

## GOVERNANCE COMMITTEE

*24<sup>th</sup> September 2013*

### REPORT OF HEAD OF COMMUNICATIONS

#### VALUE FOR MONEY (VFM) STUDY

##### 1.0 PURPOSE OF REPORT

- 1.1 To report on the present position of the Value For Money (VFM) Study using 2011-12 outturn data, to establish a baseline for further and future comparison.
- 1.2 To set out the next steps in the development of the VFM Study.

##### 2.0 RECOMMENDATIONS

- 2.1 **That the Value For Money (VFM) Study be continued along the lines suggested by the next steps proposals.**

##### 3.0 KEY ISSUES

###### **Development of the VFM Study to the present**

- 3.1 The Council undertook a Value For Money (VFM) Study with 2008-9 outturn data in 2009, using a spatial matrix developed by the Chartered Institute of Public Finance and Accountancy (CIPFA), allowing Heads of Service to indicate an overall rating for individual Council functions within their Services, and to do so in a risk-rated way.
- 3.2 The spatial matrix allows for the representation of functions and services in relation to whether they are Basic, Problem, Premium or Optimum, in terms of the relationship between cost and quality. Heads of Service and their team managers have used internal measures of performance, in conjunction with benchmarking data available from national sources, to rate their service functions.
- 3.3 This exercise was repeated in 2012, using 2011-12 outturn data, and where Council functions remain essentially unchanged between the two studies, the changes in relative position within the matrix have been plotted, and presented to the Performance Management Information Task Group (PMITG). This information is available as **Appendices 1 and 2.**
- 3.4 The PMITG has now taken the VFM Study further, in looking at unit costs for the range of council functions covered by the Study. These are broken down in two principal ways, a 'democratic' unit cost – chiefly the cost per household, or in the case of elections, the cost per elector at the time the Study relates to – and a 'productivity' cost, in terms of the units of service delivery. These are expressed in terms of gross and net expenditure, per week, over a 52 week year. The table created to show this information is available as **Appendix 3.**
- 3.5 The Audit Commission's Value For Money Profiles, based on all English Districts, for 2011-12, show that Melton Borough Council has the second lowest total net current expenditure, at £15,009,000, with Ribble Valley Borough Council (in Lancashire) being the lowest, at £13,365,000. The total net spend per head of population for 2011-12 shows Melton in the lowest 10%, at £297.21, against the All Districts' average of £394.10. The

Council's VFM Study is intended to explore how these headline figures are comprised at the level of the Council's functions, to better understand the underlying distribution of the Council's resources and how this relates to the Council's performance.

### **Next Steps**

- 3.6 The extension of the VFM Study to Council function unit costs, below the level of aggregated costs of services or blocks of services – such as 'housing' – has highlighted the difficulty of sourcing data at the level of detail the Council wishes now to use for unit cost benchmarking purposes, to establish meaningful VFM comparisons for the Council's functions as used in the Study.
- 3.7 The Council is pursuing several lines of data sourcing simultaneously: firstly, in discussions with other district authorities in the County, and by extension, with other district authorities in the East Midlands Region. The Council has approached a private sector specialist data analyst regarding the sourcing the detailed information required for benchmarking, but there is insufficient information available from public sources for them to be able to assist. The Council is also investigating the data now available through the Local Government Association's online benchmarking tool, LG Inform. Datasets available through LG Inform are derived from government returns in the Single Data List that replaced the National Indicator framework.
- 3.8 The VFM Study has highlighted several key groups of local authorities for benchmarking:
- All English Districts
  - The SPARSE Rural 80 Districts (so that the Council can look at rurality issues in sparsely populated districts in England such as the Borough of Melton)
  - East Midlands Districts
  - Leicestershire Districts
- 3.9 This selection of comparison local authority sets should allow a meaningful benchmarking exercise where Melton Borough Council can be judged against its genuine local authority peers, where data are available.

## **4.0 POLICY AND CORPORATE IMPLICATIONS**

- 4.1 One of the key aims of a VFM Study, particularly with the rating of Council functions into Basic, Problem, Premium, and Optimum, is to enable elected Members to see the effects of existing choices about the deployment of the Council's resources, and to further enable elected Members to revise those choices to improve optimisation of resources, on the basis of meaningful financial performance information.
- 4.2 Reprioritisation of the Council's spending on the delivery of its functions can then be enabled in a manner that goes beyond anecdotal evidence, with the intention of providing elected Members with greater confidence that their future choices are sustainable and evidentially robust.

## **5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 From the comments in the preceding section, the VFM Study is intended to allow elected Members to make informed choices about the future allocation of the Council's resources for the delivery of its functions.

## **6.0 LEGAL IMPLICATIONS/POWERS**

- 6.1 There should not be any specific legal implications or issues around powers.

## 7.0 COMMUNITY SAFETY

7.1 There are no community safety issues directly arising from this report.

## 8.0 EQUALITIES

8.1 There are no specific issues in relation to Equalities, though future changes to the pattern of Council services should be planned with Equalities compliance in mind, so that compliance is 'built in'.

## 9.0 RISKS

9.1 The provision of information enabling elected Members to make choices about the future pattern of delivery of the Council's functions should contribute to the mitigation of risk in relation to the robustness and sustainability of the Council's work.

9.2 Allowing the VFM Study to be continued along the lines already developed should therefore also act as a mitigation for the purpose of risk management compliance in showing that the Council is actively seeking to understand not merely its performance against corporate and service targets, but that its delivery of that performance is demonstrably cost-effective.

Probability



Very High A				
High B				
Significant C				
Low D				
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

Impact

Risk No.	Description
1	Not pursuing the VFM Study leaves the Council open to challenge in terms of the robustness of its understanding of the cost drivers of service delivery
2	Continuing the VFM Study demonstrates that the Council understands the importance of VFM in service delivery, and at a meaningful level of detail

## 10.0 CLIMATE CHANGE

10.1 There are no climate change issues directly arising from this report.

## 11.0 CONSULTATION

11.1 Consultation on the VFM Study is not a requirement.

## 12.0 WARDS AFFECTED

12.1 All wards are potentially affected.

---

Contact Officer:	Stewart Tiltman, Performance & Information Management Officer
Date:	9 <sup>th</sup> September 2013
Appendices:	3
Background Papers:	N/A
Reference:	