

## Value for Money Strategy

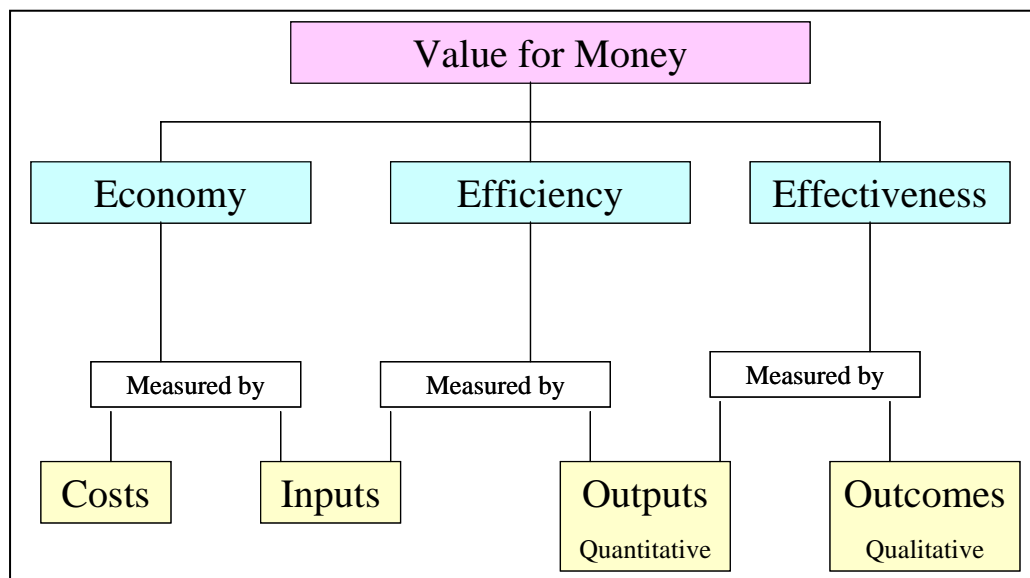
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### Our Vision

Our aim is to deliver high quality services at the lowest possible cost to the Hampshire taxpayer.

### What is Value for Money?<sup>1</sup>

Value for money (VfM) has long been defined as the relationship between economy, efficiency and effectiveness, sometimes known as the 'value chain'.



**Economy** is the price paid for what goes into providing a service – for example, the cost per hour of care workers; the rent per square metre of accommodation.

**Efficiency** is a measure of productivity – how much you get out in relation to what is put in. For example, the number of people visited per home care worker per week; kilometres of road maintained per £1,000 spent.

**Effectiveness** is a measure of the impact achieved and can be quantitative or qualitative. For example, how many people were prevented by home care services from needing residential care (quantitative); satisfaction levels among different sections of the community with tenant participation arrangements (qualitative). Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.

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

<sup>1</sup> Source: Audit Commission guidance on CPA 2005 – Use of Resources

## **How do 'Gershon' and 'Efficiency' fit into Value for Money?**

Efficiency improvements can be divided between cashable and non-cashable.

A cashable gain means that less is spent to achieve a given output and as a result either additional services can be provided (in the same area or elsewhere) or, total spending can be reduced. Cashable gains are key to delivering the County Council's budget, either by allowing new pressure to be met from savings in other areas, or by enabling the required level of service to be delivered for lower total expenditure.

Gershon however, defined cashable gains as achieved when inputs (money, people, assets etc) are reduced but outputs remain unchanged or when the price of inputs (procurement, labour costs etc) are reduced but outputs remain unchanged

While any cashable efficiency gain for Gershon purposes does have a budgetary impact, it may be one which is already allowed for in the construction of the Council's budget - for example absorption of the cost of increments, cash-limiting inflation allocations or making assumptions about capital receipts/developer contributions in framing the capital programme. So savings of this type have already been used; they can't be reused within the budget strategy to further reduce spending or to fund some spending in addition to the base. The budget may also contain savings which are not efficiency gains under Gershon, eg if a service is closed down and not replaced.

Non-cashable efficiency gains are defined by Gershon as occurring when there isn't a saving which can be diverted elsewhere, but:

- increased outputs or improved quality of service are obtained for the same inputs
- increased outputs or improved quality is achieved at a rate that exceeds the increase in inputs.

These do not help the Council's budget position, but are valuable means of improving the service provided from a given level of spending, and hence in showing improved performance.

## **How will we know we are achieving Value for Money?**

The VfM self-assessment is required by the Audit Commission at the end of July as part of the CPA process. This provides a valuable mechanism for the Council to examine and monitor the results it is achieving in relation to VfM. Drawing information from comparative data as well as achievement against targets and delivery of planned efficiency gains, it focuses on:

- Costs compare well with others allowing for external factors
- Costs are commensurate with service delivery, performance and outcomes achieved
- Costs reflect policy decisions
- The council monitors and reviews value for money
- The council has improved value for money and achieved efficiency gains
- Procurement and other spending decisions take account of full long term costs

Consultation and engagement with Hampshire residents also provides a qualitative assessment of how well the Council is perceived to be doing in offering VfM.

## **What are we doing to improve Value for Money?**

On the one hand we must ensure that we consider VfM in everything we do. This involves:

- Developing our services to achieve consistently high levels of customer satisfaction and performance results
- Promoting prudent financial management and focus on improving our efficiency
- Ensuring that procurement practice supports the cost-efficient delivery of quality services, best practice in relationships with contractors and suppliers and a long-term perspective of the impact on the environment
- Working with our partners to create greater capacity and commitment to shared goals
- Managing our buildings and other assets to provide a positive environment for the delivery of high quality services
- Using information technology systems to improve economy, efficiency and effectiveness
- Ensuring that our councillors and staff are competent to respond effectively to the needs of all the people of Hampshire and reinforcing the link between contribution and pay to focus on achieving corporate targets and priorities
- Comparing our performance and resource management with our agreed priorities, best practice and other similar organisations.

On the other hand we must be open to challenging whether what we currently do continues to offer VfM. This is done through the Corporate Review Programme, which provides an opportunity to take a step back from the day-to-day business and consider better ways of doing things and to implement change through the resulting improvement plans.

## **How do we manage and support Value for Money across the Council?**

### **Our overall approach**

The overall approach adopted in this strategy is to integrate VfM across existing mechanisms and processes, rather than set up a new industry to meet the current demands of regulation and audit. However, it is important to show the people of Hampshire, Government and regulators how VfM is being achieved. This strategy aims to deliver a whole approach – from outcomes to processes - ensuring that there is sufficient challenge to the status quo to deliver continuous improvement.

### **Planning for VfM / efficiency gains**

*At the strategic or corporate level* – outcomes to deliver VfM should be considered and incorporated in all corporate plans, policies and strategies as they are developed or revised.

*At the operational level* – a standard outcome has been developed to prompt service managers to consider VfM in the development of their service plans.

*Efficiency / quality cross-check* – the basket of performance measures agreed to ensure Gershon efficiency gains do not adversely impact on service performance. These measures encourage people to identify non-cashable gains and to monitor the impact of budget cuts / efficiency gains, however generated.

### **Being clear who is accountable**

People drafting plans must ensure they identify who is responsible for delivering actions, so that they are in turn captured in their Individual Performance Plans (IPPs). The amount of the expected efficiency gain will be one of their targets.

### **Using existing processes**

*Integrated Planning (IP)* holds the key to ensuring devolved finance unit managers, departmental performance / planning officers and strategic human resources advisers work together to support people in the development of service plans, so they take account of VfM.

*Monitoring* – the regular corporate performance reporting processes provide monitoring mechanisms and outputs, to keep Departmental Management Teams and Executive Members, the Corporate Management Team and Cabinet informed of progress.

*The Corporate Review Programme* aims to focus resources on taking a fresh look at cross-cutting or strategic areas which are likely to generate efficiency gains or offer better value for money from a ‘customer’ / community perspective. The annual review programme will be developed by reference to the aims of this strategy and essentially forms the ‘action plan’ for radically improving VfM.

*Publishing the statutory Performance Plan* - Reviews generate improvement plans, which are monitored through the process to produce the statutory Performance Plan in June each year.

*Compiling the VfM self-assessment* – devolved finance units, in consultation with departmental performance managers submit summary commentaries on the value for money comparative county council profile data.

### **Challenging the status quo**

Members have a key role in challenging the status quo, reinforced by the establishment of an executive portfolio for performance, efficiency and communications, as well as the development of the scrutiny role through the democratic review.

The officers’ Corporate Performance and Efficiency Group identifies and recommends areas for corporate review, based both on its widely represented areas of expertise and consideration of current performance.

The methodology for carrying out corporate reviews continues to be based on the four Cs of Compare, Consult, Competition and Challenge. An important aspect of the methodology is to ensure there is sufficient external challenge to encourage fresh thinking and understanding of best practice.

## **Support and guidance**

The 'Key Themes Portal' is being developed to collate guidance and support for a number of themes that have been agreed corporately to affect everything we do. VfM guidance is being included in the Hantsnet website which helps managers integrate these key themes into everyday business.

Guidance on service planning and the wider integrated planning (IP) is accessible on Hantsnet, along with an introductory e-learning package. VfM has been incorporated into all the guidance. devolved finance unit managers, HR strategic advisers and departmental performance / planning officers have been involved in the development of this approach and can in turn support people in their departments.

People engaged in corporate reviews may be supported by the Corporate Performance Team, Hampshire Learning Centre and the County Treasurer's Consultancy (whose process for Business Process Innovation (BPI) is particularly focused on efficiency).

## **Links to related information**

- Corporate Business Plan
- Service plans
- Annual Efficiency Statements
- 'Gershon efficiency' quality cross-check performance indicators
- Explanation of VfM / efficiency / budget savings
- Financial management policy
- Corporate Review Programme
- VfM self- assessments

