

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Value for Money at Huntingdonshire District Council
Meeting/Date: Corporate Governance Panel – 26th November 2014
Executive Portfolio: Jonathan Gray (Portfolio Holder for Resources)
Report by: Head of Resources
Ward(s) affected: All Ward

Executive Summary:

At the Panel meeting held in May 2014, it was requested that the Responsible Financial Officer report annually on the Council's achievement of Value for Money.

Value for Money, as a service objective, will aid all organisations to be successful in the delivery of their services; however, this requires there to be an appropriate balance between the three E's; namely Economy, Efficiency and Effectiveness. In respect of local government, it is in fact a statutory requirement that Council services are delivered in a way where Value for Money is at its heart as the Councils external auditors are required to issue a specific Value for Money opinion.

However, Value for Money is a key business driver for all organisations and should be at the centre of every decision (strategic or operational), strategy and process and be considered by, and the responsibility of, every member and officer. In this way, the Council can ensure that it is using its limited resources to best effect and ensuring our residents, businesses and stakeholders are receiving an acceptable level of service.

Over the past 18 months the Council has recently undergone significant change, including the recruitment of a new management team and the start of a partnership working programme with two neighbouring Councils. However, even within this environment of change this report demonstrates that it does have in place a number of structures, processes and practices that aim to ensure that it delivers its service and corporate objectives in a Value for Money way.

Recommendation(s):

That the Panel note this report.

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1. WHAT IS THIS REPORT ABOUT/PURPOSE?

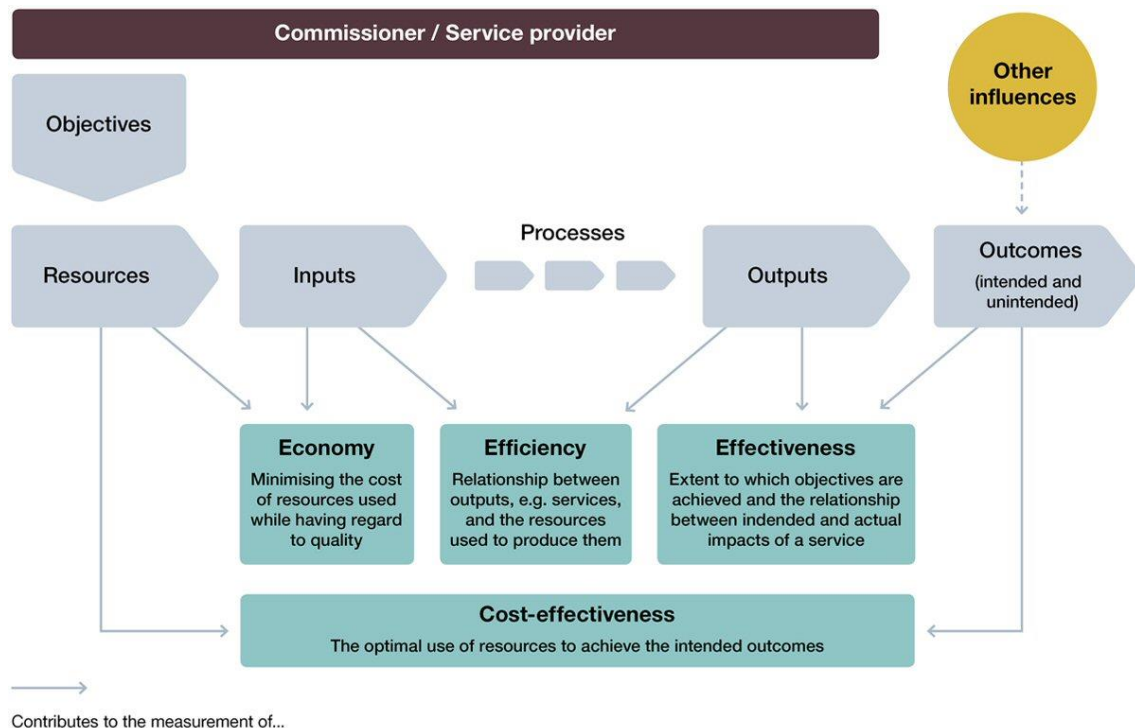
1.1 At the Corporate Governance Panel held on the 14th May 2014 it was agreed that the Head of Resources, as the Council's Responsible Financial Officer, would review and report on an annual basis how the Council's achieved Value for Money (VfM). This is the first report and looks at where the Council currently is in respect of VfM and what has happened over the past few years.

2. WHAT IS VALUE FOR MONEY

2.1 VfM is key business driver for any organisation and is a term 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.

2.2 Some elements of VfM may be subjective, difficult to measure, intangible and misunderstood; consequently judgement is therefore required when considering whether VfM has been satisfactorily achieved or not. However, VfM not only measures the cost of goods and services, but also takes into account the mix of quality, cost, resource use, fitness for purpose, timeliness, and convenience to judge whether or not, together, they constitute good value.

2.2 To pull all these variables together, VfM is typically represented by the "three E'S", and their relationship to the standard organisation process, as noted by the National Audit Office, is shown below:



2.3 In seeking to achieve VfM there are many ways that the Council can put in place process that will determine organisational behaviour and these can include:

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

- adopting good practice
- clearly defining the organisation's aims, strategies and policies
- providing 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
- being committed to effective communication and staff development so that the culture and aims of the organisation permeate to, and are identifiable at, all levels within the organisational structure
- providing an appropriate infrastructure in systems, resources and training.

3. VFM – RESPONSIBILITY OF ALL, and AT THE CORE OF ALL THAT WE DO

As noted earlier, VfM is a “key business driver for any organisation” and should be at the core of every decision (strategic or operational), strategy and process and considered by, and the responsibility of, every member and officer. In this way, the Council can ensure that it is using its limited resources to best effect and ensuring our residents, businesses and stakeholders are receiving an acceptable level of service.

4. TABLE TOP REVIEW OF VFM AT THE COUNCIL

VFM AND SERVICES

4.1 In assessing VfM at the service delivery level the University of Cambridge (UoC) follows an approach that asks 7 questions. Following a slightly amended UoC approach a table top review of VfM at the service delivery level has been undertaken and the highlights are shown at **Appendix 1**.

4.2 Responsible Financial Officer Opinion – VfM and Services

At the “service level” the Council has made a fair effort to demonstrate VfM over recent times. There are services where the demonstration of VfM could be improved but this will require additional resources and with the ongoing review of services such practical demonstrations should be considered along with other service priorities.

VFM AND CORPORATE

4.3 Over and above the “service delivery” VfM activity noted above, there is considerable “corporate” VfM activity that takes places. This includes:

External Audit Review

4.4 As part of the annual audit of the accounts process, the external auditor is required make an assessment on whether the Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is guided by the Audit Commission who stipulates that the organisations have proper arrangements for:

- Securing financial resilience; and
- Challenging how it secures economy, efficiency and effectiveness.

4.5 Over the past three years, the Council has received an Unqualified VfM opinion, however members will recall that there was considerable commentary accompanying the 2012/13 opinion which highlighted issues pertaining to:

- Financial position.
- Project management
- Procurement and contracting
- Culture of control and compliance

4.6 With regard to 2013/14, the main thrust of the external auditors VfM review was in respect of reviewing and commenting on the medium-term funding gap and whether the current level of reserves the Council holds is sufficient to bridge the gap (which it is). Of course, the purpose for “General Reserves” is not solely to meet this objective but it is a fair test of “financial sustainability”.

Governance Boards

4.7 As a consequence of the 2012/13 external audit report, the Council has introduced a series of Governance Boards. The Boards are themed in nature and review the governance arrangements within each of the themes; the themes being:

- Risk
- Project Management
- Customers
- Culture & Compliance
- Finance
- Procurement

4.8 Each Board is led by a Head of Service whose area of responsibility is not “directly related” to the theme; each Board is sponsored by a member of the Corporate Management Team and the other main members of the Board are officers who have an active interest in the theme and its governance. The lead Head of Service for the theme attends in an advisory capacity to ensure that the activity of the Board meets service requirements.

4.9 Considering that the new management team has only been in place since early September, it is early days for each of the Boards. However, all have met at least once and are developing their programme of review.

Project Management (& Lean)

4.10 The Council has, over the past couple of years undertaken a number of substantial projects, some which have come in for some member comment; namely the Huntingdon Multi-Storey Car Park and the OneLeisure St. Ives development (both of which are being considered at the November Overview & Scrutiny (Economic Well-Being) Panel). Further, the Councils approach to project management was addressed as a VfM issue in the 2012/13 external audit report.

4.11 Consequently, the Council has commenced a project management training programme for relevant officers. As “business cases” for projects are approved, the project will be assigned to a project manager whose role will be to develop and manage the programme to its conclusion.

- 4.12 In addition, the Council has commenced a programme of training to develop a cohort of officers who can undertake “Lean” reviews of Council processes. The purpose of “lean thinking” is to work more efficiently by eliminating any activities that are not considered essential, maximising customer value whilst minimising waste - or doing more with less

Procurement

- 4.13 It is the responsibility of Heads of Service to ensure that procurement within their service areas is undertaken within the requirements of the Code of Procurement. However, the Council continues to provide procurement expertise as a central resource and the Procurement Manager:

- is proactive in ensuring that there is ongoing liaison with services to ensure that he “knows the business of the service” that is procuring,
- reviews and keeps up to date the Councils contracts register,
- ensures that the latest procurement best practice and other requirements are adopted by the Council,
- provides ongoing procurement training to all staff so they know what they need to do.

Corporate Policy

- 4.14 In addition to the above, the Council has in place a number of other “policy” related processes that aim to ensure that the Council achieves VfM; these include (but are not limited to) the following:

- **Corporate Plan**

A new Corporate Plan was introduced during 2014/15 that details the “Strategic Themes and Outcomes” for the period 2014-16. The Plan also illustrates the main work programme, key actions for 2014/15 and performance indicators.

Since July 2014 the Council has commenced reporting to Cabinet (and Overview and Scrutiny) a basket of performance indicators that demonstrates how the Council is achieving the Corporate Plan. In addition, services can develop their own performance indicators for their area; therefore there is the beginning of a change to a performance management culture within the Council.

However, with the transition to a Zero Based Approach (ZBB) to “budget setting”, there is at present time a lack of “outcome and output” measures/indicators and this is one area that needs to be addressed for future ZBB reviews. Further, with the planned development in the Service Planning process and improvements in the Staff Appraisal process, there will be the development of a “golden thread” approach to performance management; in this way performance management will become a key requisite within the Councils approach to service delivery.

- **Constitution**

This details how the Council has to be “democratically managed and led”.

- **Shared Service Protocols**

With the development of the Partnership working arrangement between the Council, Cambridge City Council and South Cambridgeshire District Council, there is the start of the development of some protocols on how

the three Councils will endeavour to develop shared service delivery models.

- **Medium Term Financial Strategy & Other Finance Related Strategies, Reports and Processes**

Each February, the Council, as part of the annual budget setting process sets the Council Tax for the forthcoming year. An integral part of this process is the development of the Medium Term Financial Strategy (formerly known as the Medium Term Plan). The current plan covers the period 2014/15 to 2018/19.

In addition, the Council has in place a number of finance related strategies, reports and processes, including:

- **Zero Based Budgeting**, this new approach will endeavour to “rebase” the Councils budget ensuring that the true cost of services and income are represented within the Councils budget.
- **Budget Monitoring**, there is ongoing budget monitoring that results in monthly reporting of the forecast outturn to all members via the Financial Dashboard.
- **Treasury Management Strategy**, this details how the Council will conduct and manage its Treasury activity, with subsequent performance reporting at key dates throughout the year.
- **Annual Financial Report**, this demonstrates to key stakeholders the financial performance for the preceding year.
- **Annual Governance Statement**, this demonstrates to key stakeholders the governance performance for the preceding year.
- **Code of Financial Management**, this details the “financial procedures and practices” that the Council has to adhere to.
- **Code of Procurement**, this details the “procurement procedures and practices” that the Council has to adhere to.

- **Human Resource Policies**

Human resource is the main resource within all Councils. To support the use of this resource, the Council has a range of policies that detail the terms of employment and what is expected of each employee (and also the employer).

- **Policy Delivery**

The Council has in place a number of policies and statements that detail how it will conduct its services e.g. Communication Strategy, Customer Services Strategy and Pay Policy.

- **Asset Management Plan**

The Council is currently developing an Asset Management Plan (AMP) and other supporting documents that detail how it acquires, uses and disposes of its assets (both operational and non-operational assets). In addition a further asset related plan is in the beginning stages of development that will set the strategy on how the Council will develop its “investment asset” portfolio.

4.15 **Responsible Financial Officer Opinion – VfM and Corporate**

Over the past year the Council has made great strides in putting in place new corporate structures, processes and practices that will only assist the Council in improving VfM and its ability to be able to demonstrate this. As the new management structures, processes and practices bed down, the VfM aspects

of service delivery should improve and this should be better demonstrated through the Councils Corporate approach to VfM.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from this report.

6. RESOURCE IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

7 LIST OF APPENDICES INCLUDED

Appendix 1 - Summary of VfM Activity undertaken at a service level.

BACKGROUND PAPERS

External Auditors - ISA 260 31 March 2013 – HDC

External Auditors – ISA 260 31 March 2014 - HDC

CONTACT OFFICER

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APPENDIX 1

Summary of VfM Activity undertaken at a service level.

	Resources	Operations	Leisure	Customer	Community	Development	Corporate Office
<ul style="list-style-type: none"> Benchmarking an activity against similar activities in other organisations 	<p>Corporate Finance compared nationally on an annual basis</p> <p>Internal Audit peer review, 2014</p>	<p>Various indices followed, but last benchmarking undertaken 2013</p>	<p>Competitor Analysis, last undertaken 2013</p>	<p>Ongoing participation in various national and professional benchmarking schemes.</p>	<p>Ad-hoc participation in countywide and subregional groups.</p>	<p>Recent shared services exploration has required some benchmarking activity.</p>	<p>Occasional participation in specific reviews. Last review was 2013.</p>
<ul style="list-style-type: none"> Using performance indicators (PI's) 	<p>Use of PI's for internal comparison.</p>	<p>Use of local PI's but limited use since the demise of the national NI suite.</p>	<p>PI's regularly used for all activities to inform management of service activity.</p>	<p>Comprehensive use of PI's across the service, both internally and externally.</p>	<p>PI's are used to inform internally on compliance in commercial health.</p>	<p>PI's are used extensively to support internal performance monitoring.</p>	<p>A mix of service specific and general management PI's.</p>
<ul style="list-style-type: none"> Undertaking VFM studies 	<p>Peer review undertaken for Internal Audit in early 2014. VfM studies not undertaken routinely.</p>	<p>VfM study undertaken in 2011/12.</p>	<p>No specific VfM study, but using PI's to show improvements in cost per user on an ongoing basis.</p>	<p>Various activities undertaken that provide a VfM portrait rather than specific studies.</p>	<p>None undertaken.</p>	<p>None undertaken.</p>	<p>None undertaken.</p>
<ul style="list-style-type: none"> Seeking out 	<p>Regular vocational and</p>	<p>Attend network events,</p>	<p>Customer satisfaction</p>	<p>Regular vocational and</p>	<p>Regular vocational and</p>	<p>Regular vocational and</p>	<p>Ad-hoc training and using</p>

and then adopting recognised good practice	professional training; including subscriptions to professional and advisory networks.	seminars and contact with peers.	surveys to establish locality needs and attending events on current and future service offerings.	professional training; including subscriptions to professional and advisory networks.	professional training; including subscriptions to professional and advisory networks.	professional training; including subscriptions to professional and advisory networks.	industry standard practice.
<ul style="list-style-type: none"> Utilising good business planning practices (i.e. procurement etc) in the conduct of your service 	Using local and statutory practices is “business as usual” in the conduct of service activity.	Using local and statutory practices is “business as usual” in the conduct of service activity.	National accreditation scheme achieved 4 years ago. As well as using local and statutory practices as “business as usual”.	Various practices followed to ensure services are provided in line with local and statutory requirements.	Using local and statutory practices is “business as usual” in the conduct of service activity.	Using local and statutory practices is “business as usual” in the conduct of service activity	Using local and statutory practices is “business as usual” in the conduct of service activity.
<ul style="list-style-type: none"> Examining the results or outcomes of an activity. 	Balanced budget setting and ongoing monitoring provides effective support to the Council.	Comparing to other Councils to ensure service delivery is in line with industry.	Traffic light system operated by centres to determine service activity and future programming options. Outcome/output measures for Sport and Physical Activity	Performance information that is generated is reviewed to influence service delivery.	Service results are not actively reviewed.	Performance information that is generated is reviewed to influence service delivery.	Performance information that is generated is reviewed to influence service delivery.

			programme being developed. Output measures readily available and shared with funders and partners				
<ul style="list-style-type: none"> Demonstrating VfM principles are the core of business and service activity. 	Adherence to Council policies and procedures, training programme in place and ongoing review of systems and processes.	Processes and practices are reviewed on an ongoing basis to ensure services are delivered as effectively as possible.	Processes and practices are reviewed on an ongoing basis to ensure services are delivered as effectively as possible; including reporting to the OneLeisure Board on a monthly basis.	Where possible processes are automated and there every effort made to achieve business plans. Further, LEAN review being undertaken within Housing.	Service results are not actively reviewed to determine achievement of VfM principles.	Service results are not actively reviewed to determine achievement of VfM principles.	Recent structural review and review of budgets has been undertaken in light of VfM principles and effective service delivery