

AGENDA ITEM: 7 Pages 9 – 14

Meeting	Budget and Performance Overview and Scrutiny Committee
Date	22 February 2011
Subject	Value for Money monitoring
Report of	Cabinet Member for Resources and Performance
Summary	This report looks at how the Council monitors value for money, and asks the committee to consider how scrutiny could be engaged in monitoring value for money in the future.

Officer Contributors	John Hooton, Assistant Director, Strategic Finance
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Budget and Performance Overview and Scrutiny Committee
Function of	
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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RECOMMENDATIONS

- 1.1 That the Committee is asked to consider and comment on the information included in this report, and also to consider how it would like to be involved in the development of a new value for money performance framework for the organisation.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 This Committee on 25 November asked to receive a report about the council's performance in achieving value for money.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The three priority outcomes set out in the 2010/13 Corporate Plan are:
- ❖ Better services with less money;
 - ❖ Sharing opportunities, sharing responsibilities; and
 - ❖ A successful London suburb.

The One Barnet Programme has three overarching principles:

- ❖ A new relationship with citizens;
- ❖ A one public sector approach; and
- ❖ A relentless drive for efficiency.

- 3.2 The monitoring of value for money is critical to ensure that the organisation is delivering against these principles and priorities.

4. RISK MANAGEMENT ISSUES

- 4.1 None in the context of this report.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Council adheres to the Equality and Human Rights Commission guidance on equalities and diversity. Monitoring value for money is important in ensuring that residents are getting good quality services for a reasonable cost. In pursuing these objectives, the Council undertakes detailed equality impact assessments for options that are considered through the budget process.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 Ensuring that the Council is delivering good services and that these are providing value for money to the taxpayer is a fundamental principle underpinning the management of the Council.
- 6.4 There are no specific financial implications in the context of this report.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

- 8.1 The scope of the Overview and Scrutiny Committees/Sub-Committees is contained within Part 2, Article 6 of the Council's Constitution; the Terms of Reference of the Scrutiny Committees / Sub-Committees are included in the Overview and Scrutiny Procedure Rules (Part 4 of the Council's Constitution).

9. BACKGROUND INFORMATION

Overview

- 9.1 Monitoring value for money is important for the organisation to be able to ensure that it is spending taxpayers' money in an effective way. Value for Money can be defined as the relationship between economy (costs), efficiency (performance or outputs) and effectiveness (outcomes or user satisfaction).
- 9.2 The government has monitored efficiency and value for money in different ways over recent years. Following the Gershon Review in 2004, which looked at efficiency across the public sector, authorities were required to submit an Annual Efficiency Statement each year which tracked efficiency gains – money saved without damaging performance (cashable), and improved performance without an increase of funding (non-cashable).
- 9.3 Annual Efficiency Statements were then replaced by one single measure of cashable efficiency savings, known as National Indicator 179. This indicator was scrapped along with the rest of the National Indicator set by the Coalition government as part of the move away from tight central control over performance management. This has been widely welcomed across local government as the indicator itself was of limited use, was not that tightly defined and seemed to be open to manipulation.
- 9.4 Councils are now in a new world where performance management and regulation is less tightly controlled and organisations will have more freedom to determine how they want to manage performance locally. The Use of Resources assessment has also been abolished. This was undertaken by the Audit Commission and looked into key areas of organisational health such as financial management, internal control and value for money.
- 9.5 External audit however will continue to give an annual opinion on value for money, this focus however has become a lighter touch review which focuses on key risk areas within the organisation. One area that they will review will be whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. Their specific test will be how "the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity."
- 9.6 The Council therefore finds itself in a position where it needs to re-define how performance management operates, and how it monitors and challenges the achievement of value for money is an integral part of that process.

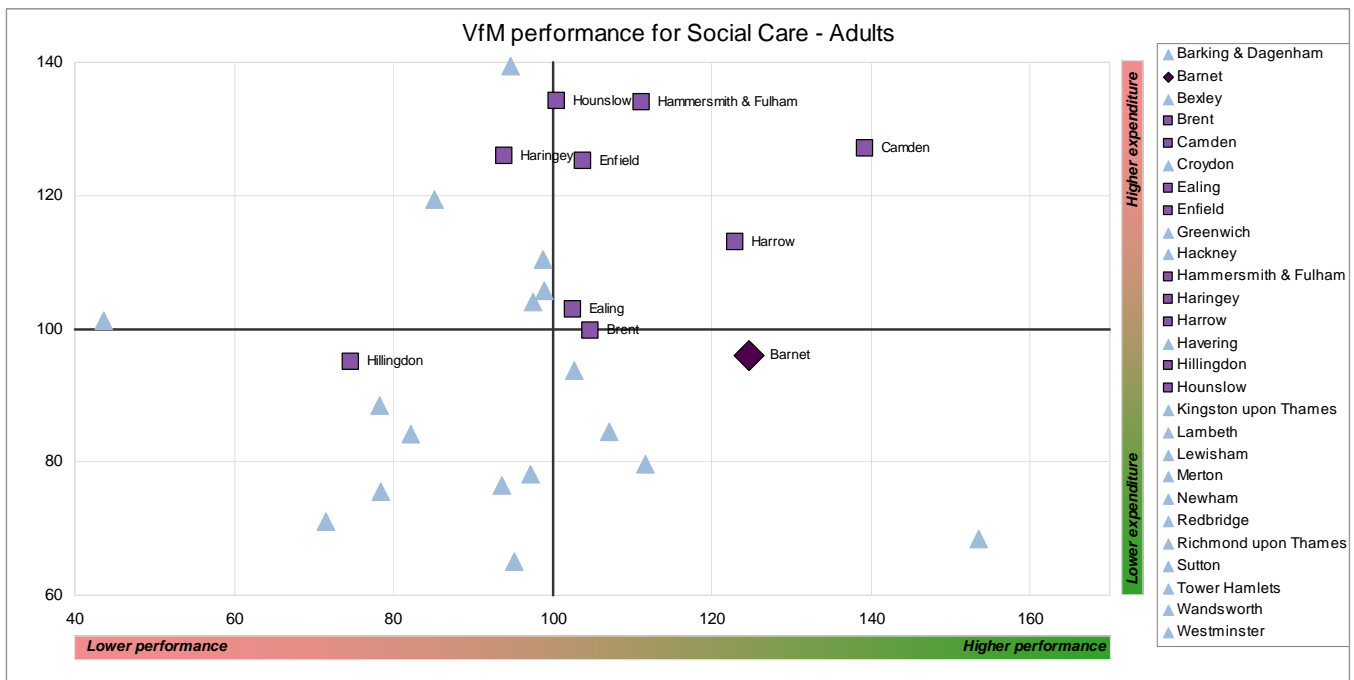
Current Value for Money monitoring

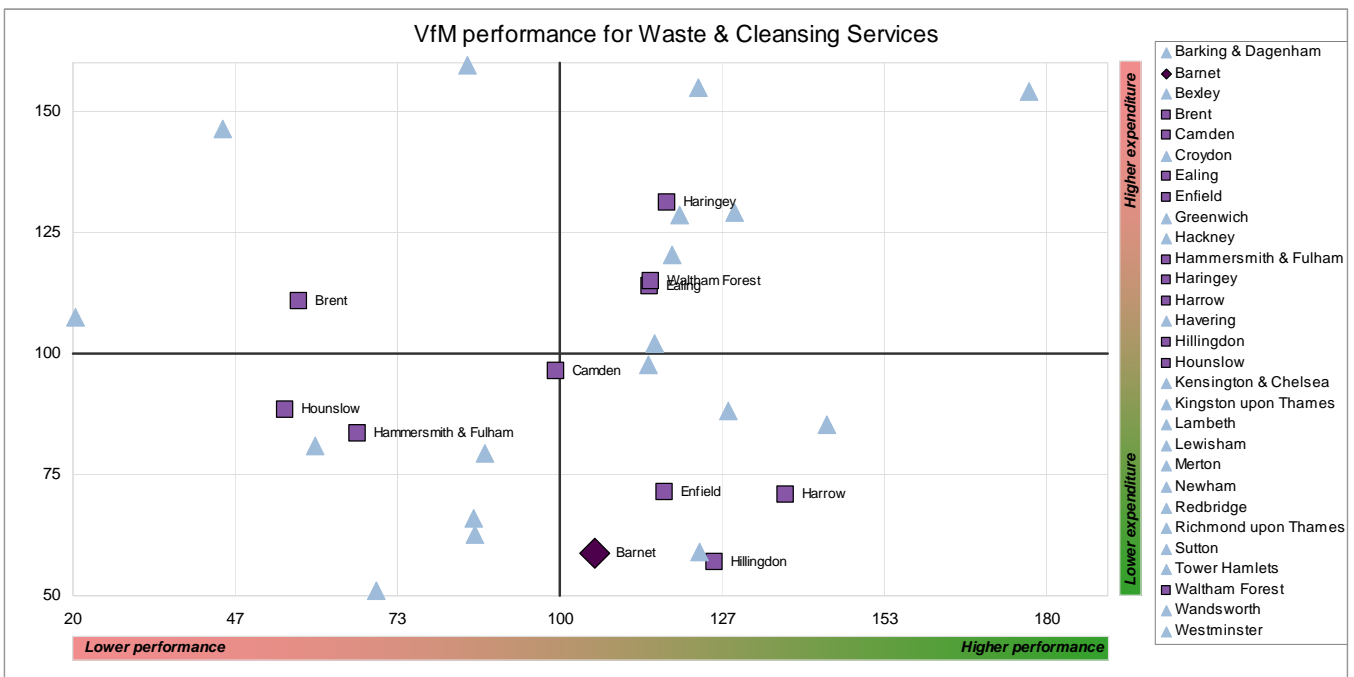
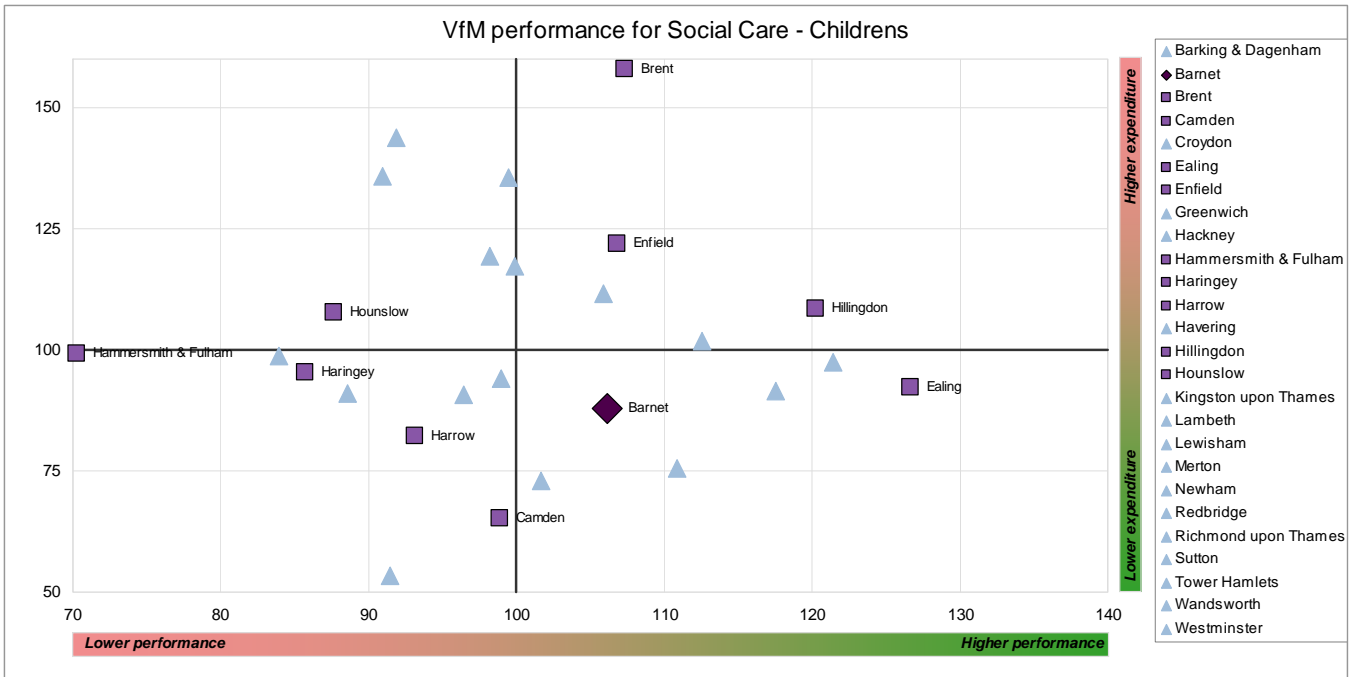
- 9.7 Now that NI179 has been scrapped, the quarter 3 performance report includes a new value for money indicator. Capital Ambition (which is a part of London Councils) provides all boroughs with quarterly value for money data. This tracks costs of services per head of population against a basket of performance indicators to give an overall picture of value for money.

9.8 The target is to ensure that 80% of Barnet service groupings are in the high performance, low cost quadrant of the benchmarking data. The latest information suggests that 8 of 10 service groupings are in this quadrant.

Service	Value for money
Benefits	High performance, high cost
Community Safety	High performance, low cost
Corporate Health/Central Services	Low performance, low cost
Housing Services	High performance, low cost
Planning and economic development	High performance, low cost
Primary Education	High performance, low cost
Secondary Education	High performance, low cost
Social Care – Adults	High performance, low cost
Social Care – Children’s	High performance, low cost
Waste and cleansing services	High performance, low cost

The charts below provide examples of the detailed information that lies behind this indicator:





9.9 The data shows that Barnet services are overwhelmingly providing good value for money which is very positive. It is also not that surprising. Only 4 boroughs out of 32 receive less funding per head of population than Barnet, so Barnet services are likely to be lower cost than the average.

- 9.10 There are some criticisms and difficulties with this monitoring:
- Many boroughs organise themselves in slightly different ways, and therefore cost comparisons between services are sometimes not comparing like with like;
 - The basket of performance indicators is sometimes small and selective so that the value of a service is not always fully represented;
 - The purpose of the analysis is to identify services with scope to improve value for money, and this requires more detailed organisational data than the Capital Ambition tool provides;
 - It is as yet unclear how many councils in London will continue to collect National Indicator data in the absence of a statutory requirement to do so, and value for money

- This information is not always presented in line with what the Council's priorities are; and
- The Council's working across partnerships to deliver savings is not comprehensively taken into account within these measures, which will be a key to achieving value for money in the future. This is particularly relevant where we have joint plans with our partners (One Barnet Forward Plan) and joint funding mechanisms (Community budgets).

9.11 Underneath this corporate overview of value for money, some Directorates undertake detailed benchmarking on specific services.

New performance management framework

9.12 A group of Officers at Assistant Director level are currently reviewing the performance framework and will be recommending a number of changes in light of the new world that Councils find themselves in. In respect of value for money monitoring, it is difficult to capture this in one or two metrics. It needs to consider unit costs, productivity and outcomes, and these need to be compared to other organisations.

9.13 We will continue to use the Capital Ambition data whilst it is available and incorporate this into the quarterly performance monitoring. To further strengthen value for money monitoring we are considering two options:

- Wait for the outcome of the work that the Local Government Group is currently undertaking to develop a new set of performance indicators for local government which should be available by June 2011; or
- Press ahead with developing a collection of value for money indicators for each service, which can be incorporated into future performance monitoring. For example, in Children's social care, costs of placements compared to other councils may be the most appropriate indicator, coupled with appropriate performance measures. For corporate services, ratios of HR/finance and other staff compared to the total number of people in the organisation may be the most appropriate, alongside appropriate performance measures, as there is widely available benchmarking data on this both in the public and private sector.

9.14 Given the outcome of the spending review and the reality of decreasing budgets across local government, there are also important policy issues for the organisation to consider in terms of the services where lower performance will be tolerated to enable lower costs, and the services where we will not make this compromise.

9.15 The Committee is asked to consider and comment on the information included in this report, and also to consider how it would like to be involved in the development of a new value for money performance framework for the organisation.

10. LIST OF BACKGROUND PAPERS

10.1 None

Legal – MM

CFO – JH/MC