

**Report To:** Cabinet 4 September 2019

**Lead Cabinet Member:** Councillor John Williams,  
Lead Cabinet Member for Finance

**Lead Officer:** Trevor Roff, Interim Director of Finance

---

**SUBJECT: VALUE FOR MONEY STRATEGY**

**PURPOSE**

1. To consider the adoption of a Value for Money Strategy by the Council.
2. This is not a key decision as the report seeks to establish a strategy that is designed to target economy, efficiency and effectiveness in the use of resources.

**RECOMMENDATION**

3. **That Cabinet is requested to consider the report and, if satisfied, approve the adoption of the Value for Money Strategy attached at Appendix A to the report.**

**REASON FOR RECOMMENDATION**

4. To establish a Value for Money Strategy as a key part of the Council's corporate governance and financial management arrangements.

**BACKGROUND INFORMATION**

5. The Council has a general duty to deliver best value in the provision of its functions and services. Councils must, therefore, aim to continually improve the economy, efficiency and effectiveness of service delivery. By doing so the Council's stakeholders can be assured that Value for Money (VFM) is being achieved through the use of resources at the disposal of the Council. Applying the principles of VFM will be an integral part of ensuring that Council taxpayers receive the best possible services as cost efficiently as possible.
6. VFM can be achieved in different ways including:
  - Reducing costs (for example, labour costs, better procurement and commissioning) for the same outputs;
  - Reducing inputs (for example, people, property assets, natural resources, materials) for the same outputs;
  - Getting greater outputs with improved quality (for example, extra service or productivity) for the same inputs;
  - Getting proportionally more outputs or improved quality in return for an increase in resources.

7. VFM accords fully with the Council's fiduciary duty to its ratepayers and taxpayers and should underpin all the Council's actions.
8. It is not a new concept but gained emphasis initially as a result of the Local Government Act 1999, with the introduction of the general duty to secure best value and then the framework for the Comprehensive Area Assessment (CAA) which prevailed from April 2009. Whilst the CAA regime no longer applies, the requirement for making proper arrangements for securing economy, efficiency and effectiveness in the use of resources remains as part of the statutory audit of financial statements.
9. External Auditors will, therefore, consider the arrangements for securing economy, efficiency and effectiveness with particular regard to the following criteria:
  - (a) Securing financial resilience – focusing on whether the audited body is managing its financial risks to secure a stable financial position for the foreseeable future; and
  - (b) Challenging how it secures economy, efficiency and effectiveness – focusing on whether the audited body is prioritising resources within tighter budgets and improving productivity and efficiency.
10. The delivery of local government services is the subject of significant scrutiny, with demands for the achievement of increased efficiencies and cost effectiveness in the delivery of critical public services.
11. This, coupled with the significant funding pressures that local government has faced and that it continues to face, requires a continued commitment to ensure that efficiency and value for money are firmly at the forefront of all public sector planning and an organisational culture that enables the Council to redefine and focus on its key priority service areas in order to meet the needs of local communities.
12. There is, accordingly, an increased emphasis towards efficiency savings, invest to save initiatives, income generation opportunities and in determining key investment priorities. This is critical if the Council is to respond to the challenges of the future and the value for money agenda.
13. The report proposes the adoption of a VFM Strategy to set out how the Council seeks to ensure that it is being efficient, effective and accessible in the use of available resources and to ensure that VFM is embedded throughout the culture of the organisation. The VFM Strategy also seeks to reflect the following key commitments:
  - (a) The corporate commitments in the Business Plan 2019 – 2024 to achieving value for money in service delivery and, in particular, to reduce costs, spend every pound as efficiently as possible and generate income;
  - (b) The continued commitment to review and improve local services, recognising the need to embrace communities to help shape services that are more responsive to local needs, offer additional social value outcomes, or that deliver better value for money.
14. The proposed Strategy is reproduced at **Appendix A** to the report.

## OPTIONS

15. The option of not adopting the VFM Strategy is not considered to be appropriate. Local authorities are accountable to their communities for how they spend their money and for ensuring that this spending represents value for money. Local politicians and officers operate within local governance frameworks of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative. Good governance means that proper arrangements are in place to ensure that an authority's intended objectives are achieved and achieving value for money must be a key commitment to ensure that authorities remain financially sustainable and respond efficiently and effectively to service needs.
16. The key message in the Budget Setting Report, considered by Cabinet at its meeting on 6 February 2019, was that a programme of transformation and service review would be developed to ensure that the Council is "fit for the 21<sup>st</sup> century". The Council, in considering the budget and medium-term forecasts has already tasked the Executive Management Team to identify additional cumulative savings of £3 million for the 5 years from 2019-2024. Ensuring value for money will be essential in the pursuance of economy, efficiency and effectiveness in the use of resources.

## IMPLICATIONS

17. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

### ***Financial***

18. There are no direct resource implications arising from the report. The VFM strategy is, however, designed to target economy, efficiency and effectiveness in the use of limited available resources.
19. VFM is a key element in the Council's corporate governance arrangements and, to deal with this, it is proposed that the Council adopts and regularly reviews a VFM Strategy. With unprecedented budget cuts across the sector, it is more important than ever that the Council understands where efficiencies can be made, to free up much-needed funds to respond to the financial challenges and to direct resources to key priorities in the adopted Business Plan.

### ***Legal***

20. It has long been a fundamental maxim of local government law that local authorities have a fiduciary duty to their ratepayers and taxpayers. As a guiding principle services should be run in accordance with ordinary business principles; this includes the requirement that an efficient service should be provided at reasonable cost.
21. This legal background developed into the "best value" duty introduced by Local Government Act 1999 which remains in force. Under this general Duty of Best Value local authorities must "make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness".

22. Best Value Statutory Guidance, issued in September 2011, reaffirmed the Duty of Best Value, emphasising that Best Value Authorities (including Local Authorities) should consider overall value, including economic, environmental and social value, when reviewing service provision. As a concept, social value is about seeking to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves. Communities rightly have high expectations of local services that offer excellent value for money and there is a continuing need to ensure that innovative ideas about how services can be reformed and improved are embraced, thus making services more responsive to local needs, offering additional social value outcomes, and delivering better value for money.
23. The Local Audit and Accountability Act 2014 set out the framework for audit of local authorities and replaced the provisions of the Audit Commission Act 1998 following the closure of the Audit Commission. In auditing the accounts of the local authority, a local auditor must, by examination of the accounts and otherwise, be satisfied (i) that the accounts comply with the requirements of the enactments that apply to them, (ii) that proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and (iii) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

#### ***Risk***

24. Focussing on VFM reduces the risk of public money not being used to best effect. The Strategy would be applied in line with Council Policies to ensure that the impacts of change are fully considered and appraised.

#### ***Environmental***

25. There are no environmental implications arising directly from the report.

#### ***Equality Analysis***

26. The VFM Strategy sets out the overarching approach the Council will take in achieving value for money. Adoption of this Strategy does not directly impact upon the Council's duty to promote equality of opportunity, promote good relations, promote positive attitudes and eliminate unlawful discrimination.
27. Implementation of the VFM Strategy may, however, lead to future proposals to change policies or service delivery that are relevant to the Council's equalities duties. If such changes are proposed consideration will need to be given to the equality impact of the proposals at that time.

#### ***Effect on Council Priority Areas***

28. The implementation of the VFM Strategy is designed to target economy, efficiency and effectiveness in the use of resource and this should, therefore, contribute to the overriding commitment to protect front line services, maximise income sources and create resilient, efficient and cost effective services that make best use of the limited resources available to the Council.

## **BACKGROUND PAPERS**

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

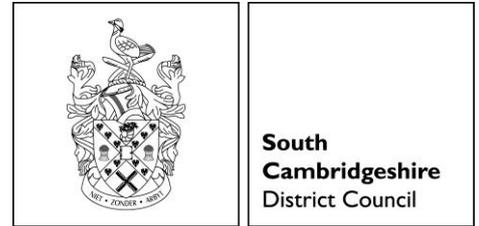
The following documents are relevant to this report:

- General Fund Medium Term Financial Strategy – Report to Cabinet: 7 November 2018
- Budget Report – Report to Cabinet: 6 February 2019
- Business Plan 2019 - 2014 – Report to Council: 21 February 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Council: 21 February 2019
- An Organisation for a Sustainable Future – Report to Cabinet: 1 May 2019

## **APPENDICES**

A Value for Money Strategy

**REPORT AUTHOR:** Trevor Roff – Interim Director of Finance  
e-mail: [trevor.roff@scambs.gov.uk](mailto:trevor.roff@scambs.gov.uk)



# **VALUE FOR MONEY STRATEGY**

## **1. INTRODUCTION**

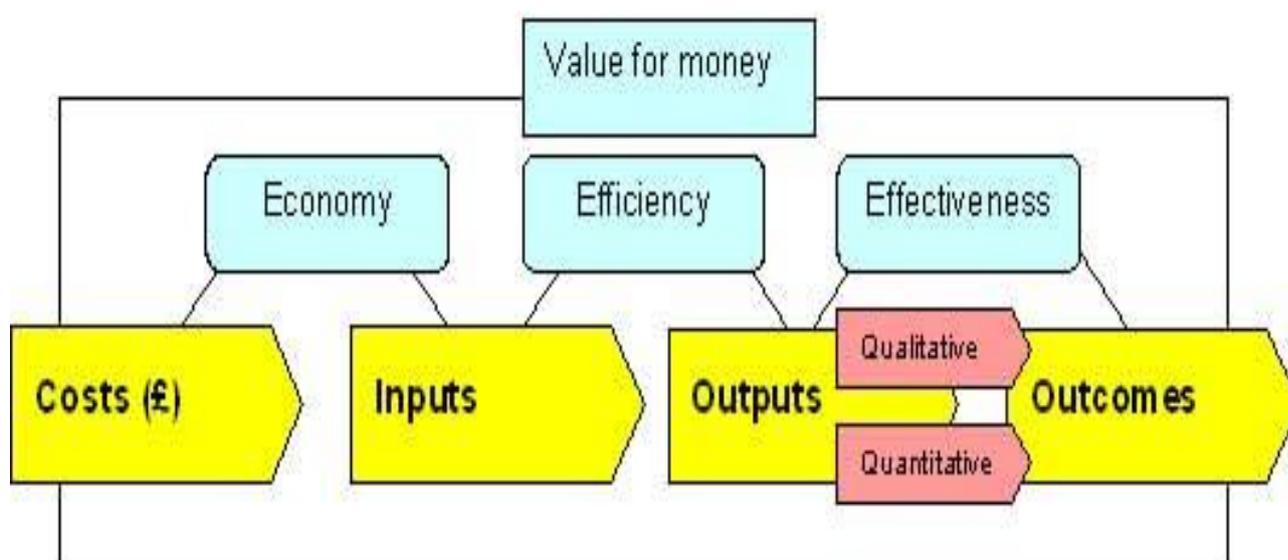
- 1.1 The Council has a general duty to deliver best value in the provision of its functions and services. Best Value means that local Councils must aim to continually improve the economy, efficiency and effectiveness of service delivery. By doing so the Council's stakeholders can be assured that value for money is being achieved through the use of resources at the disposal of the Council.
- 1.2 This Value for Money (VFM) Strategy sets out how South Cambridgeshire District Council will ensure that it is being efficient, effective and accessible in the use of available resources and supports the commitment in the adopted Business Plan 2019 – 2024 to provide customers with high quality services, to reduce costs and to generate income, essentially to build a first class organisation capable of delivering excellent services and improving local quality of life.

## **2. STATUTORY CONTEXT**

- 2.1 It has long been a fundamental maxim of local government law that local authorities have a fiduciary duty to their ratepayers and taxpayers. As a guiding principle services should be run in accordance with ordinary business principles; this includes the requirement that an efficient service should be provided at a reasonable cost.
- 2.2 This legal background developed into the "best value" duty introduced by the Local Government Act 1999 which remains in force. Under this general duty local authorities must secure "Best Value" through continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness of service delivery.
- 2.3 Best Value Statutory Guidance, issued in September 2011, reaffirmed the Duty of Best Value, emphasising that Best Value Authorities (including Local Authorities) should consider overall value, including economic, environmental and social value, when reviewing service provision. As a concept, social value is about seeking to maximise the additional benefit that can be created by procuring or commissioning goods and services, above and beyond the benefit of merely the goods and services themselves. Communities rightly have high expectations of local services that offer excellent value for money and there is a continuing need to ensure that innovative ideas about how services can be reformed and improved are embraced, thus making services more responsive to local needs, offering additional social value outcomes, and delivering better value for money.
- 2.4 The Local Audit and Accountability Act 2014 set out the framework for audit of local authorities and replaced the provisions of the Audit Commission Act 1998 following the closure of the Audit Commission. In auditing the accounts of the local authority, a local auditor must, by examination of the accounts and otherwise, be satisfied (i) that the accounts comply with the requirements of the enactments that apply to them, (ii) that proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and (iii) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### 3. WHAT EXACTLY IS VALUE FOR MONEY (VFM)?

- 3.1 VFM is about obtaining the maximum benefit with the resources available. Decisions about VFM are a daily reality, with the organisation constantly choosing which items or services to buy, and judging the right balance between quality and cost. It is not, therefore, solely about cost reduction.
- 3.2 For South Cambridgeshire District Council, this is no different. VFM is about achieving the right local balance between economy, efficiency and effectiveness (the '3Es'), spending less, spending well and spending wisely. This means that VFM not only measures the cost of goods and services but also takes account of the mix of cost with quality, resource use, fitness for purpose and timeliness to judge whether or not, together, they constitute good value for the benefit of taxpayers.



- 3.3 It is relevant, therefore, that in the context of VFM:

**Economy** is what goes into providing a service, such as the cost per hour of care workers, or the rent per square metre of accommodation.

**Efficiency** is a measure of productivity, in other words how much you get out in relation to what is put in. For example, the number of applications processed per benefit assessor per week or the amount of refuse collected per refuse lorry.

**Effectiveness** is a measure of the impact that has been achieved, which can be either quantitative or qualitative. Examples include how many people were prevented from needing residential care through using prevention services (quantitative), and feedback from different sections of the community with arrangements for tenant participation (qualitative). Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity, as well as quality. Sustainability is also an increasingly important aspect of effectiveness.

- 3.4 VFM is high when there is an optimum balance between all three elements – when costs are relatively low, productivity is high and successful outcomes have been achieved.

- 3.5 VFM can be achieved in different ways including:
- Reducing costs (for example, labour costs, better procurement and commissioning) for the same outputs.
  - Reducing inputs (for example, people, property assets, natural resources, materials) for the same outputs.
  - Getting greater outputs with improved quality (for example, extra service or productivity) for the same inputs.
  - Getting proportionally more outputs or improved quality in return for an increase in resources.
  - Getting improved outcomes which can be achieved through more focused or targeted use of resources.
- 3.6 VFM is not an optional add-on, nor something that can be achieved as a one-off. It is a way of doing things that needs to underpin everything the organisation does, from performance management to procurement, from business planning to consultation.
- 3.7 Each service is encouraged to adopt and develop practices to achieve VFM that are suitable for the differing needs and specialisms involved.

#### **4. HOW VALUE FOR MONEY WILL BE ACHIEVED BY THE COUNCIL**

##### **4.1 Corporate Commitment**

- 4.1.1 The Council and its staff will demonstrate commitment to achieving value for money in service delivery through the following commitments outlined in the Business Plan:

**“We will provide our customers with high-quality services, strive to reduce costs, build on what we are good at to generate our own income and make decisions in a transparent, open and inclusive way”**

The Council must spend every pound as efficiently as possible. This may mean providing services in different ways and certainly means the Council must respond to service needs as quickly and effectively as possible.

- 4.1.2 Applying the principles of VFM will be an integral part of achieving this aim to ensure Council tax payers receive the best possible services as cost efficiently as possible.
- 4.1.3 This will be achieved by putting into place the plans and strategies that support the Council’s corporate aims, including Service Plans, that will provide each service areas detailed proposals for providing cost effective services.

##### **4.2 Internal Control**

- 4.2.1 The Council will maintain effective systems of internal control including financial management, performance management, risk management and internal audit arrangements. The Council recognises that, without these, achievement of VFM would not be possible.

##### **4.3 Decision Making Protocol**

- 4.3.1 Compliance with a decision making protocol will require that the legal, policy, risk, environmental, equality and resource implications are taken into account before any decision is made. Additionally, the Cabinet and Lead Cabinet Members will ensure that each decision having resource implications has taken into account any opportunities for improving economy, efficiency or effectiveness.

#### 4.4 Effective Procurement

4.4.1 The Procurement Strategy provides the framework that enables the Council's procurement of goods and services to contribute to the achievement of its strategic objectives. The Council wishes to see high performing services that provide efficient, sustainable and high quality customer service whilst demonstrating value for money.

4.4.2 Procurement is the process of acquiring goods and services that incorporates a 'lifetime' view: from recognised requirement, through options appraisal, selection of procurement route, procurement brief, tender/quotation, bid evaluation and acceptance, contract management through to correct delivery.

4.4.3 It is expected that organisations in receipt of grants from the Council would adopt VFM principles and be able to demonstrate this to the Council.

#### 4.5 Performance Management

4.5.1 The Council will continue to monitor performance in service delivery as a major contributor to achieving the tests of efficiency (i.e. unit cost performance indicators) and effectiveness (i.e. service satisfaction indicators).

4.5.2 The Council will develop benchmarking data with comparable authorities with a view to continuously comparing costs and performance with those authorities after allowing for local circumstances and policy choices.

4.5.3 The Council will actively invoke best practice where benchmarking or other comparative methodology demonstrates that there are improved practices the Council can readily adopt to provide better value for money.

4.5.4 The Council will develop methods of engagement to enable interim intelligence to take place that ensure information used is as up to date as possible.

#### 4.6 Budget Process

4.6.1 The Cabinet, when considering each service or function budget, will take into account:

- Information available on comparative performance and cost;
- Any opportunities to reduce the cost of these services without reducing the level of outcome required OR alternatively opportunities to increase the level of outcome required for the same cost;
- Any opportunities to release resource from low priority discretionary services to help ensure the sustainability of high priority discretionary services;
- The needs of local communities and compliance with established priorities in order to ensure that resources are targeted in the most effective way.

#### 4.7 Capital Investment

4.7.1 The Council's Investment Strategy seeks to achieve value for money as follows:

- The assessment of each potential new property investment opportunity will include the preparation of a detailed business case and compliance with minimum investment criteria and established governance arrangements.

- The assessment of each potential new capital scheme will have regard to value for money by assessing needs against estimated costs in the criteria assessment and by recognising the importance of ‘invest to save’ schemes.
- Major capital schemes or other major partnership schemes having material ongoing revenue consequences will be subject to a “whole life” costing assessment to assist informed decision making.
- New investment will be undertaken in line with the Councils approved Procurement Strategy, which is based on achieving best value in regard to cost and quality.

#### 4.8 Asset Management

4.8.1 The Councils asset management arrangements and supporting Asset Management Plan seeks to ensure VFM by adopting the approach outlined below:

- (i) to hold such land and property as is appropriate to ensure that the Council’s statutory and key priority services can be delivered effectively in a manner that is sustainable;
- (ii) to support economic development objectives by maintaining and creating employment opportunities and offering a quality service to business through the provision of a significant commercial estate;
- (iii) to sustain and fund a planned maintenance programme of Council property to ensure that it remains fit for purpose and meets statutory requirements;
- (iv) to continuously review the optimisation of Council property and to identify opportunities for better utilisation and/or potential disposal of surplus assets;
- (v) to continuously review current and future needs and to identify new property investment needs for capital investment bids (in line with the approved Investment Strategy);
- (vi) to maximise the annual net income to the Council from its commercial property;
- (vii) to identify and plan for the Council’s future property services requirements and to make best use of the resources and opportunities available to meet with future needs;
- (viii) to develop sound and effective corporate asset management planning;
- (ix) to identify surplus land assets available for development so that disposal prices (Capital Receipts) can provide direct funding for the Council’s capital investment programme.

4.8.2 The Council understands clearly the extent to which the effective management of its corporate assets (whether day to day or strategic) has a direct impact on achieving its corporate goals and objectives and consequently value for money.

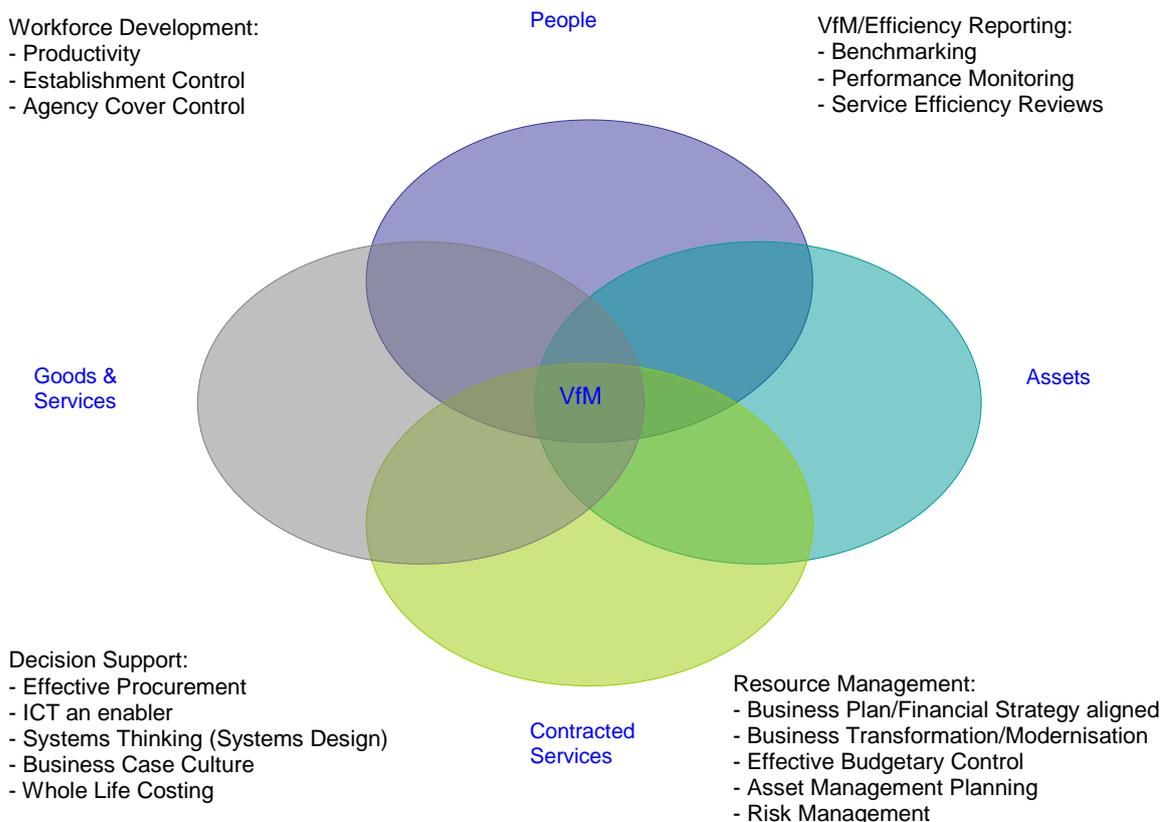
#### 4.9 Needs Analysis

4.9.1 The Council recognises the need to develop effective community intelligence to ensure that, where relevant, resource is targeted toward meeting the needs expressed by the local community. This will enable the Council to ensure that its financial resource is expended intelligently, i.e. that the services procured or provided are not only worth having but are clear expressions of community need and have a measurable impact on the lives of the community. Economic considerations will be appropriately balanced with the need for environmental and social outcomes.

- 4.9.2 Sourcing and selecting the right providers is an integral part of the VFM Strategy. All providers, throughout the tendering process, must be able to demonstrate value for money, effective use of resources and opportunities for efficiencies.
- 4.9.3 The Council is committed to building a diverse and competitive market that can supply the Council and its service user's requirements and ensure maximum value is achieved throughout the life of the contract.
- 4.9.4 VFM must embrace "outcomes" to ensure that communities are provided with the levels of service that will improve their quality of life whilst living, working or visiting the District. Reviewing service delivery and constantly seeking service improvement is a critical role for the Council.

**5. VFM – AN INTEGRATED APPROACH**

- 5.1 VFM is an ongoing activity for the Council and is present in all financial activities. Business transformation will be an on-going feature for the Council and all services will be required to constantly review and evaluate their effectiveness, efficiency and economic benefits.
- 5.2 The diagram below encompasses the Council's view on how the various components of delivering VFM tie together – including the deployment of staff, procurement of goods and services, the contracting (commissioning of service provision) and the use of assets. These inputs are brought together in the most economic and efficient manner to deliver the most effective service in pursuance of the Council's objectives:



- 5.3 This approach supports the Council's philosophy that VFM should be an integral part of all that the Council does and is reflected in the Council's policies and strategies.