
Report to

Scrutiny Co-ordinating Committee
Cabinet

15th October 2008

21st October 2008

Report of

Acting Chief Executives

Value for Money Partnership Progress Report

1 Purpose of the Report

- 1.1 At its meeting in August 2007, the Cabinet approved the use of the Financial Advisory Framework Contract to engage PricewaterhouseCoopers (PwC) as the Council's strategic advisory partner, in order to create a Value for Money Partnership, to help the Council to deliver service improvements and cost reductions, in line with the Government's national agenda, local policy priorities and the Council's medium term financial position.
- 1.2 The purpose of this report is to set out the progress that has been made since the Partnership was created on 15th October 2007.

2 Recommendations

The Cabinet is recommended to:

- a) note the progress that has been made in establishing the VfM Partnership and commissioning of specific reviews,
- b) note the qualitative and quantitative benefits expected from the seven reviews already commissioned, and
- c) approve the proposal, outlined in paragraph 8.2, to maintain progress with existing reviews, but not invest additional corporate resources until there is greater certainty of achieving projected savings.

3 Background

3.1 Cabinet will recall that the VfM Partnership was established to help to meet the internal and external challenges being faced by the City Council, in common with many other local authorities. Internal challenges included:

- a) Our corporate policy agenda which requires us to undertake a continuous review of services to ensure they are achieving the outcomes the Council wants – as set out in the Council's Vision, Values and Corporate Objectives;
- b) The Medium Term Financial Strategy which identifies significant financial pressures, both on revenue and capital resources, which will require careful management over the next few years;
- c) The need to plan for, and manage the City's growth and regeneration agenda, with its impact on services and spending; and
- d) The need to invest in the modernisation of services, including further use of new technology, where such investment will deliver service improvement and better quality services for customers.

3.2 At the same time a number of external challenges were also identified:

- a) The response to the Government's White Paper "Strong and Prosperous Communities" which poses particular challenges for councils in relation to, for example, new powers for councillors and citizens, tougher efficiency targets, a drive for shared services, the potential for increased competition in service delivery, changes in the operation of local area agreements and a new performance management regime;
- b) The outcome of the City Regions debate and the debate about the shape and role of local government; and
- c) Working with Government, partner agencies and local people to create 'sustainable communities'.

3.3 Against this background, the Cabinet approved the establishment of the VfM Partnership, recognising that the Council would not be able to free up sufficient capacity internally to undertake the work which was needed to contribute to the Council's overall approach to delivering service improvement and efficiencies and reducing spending, while at the same time managing services proactively and dealing with existing change projects. Management Board had identified that the creation of the Partnership would help to embed value for money thinking throughout the Council, and by enabling Council managers to develop new skills, ensure the delivery of effective, efficient and economic services in the future as part of the Council's normal business.

3.4 The purpose of the Value for Money Partnership was established at the outset. Specifically, the City Council wanted to achieve the following outcomes:

- specific service improvements to meet the changing needs of its customers, and the future demand for its services,
- sustainable efficiencies and cost reductions to meet the financial challenges it faces,
- ensure members and officers benefit from external challenge and experience from outside the authority, and

- give staff the opportunity to learn new skills.

4 Progress in establishing the VfM Partnership

- 4.1 The first task which needed to be undertaken to ensure the effectiveness of the Partnership in delivering its objectives was the establishment of overall governance arrangements. Both the Council and PwC acknowledged from the outset that effective joint working and strong governance arrangements would be crucial to the Council maximising the benefits of the Programme. In order to determine how the Partnership should be organised and managed, and which projects should be pursued, governance arrangements have been put in place, which include the establishment of a Programme Board, a project management framework, including a business case methodology to determine which projects should proceed to implementation, and a Programme Management Office. The principles which established how the Council and PwC would work together are set out in the Partnership Charter, which is attached at Appendix 1. Members' attention is particularly drawn to paragraph 3 of the Charter which sets down the guiding principles for the selection and development of proposals under the Value for Money Partnership.

5 Progress in undertaking VfM reviews

- 5.1 To date, the Programme Board has commissioned work to be done on seven reviews, a summary of which is set out below.
- 5.2 **Services for Young People:** This review was designed to establish clarity over the resourcing available to the Council from mainstream and external project funding for services for young people, and how best this might be configured to deliver the Council's key outcomes for young people. It sought to identify service improvements and efficiencies through a review of the activities of managers and front line workers, and the contribution of sessional workers, to the way in which services are provided to maximise flexibility, and to the administrative arrangements. It also looked at how the service might ensure the efficient capture, management and use of data to inform service planning and ensure effectiveness. In addition, the review considered the approach to commissioning – and how this might be streamlined to maximise outcomes for young people in relation to available funding. The review has been completed, and the Council is now at the consultation/implementation stage, which is being undertaken in-house. *A report was presented to Cabinet on 12th August which identified the potential service improvements and cost reductions, and a detailed implementation plan is being prepared for approval at Cabinet today.*
- 5.3 **Procurement:** PwC is supporting the Council in the development of a strategic Procurement function, both corporately and within service Directorates, as well as ensuring that the benefits of procurement improvements are realised. The Procurement review is being delivered in three phases. The first phase of the review is to agree strategic procurement principles and identify opportunities for cost reduction in specific purchasing categories, and is being followed by two additional phases: to identify and deliver quick wins, and roll out an agreed procurement strategy across the Council. The first phase has been completed, and this part of the review has identified a number of quick win procurement opportunities, which are about to be implemented. PwC reported to the Programme Board that many categories of procurement in the City Council had already been the subject of internal activity reflecting the work the Council has already done to ensure effective procurement arrangements are in place. The value of the quick wins identified is approximately £0.5m. (There are also some longer term opportunities identified

which are being pursued). *The expected completion date for the implementation of quick wins is January 2009; the completion date for the implementation of the strategic procurement strategy is dependent upon the appointment of the Head of Procurement.*

- 5.4 **Operational/Support Services:** This is a large scale and complex review, which is focusing on three strands of activity across the Council - the whole range of administrative processes within Directorates, in order to identify opportunities for streamlining and achieving efficiencies; end to end service transaction processes (using business process review methodologies) to improve our interaction with customers (both access and service delivery); and the ways in which professional advice is provided by the Council's corporate support services (Finance, HR, IT and Legal Services). The first stage of this review, recently completed, was to gather data about the activities being carried out across the whole Council to provide a baseline and inform subsequent review work. In addition, end to end service review work is being undertaken initially in City Services, but with a view to extending this strand across all Directorates, and the HR service is being used to develop a model for effective service delivery. The suitability of this model for other support services – IT, Finance and Legal Services - will then be assessed. *The data gathering for the baseline has been recently completed, and the end to end service review work in City Services is planned for completion by the end of October. In addition, the work to establish a professional service model for HR, is set for completion by October. Completion of further work is dependent upon the outcome of these current strands of review activity.*
- 5.5 **Fees and Charges:** The purpose of this review is to establish an over-arching policy framework for the Council, to guide and influence the setting of fees and charges in the future, and also identify where there are opportunities for income generation by the Council from discretionary charging and/or commercial activities. This is taking into account areas where other local authorities levy fees and charges for which the City Council has historically chosen not to do so, building on the guidance outlined in the Audit Commission's national report "Positively Charged". (The initial benchmarking work would indicate that Coventry's overall level of income from fees and charges is substantially lower than nearest neighbour comparators, and the Council needs to understand why this is so, and what income opportunities exist). *The gate 2 business case was considered at the VfM Partnership Board in September. Work is in hand to finalise a policy on fees and charges, some quick wins and a range of services where the Council may want to introduce or raise charges. It is intended to bring a report to Cabinet in the Autumn for decisions to be made.*
- 5.6 **Debt Management and Income Collection:** The purpose of this review is to assess how well the Council's debt collection is managed, making comparison with best practice models, and identifying options for service improvement. *A programme of quick wins to improve processes is set for completion by the end of October. Service improvement opportunities will follow, with a completion timetable.*
- 5.7 **VAT:** The purpose of this review is to identify whether there are opportunities for the Council to reclaim overpaid VAT, as a result of re-interpretations of complex VAT legislation. This review is being conducted on a no gain/no fee basis, and two claims, for £0.4m and £0.6m respectively, have already been made to Her Majesty's Revenue and Customs. *The Council is awaiting a response from HMRC.*
- 5.8 **Children's Transport:** This review is taking forward the recommendations of an internal VfM review already undertaken on transport for looked after children and children with special educational needs. Its purpose is to implement technical and operational changes to improve the economy and efficiency of the service, and also benchmark current service arrangements to establish best practice in relation to children's transport policy, and thereby improve effectiveness. *This review is expected to be completed by the end of November.*

- 5.9 The costs incurred or committed on these projects and the current assessment of potential service improvements and cost reductions are set out in the next section.

6 Assessing the Success of the Partnership

- 6.1 Both the City Council and PwC have recognised that the health of the partnership is critical to the success of their relationship, and are working on the basis that the Partnership extends beyond a simple commercial arrangement on a Review-by-Review basis. Given the number of dimensions to the Partnership, a balanced scorecard has been established - using "Financial", "Customer", "Internal" and "Learning and Innovation" as four areas in which we can measure performance measurement. These are described in some detail in the Programme Charter (Appendix 1, section 4), and they can be summarised under four headings:

- a) **Financial:** Do the fees charged by PwC represent value for money for the Council, are they in line with the budget, has PwC delivered the financial outcomes agreed? Is the partnership working commercially for both parties, is the partnership spending in line with the budget, is it delivering the value promised?

The financial performance measures cover the financial management of projects, the delivery of qualitative and quantitative benefits, and as a consequence, the overall financial impact on the Council. Whilst we have not yet reached the point where the delivery of potential savings is certain, there are a range of potential benefits identified for each review commissioned, and these are set out in the table in paragraph 6.2 below. We now have two reviews (Services for Young People and Procurement) which have reached the implementation stage, and both include recommendations which are deliverable and in line with previous forecasts of benefits expectations. The budgets for individual projects and therefore the Programme as a whole are being managed effectively. We have recognised the challenge to the Council in implementing the service changes to realise benefits, and this is considered in more detail in section 7 below.

- b) **Customer:** has the partnership delivered the critical success factors in relation to the Council as its customer, for example perceptions across the Council and client satisfaction feedback?

We are not yet in a position to comment fully on the way in which the Partnership has met the success criteria for customer expectations. Certainly, there have been issues to manage within individual projects and these have been tackled jointly and pro-actively. Overall satisfaction with PwC is beginning to establish itself and will be strengthened by the delivery and implementation of specific and quantifiable service improvements and savings.

- c) **Internal:** have the Partnership working arrangements been established (the processes, meetings, reporting, monitoring arrangements) been delivered? Are stakeholders managed effectively?

The governance arrangements have been successfully implemented and the organisational requirements of both individual projects and the Programme Board are well understood. We have recognised as a learning point that we need to work to continue to develop joint working between the Council and PwC, and also to strengthen the relationship between the Programme Management Office and individual Council project leads. In all the reviews commissioned to date, however, there is agreement that Partnership working has led to "additionality" –opportunities to deliver

service improvement and cost reduction, which would not have been achieved without joint working. The benefits from the programme in terms of service improvement and efficiency savings have taken longer to materialise than was originally expected – particularly in relation to fees and charges. Now the governance arrangements are broadly agreed the Programme need to progress into implementation of projects as quickly as possible.

- d) **Learning:** what has PwC learned from the relationship with the City Council and vice versa? Are we jointly delivering outcomes from the Partnership which neither party could deliver alone?

There is strong evidence, especially in relation to the major review of Operational/Support Services that skills transfer is working. The skills transfer plan is better developed for this review, and we have recognised that we need to further develop plans for all other reviews.

- 6.2 In addition, the Partnership work to date has identified a number of key Council-wide themes which are emerging and which will need to be developed as the work of the Partnership continues. These include:
- a) The importance of corporate standards being established and applied across the Council,
 - b) The need to develop a Council wide organisational delivery plan, which links together the Council's key strategies, in terms of methods of working, operational property, facilities management, HR and IT, and which will set the vision for organisational development over the medium term.
 - c) The continued search for new ways of working which both improve services to customers and reduce costs.
- 6.3 PwC has been invited to comment on the success of the Partnership from their perspective, and Appendix 2 contains their comments.

6.4 Summary of Projected Costs and Benefits

<u>Project</u>	<u>Fees Paid or Committed</u> <i>(Note 1)</i>	<u>Stage of Review</u>	<u>Forecast of Ongoing Savings</u>	<u>Service Improvements Expected</u>
	£000		£000	
Establishment of Programme Management Office	41			
Procurement	56	Gate 2 approved (phase 1a)	1,000	Whilst this review is mainly about securing financial savings from improved procurement arrangements, qualitative benefits are anticipated from the application of professional procurement skills to all significant areas of spending; co-ordination and standardisation of processes, products and services; greater compliance with procurement policies and contracts; contracting consistency and improved contract management.
Services for Young People	67	Gate 2 approved	364	Qualitative benefits are anticipated from the service being more responsive to young people's needs and their greater engagement; increased promotion and communication of the service; improved outcomes; maximising the skills of employees and local providers; reducing duplication of effort; and more time being spent by frontline workers in delivering services to young people.
Operational/Support Services	307	Gate 2 commissioned	2,500	This review is a very significant and complex piece of work which potentially impacts across all the Council's services. Qualitative service improvements are expected for the Council's customers - improved standardisation of service processes and delivery in accordance with standard; removal of duplication of work; and a focus on delivering what matters to customers.

Fees and Charges	37	Gate 2 approved	1,000	Whilst this review is mainly about securing additional income from increased fees and charges for services provided by the Council, qualitative benefits are anticipated from establishing a Fees and Charges Policy for the Council as a whole which will ensure consistency in the future, and greater clarity about the use of concessions.
Debt Mgt. and Income Collection	105	Gate 2 commissioned	100	The main focus of this review is to improve the Council's cash collection performance and reduce the level of outstanding debts, the benefits of which are largely financial in nature. However, it is anticipated that qualitative benefits will be delivered from making payment easier for customers, contributing to the delivery of the Council's access strategy.
Value Added Tax	No gain/no fee	Gate 2 commissioned		This review is concerned with the potential for challenging VAT assessments and the benefits realised will be financial in nature. Savings will be one-off rather than ongoing – the forecast is currently around £1m, less PwC fees of £150,000.
Children's Transport	76	Gate 2 commissioned	250	At the current time, qualitative benefits are expected to arise from comparisons between the Council's current policy and operational arrangements compared to best practice. These potential qualitative improvements for this review will be firmed up at the gate 2 business case stage.
TOTAL	689		5,214	

Note 1: At the present time, £164,000 has been paid and a further £525,000 is committed. As reviews are progressed beyond gateway 2 – the pre-implementation gateway, the Council needs to determine how best to implement, and if it chooses to engage PwC to support implementation, then further fees will be payable, which have not yet been determined. If the Council decides to use in-house resources to implement, it would incur additional internal costs in implementing reviews, releasing key staff from their day-to-day roles in order to support implementation.

7 Key Challenges for the Future – Implementing the outcomes of Reviews

- 7.1 It has been recognised that delivering the qualitative and quantitative benefits from Reviews is a major component in the success or otherwise of the VfM Partnership. No matter how well developed and evidenced are the recommendations arising from gate 2 business cases, the benefits will only be delivered if there is a concerted effort to put these recommendations into practice.
- 7.2 Recommendations for service improvement and/or cost reduction have been agreed by the Programme Board for the reviews of Services for Young People and Procurement, and recommendations arising from the review of Operational/Support Services are expected in the near future (for some of the review strands). For the former two reviews, the Council has decided to lead the implementation internally.
- a) **Services for Young People:** an implementation group has been established to oversee the changes recommended in the VfM review report, and a progress report is on your agenda today. Progress on implementation will be reported to each meeting of the Partnership Programme Board as part of its normal governance arrangements.
 - b) **Procurement:** given the corporate nature of the procurement savings identified in the VfM review report, a clear process has been developed for the achievement of procurement savings across all Directorates, and is being delivered by an implementation team. Again, progress on implementation will be reported to each meeting of the Partnership Programme Board as part of its normal governance arrangements.
 - c) **Operational/Support Services:** although no recommendations have been proposed yet, the corporate and cross-cutting nature of this review is likely to result in opportunities for significant service improvement and cost reduction, arising from the implementation of new ways of working. It is expected, for example, that systems and procedural changes will be identified, which will involve all Directorates, and which will impact on current working cultures and methodologies. Based on the experiences of other authorities, there is the potential for significant organisational change, for example involving the re-allocation of work between front and back office, which will require very careful management in order to ensure that service improvements and savings are fully realised.
- 7.3 The critical success factors for the achievement of benefits identified by Reviews are:
- a) The clear definition of both quantitative and qualitative benefits, as part of the review approval process
 - b) The commitment from relevant service areas to the delivery of benefits
 - c) The allocation of specific responsibility for the delivery of benefits
 - d) Proactive management of the benefits realisation process.

The Partnership Programme Board, supported by the Programme Management Office, is committed to ensuring that these critical success factors are achieved. To this end, the Programme Board is considering how best to organise the implementation of benefits, and to consider the options available. For example, PwC could provide implementation support,

or it might be beneficial to establish a small in-house team to support the implementation of the recommendations of all reviews, as appropriate.

8 Other specific implications

8.1

	Implications (See below)	No Implications
Neighbourhood Management		✓
Best Value	✓	
Children and Young People		✓
Comparable Benchmark Data		✓
Corporate Parenting		✓
Coventry Community Plan		✓
Crime and Disorder		✓
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓
Human Resources		✓
Human Rights Act		✓
Impact on Partner Organisations		✓
Information and Communications Technology		✓
Legal Implications		✓
Property Implications		✓
Race Equality Scheme		✓
Risk Management	✓	
Sustainable Development		✓
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact		✓

8.2 Financial Implications

The over-riding financial principle for the Value for Money Partnership is that its costs, including PwC fees and the internal Programme Management Office, will be funded in the due course of time from the efficiency savings which it achieves. As most of the savings delivered are likely to be ongoing, whereas the fees paid to PwC are once-off, in the medium term savings will be available to contribute to the Council's financial position.

However, Cabinet acknowledged at its meeting in August 2007 that it would be some time following the commencement of the Partnership before the flow of benefits began to arise, and as a consequence, agreed to establish an initial pump-priming fund by the temporary transfer of £0.7m from the Risk Management and Insurance Reserve. It was agreed that as

savings and other cashable benefits are achieved, sums taken from this fund would be repaid. It was also agreed that the way this method of funding had worked in practice would be reviewed after 12 months.

The costs already incurred and commitments entered into with PwC for projects to date arising from the work of the VfM Partnership are set out in the table in section 6.4. It shows that the City Council has spent or committed £0.7m for PwC fees for service reviews - £648,000 for reviews, and £41,000 to establish the governance arrangements and Programme Management Office. Separate reserve funding was made available in 2006-07 to fund the Value for Money team (the Programme Management Office), which runs out during the current year. (The annual cost of the PMO is £0.3m).

In order for all these costs to be funded (and the pump-priming reserve of £0.7m to be repaid), the VfM Partnership Programme needs to realise cash releasing benefits/savings. At this stage in the life of the Programme, it is too early to identify the precise level of savings. Indicative target savings for the current reviews (which will need to be firmed up as work proceeds) are also set out in the table in section 6.4.

However, as that table demonstrates, the Programme Board anticipates a significant range of savings over the medium term being generated, which will both pay for all the costs incurred and make a significant contribution to delivering a balanced budget, as part of the Medium Term Financial Strategy. Nevertheless, the current position is that the original £0.7m pump priming funding has been almost fully committed, and we already know that in order to progress some of the commissioned reviews to completion, especially the Operational/Support Services Review (by extending the end to end review work to other parts of the Council, and reviewing Directorate based administration), we will need further funding.

With approved corporate funding committed, it is proposed that work continues on the seven reviews already commissioned, but no further corporate spending commitments are entered into until there is a greater degree of certainty about the achievement of the identified target savings. By 31st March 2009, there should be greater certainty about the achievement of savings from at least some of the commissioned reviews, and as a consequence, decisions will then be able to be made on the future development of the VfM Partnership Programme.

8.3 Best Value

The City Council is committed to delivering value for money through the improvement of the economy, efficiency and effectiveness of its services. The proposal to appoint a VfM partner has increased the Council's capacity to undertake service reviews in ways which are consistent with the Council's Value for Money Strategy, and which are seeking to deliver service improvement and cost reduction.

8.4 Human Resources

Full consultation will take place with employees about any service redesign issues and the Security of Employment Agreement will apply where appropriate.

8.5 Trade Union Consultation

Full consultation will take place with trade unions about any service redesign issues and the Security of Employment Agreement will apply where appropriate.

8.6 Risk Management

The Programme in total, and specific projects within the Programme, will be subject to a number of key risks, which need to be managed. Risk management arrangements have been put in place, and are regularly monitored. The Risk Register for the overall Programme was last reported to the VfM Partnership Board on 2nd September 2008 and is attached as Appendix 3.

8.7 Other Implications

The programme of review work will have implications for many or most aspects of the Council's services and activities. A business case will be drawn up for each review project which will address all relevant implications.

9 **Timescale and expected outcomes**

	Yes	No
Key Decision		No
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	Yes – 15 th October	
Council Consideration (if yes, date of Council meeting)		No

List of background papers

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Papers open to Public Inspection

Description of paper

Location

NONE