



LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

EFFICIENCY / VALUE FOR MONEY STRATEGY

2007-2011

Updated September 2007

EFFICIENCY/VALUE FOR MONEY STRATEGY

1 Introduction and Overview

Lancaster City Council has a proven track record in making efficiency savings each year. However, how the Council achieves these savings may not at times appear clear as a whole range of strategies and initiatives contribute to the overall outcome. This updated framework strategy sets out how all these differing strands contribute to the identification of those savings/efficiencies that have enabled the various financial and Gershon targets included in the Medium Term Financial Strategy to be met to date, and how future targets will continue to be met.

In undertaking the existing processes referred to above, Value for Money (VfM) initiatives are crucial in order to challenge existing practices with a view to improving the efficient use of its resources. In this way, savings and efficiencies can be identified and redirected into key priorities, and enables the Council to demonstrate that the services it delivers are provided in the most cost effective manner within the context of continuous improvement.

In the Corporate Plan, the Council has committed itself to a number of medium term objectives and associated priority outcomes related to improving efficiency and effectiveness through ensuring that VfM is a key principle in all of the Council's business. In particular :-

To Deliver Value for Money, Customer Focused Services that will :-

- ***Keep the annual council tax increase to a minimum whilst achieving the other policy objective and priority outcomes***
- ***Refocus services around the needs of our citizens and other customers and improve customer satisfaction with both the council and the services it provides***

Furthermore the Council has a number of core values and principles that contribute to effective decision-making and VfM in service delivery. In particular:

Putting the Needs of the Public First
Sound Financial Management
Good Employment Practices
Sustainable Development
Continuous Service Improvement
Accountable and Sound decision-making

VfM is assuming an ever-increasing importance in the performance assessment of a Local Authority. It is itself one of 5 components judged in the annual Use of Resources assessment and also forms an important part of the CPA inspection regime.

The Audit Code of Practice requires external auditors to give a positive conclusion as to whether an organisation has put in place proper arrangements to secure VfM. It is vital therefore, that the Council has an integrated and coherent Efficiency/VfM Strategy in place.

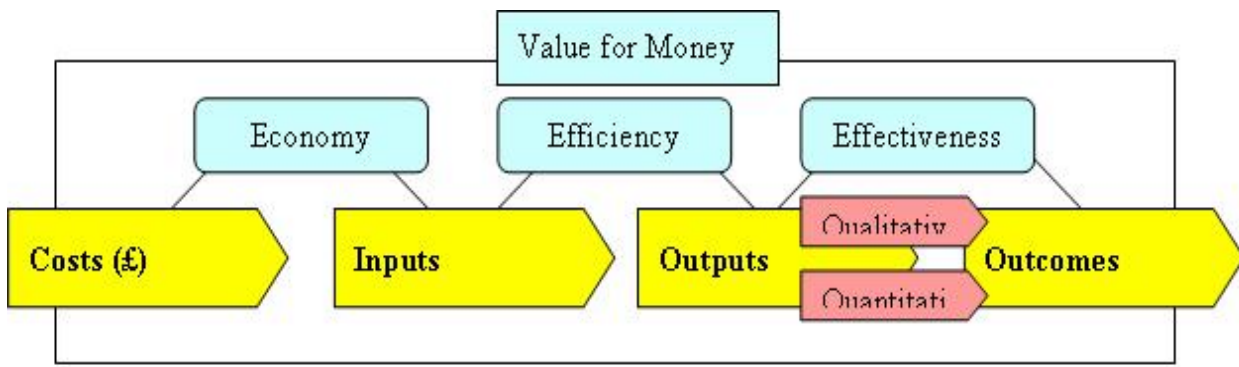
2 Contents of the Strategy

This document covers the following areas:

- What is meant by VfM
- What are the objectives of the VfM Strategy
- The mechanisms by which VfM is achieved
- Other practices and procedures
- Conclusion

3 What is meant by Value for Money

Efficiency and Value for Money are inextricably linked and the diagram below sets out the relationship between the two and other related concepts.



VfM therefore, can be defined as 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 in either quantitative or qualitative ways

VfM is high when the Council can achieve the best balance between these three components – relatively low costs, high productivity and successful outcomes.

Lancaster City Council has an annual revenue budget of approximately £114.2 million and capital programme of approximately £42.5m. Demand for the services that are provided is constantly increasing yet resources are limited. In keeping Council Tax increases down to an acceptable level, the Council tries to ensure that each £1 is spent as carefully, as wisely, and as efficiently as possible in line with the views and needs of its local communities.

Like all authorities, the Council has a duty to deliver Value for Money and the continuous improvement in the provision of its services.

In this context, VfM means that the services which the council provides:

Are delivered **ECONOMICALLY**
Are delivered **EFFICIENTLY**
Are delivered **EFFECTIVELY**
Are of the right **QUALITY**
Meet the **NEEDS** of local people

4 Objectives of the Strategy

This strategy seeks to support the delivery of a range of Council key objectives and initiatives that underpin the achievement of the Corporate Plan priorities and MTFS targets, namely:

- The provision of quality, cost effective services that meet the needs of local communities
- To help identify efficiencies/savings that can be redirected into corporate priorities
- To help identify efficiencies/savings to contribute to the Gershon/CSR07 savings targets included in the Medium Term Financial Strategy.
- The integration of best value principles to bring about continuous improvement in service delivery
- The structured review of services on a targeted basis which challenges existing practices
- The benchmarking of performance against comparable organisations and against standard service benchmarks
- The development of the workforce so that they can achieve VfM as an integral part of their work

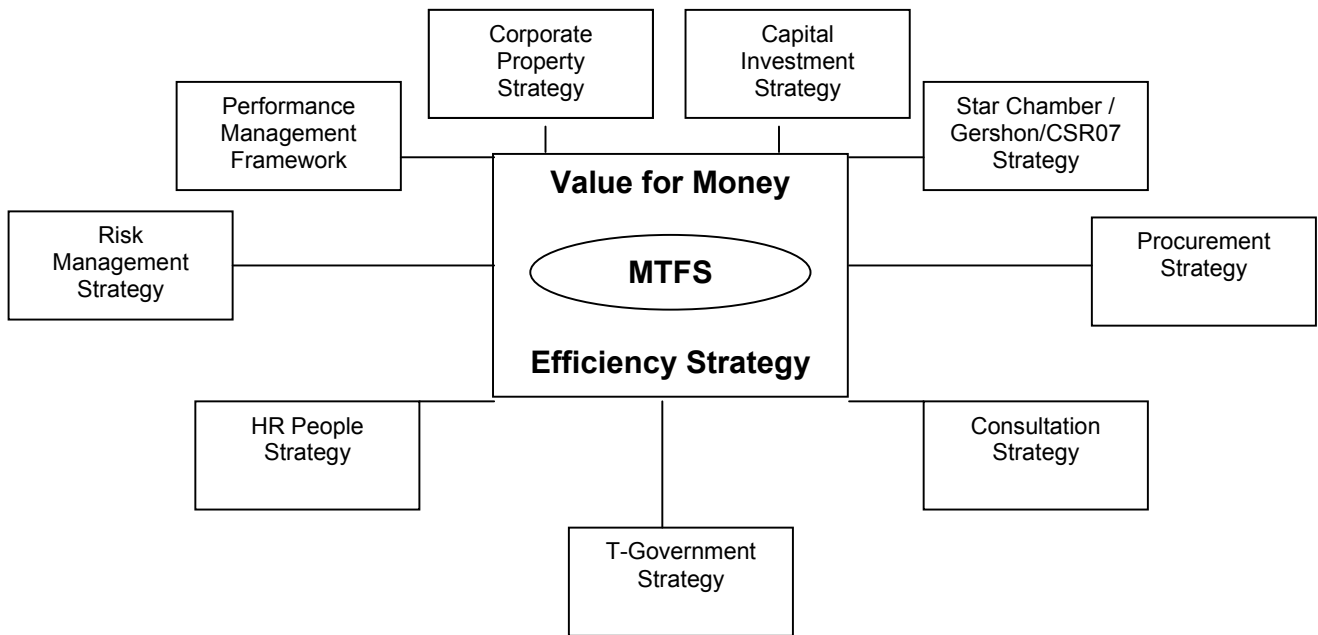
5 The mechanisms by which efficiency/VfM are achieved

Following the Gershon Review in July 2004 (Releasing Resources for the Frontline), there has been a more structured national approach to the delivery of efficiency savings in the public sector. This has more recently been developed further within the CSR07 statement which requires councils to meet a 3% cashable saving over the 3 year period 2008/2011. How this relates to the VfM strategy is addressed later in this strategy but this Council has itself already developed its own structured approach in recent years for identifying efficiencies to meet the targets within its Medium Term Financial Strategy (MTFS) and more recently, those set under Gershon, and it is wholly appropriate to continue this approach to meet those targets in the CSR07.

The approach that has been developed within the Council is set out in the Diagram below and includes procedures/protocols that are well established with a proven track record but also includes recent innovations designed to meet the change agenda in local government. Indeed, the Council is currently refining its Performance Management arrangements to strengthen its approach for ensuring it gets the best use from its limited resources whilst seeking to achieve continuous improvement and targeting areas of identified poor performance.

The existing initiatives/strategies that all contribute to improving Value for Money and increased efficiencies and are integral to this framework strategy are discussed briefly below. In many cases they overlap and inform each other. The strategy can be demonstrated by setting out their relationship diagrammatically.

Value for Money Efficiency Strategy



Corporate Property Strategy

The Council’s Corporate Property Strategy seeks to make the most efficient use of its building portfolio in the delivery of its corporate priorities. The strategy specifically includes the following statement:

“Challenge and review of the use, provision, and performance of property is seen as a positive approach to ensuring that assets are fit for purpose, and that retention, investment and utilisation are focused on the needs of the customer, and the achievement of the Council’s corporate objectives. ”

The Strategy incorporates Asset Management Plan (AMP) information, which analyses for what use the assets are held, how much they cost, what they contribute to the corporate plan, and how cost effective each is. The requirement to seek out and identify external funding sources is also of paramount importance particularly in financing large-scale capital developments. Inextricably linked to this therefore, is the Capital Investment Strategy (CIS) which ensures that capital resources are maximized, are affordable, and wholly directed to finance the priorities in the Corporate Plan. The Corporate Property Strategy and CIS are all monitored by the officer asset management working group. In particular, this group undertakes project appraisals of new capital bids, performance monitoring, and post project appraisals as the Project Board for those schemes project managed under LAMP to ensure that the intended outcomes have been achieved. The Corporate Property Officer as property champion, chairs the group. Recent developments have seen the approval of a non-housing Energy strategy, the introduction of individual service asset management plans, and an agreed strategy to rationalise the use of all the Council’s office accommodation.

The Cabinet member with responsibility for Property is the member asset management champion who reviews performance at the quarterly Performance Review Team meetings. The asset management champion reports direct into Cabinet when appropriate and the performance of the asset portfolio is also open to scrutiny through the non-executive Budget and Performance Panel.

Capital Investment Strategy (CIS)

This strategy effectively ensures that the council's limited capital resources are maximised and used solely to deliver the priorities identified in the Corporate Plan. It sets out the criteria on an annual basis that is used to assess the relevance and appropriateness of both existing and new capital schemes/proposals to deliver the corporate priorities.

In particular, it lists and sets out the Council's capital investment priorities, the process by which schemes will be prioritised, and how resources will be allocated. Together with the Corporate Property Strategy, the CIS ensures that the 5 year capital investment programme is balanced and focused to deliver the corporate priorities.

Agreed by Cabinet each year, it is an integral part of the Medium Term Financial Strategy and ensures that capital resources are effectively managed and provide value for money.

Procurement Strategy

The Council has had in place a Corporate Procurement Strategy since June 2003. This strategy has been built on the targets and priorities of the National Procurement and E Government Strategies with a view to ensure that the Council's procurement of goods and services are undertaken in a targeted manner to achieve service priorities in the most cost effective and environmentally sustainable manner. Strategic Procurement has an important role to play in enabling the Council to achieve its ambition of achieving VfM from the way in which it procures and delivers services and uses its resources in an economic, efficient and effective way. Indeed, the Strategy's vision is to obtain VfM through the planned and skilful management of procurement and supply chains whilst wherever possible, meeting environmentally sustainable criteria.

The Corporate Procurement Strategy and its related Improvement and Development Plan plays a fundamental part in examining how the Council will deliver innovative and smarter ways of procurement and, how it can work in partnership with others in order to improve service delivery. In order to ensure that the objectives of the Corporate Procurement Strategy are met, the Council has appointed a Procurement Officer Team and the Corporate Director (Central Services) is the nominated officer procurement champion. The officer champion chairs an officer procurement group.

On the member side, the Cabinet member with responsibility for Finance is the Member Procurement Champion. Regular updates from the officer group on the progress being made in achieving the targets set out in the procurement strategy are reported quarterly into the Performance Review Team meeting. Scrutiny of the procurement function is undertaken by the Overview and Scrutiny's Budget and Performance Panel.

T- Government (formerly E Govt) Strategy

Lancaster City Council has a structured framework to implement new technical initiatives to ensure the maximum benefits are achieved from its IT infrastructure. The Council's Transformational Government strategy (formerly E Govt) is closely aligned to national strategies which seek to bring about service business re-engineering efficiencies by implementing IT system improvements designed to improve both service delivery and accessibility.

The Council has made substantial investment in its IT infrastructure in recent years bringing efficiencies through on-line transactions and reductions in duplication resulting in improvements in VfM. In particular, the development of a Customer Service Centre framework is now fundamental to

achieving further improvements and efficiencies in service delivery and accessibility, and is the focal point of the Council's T-Government programme.

Until recently, the Council's T Government strategy and vision has been continually updated by, and monitored through, the joint officer/member T Government Cabinet Liaison Group chaired by the Cabinet T Champion. The work of the liaison group has now been subsumed into the quarterly Performance Review Team meetings. Implementation of the strategy is still the responsibility of the T Government Member and Officer Champions. The identification and achievement of savings and efficiencies through implementing this strategy are reported through the PRTs and when appropriate, into Cabinet. Scrutiny is undertaken by the Budget and Performance Panel.

Risk Management Strategy

The Council's Risk Management Strategy and Policy Statement effectively sets out how the Council has embedded risk assessment into its strategic and operational decision making. It seeks to ensure that the council is always informed what are the risks in any course of action it is considering and how they can be mitigated. The introduction of a computerised risk management system and the continued updating of strategic and service specific risk registers have brought about major improvements in the identification of potential risks and how they can be mitigated, thus ensuring the delivery of service objectives in a cost effective manner. Each risk is allocated a responsible officer and Risk Treatment Actions agreed to mitigate risks to an acceptable level. Progress made in achieving these RTAs is reported into the quarterly Performance Review Team meetings. In addition, the strategy itself is monitored by the officer Risk Management Group and progress on implementing the Risk Management Action Plan is reported to the Audit Committee on a quarterly basis with scrutiny provided by the Budget and Performance Panel.

HR People Strategy & Workforce Development Plan

The Council employs approximately 1,000 staff and pursues a programme of actions that are set out in the HR People and Workforce Development Plan. The HR priorities and initiatives within the plan seek to obtain maximum efficiency from the Council's workforce. Specifically, these are targeted on:

Workforce Reform

-includes workforce planning as well as change management issues.

Pay Modernisation

-includes the completion of Fair Pay Single Status and Job Evaluation exercises.

Learning and Development

- includes staff and workforce training and development programmes and building capacity.

Leadership and Management Development

-includes the "Success through People" training initiative, which in turn contributes to the more effective management and performance of the organisation in all aspects.

Absence Management

- includes promotion of existing policy to improve attendance levels and hence productivity.

Recruitment and Retention

- introduction of Job Centre Plus and web-based systems have reduced costs of recruitment.

Flexible Working / Homeworking

- modernization of HR policies, such as flexible and home working are being developed to bring about better productivity and reduced transport/accommodation costs.

Equality & Diversity

- Provision of services that recognise the different needs within our community and own workforce to reduce inequalities

The People Strategy & Workforce Development Plan collates all these HR components and associated strategies/plans into one document for easy reference.

Corporate Consultation Strategy

The Council recognises the increasing value that active consultation plays in service delivery and how important it is to deliver services that reflect local needs and concerns. Recent public consultation exercises in respect of the Access To Services Review and revised Corporate Plan Priorities continually enable the Council to reappraise its service priorities and delivery options. Recent investments in consultation have seen the council appoint its own dedicated Consultation Officer, develop a computerised on line consultation system and toolkit, and establish a local residents focus group.

Customer feedback plays an important role in identifying services standards and areas for improvement and the introduction of the Customer First Strategy has enabled an online complaints and compliments system to be developed.

Performance Management Framework

The Corporate Plan sets out six medium term objectives, the delivery of which are supported through a series of corporate priorities linked to key performance indicators delivered through Service Business Plans. These plans contain both strategic (from the Corporate Plan) and service based local performance measures and targets which are cascaded within services into individual work programmes and appraisals targets. The achievement against Corporate Plan targets is monitored on an exception level basis through the quarterly Performance Review Team meetings and operationally through officer line management and supervision arrangements. These reports highlight where performance is not on track and where issues are not progressing as planned. Actions to address these areas are agreed thus ensuring that targets are brought back on line. Quarterly performance reports are also presented to the Budget and Performance Panel for scrutiny purposes. The whole framework is underpinned by the EDPA process (Employee Development & Appraisal System) under which each employee's annual performance objectives are agreed and are appraised on a 6 monthly basis. In this way the council ensures that all staff have the capacity and skills to deliver their priorities. The officer performance management group oversees the Performance Management Framework.

Benchmarking is a very important component of performance management and assists in demonstrating VfM in service delivery. The council continues to develop the effective use of benchmarking using a variety of financial data that includes the audit commission's vfm service profiles and these are now playing a more prominent role in PRT meetings and the annual review of services through Star Chamber.

The recent implementation of the Council's own project management and appraisal system, LAMP (Lancaster's Approach to Managing Projects) is now providing an effective system to ensure projects are delivered on time, on budget , and achieve their intended outcomes.

The reporting structure of the Performance Management Framework is currently being improved by the implementation of the Escendency PM system. This computerised system provides an online, real time snap shot of performance at various management levels tailor-made for its recipient and is available 24/7 to managers.

Externally, the Council is guided by the work of a number of inspection bodies, namely the IDeA Peer reviews and Audit Commission/CPA inspections. The recommended outcomes for improvement from these are included in the Council's Corporate and Service Plans and this is supplemented by any other recommendations from Service Reviews, audit judgements and reports, and the annual Audit Management Letter. In this way, the Council can demonstrate that it is proactively seeking to deliver both service improvements and effective VfM.

The Government has recently announcement that the current Best Value statutory indicators will be abolished from April 2008 and replaced by a reduced set of indicators that will be progressed through Local Area Agreements. The Council will ensure that this process is considered within its corporate planning and budget cycle each year when all the relevant information is available.

Gershon/CSR07 Efficiencies

With effect from 2005/06 the City Council, in common with other local authorities, has had to produce an Annual Efficiency Statement (AES). This statement shows how successful the Council has been in delivering its 3 year efficiency targets set by the Government. The identification and successful delivery of these targets has been developed through the ongoing Star Chamber/VfM service self assessment programme which has seen the council's target of £1.752m successfully delivered in only 2 years.

The process of identifying efficiencies and savings for Gershon is inextricably linked to the council's own Medium Term Financial Strategy which includes efficiency and savings targets in excess of those required under Gershon. These targets are set each year by Council to ensure that Council Tax annual increases are kept to an acceptable level.

By achieving the MTFs targets each year (and consequently its Gershon targets as well), the Star Chamber process has proved its effectiveness in identifying efficiencies and savings. As a consequence, it will continue to be used as a key mechanism for challenging service delivery and for providing an effective review of value for money, and as a conduit for achieving the new 3 year savings required from April 2008 under the CSR07 review.

Star Chamber Process

The City Council follows a three year financial strategy for its revenue budget and a 5 year rolling programme for its capital investment projects, both of which are updated on an annual basis. This process results in a structured approach to budget formulation in which members and officers assess existing service delivery mechanisms against the requirements of the Corporate Plan. Running throughout this strategy is the theme of long term efficiency savings and through the Star Chamber process, the Cabinet is able to challenge and review service activity to identify savings and efficiencies in order to achieve the Gershon efficiency targets and those also included within the Medium Term Financial Strategy.

Star Chamber is an informal panel of Cabinet members and senior officers provides an effective challenge to existing service delivery standards to ensure that they reflect corporate priorities, local needs, and are cost effective. It meets regularly throughout the year and reports into both Cabinet and the Budget and Performance Panel on progress.

Each year Star Chamber reviews each council service in the manner outlined above and this process has a proven track record of achieving the level of savings that have allowed annual council tax increases to be maintained within acceptable levels. VfM challenges are now integrated into the Star Chamber process through the service self assessment process. In addition, procedures have been strengthened to ensure business plans include specific VfM PIs and financial accounting systems are being developed to provide comparative service activity costing information. Services are encouraged to use the VfM profile information that is available on the Audit Commission's website and other comparative VfM information from benchmarking groups in their performance management reports to members.

The outcome of the Star Chamber process is a set of Cabinet budget and policy proposals which recommend to Council a balanced revenue and capital budget set within the limitations outlined in the Medium Term Financial Strategy and in line with Corporate Plan aspirations. This process also ensures that the Council provides an annual VfM challenge as part of its annual budget setting processes and that external savings targets such as Gershon and CSR07 are met.

6 Other Practices and Procedures

Overview and Scrutiny

To supplement the above, the Council's Overview and Scrutiny arrangements ensure that there are robust procedures in place to challenge and scrutinize the performance and cost effectiveness of the City Council. In particular, Overview & Scrutiny Committee monitor the effectiveness of Council policy and the Budget and Performance Panel have responsibility for performance management and reviewing VfM in service delivery.

The Role of Internal Audit

In its day to day work, Internal Audit makes a key contribution to the efficiency/VfM strategy in that it examines, evaluates and reports on the extent to which the Council's control environment contributes to the proper, economic, effective and efficient use of resources. Areas of waste and inefficiency are highlighted and remedial action proposed in reports to service managers. The implementation of these recommendations is reported to, and monitored by, the Audit Committee on a quarterly basis.

7 Conclusion

To date, the council has been effective in delivering the efficiency and savings targets that have been required to satisfy national targets and also those to maintain council tax at acceptable levels to local residents. This has been achieved by constantly reviewing the above framework to ensure that the various strands outlined above are consistent with each other to deliver the intended outcome of providing cost effective services that reflect local needs.