

EAST AYRSHIRE COUNCIL

GOVERNANCE AND SCRUTINY COMMITTEE – 21 MAY 2010

AUDIT SCOTLAND REPORT - IMPROVING PUBLIC SECTOR EFFICIENCY

Report by the Executive Director of Finance and Corporate Support

1. PURPOSE OF REPORT

- 1.1 To provide the Governance and Scrutiny Committee with a summary of Audit Scotland's Report on Improving Public Sector Efficiency, and to outline the Council's current approach and planned arrangements to respond to the key elements of the good practice checklist produced by Audit Scotland to accompany their Improving Public Sector Efficiency Report.

2. BACKGROUND

- 2.1 Audit Scotland's Report on Improving Public Sector Efficiency was informed by a fieldwork at a sample of 15 public bodies (5 NHS Bodies, 5 Councils, one of which was East Ayrshire Council and 5 Central Government Bodies). The Report provides an update on the achievement of the recommendations arising from Audit Scotland's 2006 report on the previous efficiency programme, together with a position statement on the savings reported in the first year (2008/09) of the Efficient Government Programme. The report then looks to the future and, in recognition of the scale of the financial challenge facing the Scottish Public Sector, provides some examples of developing good practice and makes some observations on the approach that will be required across the public sector to deliver the level of efficiencies that will be required in future years.
- 2.2 This report provides a summary of the key messages of Audit Scotland's Report on Improving Public Sector Efficiencies, and outlines the Council's current approach and planned arrangements to respond to the three key elements (Priority Based Budgeting, Improving Performance Information and Improving Collaboration) of the good practice checklist produced by Audit Scotland to accompany their Improving Public Sector Efficiency Report. This is intended to assist Local Authority Leaders in challenging current approaches and supporting better productivity and efficiency.

3. IMPROVING PUBLIC SECTOR EFFICIENCY - KEY MESSAGES

Part 1 - Progress in Delivering Efficiency Savings

- 3.1 Audit Scotland found that there had been limited progress in implementing the recommendations of their December 2006 Report on the Efficient Government Initiative. Whilst it was considered that the public sector was responding well in embedding the initiative, limited progress had been made in compiling baseline data and on developing measures to demonstrate the level of savings achieved and the impact of the efficiency savings on the quantity and quality of services. In view of these weaknesses and as a result of inconsistencies in reporting the level of efficiencies achieved across the public sector, Audit Scotland was unable to

provide an assurance on the reported level of savings under the Efficient Government Programme.

- 3.2 The reported level of savings across the public sector in Scotland under the Efficient Government Programme in 2008/09 was £ 839 million (3.1% against a target of 2%). The three main parts of the public sector; Central Government, Health and Local Government all reported savings above target. The 3 priority areas identified by the Scottish Government account for 30% of the reported efficiency savings (Better Purchasing 19%, Better Asset Management 10% and Shared Services 1%).
- 3.3 Collectively, Local Authorities reported a total of £ 258 million – £ 83 million (47%) above target. East Ayrshire met the target, delivered savings of exactly 2% of our 2007/08 funding allocation. This places the Council in the mid range of the league table of 32 Scottish authorities whose savings ranged from 0.7 to 5.3%.
- 3.4 The Report noted that some public bodies had used non-recurring savings to meet their savings targets, whilst this was considered appropriate in the short-term, a continued reliance on non-recurring savings is not a sustainable option for the future. The Report also concluded that further savings could be made from better procurement, asset management and in particular shared services, where progress made in achieving savings had been slow.

Part 2 – Delivering a more efficient and productive Public Sector

- 3.4 The second part of the report looks ahead and in recognition of the serious financial challenges that lie ahead across the public sector over the next few years, provides some examples of good practice and recommends new approaches that will be required to meet these challenges.
- 3.5 In terms of good practice, two of the seven case studies used to extend best practice related to initiatives in East Ayrshire. The first praised the Programme of 22 Business Reviews undertaken to inform our 2009/10 budget. The second related to the joint and shared use of assets and highlighted the collaborative working between the Council and NHS Ayrshire and Arran in delivering the shared North West Kilmarnock Area Centre.
- 3.6 The report highlights that the current target of two percent efficiency savings will not be sufficient to bridge the gap between projected future spending and funding and suggests that a more fundamental approach will be required to meet this challenge. Recommended approaches put forward include:-
 - a fundamental review of public services is needed;
 - councils need to think radically about service design;
 - a priority based approach to budgeting and spending is needed;
 - plans need to be put in place which clearly set out the level of savings to be delivered and how these will be achieved and measured;
 - there needs to be a better link between efficiency, productivity and outcomes;
 - more accurate information on unit costs, activity and quality is needed;
 - councils must have comprehensive baseline data on service outcomes and costs and should be able to integrate this within performance management systems;

- benchmarking with and across the public sector needs to be developed urgently to help identify efficiency savings;
- service users, frontline staff and other service providers can play an important role in redesigning services;
- momentum needs to be maintained to maximise efficiency gains arising from improved purchasing and asset management;
- better collaboration and joint working across the public sector is needed to overcome traditional service boundaries and deliver more efficient and user-focused services;
- consideration should be given to using alternative service providers if these can improve efficiency, productivity or quality of services;
- the reliance on non-recurring savings to meet financial targets needs to be reduced and efficiency savings need to be reported consistently.

In Addition, the report makes specific recommendations for the Scottish Government to address. These include:-

- collate and share good practice on initiatives to improve efficiency and productivity across the public sector;
- challenge the use of non-recurring savings reported by public bodies;
- develop clear guidance on how to measure and report savings from the three priority areas of better purchasing, better asset management and shared services to ensure there is no double-counting.

5. GOOD PRACTICE CHECKLIST

5.1 To assist public bodies in meeting the challenges presented by the current economic climate and to assist them in taking stock and considering how they will achieve greater efficiencies, a good practice checklist has been developed to supplement Audit Scotland's Improving Public Sector Efficiency Report. It is proposed that the Council's Corporate Management Team be tasked with undertaking a detailed review of the good practice checklist to ensure that the Council's current and planned approach to delivering efficiencies addresses the requirements of the checklist. In the meantime, in order to provide assurance to Members, details of the Council's arrangements for responding to the three key elements included within the checklist, namely; Priority Based Budgeting, Improving Performance Information and Improving Collaboration is provided below:-

Priority Based Budgeting

5.2 A key recommendation of the report is the need for the public sector to adopt a priority based approach to budgeting and spending. In the current economic climate, the report argues that this will be essential in assisting councils to consider competing priorities and in deciding where to target the limited funds available in support of local and national objectives and outcomes.

5.3 A priority approach to budgeting will require strong leadership and the report suggests that key decision makers will need to:-

- identify the money available;

- clearly demonstrate how services contribute to national objectives and outcomes;
- review each policy and service and decide if it delivers value for money, identifying which:-
 - are absolutely essential to delivering outcomes and are already being delivered as efficiently and effectively as possible;
 - should continue but need to be redesigned or reshaped to deliver them more efficiently and effectively;
 - could stop without affecting public services and outcomes.

5.4 The Council and wider Community Planning Partnership as part of the Community Plan Four-yearly review will implement an outcome/priority based approach to planning to enhance existing arrangements for strategic and financial planning.

5.5 In addition, the Council is about to commence the second Strategic Review of the Revenue Budget SRRB2 which will become the Council's Efficiency Strategy. This will comprise of five key strands:-

- Business Review Programme;
- Budget Management and Review;
- Fairer Scotland Fund Review
- Budget and Performance Review; and
- Workforce Planning Review.

5.6 SRRB2 will identify areas where expenditure savings can be achieved and it is proposed that SRRB2 incorporate a Council-wide Service/Activity Review based on the questions outlined in paragraph 5.3 above. The outcome of this Service/Activity Review will inform the future programme of Business Reviews and will be used to ensure a more proportionate and risk based approach to the new programme for Best Value Service Reviews for 2011 – 13.

Improving Performance Information

5.7 In order to make informed decisions about priorities, public bodies need to have good information on costs, activity, productivity and the quality of services. This information will be crucial in demonstrating the impact of agreed efficiency savings on priorities and outcomes.

5.8 The Council has made significant progress in developing its performance management arrangements over the last few years. A new Electronic Performance Management System has been procured and a Project Plan is in place to manage the implementation of this new System. Good progress has been made and significant achievements are detailed below:-

- The completion of a review of all service-based indicators (KPIs) across the Council which required all Executive Directors to review their current suite of indicators for suitability and appropriateness, and to supplement this suite with newly designed SMART indicators;
- The new Electronic Performance Management System is now operational and populated with the agreed indicators following the review above; and
- The Chief Executive's and Executive Directors' Performance Scorecards are in place.

- 5.9 As part of the SRRB2 exercise detailed at paragraph 5.5, the Council has also been proactive in benchmarking activity costs and performance with other authorities. A Cross Council Budget and Performance Working Group comprising North Ayrshire, South Ayrshire, Clackmannanshire, East Renfrewshire, South Lanarkshire, Inverclyde and West Dunbartonshire has recently been established, the aim of which is to benchmark costs and performance. The information derived from this Group will be used to benchmark comparative spend and performance, drive efficiencies and reduce costs by adopting replicating best practice approaches identified.

Improving Collaboration and Joint Working

- 5.10 The combination of declining finances and rising pressures from demand, regulations and costs, presents unprecedented challenges for our public services and means that Councils need to think radically about service design.
- 5.11 There has been a strong will within Ayrshire to push aside the barriers to effective service delivery while maintaining, or indeed improving standards and to build on the already sound Community Planning structures in the area. The Ayrshire Shared Services Group has achieved considerable success in driving and delivering shared services to date, and through its work programme has directed further work on services or parts of services which might be suitable for joint delivery.
- 5.12 Successful projects to date have included co-location, emergency planning, joint procurement projects and strategic planning, to name only a few. The development of a Pan Ayrshire Regulatory Service is currently being progressed by the three Councils. In addition, a Joint Ayrshire Economic Regeneration Group has been established to identify strategic inhibitors which require to be addressed at an Ayrshire level in order to maximise sustainable economic growth for the economy, to address recessionary issues and to take the necessary action to remove such inhibitors.
- 5.13 In relation to rising pressures from demand, social care, in particular, faces increasing complexity of demand, for example in specialist service provision for children and adults with severe learning disabilities, and an increasing elderly population. The recession has accelerated many of these pre-existing patterns of demand. The work associated with the Integrated Resource Framework Pilot will assist in addressing some of these issues.
- 5.14 The Strategic Alliance which includes senior officers from the three Ayrshire Councils and NHS Ayrshire and Arran has improved partnership arrangements and helped to ensure partnership working in the planning and delivery of services within the context of community planning.
- 5.15 The Clyde Valley Review is seen as a key driver for Shared Services. In addition to a number of other areas, the report recognises that local authorities and health boards share a number of joint outcomes, targets and resources and notes that while a lot of work has taken place to improve structures and joint working, it needs to go further to evidence improved health and care in the community.

- 5.16 A joint workshop, involving the three Ayrshire Councils and NHS Ayrshire and Arran, was held on Thursday 4 March 2010 to assess the findings in detail against the health and social care aspects, report progress against work already undertaken within Ayrshire and to discuss the wider implications. A follow up report on this will be submitted to the Strategic Alliance and Community Planning Partnership Board in June 2010.
- 5.17 In addition, a Chief Officers' seminar was held in January 2010 to explore further partnership opportunities to increase co-ordination and deliver efficiencies in light of the recession. Work will be taken forward via a range of mechanisms, including, locally as part of the review of Community Planning Operating Arrangements, the Single Outcome Agreement Improvement Plan and the Community Planning Thematic Action Plans and SRRB2, as appropriate

6. FINANCIAL / LEGAL / POLICY IMPLICATIONS

- 6.1 There are no direct financial implications arising from this report. There are no new policy implications arising from this report. The arrangements which the Council has in place to ensure an effective response to the issues raised within Audit Scotland's Improving Public Sector Efficiency Report highlight the Council's commitment to continuous improvement and ability to demonstrate economy, efficiency and effectiveness in the delivery of its services, all in adherence with the statutory Best Value responsibilities contained in the Local Government in Scotland Act 2003.

7. RECOMMENDATIONS

- 7.1 It is recommended that the Governance and Scrutiny Committee:-
- (i) note the publication of Audit Scotland's Report on Improving Public Sector Efficiency;
 - (ii) consider the key findings of the Audit Scotland Improving Public Sector Efficiency Report as summarised in this report;
 - (iii) consider the Council's current approach and planned arrangements to respond to the three key elements (Priority Based Budgeting, Improving Performance Information and Improving Collaboration) of the good practice checklist produced by Audit Scotland to accompany their Improving Public Sector Efficiency Report as outlined in section 5 of this report;
 - (iv) agree that the Council's Corporate Management Team be tasked with undertaking a detailed review of the good practice checklist to ensure that the Council's current and planned approach to delivering efficiencies addresses the requirements of the checklist; and
 - (v) otherwise note the contents of this report.

Alex McPhee
Executive Director of Finance and Corporate Support
20 April 2010

LIST OF BACKGROUND PAPERS

1. Improving Public Sector Efficiency – Audit Scotland Report prepared for the Auditor General for Scotland and the Accounts Commission (February 2010).
2. Improving Public Sector Efficiency – Report Supplement: Good Practice Checklist for Public Bodies - Audit Scotland Report prepared for the Auditor General for Scotland and the Accounts Commission (February 2010).

Any person wishing to inspect the above background papers or seeking further information should contact Jim Farrell, tel.: (01563) 576223, or James Lally, Tel.: (01563) 576148.

Implementation Officer: Jim Farrell, Performance, Development and Projects Manager