

Subject:	Value for Money Programme Update		
Date of Meeting:	22 April 2010		
Report of:	Director Of Finance & Resources		
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Key Decision:	No		
Wards Affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report provides an update on the council's Value for Money Programme and its revised approach for achieving value for money (VFM) across services.
- 1.2 'A Council the City Deserves' will change the focus of the council to one that better understands the needs of the City and its residents and achieves good outcomes for residents in meeting those needs. The vision looks to improve both the Customer Experience and Value for Money through service redesign and transformation. A model of Intelligent Commissioning will overlay this work and ensure that services are appropriate to the identified needs and priorities for the city.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the continued progress and revised approach to the Value for Money Programme.

3. RELEVANT BACKGROUND INFORMATION:

- 3.1 Value for Money is about ensuring that the council is able to provide good outcomes and services for its residents and customers while being able to demonstrate that services are both efficient and cost effective when compared with other similar authorities or service providers. Value for money is not a new concept and the council has for many years been externally assessed in respect of its achievement of value for money across services. However, the recent and ongoing financial climate require a revised approach to value for money and the council will rigorously challenge all areas of its business to ensure that there is an optimum combination of costs versus benefits to meet customers' and residents' requirements.
- 3.2 The council undertook value for money reviews across all of its services during 2007/08 and developed a value for money programme that began implementation in September 2007 and which contributed to an increased 'Use of Resources' score (increasing from 2 to 3 out of 4) under the Audit

Commission's Comprehensive Performance Assessment (CPA) framework. This also supported an uprating of the council's overall performance to 'excellent' under the CPA framework. Since then, the council's 'Use of Resources' performance has been maintained under the harder test contained within the new Comprehensive Area Assessment.

3.3 The council continues to deliver actions arising from this first value for money programme but has also refreshed its approach and developed a High Level Business Case for a larger scale, second phase of work that:

- builds on the successes and learning points from the first phase;
- takes into account the changes in the national and local financial contexts; and
- provides renewed impetus to drive improvements in value for money across key service areas.

3.4 Financial Context

3.4.1 For the period 2007/08 to 2009/10 the council's Medium Term Financial Strategy identified the need to generate approximately £10 million savings per annum. Projections about future grant settlements combined with recent upward trends in service pressures and costs have significantly increased the estimated savings requirements over the next four years.

3.4.2 The latest update of key financial assumptions is as follows:

	2010/11	2011/12	2012/13	2013/14
Formula Grant increases	1.5%	0%	0%	0%
Estimated service and cost pressures	£16.3m	£20.7m	£18.4m	£17.1m
Estimated Savings required	(£13.6m)	(£16.2m)	(£14.6m)	(£14.0m)

3.4.3 This clearly shows a step increase in the savings required per annum from the scale delivered over the last few years. Every year the cumulative impact of delivering savings becomes increasingly challenging and this means that a fundamental review of our approach is required. Although most savings for 2010/11 have now been identified, savings in later years, amounting to approximately £45 million, will be much harder to achieve without a change of approach and transformation of services.

3.5 High Level Business Case (HLBC)

3.5.1 In response to this challenging medium term budget forecast, Phase 2 of the VFM Programme included the development of a high-level business case to help the council identify areas with the greatest potential value for money impact. This was completed in December 2010 and identified opportunities available to the council to deliver improved value for money through service transformation. Any

potential savings opportunities within the business case are subject to the council's normal decision making processes prior to implementation.

- 3.5.2 The business case will therefore support the council's budget setting process and Medium Term Financial Planning but will also be supplemented by member decisions on service priorities, levels and desired outcomes.
- 3.5.3 Following a prioritisation exercise, which took into account the scale of spend, areas of high cost, and experience from other authorities, a list of service areas for more detailed analysis was identified. These were:
- Workstyles (i.e. how and where staff work)
 - ICT
 - Procurement
 - Adult Services
 - CYPT
 - Sustainable Transport & Fleet Management
- 3.5.4 The main areas of focus within each of the above priority areas are detailed at Appendix 1. The actions required to implement these and HLBC areas will be fed into the directorate business planning process at the appropriate time. Ultimately, the level of value for money gains (quality, quantity and/or cost gains) achieved will be dependent on the resources, decisions and capacity of the council to implement each priority area.
- 3.5.5 For these priority areas, the HLBC has identified potential value for money gains of between £19 and £35 million deliverable over a 4 year period with potential maximum ongoing savings of £18 million per annum. Although this is substantial, it will not fully meet the council's savings targets over the next few years and therefore directorates will still be required to develop other value for money and/or savings proposals over the coming years. In addition, the council will need to review areas currently funded by grants that are expected to reduce or cease and will need to review assumptions about future service pressures. The more the latter can be contained or reduced through improved commissioning and greater efficiency, the lower the potential savings targets will be in future years.
- 3.5.6 The areas recommended within the HLBC represent broader and more complex transformational change than the previous VFM approach. This implies a new way of working for the council, with clear accountability and monitoring, and a more centralised approach to delivering the priority areas of the Phase 2 VFM programme to ensure delivery.
- 3.5.7 It is clear that to achieve this level of change and the associated value for money improvements will require a significant investment of targeted staffing and resources. The council will therefore ensure appropriate governance of the Phase 2 VFM Programme so that progress is effectively monitored and that appropriate resources are allocated to support achievement of the programme.

3.6 Progress to Date

- 3.6.1 The Phase 2 VFM Programme started in January 2010 and the programme structure and governance is in place. The VFM Programme Board oversees the

programme and a VFM Programme Director has been appointed, through an internal secondment for 18 months, to oversee implementation of the priority project areas within the programme.

3.6.2 Work on the priority project areas is progressing well and to date the actions completed are as follows:

- Resources for all project areas have been identified and personnel reprioritised to support the projects. Where appropriate and where the council does not have internal capacity, short-term external expertise has been recruited, e.g. Business Analysts.
- Project governance has been set up and agreed for all projects which now have appropriate Project Sponsors (owners), Operational Lead Officers, and Project Boards to oversee progress and manage risks and issues.
- Full Business Cases (PID's) and Project Plans have been completed for all of the project areas.
- A Communications Plan for the Project Areas has been developed and approved by the VFM Programme Board including both internal and external communications.

3.7 Other elements to the Phase 2 VFM Programme

3.7.1 In addition to the high level business case other workstreams are continuing within Phase 2 of the VFM programme and there is a wide range of related activity across the organisation.

3.7.2 The "Improving the Customer Experience" workstream is considering how, why and where residents access council services and identifying ways in which we can increase their satisfaction with our services. More information about this workstream is included elsewhere on this agenda. The progress of the Improving the Customer Experience workstream will also be reported to and monitored by the VFM Programme Board.

3.7.3 A programme of training in Systems Thinking (or "Lean") reviews has now been provided to all directorates, delivered by Vanguard. A number of services are now embarking on Systems Thinking reviews, as detailed in the 2010/11 budget strategy. These include:

- Revenues & Benefits
- Finance
- Development Control (Planning)
- Financial Assessment Services (Adult Social Care)
- Culture & Enterprise
- Housing Management

Other services are also expected to undertake Systems Thinking reviews over the next few years. Essentially, these reviews provide a better analysis of the way in which things are done and help to identify where there are blockages or delays or where processes don't work well from a customer perspective. The aim is to redesign the system of working so that a very high percentage of services are provided 'right first time'. This can both improve the customer experience but also reduces the cost of dealing with customer enquiries, complaints, or having to re-do work.

3.8 Communications

- 3.8.1 A detailed communications plan has been drawn up for each of the Phase 2 VFM Programme areas which will align with wider communications about organisational change. From a VFM perspective, the key messages for all stakeholders are:
- we are aiming for improved services;
 - we expect to achieve substantial value for money gains;
 - we are designing for a better customer experience;
 - there is a need for large scale cultural and organisational change.

The communication strategy needs to support a shift in the organisation to both lead and work in a different way in the future to ensure it can continue to improve services within the tougher national and local financial context.

4. CONSULTATION

- 4.1 The detailed communications plan for the programme has been developed through consultation with all key stakeholders.
- 4.2 Each of the VFM projects will also require extensive internal and external consultation with a wide range of customers and stakeholders. As and when implementation proposals emerge, the council's normal decision making and consultation processes will also apply.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The VFM programme supports the council's medium term financial strategy and budget setting process. Costs associated with the delivery of the programme are funded partly by the council's VFM Transformation Fund together with additional one-off resources identified in the 2010/11 budget strategy approved by Full Council. Additional resources and/or costs may also be deployed in the delivery of VFM projects on an 'invest-to-save' basis subject to approval of a supporting business case. Some elements of the programme are also supported by grant funding, for example through use of the Social Care Reform Grant in Adult Social Care. The resources required to support the programme are also identified in the Medium Term Financial Strategy which will continue to be revised for future years depending on resourcing requirements.

Finance Officer Consulted: Nigel Manvell

Date: 25/03/10

Legal Implications:

- 5.2 The Value for Money Programme is consistent with the council's "best value" duty under section 3 of the Local Government Act 1999 to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Lawyer Consulted:

Oliver Dixon

Date: 08/04/10

Equalities Implications:

- 5.3 As implications for services become known, equality impact assessments will be carried out to establish equalities considerations. Services will be evaluated as the programme goes forward.

Sustainability Implications:

- 5.4 These will be evaluated across each work stream as the programme goes forward.

Crime & Disorder Implications:

- 5.5 None directly.

Risk and Opportunity Management Implications:

- 5.6 Risks will be assessed by the VFM Programme Board as the programme advances and will be fully mapped and monitored in accordance with the council's Risk and Opportunity Management framework and good programme management practice.

Corporate / Citywide Implications:

- 5.7 The VFM programme is a key component for the success of 'A Council the City Deserves' and has strong links to 'Improving the Customer Experience'. The VFM Programme is also a critical element of managing services within a challenging financial environment over the next few years.

SUPPORTING DOCUMENTATION

Appendices:

1. High Level Business Case – Priority Areas

Documents In Members' Rooms

None

Background Documents

None