VALUE FOR MONEY

STRATEGY

2016-19

*Working hard to make every pound
we spend go further*

CONTENTS

1. Introduction

1.1 Like all other councils and public bodies across the Country, Welwyn Hatfield Borough Council seeks to achieve *value for money* in how it plans and delivers local services.

1.2 This approach is crucial in the current economic climate, where a new financial landscape has placed many of the services we provide under increased pressure. We continue to prepare our budgets in uncertain economic times. There are significant changes in both how the public sector is funded and the level of funding available. As an authority we are working with fewer resources and indications from the Treasury are that funding reductions will continue for the whole term of the new parliament.

1.3 Locally this means we must prepare for further reductions in funding while keeping as many of our essential services viable. As well as government grant reducing over this period, our capacity to raise income from other sources (such as the Council Tax) is limited. Chargeable services such as car parking must be structured sensitively and aligned with market tolerance if they are to increase our revenue. External factors such as interest rates and inflation also impact on our ability to balance our budget, as does the country's recovery from recession and local growth in economic activity.

1.4 In this context, our *Value for Money Strategy* is designed to help us make sure we use our resources to best effect. This means doing more with the same resources or the same with fewer resources. This will be very challenging and will give rise to some difficult business decisions. Reviewing the services we currently provide, thinking about how else we can we deliver them, and considering changes to the way we work will help us to become more innovative and efficient in the longer term.

1.5 Welwyn Hatfield remains a relatively prosperous area in national terms, but we do have small pockets of deprivation and exclusion prevailing within the borough. We seek to address these when we plan and deliver our services. To make this happen, it is important we have clear financial controls in place to target our resources to those areas in most need.

1.6 Value for money is a key consideration as it helps in evaluating each service, scheme or initiative we undertake against our corporate priorities. These are set out in our Business Plan for the borough, and are accompanied by a range of supporting objectives and annually refreshed targets. Our Medium Term Financial Strategy also guides us in making informed decisions on targeting resources to priority areas.

1.7 Providing low cost high quality services has long been a necessity for us. This will continue as we progress through a very demanding period which will see significant changes to both the structure of the council and the services provided. We want to keep our burden on the public purse at the minimum possible level, and this Strategy provides us with a framework within which to do this.

2. The Borough Profile

Geography

2.1 Welwyn Garden City and Hatfield are the main sources of housing for the borough, contain the major shopping and service facilities and are the principal locations for local employment.
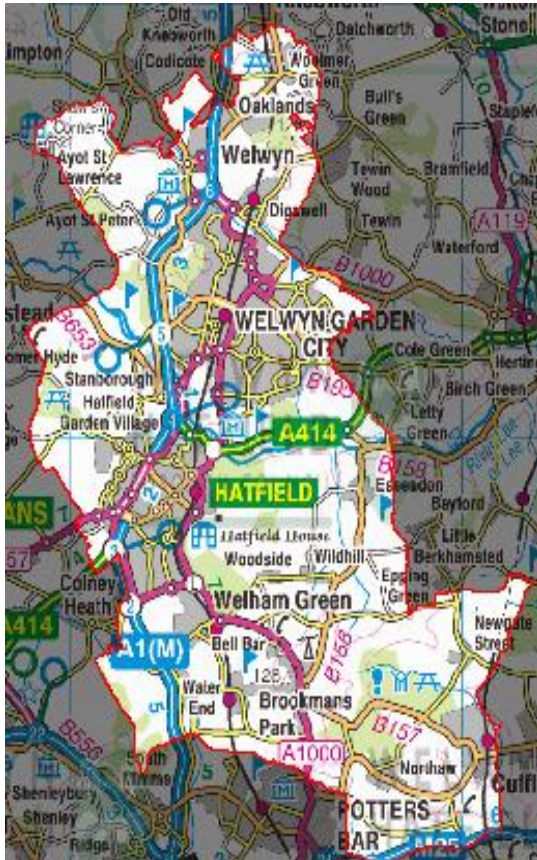
- The borough covers an area of approximately 130 square kilometres in central Hertfordshire.

- A large part of the borough is open countryside, and nearly 80 per cent of it is covered by the Metropolitan Green Belt.

- In addition to the 2 main towns of Hatfield and Welwyn Garden City there are 8 large villages at Brookmans Park, Cuffley, Digswell, Little Heath, Oaklands & Mardley Heath, Welham Green, Welwyn and Woolmer Green.

- The borough is very accessible by road with the A1(M) passing through the area and connecting to the M25 to the south, and by rail with the East Coast main line passing through the area from London to the North East and Scotland.

2.2 Recent development at the new Hatfield Business Park and development associated with the growth of the University of Hertfordshire has led to new private and social housing, new employers relocating into the area, and the University expanding in terms of its academic, research, sport and leisure facilities.

Population

2.3 The borough's population is just over 114,000. The Borough has one of the highest population growth in England in the past 10 years. Changes in population places different demands on the provision of local public services, and all providers must adopt a degree of flexibility in how they deliver their services to cope with these changes.

2.4 There are around 46,900 households in the borough giving an average household size of 2.5 people, although the projected long term trend is for more households comprising fewer people.

Economy

2.5   Located only 35 kilometres north of London, the borough enjoys a good balance of urban and rural life with many people commuting in and out of the borough to work. The Hatfield Business Park attracts highly skilled workers from across the country and from other parts of the world. Many businesses based in the borough also use new technology to enable some of their workforce to telecommute and work remotely from home.

2.6   Weekly earnings are currently above both the recorded regional and national averages. This suggests that Welwyn Hatfield is a provider of higher paid jobs, which attracts commuters from other areas of Hertfordshire and surrounding areas. Also, those residents who commute out of the borough to work enjoy higher than average levels of remuneration.

2.7   While commuting to London accounts for many jobs among the local workforce, major employers in the borough also attract many people from outside to come and work, who then spend and take advantage of local leisure opportunities. Major employers operating in the borough currently include Tesco, Ocado and the University of Hertfordshire.

Local Priorities

2.8   Our Business Plan sets out our corporate priorities and supporting objectives for the borough. These are based on what local people have told us are important to them at this time, and endorsed by Members and Officers. Their collective aim is to improve the lives of those who live and work in the borough.

2.9   The corporate priorities for the next three years up to March 2018 are:

- Maintain a safe and healthy community
- Protect and enhance the environment
- Meet the Borough's housing needs
- Help build a strong local economy
- Engage with our communities and provide value for money

3.	**Our Approach to Value for Money**

Basic Principles

3.1 *Low Cost + High Performance + High Satisfaction = Value for Money.*

In simple terms, value for money is about obtaining the maximum benefit from the resources that are available to us. It can be defined as achieving an optimal balance between economy, efficiency and effectiveness – the 3E's.

(i) Economy – *'Spending Less'*

This is the price we pay for what goes into providing a service. It is about delivering that service at an optimum cost through minimising the resources we expend on it.

(ii) Efficiency – *'Spending Well'*

This is a measure of productivity and performance so how much we get out is directly related to what we put into a service.

(iii) Effectiveness – *'Spending Wisely'*

This is an impact measurement and it can be either quantitative or qualitative. It is concerned with outcomes for our residents and measures how they perceive our services.

3.2 Value for money is achieved when costs are relatively low, productivity is relatively high and successful outcomes have been accurately measured.

3.3 At a practical level we believe value for money can be achieved in a number of different ways. These are by:

- Reducing costs for the same outputs (e.g. the cost of labour or the lower cost procurement of services).
- Reducing inputs for the same outputs (e.g. how much we pay for people, energy consumption, provision of materials).
- Achieving greater outputs with improved quality for the same inputs (e.g. delivering an enhanced service at a higher quantity).

3.4 A value for money approach to be effective must work alongside all other corporate improvement themes:

- Customer focused services
- Efficient use of assets
- Effective people
- Continuous improvement through performance management
- Effective business models and procurement

Programme of Activity

3.5 Responsibility for implementing value for money good practice resides with all Members and Officers. It is not exclusive to those with responsibility for finance or other resources. Raising awareness and understanding is fundamental to its success. We make use of a number of processes during the year to assess, review and improve value for money:

(i) Performance Management Framework

An internal Performance Clinic involving all Executive Members, Directors and Heads of Service is held every quarter to monitor and manage all key performance, finance and risk data. Clinic meetings operate on an exception basis, so any issues impacting on value for money (such as any substantive budget variations) can be identified and discussed at an early stage.

(ii) Budget Challenge Process

Our budget setting timetable incorporates opportunity for challenge and review. It is important that there is focus on the short, medium and long term. Heads of Service must consider where there is opportunity to make improvements to value for money in the short term and the resulting budget implications on the following financial year (both growth and savings). However, they must also consider the more substantial ways to make improvements that may require a lead in time before they can be delivered. As such, the budget challenge process contains the following tasks:
- Budget scrutiny review of all budgets led by the Head of Service and Finance Manager
- Head of Service Team peer challenge of budgets and in particular budget proposals and longer term plans for improvement
- Executive Board challenge with Heads of Service
- Member and Executive Board away day

(iii) Procurement Strategy

The council has had a formal Procurement Strategy for many years and has been very successful in achieving greater value for money by outsourcing services. This has led to significant budget savings. We use an online procurement portal to enable prospective contractors to view current contract opportunities, to declare interest and download tender documents

(iv) Internal Audit and Governance

The Shared Internal Audit Service (SIAS) completes an annual programme of service assessments to make sure they are consistent with the council's governance arrangements, and to make any recommendations for change. All Directors and Heads of Service are required to complete and sign an annual Management Assurance Statement which asks them to confirm if there are

any significant governance issues known to them relating to financial management and value for money.

(v)   Member Scrutiny

Regular monitoring reports on outsourced services are presented to the three Overview and Scrutiny Committees. These meetings are held in public, which enables both local people and the media to attend and scrutinise reports. This is central to promoting our accountability and transparency in the public domain, and to report where we believe value for money is being achieved.

Value for Money Measurement

3.6   The primary measurements for value for money are cost, performance, productivity and perception.

(i)   Cost and Performance

We are able to form a value for money opinion when the cost of a service or process is compared with its performance. Benchmarking with other public bodies is one means of measuring this, and we subscribe to a range of formal and informal groups.

It is important to recognize that a high cost service is not necessarily a poorly performing one in comparison to others. There are often very robust local reasons why our cost base is higher or lower than others. These include where a decision has been taken by Members that a particular service is very important locally and a priority for the Council.

Some of the Council's services must be provided because there is a statutory duty to do so. However, consideration must be given to the relative quality that is needed locally and this will often impact on the relative cost. Other Council services are provided at the discretion of the Council and here the consideration is not just about the relative quality that should be provided, but also whether these services should be provided at a cost to local taxpayers at all.

(ii)   Productivity

Productivity influences the relationship between cost and performance. It is about how good we are at using inputs like money and people to effective use.

Delivering services in different ways can sometimes be a way to improve productivity. Outsourcing is one example of working differently and the outsourcing of major services such as household refuse and recycling, grounds maintenance, sports and leisure facilities and revenues and benefits on a long-term basis has led to a more efficient use of money and people to achieve the same results.

Other examples of working differently to deliver services are closer working with key partners by sharing services and using technology to streamline

processes and reduce the cost of transactions by shifting to more efficient mechanisms, such as use of online services.

(iii)   Perception

A means of measuring the outcome of services to the residents of the Borough is essential to understand whether value for money has been achieved. Meaningful performance indicators which are actively monitored will help to ensure that the intended outcomes are being delivered. The bi-annual "My Council" survey is also supplemented with ad hoc Borough Panels to obtain the views of residents about how well services are meeting needs and performing to expectations.

4. Value for Money Action Plan

4.1 Our agreed and measurable Action Plan helps us to monitor our continuing value for money work.

	Targets	By When	Lead Officer	Support Officer
1	Performance Clinics	Quarterly	Heads of Service	Head of Policy & Culture
2	Budget scrutiny review of all budgets	September 2016	Head of Service	Finance Manager
3	Head of Service Team Peer Support and Challenge	September 2016	Head of Service	Head of Resources
4	Executive Board Challenge Sessions	October 2016	Head of Service	Head of Resources
5	Member and Executive Board Away Day	October 2016	Exec Board	Head of Resources
6	SIAS – Audit Programme	March 2017	SIAS	Principal Governance Officer
7	Reports to Overview & Scrutiny Committees	March 2017	Head of Service	