

CPEG Value for Money (VfM) Study

Introduction

The key driver for this phase of the review of CPEG structures, activities and funding is to secure continuous improvement and development in delivery amongst the CPEGs. Given the prevailing economic climate and the range of processes and wide variations in Groups' investment and expenditure, it is appropriate to also look at the financial dimensions of the CPEGs. As such, this part of the review is conducted as a value for money (VfM) study. An executive summary of the key findings, issues, and how to improve data for next time is shown below.

Key headlines from this study.

- Wide disparity in CPEG expenditure, particularly on non-pay as a % cost
- Wide variation in level of outputs among the groups
- For 2010/11, CPEGs budget an average unit cost of £3,806 per meeting, with costs ranging from £6,289 at the highest down to £1,471 per meeting
- Identification of nearly £0.5m (33% of GRE) savings by reducing expenditure in-line with borough CPEG average

Difficulties in conducting the research.

- Data quality was an issue – made best use of existing data
- Difficulty in measuring performance
- Difficult to measure link between CPEG resource allocation and outcomes – nature of the business

What can be improved next time.

- Data quality – more output data to allow better assessment of efficiency
- More qualitative data showing outcomes
- Budgetary info

Methodology and scope

1. The main aim of this report is to provide a robust analysis of benchmarked data and examine whether productivity improvements exist among CPEG groups. This provides a starting position as to whether costs may be taken out of CPEG budgets without arbitrary top-slicing, and ensuring that improvements in productivity are maximised.
2. VfM studies are commonly structured according to the 'three Es': Economy, Efficiency and Effectiveness. There is also a fourth 'E' which should be considered – that of Equality. This study has considered each of these components by assessing the inputs (economy), the ratio of inputs to outputs (or how costs have been converted through processes into outputs or products, i.e. efficiency), and finally whether outcomes have been delivered according to stated objectives (effectiveness). For clarity this model is shown below with examples of the types of indicators that will be used for each dimension of the VfM model. In this report, the terms 'efficiency' and 'productivity' are used interchangeably – they are the same thing.
3. In terms of scope, all borough CPEGs are included (except LB Barking and Dagenham, whose CPEG has been set up this financial year), however the LCP2 was deemed outside of the scope of this study. This is because LCP2 both carries out a separate umbrella function and receives additional funding, therefore cannot be accurately benchmarked against borough CPEGs. It is included in the overall income and expenditure table.
4. A large part of this exercise has set out to benchmark all London borough CPEGs, with a view to:
 - Assessing comparative efficiency;
 - Establishing any disparity in efficiency or service delivery across the groups;
 - Ascertaining whether there is scope for improvement, and highlight where.

VfM Model

5. The below model shows how VfM is split into economy, efficiency and effectiveness, and gives examples of the types of measures used in the review.

MPA Value for Money Model			
	Economy	Efficiency (sometimes called productivity)	Effectiveness
Description of success	Have inputs consumed been kept to a minimum?	Have maximum outputs been delivered for the lowest possible level of inputs?	Have the overall outcomes been aligned to the money spent and original objectives?
Types of measure	Input measures cover the basic resources consumed in running CPEGs	Efficiency measures would assess how productive CPEG staff are in terms of the outputs they produce, as a function of how much they are paid.	Qualitative satisfaction or survey data Comparisons of satisfaction against cost
Specific examples	-Pay costs (salaries, NI) -Accommodation costs -Supplies and services costs	-Number of events attended per year, inc CDRPs -Number of workshops/training courses completed -Consultation undertaken, including analysis of surveys and newsletters. -Analysis of diversity data undertaken	How able the community feels in influencing the decision-making process Whether confidence in the police has been preserved/increased. A lack of complaints would also be a proxy measure of effectiveness.

6. Economy and efficiency measures were largely assessed using a combination of quantitative (financial and volumetric) data. On the volumetric side, these are taken to be measures of outputs. Examples of these can be summarised as:

CPEG Outputs	<ul style="list-style-type: none"> 4 quarterly meetings of CEG Chairs 4 quarterly meetings with Commissioner / MPS Management Board 4 quarterly meetings of Administrators 5 sets of workshop / training events 8 (approx) meetings of Board of Directors 4 quarterly newsletters Best practice visits to CEGs
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Source: MPA CPEG Guidance

7. It should be noted that measures of public sector efficiency are notoriously difficult to construct, and rely on over-simplification and assumptions. That was the case in our study too, but we are having to make the best use of available data at the time of writing.
8. Due to the nature of the business, outright measures of effectiveness (of both performance and outcomes) are somewhat intangible. Effectiveness therefore needed to be measured through more qualitative indicators. To this end, we have constructed a questionnaire to send to a representative sample of CPEG stakeholders, including BCU representatives, community safety managers and MPA members to assess the service and impact of the CPEG meetings..
9. Finally, the equality dimension needs to assess whether the option of representation at CPEG meetings has been made readily accessible to all community groups, in particular those sections of the community who have been under-represented in the past, such as teenagers and younger people.
10. It is useful at this point to summarise some key general principles in this study:

General principles in assessing VfM of CPEGs

- The starting assumption for this research is that we cannot deliver savings or productivity improvements by simply on top slicing our CPEG budget.
- We need to understand how bringing the highest spending CPEGs in line with the median or average of the group may affect productivity. Any subsequent reduction in CPEG budgets would therefore have a minimal impact in terms of overall outcomes.
- Make the best use of available data at the time of writing: we have accepted that data quality will never be perfect, and we have made the best use of already available data, including utilising one of our social researchers on the qualitative side.
- Benchmarking should be used as a basic starting point for asking questions and challenging expenditure, but not necessarily providing the answers in its own right.

Data/findings

1. Economy (input) measures

CPEG budgeted expenditure, 2010/11		
		Total £'000
Pay	Salary	802
	On-costs	144
Total pay		946
Non-pay	Other Expenditure	235
	Office	106
	Advertising	92
	Meetings	90
	Photocopying	55
	Stationery	47
Total non-pay		625
Total Budgeted Expenditure		1,571
Financed by	MPA allocation	-1431
	Carry forward	-86
	Other Income	-36
	In-kind support	-58
Total CPEG Income		-1,611
Grand Total		-40

Table 1. 2010/11 CPEG Budgeted Income/expenditure (exc LCP2)

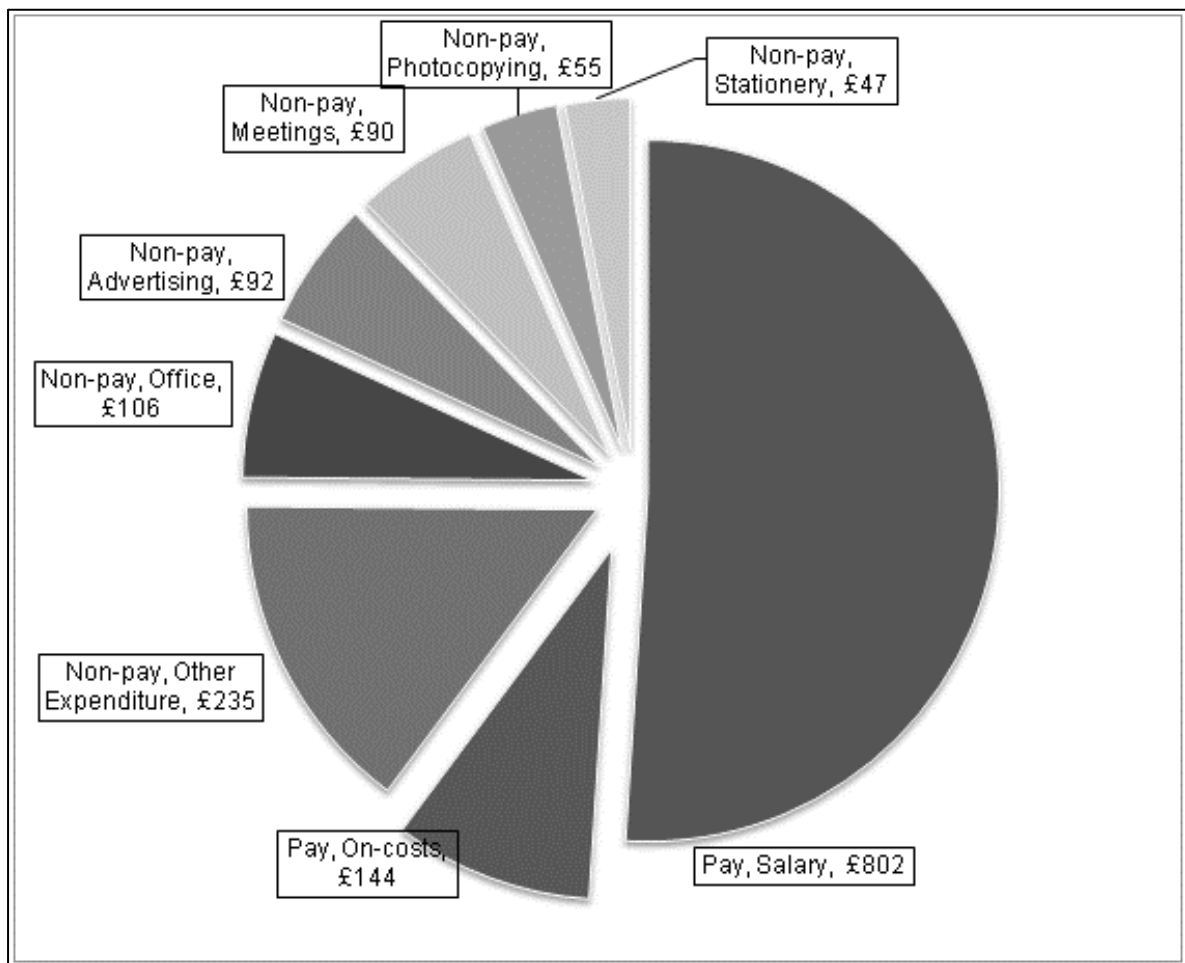
11. The above table sets out the 2010/11 planned CPEG expenditure, and how this is to be financed. The MPA budgeted allocation for CPEGs in 2010/11 is £1,571,058. We exclude LCP2 as this is the umbrella body for CPEGs, and as we are benchmarking between CPEGs throughout the rest of the report we decided to be consistent.

12. This table is useful as a formal summary of proposed expenditure. We can see straight away that on the expenditure side, 'other expenditure' is the highest of the non-pay costs. This would be a useful starting place in order to assess VfM, and we would want a detailed breakdown of expenditure items in this category to better understand the relevant costs and how CPEGs are spending public money.

13. Taking into account the various income streams, there is a projected 2010/11 budget surplus of £4,000.

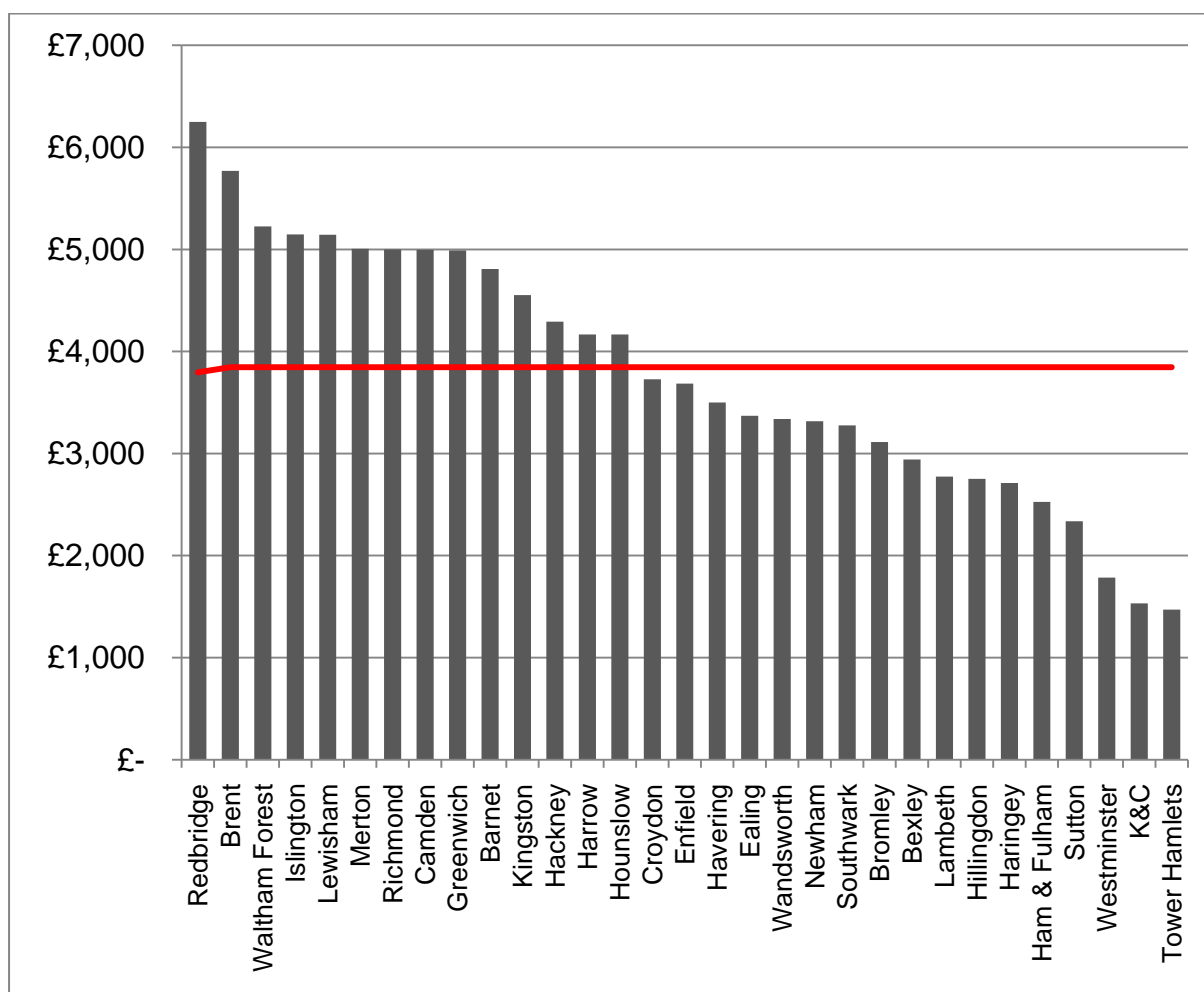
The above expenditure data can also be shown as a pie chart, as below (all costs in £'000s)

Pie chart 1. CPEG budgeted expenditure breakdown, 2010/11 (all figs in £'000s)



14. We now make use of data benchmarked between borough CPEGs. Note that all figures have been divided by 1,000 of borough population. This acts to deflate all boroughs to same level, making as far as is possible 'apple v apple' comparisons. We also remove LPC2 from the dataset, as this cannot be benchmarked against any CPEG as it is a different type of organisation.

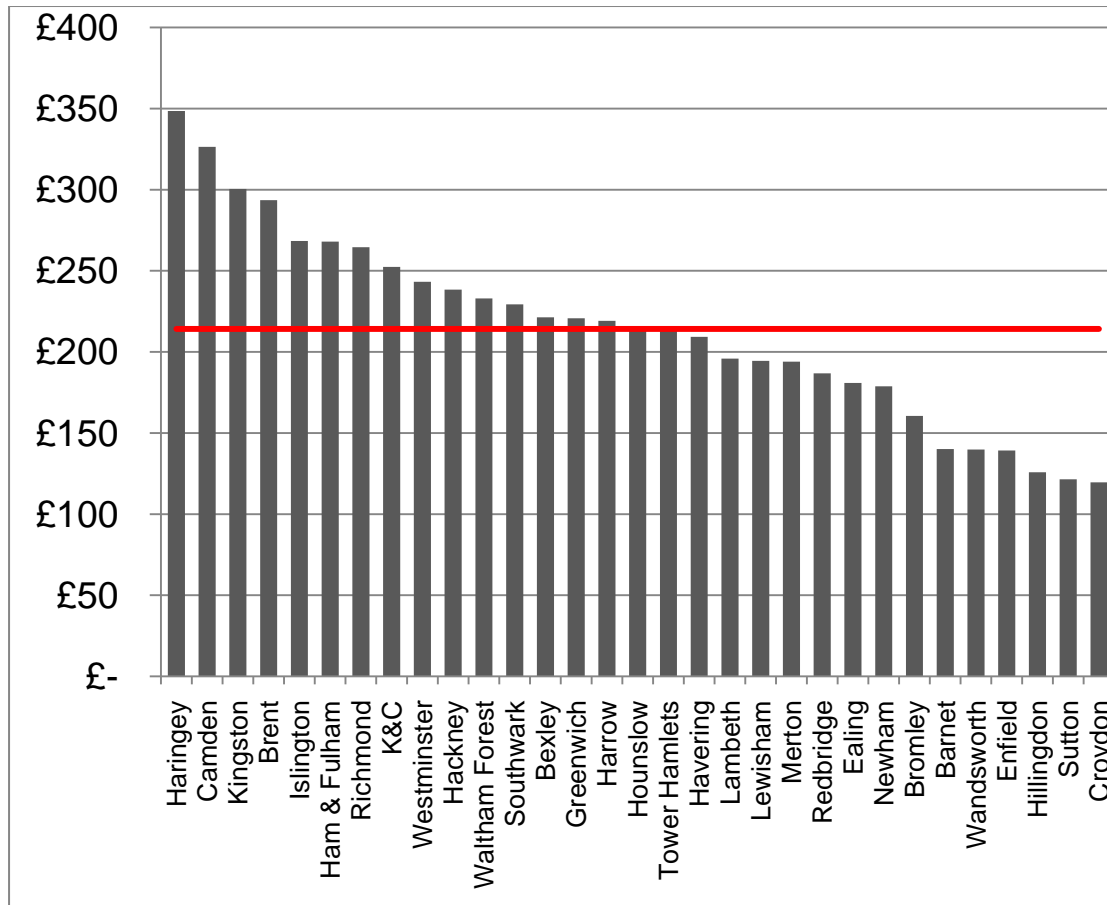
Graph 1 – Unit cost per CPEG (based on gross revenue expenditure)



Note – red line in all graphs denotes the average

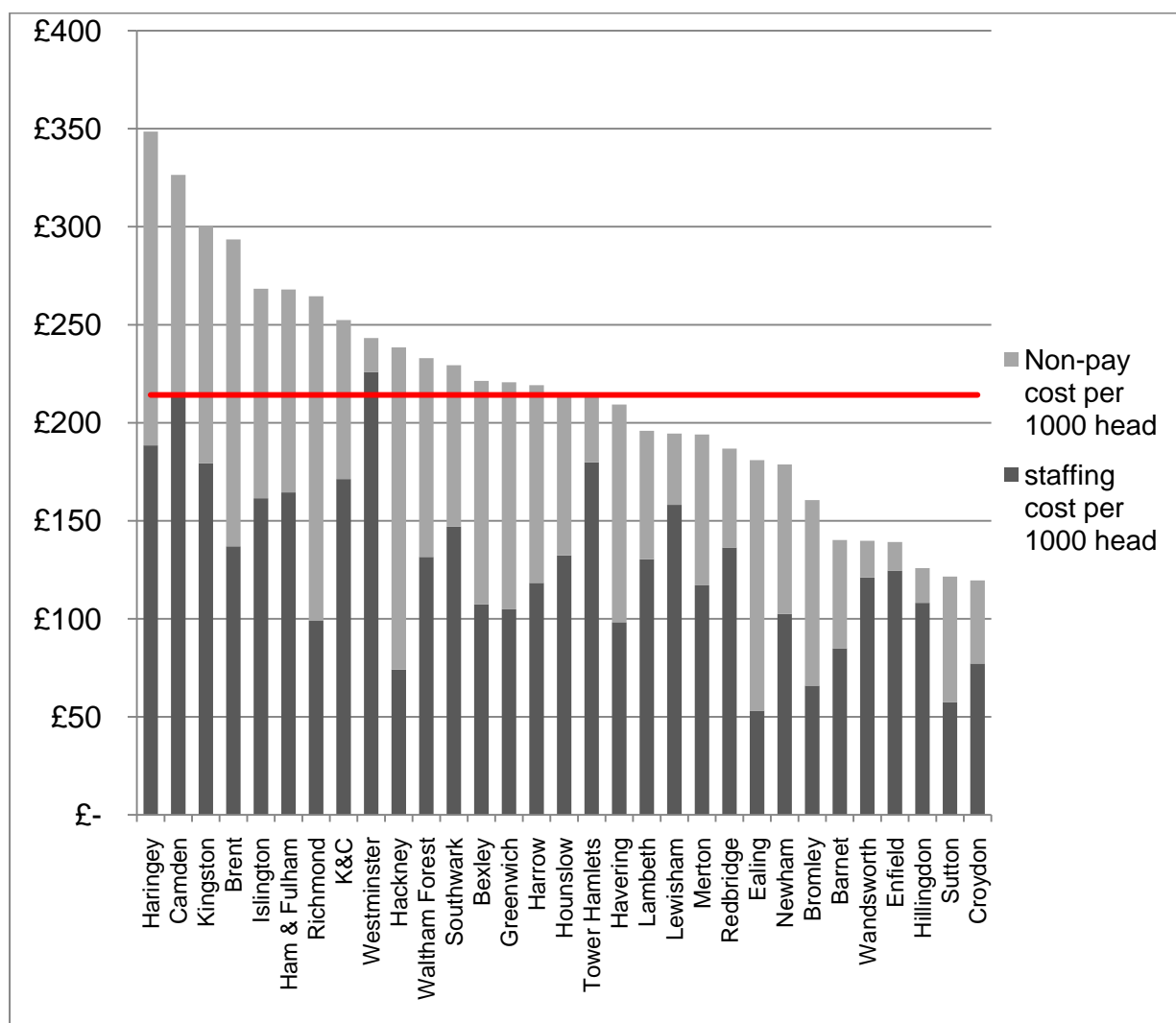
15. The above graph shows the unit cost (cost per output, actually a type of efficiency measure) and it demonstrates, at a high level, the variation in costs per CPEG meeting (our outputs, these include both public meetings and management meetings), over 2010/11.

Graph 2. CPEG borough expenditure per 1,000 population



16. The above graph shows a straight comparison between total expenditure per 1000 head of population. This information should be viewed as a starting point, but we begin to make sense of it and by pin-pointing above-average (the red line) spending boroughs. This makes sense as it helps us to focus our effort where potential scope for bringing expenditure in-line with peers remains highest.

Graph 3. Expenditure split between staffing and non-pay costs

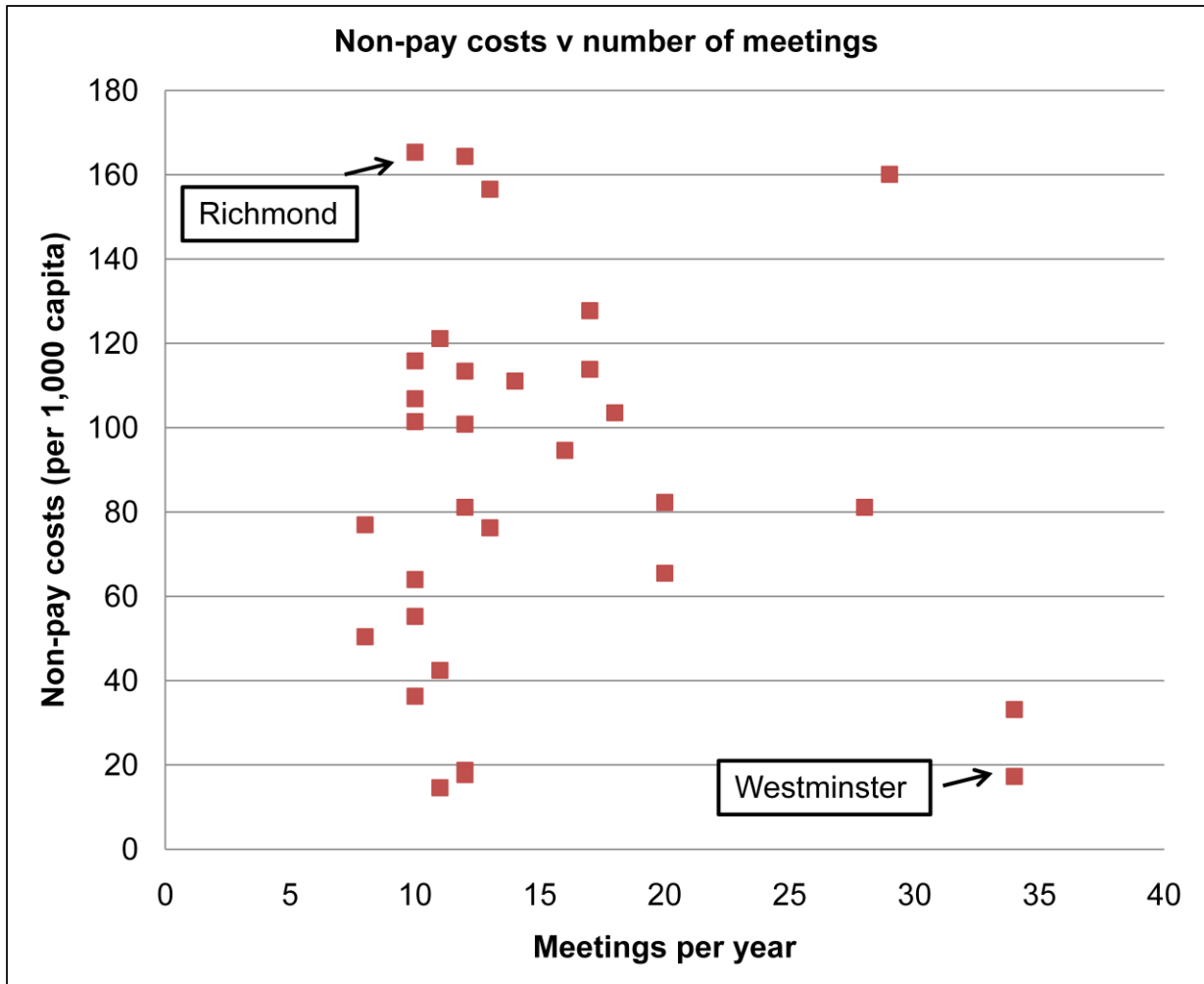


17. We now look at the split between pay and non-pay costs. This analysis is useful as it demonstrates the split of key organisational costs (staffing and non-pay) consumed by the various CPEGs.

The above graph shows clearly the vast variation in CPEG costs, and especially non-pay costs (the lighter grey shading), in both gross terms but also as a proportion of staffing. The overall CPEG non-pay costs as a % staffing is 66%. National benchmarking demonstrates that the expected level of non-pay expenditure as a proportion of pay expenditure is around 10% nationally, and 20% when benchmarking just the largest forces.

Admittedly this is for force total expenditure, rather than for much smaller consultative groups which would not have the associated economies of scale of a large organisation, but it's useful as an overall gauge.

Graph 4. Non-pay costs compared against number of meetings arranged



18. The above scatter-chart compares non-pay costs (stationary, meetings etc) compared against the number of meetings over a year. We want to test the assumption that a higher number of meetings should require greater non-pay expenditure.

This data shows that there is no relationship between non-pay costs (inputs) and the number of meetings (outputs). There is therefore a high variation in efficiency among the CPEGs.

For instance, the top-left circled CPEG (Richmond) has far fewer meetings per year than the bottom-right circled CPEG (Westminster), but spends far more per 1,000 capita on costs associated with these meetings. We would want to know why there is such a difference and what can be done to control or bring high spenders in-line with benchmark averages. This is explored below.

Effect of bringing outliers in-line with average group spend

19. We now assess the effect of bringing the highest pay and non-pay spenders in line with the group average, which would be one way to help identify budget reductions without cutting staff numbers.

The below table shows a rank of highest (above CPEG average) benchmarked spenders, with their ACTUAL projected 10/11 spend populated in the £ column.

Table 2. Highest benchmarked spenders and what they spent.

Gross expenditure of highest benchmarked spenders

Staffing	£	Non-pay	£
Westminster	56,344	Richmond	31,250
Camden	49,248	Hackney	35,500
Haringey	42,500	Haringey	36,100
Tower Hamlets	42,219	Brent	40,000
Kingston	29,886	Ham & Fulham	17,570
K&C	29,100	Havering	26,000
Ham & Fulham	27,910	Ealing	40,450
Islington	30,971	Kingston	20,195
Lewisham	41,836	Greenwich	26,192
Southwark	42,000	Bexley	25,720
Brent	35,000	Camden	26,220
Redbridge	36,507	Islington	20,500
Hounslow	31,000	Newham	18,395
Waltham Forest	29,505	Waltham Forest	22,750
Lambeth	36,938	Harrow	23,000
Total	560,964	Merton	15,885
		Bromley	29,350
		Total	455,077

20. Bringing every above-average spending borough CPEG in line with the group average (note entire group not shown above, just the above average ones), the average group spend for pay costs would be **£30,512**, and non-pay would be **£20,166**.

If we then reduce each of the above borough CPEGs to this average level, the overall savings would look like:

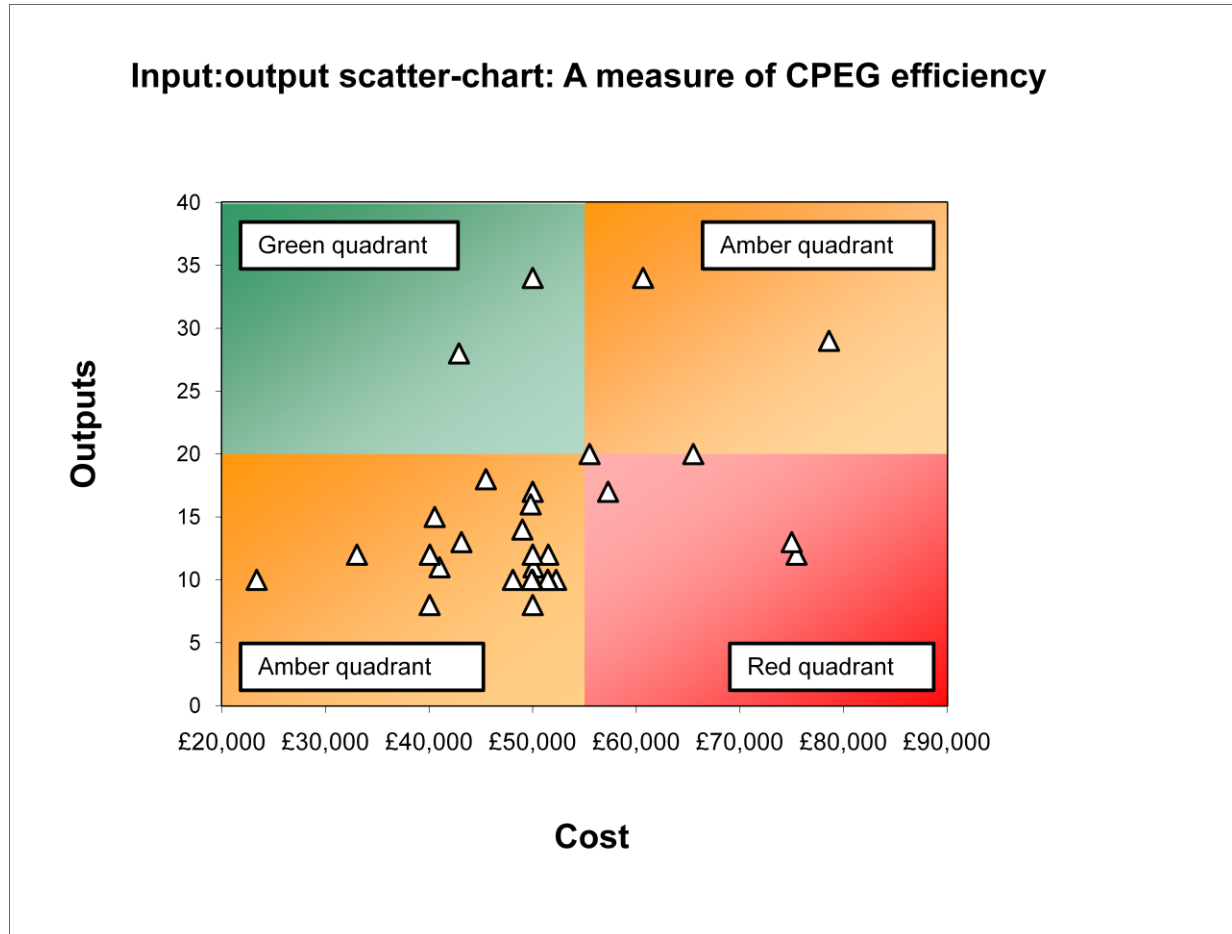
	Staffing	Non-pay
Group avg	30,512	20,166
Overall saving	263,065	214, 906

We have therefore identified **£477,971** of potential savings. If we did the same procedure but used the lower-quartile as the benchmark, the savings would be even greater. However, this may not be practical.

Notice that we still have the issue of pay to non-pay split of costs not falling to the proportions we might normally expect.

2. Efficiency (input to output ratio) measures

Assessment of Efficiency 1: Scatter chart comparing input and outputs



21. The above scatter chart looks at the relationship between inputs (total gross CPEG expenditure) and outputs (numbers of committees organised and delivered throughout the financial year).

This allows us to assess CPEG efficiency by grouping CPEGs by quadrants. The top-left is naturally where you would want all CPEGs to lie: high performing, low spending. The bottom-right is the opposite, with high spending but low performing CPEGs shown there. The other two quadrants may be viewed as areas where we may assess funding levels, either potential gradual decreases for top-right (who are high-performing but high-spending) or increases for bottom-left.

22. Once again, this type of analysis needs to be caveated as there are going to be many different underpinning factors as to why one CPEG may be more or less efficient than another, and these will not be shown in a graph. Furthermore, a simplistic measure of outputs does not give the full performance picture – one CPEG might have only several meetings per

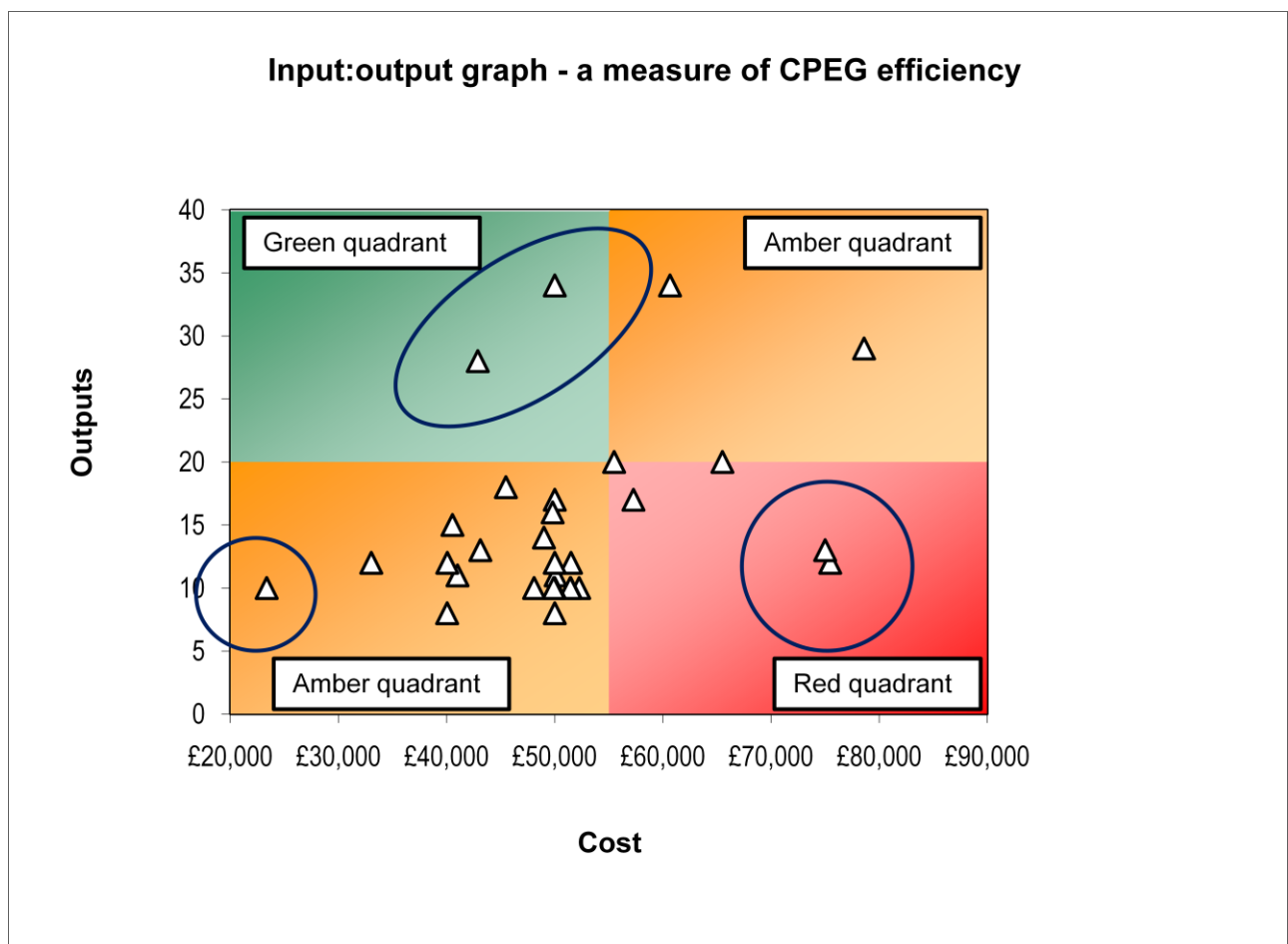
annum, however they might more actively influence decisions making and lead to much better outcomes than ten ineffective meetings at another CPEG.

23. However, this forms a very useful tool for both probing and asking questions of the high spenders, but also crediting and trying to spread good performance from the low spending high performers.

The overall picture is that CPEGs generally fall into the lower cost, lower output (amber) quadrant, which may seem like an argument for increased funding. However, as we demonstrate below when we look at individual cases, we should use this data to go on and better understand differences, and challenge all CPEGs to reduce costs while increasing the level (and more importantly quality) of outputs.

Analysing the efficiency tool: three different scenarios.

The below displays the same chart as above, but drills into three different areas to demonstrate how this analysis may be used.

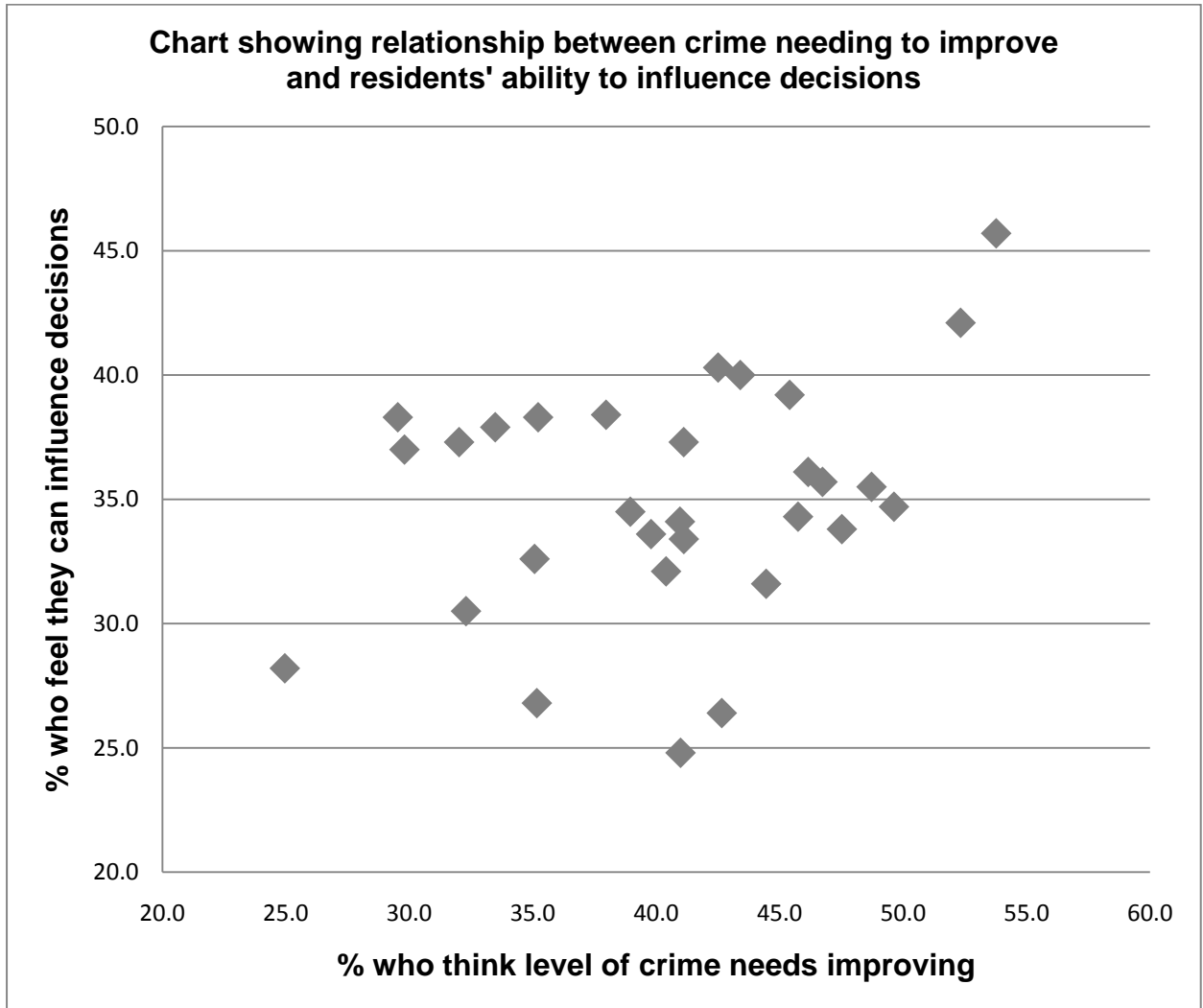


24. The bottom left circled CPEG is in fact LB Sutton. Demonstrating the lowest expenditure of any CPEG, but also a below-median output level, this might be a candidate for further analysis in terms of redistribution of resources.
25. The two circled CPEGs in the green quadrant (RB Kensington and Chelsea and LB Tower Hamlets) are clearly exemplars of efficiency, having among the highest level of outputs and below-median costs. These perhaps warrant further examination in terms of processes.
26. The two CPEGs circled in the red quadrant (LB Camden and LB Brent) are perhaps not so efficient, being among the most expensive and arranging a well below-average number of meetings for that expenditure.
- 27. Overall note – when assessing this type of analysis, it is important to understand that the third ‘E’ (effectiveness) needs to be considered as well. Camden and Brent may be expensive and have the lowest number of events per annum than others, however they may actually be incredibly effective – for example by ensuring in the meetings that do take place that actions plans are drawn up based on the priorities identified by the community, and that these plans are timetabled and implemented, and chief constables are held to account against delivery plans at subsequent meetings.**

We therefore turn next to effectiveness measures.

3. Effectiveness (overall impact) measures

Effectiveness measure 1 – from 0910 PLACE survey



Note –diamonds are individual boroughs.

28. The above chart may be used in unison with the previous efficiency scatter chart to assess how resource usage aligns to a) demand (as in higher perceived crime levels) and b) residents ability to affect the decision-making process (arguable the ultimate sign of CPEG effectiveness).

29. There is a general relationship between these two variables, in that overall the % who think police and other agencies need to deal better with crime actually also feel that they can influence decision-making in their borough. This is a positive finding, and highlights that, overall, the CPEG initiative may have been successful in providing a route for the public to affect local decision-making, and thereby increasing democratic accountability.

30. However, this finding needs to be treated with a modicum of caution as police and partnering agencies have not been extrapolated out of the 'influencing decisions' metric, which is taken from the Government's PLACE Survey and includes public opinion about all service providers. It is, however, a starting point that residents do feel there is a vehicle to get their opinions not only heard, but to influence local decision-making.