



Report of the Deputy Chief Executive

Audit Committee – 9 March 2021

Value for Money & Benchmarking

Purpose: The report provides an overview of how the Council seeks to achieve Value for Money, which includes the role of benchmarking, and what information is required to enable the Audit Committee to discharge its duties.

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For Information

1. Background – legislation

1.1 This report provides an overview of how the Council seeks to achieve Value for Money, which includes the role of benchmarking, and what information is required to enable the Audit Committee to discharge its duties.

1.2 The phrase 'Value for Money' has had a long history in local government. The Best Value regime was introduced in England and Wales by the Local Government Act 1999. The aim was to improve local services in terms of both cost and quality. A Best Value authority was one that had to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness; otherwise known as the 3 'E's.

1.3 Part 1 of the Local Government (Wales) Measure 2009 designated local authorities in Wales as Welsh Improvement Authorities, which meant that the designation of 'best value authorities' no longer had any legal meaning in Wales, nor did the broader concept of 'best value'.

- 1.4 The Local Government Measure 2009 expanded the definition of improvement so that it was no longer limited to economy, efficiency and effectiveness but also other requirements, such as improving fairness by reducing inequality in accessing or benefiting from services; the Local Government Measure 2009 is in the process of being repealed.
- 1.5 The introduction of the Well-being of Future Generations (Wales) Act 2015 introduced the concept of improving 'well-being'. Section 7 of the Act requires (amongst other things) the publication of a statement detailing how a public body proposes to ensure that resources are allocated annually for the purpose of taking such steps to meet their 'well-being objectives'. It is expected that financial planning will address the tendency for short-term priorities and administrative processes to overtake long-term interests and preventative action.
- 1.6 The statutory arrangements for the audit of local government bodies in Wales are set out in Part 2 of the Public Audit (Wales) Act 2004. Among other things, section 17 requires the Auditor General to satisfy himself, 'by examination of the accounts and otherwise' that the bodies concerned have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources'. The Auditor General is able to supplement his accounts examination with further work to specifically examine arrangements for securing value for money.

2. Definition – value for money

- 2.1 The National Audit Office uses three criteria to assess the value for money of government spending i.e. the optimal use of resources to achieve the intended outcomes:
 - **Economy**: minimising the cost of resources used or required (inputs) – **spending less**;
 - **Efficiency**: the relationship between the output from goods or services and the resources to produce them – **spending well**; and
 - **Effectiveness**: the relationship between the intended and actual results of public spending (outcomes) – **spending wisely**
- 2.2 Besides these three 'E's, a fourth 'E' is applied in some places:
 - **Equity**: the extent to which services are available to and reach all people that they are intended to – **spending fairly**. Some people may receive differing levels of service for reasons other than differences in their levels of need.

3. Benchmarking

- 3.1 Improvement is the process by which organisations (in this case, local authorities) determine what their priorities are, and plan, monitor, manage and report their activities on an annual basis so as to achieve them. Before the 2009 Local Government Measure became law, this

process was, for local government, regulated by Part 1 of the Local Government Act 1999 - the 'best value' regime.

- 3.2 As part of the 'best value' regime, local authorities in England and Wales collected and reported on a national set of Best Value Performance Indicators (BVPIs). This allowed local authorities in Wales to compare and benchmark performance with each other and with local authorities in England using a standard set of common measures.
- 3.3 Following the establishment of the Welsh Assembly Government, the BVPIs were subsequently replaced with a different set of national indicators; the National Assembly for Wales Performance Indicators (NAWPIs). This allowed local authorities in Wales to continue to compare and benchmark performance with each other but comparability with England was lessened and became less relevant over time because of divergence as a result of devolution.
- 3.4 Over time, the NAWPIs were replaced with other sets of national indicators to allow comparisons and benchmarking within Wales until local authorities worked with the Welsh Local Government Association to develop a new framework for local performance based on Public Accountability Measures (PAMs). This performance measurement framework was ratified at the Welsh Local Government Association Council on 31 March 2017. The number of national PAMs has reduced since then so that only 25 PAMs were last reported in 2019/20. Progress against the public accountability measures is available on the Data Cymru website.
- 3.5 Whilst the PAMs are used specifically for public accountability purposes, benchmarking clubs cover services from planning to children's services and are run by service managers to help manage and drive improvements in their services. There are benchmarking clubs coordinated through Data Cymru's online Benchmarking Hub.
- 3.6 Other means of comparing and benchmarking performance and other data is also available at service manager level through membership of the Association of Public Service Excellence (APSE). APSE performance networks is a benchmarking service across England, Scotland, Wales and Northern Ireland; it is used by over 200 local authorities for service-level benchmarking.
- 3.7 The WLGA provided an opportunity for local authorities to voluntarily engage in peer reviews, which provides a chance to compare and benchmark performance. Peer reviews provide an expert external perspective, to identify strengths and challenge areas for improvement. Peer reviews, also known as peer challenges, are a key part of the WLGA's improvement offer for local authorities; Swansea Council undertook a voluntary peer review facilitated by WLGA in 2014 to help prepare it for its corporate assessment by Audit Wales under the Local Government Measure 2009. The Local Government and Elections

(Wales) Act 2021 will require local authorities to establish peer assessment panels and undertake such peer reviews once every five years.

4.0 Value for Money & Benchmarking

4.1 The Local Government and Elections (Wales) Act 2021, which will replace the Local Government Measure 2009, requires each council to keep under review the extent to which it is fulfilling the 'performance requirements', which also includes the extent to which it is using its resources economically, efficiently and effectively.

4.2 The Well-being of Future Generations Act provides the context within which councils should be exercising their functions, using their resources and ensuring their governance is effective, with the aim of maximising their contribution to the well-being goals.

4.3 Local authorities can apply the value for money criteria and incorporate benchmarking opportunities as part of that process as follows:

| 4 'E's | Description | In practice |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Economy: | minimising the cost of resources used or required (inputs) – spending less ; | Keeping within expected costs and budget (whole-life costs) and making savings. |
| Effectiveness: | the relationship between the intended and actual results of public spending (outcomes) – spending wisely | Targets and outcomes to deliver economic, social and environmental benefits are established and are met or exceeded. |
| Efficiency: | the relationship between the output from goods or services and the resources to produce them (process) – spending well | Economy and Effectiveness criteria and both met...if not, benchmark with similar projects / programmes / services. |
| Equity (and sustainability): | the extent to which services are available to and reach all people that they are intended to and without compromising the needs of future generations – spending fairly and sustainably | Integrated Impact Assessment |

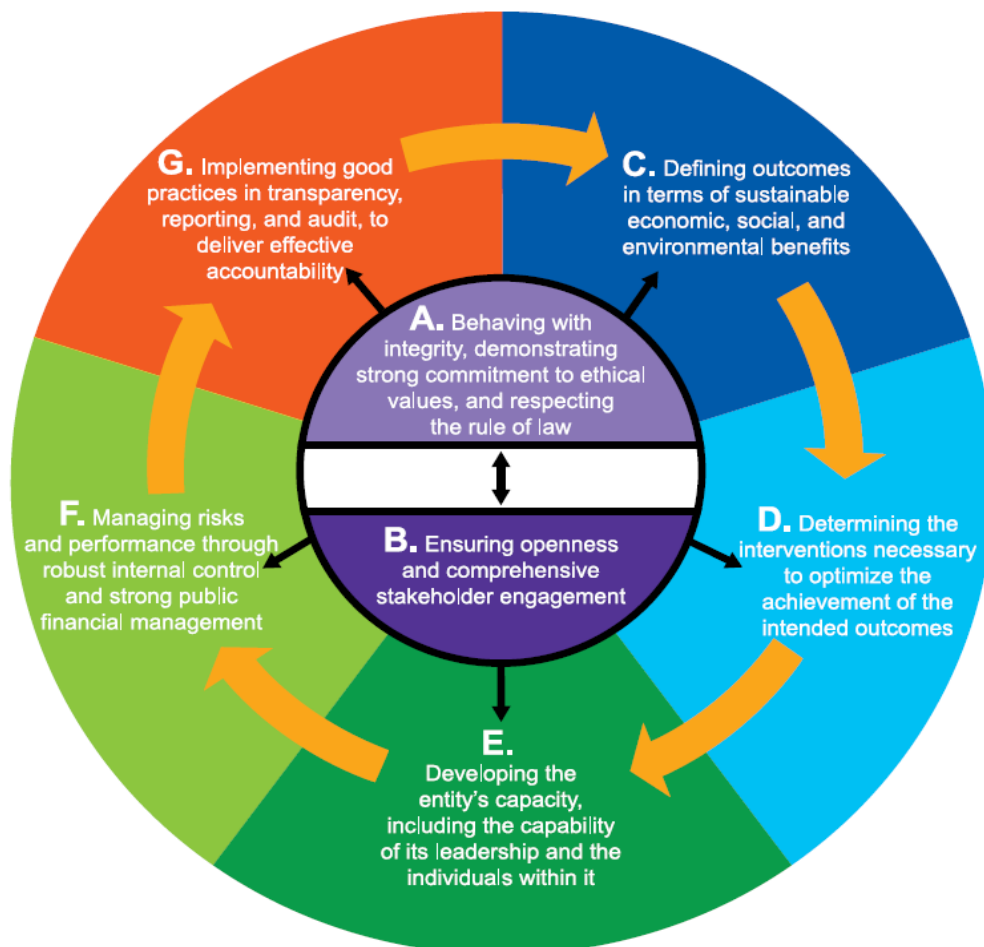
4.4 In other words, value for money can be determined by reviewing a range of financial and performance data and reports and, where available, benchmarking with other comparable information; good governance is essential to ensure value for money.

4.5 Sustainability is a key element of achieving value for money that seeks to balance the economic and efficient use of resources with wider social, cultural, environmental and economic benefits as underpinned by the Well-being of Future Generations Act. For example, the Welsh Government policy to introduce a Circular and Foundational Economy. A Circular Economy where value for money is also about seeking to reuse, repair and recycle resources so as to extract as much value as possible from the resources and materials we utilise. A Foundational Economy that emphasises essential goods and services and obtaining social value and sustainable benefits beyond narrow least cost transactions, such as developing sustainable supply chains and looking for energy and resource sustainability.

5. Value for money - what good looks like

5.1 The core principles and sub-principles of good governance are set out by CIPFA / SOLACE in *Delivering Good Governance in Local Government*, which are pictured in the diagram below and are evidenced in the Council's Annual Governance Statement

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



6. Value for Money – what Swansea looks like

6.1 The Council's Annual Governance Statement describes how the Council meets the principles of good governance in delivering value for money. In summary, the Council has the following arrangements in place:

- Medium Term Financial Planning covering 3 (currently extended to 4) further financial years beyond forthcoming budget year approved annually by Council.
- The *Achieving Better Together* recovery and transformation programme seeks to modernise and transform the council to meet the longer term challenges and ensure sustainable provision of services.
- An Annual budget setting process in place including an extensive consultation exercise.
- To ensure that the budget process is all inclusive there is regular engagement with members with robust scrutiny by the Service Improvement & Finance Scrutiny Performance Panel.
- The achievement of “social value” through the effective procurement and commissioning of service in compliance with Contract Procedure Rules, e.g. Beyond Bricks and Mortar (community benefit clauses in council contracts).
- Monthly Directorate Performance and Financial Monitoring meetings.
- Risk management is an integral part of decision making supported by monthly monitoring and reporting to Corporate Management Team and Performance & Financial Monitoring meetings.
- There is a specific Corporate risk around Financial Control and MTFP aspects of transformational plans owned by the S151 officer.
- Quarterly and annual finance and performance monitoring reports to Cabinet.
- Robust scrutiny challenge by pre-decision scrutiny, inquiries and Call-In.
- The Annual Statement of Accounts audited by external auditor and approved by Council and published demonstrates how the Council has achieved performance, value for money and the stewardship of resource.
- Senior Managers complete Senior Management Assurance Statements (SMAS) reflecting performance against governance, risk management and internal control. The SMAS contribute to the Annual Governance Statement.
- There is some engagement with benchmarking groups such as APSE, CIPFA.
- There is a comprehensive induction training programme for members and officers, including a Councillor Training Programme based on a Training Needs Assessment.

7. Value for Money – what Audit Wales reported

- 7.1 Audit Wales concluded in 2019/20 that the Council had put in place proper arrangements to secure value for money from the resources it uses but that significant challenges remained, particularly in terms of delivering timely transformation against the backdrop of a challenging financial position.
- 7.2 Their review of all 22 Welsh Councils financial sustainability in 2019/20 sought to assess the sustainability of councils' short to medium-term financial position. They undertook this assessment because they identified financial sustainability as a risk to councils putting in place proper arrangements to secure value for money in the use of resources in light of recent experiences of some councils in England, and their knowledge of the financial situation in councils in Wales and the general trend of decreasing resources for local government combined with rising demand for some services.
- 7.3 In Swansea, Audit Wales concluded that the Council continues to face a significant financial challenge and needs to deliver its savings plans at the pace and scale required whilst controlling service spending within budgets, thus removing reliance on one off central financing measures to otherwise successfully balance the overall budget.
- 7.4 Audit Wales stated that their recent work with the Council had provided them with increased assurance that, through its Reshaping Board, senior management is providing a focused strategic input to support the transformation agenda and the delivery of associated financial savings.
- 7.5 Audit Wales further stated that the Council recognised the extent of the continuing financial challenge and the transformation required to service delivery over the immediate and longer term. Audit Wales noted that the Council was undertaking a fundamental review and refresh of the Sustainable Swansea programme for transformation to ensure that planned actions are of sufficient scale and pace. Audit Wales will be further reviewing these new transformation arrangements during their 2021 Audit Programme.
- 7.6 In October 2020 Cabinet approved the new Swansea - *Achieving Better Together* Transformation Strategy and Programme Framework. The strategic aims of Swansea – Achieving Better Together will now focus on:
- The core purpose of the Council.
 - Transforming services to be effective and efficient.
 - Greater collaboration with other Councils, organisations, community groups and residents, with a focus on regionalisation.
 - Balancing the budget for current and future years.

- Greater and more meaningful engagements with our residents and community.
- To meet aspirations and targets within the Medium Term Financial Plan.

7.6.1 The strategic governance of the *Achieving Better Together* is undertaken by the Recovery, Reshaping & Budget Strategy Board and the operation and Delivery of the workstreams is overseen by the Organisational Cross Cutting & Transformation Steering Group. Reports will be considered by Cabinet, Scrutiny and Audit Committees throughout the implementation and development of the programme.

8.0 Value for Money – Audit Committee

- 8.1 The authority has a statutory duty to make best use of resources and delivering defined outcomes on a sustainable basis within the resources that will be available. The authority must have in place arrangements to obtain assurance over its performance. Assurance should focus on both the arrangements to ensure and the progress in achieving Value for Money (VfM).
- 8.2 The Audit Committee needs to seek assurance on the following in order to fulfil its duties in relation to value for money in line with the principles of good governance as set out in the CIPFA (2018) *Audit Committee Practical Guidance for Local Authorities and Police: “The role of the audit committee is most likely to focus on whether the authority’s overall approach to VfM is in line with governance objectives and to receive assurances on this to underpin the AGS”*.
- 8.3 The role of the audit committee is predominantly to focus on whether the authority’s overall approach to VfM is in line with governance objectives and to receive assurances on this to underpin the Annual Governance Statement. One specific area of activity for the committee will be consideration of the external auditor’s wider work as set out in the codes of audit practice and other guidance adopted by national audit bodies which for Wales includes Audit Wales annual improvement report to Council.
- 8.4 **Note** – this report describes the Council’s governance procedures for obtaining value for money. As noted within the Annual Governance Statement 2019/20 published in June, these arrangements have been disrupted during 2020/21 as a result of the impact of Covid-19. In that statement, the Statutory Governance Chief Officers resolved to maintain appropriate corporate grip to ensure that sufficient governance is maintained throughout this unprecedented crisis and during the recovery. This report and the table below describes the financial and governance arrangements that will need to be renewed and enhanced as part of the Council’s implementation of the *Achieving Better Together* recovery and transformation plan.

| Action | In place | Opportunity to strengthen |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Realistic and achievable savings and outcomes from the transformation programme are clearly identified and are being monitored and reviewed regularly for achievement. | <i>Achieving Better Together</i> Recovery and Transformation Programme | It is essential in terms of the financial challenges facing the Council beyond 2021/22 that further savings proposals are continuously developed and implemented over and above those already proposed to provide future headroom. |
| Overspending is being identified and actively controlled through rigorous budget monitoring. | Quarterly and annual financial monitoring reports to Cabinet and Scrutiny. PFM meetings. Budget tracker. Spending controls. | Enhanced monitoring and tracking of progress in achieving budget savings which will be reported to Corporate Management Team, Reshaping Board, Recovery Board and Cabinet. |
| Good quality, clear, timely and accurate financial & performance information and monitoring reports are being provided to officers and Members. | Annual Budget and Quarterly / annual financial and performance monitoring reports to Cabinet and Scrutiny. Financial reports to Audit Committee | Further training to Scrutiny and Audit Committee Members to enable them to better understand and challenge financial and budget reports. Review further integration between financial, performance and risk reports. |
| Budget setting, overspends, credibility of savings plans and financial risks / reporting is subject to rigorous and challenging oversight and scrutiny from elected Members. | Annual Budget and Quarterly / annual financial monitoring reports to Scrutiny. Financial reports to Audit Committee. Financial training provided to Members as part of their induction. | |
| There is strong risk management of | Annual budget setting | |

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| <p>financial decisions and risks.</p> | <p>Annual Budget and Quarterly / annual financial and performance monitoring reports to Cabinet and Scrutiny.</p> <p>PFM meetings.</p> <p>Budget tracker.</p> <p>Corporate Risk on financial control.</p> <p>Senior Management Assurance Statements.</p> | |
| <p>Borrowing and unplanned use of reserves is kept under control and a safe and adequate level of financial reserves is being maintained.</p> | <p>Quarterly and annual financial and performance monitoring reports to Cabinet and Scrutiny.</p> <p>Budget tracker.</p> <p>PFM meetings.</p> <p>Spending controls.</p> | <p><i>Achieving Better Together</i> Recovery and Transformation Programme.</p> <p>Enhanced monitoring and tracking of progress in achieving budget savings.</p> |
| <p>There is a constructive and open Member and officer relationship, which is open to challenge from either party and a strong organisational culture and decision making focussed on achieving and maintaining financial sustainability.</p> | <p>Joint CMT and Cabinet meetings.</p> | <p><i>Achieving Better Together</i> Recovery and Transformation Programme and governance arrangements.</p> |
| <p>The Council compares itself with other similar organisations as a means of identifying weaknesses and improving performance and value for money.</p> | <p>Some limited service-level benchmarking clubs CIPFA, APSE, Data Cymru Benchmarking Networks.</p> | <p>Benchmarking is done when value for money in terms of living within budgets and / or not meeting intended outcomes is not being delivered.</p> |

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Peer review panels mandated by the Local Government and Elections (Wales) Act 2021 |
| The Council reviews the sustainability of its transformation and budget proposals and financial decisions and the potential impact on people with protected characteristics and on future generations. | The annual budget is subject to public consultation and an Equality Impact Assessment. We have also just piloted the Sustainable Development Impact Assessment in this budget round, which will inform the development of an Integrated Impact Assessment. | Subject the annual budget round, Medium Term Financial Plan and proposals from <i>Achieving Better Together</i> to an Integrated Impact Assessment when finalised. |

9. Equality and Engagement Implications

- 9.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 9.2 Our Equality Impact Assessment process ensures that we have paid due regard to the above. There are no direct equality implications.

10. Legal Implications

- 10.1 There are no legal implications.

11. Financial Implications

- 11.1 There are no financial implications.

For Information

Background Papers: None.

Appendices: None.