

**PERTH AND KINROSS COUNCIL****Strategic Policy and Resources Committee – 21 September 2016****ANNUAL EFFICIENCY STATEMENT 2015/16****Report by the Head of Finance****PURPOSE OF REPORT**

This report presents Perth & Kinross Council's Annual Efficiency Statement for 2015/16. The statement was submitted to the Convention of Scottish Local Authorities (COSLA) on 18 August 2016 which complied with the submission deadline of 19 August 2016 for consolidation to the national return for the Scottish Government. The report summarises the efficiency gains made by the Council during 2015/16 and describes how, in the context of a challenging financial climate, the Council will make further efficiency gains in future financial years.

**1. INTRODUCTION**

- 1.1 The Efficient Government initiative was originally launched in November 2004 and is a key part of the programme of reform and modernisation of the public sector in Scotland.
- 1.2 For financial year 2015/16, the Scottish Government expects every public body to deliver efficiency savings of at least 3% and to report publicly on the actions undertaken and the results achieved.
- 1.3 All efficiency measures counted against these targets are intended to be 'cash-releasing' in that they are intended to generate cash savings or allow for a greater volume of Service delivery with no increase in cost. Local authorities are permitted to retain cash-releasing efficiency savings for re-investment in frontline Service delivery.
- 1.4 Perth & Kinross Council continues to be committed to making the best use of public resources and the identification of efficiency savings forms a key element of the Council's financial management strategy. This is evidenced through the Council's approach to preparing the Revenue Budget where Council Services are asked to contain their own expenditure pressures through the identification of efficiency savings in the first instance. The delivery of approved efficiency savings, thereafter, becomes an integral part of the management of each Council Service's Revenue Budget and is monitored as part of the Council's overall revenue monitoring process to the Strategic Policy and Resources Committee.
- 1.5 In common with all other Scottish Local Authorities, Perth and Kinross Council has agreed to prepare and publish an Annual Efficiency Statement. The format and content of the statement (Appendix 1 to this report) is based upon guidance received from the Convention of Scottish Local Authorities (COSLA) which places the emphasis on how local authorities have "used efficiencies to

protect quality and level of services and maintained outputs and outcomes in the face of budget cuts”.

- 1.6 In line with the approved timetable the Council’s Annual Efficiency Statement was submitted to COSLA on 18 August 2016. This was in advance of the deadline of Friday 19 August 2016 for consolidation in the national return for the Scottish Government.

## **2. BACKGROUND**

- 2.1 The Council has a successful record in identifying and delivering efficiencies. In the previous nine financial years in which local authorities have formally reported upon efficiency savings (2006/07 – 2014/15). Perth & Kinross Council has consistently exceeded the national target which has allowed efficiency savings to be re-invested in supporting service delivery.
- 2.2 The identification and delivery of efficiency savings is undertaken within the context of a robust policy framework and resource management strategy. Both the Council and its Community Planning partners’ strategic objectives were set out within the updated Perth and Kinross Community Plan / Single Outcome Agreement 2013 - 2023 (Report No. 13/333 refers). The delivery of the Single Outcome Agreement in 2012/13 was supported internally through the Council’s Corporate Plan (Report No. 13/104 refers) and individual Service Business Management and Improvement Plans; the Council’s Updated Medium Term Financial Plan 2016-2021 (Report No. 15/276 refers) and the overarching Corporate Asset Management Plan (Report No. 09/291 refers) supplemented by individual strands e.g. Roads (Report No. 15/254 refers) and Fleet & Mechanical Equipment (Report No. 15/255 refers). The Council also has in place an approved Business Plan 2016-2019 (Report No. 16/283 refers).
- 2.3 The report to the Strategic Policy and Resources Committee on 17 June 2015, ‘Building Ambition – A Blueprint for a 21<sup>st</sup> Century Council’ (Report No. 15/258) highlighted the complex environment in which the Council operates, and described the challenging internal and external context that will impact on the organisation over the next ten years. The main themes are:
- Increasing complexity in the delivery of public services, and working with our communities
  - Reduced public sector spending
  - Increasing demand for services
  - Greater focus on tackling inequality
  - Importance of sound governance through periods of change and transformation
  - Opportunities through technological advancements
  - The need to secure continuity of vital public services in challenging times

- 2.4 The Council continues to strengthen its internal arrangements for identifying and delivering efficiency savings in anticipation of significant reductions in public sector funding. A key element of this approach has been the further development of the strategy for reshaping our workforce in a positive and proactive way in the future, through the continued development of a range of workforce management measures. These measures include revised arrangements for vacancy management; managing short-term resourcing requirements and enhancing capacity and improving performance.
- 2.5 The Perth and Kinross Council Corporate Workforce Plan 2013-18 was approved by the Strategic Policy and Resources Committee in April 2013 (Report No. 13/152 refers). This plan ensures a strategic approach to meeting workforce challenges and progress is reported to the Council via the annual workforce report (Report No. 16/216 refers). The Council's workforce management measures are also kept under review by the Executive Officer Team through an annual programme of workforce governance.

### **3. EFFICIENCY GAINS IN 2015/16**

- 3.1 Council Services have identified cash releasing efficiency savings totalling £13.474 million in 2015/16. This represents approximately 4% of the Council's Net Revenue Budget for 2015/16 approved by the Strategic Policy and Resources Committee on 20 April 2016 (Report No. 16/179 refers).
- 3.2 The following table provides an analysis of the cash releasing efficiencies realised by the Council in 2015/16 in terms of key efficiency themes.

<b>Efficient Government Theme</b>	<b>Cash Releasing Savings £'000</b>
Asset Management	130
Procurement	2,806
Workforce Planning	4,257
Shared Services	27
Streamlining Bureaucracy	167
Other	6,087
<b>TOTAL</b>	<b>13,474</b>

- 3.3 Appendix 1 to the report sets out the submission to COSLA in the prescribed format.
- 3.4 The table above demonstrates that, as in previous years, Perth and Kinross Council has exceeded the expectation from the Scottish Government that public bodies will deliver efficiency savings of at least 3%.

## **4. KEY AREAS OF EFFICIENCY GAIN IN 2015/16**

### **4.1 Asset Management**

- 4.1.1 This was achieved through more effective use of Council assets including reduced energy and water costs following a number of corporate initiatives to reduce consumption.

### **4.2 Procurement**

- 4.2.1 As a member of the Tayside Procurement Consortium and Scotland Excel, the Council continues to realise efficiency savings through collaborative purchasing arrangements with other public sector bodies based upon nationally negotiated contracts.
- 4.2.2 Council Services also realised further procurement savings from a number of initiatives including reviews of commissioned services and service level agreements across the Council, reviewing contract specifications and renegotiating contracts.

### **4.3 Workforce Planning**

- 4.3.1 In financial year 2015/16, efficiency savings in relation to the management of the Council's expenditure on staff costs contributed the most significant amount towards the level of efficiencies reported. The majority of these savings were realised through the pro-active and stringent management of staffing vacancies across the Council by both Service Management Teams and the Executive Officer Team. This was further supported by the corporate workforce management measures that are in place to support Services. All Services exceeded their budgeted staff turnover or "slippage" targets.
- 4.3.2 Efficiency savings from workforce planning were also generated in 2015/16 through further service transformation, modernisation, re-design and reviews across all Council Services.
- 4.3.3 In addition, one of the key approaches to workforce management that is currently in place is the retirement provisions available under the Council's workforce management arrangements. Information on this topic is considered in the Savings Arising from Early Retirement Decisions Taken in 2015/16 report on the agenda for this Committee meeting.

### **4.4 Shared Services**

- 4.4.1 Under the Shared Services category there have been further efficiencies delivered across the Council working with other key partners in the roll out of the Employability agenda.

#### **4.5 Streamlining Bureaucracy**

- 4.5.1 The review of the administrative arrangements supporting Private Sector Housing Grants has significantly contributed to savings in this category.

#### **4.6 Other**

- 4.6.1 The “Other” category includes additional income generated from local taxes (Council Tax and Non Domestic Rates collection) and other sources. In addition significant savings were generated in Treasury Management through the proactive management of the Council’s strategy for borrowing and from capital receipts following disposal of a number of assets across all Council Services.

### **5. VERIFICATION**

- 5.1 The Council has sought to deliver efficiency gains whilst maintaining and improving standards of Service. There is no evidence to suggest that the efficiency gains reported above have led to a reduction in performance or service quality.
- 5.2 The Council has robust performance management arrangements in place and publishes a comprehensive annual performance report which summarises both the Council’s own assessment of its progress and the findings of the external scrutiny bodies charged with assessing standards of service delivery. It is anticipated that the Perth and Kinross Annual Performance Report for 2015/16 will be considered by the Council on 5 October 2016.
- 5.3 In addition the Local Scrutiny Plan for 2016/17 that was considered by Council on 18 May 2016 (Report No. 16/221 refers) confirmed that Perth and Kinross Council has been assessed on an annual basis and that no specific additional scrutiny was required.

### **6. KEY AREAS TARGETED FOR 2016/17 AND FUTURE YEARS**

- 6.1 The latest update of the Council’s Medium Term Financial Plan was approved on 1 July 2015 (Report No. 15/276 refers). The report sets the local context for what is widely anticipated to be a period of considerable financial challenge for the public sector. The Medium Term Financial Plan will continue to be refined and updated as more information on, for example, the latest financial settlements from the Scottish Government become available with the next update scheduled to be considered by Council on 5 October 2016.
- 6.2 In addition, “Building Ambition: the Council’s Transformation Strategy 2015-2020”, which was approved by the Council on 1 July 2015 (Report No. 15/292 refers) included a programme of major projects that would lead the Council into the next stage of its transformation journey. The programme includes the introduction of revised service delivery models and ongoing improvement activities across the Council. The Strategic Policy and Resources Committee

has received regular updates on transformational progress including financial and performance updates.

- 6.3 The continued identification and delivery of efficiency savings in 2016/17 and beyond will play a significant role in the future management of the Council's finances. However, it is unlikely that the delivery of efficiency savings alone will be sufficient to offset the projected increased demand for Council services and reduction in the Council's funding.
- 6.4 The Council also has in place a Final Revenue Budget for 2016/17 and Provisional Revenue Budgets for 2017/18 and 2018/19. The existence of these approved Revenue Budgets into the future assists officers as they transform service delivery across the Council.

## **7. CONCLUSION AND RECOMMENDATIONS**

- 7.1 Perth & Kinross Council has identified cash-releasing efficiency savings totalling £13.474 million in 2015/16 representing 4% of the Council's Net Revenue Budget. Efficiency gains have been identified across all Council Services and under a range of Efficient Government themes. The identification and delivery of future efficiency savings will remain a key component of the Council's financial strategy as it enters a sustained period of financial constraint.
- 7.2 In line with previous financial years the Council has exceeded the expectation from the Scottish Government that public bodies will deliver efficiency savings of at least 3%.
- 7.3 The Committee is requested to note the contents of the report.

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### **Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
John Symon	Head of Finance	31 July 2016

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
<b>Resource Implications</b>	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
<b>Assessments</b>	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
<b>Consultation</b>	
Internal	Yes
External	None
<b>Communication</b>	
Communications Plan	None

### 1. Strategic Implications

#### 1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

### 2. Resource Implications

#### 2.1 Financial

2.1.1 There are no direct financial implications arising from this report other than those reported within the body of the main report.

## 2.2 Workforce

- 2.2.1 There are no direct workforce implications arising from this report other than those reported within the body of the main report.

## 2.3 Asset Management (land, property, IT)

- 2.3.1 There are no direct asset management implications arising from this report other than those reported within the body of the main report.

## 3. **Assessments**

### 3.1 Equality Impact Assessment

- 3.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.1.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

### 3.3 Strategic Environmental Assessment

- 3.3.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.3.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

### 3.4 Sustainability

- 3.4.1 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.4.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.



## **4. Consultation**

### **4.1 Internal**

- 4.1.1 The Chief Executive, Depute Chief Executives and Directors have been consulted in the preparation of this report.

## **2. BACKGROUND PAPERS**

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

## **3. APPENDICES**

Appendix 1 – Confirmation of Efficiencies Delivered in 2015/16

