Communities and Local Government

Measuring and Reporting Value for Money Gains

A Guide to Compiling the Data for National Indicator 179

www.communities.gov.uk
community, opportunity, prosperity

Measuring and Reporting Value for Money Gains
A Guide to Compiling the Data for National Indicator 179

Information for Chief Financial Officers, Efficiency Champions and Officials Measuring or Reporting VfM Gains

September 2008
Department for Communities and Local Government

Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 020 7944 4400
Website: www.communities.gov.uk

If you require this publication in an alternative format please email alternativeformats@communities.gsi.gov.uk

Communities and Local Government Publications
PO Box 236
Wetherby
West Yorkshire
LS23 7NB
Tel: 08701 226 236
Fax: 08701 226 237
Textphone: 08701 207 405
Email: communities@capita.co.uk
Online via the Communities and Local Government website: www.communities.gov.uk

September 2008

Product Code 08 LTIE 05529

ISBN: 978 1 4098 0480 2

Contents

Summary of changes from March 2007 issue

The following grid summarises the key changes from the previous issue of this guidance (then titled *Measuring and Reporting Efficiency Gains*) dated March 2007:

Page	Section	Summary of Changes
5	Submission deadlines	Full set of deadlines for NI179 during CSR07
6	Six eligible VfM gains and six ineligible activities	New short summary of which activities count towards NI179 and which do not
9	National Indicator 179	New short summary of the definition and reporting arrangements for NI179
12	Basic principles in measuring VfM gains	Principles fully updated to reflect terminology and requirements of NI179 (the only entirely new principles are b8 and c4)
39	Private sector co-funding/ sponsorship	Revised rules to show where such activities lead to cash-releasing gains
41	Scrutiny and good practice	Chapter fully updated to reflect NI179 requirements and current proposals for the Use of Resources assessment
45	NI179 definition template	Added NI179 template, reproduced from the handbook of National Indicator definitions
49	Calculating the VfM baseline	Added formula for calculating 2007-08 baseline expenditure using both outturn and forecast data
52	CSR07 questions answered	Added a Frequently Asked Questions section
58	VfM process checklist	Simplified version, reproduced from the Value for Money Delivery Plan

In addition, chapters and sections relating to the completion of the now discontinued Annual Efficiency Statement (AES) process have been deleted entirely (e.g. Quality Crosscheck process and Model AES).

1 Introduction

1.1 This guidance sets out all the basic information required by a local authority in order to calculate the data required for National Indicator 179 (NI179) on Value for Money (VfM) gains[1] during the 2007 Comprehensive Spending Review (CSR07) period. It is correct as of **15 September 2008**. It replaces the version dated March 2007.

1.2 This version of the guidance builds on the advice for, and experience of, measuring efficiency gains developed during the 2004 Spending Review (SR04) period, refreshing and enhancing that work and providing practical examples. It is underpinned by the assistance of the VfM Measurement Taskforce, whose members are drawn from a range of organisations[2] in local and central government. We are very grateful for their efforts.

1.3 Chapters 2 and 3 provide an overview of the measurement and reporting rules for VfM gains, chapter 4 describes the core principles and discusses each one in turn, while chapter 8 sets out the main issues to consider when putting in place arrangements for managing VfM within a council and the NI179 scrutiny requirements. The other chapters and annexes provide further advice on more technical and complex measurement and reporting issues.

Background

1.4 In October 2007, the Department published *Delivering Value for Money in Local Government: Meeting the challenge of CSR07*[3] (hereafter referred to as the VfM Delivery Plan), which set out a route map for meeting the efficiency challenge during CSR07. It also included basic details about the measurement and reporting of VfM gains during CSR07, highlighting the changes from the current arrangements used to monitor progress against the 2004 Spending Review (SR04) targets.

1.5 In January 2008, with the help of the Measurement Taskforce, the Department published a short note[4] to expand on these themes and answer some of the frequently asked questions received to date. This edition of the guidance fully incorporates the points made in that note, which is entirely superseded.

---

[1] In CSR07, the term “value for money” is being used where “efficiency” was applied in SR04 for this agenda across the whole public sector

[2] The following organisations are represented on the VfM Measurement Taskforce: Department for Communities and Local Government, Audit Commission, Charted Institute of Public Finance and Accountancy, DCMS, DCSF, Defra, DH, DfT, DWP, Highways Agency, HM Treasury, Improvement and Development Agency, Institute of Public Finance, Local Government Association (including the former Employers' Organisation), Office of Government Commerce, Society of Chief Architects of Local Authorities, Society of County Treasurers, Society of District Treasurers, Society of London Treasurers and Society of Municipal Treasurers.

[3] Available at: www.communities.gov.uk/publications/localgovernment/deliveringvalueformoney

[4] Available at: www.rce.gov.uk/rce/aio/47549

Sources of Assistance

1.6 For advice and assistance on the general principles behind the measurement and reporting of VfM gains you may contact:

Michael Read-Leah	michael.read-leah@communities.gsi.gov.uk	020 7944 3470
Neil Reeder	neil.reeder@communities.gsi.gov.uk	020 7944 6916

1.7 For more detailed information on how the basic principles set out in this document may be applied in each service sector or crosscutting workstream, you are referred to the series of measurement toolkits produced by individual departments. The current version of each toolkit may be found online[5].

1.8 If you require further advice or assistance about measuring gains in a particular service sector or workstream or the use of a measurement toolkit, you should contact the appropriate person from the list in the table below:

Adult social services		Kevin Barr	kevin.barr@dh.gsi.gov.uk
Children's services		Brian Blagbrough	brian.blagbrough@dcsf.gsi.gov.uk
Culture and sport		Chandru Dissanayeke	chandru.dissanayeke@culture.gsi.gov.uk
Environmental services		Richard Ellsworth	richard.g.ellsworth@defra.gsi.gov.uk
Local transport	Highways Non-highways	Martin Stocker Carl Sutcliffe	martin.stocker@highways.gsi.gov.uk carl.sutcliffe@dft.gsi.gov.uk
Social housing		Peter Wycherley	peter.wycherley@communities.gsi.gov.uk
Non-schools education		Nick Tomlinson	nick1.tomlinson@dcsf.gsi.gov.uk
Supporting people		David Powell	davide.powell@communities.gsi.gov.uk
Homelessness		Gary Messenger	gary.messenger@communities.gsi.gov.uk
Business Process Improvement and Collaboration		Kevin Davies	kevin.davies@communities.gsi.gov.uk
Procurement		Rehan Haidar	rehan.haidar@communities.gsi.gov.uk
Asset Management		Nikki Hinde	nikki.hinde@communities.gsi.gov.uk

[5] Available at: www.rce.gov.uk/rce/core/page.do?pageId=10106

1.9 We recommend that councils keep the VfM Discussion Forum on the esd-toolkit under review[6]. On this site, councils and central government departments discuss VfM measurement issues, and it also holds copies of the latest versions of guidance documents such as the voluntary toolkits listed above.

NI179 Submission Deadlines

1.10 Data on NI179 must be submitted no later than 5pm on the following dates:

Date	NI179 Coverage
24 October 2008	2008-09 Forecast cumulative gains
24 July 2009	2008-09 Actual cumulative gains
23 October 2009	2009-10 Forecast cumulative gains
23 July 2010	2009-10 Actual cumulative gains
22 October 2010	2010-11 Forecast cumulative gains
22 July 2011	2010-11 Actual cumulative gains

1.11 We anticipate publishing the NI179 data that councils submit as part of the Department's Annual Reports and Autumn Performance Reports each year.

[6] Available at: www.esd-toolkit.org/forums/viewforum.php?f=130

2 Six Eligible VfM Gains and six Ineligible Activities

2.1 This chapter briefly illustrates six activities that result in cash-releasing VfM gains that may be reported through NI179 and six activities that are excluded from the calculation. Chapter 4 provides more detail on the issues that lie behind these brief examples.

Sources of Eligible Gains

1. **Reduced inputs for the same or improved outputs**

   In Year 1, Authority A spends £1m on its waste collection service. By renegotiating with the firm that provides this service, Authority A is able to reduce the price in Year 2 to £950,000 **without** any reduction in the level of service provided to residents.

   Calculation: £1,000,000 *plus* inflation (3%) *equals* £1,030,000, *minus* £950,000 *equals* a £80,000 VfM gain.

2. **Reduced unit costs to meet increased demand for service**

   a. Total costs do not increase

   In Year 1, Authority BA processes 100 applications for Blue Badges at a cost of £10,000. There is a 10% increase in applications for Blue Badges in Year 2, which it is able to manage using the existing resources, **without** reducing effectiveness.

   Calculation: £10,000 *plus* inflation (3%) *equals* £10,300, *plus* 10% increase *equals* £11,330, *minus* £10,000 *equals* a £1,330 VfM gain.

   b. Total costs do increase

   In Year 1, Authority BB processes 100 applications for Blue Badges at a cost of £10,000. There is a 20% increase in applications for Blue Badges in Year 2, which it manages with only a 10% increase in costs **without** reducing effectiveness.

   Calculation: £10,000 *plus* inflation (3%) *equals* £10,300, *plus* 20% increase *equals* £12,360, *minus* £11,000 (the costs in Year 2) *equals* a £1,360 VfM gain.

3. **Increased demand for services and better income collection**

   In Year 1, Authority C has receipts of £100,000 from people attending a leisure centre that it runs. Following a successful advertising campaign costing £25,000 in Year 2, the authority has receipts of £150,000. This increase has arisen **without** increasing charges to the public or deterioration in service effectiveness[7].

---

[7] For the purposes of NI179 it is not necessary to prove the additional visitors were the direct result of the advertising campaign: the important issue is that demand has increased.

Calculation: £150,000 *minus* £100,000 *minus* £25,000 (the costs incurred by the advertising campaign) a £25,000 VfM gain.

4. **Reallocation of inputs from a low priority to a high priority area so that overall service effectiveness for a particular client group improves**

   In Year 1, Authority D spends £100,000 on maintaining a day centre which serves a small number of people. In Year 2, it closes the day centre, but recycles the money released into increasing the uptake (through additional support) of direct payments, which improves the quality of life for a greater number of people **in that client group**. The council incurs costs of £20,000 in making these changes.

   Calculation: £100,000 *minus* £20,000 (costs incurred) *equals* a £80,000 VfM gain.

5. **Asset optimisation and the sale of surplus, formerly operational, assets**

   Authority E sells an old office building, made redundant **without** impacting on service effectiveness, for £1,000,000 and the available market interest rate is 5%.

   Calculation: 5% of £1,000,000 *equals* a £50,000 VfM gain.

6. **Withstanding the impact of inflation**

   Authority F spends £1m in Year 1 prices on the purchase of office supplies. In Year 2 it holds these costs to £1m in Year 2 prices, **while** obtaining the same amount and quality of supplies. The GDP inflation rate between the two years was 3%.

   Calculation: 3% of £1,000,000 *equals* a £30,000 VfM gain.

Ineligible Activities

1. **Improvements in service quality for the same or greater inputs**

   Authority Z improves the cleanliness of its streets by 10% without increasing the cost of its environmental services team.

   While this is a welcome improvement for local residents, and may show as an improvement against other National Indicators, it is not cash-releasing and therefore should not be included in NI179.

2. **Any actions that lead to a reduction in overall effectiveness of a service**

   Authority Y closes a little used library and uses the cash released to meet additional costs incurred in waste disposal.

   Cuts in service provision to a particular client group like this do not produce valid VfM gains and should not be counted.

3. Imposition of new or increased charges to the public or business

   Authority X increases the cost of entry to its leisure centre from £5 to £6 and obtains an increase in receipts of £10,000 per annum as a result.

   While this will increase the cash resource for maintaining the service, it does not change the efficiency of its operation, so should not be included in NI179.

4. Reclassification of activities which don't change either inputs or outputs

   Authority W changes its accountancy records so that staff previously classified as 'back office' are now considered 'front line'. The staff costs are the same, and the staff members do the same activities.

   This is a purely internal reclassification of work, which has not changed the efficiency of its delivery, so should not be included in NI179.

5. Transfer of costs and subsidies to other public sector organisations

   Authority V agrees a reduction in the rateable value of one of its properties and so pays less in National Non-Domestic Rates.

   This change may benefit the authority, but not the public sector overall, since it means less resource is available elsewhere and therefore should not be counted.

6. Arbitrary cuts in payments to the VCS

   Authority U ceases to support a community centre run by a voluntary group which has to increase its fundraising activities in order to maintain service effectiveness.

   Actions like this, which cut against the principles of funding stability and full cost recovery for the VCS, do not produce valid VfM gains and should not be counted.

3 National Indicator 179

3.1 NI179, one of the indicators in the new National Indicator Set, will be the mechanism through which councils report their progress on achieving VfM gains in CSR07. It replaces the Annual Efficiency Statement (AES) in use for the SR04 period. This chapter briefly sets out the principles behind NI179. Firstly, the definition of the VfM Indicator[8] is:

The total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 Financial Year

3.2 This indicator is not as complex as it may at first appear. In fact, the figure that councils report for the indicator will be the equivalent to the figure that emerged in the bottom row of the AES for total cumulative cashable efficiency gains achieved. Unlike with the AES, though, NI179 data should be reported in thousands (i.e. report **"1"** if the value of gains is between £500 and £1,499).

3.3 The definitions for each term used in the indicator are:

- **Net:** VfM gains should be reported net of any additional investment and ongoing costs incurred for their implementation (this excludes any staff costs incurred in implementing the gains if those costs would have been incurred by the council in any event).
- **Ongoing:** Value for money gains must persist for at least two full financial years after the year they first accrue (the value of any gains reported through this indicator that are not sustained for this period of time must be deleted at the earliest opportunity).
- **Cash-releasing:** Value for money gains that release resources which can be redeployed according to local priorities[9].
- **Value for money gains:** Arise where there is an improved relationship between inputs and outputs for the delivery of a service, but without any deterioration of the overall effectiveness of that service (a service can be any activity undertaken by the council).
- **Impacted:** The moment that the financial benefit of the action is felt (thus gains arising from actions taken before the start of the 2008-09 financial year or the remaining part year effects of gains that first impacted during 2007-08 may also be included where they meet this qualification). In addition, councils may also count the value of any cash-releasing gains achieved before 2008-09 where they are both ongoing and in excess of the council's 7.5% efficiency target for the SR04 period.

---

[8] Annex A sets out the full definition template for NI179 (on which this chapter is based) as published in the handbook of definitions for all indicators in the National Indicator Set.

[9] Chapter 2 sets out some examples of actions that lead to eligible gains and some that do not.

3.4 In the main, the same principles for measuring gains that applied in SR04 will also hold true in CSR07, as described in this guidance. Chapter 4 lists the general measurement and reporting principles, with succeeding chapters focusing in particular on measuring gains arising: in capital expenditure; from fees and charges; and through partnerships. Revisions to this guidance, developed in partnership with the sector, will be published as necessary during the CSR07 period.

Reporting NI179

3.5 As with other national indicators, NI179 will be reported through the Data Interchange Hub[10]. Guidance on how to use the Hub and information on forum events for Hub users can be found on the Department's website[11].

3.6 Councils will be required to submit NI179 data twice in each calendar year:

- On the first occasion, in mid-October (first collection 24 October 2008), councils will report their best available **forecast** for the position at the end of the financial year. This is akin to the output of the Forward Look/Mid-Year Update AES, though looking at the whole period since March 2008 rather than just the particular financial year in question, and will help bodies working with councils to identify any emerging issues early.
- On the second occasion, in mid-July (first collection 24 July 2009), councils will report the **actual** position as at the end of the financial year that ended on the 31 March just passed. This is akin to the output of the Backward Look AES, and will be the basis on which we assess the sector's progress against the national £4.9bn target for CSR07.

3.7 While only the total value of gains is required to be submitted for NI179, the Hub allows for supplementary data to be included on a voluntary basis. It is intended that NI179 will allow for councils to **optionally** include a breakdown of the total NI179 figure by the broad themes described in the VfM Delivery Plan, namely: Procurement; Business Process Improvement; Collaboration; and Asset Management[12].

Definition of Cumulative Gains

3.8 The figure reported through the indicator will represent the improvement in annual expenditure compared to the baseline position, with each individual gain achieved counted only once. As in SR04, it will **not** involve saying project X saved £10,000 in year 1, and as that project was ongoing, it meant £20,000 had been saved by the end of year 2. Rather, if

---

[10] Available at: www.hub.info4local.gov.uk

[11] Available at: www.communities.gov.uk/localgovernment/performanceframeworkpartnerships/nationalindicators/datainterchangehub/

[12] It is probable that this facility will not be in place for the return due to be submitted in October 2008, but should be there for subsequent returns.

such a project is sustained then £10,000 has been saved against the baseline expenditure (plus the impact of inflation in succeeding years). The table below illustrates the principle:

Example: One-off, in-year and cumulative VfM gains (ignoring inflation)

Year Gains Impact (£m) [a]	2008-09	2009-10	2010-11
In SR04	0.1 ongoing [b]	0.1 ongoing	0.1 ongoing
In 2008-09	1.8 **new** gains	1.6 ongoing [c]	1.6 ongoing
In 2009-10		1.6 **new** gains	1.2 ongoing
In 2010-11			1.9 **new** gains
Cumulative Total	**1.9**	**3.3**	**4.8**

Notes:

(a) To simplify this illustration, the impact of inflation on the value of gains carried forward from previous years is not shown

(b) This must obey the rules for calculating the gains to be carried forward from SR04

(c) Gains known to be one-off should be excluded from NI179 and councils must deduct the value of gains that prove not to be ongoing when they next report on achievement

4 Basic principles in measuring VfM Gains

4.1 The VfM agenda for local government is underpinned by a number of core basic principles. These are discussed in detail below and are:

a. **General Principles**

a1. VfM is about raising productivity

a2. VfM gains can occur even if expenditure rises or is held constant

a3. VfM gains may be achieved from capital expenditure

a4. Fees and charges can generate VfM gains in certain circumstances

a5. VfM gains may be generated through partnerships

a6. Not everything that leads to reduced cost is an eligible VfM gain

a7. VfM gains may be achieved from the management of certain functions, but not from the activity itself

a8. Valuing an outcome is a pointer to the assessment of VfM gains, but not the proper calculation to use

a9. A drop in standard from a 'gold plated' service is not a VfM gain unless the service is maintained with another activity

a10. VfM gains relating to use of the voluntary sector should be in line with good practice principles on risk, full cost recovery and funding stability

b. **Measurement Principles**

b1. NI179 is about measuring yourself against your previous performance

b2. The GDP deflator is the default rate of inflation except for certain areas

b3. VfM gains must be shown net of costs

b4. Ongoing VfM gains must genuinely continue over time

b5. The value of VfM gains which fluctuate need to be updated

b6. Councils should report part-year improvements, not just full-year activity

b7. VfM gains accruing before 2008-09 and after 2010-11 are excluded, except the value of gains permitted to be carried forward from SR04

b8. Some VfM gains reported in SR04 may be rolled forward into CSR07

c. Reporting & Monitoring Principles

c1. Reporting arrangements are consistent with the new Performance Framework and endorsed by stakeholders

c2. The calculation of NI179 should be based on robust processes

c3. NI179 data must be submitted through the Data Interchange Hub

c4. Underperformance will be tackled in partnership with the sector

c5. The baseline for the sector's target is forecast 2007-08 net expenditure

c6. The sector has an annual target for 3% VfM gains, but there are no mandatory targets for individual councils

c7. Councils may report VfM gains from associate organisations whose levies or precepts contribute to their baseline expenditure

c8. Councils may report VfM gains from the Housing Revenue Account

a. General Principles

a1. VfM is about raising productivity

4.2 A cash-releasing VfM gain is achieved when, for a given area of activity, an organisation is able to:

- Reduce inputs for the same or improved outputs;
- Reduce unit costs to meet increased demand; or
- Optimise use of assets to improve outputs from them.

4.3 Actions that lead to improved service quality for the same inputs are vital to the delivery of better services, but are not cash-releasing and therefore excluded from NI179. Actions that lead to a deterioration in the overall effectiveness of a service are cuts and not VfM gains, so are also excluded from NI179. Chapter 2 illustrates six examples of valid gains and how to measure them, along with six actions that are ineligible for NI179.

a2. VfM gains can occur even if expenditure rises or is held constant

4.4 If outputs increase proportionately more than the increase in expenditure, unit costs fall. The VfM gain then is the rate by which unit costs are falling.

4.5 If costs remains the same, and the same amount of activity is undertaken, from one year to the next then a cash-releasing gain is achieved by withstanding the effects of inflation. In evaluating this impact the default rate of inflation is the GDP deflator (except for certain specific sector activities, see principle b2).

4.6 If there are additional burdens on local authorities (e.g. increased regulation) and authorities take actions to improve VfM by staying within their budgets, then these actions can be included in NI179 in the normal way.

a3. VfM gains may be achieved from capital expenditure

4.7 VfM gains can be obtained from capital expenditure just as much as revenue, and the basic principles on what counts as an eligible gain largely apply to both (a key difference is that in some cases it is not necessary to compare current and past performance to assess gains from capital expenditure).

4.8 Chapter 5 sets out the full detail of calculating VfM gains from capital expenditure but, briefly, councils may achieve gains through:

- Better procurement processes;
- More efficient investment programmes through, say, greater use of standardised specifications;
- Invest to save projects where borrowing takes place to provide an asset to support the provision of a service and reduces revenue costs;
- Asset optimisation;
- Leasing/borrowing strategies; and
- Sale of surplus assets.

4.9 Examples of actions that do not count as VfM gains are: cuts in planned capital programmes that impact on services; slippage of capital expenditure from one year to another; or asset sales that result in the loss of service outputs or service quality.

a4. Fees and charges can generate VfM gains in certain circumstances

4.10 Fees and charges need careful consideration to determine whether they are eligible as VfM gains. New sources of income or increases in the level of existing charges should not be counted. Increases in demand for existing services, earlier receipt of income, improvements in income collection rates can in general be counted for NI179. Chapter 6 sets out the details of where VfM gains can be accrued from fees and charges.

a5. VfM gains may be generated through partnerships

4.11 Delivering services in partnership with another body can be a good and legitimate way of making VfM gains. The gains must be measurable, capable of being apportioned between partners and not double-count the gains that accrue to other public bodies. Chapter 7 sets out further details.

a6. Not everything that leads to reduced cost is an eligible VfM gain

4.12 Some actions to reduce costs are not eligible as VfM gains to be recorded in NI179. The most common examples include:

- **Service cuts** – a reduction of outputs or the quality of those outputs that result in poorer services for their users (see principle a9);
- **Reclassification** – where activities are simply re-labelled but which involve no change in the inputs or outputs;

- **Arbitrary cuts in payments to Voluntary & Community Sector (VCS)** – which lead to either cuts in services or service quality, or require the VCS organisation to use charitable donations to maintain the existing level of service (see principle a10);
- **Higher charges** – either an increase in prices or introduction of new charges for services provided (see chapter 6); and,
- **Transfer of costs and subsidies within the public sector** – if public services as a whole do not benefit, no efficiencies should be recorded. Examples include a reduction in tax liabilities, additional government grants, or transfer of liabilities between public bodies (for information on measuring gains from sponsorship by the private sector, see chapter 7).

4.13 There are certain other areas where gains may be achieved from improving the efficiency of the management of an activity, but not from any change in costs and outputs arising from the activity itself, e.g. Treasury Management, fraud detection and court fees and damages (see principle a7).

a7. VfM gains may be achieved from the management of certain functions, but not from the activity itself

4.14 Councils may undertake certain functions that improve the financial position of the council, but any impact on VfM they may have is impossible to measure with accuracy. In these cases, gains from improved management of the function (e.g. delivering it with two staff instead of three without deterioration in performance) may be recorded in NI179, but no gains may be recorded arising from the activity itself. The most common examples include:

- **Treasury Management** – this subject has been the subject of positive and significant activity by a subgroup of the Measurement Taskforce. It has actively considered specific proposals to allow VfM gains from the operation of the Treasury Management function to be included. However, to date, it has not been possible to find a solution that would allow only real efficiencies to be recorded. The door remains open to reconsidering this position if substantially new proposals emerge;
- **Detection of Fraud** – taking steps to reduce the incidence of fraud is a positive and responsible action for any local authority. However, there are considerable difficulties in finding a robust way of measuring improvements and checking that they have been sustained. Therefore the activity itself may not be counted as an eligible VfM gain (though gains in carrying out the activity itself would be eligible); and,
- **Court Fees and Damages** – if councils are able to obtain efficiencies from reducing solicitors' and court fees through better case management, then these may be counted as efficiencies as they represent a reduction in the cost of the process. However, councils should not include a valuation of damages avoided as these would relate to outcome rather than output (see principle a8), and it would be difficult to give a robust ongoing calculation.

a8. Valuing an outcome is a pointer to the assessment of VfM gains, but not the proper calculation to use

4.15 VfM is about improving the ratio between outputs/outcomes and inputs. If outcomes increase as a direct result of better service quality, while measured quantity of output and cost of that output remains the same, then there is a case for saying efficiency has improved. This VfM gain should be evaluated pro rata to the cost of outputs rather than the value of the outcomes.

4.16 For example, where one visit to an elderly person now provides an outcome valued by that person to be twice as much as previously, while the cost of visiting is unchanged, the VfM gain is assessed as equivalent to a doubling of outputs achieved for the same cost (not the notional value attached by the person visited).

a9. A drop in standard from a 'gold plated' service is not a VfM gain unless the service is maintained with another activity

4.17 Following the principle that councils must compare their performance to themselves and not to external benchmarks leads to the conclusion that cash savings which cause a drop in outputs, even within an acceptable level, are not VfM gains. They may be legitimate budget decisions but they are not eligible for reporting in NI179.

4.18 However, greater VfM may arise from changing the balance between different outputs delivering a similar overall objective in a way which achieves a greater overall output for the same inputs. Thus, where a council restructures service provision to provide a more efficient service to the same client group in a way that maintains overall output and service quality while costs reduce, then a legitimate VfM gain has been generated. This is true even if individual outputs have been removed or reduced but replaced with new and improved ones.

4.19 The critical point is that if the overall benefit to a given client drops then the activity is not an efficiency, however if the overall benefit of the client group is maintained for less cost (or it goes up for maintained cost etc.) then a VfM gain will be achieved even a small number of individuals are disadvantaged.

4.20 For example, if a council decides to close a day centre but recycles the money released to help the client group, e.g. by increasing the uptake (through additional support) of direct payments, then a VfM gain may be achieved. Some people immediately affected by the closure may experience a drop in service (possibly only perceived) but if a greater number of people in the community are served better, thus improving overall service and benefit to the client group in question, there would be a valid VfM gain.

a10. VfM gains relating to use of the voluntary sector should be in line with good practice principles on risk, full cost recovery and funding stability

4.21 The Gershon Report recommended that the public sector improves its relationship with the VCS by improving funding stability, allocating risk appropriately, and moving towards full cost recovery. This remains true in CSR07, and actions that cut against these principles should not be counted as VfM gains.

4.22 However, where councils enter into professional relationships with VCS organisations that achieve more outputs for the same resource, then that does count as a valid VfM gain.

b. Measurement Principles

b1. NI179 is about measuring yourself against your previous performance

4.23 This is important and drives the solutions in this guidance: NI179 is about a council measuring itself against itself. This means comparing inputs and outputs in the current year with the base year (2007-08) or the previous year. Quantifying VfM gains is not achieved through comparison with other councils, benchmarking data or national standards (although there are some exceptions related to capital expenditure; see chapter 5 for information).

4.24 Such comparisons are important tools for considering where a council may be able to develop a project to drive improvement in VfM, but the quantification of the gain must be against its own previous performance.

b2. The GDP deflator is the default rate of inflation except for certain areas

4.25 The following deflators are approved for use by councils when evaluating the impact of inflation:

Sector	Description
Default	GDP deflator[13] – current HMT estimates for each year are: 2008-09: 3%; 2009-10: 2.75%; 2010-11: 2.75%
Adult social care[14]	*Commissioning and delivery of adult social care*: Personal Social Services (PSS) Pay and Prices Index (All sectors for adult clients only, including capital)
Local transport (Highways)[15]	*Highways construction & maintenance*: The ROADCON Index (value published annually in the Highways Efficiency Toolkit)
Non-school education services[16]	*Home-to-School transport*: Index set by DCSF *Special Educational Needs (SEN) places*: Index set by DCSF
Social housing[17]	*Housing capital works*: BCIS 'all-in' Tender Price Index (TPI) *Housing management & maintenance*: combination of BCIS Building Maintenance Index, RPI and regional pay indices *Commodity procurement*: combination of the BERR Quarterly Energy Prices Update and RPI

[13] For advice on how to use the GDP deflator and to check the latest estimates of the deflator, please see: www.hm-treasury.gov.uk./economic_data_and_tools/gdp_deflators/data_gdp_index.cfm

[14] For latest value for this index, see: www.pssru.ac.uk/pdf/uc/uc2007/uc2007_inflationindices.pdf

[15] For the current Highways efficiency toolkit, see: www.rce.gov.uk/rce/aio/31679

[16] For latest value for these indices, see: http://www.rce.gov.uk/rce/aio/16327

[17] For latest value for these indices, see: www.communities.gov.uk/publications/localgovernment/socialhousingefficiency

b3. VfM gains must be shown net of costs

4.26 It is a fundamental principle for the measurement of VfM gains that all costs must be netted off from the value of the improvement, regardless of the source of funds to pay them (i.e. including PFI schemes). There are two approaches that a council may adopt in recording gains net of costs.

4.27 Firstly, the whole cost may be netted off from the gain when it is implemented. If the cost is greater than the annual improvement, then it may mean that nothing can be reported in the first year. For example:

Example: Costs exceed the value of VfM gains in the first year

Authority C enters into a 25-year contract to deliver a service which will enable it to generate an ongoing £25,000 gain. However there are £40,000 set-up costs in year 1.

The net VfM gain that can be scored in each year would be:

- Year 1: Nil *(i.e. £25,000 minus first £25,000 of set-up costs)*
- Year 2: £10,000 new gains *(i.e. £25,000 minus remaining £15,000 of set-up costs)*
- Year 3: £15,000 new gains, £10,000 ongoing gains
- Year 4 onwards (assuming ongoing): £25,000 ongoing gains

4.28 Secondly, where appropriate, costs may be apportioned on a straight-line basis in line with standard accounting practice on amortisation (which may cover years beyond 2010-11). In this case, the VfM gain is reported as the difference between costs (comprising the annualised start-up costs plus any operating costs) and annual improvement for the chosen period. For example:

Example: A project where costs are annualised over five years

Authority D spends £60,000 on a project that will lead to VfM gains amounting to £25,000 per annum. The cost of the asset purchased to enable this gain is annualised over its nominal lifespan, in this case five years.

The net VfM gain that can be scored in each year would be:

- Year 1: £13,000 new gains *(i.e. £25k less (£60,000 / 5 = £12,000))*
- Years 2 to 5: £13,000 ongoing gains
- Year 6: £12,000 new gains, £13,000 ongoing gains
- Year 7 onwards (assuming ongoing): £25,000 ongoing gains

4.29 It should be noted that both of the above examples (like those elsewhere in the guidance) are purely illustrative, and no inference should be drawn from them about how gains made in the current spending review period will be treated in the next; decisions on that question have yet to be taken.

b4. Ongoing VfM gains must genuinely continue over time

4.30 Improvements in efficiency may be either "one-off" or "ongoing". For the purposes of NI179, these terms have been defined as follows:

- A “one-off” efficiency is a gain that is not present for two full financial years after the year it is generated; and
- An “ongoing” (or “sustainable”) VfM gain is one that exists for the current year and at least two subsequent financial years afterwards.

4.31 While one-off efficiencies have a valuable contribution to make to councils’ financial management by releasing resources that can be recycled to deliver better services in that year or provide pump-priming money for a new project, long-term VfM relies on the core principle of sustainability. It is important that the actions which underpin VfM gains are durable and are embedded into the working practices of the council. Thus, only those gains expected or proven to be ongoing should be recorded in NI179.

4.32 Adequate processes must be in place to ensure that those VfM gains reported in one year as being ongoing are indeed sustained in subsequent years. Some improvements in efficiency may prove to be only temporary. A council may, for example, negotiate a cheaper stationery price from a supplier in a given year, but find the discount over-turned the following year and hence no longer meet the criteria for NI179.

4.33 It is recommended, therefore, that the VfM agenda forms part of core business planning, budget and performance management processes (see chapter 8). The value of ongoing VfM gains may fluctuate and this also needs to be considered (see principle b5).

4.34 If a gain reported as part of NI179 is not sustained in full or in part, then the relevant value that has proved not to be ongoing must be deleted from the figure reported through the indicator at the earliest opportunity.

b5. The value of VfM gains which fluctuate need to be updated

4.35 The value of ongoing VfM gains may fluctuate over time for a variety of reasons, e.g. changes in the level of demand for a service. Once recorded in NI179, any fluctuation in the value – up or down – of an ongoing VfM gain must be recorded in subsequent NI179 reporting whatever the circumstances behind the fluctuation.

4.36 For example, in 2008-09 a council increases income (and therefore generates a VfM gain) by £6,000 through increasing the number of paying visitors at its swimming pools by 3,000 because it embarked on an advertising campaign, and records it in NI179 in July 2009. In 2009-10, the number of additional visitors compared to the baseline year falls to 2,700, reducing the ongoing VfM gain from the expected £6,000 to £5,400. Thus £600 must be deleted from the NI179 figure when it is reported again in July 2010.

4.37 It is expected that councils will have the monitoring systems in place to support the measurement of fluctuations and that tracking of VfM gains over time by councils is both good and common practice.

b6. Councils should report part-year improvements, not just full-year activity

4.38 Actions to deliver VfM gains may not start neatly at the beginning of each financial year. For the purposes of NI179, councils should calculate the part-year effects of such gains, and score each part in the appropriate years during which they accrue. The example below sets this out.

Example: Valuing improvements that take place during the financial year

Authority E aims to reduce its stationery costs by £100,000 a year by re-tendering a contract. The change takes place in September 2008, and so the benefits will accrue partly to 2008-09 and partly to 2009-10.

- *For 2008-09:* The planned improvement is calculated as 7/12 * £100,000 = £58,333 (since September 2008 to March 2009 is seven months).
- *For 2009-10:* The planned improvement is £41,667 (representing the improvements for the five months April 2009 to August 2009);

From 2009-10 the cumulative NI179 figure recognises the full improvement of £100,000 (representing the £58,333 achieved and reported in 2008-09 and the further £41,667 added to it in 2009-10)

b7. VfM gains accruing before 2008-09 and after 2010-11 are excluded, except the value of gains permitted to be carried forward from SR04

4.39 The focus of NI179 is on the VfM gains that accrue during the period covered by the CSR07 target (2008-09 to 2010-11). Any gains achieved before 2008-09 or after 2010-11 will be excluded, except that element of gains reported in SR04 that are permitted to roll forward into CSR07 (see principle b8).

4.40 A principle of the agenda to date has been to encourage new activity to derive VfM gains. However, long-term contracts signed by councils before the start of 2008-09 may have clauses which generate annual improvements in productivity during the CSR07 period. Where this is the case, the value of gains accruing in CSR07 may be included in NI179.

4.41 For example, in 2004-05 a council agreed to purchase a set number of widgets for £150 and further agreed price reductions in subsequent years for the purchase of the same number of widgets to the same specification, as set out in the table (and ignoring inflation):

Year	Price (£)	VfM Gain (£)
2004-05	150	N/A
2005-06	148	2
2006-07	145	3
2007-08	141	4
2008-09	**136**	**5**
2009-10	**130**	**6**
2010-11	**123**	**7**
2011-12	115	8
2012-13	106	9

4.42 The council will be able to count VfM gains worth £5, £6 and £7 in the years 2008-09 to 2010-11. In contrast, the gains of £2, £3 and £4 for 2005-06 to 2007-08 cannot be counted, nor those of £8 and £9 for 2011-12 and 2012-13. This principle suggests that the VfM gains for these latter two years would be likely to count in the next spending review (though we cannot prejudge decisions yet to be taken about that period).

b8. Some VfM gains reported in SR04 may be rolled forward into CSR07

4.43 As the VfM Delivery Plan states, where councils have achieved a significant level of ongoing cash-releasing gains in SR04, there is a mechanism to recognise this success in the CSR07 period.

4.44 Councils may carry forward into CSR07 the value of any ongoing cash-releasing efficiencies achieved in SR04 (as reported in their 2007-08 Backward Look AES) that are over and above 7.5% of their 2004-05 baseline expenditure (i.e. their SR04 target for total gains – both cash-releasing and non-cashable).

4.45 Any council that has achieved this level of cash-releasing gains will be able to carry the appropriate value forward to report against their VfM indicator. This principle is illustrated through three fictional scenarios below:

Examples: Calculating whether gains may be carried forward from SR04

Council A had a target to achieve £1m annual efficiency gains by the end of 2007-08 (both cash-releasing and non-cashable). In its 2007-08 Backward Look statement it reports that it has achieved £1.8m efficiency gains, of which £1.3m are cashable and all are expected to be ongoing. In this case, Council A will be able to carry £300,000 forward into CSR07.

Council B had a target to achieve £2m annual efficiency gains by the end of 2007-08 (both cash-releasing and non-cashable). In its 2007-08 Backward Look statement it reports that it has achieved £2.3m efficiency gains, of which £2.1m are cashable, but £150,000 of these are one-off gains that will only have an impact in 2007-08 and are not ongoing into CSR07. In this case, Council B will **not** be able to carry forward any gains into CSR07.

Council C had a target to achieve £1m annual efficiency gains by the end of 2007-08 (both cash-releasing and non-cashable). In its 2007-08 Backward Look statement it reports that it has achieved £1.2m efficiency gains, of which £0.9m are cashable and all are expected to be ongoing. In this case, Council C will **not** be able to carry forward any efficiency gains into CSR07.

c. Reporting & Monitoring Principles

c1. Reporting arrangements are consistent with the new Performance Framework and endorsed by stakeholders

4.46 The reporting and measurement approach that has been endorsed balances the needs of both local and central government for robust information on the achievement of VfM gains whilst not placing an undue and excessive burden on councils. This guidance is the culmination of significant development work and discussion within the Measurement Taskforce.

c2. The calculation of NI179 should be based on robust processes

4.47 It is essential that proper arrangements are in place to ensure that a robust process is followed to identify and report VfM gains in NI179.

4.48 It is recommended that gains be measured against a comprehensive picture of inputs, outputs and service quality. An audit trail of any VfM gain should have clarity on the baselines for the costs and output underpinning it. Counterfactual baselines (estimating what would have occurred if an initiative had not been adopted) should only be used if they can be clearly defined.

4.49 It is important to distinguish between a VfM gain and a service cut: thus, a major challenge is to demonstrate that quality has been maintained. Councils should identify ways to assure themselves that the quality of service delivery has been maintained at the local level and hence that true increases in VfM are being achieved rather than cuts in services.

4.50 It is expected that VfM gains should be based on data from systems that are subjected to regular assurance processes and that adequate audit trails for any checks that have been made should be available for auditors.

4.51 It is also recommended that there should be at least one system in place (e.g. an ad hoc committee of officials, internal audit or Member scrutiny) to challenge the calculation of NI179 and evidence should be available to show the findings of scrutiny and how they have been considered or taken on board. The Leader or Directly Elected Mayor, Chief Executive and Chief Financial Officer (Section 151 Officer) should see, certify and approve the NI179 calculation.

4.52 Further advice on the issues that councils may wish to consider when developing their processes for managing VfM, based on the outcome of research into how councils have tackled this issue and current best practice, is set out in chapter 8 and Annex D.

c3. NI179 data must be submitted through the Data Interchange Hub

4.53 The mechanism for submitting the value of VfM gains achieved (NI179) is the Data Interchange Hub[18]. The Hub has been created to permit online submission of all National Indicator Set data, view trajectories over time and performance against targets, and generate operational reports.

4.54 To submit data on NI179, you must first be a registered use of the Hub. When you log on, select "National indicator actual values" and then "NI179" from the list of indicators. You should now see an orange box headed "National Indicator Actual Values", where you can enter the value of NI179 and select the status as "Approved" (assuming it has been as set out in principle c2).

4.55 You may also **voluntarily** choose to enter data showing the breakdown of the NI179 figure by the broad themes described in the VfM Delivery Plan, namely: Procurement; Business Process Improvement; Collaboration; and Asset Management. Provision of this information is optional, but it should help build a greater understanding of where and how gains are being achieved.

c4. Underperformance will be tackled in partnership with the sector

4.56 The challenge to meet increasing expectations for public services from local people within the tight fiscal context of CSR07 will be a strong driver for councils to identify and deliver VfM gains, even in the absence of a mandatory local target.

---

[18] Available at: www.hub.info4local.gov.uk

4.57 However, where there is evidence of real underperformance on VfM then there are a range of options to help support improvement that can be drawn from, in particular close working with the appropriate Regional Improvement & Efficiency Partnerships (RIEP).

4.58 The methods for identifying underperformance will develop with experience, but the point is that it will be based on a broader range of information than simply asking "has council x achieved 3% gains?”. For example, a potential sign might be a low VfM score from the Audit Commission combined with low achievement of VfM gains as reported in NI179, or a general deterioration in the wider National Indicator Set. This would then prompt a closer look to understand whether there was a problem or not.

c5. The baseline for the sector’s target is forecast 2007-08 net expenditure

4.59 The calculation of the 2007-08 baseline expenditure by English local authorities for the purposes of determining the CSR07 VfM target was set out in Annex A of the VfM Delivery Plan (and is reproduced here in Annex B). This calculation produced a figure for the 2007-08 baseline expenditure for the sector of £53bn, comprising £41bn revenue and £12bn capital expenditure.

4.60 Annex B also sets out a formula by which councils can calculate their baseline on the same basis, using either forecast or outturn data, though this is entirely voluntary and has been provided for information only, where councils wish to understand their own baseline for the purposes of measuring improvement over the CSR07 period and, potentially, setting their own internal targets should they choose to do so.

c6. The sector has an annual target for 3% VfM gains, but there are no mandatory targets for individual councils

4.61 Like the rest of the public sector, councils are expected to achieve at least 3% per annum net cash-releasing VfM gains. However, whereas in SR04 the 2.5% per annum public sector target was additional (i.e. 2.5%, 5%, 7.5%), in CSR07, the target is multiplicative (i.e. 3%, 6.1%, 9.3%). Using the 2007-08 baseline expenditure figure of £53bn, this approach produces the following trajectory for VfM gains from councils collectively in CSR07[19]:

Trajectory for VfM gains in CSR07

Year	2008-09	2009-10	2010-11
Target (% of 2007-08 baseline)	3%	6.1%	9.3%
Expected gains (£bn)	1.5	3.2	4.9

[19] Applying this approach simply, the figure for 2008-09 is closer to £1.6bn, but we have made an allowance for the time required to implement the bigger efficiency projects expected in CSR07. In any event, with the exception of the £4.9bn requirement, these figures represent expectations on the scope for gains and do not represent targets either for the sector or the Department.

4.62 As with SR04, this trajectory represents the improvement in annual expenditure compared to the baseline position, with each individual gain counted only once towards the target. In other words, if £1.5bn gains are achieved in the first year, then a further £1.7bn new gains need to be achieved and the full £1.5bn from the first year sustained, in order to meet the £3.2bn expected in the second year (as illustrated by the table at paragraph 3.6).

4.63 It should be stressed that councils are not required to reduce their expenditure by 9.3% over the years to 2010-11. There is no one-to-one relationship between VfM gains and expenditure because efficiencies will sometimes be redirected to frontline services and sometimes used to hold down Council Tax.

4.64 Individual councils have not been set a target for VfM gains (except where one was agreed as one of the 'up-to-35' targets in their Local Area Agreement). Since there will not be a mandatory VfM target for all councils in CSR07, the Department will not be setting a baseline expenditure figure for each council individually as it did in SR04.

c7. Councils may report VfM gains from associate organisations whose levies or precepts contribute to their baseline expenditure

4.65 In general, where improvements arise without a council having taken an action directly (either alone or in partnership with other organisations), then any gains arising from those actions may not be reported by that council in NI179.

4.66 For councils that pay a parish levy, if parishes are able to provide you with data to support the case that VfM gains have been achieved, these efficiencies may be included in NI179 in the normal way. There is, however, no requirement on parish councils to provide such information.

4.67 VfM gains made by Public Transport Authorities and Waste Disposal Authorities should be apportioned among the participating councils in the same proportion as the levy for that year, unless the governance structure for that authority has agreed an alternative procedure.

c8. Councils may report VfM gains from the Housing Revenue Account (HRA)

4.68 The baseline for councils' collective VfM target (see principle c5) includes capital HRA, but not revenue HRA. However, councils can include valid VfM gains from both areas in NI179.

4.69 Other than this exception, VfM gains may not be counted in NI179 from actions that are funded outside the areas covered by the baseline. In particular, gains made against budgets for schools and Fire & Rescue Authorities are reported through different mechanisms applying to those sectors.

5 VfM Gains and Capital Expenditure

5.1 Capital expenditure should not be ignored when looking for VfM gains; indeed it is included in the baseline expenditure figure upon which the sector's target for £4.9bn annual gains is based. The following points should be borne in mind:

- Capital spend has a long-term focus. The justification for spending, say £5m this year on a housing improvement scheme, may be the annual revenue savings on housing maintenance over the next 10 years. And it may be that an even better ratio of long-term revenue savings to capital costs could be achieved by spending, say £5.5m this year. Hence revenue and capital expenditure are best analysed in an integrated way.
- The addition of in-year revenue and capital expenditure for calculating the baseline for VfM gains is consistent with the manner in which government departments receive their budgets and are judged in relation to baselines for their VfM targets.
- The broad total of £4.9bn VfM gains required from councils in total equates to 3% annual gains for three years only if revenue and capital spend is added together in this way. If only revenue budgets were used, the percentage annual VfM gains required would be higher.
- Unlike a system of budget 'cuts', the VfM agenda does not aim for a situation where total expenditure in the first year will be the baseline less 3%, and so on. There will be many influences on eventual actual expenditure and because of the 'lumpiness' of capital expenditure, actual total expenditure in the first year may be very different (up or down) from the baseline.

5.2 The remainder of this chapter sets out the methods to be adopted when measuring and reporting VfM gains from capital spend in six areas, as follows:

(A) Pre-contract costs of capital schemes (e.g. reduction in bid costs);

(B) Initial cost of capital assets (e.g. through adopting standard construction details);

(C) Integrated capital and revenue budgeting for services (e.g. replacement of specialist bought in services with service provision through dedicated asset; or optimising capital expenditure and revenue maintenance);

(D) Asset use optimisation (e.g. through better asset management planning; or multiple use of single assets);

(E) Leasing/borrowing strategies; and

(F) Sale of surplus assets.

(A) Pre-contract costs of capital schemes (e.g. reduction in bid costs)

5.3 VfM gains from the pre-contract costs of capital schemes (whether in revenue or capital spend) should be:

- Allocated across financial year(s) pro rata to the total pre-contract costs incurred[20], unless the particular nature of the costs and the VfM measure(s) justify[21] a different split across years; and
- Allocated to services(s) pro rata to the manner in which the total capital expenditure incurred for the scheme accrues to individual services, unless the particular nature of the scheme and the VfM measure(s) justify a different split across services.

Example: VfM in pre-contract costs – One-off gains

Authority A adopts new procedures which result in a reduction of bid costs (i.e. the cost to the council of running the procurement process) for a major capital scheme. It is a joint scheme between Adult Social Care (40%) and Children's Services (60%). The bid costs are reduced from a previously projected £500,000 down to £350,000. The £350,000 total bid costs are incurred £250,000 in year 1 and £100,000 in year 2.

The total VfM gain is £500,000 - £350,000 = £150,000.

The VfM gain in year 1 is 250/350 x 150,000, i.e. £107,143, of which 40% (£42,857) is Audit Social Care and 60% (£64,286) Children's Services.

The VfM gain in year 2 is a further 100/350 x 150,000, i.e. £42,857 of which 40% is (£17,143) is Audit Social Care and 60% (£25,714) Children's Services.

5.4 In the example above, taken in isolation, VfM gains would be recorded as one-off gains, as defined earlier and hence should not be reported against NI179. However, if the new procedures adopted represent an improvement that applies not only to the capital scheme in question but also to all subsequent similar schemes, then this may be claimed as an ongoing gain, because the action taken (introduction of new procedures) is a sustained change applied to the overall programme. Framework agreements are a good example of potential ongoing gains. The value of schemes in individual years will vary and so the cumulative VfM gains claimed will fluctuate as a result of this variation.

[20] 'Incurred' means incurred as measured by proper accounting practice, i.e. as included within the authority's published statements of account (unless the relevant figure(s) are subject to audit qualification), and in advance of the publication of the statement of account for any year in a manner consistent with the Chief Financial Officer's estimate of how it will fall to be so included.

[21] 'Justify' and 'justified' mean as is determined by the Chief Financial Officer.

Example: VfM in pre-contract costs – Ongoing gains

Authority B adopts new procedures which result in a reduction of bid costs for major capital schemes. The change in procedures results in a 30% reduction in pre-contract costs, compared with the previous procedures. The assessment of 30% improvement is based on professional judgment, comparing actual costs under the new procedures with the expected pre-contract costs under the previous procedures. The new procedures are applied to year 1, 2 and 3 schemes of the overall 3-year capital programme.

	Year 1	Year 2	Year 3
Year 1 schemes			
Pre-scheme bid costs (calculated such that reduction by 30% equals actual post-scheme bid)	450,000	50,000	
Post-scheme bid costs (actual)	-350,000	-0	
	100,000	***50,000***	
Year 2 schemes			
Pre-scheme bid costs		300,000	30,000
Post-scheme bid costs		-231,000	-0
		69,000	***30,000***
Year 3 schemes			
Pre-scheme bid costs			150,000
Post-scheme bid costs			-105,000
			45,000
Value of gain included in NI179	100,000	119,000	75,000

(B) Initial cost of capital assets (e.g. through adopting standard construction details)

5.5 VfM gains from the initial cost of capital assets should be:

- Allocated across financial year(s) pro rata to the capital expenditure incurred on the asset(s) in the year(s), unless the particular nature of the capital expenditure and the VfM measure(s) justify a different split across years; and
- Allocated to service(s) each year pro rata to the manner in which the capital expenditure incurred on the asset(s) in that year accrues to individual services, unless the particular nature of the capital expenditure and the VfM measure(s) justify a different split across services.

Example: VfM in initial cost of capital assets – One-off gains

Authority C adopts standard construction details for a new leisure facility. The total capital expenditure for the scheme is reduced from a previously projected £5,000,000 down to £4,500,000. The £4,500,000 capital expenditure is incurred £1,125,000 in year 1 and £3,375,000 in year 2.

The total VfM gain for culture and sport is calculated as £5,000,000 - £4,500,000 = £500,000. The VfM gain in year 1 is 1,125/4,500 x 500,000, i.e. £125,000. The VfM gain in year 2 is 3,375/4,500 x 500,000, i.e. £375,000.

5.6 In the examples above, taken in isolation, VfM gains would be recorded as one-off gains, and hence should not be reported against NI179. However, if the new procedures adopted represent an improvement that applies to an overall programme, rather than an individual project, then the resulting gains may be claimed as ongoing.

Example: VfM in pre-contract costs – Ongoing gains

Authority D adopts standard construction across its house refurbishment programme. The change in approach produces a reduction in capital works costs. The assessment is based on professional judgment, comparing actual costs under standard construction with the expected costs under the previous approach. The new approach is applied to year 1, 2 and 3 schemes of the overall 3-year capital programme.

	Year 1	Year 2	Year 3
Year 1 schemes			
Pre-scheme capital expenditure (Estimated)	6,500,000	1,000,000	500,000
Post-scheme capital expenditure (Actual)	-5,850,000	-900,000	-450,000
	650,000	***100,000***	***50,000***
Year 2 schemes			
Pre-scheme capital expenditure		3,500,000	700,000
Post-scheme capital expenditure		-3,150,000	-630,000
		350,000	***70,000***
Year 3 schemes			
Pre-scheme capital expenditure			4,500,000
Post-scheme capital expenditure			-4,050,000
			450,000
Vaue of gain included in NI179	650,000	450,000	570,000

(C) Integrated capital and revenue budgeting for services (e.g. replacement of specialist bought in services with service provision through dedicated asset; or optimising capital expenditure and revenue maintenance)

Example: Investing to save in adult social care

Authority E currently places 5 young adults who have severe disabilities with an external provider at a net cost to the revenue budget of £0.4m per placement. It decides to build and operate a specialist facility to provide this service instead. The net cost to the revenue budget (including capital charges for the new facility[22]) is £0.25m per placement. The new facility comes on stream in the middle of year 2, when a one-off transition cost of transition of £50,000 per placement is incurred.

The VfM gain is calculated as the difference between the cost of service without the improvement (£2m = 5 * £0.4m) and the cost with the activities undertaken.

Year	Cost of service (£m)
Year 1	2.00
Year 2: 6 months external placement + transition cost + 6 months internal placements	1.00 + 0.25 + 0.625 = 1.875
Year 3: Internal placements	5 * 0.25 = 1.25

The VfM gain is recorded as £0.125m in year 2 (£2.0m - £1.875m) with an additional £0.625m in year 3 (£1.875m - £1.25m), making a cumulative total of £0.75m (£0.125m + £0.625m) by year 3.

(D) Asset use optimisation (e.g. through better asset management planning; or multiple use of single assets)

5.7 The CIPFA BVACOP (Best Value Accounting Code of Practice) represents the accepted accounting practice for recording the total cost of services in local government. BVACOP includes in the total cost of service both depreciation and a charge for the use of assets based on a specified percentage of the value at which they are held in the authority's balance sheet. These charges are made for assets used by the service.

5.8 VfM gains can be measured by taking the total net cost (i.e. gross cost less income) for the year as defined within BVACOP for the service(s) and comparing this with what it would have been (best estimate) without the improvement measure(s).

---

[22] Capital charges are only made for operational assets. If the new asset is valued at £2.0m and is amortised on a straight line basis over 40 years then the annual capital charges to the services are £50,000 depreciation plus £70,000 notional interest equals £120,000 (£24,000 per placement).

5.9 Movements that are independent of the improvement measures should not impact on the measurement of the VfM gain. For example, a change in the valuation of an asset that would have occurred whether or not the improvement measure(s) were carried out should be ignored in the measurement of the VfM gains; but any changes in valuation that are a direct consequence of the improvement measure(s) should be measured as part of the calculation.

Example: Asset optimisation

Authority F currently locates support staff for its Supporting People and Homelessness services in one building (which it owns) and support staff for Non-school Education services in another building (which it owns). The authority embarks on a programme of asset use optimisation, which results in the relocation of these support staff all within the first building without affecting quality of service or industrial relations. The transfer is made at the beginning of year 2.

	Cost of service without improvement measure £	Cost of service with improvement measure £	VfM gain £
Year 1			
- Supporting people			
- Capital charges	20,000	20,000	
- Other net costs	100,000	100,000	
- Homelessness			
- Capital charges	40,000	40,000	
- Other net costs	150,000	150,000	
- Non-school Education			
- Capital charges	40,000	40,000	
- Other net costs	+ 120,000	+ 120,000	
Total	**470,000**	**470,000**	
Year 2			
- Supporting people			
- Capital charges	20,000	12,000)	
- Transition costs		1,000)	7,000
- Other net costs	103,000	103,000)	
- Homelessness			
- Capital charges	40,000	24,000)	
- Transition costs		1,000)	15,000
- Other net costs	154,000	154,000)	
- Non-school Education			
- Capital charges	40,000	24,000)	
- Transition costs		2,000)	
- Other net costs	122,000	122,000)	14,000
Total	**479,000**	**443,000**	**36,000**

Example: Asset optimisation *(continued)*

	Cost of service without improvement measure £	Cost of service with improvement measure £	VfM gain £
Year 3			
- Supporting people			
- Capital charges	20,000	12,000	
- Other net costs	105,000	105,000)	8,000
- Homelessness			
- Capital charges	40,000	24,000)	
- Other net costs	157,000	157,000)	16,000
- Non-school Education			
- Capital charges	40,000	24,000)	
- Other net costs	125,000	125,000)	16,000
Total	**487,000**	**447,000**	**40,000**

NB: Total capital charge for the building that the members of staff are now accommodated in is £60,000 per annum.

The VfM gain is recorded as:

— Year 2

Supporting people	7,000
Homelessness	15,000
Non-school Education	14,000
Total year 2	**36,000**

— Year 3

Supporting people	8,000
Homelessness	16,000
Non-school Education	16,000
Total year 3	**40,000**

The VfM gains will continue into future years.

(E) Leasing/borrowing strategies

5.10 Councils will wish to carry out a 'whole-life' option appraisal comparing Net Present Value (NPV) before coming to a decision on its leasing or borrowing strategy. Having assessed which option is the most efficient, then an authority may record gains in the manner illustrated below.

Example: Deciding on a leasing or borrowing strategy

Authority G decides to purchase a building for office accommodation rather than paying an annual leasing (rental) charge. An option appraisal shows a positive NPV for purchase excluding the residual value of the building in thirty years time. Annual borrowing charges and running costs of £300,000 are lower than the leasing charges and running costs falling outside the leasing cost of £325,000.

	Year 1	*Year 2*	*Year 3*
Purchase			
Capital charges	200,000	200,000	200,000
Other costs	100,000	100,000	100,000
	300,000	***300,000***	***300,000***
Leasing			
Capital charges	250,000	250,000	250,000
Other costs	75,000	75,000	75,000
	325,000	***325,000***	***325,000***
VfM gain	25,000	25,000	25,000

(F) Sale of surplus assets

5.11 The revenue impact (i.e. interest accrued) of capital receipts from the sale of surplus assets may be counted as a VfM gain. However, gains cannot be counted from the sale of non-operational investments.

Example: Sale of surplus assets

Authority H achieves capital receipts of £1,000,000 from the sale of surplus assets and the available market interest rate is 5%.

It may count ongoing cash-releasing VfM gains of £50,000.

5.12 In regard to the sale of former school buildings and/or land, a council can report the value of the revenue impact of capital receipts arising from the disposed property for NI179.

5.13 This rule applies **unless** the receipts are used to directly contribute to the Building Schools for the Future (BSF) programme. If you are unclear about whether disposals fall within this exception, please speak to your buildings and capital team/department.

6 Fees and Charges

6.1 This chapter sets out which activities relating to fees and charges may count as VfM gains and how the resulting improvement should be measured. The key areas examined are as follows:

(A) New sources of income

(B) Increases in the level of existing charges

(C) Increases in demand for existing services, i.e. more customers

(D) Earlier receipt of income

(E) Improvements in income collection rates

(F) Transfers from other public sector organisations

(G) Sale of service to another organisation

(A) New income sources

6.2 A local authority may choose to raise new income, through charging for services previously provided free or, alternatively, it may start to provide a new service with a net financial benefit. These activities increase income but do not necessarily increase VfM and, therefore, new income sources should not be included in NI179. Activities falling within this category include:

- Introducing charges for attending a social services day centre, previously attended free of charge;
- Introducing new charges for staff car parking; and
- Introducing options for the purchase of advertising space for a fixed charge (however, income levered in through some private sector co-funding or sponsorship deals may be eligible: see paragraph 5.10).

(B) Increasing existing charges

6.3 A local authority may choose to increase existing charges to customers and thereby increase income. Pure increases in existing charges to cover extra costs (whether improvements or inflation), or by a greater sum to provide resources for other priorities, are not VfM gains and should not be included in NI179. Activities falling with this category include:

- Increase charges for home care services;
- Increases in leisure centre charges; and
- Increases in car park charges, following the introduction of CCTV cameras.

6.4 For some services fees and charges are determined by ability to pay (e.g. residential care for elderly persons, leisure centre charges). Such income will fluctuate from year to year, but additional income derived from such fluctuations does not count as a VfM gain and should not be included in NI179.

(C) Increased demand for existing services

6.5 Extra demand for a chargeable service will increase income. This extra demand could arise in one of the following ways:

- **Externally-led** – e.g. an increase in Development Control applications resulting from a greater demand for residential development;
- **Campaigns to increase demand** – e.g. introduction of a discount regime for leisure centre fees designed to attract more customers, or an advertising campaign to promote services; or
- **Service improvement to increase demand** – e.g. introduction of security/ CCTV facilities to increase car park usage to stimulate greater demand.

6.6 Where a council meets additional natural demand for a chargeable service without a commensurate increase in expenditure, the net financial benefit **is** eligible to be included in NI179 as a VfM gain, after factoring out the effect of any increase in the level of the charge.

Example: Increase in the volume of Planning Applications
Authority A is facing a gradual increase in planning applications, with anticipated fees rising during the year by £50,000. A further £10,000 will be raised through an increase in the level of the existing charge. To cope with increased demand and to maintain quality of service, Authority A employs an additional Planning Officer costing £35,000 including payroll on-costs. Net costs fall by £25,000 (i.e. £50,000 plus £10,000 minus £35,000).
The sum included in NI179 as a VfM gain is therefore £15,000 – calculated as the increased income derived from additional applications (£50,000) less additional staffing costs (£35,000). Additional income arising from increases in the level of charges (£10,000) should not be included in NI179.

6.7 Additional net income arising from campaigns (after deducting the cost of the campaign) is an eligible VfM gain. Additional net income arising from service improvement (after deducting the cost of the improvement) **is** also a VfM gain.

Example: Improvements to public car parks

Authority B decides to improve its car park provision, by spending an additional £100,000 per annum on providing security personnel and electronic surveillance equipment. It anticipates additional car park usage, bringing in an extra £50,000 per annum in car park charges. Simultaneously it increases the charge for car parking by 10p per hour, expected to increase income by £100,000 per annum.

In this example there is no VfM gain, because the extra income resulting from increased car park usage (£50,000) is lower than the cost of the improvements (£100,000). The extra income resulting from the increased level of charge (£100,000) is disregarded.

6.8 A local authority may receive additional income from fines as a result of improved productive time of staff involved in identifying and reporting public misbehaviour. In such cases, councils may claim a cash-releasing VfM gain, though they would have to be substantiated with a quality crosscheck to ensure that standards of fairness and justice had been maintained.

6.9 However, the value of the gain **is not** the value of the additional income from the fines, as that represents an outcome and not an output. Instead, the value of the gain is determined by the cost of the staff employed. For example, if the number of fines issued increases by 10%, with the same number of staff employed at an average annual staff cost of £25,000, the value of the cash-releasing gain is £2,500.

(D) Earlier receipt of income

6.10 A local authority may choose to invest income that it received in order to earn interest prior to its use. Earlier receipt will therefore increase investment income, and this could be achieved in a number of ways, including more intensive debt collection procedures or e-pay techniques. Net interest gains on the earlier receipt of income arising from more efficient collection processes (after deducting additional costs of collection) **are** eligible to be included in NI179 as a VfM gain.

6.11 An exception to this, however, is if a council brings forward the collection date or switches from arrears to advance. In this case, the change in interest earned **cannot** be counted, since this is a transfer of interest payments from the public to the local authority. However, reductions in the level of bad debt as a result of the change of policy would be eligible as a VfM gain.

(E) Improved collection rates

6.12 A local authority may choose to take action to improve the collection rate of its existing debt. In any assessment it is important to distinguish between debts being collected earlier (see above) and debts that would not otherwise have been collected but for improved recovery action that has taken place. Improved collection rates **can** be included in NI179 as a VfM gain.

Example: Improvement in Council Tax collection

Authority C generally collects 95% of its council tax in the year in which it is due, with a further 3% in subsequent years. It makes a 2% provision for bad debts. More intensive recovery action is initiated which is estimated to cost £50,000 per annum. As a result "year 1" collection rises to 96% and it is estimated that a further 2.5% can be collected in later years. The provision for bad debts falls to 1.5%.

The sum included in NI179 should be (1) the cash flow improvement of receiving earlier payments *plus* (2) the reduced bad debt provision *minus* (3) the additional costs of collection.

(F) Transfer income from other public organisations

6.13 Local authorities receive income from other public authorities for a variety of services, for example, income from a Primary Care Trust to reflect nursing care in local authority establishments, or income from the provision of a shared service. Where additional income arises purely from changes in day-to-day demand this is not a VfM gain and should **not** be included in NI179.

6.14 Where additional activities are undertaken to improve productivity, however, these should be calculated in accordance with the principles set out in this document. For example, a local authority that establishes a facility to meet its statutory landfill requirements can sell spare capacity to other authorities that cannot otherwise meet their statutory targets. The authority selling the spare capacity **can** count the resulting income as a VfM gain.

(G) Sale of service to another organisation

6.15 A local authority may choose to sell one of its services (e.g. a golf course) to another organisation to operate. When considering whether there a VfM gain that can be reported as a result of such an action, the following points should be borne in mind:

- The revenue impact from the sale would be the VfM gain if eligible;
- The quality of service provided to the public would have to be maintained or improved; and
- In assessing the value of the sale, any portion relating to increase in income to the purchaser from increased prices to the public could not be counted.

7 Partnerships and VfM Gains

7.1 Where VfM gains are achieved from partnership working, it is important that councils apply all the basic principles (set out in chapter 4) to the measurement and reporting of those gains just as much as if they had been achieved by the council alone. Particularly relevant in this situation, are the requirements to report gains net of costs and to avoid double-counting of gains, which apply across all the partner organisations collectively.

Example: VfM gains from a shared finance function

Authority A enters into an agreement with Authority B to operate a shared finance function. In 2004-05, the arrangement will achieve VfM gains in staff costs for Authority A of £70,000 with gains of £300,000, £320,000 and £330,000 in later years. In 2004-05, Authority A spends £40,000 on staff training of remaining staff covering new systems and procedures as a result of moving to the new arrangements and capital investment in new IT equipment which using standard accounting practice accrues an annual amortised cost of £30,000.

Authority A records VfM gains equal to the staffing gains, less the training costs, less the investment costs. In each year, this amounts to:

- 2004-05: £70,000, less £40,000, less £30,000 = Cumulative gain: Nil
- 2005-06: £300,000, less Nil, less £30,000 = Cumulative gain: £270,000
- 2006-07: £320,000, less Nil, less £30,000 = Cumulative gain: £290,000
- 2007-08: £330,000, less Nil, less £30,000 = Cumulative gain: £300,000

Public-Public Partnerships

7.2 In the case of joint ventures, each council should evaluate the VfM gain relating to services provided to its public (including retained profits and taking account of costs as appropriate), being careful to exclude the value of gains accruing to its partners.

7.3 For partnerships with a clear lead, the **commissioning authorities** should assess the VfM gains achieved for their council by looking at changes in inputs (costs) and outputs. The **lead authority** should evaluate the VfM gain relating to services provided to its public (including retained profits), being careful to exclude the value of gains accruing to its partners.

7.4 Alternatively, in either case, the partner councils may be able to work together to agree a common approach to evaluating the VfM gain and apportioning it between them. Experience has shown that a variety of approaches have been adopted, and three of these are described in the box below:

Case Study Examples
Council X asks suppliers to provide details of the costs of purchasing goods and services alone and as part of a two-, three- or four-authority partnership, thereby giving enough detail to calculate the gains from joint procurement.
Council Y bases its gains from partnership working on the proportion of its initial investment relative to other partners. For example, if it invested 50% of the initial investment they would claim 50% of any resulting gains.
Council Z draws up Memoranda of Understanding with its partners to identify who is the lead Authority and what proportion of gains from the partnership can be claimed. If this cannot be easily done the gains are not reported.

Public-Private Partnerships

7.5 The VfM agenda is about accruing benefits to the public purse, so any use of public/private partnerships (PPP) will need to ensure benefits accrue to the public purse in order to count as a VfM gain. Equally, this should not be at the expense of the private or voluntary & community sectors, or the public.

7.6 The overall efficiencies of this approach should be evaluated on the basis of a whole-life option appraisal considering Net Present Value. The apportionment of benefits to the parties involved compared with previous practice needs to be set out at the start of the partnership.

7.7 Capital funds saved through the use of private sector funding to build a new facility do not count directly as VfM gains when the ongoing costs of using the facility accrue to the public sector body; the overall gains (evaluated in terms of overall costs and overall outputs) must be calculated and their apportionment agreed.

7.8 To ensure eligibility of VfM gains in this area, as with other areas, councils will need to ensure that service quality is at least maintained through engagement in PPPs.

Private Sector Co-Funding/Sponsorship

7.9 It is possible to score cash-releasing VfM gains through increasing co-funding/ sponsorship from the private sector, but only in relation activities that the council would have otherwise paid for itself. For example, if a private company offered to supply children with free (branded) stationery through the council, but the council had never done this, and had no plans to do it, then the action would not be cash-releasing and would not be eligible for NI179.

7.10 Where there is a cash-releasing element, measurement must link the expected outputs of a project with the co-funding/sponsorship element. The outputs should be quality assessed, including an upfront assessment of benefits accruing to each party. Co-funding/sponsorship will need to demonstrate that:

- The combination of funds leads to a clearly defined valuable impact that benefits the public; and,
- It represents a specifically negotiated new activity (or a re-negotiation on new terms) or, in the case of ongoing activities, true growth compared with the baseline position.

7.11 The benefit calculation is three-stage:

- A project must meet all its projected outputs to score at all, which includes quality assurance;
- A project must be ongoing, in other words it should be expected to continue for at least two subsequent financial years after the current year; and, only if it meets these requirements,
- The increase in the co-funded/sponsored element of the project is a cash-releasing VfM gain. Any project that does not meet all its projected outputs or fails quality checks will score zero VfM gains.

7.12 It is important to distinguish this principle from simple advertising; this kind of co-funding or sponsorship is specifically aimed at improving the quality of the service to which it applies. Also, it is about using a council's resources to lever in resources from the private sector that mean those resources go further.

Arms Length Management Organisations (ALMO)

7.13 Since ALMOs receive public funding, they should be encouraged to seek and deliver VfM gains along with the rest of the public sector. The councils that own ALMOs may report any eligible VfM gains that they achieve through NI179. However, it is important that any benefits ALMOs deliver which accrue to private investors must not be included in NI179.

8 Scrutiny and good practice

8.1 It is essential that proper arrangements are in place for identifying and reporting the achievement of VfM gains. The adoption of strong and effective procedures in this area should enable the public – as well as local councillors and Members of Parliament – to have confidence in the figures that are reported both locally and nationally against the published targets.

8.2 In particular, councils should be looking to ensure that the calculations for gains reported in NI179 are both robust and have been checked to be robust. By "robust", we mean that the council believes a third party would verify the reported figure as providing reliable information.

8.3 To assist councils with the monitoring of VfM plans and achievements, the Department and RIEPs have commissioned RSe Consulting to develop a simple spreadsheet resource, named mietool. The tool has been rolled out nationwide through the RIEP network; anyone needing a copy and guidance on how to use it should contact their local RIEP.

8.4 Naturally, it is a matter for individual councils to decide what arrangements they put in place, but this chapter sets out some of the current good practice adopted by councils that others may wish to look at when developing their own processes, including:

- The outcomes of research commissioned about the arrangements councils put in place to deliver VfM;
- Descriptions of processes in place in councils that are meeting the requirements of the agenda – and those going beyond it; and
- The details of the scrutiny process for NI179.

Arrangements for Delivering VfM

8.5 Research was commissioned by the Government to look at the processes that councils had put in place to help produce the 2004-05 Backward Look AES. The key findings of this research were:

- The majority of gains were cashable – and the processes for calculating these gains were the most reliable;
- Local authorities' processes were likely to improve in 2005-06 because they had had more time to get to grips with the efficiency agenda; and
- A few authorities had already put in place processes that went beyond the requirements of Gershon.

8.6 Three categories were developed that could be used to describe all councils: those that go beyond the minimum requirements of the agenda by being both strategic and robust; those that meet the letter of the requirements by being robust; and those that fail to grasp the basic requirements.

Recommended (strategic and robust)

8.7 This group not only seeks to obey the letter of the agenda but also the spirit. These councils display a high degree of strategic awareness of the wider VfM agenda, and they aim to be genuinely efficient by strategically improving how they work.

8.8 Leadership: The VfM agenda is led by council members and managed directly by the Corporate Management Team (CMT), with gains identified as part of a strategic plan for the whole organisation. The cost and quality of each service area is often assessed on an annual basis. Responsibility for the VfM agenda at executive member level is clearly defined, either through a VfM champion or a group of executive members, responsible for establishing direction and internal targets. Processes are in place for members to hold the CMT accountable for meeting the VfM agenda and a central team monitors service areas to ensure consistency in measuring gains, to challenge key assumptions, to follow up on whether the gains were realised and why (or why not).

8.9 Process: The definition of a VfM gain is well understood and council members make decisions about how gains should be utilised. VfM gains are identified and calculated correctly, using baseline data that is of high quality and used consistently. Cash-releasing benefits are linked to financial monitoring with appropriate oversight from the Chief Financial Officer. Where full data does not exist, sensible assumptions are made based on frontline experience and benchmark data, to provide adequate evidence to support the gain being claimed. Internal Audit has carried out a risk assessment of the VfM programme and has deployed sufficient resources in its audit plan to advise the council on its effectiveness and monitor progress.

8.10 Buy-in: Stakeholders buy-in to the process with service areas closely involved in identifying, calculating and realising benefits. Senior managers are involved in critically challenging assumptions and following up on realisation. Members understand the impact of VfM gains that are most likely to be realised, and are prepared to be involved through the scrutiny process.

8.11 Realisation: Benefits realisation is established as an integral part of the VfM agenda. The likelihood or risk of realising a gain is considered in calculations with realised benefits appropriately captured and measured. For major projects, lessons learned are discussed.

Case Study Example from SR04

Council Z formed a dedicated Efficiency Committee, which was tasked by members with identifying efficiencies across the authority, in liaison with service managers. The Committee ensured that consistent and reliable baseline data was used. The Finance Director sat on the committee and assessed all cashable calculations and helped service areas develop appropriate KPIs for difficult-to-measure improvements like spending extra time with customers. The Committee provided the AES with leadership and was held accountable for monitoring whether benefits were realised.

Compliant (robust)

8.12 This group displays a high degree of variation in their awareness of the VfM agenda. These authorities aim to do what is necessary to maintain services with the resources available rather than transform how they operate.

8.13 Leadership: The VfM agenda is commonly implemented by the finance department, which leads on identifying, calculating and reporting gains. The finance team may typically ask each service area for their VfM gains and build them into the budget. The CMT will sign off the NI179 return and members are not seen as leading in the process.

8.14 Process: The majority of VfM gains are tied directly to the central budget-setting process and based on the best data available – but such data is not always consistent. Gains are calculated by the finance team who usually rely on data provided by service areas. Service areas often have the initial responsibility for identifying and calculating gains. There is limited tracking of outputs and outcomes relative to inputs. Internal audit is rarely involved in identifying and monitoring the VfM programme.

8.15 Buy-in: The Section 151 officer often signs off the NI179 return. There is some buy-in from council members, CMT, finance and service managers but it is relatively light touch.

8.16 Realisation: Centrally-led cash-releasing benefits from short-termist actions not tailored to the needs of the organisation (such as holding budgets constant or delaying the filling of vacant posts) are tied to the budget process which means these gains are realised when the budgets are created. Service managers will frequently sign off VfM gains.

Case Study Example from SR04

Council Y relies heavily on crude short-term measures to realise its VfM gains. It has a policy of holding budgets flat for the next 3 years to get the inflationary benefit. Many of the service areas meet this requirement by keeping posts vacant for one month before filling them. These gains, while legitimate are not transformative to the way the council works.

Scrutiny of Measurement Arrangements

8.17 In CSR07, the principal means of scrutinising the calculation of NI179 should be through a council's own internal audit procedure, in recognition of the more devolved approach being adopted on performance generally. However, the Audit Commission will also have an interest in how councils understand their VfM performance.

8.18 Under the arrangements for the new Use of Resources assessment[23], auditors appointed by the Audit Commission will be looking for evidence that a council has "a sound understanding of its costs and performance and achieve[s] efficiencies in its activities" and that its financial reporting is "timely, reliable and…meet[s] the needs of internal users, stakeholders and local people".

8.19 In judging performance against these key lines of enquiry (KLOE), auditors will consider the adequacy of a council's arrangements to identify, measure, and report VfM gains. As in SR04, the figures reported for VfM gains will not be subject to external audit confirmation or assurance, but the robustness of a council's understanding of what is required for NI179 will be considered.

8.20 To help councils evaluate their current performance and identify potential areas for development, the checklist at Annex D has been developed. If a council can show that it is undertaking the kind of actions described in the checklist, then it will provide evidence to support the judgement on use of resources.

8.21 In addition, to help auditors and authorities with understanding and assessing VfM, the Audit Commission has produced a useful resource that enables the cost and output relationship in various service areas to be compared across different authorities; the VfM Profile Tool[24]. The Commission is looking at ways to develop the tool to reflect the introduction of the National Indicator Set and to support the Comprehensive Area Assessment.

23 Available at: www.audit-commission.gov.uk/useofresources/index.asp

24 Available at: http://vfm.audit-commission.gov.uk/HomePage.aspx

Annex A

National Indicator 179 Template

A.1 The definition for each indicator in the National Indicator Set is set out in the *National Indicators for Local Authorities and Local Authority Partnerships: Handbook of Definitions*[25]. The definition for NI179 as set out in that guidance is reproduced in full in this annex for ease of reference.

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year			
Is data provided by the LA or a local partner?	Y	Is this an existing indicator?	Y
Rationale	All parts of the public sector need to continue to seek and implement ways to deliver higher quality public services with the resources that are available. This means enhancing value for money and the whole public sector has been set a target of achieving at least 3% per annum value for money gains during the 2007 Comprehensive Spending Review period, all of which should be cash-releasing, i.e. free up resources that can be redeployed elsewhere. The response to pressure on available resources should be to seek greater value for money, rather than to simply reduce the effectiveness of public services. Therefore, this indicator records the value of ongoing net cash-releasing value for money gains achieved by councils. This is same as the figure for total cumulative cashable efficiency gains that until now has been reported through the Annual Efficiency Statement (which is being rescinded).		
Definition	**The total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 Financial Year.** **Net:** Value for money gains should be reported net of any additional investment and ongoing costs incurred for their implementation (this excludes any staff costs incurred in implementing the gains if those costs would have been incurred in any event). **Ongoing:** Value for money gains must persist for at least two full financial years after the year they first accrue (the value of any gains reported through this indicator that are not sustained for this period of time must be deleted at the earliest opportunity).		

25 Available at: www.communities.gov.uk/publications/localgovernment/finalnationalindicators

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year (continued)	
	Cash-releasing: Value for money gains that release resources which can be redeployed according to local priorities. **Value for money gains:** Improved relationship between inputs and outputs for the delivery of a service, but without any deterioration of the overall effectiveness of that service (a service can be any activity undertaken by the council). **Impacted:** The moment that the financial benefit of the action is felt (thus gains arising from actions taken before the start of the 2008-09 financial year or the remaining part year effects of gains that first impacted during 2007-08 may also be included where they meet this qualification). In addition, councils may also count the value of any cash-releasing gains achieved before 2008-09 where they are both ongoing and in excess of the council's 7.5% efficiency target for the 2004 Spending Review period.
Formula	The indicator seeks a single, aggregate figure for the gains achieved and sustained since the start of the 2008-09 financial year. In calculating this figure, councils will need to look at the changes in inputs and outputs for different functions from one year to the next. It is appropriate to focus this effort in areas where specific actions have been taken to achieve value for money gains as part of the benefits realisation process. Looking at a specific area where gains have been achieved, councils should compare the real costs in £ (i.e. taking into account the impact of inflation, for which the GDP deflator is the default rate unless an alternative is specifically stated for a sector in the detailed guidance, and changes in the volume of activity) of providing the service in the previous financial year and the one being reported on. Provided that there has been no deterioration in the overall effectiveness of that service, the difference between the two figures, less any additional investment and ongoing costs required to implement the action apportioned to years In line with standard accounting practice on amortisation, is the value of the gain to include in the aggregate figure. The formula for calculation is as follows: $x_t - x_{t+1}$ where: xt = the real cost of providing service delivery in the previous financial year; xt+1= the real cost of providing service delivery in the current financial year.

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year (continued)			
	Detailed guidance on how to apply this basic principle in more complicated areas of activity, including capital expenditure and income generation from increased demand (rather than new or increased charges), and an indication of what actions do not result in eligible value for money gains is published separately (see below).		
Worked example	In Year 1, Council A spends £100,000 on providing service X. In Year 2, it spends £90,000 to provide the service, with no deterioration in its overall effectiveness and taking account of inflation. The value for money gain contributing to the aggregate total is therefore: £100,000 – £90,000 = £10,000	**Good performance**	Good performance is typified by higher numbers. However, the indicator will not provide evidence on absolute value for money against which different councils can be judged. The scope for gains will be different in each area, and the ability to report higher numbers may be limited in any organisation that is genuinely delivering excellent value for money.
Collection interval	Biannual: **July** (from July 2009) – Actual gains achieved since 1 April 2008 up to the end of the previous financial year. **October** (from October 2008) – Forecast cumulative position at end of current financial year.	**Data Source**	Local Authorities.
Return Format	Number (£ Thousands)	**Decimal Places**	Rounded to nearest thousand
Reporting organisation	Local authorities (liaising as appropriate with any partners with which they have jointly undertaken actions to improve value for money, to allocate the value of the value for money gains accordingly and avoid double counting against the whole public sector target).		

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year (continued)	
Spatial level	Single tier, district and county council
Further Guidance	While councils will no longer be reporting the detail formerly required in the Annual Efficiency Statement (i.e. actions planned and undertaken, assuring maintenance of service quality, and breaking down gains achieved by service sector), they will still be expected to have their own processes in place to track value for money gains from the projects they undertake, ensuring there has been no deterioration in the overall effectiveness of service delivery, and be able to demonstrate these to auditors (both their own internal audit and auditors appointed by the Audit Commission undertaking the Use of Resources assessment). Detailed guidance on the measurement of value for money gains and the principles underpinning what counts towards this indicator will continue to be maintained in partnership with the Measurement Taskforce (formed of representatives from local and central government) and published online. An online discussion forum for councils to discuss measurement issues with each other and the Department will also be maintained. Non-cashable gains, including where the level of service quality improves proportionately more than increases in costs, will still be important for councils in helping them to deliver better services, but these gains will not need to be evaluated in £ and reported to central government in CSR07.

Annex B

Calculating the VfM Baseline

B.1 The calculation of the 2007-08 baseline expenditure by English councils for the purposes of determining the CSR07 VfM target was originally set out in Annex A of the VfM Delivery Plan. In short, the baseline is calculated as the estimated value for 2007-08 of:

- Total Net Service Expenditure
- *Plus* Passenger Transport and Waste Authority expenditure
- *Minus* Schools (Nursery, Primary, Secondary and Special Schools), Fire Service (Fire and rescue service), and Police Service expenditure
- *Minus* specific grants outside Aggregate External Finance (AEF): GLA Transport Grant; Education Maintenance Allowance; Higher Education Funding Council payments; Learning and Skills Council grant for Adult Education; and Mandatory Student Awards
- *Plus* Total Capital Expenditure
- *Minus* Education, Fire, and Police Capital Expenditure

B.2 We recognise that many authorities will want to understand their own baseline for the purposes of measuring improvement over the CSR07 period and, potentially, setting their own internal targets should they choose to do so. The table below shows how that can be done in a way that mirrors the process for calculating the national baseline by using figures that councils submit to the Department through their RA/CER or RO/COR forms[26]:

[26] RA (Revenue Account) and CER (Capital Estimates Return) set out forecast expenditure and RO (Revenue Outturn) and COR (Capital Outturn Return) set out outturn expenditure. The structure of these forms can be found at: www.local.communities.gov.uk/finance/stats/lgfforms/Lgfforms.htm

	Revenue expenditure	RA form	RO form
Add	Total Net Service Expenditure	Line 699, column 1	RS line 699, column 1
	Passenger Transport Authority	Line 722	RS line 722
	Waste Disposal Authority	Line 724	RS line 724
Minus	Nursery, Primary, Secondary and Special Schools	Lines 110, 120, 130 and 140	RO1 lines 10, 20, 30 and 40
	Police Services	Line 601	RS line 601
	Fire & Rescue Services	Line 602	RS line 602
	Specific grants outside AEF: GLA Transport Grant; Education Maintenance Allowance; Higher Education Funding Council payments; Learning and Skills Council grant for Adult Education; and Mandatory Student Awards	Appropriate elements of line 791	Appropriate elements of RS line 791
	Capital expenditure	**CER form**	**COR1&2 form**
Plus	Total Capital Expenditure (less receipts)	Line 26, column 1	Line 46, column 6
Minus	Nursery, Primary, Secondary and Special Schools (capital)	Appropriate element of line 19, column 1	Lines 1, 2, and 3, column 6
	Police Services (capital)	Line 24, column 1	Line 43, column 6
	Fire & Rescue Services (capital)	*Figures not directly available from form*	Line 42, column 6
	Central government grant and prudential borrowing for Transport for London		*Figures not directly available from form*
Equals	**2007-08 baseline expenditure**		

B.3 It is important to be clear that the advice provided here is purely voluntary. Councils are not required to calculate their baseline expenditure or targets, and if they choose to do so, they are free to amend the approach set out here or develop their own. In addition, while councils may wish to use outturn expenditure data for 2007-08 for their calculation, the national baseline will not be amended from that published (based on estimated data).

B.4 Indeed, there may be specific local circumstances that would make it sensible for councils to alter this method of calculation. In particular, councils that have a more 'lumpy' capital expenditure profile may find strict adherence to this approach could produce an unusually high – or, indeed, low – baseline. A suitable alternative in such situations could be to use a three-year average for capital expenditure, either outturn in the SR04 period or forecast for CSR07.

B.5 Having calculated the baseline, a council may wish to use that to set its own internal targets for VfM gains. In order to understand what a proportionate share of the national target would mean for a council, baseline expenditure should be calculated according to the process set out in the table above and then the voluntary trajectory for gains would be as set out in the table below:

Year	2008-09	2009-10	2010-11
Target (% of 2007-08 baseline)	3%	6.1%	9.3%

B.6 It is worth reiterating that councils are under no compulsion to do this, and will not be held to any voluntary targets that they choose to use for internal purposes by central government.

B.7 The format of any formal targets negotiated as part of a LAA may take another format if that is appropriate locally. For example, it could cover a number of public sector organisations rather than an individual council, or it could be for a more challenging trajectory of VfM gains.

Annex C

CSR07 Questions answered

C.1 In this annex we answer some of the questions that people have about CSR07, the Value for Money agenda and what it means for them.

a. The Agenda

1. What is your aim for efficiency in councils in CSR07?

Councils have made good progress in driving efficiency to date; during CSR07 we expect to see more challenging change projects taken forward, building on the good practice and learning that has been developed on service redesign, smarter procurement and exploiting new technology. This should enable councils to offer greater value for money and customer-focused services.

2. Does the fact you are continuing with this mean councils are failing?

No. Efficiency is not something that is "done" once and forgotten about. It is an ethos of continually reviewing the way things are done to ensure they are offering value for money. Councils – like all public service providers – are facing growing customer expectations and efficiency will be a vital part of meeting that challenge within the tight fiscal context of CSR07.

3. Is there any scope for cross-public sector efficiency gains?

There are many opportunities both in integrated service delivery and through the sharing of corporate functions. LAAs should offer a route to driving collaboration that will enhance service quality and release resources.

4. What is the role of the Audit Commission?

The Audit Commission's role includes working with local services inspectorates to take a more proportionate and tailored approach to inspection, and working with local authorities to identify risk, spot adverse trends and promote best practice.

b. The Delivery Plan

5. What is the purpose of the Local Government VfM Delivery Plan?

The VfM Delivery Plan for local government sets out a route map for meeting the efficiency challenge. It isn't prescriptive for councils, but suggests the means to achieve greater VfM and details the support activities designed to promote them.

6. What consultation took place in developing the VfM Delivery Plan?

The Department drew up the Plan using evidence from consultants, Regional Centres of Excellence (RCEs) and others. In finalising the Plan we consulted with a range of partners including representatives from local government, LGA, the private sector and other government departments, to ensure it meets the needs of councils.

7. What help will councils receive?

Regional Improvement & Efficiency Partnerships (now in place across the country since April and formed from the merger of RCEs and Improvement Partnerships) are the first port of call for councils looking to draw on their broad knowledge of efficiency and improvement. The RIEPs will promote partnerships and projects in their regions to identify new opportunities for greater VfM and good practice for delivering them.

The Department is providing an extra £150m support to help realise further VfM gains in CSR07; together with other funding, this will mean there is more than £380m to deliver the broad improvement and efficiency agenda. Other government departments, Government Offices, IDeA, 4ps and others will also play their part, working with the RIEPs where appropriate. The Internet will be a key resource, with tools and advice available through the Business Improvement Package, esd-toolkit and the Knowledge Network.

8. Aren't there too many organisations trying to help councils on efficiency?

There are a number of bodies that work with councils (and others) looking to improve the way they deliver services; the VfM Delivery Plan sets out the roles of the principal players. However, councils need only remember that their first ‘port of call’ for advice should be the RIEPs, which have a broad knowledge of the agenda and can help point councils in the right direction.

c. The VfM Target

9. What is the efficiency target for local government?

Local government – along with the rest of the public sector – is expected to achieve annual cash-releasing VfM gains of 3%. For councils, this equates to £4.9billion over the three years of the spending review period (2008-09 to 2010-11).

10. Has the sector been penalised with a 3% target because they achieved so much in SR04?

No. Councils – and their local residents, taxpayers and service users – have benefited from their success in delivering gains ahead of target, releasing more resources for reallocation to support services. The basic expectation for VfM in CSR07 – 3% per annum cash-releasing gains – is the same across the public sector; local government has not been singled out for a higher target.

11. Will there be a 3% efficiency target for all councils individually?

No. A specific target will only apply locally where this has been negotiated as part of the up-to-35 targets within a LAA. We do, however, expect to see each council continuing to make appropriate progress on the VfM agenda, and their progress will be evaluated through the new performance framework.

12. Will there be a target for gains in individual service sectors?

As in SR04, there are no VfM targets for councils to meet in individual services.

13. Is £4.9bn really deliverable if individual councils do not have a target?

We believe councils will be looking to make VfM gains because they want to deliver better services within the resources they have available; not having a target will increase flexibility but it will not reduce the need and drive for improvement.

14. What will happen to councils that report less than 3% efficiency gains?

The main thing that will happen is that they will release fewer resources for reallocation to meet their local priorities. However, where there is evidence of real underperformance then there are a range of options to help support improvement that can be drawn from, in particular close working with the RIEPs.

15. How will you identify “underperformance” if there are no targets?

To some extent this will develop with experience, but the point is that it will be based on a broader range of information than simply asking "has council x achieved 3% gains?”. For example, a potential sign might be a low VfM score from the Audit Commission combined with low achievement of VfM gains as reported in NI179, or a general deterioration in the wider National Indicator Set. This would then prompt a closer look to understand whether there was a problem or not.

16. What incentives are there for councils to deliver this level of efficiencies?

It is in all councils' interest to free up as much resource as possible as they retain the cash released for reallocation to meet local priorities. The Audit Commission’s Use of Resources assessment continues to act as a strong incentive for councils to secure VfM gains and challenges any areas of underperformance.

17. Have councils had their SR04 gains removed from their CSR07 funding?

No. The funding settlement has been determined without reference to the value of efficiency gains reported by councils through the AES.

18. Will money saved through efficiency be taken away from councils' budgets during the CSR07 period?

No. Money that councils release through VfM gains will be retained by them for reinvestment into local services or to hold down council tax, according to their own local priorities.

19. But has 3% been taken away from councils in the Settlement?

The overall settlement has been determined by considering both the cost pressures and opportunities for further VfM improvements in local government. VfM gains will enable councils to deliver more with the resources that they would have received in any event.

20. Isn't it impossible to achieve 3% gains as councils already highly efficient?

We know that councils have been successful at making efficiencies, and there are many examples of good practice, but there is always room for improvement with new ideas, technologies and ways of working that can be taken on board. Our evidence suggests that 3% is tough, but achievable.

21. Can 3% gains be made when councils are locked in long-term contracts?

Our assessment is that, overall, councils (like the rest of the public sector) can deliver 3% per annum VfM gains. This is not the same as suggesting that individual councils can deliver 3% on all of their services or on every contract.

22. How will the overachievement to date be recognised against this target?

A council will be able to carry forward the value of any ongoing cash-releasing gains that are achieved in excess of their 7.5% efficiency target for the SR04 period and include that sum in their NI179 return.

23. Could councils achieve efficiencies greater than the 3% target?

Our evidence suggests that, overall, 3% is a challenge, but achievable. A greater level may be possible in some areas, however, and we would encourage councils to aim for this to provide even better value for money.

24. What targets are there for reductions in job posts?

There are no targets for job reductions. Decisions on employment will be taken at a local level as is appropriate for devolved bodies. Nevertheless, it is in everyone's interest to deliver better services by increasing the number of frontline workers through appropriate redeployment.

d. Measuring & Reporting

25. How will you know if the target has been met?

All councils are required to report the net value of ongoing cash-releasing VfM gains they forecast, or have achieved, as one of the 198 indicators in the new National Indicator Set. However, they only have to report a single number twice yearly – the total value of gains – rather than breaking it down by service sector and providing text on actions taken (however, they may voluntarily submit a breakdown by theme).

26. Will the Annual Efficiency Statement continue to be collected in CSR07?

No. The 2007-08 Backward Look AES (submitted in July 2008) was the last efficiency statement to be required from councils.

27. Why are you still making councils measure efficiency as you already know the amount of money that they have to spend?

Councils will need to choose how they respond to the tight fiscal context of CSR07; efficiency is only one of the potential responses. However, it is a response that we want to promote because it will help to protect and nurture public services. The fact that it is one of our 198 priorities in the National Indicator Set underlines the value we place on further VfM in CSR07.

28. Why is there a VfM indicator, as it is a process not an outcome?

Good levels of VfM are central to underpinning the improvements in outcomes that the public want to see. Inclusion of the indicator enables the RIEPs to focus their support as well as providing the necessary accountability on performance.

29. Will the new system be less robust without the information in the AES?

Efficiency measurement will continue to be important for councils; what we are doing is to reduce the reporting requirements. Councils' internal audit systems should be effective in monitoring the way the organisation measures the VfM benefits obtained from projects even without the AES. In addition, we expect that the processes for measuring efficiency will still be an area considered by auditors appointed by the Audit Commission in the new Use of Resources assessment.

30. If councils still have to measure the gains, have you reduced the burden?

Identifying VfM benefits from actions undertaken should be part of good project management in any organisation. What we have done is to reduce the reporting requirements on councils, thereby allowing them more flexibility on how to structure the way they monitor delivery of VfM. The change recognises that councils, rightly, are driving the agenda for themselves.

31. Have councils been consulted on decisions about measuring VfM?

Yes. We invited a number of councils to help us devise NI179 and comment on the VfM Delivery Plan in its draft stages. On an ongoing basis, the Measurement Taskforce, comprised of a variety of local and central government representatives and other interested stakeholders, provides advice to the Department on technical issues regarding the measurement of efficiencies.

32. What support will be provided to help councils measure their gains?

The Department will continue to maintain and enhance the efficiency measurement guidance document used in SR04, drawing on advice from the Measurement Taskforce. Further support, through sector-specific guidance and practical toolkits will be provided in cooperation with local government where a need is identified.

Annex D

VfM Process Checklist

D.1 This checklist for the processes a council has in place to drive the VfM agenda has been compiled by understanding good practice during the SR04 period in a sample range of councils. It is provided as an aide to help councils to assess and improve their current performance, and is not an additional set of requirements to meet.

D.2 The checklist is intended to balance the need to identify true VfM gains with the burden of scrutiny by encouraging the implementation of processes that will help to provide more confidence in the value of gains being reported. The checklist demonstrates that the process for completing NI179 should fall out of existing processes rather than be a separate stream of work.

D.3 Councils may wish to use the examples to see where they currently stand in relation to these broad categories, and where there may be opportunity for improvement in the future. We would welcome feedback from councils about the checklist to assist in future development work.

Item	Activities
Drivers behind finding VfM gains	Finding efficiencies is part of the council's activity to improve VfM for taxpayers and outcomes for local citizens and communities, e.g. a strategic priority may be to provide high quality service and keep council tax low.
Role and importance of the VfM agenda	Council members and senior managers lead the VfM agenda, and communicate their vision, ambitions and priorities to other staff within the organisation, its partners and local people. The leadership critically challenges service areas to ensure that resources are used effectively. Service managers understand the agenda.

Item	Activities *(continued)*
Strategy to find VfM gains	Targets for VfM gains reflect the council's strategic priorities, and take account of the council's current level of performance, informed by knowledge of its unit costs and feedback from auditors and inspectorates, etc. VfM inextricably linked to the agenda to improve services, e.g. it is an integral part of LAA targets, and opportunities to achieve efficiency through better partnership working are actively pursued. Targets for VfM gains are supported by a robust business case (business case includes stating risks and factoring them into the forecast of financial and qualitative benefits).
The level and clarity of accountability for meeting the VfM agenda	Accountability for meeting the VfM agenda is clearly articulated, including responsibility for who is delivering which elements of it. Senior managers periodically review progress towards achieving planned VfM gains, and report regularly to members. Key members understand progress of high value VfM projects; particularly those that impact on service quality. Internal Audit activity is directed to areas of greatest risk through a formal risk assessment of the VfM agenda. Citizens and service users are also kept informed.
Transparency and consistency of calculations	Evaluation of VfM gains is based on existing data or assumptions, and sources for all data and assumptions that go into the calculations are clearly defined. Assumptions are refined as projects progress and better data becomes available. Benchmarking is used to help calculate gains.

Item	Activities *(continued)*
Impact of identified gains on outcomes	Individual VfM gains are linked clearly to outcomes and processes (i.e. budget or service planning process).
Maintenance of service quality assured	Review of costs is closely connected to an assessment of service quality or outcomes, properly reflecting the performance of each service sector.
Consideration of the likelihood (or risk) of realising a VfM gain	Projects of high value and low likelihood of realisation are scrutinised more heavily. Likelihood of delivery revised as project progresses.
Awareness of when VfM gains are realised	Gains are tied to outcomes and seen in budget or in performance quality.
Sustainability of VfM gains assured	Processes in place to ensure that those VfM gains from earlier years reported as ongoing are indeed sustained. VfM calculations form part of performance management processes to ensure gains sustained.

ISBN 978-1-4098-0480-2
9 781409 804802
ISBN: 978 1 4098 0480 2