

FINANCE BEST VALUE REVIEW

1 SUMMARY

- 1.1 The purpose of this report is to seek approval to carrying out a soft marketing and benchmarking exercise as part of the above review.

2 BACKGROUND

- 2.1 An interim report in respect of the Finance Best Value Review was presented to the Finance & Procedures Overview & Scrutiny Committee on 22 October 2002.
- 2.2 The interim report advised Members that the review group would need to examine the competitiveness of Financial Services as part of the review process. It was suggested that a possible way forward would be to engage external consultants to carry out a soft market test. This method of testing competitiveness was being trialed at that time in respect of housing services.
- 2.3 In essence a soft market test involves inviting selected companies to give a view as to whether or not they would be interested in bidding for a service and to what extent savings may be possible. In order to achieve this they are presented with as much information as possible with regard to the Council's existing methods of working and costs.
- 2.4 By utilising the services of an external consultant, companies are more prepared to engage in the exercise. The consultants also give an independent view with regard to the comments and proposals put forward by the contractors.
- 2.5 Contractors do appear more willing to participate in this type of exercise as they are dealing with an independent third party and do not have to invest too much resource in participating.
- 2.6 The review carried out in respect of housing demonstrated that our staffing levels were comparable to those in the private sector and that on balance the service should not be externalised.
- 2.7 It is highly unlikely that the exercise carried out by external consultants could have been carried out in house without significant use of staff resource. In addition it gave an independent view of the service which can be presented at any further inspection.

- 2.8 Since the interim report was presented a challenge meeting has been held with customer representatives and also representatives from two Essex Districts. One of the Districts had completed their review which had been subjected to inspection. They were criticised for the fact that they had not carried out any benchmarking of their services with other similar service providers.

3 THE WAY FORWARD

- 3.1 With regard to testing competitiveness it is suggested that the Council undertake a soft marketing exercise by utilising the services of an external consultant. Based on the cost incurred for housing, it is suggested that a budget of £15,000 be earmarked for the process.
- 3.2 With regard to benchmarking, there are two ways in which to progress. The Council could join a benchmarking club. Such a club is currently provided by the Chartered Institute of Public Finance and Accountancy. This is essentially a cost comparison exercise with a number of similar authorities. The cost of joining the club would be £2,900. The exercise begins in March/April and the results would be available around August.
- 3.3 Given the difficulty of achieving a like for like comparison of actual expenditure, officers have been reluctant to participate in this kind of exercise. Representatives from the challenge authority have participated and believe that they did receive some useful information and by meeting colleagues were able to exchange information on best practice.
- 3.4 One of the main disadvantages of this type of club is that it does not compare performance with that of the private sector.
- 3.5 As was shown up in the housing soft marketing exercise, it is possible to receive some information by which the Council could compare resourcing with that of the private sector in a relatively short period of time.
- 3.6 In view of the above it may be possible to broaden the soft market exercise to achieve a more detailed assessment of our procedures and practices with those of the private sector. This would probably cost more than a simple benchmarking exercise, but the resultant information may be more useful. If this route were to be agreed, it is suggested that a sum of £5,000 be set aside for this exercise.
- 3.7 On balance, although incorporating benchmarking into a soft market exercise would probably be more expensive, this may be more productive given the speed of response and comparison with the private sector.

4 RESOURCE IMPLICATIONS

- 4.1 If Members are minded to approve the above, the costs as set out in the report can be funded from the Best Value consultation budget.

5 RECOMMENDATION

- 5.1 It is proposed that the Committee **RESOLVES**
- (1) That a soft market test and benchmarking exercise be carried out as part of the Best Value Review of the Financial Services of the authority.
 - (2) That the cost of the above be financed from the Best Value consultation budget. (CD(F&ES))

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Background Papers:

None.

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