

Report to

Scrutiny Co-ordinating Committee
Cabinet Member (Finance and Value for Money)

18th March 2009

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Report of

Assistant Chief Executive

Value for Money Partnership Progress Report

1 Purpose of the Report

- 1.1 At its meeting on 15th October 2008, the Scrutiny Co-ordinating Committee received a report entitled "Value for Money Partnership Progress Report", which was also considered by Cabinet on 21st October. The purpose of that report was to set out the progress made since the Partnership was created on 15th October 2007.
- 1.2 As a consequence of Scrutiny Co-ordinating Committee's deliberations, a further meeting was arranged to which the Cabinet Member (Finance and Value for Money) and the VfM Manager attended, and answers were provided to Scrutiny Members' questions.
- 1.3 The outcome of Scrutiny Co-ordinating Committee's meeting was reported back to the Cabinet Member (Finance and Value for Money) at his meeting on 21st January 2009, and the Cabinet Member agreed that officers would submit three-monthly Partnership progress reports to the Scrutiny Co-ordinating Committee. This report is the first of these progress reports.

2 Recommendations

The Scrutiny Co-ordinating Committee is asked to:

- a) note the progress that has been made in the last three months,
- b) consider whether there are any issues which it wants to refer to the Cabinet Member (Finance and Value for Money).

The Cabinet Member (Finance and Value for Money) is asked to:

- a) consider any issues raised by the Scrutiny Co-ordinating Committee

3 Background

- 3.1 Scrutiny Co-ordinating Committee will be aware that the VfM Partnership with PricewaterhouseCoopers was established in October 2007, in recognition 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.
- 3.2 Specifically, the City Council wanted to achieve the following outcomes from the work of the Partnership:
- 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 report to Cabinet and Scrutiny Co-ordinating Committee in October 2008 set down the progress that had been made establishing the overall governance arrangements and undertaking a series of value for money reviews, designed to achieve the above objectives. That report also made clear that work would continue on the seven reviews which had been commissioned but that no further corporate spending commitments would be entered into until there was a greater degree of certainty about the achievement of the identified target savings. By 31st March 2009, it was reported that there should be greater certainty about the achievement of savings from at least some of the commissioned reviews, and as a consequence, decisions would then be able to be made on the future development of the VfM Partnership Programme. In accordance with this decision, work has continued on the seven commissioned reviews, and progress is summarised in the following paragraphs.

5 Progress in undertaking VfM reviews

- 5.1 A summary of progress is set out below.

COMPLETED REVIEWS:

- 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. Following reports to Cabinet in August and October 2008, and to your Committee in November 2008, a series of measures were established to achieve the agreed value for money service improvements and savings. These measures ranged from devising a communications and engagement strategy to designing a commissioning process for the provision of positive activities for young people. An

implementation plan is in place and a project team, lead by the Head of Children's Neighbourhood Services, is managing progress.

5.3 **Procurement:** The objective of this review is to help to reduce, avoid or better control the Council's spending with external providers/suppliers. A number of work-streams are being pursued which are designed to deliver quick win savings opportunities from our procurement arrangements. These include:

- a) publicity, print and photocopying: work is in hand to audit the current use of print facilities so that new methods of working to deliver greater efficiency can be implemented.
- b) venue management: a project is running to improve the utilisation of our internal meeting room capacity and set a policy for the provision of catering.
- c) postage: negotiations are proceeding to join with Birmingham City Council to take advantage of lower prices offered by the Royal Mail's Wholesale Account.
- d) mobile phones: a new policy has been developed and the existing mobile phone contract is being reviewed.

5.4 **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. There are a number of income opportunities still being pursued although the expectation is that the likely additional income will be small. In addition, the draft budget for 2009-10 includes some significant income increases which derive from this review.

CURRENT REVIEWS:

5.5 **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).

5.6 Work is progressing to implement the changes to working practices in City Services following the completion of the end to end service review, to introduce the new Human Resources model of working, and to make changes to the ways in which the Council interacts with its customers, following the secondment of a PwC consultant to work in the Council's Contact Centre and analyse how well working arrangements comply with best practice. Partly in response to this secondment, a new project brief is being developed to transform customer access, and consolidate the use of the Council's investment in customer relationship technology. Improvement and Efficiency West Midlands (IEWM), formerly the WMRIEP, has agreed to fund £175,000 of our costs, as part of the government sponsored Transformation Programme. The Operational/Support Services review is moving into a new phase of activity, which will examine the way we deal with our customers – improving the customer experience so we get it right for the vast majority of people first time, make it as easy as possible for people to access our services and develop the most cost-effective ways of delivering these services.

5.7 **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 is in place – a number are being implemented to improve collection and reduce the level of bad

debts; others are dependent upon the investment in upgraded IT systems, which has yet to be considered and programmed. Work on the review of the cash collection arrangements has commenced.

- 5.8 **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 been made to Her Majesty's Revenue and Customs. An HMRC officer has met with us to seek additional information, and a confirmatory letter received that the claim is progressing, and that overpayments are accepted for some parts of our claim (and other parts are being considered further). We anticipate receiving repayment for part of our claim (£225,000) before 31st March. £99,000 has already been received. (PwC fees on these repayments are 5%).
- 5.9 **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. Following process mapping work and a Workshop to outline the results, a programme of improvement opportunities has been put together, and the project is moving into implementation. At the same time, Scrutiny Board 2 is supporting the review by considering options for changes to children's transport policies. The Partnership is currently assessing the costs and benefits of these options so that Scrutiny Board 2 can progress its deliberations.
- 5.10 The costs incurred or committed on these projects and the savings included in the 2009-10 Budget are set out in the next section.

6 **Costs and Savings – Current Position**

6.1 Summary of Projected Costs and Savings

<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>Savings included in draft Budget for 2009 -10</u>
Establishment of Programme Management Office	£000 41		£000	
Services for Young People	67	Gate 2 approved	364	<ul style="list-style-type: none"> • implementation of services for young people review - £110,000 (savings of £250,000 ongoing included in 2008-09 budget) • Total Savings in 2009-10 - £360,000
Procurement	56	Gate 2 approved (phase 1a)	1,000	<ul style="list-style-type: none"> • looked after children fostering framework - £80,000 • procurement opportunities: venue management, printer rationalisation, mobile phones and publicity - £200,000 • stationery and photocopying savings – £47,000 • Total savings in 2009-10 - £327,000; (£327,000 in a full year)
Fees and Charges	37	Gate 2 approved	1,000	<ul style="list-style-type: none"> • bereavement services additional charges - £40,000 • social care charging - £448,000 • car parking charges - £450,000 • social care: blue badge charging - £90,000 • Total Savings in 2009-10 - £1,028,000; (£1,118,000 in a full year)
Operational/Support Services	307	Gate 2 commissioned	2,500	<ul style="list-style-type: none"> • grounds maintenance commissioning and service delivery arrangements - £56,000 • street cleansing and grounds maintenance end to end service review - £70,000 • human resources review - £100,000 • financial management review - £119,000 • review of waste collection service - £200,000 • Total Savings in 2009-10 - £545,000; (£682,000 in a full year)

Debt Management and Income Collection	105	Gate 2 commissioned	100	<ul style="list-style-type: none"> accounts payable cashflow and discount savings - £120,000 cashflow savings from reducing level of debt - £40,000 Total savings in 2009-10 - £160,000; (£160,000 in a full year)
Value Added Tax	No gain/no fee	Gate 2 commissioned		
Children's Transport	76	Gate 2 commissioned	250	
TOTAL	689		5,214	

Note 1: At the present time, £412,000 has been paid and a further £277,000 is committed.

7 Future Development of the VfM Programme

7.1 The Council is starting to consider how it can continue to deliver lasting improvements to its service delivery and meet the financial challenges it, and all councils, are facing. It has been recognised that we need to be putting more effort into improving the customer experience - right first time service delivery, improved accessibility to services, and cost effective delivery. Work is progressing on developing an Organisational Blueprint, which will define the Council's continued improvement journey. The VfM Partnership Programme is an important component of the Council's method for delivering service improvement and cost reduction, and will need to be closely aligned to the Blueprint in the future. There are four major pieces of work currently at the design stage which will contribute greatly to the delivery of the Blueprint:

- a) the consolidation of those services for which customer contact is currently received by the Contact Centre
- b) the migration of other services so that customer contact is received by the Contact Centre, including the consequent review of those services to develop the most cost effective ways of delivery
- c) the fourth strand of the Operational/Support Services review – directorate administration
- d) the extension of the professional services target operating model to all central services

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 Sustainable Community Strategy		✓
Crime and Disorder		✓
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓
Human Resources		✓
Human Rights Act		✓
Impact on Partner Organisations		✓
Information and Communications Technology		✓

	Implications (See below)	No Implications
Legal Implications		✓
Property Implications		✓
Race Equality Scheme		✓
Risk Management	✓	
Sustainable Development		✓
Trade Union Consultation	✓	
Voluntary Sector – The Coventry Compact		✓

Financial Implications

- 8.2 Members will be aware that the over-riding financial principle for the Value for Money Partnership is that its costs 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.
- 8.3 In the previous progress report to Cabinet, whilst it was acknowledged that it would be some time following the commencement of the Partnership before the flow of benefits began to arise, the VfM Partnership Programme needs to realise cash releasing benefits/savings in order to repay pump-priming investment and create resources to fund future reviews.
- 8.4 As the financial table in paragraph 6 above demonstrates, it is anticipated that there will be significant savings over the medium term, 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. These savings add to those already delivered by VfM reviews co-ordinated by the VfM team since it was established, which total £0.9m.
- 8.5 Nevertheless, the current position remains 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, some of which will now be provided by IEWM, following the successful proposal put forward under its Transformation Programme.
- 8.6 The draft Budget for 2009-10 identifies the savings which have been built into the base budget which derive from the VfM Partnership Programme. These total £2.4m in 2009-10. As these have been used to contribute to the 2009-10 Budget, and in the future to contribute to the medium term financial position, they are not available to either repay the original pump priming investment or pay for future reviews. However, discussions are taking place with PwC to consider whether future review work can be funded on a risk and reward basis, in which PwC receive part payment as review work proceeds, and part payment when service improvements and savings have been delivered. These

discussions are connected to the future development of the Programme which is set out in section 7 above.

Best Value

- 8.7 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 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 delivering service improvement and cost reduction.

Human Resources

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

Trade Union Consultation

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

Risk Management

- 8.10 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 are in place, and risks are regularly monitored.

9 Timescale and expected outcomes

	Yes	No
Key Decision		No
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	March 2009	
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