4 In recent years the Council has taken the following significant steps to ensure that value for money is obtained in the provision of its services.

- Audit Commission Analysis** → Analysis of service performance indicators undertaken in August 2006, showed that the proportion of PI's where the Council is performing in the best quartile is 44%. This equates to that being obtained by CPA rated 'excellent' Councils.
- Best Value Reviews** → Highest scores in Lancashire as at 15/09/05.
- Improvement Planning** → The Corporate Improvement Plan addresses the issues raised following our 2004 CPA inspection and is subject to regular review.
- Internal Audit** → Conduct VFM reviews of specific business areas.
- Overview and Scrutiny** → Strengthened roles in ensuring VFM.
- Performance Management** → Performance Plus used to assess performance across the organisation against pre-set targets.
- Business Planning Process** → Reviewed process strengthens the link between business and financial planning.
- Efficiency Agenda** → Substantial efficiency gains and cost savings already achieved. Corporate programme of business process transformation has also commenced.

**Project Management Methodology** → System developed in-house and now embedded within organisation and advocated for use across the North West by the Regional Centre of Excellence. Formal business case for projects must be approved before project can commence.

**Procurement** → Significant savings achieved through more effective procurement processes and good practice and a real focus on a more strategic approach. As at June 2006 85% achievement of National Procurement Strategy milestones confirmed through external assessment by ID<sup>9</sup>A/RCE.

1.5 The Council's use of resources assessment recognised that the Council was providing good value for money in the provision of services in comparison with other similar District Council's and we received a score of three out of four. However, they found an absence of a clear structure for assessing the wider VFM issues of policy decisions for the whole community, an inconsistent use of benchmarking as a means of challenging costs, performance and VFM and no clear definition of what VFM means at Chorley and how this will be assessed and monitored.

1.6 It is therefore against this background that an integrated and coherent VFM Strategy, focusing on achieving good value for money and managing and improving value for money, is essential if we are to continue the good progress already made.

1.7 If we are to be successful in our pursuit of VFM we believe this will make a significant contribution to the following strategic targets being met:-

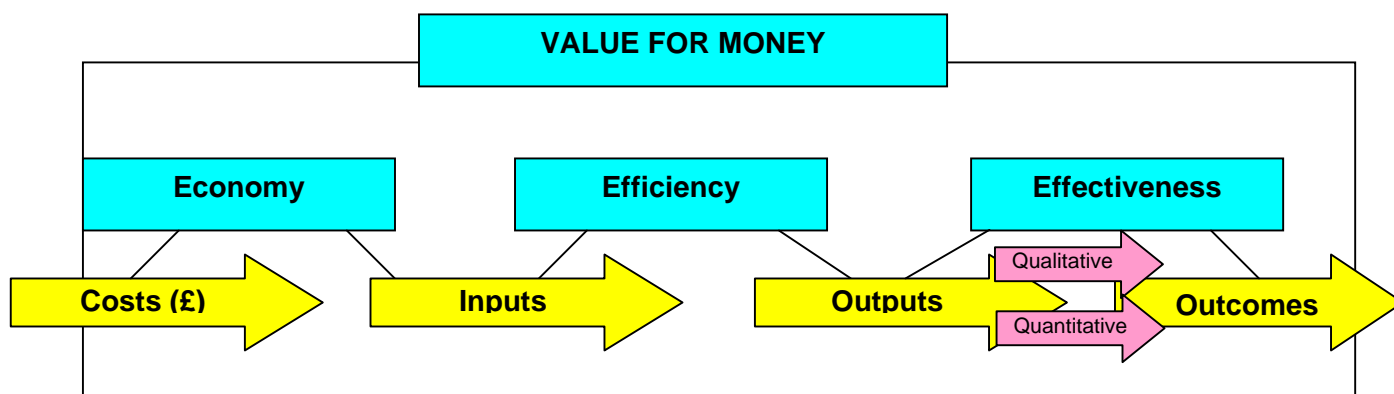
- Service provision in the upper quartile.
- Achievement of score of \_\_\_\_\_ in Use of Resources Assessment consistent with achieving excellence on CPA.
- Recategorisation of our CPA rating from Fair to Excellent.

## 2. DEFINING VALUE FOR MONEY

2.1 Value for Money (VFM) is a concept that has been around in local government for over 20 years. VFM has long been defined as the relationship between economy, efficiency and effectiveness, sometimes known as the 'value chain'.

2.2 VFM is a term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it. It or only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, fitness for purpose, timelines, and convenience to judge whether or not, together, they constitute good value.

2.3 VFM is illustrated by the following diagram:



**Economy** is the price paid for what goes into providing a service, for example, the annual cost of a Neighbourhood Warden, the rent per square metre of accommodation. Economy is about minimising the cost of resources for an activity ('doing things at a low price').

**Efficiency** is a measure of productivity – how much you get out in relation to what is put in. For example, the number of benefit claims processed per week by a Claims Officer; kilometres of road maintained per £1,000 spent. Efficiency is primarily associated with the process and delivery ie performing tasks with reasonable effort ('doing things the right way').

**Effectiveness** is a measure of the impact achieved and can be quantitative or qualitative. For example, how many people chose the postal vote option rather than the traditional ballot box method (quantitative); satisfaction levels among different sections of the refuse collection service (qualitative), and so on. Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity. Effectiveness is primarily associated with the outcomes for customers ie the extent to which objectives are met ('doing the right things').

**VFM** is high when there is an optimum balance between all three – relatively low costs, high productivity and successful outcomes. The Improvement and Development Agency (IDeA) in its procurement guidance defines best value for money as the 'optimum combination of whole-life costs and benefits to meet the customer's requirement'.

2.4 The 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.

2.5 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.

- 2.6 Chorley Borough 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 and additional efficiency targets set by the Members.

### **3. CREATING AND MAINTAINING A VALUE FOR MONEY CULTURE**

- 3.1 If we are to be successful in achieving our strategic aspirations and targets for VFM, establishing and maintaining the right culture within the organisation is of paramount importance. To do this we must:
- Stress the need for the Council to continually strive to do more at the appropriate quality, for less money.
  - Effectively communicate this message to staff at all levels within the organisation.
  - Clearly define the organisation's aims, strategies and policies.
  - Ensure members/staff are clear about their responsibilities in relation to best value through appropriate training and development.
  - Embrace good practice and ensure success is communicated across the whole organisation.
  - Ensuring an effective infrastructure is in place to corporately manage value for money.

### **4. KEY PRINCIPLES OF THE VFM STRATEGY**

- We will be clear about the objectives of services/activities provided.
- We will demonstrate that the service/activity fits with the Corporate Strategy and where appropriate adopts a community wide perspective.
- Focus is not on costs alone – local context and quality need to be accounted for.
- The VFM process will be open, transparent and measurable.

- Judgement will address current performance in achieving VFM, how well VFM is managed and improved over time and the extent to which a long-term approach is taken.
- Judgement should rely primarily on evidence showing the outcomes achieved.

## 5. STRATEGIC OBJECTIVES AND APPROACH

It is essential that we link our strategic objectives to the VFM criteria set out by The Audit Commission in their Annual Governance report. This approach will clearly demonstrate how we plan to tackle each of the criteria and how we will monitor and measure outcomes.

### **Audit Commission Criteria**

#### ***Strategic and Operational Objectives***

The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.

How we Plan to Get There	How do we Measure Success?
Produce a cohesive corporate strategy supported by effective programme and project management.	Delivery of key projects, performance targets and long term outcomes.

### **Audit Commission Criteria**

#### ***Communication***

The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.

How we Plan to Get There	How do we Measure Success?
Implementation of the Communications Strategy.	Achievement of the Level 1, Level 2 and Level 3 benchmarks as set out in the strategy.

### **Audit Commission Criteria**

#### ***Performance Management***

The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.



How we Plan to Get There	How do we Measure Success?
Implementation of an effective Business Planning Framework	Production and monitoring of Directorate plans in accordance with revised business planning requirements.
Maintaining an effective staff performance approval system.	Achievement of 100% staff performance review.
Through a robust and effective Overview and Scrutiny process.	Achievement of the Overview and Scrutiny Forward Plan.
Through a robust and effective Audit Committee process.	Full compliance with new CIPFA guidance on Audit Committees.

### **Audit Commission Criteria**

#### ***Data Quality***

The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.

How we Plan to Get There	How do we Measure Success?
Production of an effective quality assurance system for the collection and publication of performance information.	Positive feedback within the Audit Commission's annual Data Quality Report.

### **Audit Commission Criteria**

#### ***Internal Control***

The body has put in place arrangements to maintain a sound system of internal control.

How we Plan to Get There	How do we Measure Success?
Conduct an annual review of the system of internal control and the publication of a statement of internal control alongside the Annual Accounts.	Publication of a CIPFA compliant statement of internal control and subsequent "sign-off" by the Audit Commission.

### **Audit Commission Criteria**

#### ***Risk Management***

The body has put in place arrangements to manage its significant business risks.

<b>How we Plan to Get There</b>	<b>How do we Measure Success?</b>
Production of a cohesive strategy for the management of strategic and operational business risk.	Production and ongoing review of strategic and operational risk registers
Production and maintenance of effective emergency and business continuity plans.	Regular testing to ensure plans are effective.
To ensure appropriate and cost effective insurance cover is in place.	Cover effectively meets claims experience.
To ensure appropriate health and safety policies and procedures are in place.	Monitoring compliance level through health and safety audit process.

### **Audit Commission Criteria**

#### ***Improving Value for Money***

The body has put in place arrangements to manage and improve value for money.

<b>How we Plan to Get There</b>	<b>How do we Measure Success?</b>
Implement the use of Resources VFM – key lines of Enquiry Action Plan.	Use of Resources Assessment.
Undertaking VFM studies on specific areas of activity identified as worthy of review.	An active programme of VFM studies is ongoing. Achieving annual efficiency targets.
Establish guidance documentation and a VFM measurement template to enable comprehensive VFM review to be undertaken.	VFM being carried out in accordance with corporate guidance and standards.
Implement a robust benchmarking framework.	Thorough comparison of performance against other similar Councils.
Raise the profile of Value for Money across the Council.	Through surveys of staff members and other stakeholders.
Reward ideas for change through development of an appropriate staff incentive scheme.	Evidence of change through staff suggestion scheme.
Establish a VFM corporate support function within the Finance Directorate.	Formal approval of new structure for the Finance Directorate.
Establish a corporate framework for partnership working in accordance with best practice.	External assessment of partnership arrangements by the Audit Commission.

## **Audit Commission Criteria**

### ***Probity***

The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.

<b>How we Plan to Get There</b>	<b>How do we Measure Success?</b>
Production and maintenance of Codes of Conduct for Members and officers.	Monitoring the number of Standards Board referrals and disciplinary incidents.
Maintenance of Register of Incentives, Gifts and Hospitality.	Evidence of ongoing upkeep of these records.
Maintenance of whistle-blowing, anti-fraud and complaints procedures.	Monitoring of awareness and usage of those procedures

## **Audit Commission Criteria**

### ***Financial Strategy***

The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.

<b>How we Plan to Get There</b>	<b>How do we Measure Success?</b>
Ensuring that a medium-term financial strategy, budget control measures and a successful capital programme are achieved.	Use of Resources Assessment, Annual Efficiency Statement, Capital Programme Board monitoring.

## **Audit Commission Criteria**

### ***Financial Standing***

The body has put in place arrangements to ensure that its spending matches its available resources.

<b>How we Plan to Get There</b>	<b>How do we Measure Success?</b>
Setting a balanced budget in accordance with the Financial Strategy.	Avoidance of overspending.

## **Audit Commission Criteria**

### ***Financial Management***

The body has put in place arrangements for managing performance against budgets.

How we Plan to Get There	How do we Measure Success?
Ensuring that clear, documented processes are in place to achieve effective budgetary management.	Through budget monitoring, analysis of service performance indicators, both internal and external.

## Audit Commission Criteria

### *Asset Management*

The body has put in place arrangements for the management of its asset base.

How we Plan to Get There	How do we Measure Success?
Maintenance and implementation of the Asset Management Plan.	Achievement of the key deliverables within the Asset Management Plan. Monitoring contractor performance through Property Services Outsourcing Contract.

## 6. ROLES AND RESPONSIBILITIES

- 6.1 Responsibility for VFM lies with all elected members and all employees of Chorley Borough Council. It is not restricted to those with resource or financial responsibilities. The Council is required to satisfy itself that VFM is being sought and achieved from all areas of the Council.
- 6.2 The Council in conjunction with the Strategy Group/Director's Team and the Capital and Efficiency Board have responsibility for ensuring that satisfactory arrangements are in place to ensure VFM is being delivered.
- 6.3 Managers have the operational responsibility to maintain an awareness of good practices in their own area of work and to ensure these are consistently followed. Managers need to satisfy themselves that VFM is being secured within the budgets they manage.
- 6.4 The Council's Overview and Scrutiny and Audit Committees will satisfy themselves that appropriate arrangement are in place to promote and achieve economy, efficiency and effectiveness.
- 6.5 The Capital and Efficiency Programme Board will ensure that all new Project Business Cases properly evaluate and measure VFM as part of the Business Plan preparation process.
- 6.6 The Finance Business Improvement Team will assist with carrying out VFM studies and the evaluation, measuring and monitoring of VFM within Service Units.