

# **INTRODUCTION**

## **Leadership and Vision**

Achieving our vision for the future requires our resources to be aligned closely to our service priorities. It is essential that we achieve the best value from our investment in service delivery and that this fundamental principle underpins budget construction for the Council.

We recognise that our activities have an effect on our community. We are committed to making our spending decisions in a way that achieves both value for money on a whole life cycle basis and the wider economic, social and environmental benefits.

To continue to deliver value for money services we have many and varied commissioning arrangements within the council. We recognise the importance of intelligent commissioning and procurement as being fundamental to improving outcomes for local people and to giving local people more opportunities to influence the way local services are run.

We will ensure that we continue to be a well-managed and effective council that provides good quality, value for money services that compare well in terms of cost and efficiency with the top performers.

Value for money in Medway Council benefits from high-level leadership at both member and officer level. The Council will establish an Executive Member Performance and Efficiency Group to support the implementation of this strategy and drive our continuous improvement on how we deliver and improve value for money.

## **Why we need a value for money strategy**

Since its inception the Council has maintained Value for money as one of its Core Values. There is also a widely accepted understanding that the Council has a low resource base both in terms of the share of Government grant and Council Tax. The ability to balance resources with service expectation has been a continual challenge and the Council has been strenuous in seeking out efficiencies. Despite the success of these efforts and the robustness of the budgets created, the prospects for any relaxation of the pressure on resources are slim. Indeed, given the nature of public sector finances in response to the recent worldwide financial crisis and recession, it is highly likely that resource levels will be tighter than ever in the near future.

It is therefore vital that the Council equips itself with the means to continue the efforts to improve services, cope with legislative and demographic pressures and keep within the resources available to it. We have been very successful at achieving this balance in the years to date and our most recent Use of resources assessment by the Audit Commission is particularly complimentary upon our financial management skills. Such compliments cannot be allowed to engender complacency and both in recognition of the restriction upon resource and the inescapable growth in service demands, this VFM strategy provides a basis for moving beyond 2010.

Due to the restricted funds available great care has to be taken to ensure that our services are appropriate, effective and efficient, and we do this by managing our scarce resources wisely. This may mean being more innovative and creative in how we deliver our services and find solutions to problems.

The Council takes value for money very seriously because our priority is to re-direct resources into key priority areas.

The government's efficiency review has also identified efficiency as a key improvement area for the public sector. Councils are expected to show efficiency gains and clearly demonstrate they deliver value for money. This strategy sets out how our value for money arrangements contributes to this agenda.

The Council Plan sets out how we will achieve the priorities. The Plan commits us to:

- Deliver the £16.5 million efficiency savings target by March 2011
- Introduce systematic VFM assessments as part of service planning and monitoring;
- Seek to work pro-actively with partners to share services for greater efficiency

### **Structure of the strategy**

This strategy sets out what we mean we mean by value for money, our aims and objectives and how we will continue to improve how we manage and deliver value for money.

We are a 3 star Council which is recognised to be 'improving adequately' (Audit Commission, Annual Comprehensive Performance Assessment). Our ambition is to seek excellence in service provision for our residents. This strategy sets out the priorities for value for money in the council and will play a vital part in helping us to focus on areas that will contribute to us realising our ambition of excellence for our residents

## WHAT DO WE MEAN BY VALUE FOR MONEY (VFM)

This VFM strategy sets out the council's overall approach for embedding and managing value for money.

VFM is the relationship between economy, efficiency and effectiveness where:

Economy is **the price paid** for what goes into providing a service;

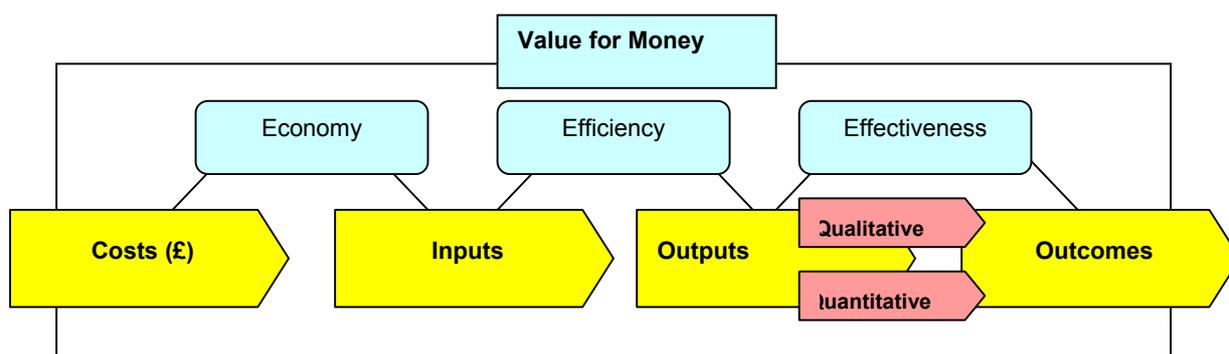
Efficiency is a measure of **productivity**

Effectiveness is a measure of the **impact** achieved

VFM is achieved when there is an optimum balance between these three components – relatively low costs, high productivity and successful outcomes.

VFM is an integral part of our role as commissioner and/or provider of services. VFM is a separate and crucial part of the Audit Commission's Use of Resources assessment on the council. The Audit Commission has set out a definition of VFM:

*Value for money has long been defined as the relationship between economy, efficiency and effectiveness, sometimes known as the 'value chain' and is illustrated by the following diagram:*



*'Economy' is the price paid for what goes into providing a service – for example the cost per hour of care workers; the rent per square metre of accommodation.*

*'Efficiency' is a measure of productivity – how much you get out in relation to what is put in. For example the number of people visited per home care worker per week; kilometres of road maintained per £1000 spent.*

*'Effectiveness' is a measure of the impact achieved and can be quantitative or qualitative. For example how many people were prevented by home care services from needing residential care (quantitative); satisfaction levels among different sections of the community with tenant participation arrangements (qualitative). Outcomes should be equitable across communities so effectiveness measures should include aspects of equity.*

*'Value for money' or best value is high when there is an optimum balance between all three – relatively low costs, high productivity and successful outcomes. The Improvement and Development Agency in its procurement guidance has defined value for money as the 'optimum combination of whole life costs and benefits to meet the customer's requirement'.*

*Audit Commission 2006*

We work hard to ensure that our services are fit for purpose and that our perceptions of fitness for purpose and service quality are influenced by feedback from service users, carers and families, partner organisations and other interested parties. We are clear that VFM in Medway means that:

- Services are of the right quality, that is, they are fit for purpose;
- Services are delivered economically, that is, from a supplier (internal or external) whose price is competitive for the quality of service delivered;
- Services are delivered efficiently, that is, through streamlined processes that link seamlessly with partner organisations where necessary;
- Services are delivered effectively, that is, they meet the needs of local people at the right time; and
- We release resources from areas that are not a priority so as to fund service improvement without an increase in Council Tax.

## **OBJECTIVES OF THE VALUE FOR MONEY STRATEGY**

The objectives of our VFM strategy are to:

- Benchmark cost and quality outcomes against comparable organisations in the public, private and voluntary sectors and identify local factors;
- Carry out our service review programme on targeted areas and to act on review findings to improve future performance and efficiency;
- Target resources towards meeting the needs of local people through the most economic, efficient and effective means;
- Measure the impact these resources have on our community;
- Meet or exceed targets for efficiency improvements in Medway;
- Adopt recognised good practice where this is appropriate for meeting the needs of our community in Medway;
- Continue to embed a culture of VFM across the organisation and to integrate VFM principles within existing management planning, review and scrutiny processes;
- Promote a culture of continuous improvement; and
- Train and develop staff and help them fulfil their obligation to achieve VFM for the council as an integral part of their work.

## **DELIVERING VALUE FOR MONEY – METHODOLOGIES**

We have a number of different methodologies and structures for promoting and delivering VFM. These include:

- Setting clear service priorities with our robust service planning methodology which include annual benchmarking activities, risk assessment, and will include periodic VFM self-assessments
- Using customer feedback to ensure we are achieving VFM;
- Embedded performance management culture;
- The identification of growth and savings through our 3 year budget process which is aligned with our 3 year service review programme;
- A three year service review programme;
- Achieving economies through partnership working;
- A procurement strategy underpinned by effective corporate and departmental procurement mechanisms;

- Our accommodation strategy (e.g. relocation to Gun Wharf);
- An effective asset management plan;
- Making effective use of ICT;
- Benchmarking and value for money self-assessments;
- Invest to save initiatives;

The structures that support the identification and delivery of VFM include:

- The creation of an Executive Member Performance and Efficiency Group;
- Our Procurement Team;
- Various teams in our Human Resources and Organisational Development division;
- Our Finance division;
- Our Research and Review, and performance teams;
- Overview and scrutiny;
- An effective organisational structure maintained through the active management of staffing costs, information and our workforce planning initiative;
- Departmental arrangements that constantly challenge how services are delivered and look for innovative solutions to further improve value for money.

## **VALUE FOR MONEY SELF-ASSESSMENTS**

The corporate standard for service planning focuses on a number of key corporate drivers which must be explicitly considered. One of these is the corporate priority to achieve value for money and year on year efficiency gains.

During the annual service planning cycle, departments will carry out a VFM self-assessment. These must be reviewed and challenged by individual Directorate management Teams. The Research and Review Team will oversee this process.

A simple VFM self-assessment questionnaire and guidance is being developed to assist departments in the development of their 2009/10 service plans.

## **VALUE FOR MONEY PERFORMANCE INDICATORS**

We will develop a suite of value for money performance indicators to monitor and demonstrate the improvement made in our value for money arrangements. These indicators will cover all Council services for both front line and back office.

The planned Executive Member Performance and Efficiency Group will monitor and review the VFM indicators.

## **PROCUREMENT STRATEGY**

Medway recognises that procurement has been an important activity for the council and will remain so. Procurement will also play an important role in the council's service review programme and effective procurement is essential if we are to sustain and improve value for money. We have a procurement strategy that is published on the Council intranet together with comprehensive guidance notes, manuals and advice.

## MANAGING AND IMPROVING VALUE FOR MONEY

During the lifetime of this strategy we will:

	<b>Action</b>	<b>Year</b>
<b>VfM1</b>	Establish Member Performance and Efficiency Group	1
<b>Vfm2</b>	Service Plan VFM Self assessments to be developed	1
<b>VfM3</b>	Develop a suite of VFM Performance Indicators	1
<b>VfM4</b>	Carry out annual benchmarking of our services.	1,2,3
<b>VfM5</b>	As part of our service planning arrangements we will carry out a high level value for money self-assessment.	1,2,3
<b>VfM6</b>	We will carry out an annual review of the audit commission value for money profiles and the outcome will be reviewed by our Executive Member Performance and Efficiency Group.	1,2,3
<b>VfM7</b>	Listen and positively engage our staff in order to identify and implement further efficiency gains to release resources to deliver our priorities.	1,2,3
<b>VfM8</b>	Develop clear plans to achieve and sustain top quartile performance in the medium term, this will include making optimum use of information technology systems.	1,2,3
<b>VfM9</b>	Deliver the council's service review programme to release resources to be recycled to other council priorities.	1,2,3
<b>VfM10</b>	Celebrate our successes and communicate to our community how we deliver and improve value for money.	1,2,3
<b>VfM11</b>	We will continue to consult to seek the views of our community (residents' opinion poll, citizen's panels etc.)	1,2,3
<b>VfM12</b>	Ensure that our procurement arrangements support the cost-efficient delivery of quality services.	1,2,3
<b>VfM13</b>	Manage our buildings and other assets to provide a positive environment for the delivery of high quality services.	1,2,3

## **RESPONSIBILITIES FOR DELIVERING VALUE FOR MONEY**

The responsibility for delivering VFM lies with all members and staff. It is not restricted to those with resource or financial management responsibilities.

Staff can get involved during the service planning cycle and day to day departmental arrangements to make suggestions on how they think value for money can be improved either within their department or council wide. Detailed guidance notes will provide basic information and guidance on how VFM self-assessments must be carried out.

Members also have a responsibility to ensure that the services we provide deliver value for money. We will establish an Executive Member Performance and Efficiency Group whose terms of reference will be to ensure that the resources available to the council are used in the optimum way to deliver better public services in line with our local priorities. It will be the responsibility of each member to challenge arrangements and ensure value for money is delivered.

The Council's Corporate Management Team has the responsibility to put in place and revise the VFM Strategy and the methodologies that can be used when assessing VFM.

Managers have specific responsibility to ensure they keep up to date and maintain an awareness of developments in good practice in their own service areas. Managers should actively identify and review new and developing practice and apply it to Medway where appropriate.

Research and Review and Performance teams support service planning and monitoring of which VFM is an integral part.

Internal Audit is a corporate resource and contributes to the council's value for money strategy by having a cyclical programme of work which covers reviewing the systems within departments for identifying, delivering, monitoring and reporting efficiency and procurement savings, value for money and benchmarking arrangements that are in place.

## **MAINTAINING AND CREATING A VALUE FOR MONEY CULTURE**

Value for money is an integral part of delivering services in Medway to ensure that the best value is being secured for our residents, customers and service users.

A number of our organisational behaviours contribute to the delivery of VFM. These include:

- Our organisational culture of continually striving to do more at the appropriate quality for less money;
- Our desire to learn and adopt good practice;
- Clearly defining our aims, strategies and policies;
- An organisational structure that promotes accountability, through placing power at the point where responsibility is required to be taken, together with appropriate control and oversight exercised at a higher level;
- Our commitment to effective communication and staff development so that our culture and aims are identifiable at all staff and member levels;
- An appropriate infrastructure in systems, resources and training.

## **MANAGING OUR PERFORMANCE**

This strategy will be actively monitored by the council's Corporate Management Team who have the responsibility to put in place and revise the Value for Money Strategy and the methodologies that can be used when assessing VFM.

Detailed operational action plans will be drawn up to progress the implementation of the aims in this strategy on a day-to-day basis.

The Research and Review Team, as part of regular performance reporting will present six monthly reports to outline the progress made against the aims set out in this strategy. These reports will be used by the Chief Financial Officer to review performance as part of regular meetings with:

- The Executive Member Performance and Efficiency Group
- Corporate Management Team (CMT)
- The Finance Portfolioholder and deputy leader
- Cabinet