



BATH & NORTH EAST SOMERSET

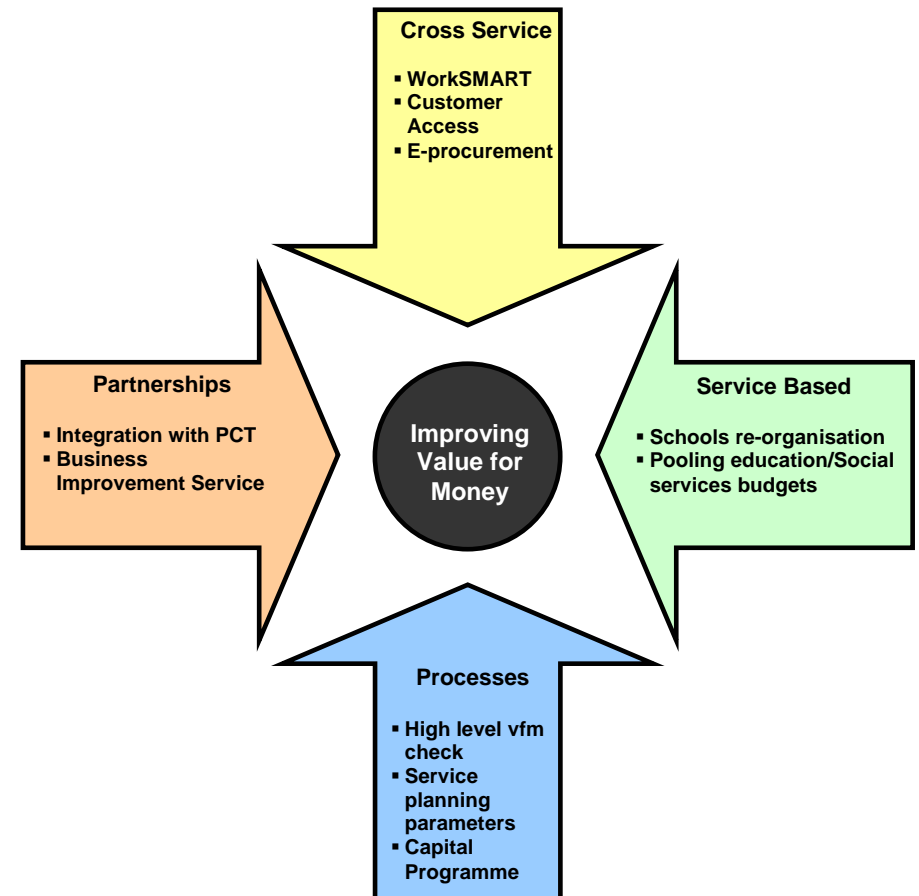
Initial High Level Value for Money Check

July 2006

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make up a coherent approach to vfm. This is illustrated in Figure 1.1.

Figure 1.1 The Council's Approach to VFM



1. INTRODUCTION AND BACKGROUND

Introduction

- 1.1. The Council has always taken value for money and efficiency seriously, even prior to the Comprehensive Spending Review and the introduction of Gershon efficiency targets.
- 1.2. The Council has exceeded its Gershon efficiency targets and has implemented and/or has in the progress a number of initiatives, both corporate and service based, to continue improving value for money.
- 1.3. These include:
 - WorkSMART.
 - Joint procurement of agency staff.
 - Pooled budgets between Education and Social Services to manage placements to independent special schools making more local, cost effective provision.
 - School amalgamation and closure programme to reduce surplus places or preventing a rise in surplus places as school numbers reduce.
 - Integration of services with the PCT.
- 1.4. The Council's overall approach to value for money (vfm) is based on embedding consideration of vfm corporately (cross service), at a service level, in its partnerships and in its processes.
- 1.5. This is in contrast to a distinct vfm programme and yet the constituent parts of the approach can be seen to

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1.6. While the framework for vfm has been established within the Council practices still need to be developed to ensure the approach is consistently applied across the Council.

Objectives of the Check

1.7. Value for money is a complex and sometimes subjective judgement which includes:

- Customer/resident/local priorities.
- Customer satisfaction.
- Levels of service or standards or whether the service should be provided at all.
- Performance against those standards.
- The cost, standards and performance of the service compared to others.
- Local circumstances.
- National priorities.
- The extent to which the Council exercises its leadership role.
- The effectiveness of the Council's communications.

1.8. This top-level check focuses initially on cost and performance to identify where further work needs to be carried out in the service and resources planning process.

1.9. In addition, the Comprehensive Performance Assessment (CPA) places a focus on value for money within the Use of Resources assessment.

1.10. The objectives of this high level value for money (vfm) check are to corporately:

- Evidence, at a high level, the Council's overall and major service spending and performance.
- Evidence higher spending/investment leads to better performance within the Council's corporate priorities.
- Identify further areas for review where cost, performance and priorities suggest change is needed. It is intended that these further reviews be contained within the service planning process.
- To provide a starting point to extending the approach to smaller services.
- Embedding the approach into service planning.
- Provide information for developing service and resources planning parameters.

Structure of the vfm Check

1.11. The vfm check is high level and structured as follows:

- A comparative overview of total spending, Council Tax and Government financial support through Formula Grant.
- A comparative overview of spending based on the Audit Commission 2004/05 vfm Profile (the latest available at the time of writing).

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- A service level analysis for major services of the Council. It is recommended that all services reflect a proportionate demonstration of value for money in the future service plans.

Constraints and Caveats

1.12. The vfm check is limited by:

- The comprehensiveness and consistency of comparative data. Not all services have comparative data; some functions do not lend themselves readily to such an approach; and there will always be issues of consistency in the treatment of costs between authorities.
- The latest available information.
- Differences in needs, local circumstances and choices made by different authorities. This high level check does not include detailed explanations of variations, which is intended to be included in service plans.
- Limited evidence of causality i.e. need, local circumstances, the relationship between priority, cost, performance and outcomes which is beyond the scope of such a high level check but should be incorporated in service planning.
- By taking a 'top level' view there may be variations within major services in terms of cost/performance. For an example see Annex 5 "Finance".

- Much of the check is based on budget data. In some services, for example, Home to School Transport there is a significant overspend, which may affect the check in overall terms.

1.13. This vfm check is therefore just a starting point. Even where services appear to be low and performance good there may be issues the Council needs to address. Therefore, the incorporation of vfm into service planning is an important next step in order to explore variations in cost, performance, need, local circumstances and priorities.

1.14. Even with these constraints the vfm check gives the Council a starting point to:

- Identify/investigate areas for further investigation.
- Ensure services and functions have arrangements in place in the future to demonstrate value for money.
- Further strengthen links between resources, performance and priorities.
- Continue to improve efficiency and value for money.

2. APPROACH

2.1. The approach to this high level vfm check includes:

- Bringing together the information sources that the Council uses on a day to day basis.
- Focusing on "major" areas of service.

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- Using the most recent available data for comparison where available.
- 2.2. The review has also taken a pragmatic view in that:
- In some services comparative information is not available.
 - For some functions benchmarking is inappropriate.
- 2.3. The assessments contained in the review do not give 'definitive' answers but an initial view. Going forward the Council may want to develop what value for money means for each service.
- 2.4. Further work within the Service and Resources Planning process may include some services/functions that are not currently covered or in which there is an inadequate explanation of variations.
- 2.5. The review has also been mindful of the CPA Use of Resources assessment criteria for the value for money element as they provide a useful (but by no means complete) framework.
- 2.6. The latest criteria (May 2006) are reproduced in Annex 1. The criteria are extensive and require a clear focus on value for money in the service planning and monitoring process.
- 3. INITIAL FINDINGS AND CONCLUSIONS**
- 3.1. Annex 2 shows the detailed information on the Council's top level spending, Council Tax and Formula Grant.
- 3.2. Annex 3 shows the top level spending from the Audit Commission's profile 2004-05 compared to the

average for the Council's CIPFA family and Unitary Councils.

- 3.3. Annex 4 begins to develop a service level analysis on major services provided by the Council. This kind of analysis needs to be included in Service Plans with more in-depth explanations of variations.
- 3.4. Annex 5 shows a more detailed check on financial services. This is not to give this service any particular prominence but to illustrate the variations within a high level review.
- 3.5. This section summarises this information.
- Findings – Total Spending, Council Tax, Formula Grant and Performance*
- 3.6. Table 3.1 summarises the top line comparative overview of total spending, Council Tax and Formula Grant (see Annex 2 for details). It shows:
- The Council has a consistent track record of lower service spending per head compared to other Unitary Authorities. It should be recognised that this may be due to differences in need, local circumstances, priorities and/or service standards.
 - The Council's budget requirement per head, which brings in the net income of the commercial estate and the collection fund, is significantly and consistently lower than other Unitary Authorities - the 3rd lowest spending/head in 2006/07.
 - The Council Tax is broadly in line with the Unitary Authority average.

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- The Council receives the 6th lowest revenue formula grant per head of population of all Unitary Authorities, a large contributory factor to its average level of Council Tax in spite of its low spending.

Table 3.1: Top Level Comparative Information

	B&NES compared to Unitary Council Average	B&NES compared to CIPFA family
Total Service Spending per head (excludes Commercial Estate net income).	10%-13% spending over the past 3 years less per head	Spending 5%-8% less per head over the past 3 years.
	7 th lowest spending per head – LOWEST QUARTILE in 2006/07	6 th lowest spending per head – LOWEST QUARTILE in 2006/07
Budget Requirement per head (Total Service Spending less Dedicated Schools Grant less Commercial Estate net income).	Spending 12%-17% less per head over the past 3 years	Spending 7%-12% less per head over the past 3 years
	3 rd lowest spending per head – LOWEST QUARTILE in 2006/07	2 nd lowest spending per head – LOWEST QUARTILE in 2006/07.
Council Tax	1%-2% lower than average	–
	22 nd lowest Council Tax (out of 45 Unitary Authorities)	–
Formula Grant per head	44% below average	32% below average
	6 th lowest grant/head	5 th lowest grant/ head

- 3.7. In terms of high level performance, the Audit Commission rated the Council as good in 2002 (with the highest corporate assessment score in the South West), a score consistently maintained until 2005. Under the harder CPA test, the Council is rated as demonstrating 3 star overall performance (out of a possible 4) and improving adequately.
- 3.8. The Council continues to make progress against improvement priorities and to maintain improvements in already high performing services such as recycling and raising education standards..
- 3.9. In 2005/06 56% of the Council's targets were achieved against national performance indicators. This is an improvement on previous years of 55% in 2004/5 and 53% in 2003/4. 53% of the Council's national indicators are improving with a further 12% remaining the same (half of these are at 100% and are already performing at the highest level).
- 3.10. The Council can be characterised as a low spending authority with an average level of Council Tax, which is performing well but that needs to maintain the rate improvement compared with others.
- Findings – Top Level Spending*
- 3.11. The Audit Commission's 2005-06 vfm profile was unavailable at the time of writing.
- 3.12. Based on the 2004-05 vfm profile (see Annex 3 for a high level summary), Table 3.2 summarises areas of high spending, performance and priority.

Table 3.2: Areas of Apparent High Spending

Service Area	Does higher spending result in higher performance?	Is it a corporate priority?
Waste Disposal	Yes –combined collection and disposal costs are higher than the average. The waste collected per household is higher and performance is mainly in the top quartile.	Yes
Education	Yes – 2-3% more spending per pupil than average. Performance is between 2.4% - 10% better than average. Surplus places remain an issue.	Yes
Planning	Needs further analysis in the light of recent performance and planning delivery grant awards.	Yes
Housing	Needs further analysis	Yes
Central Services/ Democratic Core	Needs further analysis	No
Unapportioned central overheads & contingencies	Needs further analysis	No
Mental Health	No	No
Learning Difficulties	No.	Yes
Public Transport	No	Yes
Parks	Needs further analysis.	Yes

3.13. In general, where the Council spends more than others this is reflected in better performance and accords with the Council’s priorities. [check once Table 3.2 complete]

Findings – Service Level Check

3.14. Directorates have carried out an initial vfm check based on best available and existing data. While this does not cover all services and functions, it covers the Council’s major services and the majority of the budget. In general, this supports the conclusions from the Audit Commission profile (as much is based on the same data).

3.15. It is important to note that within some service areas that are perceived to be ‘high spending’ there may be variations within blocks of service. For example, taking social services as a whole there are both areas of lower and above average spending.

3.16. Key areas where the Council needs to address issues appear to be:

- Public Transport
- Social Care – Learning Difficulties
- Social Care – Mental Health
- Planning
- Libraries
- Economic Development
- Business Rates Collection

- 3.17. These services are not all high spending. For example, for libraries lower than average performance may be due to lower spending. In turn this may be because, in relative terms, the Council has higher priorities.
- 3.18. In addition, as in some instances data is out of date and services may already be addressing issues the vfm check may be presenting an unfair position.
- 3.19. There are areas of potential high spending that are not controllable by this Council going forward – the best example of this is existing early retirement costs within the Education budget.

4. PROPOSALS FOR SERVICE PLANNING PARAMETERS

- 4.1. As a result of this vfm check it is proposed to build on the current corporate priority parameters.
- 4.2. The current parameters include a cash limit expressed as +/- percent on the current budget and a narrative e.g. “Improvement”. This is supplemented by more specific performance targets in service plans.
- 4.3. It is proposed to build on this by introducing more specific cost, service level, and performance targets within a time dimension as illustrated in Table 4.1.

Table 4.1: Illustrative Service Planning Parameters

Cost		Service Levels/ Performance	
Target	Timescale	Target	Timescale
Financial Plan targets PLUS to lower costs to less than average for similar authorities	Lower than average costs within 2 years	Keep current service levels/ standards. Improve performance to meet targets.	1 year

- 4.4. This will enable change to be managed over appropriate timescales, for example, where a service needs to reduce costs significantly or where a service needs to improve quickly.
- 4.5. It is proposed that these service and financial planning parameters be developed in detail by the relevant Executive Members, Directors and Management to inform service planning but after the informal Executive/Directors’ Group take a corporate view.

5. PROPOSALS FOR STRENGTHENING VFM ARRANGEMENTS

- 5.1. While the Council has consistently addressed vfm and efficiency arrangements for ensuring and demonstrating vfm can be built on, strengthened and embedded.
- 5.2. This vfm check proposes that:
 - Service plans explain what arrangements are in place or will be put into place to ensure and demonstrate value for money.
 - Service Plans include an appropriate statement of value for money and explanation of significant variations.
 - Overview and Scrutiny Panels include 1-3 vfm reviews in relevant service areas that are high cost, low performing, low priority or a combination of these factors based on an annual vfm check.
 - The Council Executive and Overview and Scrutiny Panels review whether additional

investment actually leads to improved performance when considering quarterly performance reports.

- The Council Executive considers vfm at least annually as part of its corporate planning.
- Vfm be included in the Council's management competences and change management programme co-ordination.
- Including vfm within the Capital Programme project initiation process (See Appendix 2 – Capital Review).

VALUE FOR MONEY Key line of enquiry 5.1: The council currently achieves good value for money	
	<p>Evidence that:</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 • Costs reflect policy decisions
LEVEL 2	
5.1.1	There is a positive relationship between costs and the range, level and quality of services provided, including overheads and capital costs.
5.1.2	Overall costs and unit costs for key services are not significantly higher than other councils providing similar levels and standards of services, allowing for the local context.
5.1.3	Significant unintended high spending is identified and there are plans in place to address it.
5.1.4	Areas of higher spending are in line with stated priorities.
5.1.5	The council has a well managed capital programme, with projects usually completed on time and on budget.
LEVEL 3	
5.1.6	The council ensures that a range of quality services is delivered appropriate to statutory duties and local needs, whilst maintaining relatively low overall costs including overheads and capital.
5.1.7	Overall costs and unit costs for key services demonstrate best value compared to other councils providing similar levels and standards of services and allowing for the local context.
5.1.8	Unintended high spending is identified and being addressed.
5.1.9	Areas of higher spending are in line with stated priorities and the investment results in improved services.
5.1.10	The council has a well managed capital programme linked to priorities, with most projects completed on time and within budget..
LEVEL 4	
5.1.11	The council ensures that the range of services delivered effectively addresses statutory duties and local needs are delivered to high quality standards. Overall spending, including overheads and capital, consistently demonstrates best value from resources.
5.1.12	High performance is achieved across a range of key services whilst costs demonstrate best value compared to others.
5.1.13	The council can demonstrate a track record for effectively addressing areas of unintended high spending and emerging areas of budgetary pressure.
5.1.14	There is a sustained track record of investment leading to improved outcomes for users and sustainable efficiency gains. New investment is supported by clear targets and timescales for measuring improvement.
5.1.15	The Council can demonstrate that it evaluates the outcomes from its capital programme in accordance with objectives. Where capital resources are invested there are identifiable improvements in service delivery.

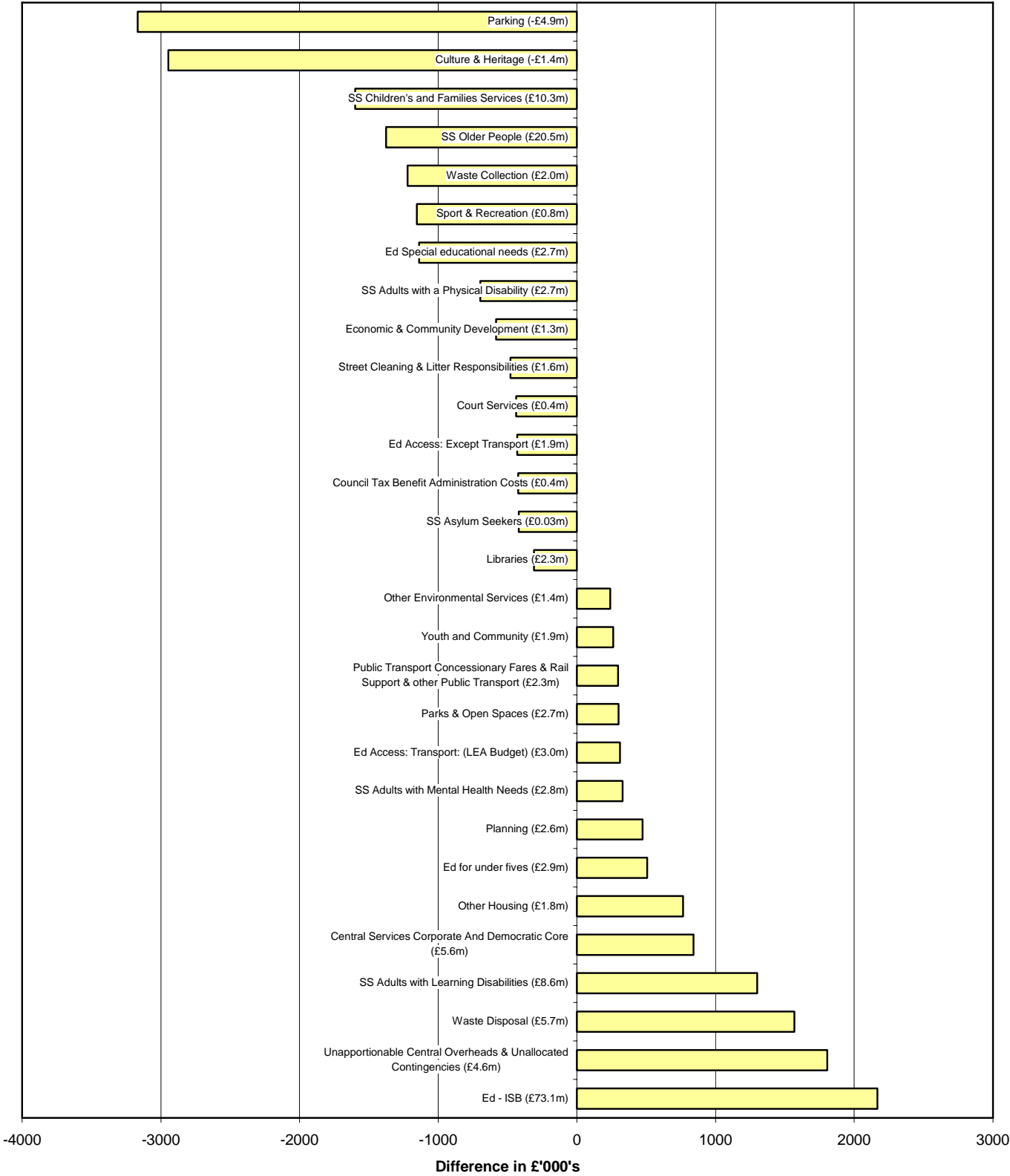
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VALUE FOR MONEY Key line of enquiry 5.2: The council manages and improves value for money	
	<p>Evidence that:</p> <ul style="list-style-type: none"> • The council monitors and reviews value for money • The council has improved value for money and achieved efficiency gains (limited to the last three years) • Procurement and other spending decisions take account of full long term costs
LEVEL 2	
5.2.1	There is some information on costs and how these compare to others and to the quality of services but this is not fully understood. Managers use this information to review value for money and report to members.
5.2.2	The information on costs and quality of services includes information on equity across the whole community.
5.2.3	Members and senior managers identify and pursue opportunities to manage and reduce costs or improve quality within existing costs.
5.2.4	Consideration is given to the likely impact on users of changes in spending levels.
5.2.5	Processes for reviewing and improving value for money are in place and have led to some improvements in value for money.
5.2.6	Targets are set and applied to improve efficiency and value for money
5.2.7	The council has produced and is delivering on an efficiency plan to achieve the cumulative Efficiency Review target of 7.5 per cent gains over a three year period.
5.2.8	The council has effective procurement practices and can demonstrate improvements in value for money from significant procurement exercises. It has explored options for joint procurement and works with the LSP and other partners to improve value.
5.2.9	Procurement decisions are not based solely on lowest cost options but reflect the best combination of cost and quality.
5.2.10	Internal reviews are carried out (in line with Best Value legislation) and achieve significant improvements in value.
5.2.11	Investment is made in under-performing services to secure future improvements in value for money.
5.2.12	External funding is sought where appropriate to support local priorities.
LEVEL 3	
5.2.12	There is clear information on costs and how these compare to others and to the quality of services achieved currently and over time. Members and managers routinely use this information to retrieve and challenge value for money throughout services and corporately.
5.2.13	The council understands the full short and long term costs of its actions and takes account of these when making decisions.
5.2.14	Information on equity is actively used to promote access and value for money across the whole community.
5.2.15	Achieving and improving value for money is being embedded in the council's culture, for example, through the performance appraisal system.
5.2.16	Members, senior managers and service managers manage costs alongside quality of services and responding to local needs. The impact on users is assessed to ensure that costs are not simply cuts without regard to outcomes.
5.2.17	The scope for improving cost-effectiveness is kept under review and scrutiny. There are clear policies and effective processes for reviewing and improving value for money. Internal reviews are targeted at high cost services and have led to improved value for money.
5.2.18	There is clear evidence that the council sets and achieves ambitious targets to improve efficiency and value for money corporately and in services. Targets are used 'intelligently' to reflect potential for improvement.

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5.2.19	The council has produced and is delivering on an efficiency plan to achieve at least the cumulative Efficiency Review target of 7.5 per cent gains over a three year period.
5.2.20	The council uses best procurement practice, knows where the greatest benefits can be gained and acts on these effectively. Opportunities for joint procurement with partners are actively pursued and the council works with the LSP and other partners to improve value for money.
5.2.21	Procurement decisions seek to achieve the greatest benefit to the wider community, for example securing economic, social or environmental benefits.
5.2.22	Significant and identifiable savings have been achieved through procurement and internal reviews without unintended loss of quality (or quality increased at no extra cost).
5.2.23	Investment is targeted at improving value for money in the longer term. Past investment has resulted in demonstrable improvements in value for money.
5.2.24	There is a strategic approach to seeking external funding. The council has a successful track record of securing external funding and using it to deliver required outcomes and increased value for local people.
LEVEL 4	
5.2.25	The council has a track record of using high quality information and benchmarking on costs and quality to actively manage performance, improve value for money and target resources. Members and managers actively use this information to review and challenge value for money throughout services and corporately.
5.2.26	The council has detailed information on the full short and long-term costs of its actions and takes account of these when making decisions. All policy proposals have inbuilt cost analyses.
5.2.27	The council can demonstrate that there is equity in access to services across the community.
5.2.28	Achieving and improving value for money is integral to the council's performance management arrangements, resulting in high levels of understanding and awareness across the organisation.
5.2.29	There is a strong track record of managing costs alongside quality of services and responding to local needs. The impact on users is assessed and then tracked to ensure that costs are not simply cuts without regard to outcomes.
5.2.30	Innovative approaches for improving cost-effectiveness are used where appropriate and have achieved significant improvements in value for money.
5.2.31	The council has a sustained track record of driving improvements in services and value for money through effective use of targets.
5.2.32	The council has integrated efficiency review into its performance management and is exceeding its own targets for achieving at least the national cumulative Efficiency Review target of 7.5 per cent over three years.
5.2.33	The council has successfully used joint procurement to improve value for money and service standards across a range of key services.
5.2.34	Significant community benefits e.g. economic, social or environmental, have been delivered through joint analysis of local needs, planning and procurement with key partners.
5.2.35	Systematic reviews have covered all major functions and the findings are acted upon, leading to significant improvements in services and value for money.
5.2.36	Significant areas of previous under-performance have been addressed and, where there has been investment, sustained improvements in value for money have been delivered.
5.2.37	External funding has been successfully used to address local priorities resulting in sustained improvements and greater long-term value for money.

Bath and North East Somerset Variation from Unitary Average - spending per head
 (Figures in brackets represent total spend)



Bath & North East Somerset Council variation in the cost of services from average of 25 nearest neighbours (2004/05) All figures based on difference in £'000's

