

PERTH AND KINROSS COUNCIL**Strategic Policy and Resources Committee****18 September 2013****ANNUAL EFFICIENCY STATEMENT 2012/13****Report by the Head of Finance****PURPOSE OF REPORT**

The report presents Perth & Kinross Council's Annual Efficiency Statement for 2012/13. The statement has previously been submitted to the Convention of Scottish Local Authorities (COSLA) for consolidation in the national return to the Scottish Government. The report summarises the efficiency gains made by the Council during 2012/13 and highlights those areas where the Council is seeking to make efficiency gains in the current financial year.

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 for the public sector in Scotland.
- 1.2 For financial year 2012/13, 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 of the statement (the appendix 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”.

2. BACKGROUND

- 2.1 The Council has a successful record in identifying and delivering efficiencies. In the previous six financial years in which local authorities have formally reported upon efficiency savings (2006/07 – 2011/12), Perth & Kinross Council has identified efficiency savings totalling approximately £46.3 million which have mainly been re-invested in supporting Service delivery.
- 2.2 The identification and delivery of efficiency savings is set 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 up-dated 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 (Report No. 12/585 refers); the Corporate Asset Management Plan (Report No. 09/291 refers) and the Council’s workforce management measures (Report No’s. 13/359 and 10/71 refer).
- 2.3 In addition, the “Securing the Future – Towards 2015 and Beyond” transformation programme, which was approved by Council on 30 June 2010 (Report No. 10/357 refers) set out the Council’s continuing strategy supporting the delivery of savings through the introduction of revised service delivery models and ongoing improvement activities across the Council. Within this strategy the Efficiency and Improvement Programme is one of three themes which provide a strategic framework for meeting the financial challenges facing the Council (Report 10/357 refers). The Efficiency and Improvement Programme identifies Workforce Planning; Procurement / Commissioning; Asset Management; Shared Services; Efficiency Reviews and Process Improvement as key areas for delivering future savings.
- 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.

3. EFFICIENCY GAINS IN 2012/13

- 3.1 Council Services have identified cash releasing efficiency savings totalling £9.581 million in 2012/13. This represents approximately 3.3% of the Council Approved Net Service Revenue Budget for 2012/13 (Report No. 12/52 refers).
- 3.2 The following table provides an analysis of the cash releasing efficiencies realised by the Council in 2012/13 in terms of key efficiency themes.

Efficient Government Theme	Cash Releasing Savings £'000
Asset Management	1,111
Procurement	2,077
Workforce Planning	5,447
Shared Services	398
Streamlining Bureaucracy	113
Other	435
TOTAL	9,581

- 3.3 Appendix 1 to the report sets out the submission to COSLA in the prescribed format.
- 3.4 When the savings of £9.581 million identified in financial year 2012/13 are combined with previous years' savings, Perth and Kinross Council has delivered total reported efficiencies of almost £56 million.

4. KEY AREAS OF EFFICIENCY GAIN IN 2012/13

4.1 Asset Management

- 4.1.1 This was achieved through more effective use of Council assets including reduced running costs for some operational properties reflecting usage patterns in individual buildings.

4.2 Procurement

- 4.2.1 As a member of the Tayside Procurement Consortium, 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 procurement savings from reviews of catering and cleaning contracts; waste diversion initiatives; further reviews of commissioned services and service level agreements and switching from the delivery of services to a commissioning role.

4.3 Workforce Planning

- 4.3.1 In financial year 2012/13, 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 this saving was realised through further pro-active stringent management of staffing vacancies throughout the Council supported by the workforce management measures that were introduced in November 2009. All Services exceeded their budgeted staff turnover or "slippage" targets.
- 4.3.2 It is anticipated that the level of "slippage" generated in future years will not be as significant as vacant posts are removed from future revenue budgets.
- 4.3.3 Efficiency savings from workforce planning were also generated in 2012/13 through service transformation, re-design and review. Examples include efficiency savings generated through reviews of support service functions; Learning Disabilities and Community Safety.
- 4.3.4 One of the approaches to workforce management that is currently available 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 2012/13 report on the agenda for this Committee meeting.

4.4 Shared Services

- 4.4.1 Under the Shared Services category heading there have been efficiencies generated in Information Technology and a review of Delayed Discharges Arrangements with Community Planning Partners.

4.5 Streamlining Bureaucracy

- 4.5.1 The review of Employability Services has contributed towards the Streamlining Bureaucracy 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 reduced travel & training costs.

5. VERIFICATION

- 5.1 The Council has sought to deliver efficiency gains whilst maintaining and improving standards of Service. 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 (Report No. 12/261 refers). There is

no evidence to suggest that the efficiency gains reported above have led to a reduction in performance or service quality.

6. KEY AREAS TARGETED FOR 2013/14 AND FUTURE YEARS

- 6.1 The latest update of the Council's Medium Term Financial Plan was approved on 19 December 2012 (Report No. 12/585 refers). The report sets the local context for what is widely anticipated to be a period of considerable financial challenge for the public sector.
- 6.2 The Medium Term Financial Plan will continue to be updated as more information on, for example, the latest financial settlements from the Scottish Government become available.
- 6.3 The continued identification and delivery of efficiency savings in 2013/14 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 Workforce Planning efficiency savings identified in setting the Council's Revenue Budget 2013/14 to 2014/15 include further reductions in management and administration/support reviews across all Services, reduced sickness absence, further redesign of a number of corporate function costs including Information Technology, further investment in modern ways of working, the development of the Reablement model within Housing and Community Care and the redesign of sheltered housing and housing with care.
- 6.5 Examples of Procurement savings identified going forward include reduced waste disposal costs following recent contract negotiations and further targeted savings from the operation of collaborative purchasing arrangements.
- 6.6 Efficiency savings from improved asset management tend to be realised in the medium term given that much of the Council's asset holdings relate to property. The Council is currently undertaking a review of its future office accommodation requirements to identify the potential for efficiency savings.

7. CONCLUSION AND RECOMMENDATIONS

- 7.1. Perth & Kinross Council has identified cash-releasing efficiency savings totalling £9.581 million in 2012/13. 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. The Committee is requested to note the contents of the report.

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ANNEX

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

3.2. Strategic Environmental Assessment

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

3.2.2. 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.

3.3. Sustainability

3.3.1. 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.

3.3.2. 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.

4. Consultation

4.1 Internal

4.1.1 The Chief Executive and all 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 2012/13

CONFIRMATION OF EFFICIENCIES DELIVERED IN 2012-13

1	Local Authority Name	Perth and Kinross Council
2	Total cash efficiency achieved for 2012-13 £'000	£9.581 million
3	<p>Summary of efficiency activity e.g.</p> <p>The main initiatives the local authority has taken over the year to ensure a strategic approach to increased efficiency and productivity and the improvements achieved in these areas.</p> <p>The main information that the local authority uses to assess productivity, service quality and performance and how the scope, usefulness or reliability has been improved during the year.</p> <p>Specific steps the local authority has taken during the year to improve collaboration and joint working to deliver efficient and user-focussed services and the improvements achieved.</p>	<p>The Council continues to progress with its efficiency agenda as part of its overall transformation strategy.</p> <p>The stringent application of approved workforce planning measures has contributed savings of £5.447 million during financial year 2012/13.</p> <p>The Council also utilises a wide range of information to assess productivity which is reviewed annually for its effectiveness as part of our business planning process. Key efficiency measures in 2012/13 include:</p> <ul style="list-style-type: none"> • More efficient use of buildings and schools to reflect actual usage patterns. • Further efficiencies through the introduction of modern ways of working and new technology. • Redesign of employability services with the creation of social enterprise employment opportunities. • Shifting the balance of care with a reduction in the number of residential placements in favour of community based services. • Moving towards the commissioning of home care services rather than their direct provision. • Review and renegotiation of service level agreements with the voluntary sector to ensure the most effective use of Council resources. <p>The Council continues to work towards Health and Social Care Integration and has reviewed the governance processes to ensure maximum integration across the Perth and Kinross Community Planning Partnership. Work continues across Tayside in relation to the Public Services Strategy Group pursuing work streams around Getting It Right For Every Child, Adult Care and public sector reform.</p>

4	<p>Breakdown of efficiency saving by Procurement, Shared Services or Asset Management £'000</p> <p>(only where relevant – not all efficiencies will fall into these categories, so the figures here do not have to match the overall total.</p>	<p>Procurement =£2.077 million</p> <p>Shared Services = £0.398 million</p> <p>Asset Management = £1.111 million</p>
5	<p>Evidence: What performance measures and/or quality indicators are used to ensure that efficiencies were achieved without any detriment to services?</p>	<p>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.</p> <p>Most recently this information was considered at the meeting of 26 June 2013 where the Council considered the Single Outcome Agreement Annual Performance Report for 2012/13 which provided an overview of how the Perth and Kinross Community Planning Partnership performed against the Single Outcome Agreement 2009-2011 for the period 1 April 2012 to 31 March 2013. This report also provided comprehensive information on progress across the Community Planning Partnership towards delivering better services and improved outcomes for the people of Perth and Kinross.</p> <p>The Council always seeks to deliver efficiency gains whilst maintaining and improving standards of service.</p> <p>All efficiency and transformation projects require a business case which sets out the key benefits and measures which will be used to assess the success of each initiative.</p> <p>There is no evidence to suggest that the efficiency gains included within this submission have led to a reduction in performance of service quality.</p>

Signed: *Bernadette Malone*

Chief Executive

Signed: *Ian Miller*

Council Leader

Date: **20 August 2013**