

Audit and Governance Committee

27 September 2021

Value for Money

For Decision

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| Portfolio Holder: | Cllr P Wharf, Corporate Development and Change |
| Local Councillor(s): | All |
| Executive Director: | A Dunn, Executive Director, Corporate Development |

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Report Status: Public

Recommendation: That the Audit and Governance Committee:

- i. Note developments with the Value for Money (VfM) work in the last 12 months
- ii. Agree five pilot VfM reviews to be undertaken with:
 - a. Waste services
 - b. Highways
 - c. Adults' brokerage
 - d. Children's commissioning
 - e. ICT Operations

Reason for Recommendation: To ensure the council embeds Value for Money in all its services.

1. Executive Summary

In October 2020 the Cabinet agreed a framework and timescale for undertaking fundamental value for money (VfM) reviews of all the council's services. Delivery of this work has been slower than anticipated because of the resurgence of the pandemic in the winter of 2020-2021, and capacity constraints. In August 2020, the Southwest Audit Partnership (SWAP) agreed to provide additional capacity to support the work, after it was given greater

urgency following a Local Government Association Peer Challenge of finance services (which will be reported to Cabinet in October) that recommended we put VfM at the heart of everything we do.

This report provides an update on progress and requests approval for the pilot reviews identified in section 12.10 to be developed.

2. Financial Implications

The recent finance Peer Review reiterated that, with increasingly scarce resources, it is essential that the council secures best value for all its expenditure and puts VfM at the heart of everything we do.

3. Well-being and Health Implications

None.

4. Climate implications

No specific implications from this report although value for money reviews will need to take account of climate impacts.

5. Other Implications

None.

6. Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: Medium

Residual Risk: Medium

7. Equalities Impact Assessment

The fundamental service reviews will need to include equalities impact assessments where changes to services are proposed as a result.

8. Appendices

9. Background Papers

Approach to Value for Money, Cabinet report, 6 October 2020

10. Background

- 10.1 In October 2020 the Cabinet received a report on VfM and the key features of a new fundamental service review framework, to include both VfM and benchmarking considerations. The report outlined that the fundamental service reviews would need to include:
- Comparing ourselves to the best authorities and/or other organisations in terms of both performance, cost and VfM;
 - Challenging whether the council is best placed to provide the service and the best way to provide the service, including alternative ways of working, diverse service delivery options and exploring commercial market options (which could also include reviewing any currently outsourced services)
 - Consulting our customers (be they internal or external) to find out what they want from the service.
- 10.2 Systematic benchmarking was identified as a key piece of work across all services to identify strong and weak areas of performance and cost. The intention was that this would enable a prioritisation exercise for reviews.
- 10.3 VfM was defined as the relationship between economy, efficiency and effectiveness:
- Economy means minimising the cost of resources used or required (inputs) – i.e., *spending less*
 - Efficiency means the relationship between the output from goods or services and the resources taken to produce them – i.e., *spending well*
 - Effectiveness means the relationship between the intended and actual results of public spending (outcomes) – or *spending wisely*.
- 10.4 In addition to the traditional three “E”s, a fourth “E” is applied in some places, which is:
- Equity, or the extent to which services are available to and reach all people that they are intended to (*spending fairly*). Some people may receive differing levels of service for reasons other than differences in their levels of need.

11. Progress Since October 2020: Prototype Development

- 11.1 An initial approach was developed comprising a Service Function (low level) VfM scorecard table, and a Service Area (higher Level) VfM heat-map (see below). The scorecard lists metrics from the National Audit Office’s four E’s VfM model. When populated, this would provide Dorset Council’s actual outturn values for those metrics, alongside benchmarked data from the relevant benchmarking group (which differs for each service). This allows for a comparison of each council value with the mean for the group and a council benchmark group ranking to be provided for each metric.

11.2 Two values can then be ascertained from this, which are:

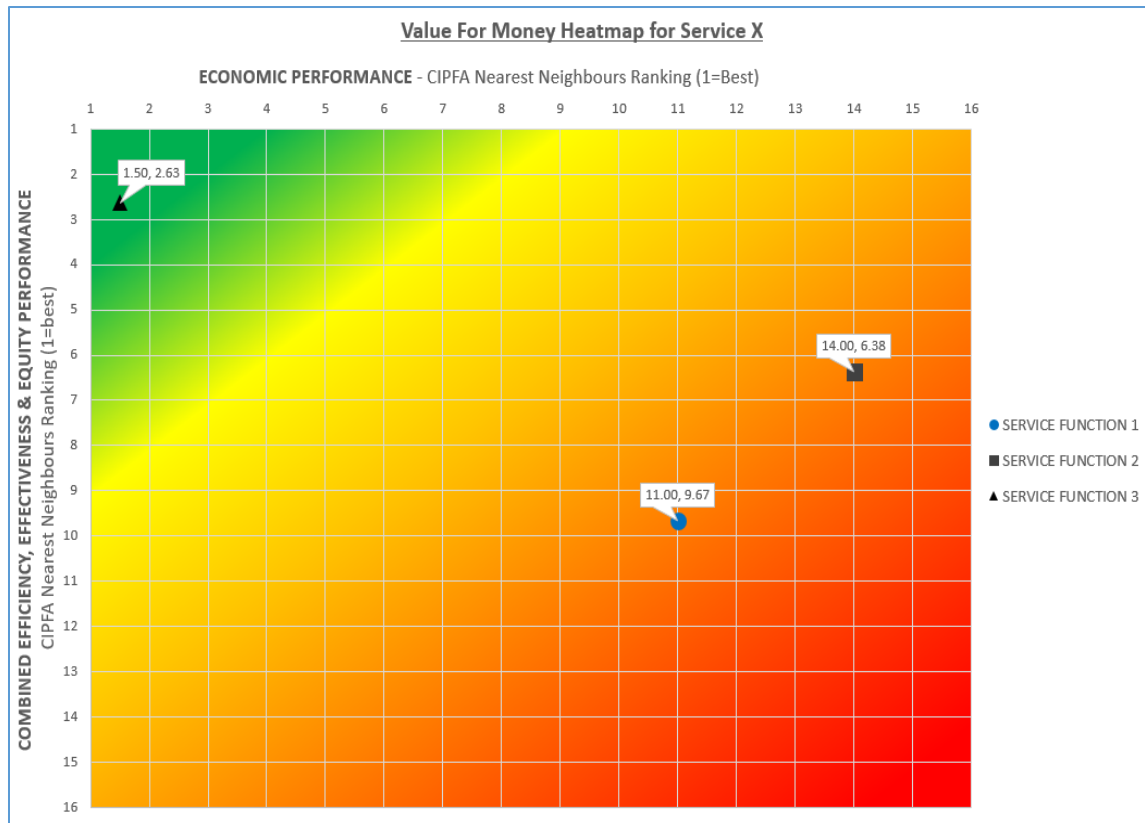
- The average rank that the council achieved for economic performance metrics; and
- The average rank we achieve for the efficiency and effectiveness performance metrics (and equity performance metrics where relevant). A pragmatic approach to weighting the most relevant metrics in a VfM scorecard would need to be agreed and developed with services for this to work (which is quite a sizeable piece of work given the options and variables available).

11.3 It is envisaged that a service function's VfM scorecard would include both nationally collected metrics that could be benchmarked, and locally relevant measures of the VfM four E's. There may be Equity measures relevant to a service in Dorset that are highly relevant to VfM in terms of positive service outcomes in Dorset for example, but which are not collected nationally. In those instances, a benchmark group rank value would not be available and so the VfM would be indicated by progress against the local target and reflected as 'Better' or 'Worse' in the scorecard.

11.4 This would look like the table below – **please note this is test data for representative purposes only:**

| Service | SERVICE FUNCTION 1 | | | | | | |
|---|--------------------------|-----------------|---------------------------------------|-------------------------------------|---------------|---|--------------------------------|
| Data Period | Financial Year 2018/19 | | | | | | |
| METRICS | Polarity / Aim of Metric | DC Actual (000) | CIPFA Nearest Neighbours (NN) Minimum | NN Mean (or target if local metric) | NN Maximum | DC Expenditure or Performance Compared to NN Mean (or compared to target if local metric) | DC NN Group Ranking (of 16 LA) |
| Economic Metrics | | | | | | | |
| Expenditure (£ 000) | N/A | 7500 | 708 | 5005 | 7420 | Higher | 16 |
| Expenditure (£ per head of population) | N/A | 450 | 500 | 600 | 700 | Lower | 6 |
| Efficiency Performance Metrics | | | | | | | |
| Transactions on time (%) | Maximise | 47 | 52 | 85 | 100 | Worse | 13 |
| Right first time (%) | Maximise | 63 | 62 | 72 | 83 | Worse | 15 |
| Apps. On time (%) | Maximise | 75 | 55 | 68 | 95 | Better | 6 |
| Effectiveness Performance Metrics | | | | | | | |
| Effectiveness 1 (%) | Maximise | 47 | 52 | 85 | 100 | Worse | 13 |
| Effectiveness 2 (%) Local Metric | Maximise | 63 | NOT AVAILABLE | 50 | NOT AVAILABLE | Better | NOT AVAILABLE |
| Effectiveness 3 (%) Local Metric | Minimise | 60 | NOT AVAILABLE | 40 | NOT AVAILABLE | Worse | NOT AVAILABLE |
| Equity Performance Metrics | | | | | | | |
| Equity 1 (%) | Maximise | 66 | 45 | 67 | 93 | Worse | 9 |
| Equity 2 (population 000) | Maximise | 800 | 501 | 750 | 900 | Better | 2 |
| Expenditure Metrics NN Rank Average | | | | | | | 11.00 |
| Performance Metrics NN Rank Average | | | | | | | 9.67 |
| NOTE: TEST DATA ONLY - NOT ACTUAL DATA | | | | | | | |

11.5 The findings can then be used to map the position of that service function on a higher-level Service Area VfM heatmap, illustrated below:



11.6 Officers also undertook initial work to try to identify areas where focussing VfM analysis might reveal the greatest potential for improving net expenditure by reducing costs and/or increasing income. A combination of limitations with benchmarking data, and changes brought about through local government reorganisation meant that this exercise was inconclusive.

12. Engagement with Services: Summer 2021

12.1 As an alternative to the benchmarking exercise, a survey was undertaken with senior managers to understand what existing VfM and benchmarking information services are already using.

12.2 The work was given greater urgency by a Peer Challenge of finance services, which was undertaken in July and will be reported to Cabinet in October 2021, which found that, while we have some good practice when it comes to benchmarking and VfM, we are not applying this across the board. We are also required to demonstrate commitment to delivering VfM to External Auditors, who need to be satisfied that proper arrangements are in place for securing VfM.

12.3 16 responses were received to the survey. Overall the responses received were thoughtful and engaging and demonstrate the commitment across the council to striving to deliver quality services in an economical, effective and efficient manner. Over half the

respondents volunteered their service area for a more in depth and targeted review of their VfM arrangements, which shows a willingness to engage which will further help the council in understanding and improving from a VfM perspective.

- 12.4 The responses show that there are different interpretations of exactly what VfM means across the council and therefore it would be useful to develop a definition and shared understanding of this to improve clarity and focus going forward.
- 12.5 The responses have helped to highlight where gaps exist, with a quarter of respondents stating no or unsure as to whether they had performance indicators in their service area that linked to the areas commonly associated with VfM (efficiency, effectiveness, economy, equity). Furthermore, a small number of respondents, when asked what data they use to help them understand the extent to which their service achieves VfM, stated there was nothing currently, or that this was in development.
- 12.6 Over half the respondents stated they submit data for local or national benchmarking, which is positive for those service areas in being more easily able to compare themselves with different authorities. The details provided by respondents regarding the relevant benchmarking groups will also be a valuable addition in helping to build a central repository of such information.
- 12.7 When asked about ways certain parts of their service could improve with regard to VfM, several common themes emerged. Increasing the use of technology to move away from manual processes to more digital or automated solutions was a common theme, as was increasing the quality and use of data to inform decision making. Another common theme mentioned was the review of team structures to increase capacity and resources. It is therefore apparent that service areas have firm ideas about what would make them more effective, efficient and economical which is a positive and demonstrates the willingness to engage and improve.
- 12.8 When asked if their service was achieving value for money, three quarters of respondents rated their service area 4 out of 5, with 5 being high, with the remaining quarter split between 2 and 3. Reasons for the scores given provide further insight into the service areas. For example, comments include managers recognising the huge volume of work that teams undertake with limited resources; where a service is operating in a complex marketplace with limited control; or where more work is needed for the service to understand and evidence their VfM arrangements.
- 12.9 Overall, the survey has generated engagement from across the authority, upon which more detailed and focussed work can build to improve the council's ability to achieve and demonstrate VfM. Nine

services agreed to be involved in further in-depth work to develop the model. They are:

- Communications & Engagement
- ICT Operations
- Waste
- Highways
- Finance
- Democratic & Electoral Services
- Adults Brokerage
- Commercial & Procurement
- Children's Commissioning

12.10 To get a good spread of services for further work, it is recommended that pilots be established in:

- Highways
- Waste
- Adults brokerage
- Children's commissioning
- ICT operations

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.