

# **PERTH AND KINROSS COUNCIL**

## **Strategic Policy and Resources Committee**

**12 September 2018**

### **ANNUAL EFFICIENCY STATEMENT 2017/18**

**Report by the Head of Finance (Report No. 18/286)**

#### **PURPOSE OF REPORT**

This report presents Perth & Kinross Council's Annual Efficiency Statement for 2017/18. The statement was submitted to the Convention of Scottish Local Authorities (COSLA) on 16 August 2018 which complied with the submission deadline of 17 August 2018 for consolidation into the national return to the Scottish Government. The report summarises the efficiency gains made by the Council during 2017/18 and describes how, in the context of a challenging financial climate, the Council may 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 2017/18, 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, by the Strategic Policy and Resources Committee.
- 1.5 In common with all other Scottish Local Authorities, Perth & 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 16 August 2018. This was in advance of the deadline of Friday 17 August 2018 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 eleven financial years in which local authorities have formally reported upon efficiency savings (2006/07 – 2016/17), 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. The Council’s five strategic objectives are set out in the [Corporate Plan 2018-2022](#) which was approved by Council on 7 March 2018 (Report No. 18/68 refers) and the [Community Plan \(Local Outcomes Improvement Plan\) 2017-27](#) approved by Council on 4 October 2017 (Report No. 17/322 refers).
- 2.3 The delivery of the Community Plan is supported internally through the Council’s Corporate Plan and individual Service Business Management and Improvement Plans.
- 2.4 The Council’s Updated Medium Term Financial Plan 2018-2023 was approved by Council on 4 October 2017 (Report No. 17/317 refers). The Council also has approved Revenue Budgets in place for 2018/19 (final) and 2019/20 and 2020/21 (provisional) which were considered by Council on 22 February 2018 (Report No. 18/47 refers).
- 2.5 In addition Asset Management Plans for individual key asset categories such as Roads Infrastructure (Report No. 15/254 refers), Fleet & Mechanical Equipment (Report No. 15/255 refers) and Greenspace (Report No. 17/392 refers) further support the Council’s approach to resource planning.
- 2.6 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) and subsequent update on 7 February 2018 (Report No. 18/45 refers) highlighted the increasingly 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
- Taking advantage of collaboration opportunities as they arise

2.7 The Council continues to strengthen its internal arrangements for identifying and delivering efficiency savings in anticipation of significant further reductions in public sector funding and increased demand for Council services. 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 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.

2.8 The [Workforce Plan for Perth & Kinross Council 2018-2021](#) was approved by the Council on 7 March 2018 (Report No. 18/69 refers). This plan identifies key workforce planning challenges facing the Council over the next three years, with reference to particular occupational groups. It also provides an overview of the wider influences at a regional and national level. Priorities and measurable outcomes have been developed under a number of themes which reinforce the Council's commitment to its people and underpin its approach to workforce planning in respect of continued public service reform, the Council's transformation agenda and modernisation of working practices. The Council's workforce management measures are also kept under review by the Executive Officer Team through regular monitoring of workforce governance.

### 3. EFFICIENCY GAINS IN 2017/18

3.1 Between Corporate and Service Revenue Budgets, the Council has delivered cash releasing efficiency savings totalling £12.074m in 2017/18 which are summarised in the table below. Of this amount £8.879m was recurring and £3.195m was non-recurring. This represents approximately 3.6% of the Council's Net Revenue Budget for 2017/18 approved by the Strategic Policy and Resources Committee on 18 April 2018 (Report No. 18/133 refers).

	<b>Cash Releasing Savings £'000</b>
Service Revenue Budgets	9,474
Corporate Revenue Budgets	2,600
<b>TOTAL</b>	<b>12,074</b>

3.2 The following table provides an analysis of the cash releasing efficiencies realised by the Council in 2017/18 in terms of key efficiency themes.

<b>Efficient Government Theme</b>	<b>Cash Releasing Savings £'000</b>
Asset Management	840
Procurement	1,930
Workforce Planning	6,511
Streamlining Bureaucracy	162
Other	2,631
<b>TOTAL</b>	<b>12,074</b>

3.3 Appendix 1 to the report sets out the submission to COSLA in the prescribed format.

3.4 The level of efficiencies identified above demonstrates that, as in previous years, Perth & 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 2017/18**

##### **Asset Management**

4.1 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, the continued rationalisation of the number of properties occupied by the Council and a review of the use of temporary accommodation for homeless people.

##### **Procurement**

4.2 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.

4.3 Council Services also realised further procurement savings from a number of initiatives including reviews of commissioned services (including care packages) and service level agreements across the Council, reviewing contract specifications and renegotiating contracts (including Tayside Scientific Services).

##### **Workforce Planning**

4.4 In financial year 2017/18, and consistent with previous years, efficiency savings in relation to the management of expenditure on staff costs contributed a significant amount towards the level of efficiencies reported.

- 4.5 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 for non-teaching posts.
- 4.6 Efficiency savings from workforce planning were also generated in 2017/18 through further service transformation, modernisation, re-design and reviews across all Council Services.
- 4.7 In addition, one of the key approaches to workforce planning currently in place is the retirement provisions available under the Council’s workforce management arrangements. Further information in respect of which is provided in the Savings Arising from Early Retirement Decisions Taken in 2017/18 report on the agenda for this Committee meeting Report No. 18/282 refers).

### **Streamlining Bureaucracy**

- 4.8 More efficient working practices and increased use of technology has contributed to savings in this category.

### **Other**

- 4.9 The “Other” category includes savings generated through proactive Treasury Management of the Council’s strategy for borrowing (c£2.6m).

## **5. VERIFICATION**

- 5.1 The Council has sought to deliver efficiency gains whilst attempting to maintain or improve standards of Service. There is no evidence to suggest that the efficiencies reported above have led to a material 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 2017/18 will be considered by the Council on 3 October 2018.
- 5.3 In addition, the [Local Scrutiny Plan 2018/19](#) was considered by Council on 25 April 2018 (Report No. 18/150 refers) which set out the anticipated external scrutiny of Perth & Kinross Council over the next twelve months.

## **6. KEY AREAS TARGETED FOR 2018/19 AND FUTURE YEARS**

- 6.1 The latest update of the Council’s [Medium Term Financial Plan](#) was approved on 4 October 2017 (Report No. 17/317 refers). The report sets the local

context for what is widely anticipated to be a further period of considerable financial challenge for the public sector. The Medium Term Financial Plan will continue to be refined with the next update scheduled to be considered by Council on 3 October 2018.

- 6.2 As well as a Final Revenue Budget for 2018/19, the Council also has in place Provisional Revenue Budgets for 2019/20 and 2020/21. These detailed Revenue Budgets complement the Medium Term Financial Plan and further demonstrate the Council's commitment to sustainable financial planning over the short to medium term and provide authority to officers to continue with the transformation of services delivery across the Council.
- 6.3 "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 which 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 have received regular updates on transformational progress including financial and performance updates.
- 6.4 As new transformation projects have been developed these have been approved by the Strategic Policy and Resources Committee and added to the original Transformation Strategy 2015-20.
- 6.5 The identification and delivery of efficiency savings in 2018/19 and beyond will continue to play a significant role in the future management of the Council's finances. However, it is becoming increasingly unlikely that the delivery of efficiency savings alone will be sufficient to offset the projected increased demand for Council services and reductions in Council funding.

## **7. CONCLUSION AND RECOMMENDATIONS**

- 7.1. Perth & Kinross Council has identified cash-releasing efficiency savings totalling £12.074m (both recurring and non-recurring) in 2017/18 representing 3.6% 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 during an anticipated 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.

**Author**

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**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Stewart Mackenzie	Head of Finance	30 August 2018
Jim Valentine	Depute Chief Executive (Chief Operating Officer)	31 August 2018

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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

#### Corporate Plan

1.1 The Council's Corporate Plan 2018 – 2023 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.

1.2 This report relates to all of these objectives.

### 2. Resource Implications

#### Financial

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



### Workforce

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

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

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

## **3. Assessments**

### Equality Impact Assessment

- 3.1 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.
- 3.2 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.

### Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 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.

### Sustainability

- 3.5 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.
- 3.6 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**

##### Internal

- 4.1 The Chief Executive, Depute Chief Executive and Executive 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 2017/18