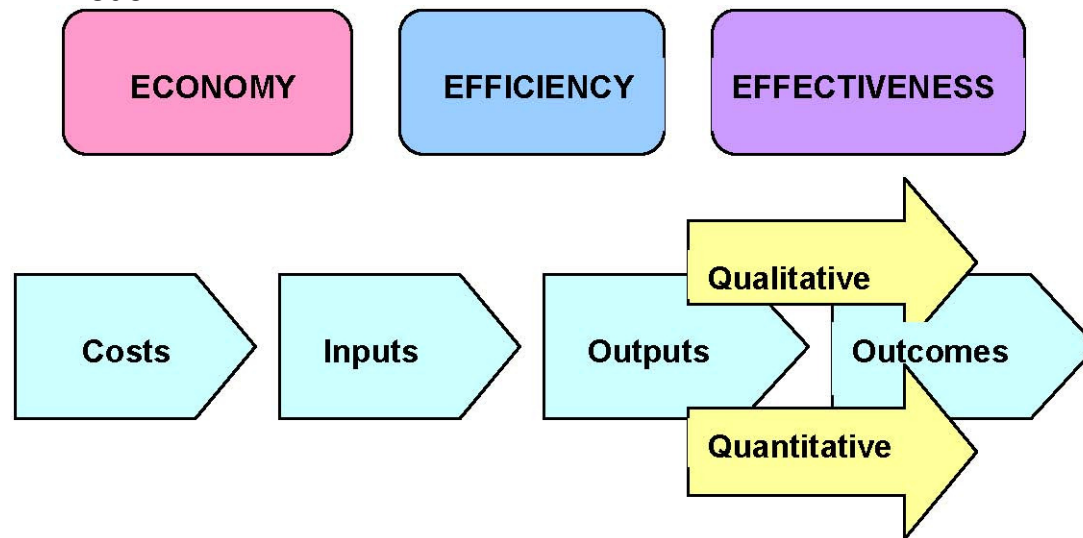


Value for Money Statement

Value for Money (VFM) is important to Folkestone Town Council because the council is committed to delivering and maintaining a balanced budget, and in doing so; aims to enable more capital investment to be made. The extreme volatility in the capital markets in 2008 and the subsequent economic slowdown has created an extremely challenging environment for local government finance and an even more urgent imperative to achieve VFM.

VFM is defined as the relationship between economy, efficiency and effectiveness, sometimes known as the value chain. VFM is about obtaining the maximum benefit from the resources available – balancing inputs outputs and outcomes. In simple terms it measures costs, performance and satisfaction, and is defined as achieving the right balance by spending less, spending well and spending wisely.

VFM Model



Economy is the price paid for what goes into providing a service; for example the rent per square metre for allotments.

Efficiency is a measure of productivity that is most simply represented as the ratio between inputs and outputs. Examples of efficiency measures might be rent collection divided by the allotment costs divided by the number of tenants.

Effectiveness is the measure of the impact of the activities of the service on the desired outcomes. Fundamental to gaining an understanding of the effectiveness of the service is an appreciation of the purpose of the service from the customers' point of view.

Delivering VFM

Improvements in VFM can only be made when cost for the whole system is understood. Failing to understand this may result in the unintended consequence of increasing costs in one part of the supply chain by cutting costs in another. An example might be changing suppliers to reduce the cost of a component but if the component is of lower quality than the original it might result in earlier replacement costs, or costs of remedying a new fault caused by the component.

Given this understanding of whole-system costs, there are a number of approaches that can be adopted to improve VFM. Firstly, the cost of inputs can be reduced by improving procurement methods. This may be accomplished by reducing the unit cost of supplies, for example by attracting increased discounts from suppliers by aggregating orders with other Councils, or by the standardisation of components or supplies. Alternatively, VFM may be

improved by taking best advantage of markets by effectively managing the procurement of contracts. This goes beyond securing the best available price for the contract; it may also mean setting and managing a partnering contract in a way that delivers increased value for both parties.

The efficiency of the service is closely related to the capacity of the system: improved VFM can be achieved by either delivering more with the same resource or delivering the same with a reduced resource. The simple formula for the capacity of any system is as follows:
Capacity = Work + Waste

Therefore the capacity of a system can be improved by removing waste. Typical causes of waste include:

- Re-work
- Duplication
- Authorisation
- Checking
- Inspecting
- Sorting and batching
- Hand-offs
- Filing

At the delivery end of the value chain, improvements in outcomes can be achieved by delivering 'customer-shaped' services. This means services that meet the needs of the customer at the time and the place where they want the service delivered. Accomplishing this requires an understanding of the different needs of customers. The value of outcomes also depends on the aims and objectives of the council. Services that deliver high value should be able to demonstrate a clear link between the aims of the council and the outcomes that are sought.

Method for Improving VFM

There are a number of approaches available to council to identify savings:

- **Benchmarking.** What are the service's unit costs and how does the service compare in cost and output terms compared to other providers?
- **Cost drivers.** What drives the cost of a particular service and what strategies and interventions can be put in place for managing service demand to reduce cost or increase income?
- **Procurement.** Are the best contracts and supply frameworks being negotiated?
- **Clustering.** What options might be available to aggregate services? What is the optimum size to aggregate services both internally or with other partners?
- **Productivity.** Are staff and other resources being used to the best effect? What strategies are in place for sharing best practice?
- **Housekeeping.** Are resources being unnecessarily wasted?
- **Budgeting.** Are the budgets fundamentally wrong and is there a built in under-spending?

Arrangements to ensure delivery of VFM

To embed VFM in the way we work, council has strong processes in place in the following areas:

Governance

- VFM is considered and demonstrated in all projects.
- Service and financial performance is reviewed regularly (against cost, performance and satisfaction)
- Annual audit– contains an independent statement from the Council's auditors on the council's 'arrangements to secure economy, efficiency and effectiveness in our use of resources.'

Transparency

- VFM is communicated through the website & town crier
- annual report
- face to face consultation

Financial stewardship

- One of the key objectives of council is to provide cost effective services which demonstrate VFM.
- Implementing fair and appropriate charging for services.
- Driving greater value from procurement activity.
- Redesigning and modernising services to improve customer experiences.
- Maximise efficiencies and continue to make the business fit for purpose.