

Report of: Chief Executive
To: Finance Scrutiny Committee
Date: 26th October 2006
Title of Report : Achieving Value for Money

Item No: 15

Summary and Recommendations

Purpose of report: To introduce the cost comparison report (attached), to suggest an approaching to secure better value for money (VfM) issues and propose areas for further work.

Key decision: No

Portfolio Holder: Councillor Stephen Tall (Better Finances)

Ward(s) affected: All

Report Approved by: [Stephen Tall - Portfolio Holder]
[Jeremy Thomas - Legal and Democratic Services]
[Sarah Fogden - Finance and Asset Management]

Policy Framework: Effective financial management underpins all of what the Council seeks to achieve. VfM is one dimension of the Audit Commission's assessment under the Comprehensive Performance Assessment (CPA) regime.

Recommendation(s): That the Committee:

- a) Notes the main conclusions from the VfM report.
- b) Recommends areas where further work is needed to assess high cost areas.

Background

1. Over each of the last three years Officers have produced a report highlighting comparative costs across the Council. The intention has been that this information provides the context for Members to make choices as part of the corporate planning process.
2. More recently the Audit Commission have started to take an increased interest in this area, indeed Value for Money is now one of the main "lines of enquiry" the Commission use when assessing local authorities under the CPA.
3. We have been previously assessed as offering level 1 in terms of Value for money. At the risk of seriously generalising, there were two reasons for this:
 - Our costs are above the average of other District Councils and
 - We had not carried out a sufficiently robust analysis that would allow us to say why our costs were higher than other authorities.
4. This report seeks to address this second issue.

A disclaimer

5. The main report sets out the limitations of comparative cost analyses. Different local authorities can collect data in varying ways, and high costs are not necessarily an indication of inefficiency. In short this report is a prompt for further work, not a conclusion in itself.

The report

6. The first chapter sets out the key messages, summarises work to date and proposed actions.
7. The next section gives background and explains how the cost analysis report was compiled. The third section explores what factors mark out Oxford as different from other authorities. We conclude that there are such factors, but other Councils could point to other unique factors too.
8. The next three sections are written by each Strategic Director, and give an overview of their assessment of the area for which they are responsible.
9. The penultimate chapter is the Audit Commission assessment of our costs. This is sometimes referred to as the Audit Commission "profile".
10. The last chapter sets out a proposed VfM strategy, compatible with ideas in our procurement strategy. We have included some background data at the end of the main report. This includes definitions of some cost areas, a summary of detailed IPF data sources, and a

copy of the Audit Commission's (Southern Region) report of Managing Value for Money.

The key messages

11. The different reports all suggest a broadly similar picture - our costs/resident are above the average for District Authorities.
 - We set the 10th highest council tax of the 238 District Councils.
 - Our spend/head is the 21st highest of 238 District Councils.
12. There has been progress. Two years ago our spending/head was, at £196/head, the 9th highest of 238 District Councils. In other words whilst we remain comparatively high spending, over the last two years we have reduced our position in this league table, whilst improving several services.
13. However we remain a comparatively high cost council in several key areas, including:
 - Recreation and sport; £36.65/head (2nd highest).
 - Environmental and public Health Services; £21.70/head (3rd highest)
 - Homelessness; £13.54/head; (3rd highest)
 - Housing benefit administration; £16.90/head (3rd highest)
 - Other General Fund housing services; £16.40/head (3rd highest)
 - HRA repairs and maintenance; £1,024/dwelling (2nd highest)

Separate benchmarking work

14. The CiPFA cost comparisons do not give information about central services (such as Human Resources or Accountancy). However last year, for the first time, the Council subscribed to each of the CiPFA benchmarking clubs, giving us much more information about these areas.
15. The messages from these benchmark clubs is mixed. Some support costs are above average, Accountancy was the most expensive of its benchmark club (almost entirely due to it spending more than average on HRA activities).
16. Other support areas - such as payroll, creditors and HR were below the average of their benchmark clubs. Legal services have carried out their own benchmarking work which suggests their costs are, when measures against the size of our population, about average.

17. Benefit (unsurprisingly) and Council Tax costs were above the average of their clubs. Both Benefit and Customer services staffing costs (part of the benefit and council tax figures) were well above average.

What we are already doing

18. The danger is that we go off in different directions when faced with this information. We are also addressing several high cost areas through a variety of routes.

Area	Proposed action/actions underway
Council tax	<ul style="list-style-type: none"> ▪ Council tax improvement team commissioned, with Members and Managers meeting monthly working through an improvement plan.
Recreation and sport	<ul style="list-style-type: none"> ▪ Being looked at by the best value review of this area. ▪ Cost analysis and option appraisal carried out by KPMG. ▪ Major inspection of Leisure and Cultural services proposed by the Audit Commission for 2008.
Street cleansing	<ul style="list-style-type: none"> ▪ A 15 day audit of street cleaning is included within our KPMG-VfM programme for this year. ▪ A 15 day review of vehicle repairs and maintenance is included in the KPMG-VfM programme for this year.
HRA repairs and maintenance	<ul style="list-style-type: none"> ▪ A 15 day audit of housing repairs is included in the KPMG-VfM programme.

Other proposed areas for review

19. There is an issue of capacity in any organisation. The actions above already target several of the key high cost areas.

20. We do not propose looking at homelessness costs at this time. Whilst they are high, they are being steadily reduced.

21. As a result I propose we look at two additional areas:

Benefits

22. We have been working with a company to look at our processes in Building Control. The initial results of that work have been encouraging. I propose we use a similar approach to review how we could better

deal with housing benefit claims. This work would encompass both the Revenues and Benefits and the Customer Services Business Unit.

Asset Management

23. This is an area not immediately highlighted by the cost analysis, however I believe it is worth us spending scarce resources on this issue because:

- Members have highlighted the scale of asset disposals required to fund the capital programme and have asked to be assured that the proposals are financially sensible.
- We have an asset maintenance backlog, and want to find the most effective way of addressing this area.
- Members have raised this issue for several months, but the staff in the unit have not had the capacity to take this area forward.

24. I propose a best value/scrutiny review of this area, with around two Members, key Managers, and an external property expert/view.

Conclusion

25. The key when looking at Value for Money is not to either draw initial conclusions from or become fixated with analysis of costs.

26. We will also never be able to explain precisely why one service costs more than another down the road, and some organisations spend all their time marshalling arguments explaining why costs are not really comparable. The best organisations use the data as a prompt to ask searching questions, and to learn from others.

27. That is what I recommend as our course of action.

Name and contact details of author:

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Background papers:

CiPFA/IPF data.

Version control

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|---|---|
| 1 | First draft (September 2006) |
| 2 | Updated to include references to Legal Benchmarking and decisions of Audit and Governance Committee. New committee date, some re-referencing. |