

VALUE FOR MONEY HANDBOOK

FY 2018/19



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Introduction

OUR VISION

Delivering value for money is a key element of supporting the achievement of the strategic objectives of West Lindsey District Council, the Entrepreneurial Council.

Value for Money (VFM) is recognised as both an absolute and relative measure of the business's performance and this is the driver for continuous improvement, development and learning.

AIM

The strategy builds upon the significant efficiencies secured to date through robust financial planning and monitoring, development of an entrepreneurial approach to Council services, improving efficiency and effectiveness of service delivery and transformation.

It will ensure that the Council has in place a framework and resources to facilitate the necessary evaluation and monitoring that enable the Council to demonstrate value for money across all Council services, projects and procurements.

This means continuing to build upon the sound foundations of budgetary control and performance monitoring as well as developing benchmarking, cost benefit analysis and social value.

WHAT IS VALUE FOR MONEY?

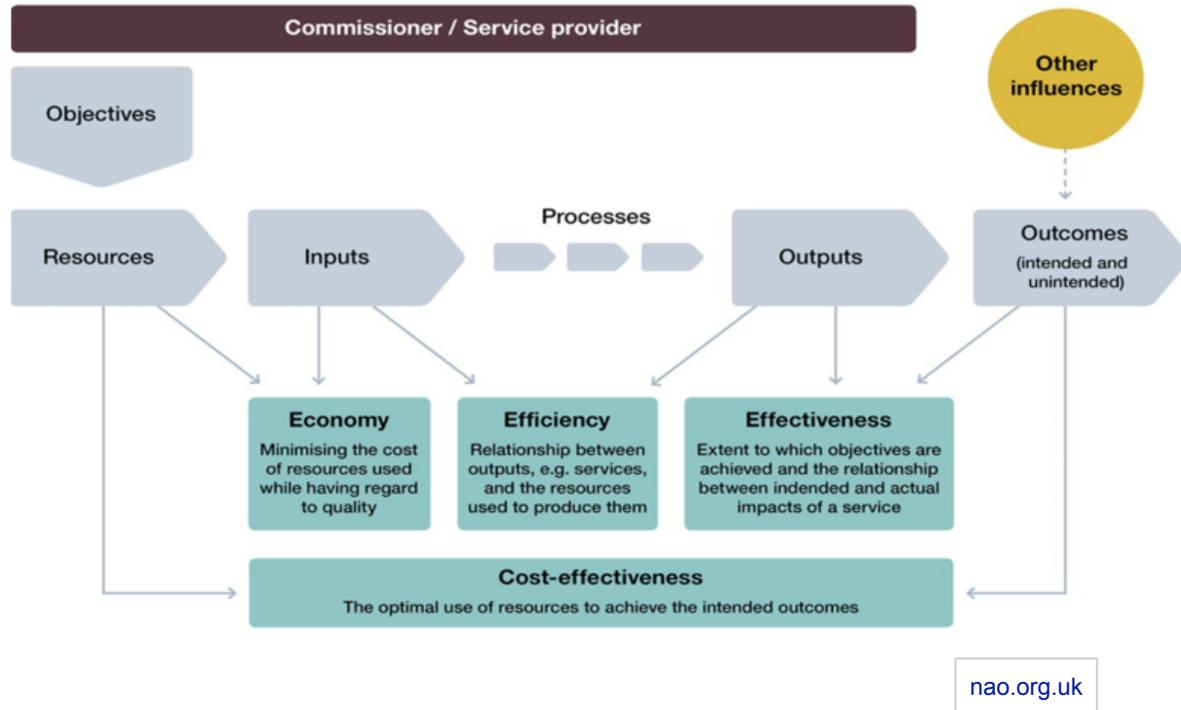
The Council has limited resources. It is therefore vital these resources are deployed in the most efficient and effective way to secure excellent services for the residents of West Lindsey.

To achieve Value for Money, we need to achieve Economy, Efficiency and Effectiveness

- Economy: minimising the cost of resources used or required: reducing inputs for the same outputs
- Efficiency: producing the same or better outputs by doing things differently and reducing the inputs required
- Effectiveness: deploying resources to meet objectives

Our strategy is to embed Value for Money throughout the organisation for all activities, business processes and business planning.

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CONTEXT

National Context

The concept of value for money is a key feature of work conducted by all public sector organisations.

Assessing and measuring VFM is challenging, inevitably some elements such as quality and sustainability can be subjective. Value can also take years to materialise and will change over time. It is therefore vital that we evaluate optimum balance of the whole life of the service, taking into account whole life costs and benefits

The economic conditions and government decisions to reduce public sector spending and by 2020 requiring local authorities to be fully dependent on local taxation, means that the reliance on demonstrating value for money is more vital than ever.

Local Context

In common with the whole of the public sector the Council has responded to the financial challenges in a systematic approach to achieving value for money and embedding the Entrepreneurial Council culture throughout the organisation by:

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- Investing in communities (to help themselves and others)
- A more commercial council – to generate additional income and identifying opportunities that align with residents needs
- Modern, innovative and collaborative – utilising the best technology and commissioning delivery to achieve outcomes

This has resulted in the Council maintaining a strong track record of identifying and delivering savings and efficiencies whilst protecting priority services

Our Council corporate plan outlines how we contribute to agreed priorities of:

- Open for Business - to attract inward investment
- People First - ease and convenience of access to a range of public services offered by the Council and partner organisations
- Asset Management - to develop and maximise the return on, and value of, our land and property
- Partnership/Devolution - work in partnership to explore opportunities to deliver improvements in housing, infrastructure, agri-food, manufacturing and engineering, visitor economy, skills, water management, health and public protection
- Central Lincolnshire Local Plan - make sure the Local Plan is adopted and delivery is monitored and achieves intended outcomes for the District
- Excellent Value for Money Services - explore alternative delivery models to ensure effective use of resources

We aim to embed Value for Money across the Council:

- Directors/Strategic Leads embed value for money activities in the Service Business Plans
- Peer challenge and support
- Understand financial returns on investments
- Demand Management
- Benchmarking costs and performance
- Business Cases must include consideration of Value for Money, option appraisals and whole life costs
- Cross cutting service improvement actions from quarterly performance reporting
- Support and Challenge from Finance Business Partners
- Robust financial monitoring procedures
- Sound arrangements for risk management

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- Review and action by Governance and Audit Committee on the IAS260 External Audit opinion
- Internal Audit assurance

THE FRAMEWORK

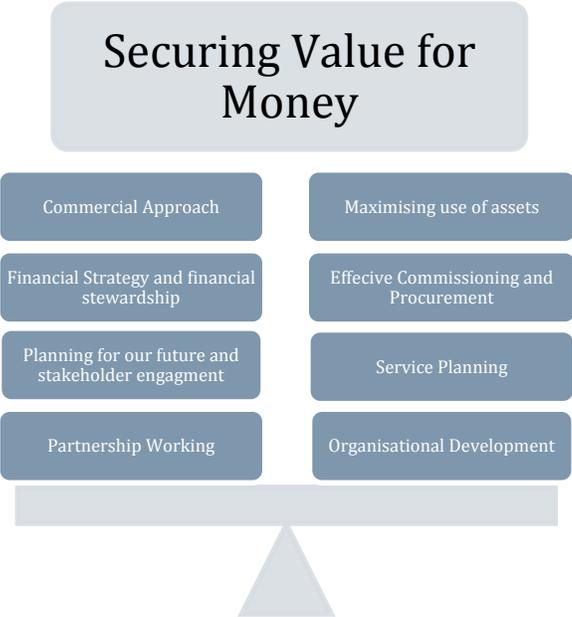
To achieve a comprehensive, systematic and consistent approach to Value for Money, the following strategic framework needs to be adopted.

The Framework		
What we need to do	Vision	Clear vision 'One Council'
	Corporate Plan	Clear corporate priorities and corporate outcomes
	Transform and challenge Medium Term Financial Plan (MTFP)	Drive to improve performance and transform services and constructively challenge
Activities to deliver outcomes	Service Improvement Strategy	Statutory plans, Functional analysis Cost Drivers, performance and target indicators linked to outcomes
	Service Plans	Specific work plans linked to service improvement strategy
	Individuals	Valued staff, individual goals and motivators to help deliver service team plans
	Medium Term Financial Plan (MTFP)	Ensure availability of sustainable financial resource to deliver community focused outcomes
Key Support Service Strategies to enable outcomes	Asset Management	
	ICT	
	HR Organisational Development	
	Commissioning and Procurement	
	Risk Management	

Value for Money at West Lindsey District Council

SECURING VALUE FOR MONEY

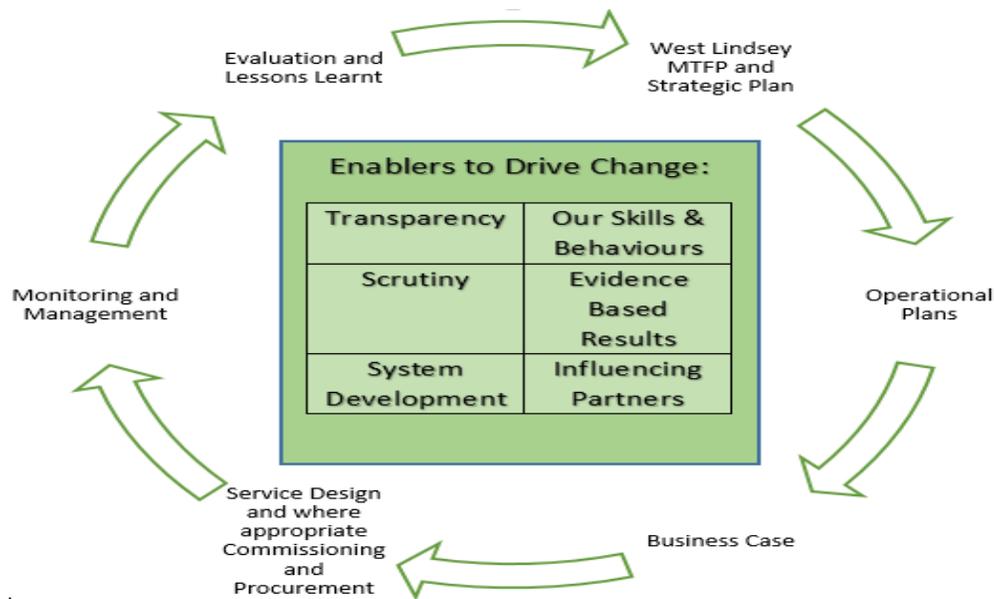
The diagram below illustrates the robust approach to Value for Money decision making at West Lindsey District Council.



SERVICE PLANNING

The business planning process focuses services in identifying opportunities for cost reduction, income generation and alternative methods of service delivery such as partnership working. Where appropriate these opportunities will be pursued over the medium term with further opportunities being identified and undertaken over the life of the MTFP. These plans are then translated into business cases, projects and ultimately individual work plans

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COMMISSIONING AND PROCUREMENT

We will seek to deliver value for money to the local taxpayer by maximising best value on every pound spent on commissioning and procurement. We will be commercially aware, provide clarity on our expectations to our supply chain, continuously review and ensure our procedures are efficient and seek to achieve maximum benefits from our systems.

Objectives & Outcomes

- Base procurement decisions on whole life cycle principles and avoid awarding contracts where price alone is the sole consideration
- Constantly review procurement systems, practice and procedures to ensure our processes are efficient and cost effective
- Incentivise our suppliers to help us to reduce demand wherever possible
- Encourage suppliers to adopt self-monitoring contract management regimes and report performance against KPIs on a regular and proportionate basis
- Monitor supplier spend and provide quarterly reports to Senior Officers to track expenditure across all categories. Understanding cost drivers and demand data.
- Monitor cashable and non-cashable savings derived from all procurement activity
- Provide comprehensive, clear and compelling data that informs and underpins all commissioning activity and decisions.
- Produce market intelligence that enables the market to be shaped and sustained in order to meet the changing needs of our population.

- Ensure commissioning decisions are targeted, outcomes are delivered, opportunities and innovation secured and value for money delivered.

Performance Measures

- Value of annual savings delivered on behalf of Council services from tendering and contracting
- Average % savings achieved through procurement for the 5 largest procurement projects delivered in the previous financial year

MAXIMISING USE OF ASSETS

West Lindsey's Asset Management Strategy will demonstrate that we have in place an effective management framework, which actively maximises the value of existing assets and provides a strategic context for future investments.

To ensure:

- assets are adequately maintained and efficiently utilised to deliver high performing public services and improvement schemes will be devised in phases to deliver the best VFM.
- surplus assets no longer required for service delivery are reviewed for alternative use prior to any disposal; and
- future investment decisions are based on a more complete assessment of the condition and performance of the existing asset base and be subject to a rigorous appraisal for both financial and sustainability implications
- West Lindsey will seek to maximise the positive impact on the community of its investment in assets through attracting other investment and creating training and employment
- Resources are released from a sale that can be reinvested in public services,
- Optimisation of rents and service charges whilst keeping voids and arrears as low as possible
- we will aim to secure income from external sources to fund improvements, growth and development

We will address this objective by:

- Reviewing our Asset Management Strategy
- Reviewing our Treasury Management Strategy to secure funding at the most advantageous point
- Continue to review assets to ensure they continue to be fit for purpose and where not we will develop and agree plans for redevelopment or alternative use.
- Use Social Return on Investment models and impact assessments to assess the Social Return of our Community Regeneration activities.

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- **Rents-** will be set in compliance with market rates and external valuation.
- **Service Charges-** will be charged in order to meet the cost of the services provided.
- **Arrears-** will be kept to a minimum through robust application of arrears policy and procedures,

Performance Measures:

- Percentage change in capital value of assets
- Rate of return on rental income

ORGANISATIONAL DEVELOPMENT

Service and Team Business plan objectives will include VFM targets which will be cascaded through teams to individual staff targets

Performance will be assessed by:

- 1) Delivery of the Business plans
- 2) Delivery of individual team targets
- 3) Officer performance against own personal targets as outlined and discussed during individual appraisals

We will look to embed a Value for Money culture where staff are empowered to deliver against Council values and to encourage them to challenge inefficiencies and waste. Team leaders and managers are responsible for delivering services 'right first time' and ensure VFM exists in the day to day management of their services.

We are committed to investing in our greatest asset 'our staff' to ensure continued professional development, opportunities for development and growth and robust succession planning to ensure we remain fit for the future.

PLANNING FOR THE FUTURE AND STAKEHOLDER ENGAGEMENT

We will continue to consult with the residents of West Lindsey in relation to our decision making, including (but not limited to):

- Changes to or introduction of services
- Customer satisfaction in order to gain insight on how services can be improved
- Budget consultation – determining priorities

Continual improvement is a priority for West Lindsey District Council and value for money will be at the heart of all future planning.

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PARTNERSHIPS

We will continue to review new and existing opportunities to pool resources and skill sets with partners to achieve maximum value for money and pursue mutually beneficial outcomes for our communities.

Continual improvement is a priority for West Lindsey District Council and all Partnerships are reviewed for:

- Financial commitment
- Health of existing partnerships
- Impact of failure
- Effectiveness
- Relevance for the medium to long term

Effective fulfilment of the role of lead officer in partnership arrangements is essential to ensure that the Council's partnership arrangements are relevant and achieve value for money.

COMMERCIAL

Value for Money forms a key component of the Commercial Plan and will be embedded in the development and review of business cases.

Within the Commercial Plan are four themes:

- Increasing income from Council services through trading and charging
- Increasing external funding to the Council and the district
- Increasing capital and revenue income from supporting housing and economic growth
- Strengthening the Council's commercial culture and capability.

It is important that the Council is able to monitor the success of its commercial approach and its contribution to the Medium Term Financial Plan.

Performance Indicators

Theme	Key Performance Indicators
Generating greater income from the council's services	Total amount of income generated Income as a proportion of total expenditure Total net revenue income (i.e. surplus)
Securing greater external funding	Total external funding secured for the Council

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	Total external funding secured for communities/district
Increasing capital and revenue returns to the council through delivering housing and economic growth	Percentage change in capital value of assets
	Rate of return on rental income
	Change in Council Tax base and change in business rates income
Enhancing the council's commercial culture and capability	Proportion of staff that understand corporate objectives
	Proportion of members that understand corporate objectives
	Proportion of services that generate income

FINANCIAL STRATEGY AND FINANCIAL STEWARDSHIP

Value for money is about spending money wisely, this is embedded within current financial procedures and we will continue to:

- Plan and deliver a sustainable MTFP
- Robustly manage and report on spend against budget on a monthly basis
- Promote financial accountability through all levels of the organisation
- Utilise Internal Audit function in reviewing and identifying areas of weakness in controls and procedures and mitigate this risk
- Provide accurate, timely and understandable financial information to inform decision making and business cases

TOOLS FOR ASSESSING VALUE FOR MONEY

There are six main methods that can be used to assess value for money:

- Cost Effectiveness Analysis
- Cost Utility Analysis
- Cost Benefit Analysis
- Social Return on Investment
- Rank Correlation of Cost vs Performance
- Basic Efficiency Resource Analysis (BER)

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The table below provides a description of each method and the similarities and differences in each set of methods. At West Lindsey District Council, we will look to utilise these tools as we embed value for money across the organisation.

	Method	Description	Uses
Group 1	Cost Effectiveness Analysis	The evaluation of two or more alternatives, based on relative costs and outcomes (effects) in reaching a particular goal.	Used when comparing programmes with the same goal in non-monetary terms
	Cost Utility Analysis*	The evaluation of two or more alternatives by comparing their costs to their utility or value	
Group 2	Cost Benefit Analysis	The evaluation of alternatives by identifying the costs and benefits of each alternative in money terms and adjusting for time – whether the costs outweigh the benefits	Both evaluate if a programme is beneficial through monetising outcomes
	Social Return on Investment	Measures social, environmental and economic costs and benefits	
Group 3	Cost vs Performance (Rank Correlation)	Allows for relative measurement of VFM across a portfolio of initiatives	Both evaluate the benefits of many programmes
	Basic Efficiency resource Analysis (BER)	Framework to evaluate complex programmes by comparing impact to resources	

*definition of utility analysis – ‘a type of cost effective analysis that compares different activities and outcomes relative to a person’s quality of life’

DELIVERING VALUE FOR MONEY

The Council will focus on CFO Insights as its main means of delivering VFM throughout all services. Other resources will also be used where deemed to provide useful data for analysis purposes.

CFO Insights

The Council has recently procured CFO Insights for assistance in benchmarking. It is a tool developed by Grant Thornton in conjunction with CIPFA which uses national data sets such as the RA/RO financial returns. Although in its infancy at West Lindsey we commit over the next year to develop the use of the tool in the following ways:

Performance

Helping performance improvement and transformation planning:

- Performance and Delivery report, tracking VFM/Poor VFM/Rolls Royce/Stripped Down and socio economics. Track progress over the financial years – annual report/directors report
- Impact Spend on Socio economics – is our strategy working in West Lindsey District improving against prior years, is it improving in comparison to statistical neighbours?
- Drive Systems/Lean thinking - are our statistical neighbours doing well, what can be learnt in terms of finances and performance and could our efficiency (unit costs), performance be improved, costs reduced to improve VFM?
- Peer challenge and review for nearest neighbours

Income

Locating potential income generation opportunities

- Comparison of local authority spend – cost per unit
 - Enabling us to establish a high level unit cost for trading services commercially - is it feasible that a service could be marketed externally in its current format or would a transformational review of costs be required? High level soft market testing.
 - Provide the basis for discussion on demand management and cost drivers – review high cost areas and provide analysis of fixed and variable costs

Budgeting

Supporting budgeting and spending decision-making

- Benchmarking of service costs and performance – VFM, Rolls Royce, Stripped Down, Poor Value for Money (PVFM). Robust financial planning and monitoring, development of an entrepreneurial approach to Council services, improving efficiency and effectiveness of service delivery and transformation.
- Use categorisation to drive service transformation, budget cuts and efficiency measures. As part of our business planning process allocating matrix positions against each service area to match against statutory/non statutory, member priority, budget reductions applied or not – generate challenge and discussion, are we focusing on the right areas? Direction of travel for services – Boston matrix.
- Are our spend levels excessive/too low for certain services, does this require challenge and further review prior to base budget setting?

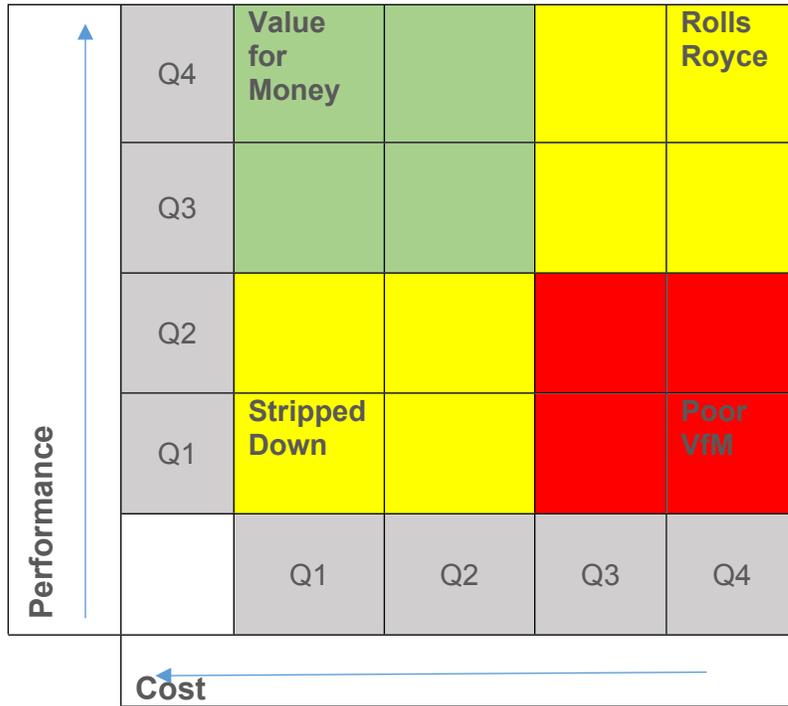
Transparency

Providing financial transparency in response to scrutiny questions

- Provide socioeconomic and spend analysis in reports – show focus of spend on key strategic and member policies
- Social Return on investment – if a social return is estimated on projects (forecast or retrospective analysis). Socio economics alongside investments made can be populated through this model allowing a quick analysis of social impact once indicators are established.
- Benchmarking of service costs and performance – VFM, Rolls Royce, Stripped Down, PVFM – What % of services are in VFM – strategic view how we get all services into VFM – strategic plan
- Promote what we are doing well in to internal and external stakeholders
- Map spend with external electorate satisfaction levels to assess if spend is impacting on the local community positively.
- Facilitate the necessary evaluation and monitoring that enable the Council to demonstrate Value for Money across all Council services, projects and procurements.
- Rank correlation of cost vs performance

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The Value for Money Matrix: Where are our services on the matrix?



Positioning on the grid can determine action on the part of a service area to improve, maintain or champion performance and cost of service.

Appraisal of VfM should not be seen as a one-off exercise, rather a continuous process of transformation and challenge.