

Report of: Heads of Finance

To: City Executive Board

Date: 11th June 2008

Item No:

Title of Report : Value for Money and Efficiency Action Plan

Summary and Recommendations

Purpose of report: To set out the next steps in improving the Council's Value for Money

Key decision: No

Lead Member: Councillor Oscar Van Nooijen

Scrutiny Responsibility: Finance

Ward(s) affected: All

Report Approved by:

Policy Framework: Financial Stability

Recommendation(s): That Members endorse the actions proposed.

Introduction

1. The Audit Commission describes Value for Money as the Council's most significant challenge. Over the past two years progress has been made in understanding our costs but they remain relatively high when compared to other District Councils. Budget savings delivered in 2007-08 and planned for 2008-09 which take a combined £7m out of the Council's net revenue budget will make a significant contribution to improving this position.
2. This report describes the context and background to the Council's Value for Money agenda, and sets out the strategy to improve Value for Money.

The Government Agenda

3. The Local Government White Paper describes a vision of high quality, efficiently delivered local services, shaped by local authorities to be focused on users' needs.
4. The 2007 Comprehensive Spending Review (CSR07) builds on the progress made in the 2004 Spending Review (SR04) period. All public services have been set a target of achieving at least 3% net cashable efficiency gains per annum over 2008-09 to 2010-11.
5. This amounts to £4.9 billion for local authorities. CLG has set out a framework in the National Improvement and Efficiency Strategy to support this agenda. Regional Improvement and Efficiency Partnerships will develop and lead on implementation of Regional Strategies (to be published Spring 2008).
6. Chapter 7 of the Local Government White Paper sets out key themes to drive forward efficiency and innovation through service transformation:
 - Business Process Improvement (redesign around customer needs)
 - Collaboration
 - Smarter procurement and use of competition
 - Better use of technology
 - Asset management
7. The Council's transformation programme embraces these themes as summarised below.

The Council's senior management restructure gives the Council both a Transformation manager and a Corporate Procurement manager to push forward the changes required to achieve better efficiency.

Oxford City Council Targets

8. The national performance indicator set has been introduced alongside CSR07. National indicator N179 seeks information on the value of efficiency gains achieved by councils during CSR07. The target has been set as part of the LAA, representing 3% per annum net efficiency gains or a cumulative 9.3% over the 3 year period.
9. The target for efficiency savings set out in CSR07 is calculated from a combination of net revenue and capital expenditure for both the General Fund and HRA from a 2007-08 base. Oxford City Council's target is £1.372k for 2008-09 or £4.253k of ongoing efficiencies by 2010-11. General Fund and HRA revenue savings and capital savings can count towards this target.

10. The Council's own three year General Fund budget requires savings of £3.5m in 2008-09 rising to a cumulative impact of £5.2m by 2010-11. Similarly the HRA three year budget sets ongoing savings of £1.0m in 2008-09, an additional £0.3m in 2009-10 and a further £1.2m in 2010-11.
11. Not all budget savings will count towards the efficiency target: for example increasing fees or introducing new charges are not considered as efficiencies, nor are savings achieved through service reductions. However the focus of savings in the 2008-09 budget has predominantly been efficiency, and £2.8m of the £3.5m General Fund savings and £0.6m of the £1.0m HRA savings will contribute to the target. It is clear that in meeting the three year budget challenge focussed on delivering improved efficiency and value for money, the Council will significantly exceed national targets of 9.3% over 3 years.
12. The Finance team will use the latest budget figures to pre-empt the Cipfa Stats that show the relative spending levels of the Council's services against other councils. This information will be used alongside the KPMG Value for Money mapping (explained below).
13. Central government expects significant efficiency gains to be delivered through better procurement. An internal target to achieve £300k has been set, which constitutes 1% of external purchases.
14. As part of the budget process for 2008-09, workforce reduction targets were set to reduce headcount from the 2007-08 establishment base, by 4% for front line services and 7% for support services by the end of 2008-09. We will set a further target to reduce headcount by a further 1% per annum through 2009-10 and 2010-11, which will contribute to efficiency gains.

Actions to improve value for money

15. The Council has embarked on a range of transformational initiatives that will create improvements in value for money:
 - The senior management restructure which will provide a more coherent framework to address the City's priorities and deliver the budgeted £202k per annum savings;
 - Service restructures designed to reduce management layers, meet or exceed workforce reduction targets and achieve improved rankings in terms of unit costs when compared to other councils;
 - A system of programme and project boards to monitor performance and drive improvement across the Council;
 - A review of HR policies to ensure that they support change management and modern work styles;
 - A structured approach to preparing project proposals including a business case and measurable outcomes;

- Transformational projects overseen by a programme board including CRM;
- A review of the 'lean thinking' exercises carried out by the Council in 2007 to understand the lessons learned;
- Shared services review to investigate options for collaboration with neighbouring local authorities, with an initial focus on IT services, contributing to the Corporate Plan target of saving £200k per annum from support services in 2009-10.

The action plan to achieve better Value for Money is attached at appendix 2.

KPMG Value for Money mapping

16. We have commissioned KPMG to map each service's cost against performance. The brief for the project is attached at Appendix 1. The project will provide an independent review and challenge to the value for money analysis that has been undertaken in-house both in autumn 2006 using CIPFA statistics and benchmarking, and in the summer of 2007 when each Directorate undertook to benchmark each of its services.
17. The review will also enable trend analysis to show movements in cost but also improvements in performance. It will start by comparing our performance profile against the national profile for English districts but will also examine and interrogate more service-specific benchmarks where appropriate, and where possible using outcome-based metrics such as unit costs.
18. The output from this review will inform the selection both of services for more in depth value for money reviews but also of areas to be subject to market testing. The Council is embarking on a full market testing exercise for Leisure services where both cost and quality have scored unfavourably compared to other councils' provision. A market testing exercise for car parks has also provided an insight into where further savings can be achieved. It is intended that other services should undergo an equally rigorous review with City Works expected to be the next service for review and a target to cover 80% of the Council's services over the next 7 years.
19. This analysis will also aid the selection of areas to target for cost reduction by providing the starting point for understanding the cost vs quality matrix for each service.
20. The KPMG review will be followed by fundamental service reviews. The progress made by the Leisure Board is a good example of how a focused service can quickly develop and implement improvements if the Council commits resources to it.

Value for Money Culture

21. The development of a performance culture across the Council is also a vital part of achieving and embedding value for money.
22. Each Service will have a Service Transformation Plan that includes sections setting out how the Service will contribute to value for money through savings initiatives, invest to save proposals and market testing, and demonstrate how unit cost reductions and workforce reduction targets are being achieved. The initial thoughts from Service managers are currently being developed. Ideas range from introducing e-procurement, using CRM effectively and making better use of current customer contact methods and partnerships with other organisations. These ideas will be developed through the first quarter and included in the budget strategy for 2009/10 onwards to be presented to City Executive Board in July 2008 as part of the Medium Term Financial Strategy.
23. Half-yearly Performance Clinics will review progress in achieving service plan targets. Value for money targets will be an integral part of the management appraisal system.
24. All staff will be encouraged to bring forward ideas to improve efficiency and value for money. The 1 in 10 group workshops engaged staff through the 2008-09 budget round and provided a vehicle for regular staff consultation.
25. By gaining a thorough understanding of cost and performance data and developing a culture of comparing with the best services drawn from both public and private sector peer organisations, the Council will develop robust plans to improve value for money.

Links to Medium Term Financial Strategy and 2009-10 budget

26. The Council's Medium Term Financial Strategy will be updated in the first quarter of 2008-09 and the emerging Value for Money themes will link directly to setting the strategy for the 2009-10 budget.

Name and contact details of author:

Penny Gardner/Sarah Fogden

Heads of Finance

Telephone: (01865) 252708

pgardner@oxford.gov.uk or sfogden@oxford.gov.uk

Background papers:

Version number: 1.0

Date

Value for Money in Local Government:
Meeting the challenge of CSR07 (CLG 2007)

Oxford City Council

Value for Money mapping

Terms of reference

Background

As part of its VFM planning, the City Council wants to develop its understanding of current performance. The intention is to identify which services appear to offer good or poor value for money, thereby informing future decisions on what improvement techniques might be applied to which services, and what the scale of potential benefits might be.

Approach

In order to undertake this piece of work we will:

- a) Identify the cost of individual services provided by Oxford City Council. We will aim to do this at a level below Business Unit level. For support services we will do this using gross cost information, rather than net cost.
- b) Convert this into a measure of cost that can be used for comparison. We propose to use "head of population" as the default denominator, but may use a different denominator if that is more appropriate for a given service (eg for domestic waste collection, costs are usually stated on a per household basis).
- c) Research the availability of costing information from other authorities. Examples of sources include BVPIs, CIPFA data, DCLG data (eg from RO forms), former ACPIs, previous KPMG assignments (not just at Oxford), the Council's own Best Value Reviews, other councils Best Value Reviews. Where possible we will draw on benchmarking already undertaken by the City Council (eg IPF benchmarking clubs, analysis of CIPFA statistics).
- d) Identify the quality / performance information that Oxford uses to measure the performance of its services.
- e) Research the availability of comparative quality / performance information. Potential data sources include those mentioned above in respect of comparative cost information.
- f) Complete for each service considered, a template describing the information identified, our views of the robustness of that data (eg if the only comparative cost information we can find is from four rural Northumberland districts then we would have less confidence in the finding than if comparisons were based on all district councils) and our conclusion of which cost quartile and performance quartile each service is in.
- g) Produce an illustrative scatter graph showing where each service lies against axes of comparative cost and comparative performance.

18 February 2008

Resources and timescale

Whilst we have a clear understanding of what output is required and the process that we will follow, we have not undertaken this exercise before. We think that this analysis will require 10-15 days and propose that we charge on a capped time basis – ie actual time taken up to a maximum of 15 days.

The majority of the work will be undertaken by Tim Pearce from our Public Sector Practice and will have input from Jez Leaper. The work will be overseen by Sav Della Rocca.

We anticipate that we will produce a draft output within a month of agreeing this brief and proposed approach. Once finalised, we will be happy to present the output to the Audit & Governance Committee, if you think that is appropriate.

Action Plan Summary

	<u>Action</u>	<u>Activity</u>	<u>Timeline</u>
1	Understanding VfM/understanding our costs.	<ul style="list-style-type: none"> • Reviewing Cipfa stats position from efficiency in 07/08 and 08/09 • KPMG Review • Evaluating transformational plans and unit costs within the Service plans 	<p>June 08</p> <p>May/June 08</p> <p>May/June 08</p>
2	Asset Management	<ul style="list-style-type: none"> • Review by Service Heads and head of property of all buildings' use and future need. • Identification of surplus assets – long term achievement of earning £100k interest from investing proceeds. • Successful negotiation of St. Aldate's deal – aim to reduce impact of both dilapidation liability and rent review • Continuing review of returns on assets by the new head of service - property • Pursue the option of a joint office with County Council 	<p>June 08</p> <p>Ongoing</p> <p>Dec 08</p> <p>Ongoing</p> <p>Ongoing</p>
3.	Procurement (note: all large contracts have been subject to review already)	<ul style="list-style-type: none"> • Introduction of e-procurement on FMIS • Further roll-out of purchase cards • Review of small to medium size suppliers by Corporate Procurement team • Review agency spend • Leisure – market testing • Implement lessons learned from soft market testing of car parks 	<p>March 09</p> <p>May/June 08</p> <p>Sept 08</p> <p>July 08</p> <p>Sept 08</p>

	<u>Action</u>	<u>Activity</u>	<u>Timeline</u>
4.	Business Process and Improvement	<ul style="list-style-type: none"> • CRM pilot in Oxford City Homes • Extension of CRM across the Council • Complete Service management restructure – appointment of transformational manager and corporate procurement manager • Complete restructure of service areas including de-tiering • Service transformation plans • Review of lean thinking exercise • Flexible working/home working/hot desking review 	<p>Dec 2008 Dec 2010 ongoing</p> <p>Dec 08 April 08 May 08 March 09</p>