	Performance and Finance Select Committee – 8th December 2008
	Report from the Director of Finance and Corporate Resources
For Action	Wards Affected: All

Report Title: Value for Money Benchmarking for Corporate Services

Forward Plan Ref:

1.0   Summary

1.1   This report informs the committee about work carried out by the UK Public Sector Audit Agencies (the Audit Commission and National Audit Office in England together with their equivalent bodies in Scotland, Wales and Northern Ireland) on developing benchmarking indicators for corporate services and the actions being taken in the council in response to this work.

2.0   Recommendations

2.1   Performance and Finance Select Committee are asked to note and comment on benchmarking of corporate services in Brent in the context of the work carried out by the UK Public Sector Audit Agencies.

3.0   Detail

Work by the audit agencies

3.1   There has been a spotlight on the efficiency of corporate services within public sector organisations since 2004, when the government-commissioned review of public sector efficiency led by Sir Peter Gershon was published. This spotlight was reinforced in the 2007 Comprehensive Spending Review, which required local government to find cashable savings of £4.9 billion per annum by 2010-11 from business process improvement, better procurement, and more effective asset management. Corporate services were seen both as areas where local government could deliver savings and also as areas that could support other services deliver savings. The latest announcement in the Pre-Budget Report of the requirement for further efficiency savings by 2010/11 reinforces the need for efficiencies in corporate services.

3.2   The public sector audit agencies however had a shared concern that better measurement systems were needed for monitoring and demonstrating the efficiency and effectiveness of corporate services in the public sector. However, they were concerned that there was not a consistent approach to performance measurement of corporate services across the public sector and the use of benchmarking information is patchy.

3.3 The audit bodies therefore saw the development of new corporate service VFM indicator sets as an opportunity to provide a source of high level information both for public sector organisations and the agencies themselves. They saw overcoming the lack of robust methods to compare performance, measure improvement and communicate the benefits of investment as a major challenge facing public sector organisations.

3.4 In response to this, in 2007 the audit bodies published a series of measures for benchmarking the value for money performance of public service providers in the key corporate services functions of procurement, finance, human resources, estates management, and information and communications technology. The measures are included in the appendices i.e.

        Appendix A   Procurement

        Appendix B   Finance

        Appendix C   Human Resources

        Appendix D   Estates Management

        Appendix E   Information and Communications Technology

They are split between primary indicators which are aimed at senior management of organisations and secondary indicators which are aimed at operational management.

Benchmarking using the new indicators

3.5 The task of collecting data on the indicators is being undertaken by Institute of Public Finance which is the commercial arm of the Chartered Institute of Public Finance and Accountancy. The first year's work was based on 2006/07 data and the reports were produced in June 2008. Over 80 organisations took part, including Brent. A further round of data gathering for 2007/08 is currently being carried out.

3.6 The data from the first year of the exercise is not easy to interpret for the following reasons:

1. The definitions had not been fully developed.

2. Corporate services are organised in different ways in different organisations – some centralised and some devolved – so it is not always possible to ensure that data is being consistently captured.

3. Cost comparisons are particularly problematic where costs are in different parts of the organisation or are part of a person's job.

4. Some of the data is simply not held in an organisation and the cost of collecting it would outweigh the benefit of the benchmarking information.

3.7 However, officers are keen to continue to take part in the benchmarking for the following reasons:

1. It acts as a challenge to corporate services to consider what data they should be collecting.

2. Data over a number of years will allow trends to be measured.

3. The data can be used as one piece of evidence in considering changes to the way in which the council manages its corporate services, including as part of the One Council reviews that are being carried out at the moment of corporate services.

4. It would be possible as part of these reviews to look more closely at how other organisations that appear to be performing well using the benchmarking information organise themselves.

Other measures

3.8 Prior to the development of the audit agencies' indicators corporate services had used benchmarking to assess existing value for money of corporate services and potential options for change. For example, the council has for a long time been a member of the Society of IT Managers (SOCITM) benchmarking club which uses ICT indicators similar to those developed by the audit agencies, property indicators have been used to develop the council's property strategy, and data on spending on HR and related functions has informed West London Alliance work on developing a shared services solution for HR.

3.9 Corporate services have also been subject to the annual budget savings exercise, with average savings higher than the average for the council as a whole – savings in corporate areas were 3.5% against 2.2% for the council as a whole in 2006/07, 12.7% against 5.0% in 2007/08, and 9.5% against 4.0% in 2008/09 (all figures calculated as a percentage of net expenditure on services). Benchmarking will have contributed to some of these savings but others will have been delivered simply on a basis of an analysis of how services can be delivered differently or more efficiently.

3.10 One of the problems of benchmarking and delivering savings in corporate services is that costs are spread across different service areas and often hidden as part of a general administrative overhead. Work on the Improvement and Efficiency Programme, in particular work of the One Council groups, should provide an opportunity for looking at costs across the council and potential alternative ways of organising services which will deliver value for money improvements. This work should be supported by data available as part of the benchmarking of VFM indicators for corporate services.

3.11 Members of the Panel are asked to comment on the way in which benchmarking information on corporate services is currently used in the authority and any other measures they would like taken.

4.0 Financial Implications

4.1 There are no direct financial implications.

5.0 Legal Implications

5.1 There are no direct legal implications.

6.0 Diversity Implications

6.1 There are no direct diversity implications.

Background Papers

Value for Money in Public Sector Corporate Services – joint report of the UK Public Sector Audit Agencies, 2007

Reports by Institute of Public Finance on first year benchmarking results, July 2008

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Procurement

Primary indicators
Total cost of the procurement function: a) Cost of the procurement function as a percentage of organisational running costs (expenditure); and b) Cost of procurement function as a percentage of non-pay expenditure.
Actual spend committed against pre-established contract arrangements as a percentage of non-pay spend.
Percentage of non-pay spend which is actively managed by procurement professionals.
Average (weighted) savings achieved through procurement for the 5 largest procurement projects delivered in the previous financial year.
Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users.
Management practice indicator – the number of practices that have been adopted by the organisation out of a possible total of 10: 1) The individual with lead responsibility for procurement is a member of, or reports directly to, the organisation's Senior Management Team, and there is a Board /Cabinet member with responsibility for procurement. 2) Customer satisfaction surveys are undertaken at least annually to understand user views on the added value brought about by the professional procurement function, with the results published internally and fed into an improvement plan which is regularly monitored. 3) Future demand for goods and services is forecast on at least an annual basis alongside analysis of new technology and commodities, and emerging market developments, both of which inform the organisation's procurement strategy and results in a prioritised work-plan for the next 12 months. 4) Specific and measurable targets have been set in relation to the cashable and non-cashable benefits to be delivered by procurement, and the organisation can demonstrate that at least 85 per cent of targets were met for the previous financial year. 5) Specifications for high value purchasing decisions are made based on a detailed understanding of the total cost of ownership (TCO) (also known as whole life costs). 6) The organisation keeps a comprehensive and cross referenced record of all contracts worth over £10,000, which can be sorted (at least) by supplier and by contract end date. 7) Benchmarking data from both public and private sector sources is actively used to undertake price comparisons on key goods and services. 8) The organisation has identified and developed strategic partners for collaborative procurement and can demonstrate measurable cashable benefits over the previous 12 months from this collaboration (in larger organisations this will include having facilitated collaborative procurement with smaller organisations). 9) The organisation has clearly defined ethical procurement standards in place which are in line with the CIPS Ethical Code and which are actively applied and monitored across the organisation, with any breaches recorded and acted upon. 10) A rolling programme is in place to develop procurement skills and capabilities across the

organisation at all levels.
Secondary indicators
Professionally qualified procurement employees (FTEs) as a percentage of total procurement employees (FTEs).
Average invoice value.
Number of the organisation's top 10 suppliers (by spend value) who have a formal partnership / framework agreement with the organisation.
The percentage of non-pay spend that is channelled directly through SMEs (Small and Medium sized Enterprises).
The percentage of total non-pay spend channelled through collaborative procurement arrangements with other buying organisations.
Management of supplier base: a) Average spend per accredited supplier; b) Percentage of total non-pay spend represented by the top 20 per cent of suppliers (by value); and c) Percentage of suppliers on an accredited list with no orders in the previous 12 months.
The use of technology within procurement: a) The percentage of total goods and services spend that is sourced electronically; and b) The percentage of total goods and services spend managed through e-Purchasing.
Benchmarking a defined set of goods: a) *Relatively low value generic items applicable to all sectors; and* b) *Relatively high value specific items applicable to a specific sector (to be developed).*

Finance

Primary indicators
Total cost of the finance function as a percentage of organisational running costs (expenditure) and within this the proportionate cost of a) transaction processing, b) business decision support and c) reporting and control.
Cycle time in working days from period-end closure to the distribution of routine financial reports to all budget managers and overseeing boards and committees.
The percentage of variation between the forecast outturn at month 6 and the actual outturn at month 12.
Percentage of public sector organisation spend for which there are fully costed outputs which are measured by key performance metrics and for which a named individual is accountable.
Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users.
Management practice indicator – CIPFA Financial Management Model
Management practice indicator – the number of practices that have been adopted by the organisation out of a possible total of 10.
Secondary indicators
Professionally qualified finance staff (FTEs) as a percentage of total finance staff (FTEs) undertaking reporting, controls and decision support processes (i.e. excludes those staff involved in transactional processes)
a) Cycle time in working days from year-end closure to submission of audited accounts. b) Was the latest set of annual accounts qualified by external audit?
Cost of the Customer Invoicing function per customer invoice processed
Debtor days
Credit notes as a percentage of total customer invoices raised
Cost of Accounts Payable per accounts payable invoice processed
Proportion of all payments made by electronic means
Proportion of outstanding debt that is more than 90 days old from date of invoice
Percentage of invoices for commercial goods & services paid by the organisation within 30 days of receipt or within the agreed payment terms
Payroll admin cost per employee paid

Human Resources indicators

Primary indicators
Cost of the HR function: a) Cost of the HR function as a percentage of organisational running costs (expenditure) b) Cost of the HR function per employee
Ratio of employees (full-time equivalents) to HR staff
Average days per full-time employee per year invested in learning and development
Leavers in the last year as a percentage of the average total staff.
Average working days per employee (full time equivalents) per year lost through sickness absence
Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users.
Management practice indicator – the number practices that have been adopted by the organisation out of a possible total of 10. 1) Within the last three years the HR Function has rationalised the number of sets of Terms and Conditions in use in the organisation by five per cent. 2) The organisation has undertaken equality impact assessments across all key service areas within the last three years, and is implementing an action plan which targets areas of vulnerability. 3) There is employee self-service through desktop access to modify non-sensitive HR data. 4) All employees have clear and measurable outcome based targets set at least annually. 5) All employees have had the opportunity for a formal, documented performance review at least on an annual basis which can track personal/professional improvement. 6) The organisation carries out a survey of staff satisfaction levels at least biennial, publishes the results, has developed an action plan and monitors delivery of that plan on at least a quarterly basis. 7) The organisation explicitly requests that employees declare that they have complied with any Continuous Professional Development (CPD) requirements of their professional institute (where applicable). 8) The organisation has a statement which anticipates the workforce requirements of the organisation over the medium-term (at least 3 years) and an action plan agreed by the Executive / Corporate Management Team which sets out how those requirements are met and is monitored on a 6 monthly or more frequent basis. 9) A comprehensive professional development programme is in place for professional HR staff which ensures that they receive at least five days of continuing professional development per annum. 10) It is possible to apply on-line for all vacancies for which external applications are invited.
Secondary indicators
Cost of learning and development activity as percentage of the total pay-bill

Cost of agency staff as a percentage of the total pay-bill (excluding those counted in secondary indicator 3)
Percentage of posts currently in the leadership of the organisation which are filled by people who are not permanent in that position.
Average elapsed time (working days) from a vacancy occurring to the acceptance of an offer for the same post.
Cost of recruitment per vacancy
Reported injuries, diseases and dangerous occurrences per 1,000 employees per year
Percentage of people that are still in post after 12 months service
Cases of disciplinary action per 1,000 employees
Percentage of staff who receive (at least) an annual face to face performance appraisal
Percentage of leadership posts occupied by women
Percentage of employees who consider themselves to have a disability
Percentage of employees aged 50 or over
Percentage of Black and Minority Ethnic (BME) employees in the workforce

Estates Management indicators

Primary indicators
Total property costs (management, occupancy and operational) per square metre
Total office accommodation (square metre) per staff full time equivalents (FTE).
Total property required maintenance as a percentage of average annual maintenance spend for the last three years
Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users.
Management practice indicator – the number practices that have been adopted by the organisation out of a possible total of 10.   1) For the last financial year, planned property maintenance costs equate to 60 per cent or more of total property maintenance costs.   2) There is a formal environmental management system in place covering all significant administrative buildings.   3) The organisation has the ability to 'zone' buildings in terms of heating to reduce energy consumption.   4) A comprehensive professional development programme is in place for professionally qualified property management staff which ensures that they receive at least 5 days of continuing professional development (relevant accredited training) per annum.   5) The Officer responsible for Property Services reports directly to a member of the Executive / Corporate Management Team and there is an identified individual at Board / Cabinet level with responsibility for the estate.   6) The organisation has clear and well publicised arrangements for staff who have property related queries, and all queries are logged and monitored.   7) Staff and user 'built environment' satisfaction surveys are undertaken at least annually and the results published and developed into an action plan which is monitored and regularly reviewed.   8) Surveys of the estate in relation to sufficiency, suitability, condition and costs have been carried out in the last five years and inform the capital strategy and plan and these are updated according to risk.   9) The organisation does not allocate individual 'owned' desks to staff who work in the office less than 50 per cent of their time, and regularly monitors workstation utilisation.   10) The organisation has undertaken an assessment of property requirements across the organisation within the last 3 years and has identified property that is either currently surplus to requirements or will become surplus within the next 3 years and has a plan agreed by the Board / Cabinet to address this surplus.
Secondary indicators
Cost of the organisation's estates management function   a) per square metre   b) as a percentage of organisational running costs

Total property occupancy/occupation costs (revenue) per square metre

Total building operation (revenue) costs per square metre

Percentage of property related capital projects within the last three years completed:
a) within time between design and construction
b) within time between construction and available for use
c) the cost at (a) above is within +/- 5%
d) the cost at (b) above is within +/- 5%

Space use efficiency:
a) Workstations per full-time equivalent staff (FTE)
b) Area (square metres) per workstation

Total annual energy consumption (kw/h) per square metre

Total annual water consumption (cubic metre) per square metre

Total accommodation (square metre NIA) over total accommodation(square metre GIA)

The percentage of buildings which are used by the public in which all public areas are suitable for, and accessible to, disabled people

Information and Communications Technology indicators

Primary indicators
Cost of the ICT function (i.e. spend on the ICT department or equivalent including employee costs and associated overheads) as a percentage of organisational running costs (expenditure)
ICT competence of user The competencies are defined as follows: a) use e-mail to send, receive, forward and delete emails including opening and attaching documents b) use search tools to find and retrieve information from the intranet / internet c) use word processing software to compose letters and reports d) use software such as Powerpoint to produce presentations e) use software such as Excel to produce spreadsheets f) resolve basic problems yourself using help menus g) able to manage files and appropriately back-up work h) successfully completed ICT training relevant to your role
Percentage of incidents resolved within agreed service levels
Project governance and delivery index.
Percentage of the top five transactional based activities which are made via e-enabled channels.
Commissioner and user satisfaction index - a composite indicator compiled from the responses to a set of statements by commissioners and users.
Management practice indicator – the number of practices that have been adopted by the organisation out of a possible total of 10. 1) Formal Service Level Agreements are in place with key internal customers governing business requirements, with regular service review meetings held at agreed intervals. 2) There are formal procedures in place supporting the operation of the ICT function, based upon good practice guidance such as COBIT (Control Objectives for Information and Related Technology), ITIL (IT Infrastructure Library) ISO/IEC:2000 and/or other sector specific guidance / methods. 3) Information security management capability is in place with ISO/IEC 27001 accreditation already achieved. Alternative for 3); Information quality assurance and security management are managed and implemented in accordance with ISO2700 (or its equivalent), 4) User satisfaction surveys are conducted at least biannually with results openly published, supported with improvement plans where necessary. 5) A short survey is undertaken upon resolution of all reported incidents and the data is collated and analysed at least monthly and used to drive service improvements. 6) The most senior officer in the organisation with a dedicated ICT role has a direct report to the Executive / Corporate Management Team of the organisation.

7) The organisations strategic management links governance, leadership and long term planning into the corporate strategy.

8) The organisation has assessed the ICT competence of end users within the last 12 months and put in place an appropriate training and development programme to address areas of weakness and delivery of this programme is monitored on a quarterly basis.

A comprehensive professional development programme is in place for ICT staff which ensures that

9) they receive at least 5 days of continuing professional development (relevant accredited training) per annum, covering technical, management and business focused training.

10) Business continuity management processes are in place to recover business and ICT services in the timescales as specified by the business. These processes are tested at least annually and are reviewed on a regular basis to confirm appropriateness.

Secondary indicators

Cost of providing support:
a) Per user
b) Per workstation

Users per workstation

Unavailability of ICT services to users.

Average number of support calls per user

Percentage of users who are able to access the network and systems remotely

Acquisition costs per workstation