



Efficient Government Research Study 2008

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1 Executive summary

1.1 This report sets out the findings from a research study into council progress in addressing the expectations of the Efficient Government agenda.

1.2 The main objectives of this study are to:

- to give as accurate a picture as possible of the level and nature of the efficiency savings to be evidenced in the next emerging efficiency statement
- to help ensure that the efficiency statements of all councils can stand up to external scrutiny / challenge
- to challenge the robustness of the accompanying evidence base.

1.3 In Autumn 2007, an initial study of the first efficiency statements focused on:

- The robustness of stated efficiency gains
- The balance of time and cash release savings
- The subsequent effect of efficiency savings on council performance, and
- The information used to evidence the efficiency claims being made by each Council.

1.4 Findings at that stage indicated confidence that efficiency gains in the Efficiency Statements were genuine, were conservative in their estimation, but that further work was needed on tracking the impact of efficiencies on service performance

1.5 Similar to the 2007 study, the 2008 exercise focuses on practices in five case study councils, with an accompanying national survey of the other 27 councils. The Improvement Service received 12 responses to the survey.

1.6 The following represents an overview of the key findings from the study. Greater detail is attached in chapter 2, which provides a summary of the responses under each of the questions asked to the case study councils and within the survey. We have categorised our findings into the following sub-headings:

The Annual Efficiency Statements 2007/08

- None of the case studies have started to formalise this year's efficiency statement. Therefore the findings are based on reflections on last year's statements and council intentions for this year. All 5 councils are confident that they have achieved their predicted efficiencies for 2007/08. This is partially reflected in the survey, with 8 from the 12 respondents being confident of achieving their predicted efficiencies. Councils are also now developing ongoing monitoring of efficiency reporting throughout the year (rather than waiting until the end of the

financial year). These approaches typically aim to assess efficiency within a wider framework of financial and non-financial performance.

Approaches

- There appears to be a carrot and stick approach in most councils, but with growing emphasis being placed on the carrot. In terms of how efficiency 'targets' are set, there was a tendency for councils to initially place emphasis on requesting a percentage cash efficiency gain from all services. In addition to this, work on strands at a corporate level either generated a further efficiency gain, or was used to help services hit targets. Services being given greater flexibility in how they generate efficiencies, with a growing recognition that the efficient government agenda can provide a opportunity for reinvestment in services
- There is a continued focus on the five strands as the drivers of the agenda in the majority of case studies
- In terms of performance management, a number of case studies had an overarching service improvement framework which they used to shape this process. This was further reinforced from the survey respondents who highlighted a range of measures and processes to support the generation of efficiencies
- There is still some scepticism about the benefits of shared service (including their impact on control/influence, service performance, employment and budgetary control). However most councils have embarked on shared service projects, but there has been limited use of shared services diagnostic tool to date.

Measures

- Councils are using a variety of measures to provide an evidence base, including:
 - Statutory Performance Indicators
 - Internal key performance indicators
 - Audit Scotland reports
 - Measures proposed in good practice guidance (particularly for procurement and asset management)
- Most felt very confident in their ability to evidence any of the details in their 06/07 statement, although still a lot of reliance on exception reporting. This level of confidence based on:
 - certainty of stated efficiency gains for 06/07
 - conservative estimates

- initial tracking of headline efficiencies
 - views on the 'trace-ability' of the causal link between the efficiency and subsequent core service performance.
- Four councils reported some use of the Aspiren measures to support their efficiency statements. There is an acknowledgement of the principles on which they are based, but a number of case study councils expressed concerns regarding some definitions, status, suitability and what 'direction' represents success. Case study councils also felt 'awash' with measures from different sources; this tended to mean they kept an emphasis on SPIs and existing KPIs. Councils also stressed that they typically keen to avoid too many proxy measures developed solely for this agenda.
 - Councils queried the notion of tracking the direct impact of efficiency gains on service performance, as this is seen to be too linear in most instances. It is typically a mix of efficiencies, savings, resource redeployment and new initiatives in each service that impact of performance and perceptions of performance. This has led to a view that the Statements are 'un-auditable' as a result
 - There is a growing realisation of the importance of performance information, with the emphasis on 'inputs' and 'outputs' moving to include 'unit costs' and 'outcomes'. Councils are also aware that more comprehensive performance management frameworks allow much more informed political and managerial interventions.

Other issues arising

- It is evident that progress still limited in identifying and delivering non-cashable efficiencies. There is a perception that this leads to non-cashable efficiencies being under estimated. In addition, systems are not in place to effectively quantify and measure the impact of these efficiencies. Furthermore, due to ongoing financial pressures, councils still place greater importance on the generation of cash-savings.
- Across councils, the common view is that the stated efficiencies are sustainable, but that some were one-off gains that should have been expressed that way. Many efficiencies result from service reconfiguration, which can result in a complex mix of service withdrawal and service 'cuts' within a particular service, as well as re-investment in particular priorities within that service (note the earlier observation re the complexity of the picture in each service)
- All the councils felt that they were learning through experience and networking year on year and that their approaches were becoming more mature as a result

General Observations

- Efficiency agenda is well understood and becoming embedded, and in some instances efficiency is driving improvement; in others, improvement driving efficiency. However, concerns remain regarding the extent to which Statements reflect organisational efficiency (rather than the list of current efficiency gains). There is also a commonly expressed view of the need to consider Efficient Government in the context of the wider Transforming Public Services agenda (and that the submission of Efficiency Statements in their current form diverts from this broader perspective).
- Looking towards the future, there were some views that the Concordat and outcome agreements will move the focus away from Efficiency Statement submissions, or that the reporting of efficiencies through the current arrangements may need to change, as the focus on outcomes develops.

Conclusions

- **Objective 1:** To give as accurate a picture as possible of the level and nature of the efficiency savings to be evidenced in the next emerging efficiency statement
 - Unknown at this stage, but the majority of 06/07 efficiency gains will be sustained
- **Objective 2:** To help ensure that the Efficiency Statements of all councils can stand up to external scrutiny / challenge
 - This should be the case based on the information shown to us
 - The Statements will become increasingly robust year on year
 - Efficiency gains will be difficult to scrutinise
- **Objective 3:** To challenge the robustness of the accompanying evidence base
 - An initial evidence base exists; this will continue to develop
 - Monitoring will become more systematic and integrated

2 Summary findings

1) How confident are you that:

- a) the baseline figures contained in the 2007/ 08 efficiency statement (of inputs and outputs) have been achieved?
- b) the output/quality measures used to judge impact on service delivery/performance have been robust?

Councils have only just started to make progress in preparing this year's statement. However, all councils (apart from 4 of the 12 survey respondents) are confident that the efficiencies will be achieved. Councils point to ongoing monitoring of budgets and other related performance information as evidence that targets will be hit. In some cases, this takes the form of monthly monitoring reports to either working groups or corporate management teams.

All case study councils have a degree of confidence in the output/quality measures used to judge impact on performance. However, concerns remain where there is no related measure for a specific efficiency. In some cases, the link between the efficiency and subsequent performance can be tenuous, therefore not giving the council the required confidence in the measure. Responses to the survey highlight that there is still work to be done in this area, with only 5 from the 12 responding as confident or very confident.

However, evidence from the case studies illustrates that councils do have a range of data-sets to measure impact and that these are being continually developed to improve their effectiveness. Emphasis is also being given to achieving the correct balance between financial and non-financial measures where appropriate.

2) Will your efficiency gains from 2007/08 and those planned for 2008/09 stand up to external scrutiny/challenge?

- a. Are you confident that the activities represent efficiency gains rather than service cuts?
- b. What measures of efficiency have been used to evidence the efficiencies generated?
- c. If you have used any of the measures jointly developed by councils and the Improvement Service (the Aspiren measures), which ones?
- d. How useful have these measures proved to be?
- e. Have you had any problems in using the measures?

It is apparent that councils are becoming increasingly confident that the statement will stand up to external scrutiny. Ongoing monitoring and evaluation, combined with the development of the measures described in the answer to question one highlight that there is a greater degree of rigour being applied to the process,

(this has developed somewhat since the previous study). Furthermore, through the quality assurance process described in the answer to question nine, councils are able to verify and effectively 'filter out' savings that cannot be evidenced based.

Services are also being given a greater degree of flexibility in deciding which measures to use to assess the impact (evidence for) the efficiencies they generate. These typically link into wider service performance management frameworks.

In terms of the types of measures being used, only 4 councils (3 survey respondents and 1 case study council) use the Aspiren measures. All remaining councils use a mix of SPIs, internal measures and other measures developed for this specific agenda, e.g. customer satisfaction surveys and service usage data. Councils perceived the Aspiren measures:

- do not place adequate emphasis on efficiency as an aspect of wider service performance
- do not provide any meaningful comparison with other councils, and
- were too broadly defined to capture smaller efficiencies.

3) Are there any particular services or functions that have benefited from re-investment as a result of the efficiencies?

a. Are most of the efficiencies re-invested within the same 'service chains', or re-allocated elsewhere within the Council?

In all of the case studies there was no concentrated effort on finding efficiencies to re-invest elsewhere. This differed from most of the survey respondents (7 from 12) who listed various services that have benefited from re-investment, such as:

- Improvements to the roads network
- Child care
- Waste Management
- Leisure Facilities

As with the last survey, the main motivation for identifying efficiencies has been to effectively 'balance the books', and this has led to a corporate wide approach to generating efficiencies, whilst at the same time allowing Services a greater degree of flexibility as to how the efficiencies will be found. One case study council did agree that there is room for re-investment, but in reality, this can only happen where the council is not generating efficiencies to manage budget settlements.

Furthermore, there are still a large proportion of efficiencies that are generated to meet council-wide needs, such as the funding of equal pay settlements.

However, councils did recognise the opportunity for re-investment, and not simply look at efficiencies as a way to 'balance the books'. One case study council exemplified this through their work on asset management and the establishment of customer contact centres as a method for doing this.

4) Are there particular functions or activities where a disproportionate element of the efficiency gains- have been made (e.g. in one service area or in one category of overhead)?

Most councils looked to generate efficiencies across the entire organisation, so that typically no one area was taking a 'disproportionate hit' compared with other services. However there were instances where certain services did generate a higher level of efficiencies. Only 2 case study councils specifically identified a greater proportion of savings being generated through Education as a result of a schools rationalisation and re-investment programme. There also appeared to be a distinction between the level of efficiencies generated by the central support / corporate functions as opposed to front-line services. Furthermore, nearly all councils recognised that greater work needs to be done to generate efficiencies within Education and Social Work (partly due to the scale of council activity in these areas).

5) Do the level of cash release efficiencies in the statement simply reflect that departments have managed to hit aggregate efficiency targets set by the corporate centre (say for a 1% efficiency saving), or are they measurable in terms of identifiable changes in the levels of input or output into / from the specific areas of activity where they have been delivered?

There appears to be a greater degree of flexibility in this area from the last study. Most councils are continuing to set targets (9 out of 12 survey respondents and 3 from 5 case studies). However services are being given a greater degree of flexibility to meet these targets, rather than simply work within corporate initiatives / projects. There are also cases where targets are set, and services can meet these targets through a combination of service cuts and efficiencies.

6) What progress has been made in driving time releasing efficiencies/ productivity gains?

- a. Have some services made greater progress than others in this?
- b. Have the productivity gains that have been made been sustainable?
- c. How have productivity gains been measured?
- d. Are there areas of services or services that will be targeted in the coming year for greater productivity gains?

Similar to the last study, the majority of efficiencies continue to be cash efficiencies. Most councils admitted that there are issues around realising non-cashable savings. This is partly due to the cultural difficulty in people being able to recognise and effectively measure a non-cashable saving. The measurement of non-cashable savings was a recurring theme. Councils perceived that the measures used for assessing cash savings did not lend themselves to measuring non-cash savings. In addition, it can be a resource intensive exercise to continue to measure time and productivity, to assess whether savings are sustainable.

Councils were therefore of the opinion that this can lead to non-cashable efficiencies being under-reported. Furthermore, two case study councils were of the view that non-cashable savings are of less importance to the council than actual cash efficiencies.

In contrast to the above, there was a different response from the survey councils. 7 of the twelve felt that progress was being made in this area and pointed to the following as examples:

- Reductions in absence leading to a 0.25% increase in productivity
- Information on new properties has been used to re-route existing refuse collection services
- Information on new streets has been used to re-route existing street cleaning services
- CPD for Teachers - time taken to complete the task has been managed without additional staff resources

Councils used a variety of measures as evidence for these savings, including SPIs, internal measures, and some minimal use of the Aspiren measures. Areas to be targeted in the coming year include: procurement, street sweeping, refuse collection and absence management.

7) Are there any significant areas (where efficiencies have been made) that genuine and widespread concerns exist about a subsequent deterioration in performance as a result (e.g. where there has been a reduction in management overhead or staffing levels)?

Apart from 1 council who responded to the survey, all remaining councils were confident that there were no concerns about deterioration in performance as a result of generating efficiencies. Councils utilised quality cross-checks, internal performance measures and SPIs to measure performance in those areas where efficiencies had been generated. One council also stressed the need for decision regarding changes to service delivery be supported by the appropriate compliance and monitoring arrangements.

8) How confident are you about the sustainability of the efficiencies that the council has generated, i.e. are they annually recurring?

Similar to the last study, all case study councils and the majority of the survey respondents (8 from 12) were confident that efficiencies were sustainable. Councils emphasised the need to generate sustainable efficiencies within its overall approach. There were some instances where political / management decisions did have an impact on council's ability to sustain some efficiencies. One example of this related to recruitment freezes, which can have a negative impact on efficiencies generated through on-line recruitment programmes.

9) Who takes responsibility for the performance management / quality assurance mechanisms to verify the efficiencies being delivered at departmental/ service levels?

a) If so, how do these processes work?

Compared to the previous study, services appear to have a greater responsibility in the performance management / quality assurance process. Where services identify areas for efficiency, they are tasked with providing the evidence base to verify the efficiency and also the performance measures that will measure its impact.

However, in the majority of councils taking part in the study, there was a corporate mechanism for coordinating and verifying all council-wide efficiency initiatives and those submitted by the services. This approach is reflected by those councils who have either established working groups (either for the wider budget process or specifically to manage the efficiency programme) or use their finance or performance management functions to undertake this role. There are also instances where the final detail is approved by corporate management teams and elected members.

10) How confident are you that the 2007/08 and the 2008/09 efficiency statements will stand up to external audit and scrutiny?

a) What specific evidence would the Council submit as the basis for external scrutiny?

Apart from 1 survey respondent, all remaining councils are confident that their efficiency statements will stand up to external audit and scrutiny. This respondent highlighted a lack of evidence to support the stated efficiencies, with too much of a reliance on the assertions of senior management.

In terms of the specific evidence, there was a wide range of information cited as examples (and evidenced in the case study visits), including:

- Financial reports
- SPIs
- Quality cross-checks

- External audit meetings
- Financial, productivity and quality information
- Internal performance measures
- CIPFA DoF indicators
- Aspiren measures.

11) In terms of shared services, has the Council

a) Implemented or participated in shared service projects with a view to generating efficiencies?

b) Made use of the shared service diagnostic tool?

Only 1 council did not respond to this question, as the council had yet to decide its position on shared services. All other councils listed a wide range of shared services projects that they are either undertaking with other councils or, in some cases, community planning partners.

3 of the case study councils and 9 of the 12 survey respondents are making use of the shared services diagnostic tool. In most cases, councils highlighted that it was too early to accurately comment on its success or otherwise.

12) Are there any areas (see over) where notable efficiencies may have been made but have so far been excluded from your efficiency statements? E.G. non-cashable asset management efficiencies?

All councils pointed to specific examples of areas where notable efficiencies may have been made but have so far been excluded from the statements. There were areas within the list that were noted across the majority of councils, including:

- Energy efficiency
- Reduced staff absence and overtime
- Reduced insurance premiums or increased insurance cover
- Service extended to increased number of properties within existing capacity
- Management restructure
- Inflation absorbed within existing budgets.

13) What use is being made of emerging Improvement Service work on asset management?

Few councils have actually made use of the Improvement Service work in asset management. Only 2 councils (from the survey) indicated that they had commenced implementation of the work, with a further 2 case studies seeing the work as a helpful reflection of good practice and a useful framework for moving forward. The majority of the remaining councils were aware of the work, but had not yet considered whether it was of use, or had their own approach to asset management.

3 Annex 1 – case studies

Case Study 1

Introductory Statement

Much of the efficiency statement for 2006/07 is based upon the benefits derived from the restructure of the Council from service departments to an area-based approach. Not only has this assisted in identifying direct efficiencies through the changes in management overheads, but it has also given rise to other opportunities, for example around procurement.

Information pertaining to the 2006/07 was collated and reported at the end of that financial year. However this year, there will be more of a mix between 'embedded' reporting (i.e. those elements that are identified throughout the year) and retrospective reporting. Once this process is complete, the Performance Management & Quality Assurance Team will filter all submissions to ensure that only evidence-based efficiencies are included within the statement and not service cuts.

The Council emphasises that all Service Managers are empowered to identify efficiencies within their own service area, and that there is no global target for all services.

The Council also realise the need to provide a robust evidence base for all efficiencies contained within its forthcoming statement for 2007/08. This includes identifying the relevant measures used to assess the impact of both cash and time release efficiency savings. However the Council do acknowledge that there may be some gaps in this process, where there is no direct link between the efficiency and the available internal and external performance measures.

1) **How confident are you that:**

- a. **the baseline figures contained in the 2007/ 08 efficiency statement (of inputs and outputs) have been achieved?**
- b. **the output/quality measures used to judge impact on service delivery/performance have been robust?**

The Council is very confident that both the input and output baselines for the efficiencies have been achieved for 2007/08. Inputs will be measured through ongoing budget monitoring. Outputs will be assessed using a mixture of national and local performance measures, where there is a direct link between the output and the service(s) reporting the efficiency.

One issue that the Council did highlight is the difficulty in measuring efficiencies where there is no direct link to an adequate outcome measure. Where there are gaps, the Council works to ensure that the most suitable measure available is used but stops short of developing a new measure as they do not view efficiency statements as part of the performance management framework.

The Council would also like clarification as to the amount of efficiency that can be included in the statement. Where efficiencies are generated through staff redundancies, the Council do not include the ongoing pension costs to the Council within the net gain - should this be the case?

2) Will your efficiency gains from 2007/08 and those planned for 2008/09 stand up to external scrutiny/challenge?

- a) Are you confident that the activities represent efficiency gains rather than service cuts?**
- b) What measures of efficiency have been used to evidence the efficiencies generated?**
- c) If you have used any of the measures jointly developed by councils and the Improvement Service (the Aspiren measures), which ones?**
- d) How useful have these measures proved to be?**
- e) Have you had any problems in using the measures?**

The Council adopts a coordinated approach to reporting efficiencies where they are assessed corporately prior to inclusion within the final efficiency statement. This 'filtering' process ensures that only evidence-based efficiencies are included, whereas service cuts are not.

The measures used to evidence efficiencies are a mix of Statutory Performance Indicators (SPIs) and local indicators (KPIs, balanced scorecard). Where possible the Council do adopt unit costs as a measure. However it is recognised that this is not undertaken in a systematic way and further work is required to develop a more robust unit cost information base.

In addition, the Council has made extensive use of the Citistat process to assist in the identification and measurement of efficiencies, e.g. for areas such as city cleansing and roads maintenance.

The Council does not make use of the measures developed jointly with the Improvement Service (IS). Furthermore, the Council does not use any of the existing Aspiren measures as it believes its current measures are sufficient for their purposes.

3) Are there any particular services or functions that have benefited from re-investment as a result of the efficiencies?

- a) Are most of the efficiencies re-invested within the same 'service chains', or re-allocated elsewhere within the Council?**

Given that Service Managers are empowered to identify efficiencies within their own service, they are permitted to re-invest the efficiencies within the service, provided they have the budget to do so.

The Council tends not to divert efficiencies from Services to elsewhere within the organisation.

4) Are there particular functions or activities where a disproportionate element of the efficiency gains- have been made (e.g. in one service area or in one category of overhead)?

In past statements, areas such as Housing Voids, generated a significant amount of efficiencies, and are expected to do so in the near future. This is partly due to the success of Citistat being able to identify the areas for improvement and in measuring subsequent success.

It is expected that Procurement will bring significant efficiency savings in 2007/08. In a joint programme with a neighbouring council, the Council anticipate efficiency savings of between £2m - £2.5m.

5) Do the level of cash release efficiencies in the statement simply reflect that departments have managed to hit aggregate efficiency targets set by the corporate centre (say for a 1% efficiency saving), or are they measurable in terms of identifiable changes in the levels of input or output into / from the specific areas of activity where they have been delivered?

The Council do undertake a budget setting exercise with all Services, but there is no universal instruction for Services to identify a set percentage of efficiencies across the board. The Council do not look upon this as a target setting process (in terms of Service expectations), but instead it is based around an assessment of the level of spend the Council has available and its priorities for expenditure.

It is evident that efficiencies are more readily identifiable in those 'harder' service areas (roads, finance etc) as they have they ability to more easily measure the impact. At this time there is less success in identification of efficiencies in 'softer' services such as in education and social care.

6) What progress has been made in driving time releasing efficiencies/ productivity gains?

- a) **Have some services made greater progress than others in this?**
- b) **Have the productivity gains that have been made been sustainable?**
- c) **How have productivity gains been measured?**
- d) **Are there areas of services or services that will be targeted in the coming year for greater productivity gains?**

Some services are better than others due to the precise nature of the service being delivered. For example, where services can implement electronic service delivery, it will be easier to identify time release savings.

Where time release savings are identified they are sustainable in the short-term. However medium to long term sustainability will only be possible where there the Council has the capacity / resources / technology to record time (or other relevant measures where the gain was originally achieved).

Productivity gains have to be identified by the Service Manager reporting the gain. However this will be 'interrogated' at a corporate level to ensure the measures are robust.

There are no specific areas that have been identified (targeted) in the coming year for greater productivity gains. However it is hoped that improved use of IT (e.g. through the implementation of Covalent), may assist in generating greater productivity.

7) Are there any significant areas (where efficiencies have been made) that genuine and widespread concerns exists about a subsequent deterioration in performance as a result (e.g. where there has been a reduction in management overhead or staffing levels)?

There are no efficiencies from the 2006/07 statement that the Council can identify that have led to any deterioration in performance. However, the Council will continue to monitor the areas where efficiencies were generated to identify any potential areas for concern.

One issue is around the knock-on effect of certain efficiencies. As identified in this document, Housing Voids has generated a significant amount of efficiencies for the Council. However, success in this area can lead to an increase in the cost of rate collection.

8) How confident are you about the sustainability of the efficiencies that the council has generated, i.e. are they annually recurring?

The Council do emphasise to Services that efficiencies have to be sustainable and recurring. It is therefore confident that all efficiencies are sustainable, and there is no evidence yet to suggest this is not the case.

However, it is pointed out that political aspirations may not allow efficiencies to be sustained. For example, the cost of collection for Council Tax may be reduced as a result of Post Office rationalisation, but political support to ensure that some Post Offices are kept open (or re-located elsewhere) may have an adverse effect on costs.

9) Who takes responsibility for the performance management / quality assurance mechanisms to verify the efficiencies being delivered at departmental/ service levels?

a) If so, how do these processes work?

The corporate centre undertakes a 'leadership' role in the efficiency process. This is based within the Performance Management & Quality Assurance Team. The main purpose of this role is to 'filter' what comes back from the Services to ensure that only evidence based efficiencies are included within the statement.

The Finance Service participates in the process in terms of ensuring that identified efficiencies are monitored through the subsequent budget monitoring process, that there is consistency in the financial information being used and that virement rules are flexible enough to allow efficiencies to be realised.

As previously stated, all Service Managers are empowered to drive the efficiency agenda within their own Service. With this, comes an expectation that they will only report efficiencies and not service cuts. Service Managers reinforce this view by emphasising the cultural shift that has taken place within the organisation which has enabled managers and staff to identify efficiencies within their own service areas.

10) How confident are you that the 2007/08 and the 2008/09 efficiency statements will stand up to external audit and scrutiny?

a. What specific evidence would the Council submit as the basis for external scrutiny?

The Council is confident that the 2007/08 and 2008/09 efficiency statements will stand up to external scrutiny. The Council would use the range of measures and efficiencies identified earlier.

11) In terms of shared services, has the Council

a. Implemented or participated in shared service projects with a view to generating efficiencies?

b. Made use of the shared service diagnostic tool?

The Council has participated in shared service projects with a view to generating efficiencies. This is exemplified in the creation of a shared fleet management service with a neighbouring council. This will negate the need for two management structures and allow the development of a standard specification for light goods vehicles to enable improved economies of scale.

However, less use has been made of the shared service diagnostic tool. The identification of areas for potential shared services is undertaken in a less systematic way than would be under a diagnostic tool.

12) Are there any areas (see over) where notable efficiencies may have been made but have so far been excluded from your efficiency statements? E.G. non-cashable asset management efficiencies?

All areas have been looked at for efficiencies, and the following is noted:

- Cost of NDR (cashable) – there is no real incentive for the Council to concentrate on this area as they do not benefit from the income generated
- Property efficiencies – the Council is about to embark on a schools 'rationalisation' programme, but as yet the programme is not a stage where efficiencies are readily identifiable
- Inflation absorbed within existing budgets – this potentially could be included, but the scope is very wide (e.g. what inflation index is to be used – retail price, energy, food indexation).

13) What use is being made of emerging Improvement Service work on asset management?

The Council does not make use of the emerging IS work on asset management.

Case Study 2

Introductory Statement

The Council is confident that it will achieve its stated level of efficiencies for 2007/08, and are projecting a greater level of efficiencies for 2008/09. Plans are in place to report to elected members in the autumn with the Council's efficiency projections for the following two years, i.e. 2009/10 and 2010/11. The reason for this level of preparation is that the Council wants to give itself time to prepare for an anticipated shortfall in funding. With this in mind the Council is looking to generate approximately £16m of efficiencies over the next three years.

There is buy-in to the efficiency agenda from across the Council (Directors and Heads of Service). This allows Services to identify their own efficiencies, and those that fall under the Council-wide strands. The reporting of efficiencies is prepared well in advance of the actual budget setting process (circa 9 months), through the use of a pro-forma that categorises 'budget pressures', that looks at political and service impacts.

The Council is also keen to explore lean management thinking, with a view to implementation in either 2009/10 or 2010/11.

1) **How confident are you that:**

- a. **the baseline figures contained in the 2007/ 08 efficiency statement (of inputs and outputs) have been achieved?**
- b. **the output/quality measures used to judge impact on service delivery/performance have been robust?**

The 2006/07 Efficiency Statement highlighted that the Council would have to deliver efficiency savings of £3.6 million in 2007/08 to deliver a balanced budget. These savings were approved in the 2007/08 Revenue Budget and applied to services budgets. As at February 2008, Revenue Budget Monitoring forecasts that the Council will break even for the year, meaning that services have achieved this level of saving. Therefore the Council is confident that the level of efficiencies (for 2007/08) stated in its last annual efficiency statement will be achieved.

The Council uses its own internal performance management system to monitor the effect of the efficiencies on service performance. However it does recognise that the output from this system only monitors performance and does not provide an evidence base around the robustness, or otherwise, of the reported efficiencies. To provide this information, the Council makes use of its own internal assessment model.

- 2) **Will your efficiency gains from 2007/08 and those planned for 2008/09 stand up to external scrutiny/challenge?**
- a) **Are you confident that the activities represent efficiency gains rather than service cuts?**
 - b) **What measures of efficiency have been used to evidence the efficiencies generated?**
 - c) **If you have used any of the measures jointly developed by councils and the Improvement Service (the Aspiren measures), which ones?**
 - d) **How useful have these measures proved to be?**
 - e) **Have you had any problems in using the measures?**

The Council is confident that the efficiency gains for 2007/08 and those planned for 2008/09 will stand up to external scrutiny. Furthermore, the Council do not look to generate efficiencies where there is a possibility that performance may deteriorate, as can be the case where savings are generated through service cuts. The Council's own internal performance management system will highlight that for 2007/08 there is no overall deterioration in service.

The Council has also put in place teams across the Council that contribute to its own internal assessment model and each team are set performance targets, which are measured using the Council's performance management system. This ongoing monitoring assists in measuring the impact of efficiencies described above. However, the Council do identify that in some cases, there is not always a direct link between efficiencies and a relevant performance measure. Consideration has therefore to be given to either developing a performance measure for a particular efficiency or looking to the 'best fit' within the Council's own suite of indicators.

In addition, it is also anticipated that there will be minimal impact on services of delivering the £6 million of efficiencies contained in the 2008/09 Revenue Budget, approved by Council in February 2008. This has been confirmed by Directors and Heads of Service.

The Council has not made use of any of the measures developed jointly by councils and the Improvement Service, i.e. the Aspiren measures.

- 3) **Are there any particular services or functions that have benefited from re-investment as a result of the efficiencies?**
- a) **Are most of the efficiencies re-invested within the same 'service chains', or re-allocated elsewhere within the Council?**

The budget process looks across all Council services, i.e. the Council considers efficiencies, cost pressures and service development on a corporate basis. There is no conscious decision to concentrate on one particular service area, although there can be a greater emphasis placed on Council-wide initiatives. An example of a Service driven efficiency, is a review of shift patterns within the Council's Operational Services that looked to maintain (or increase) output whilst reducing the expenditure on overtime.

The Council has also made an effort to generate efficiencies to not only 'balance the books' but to re-invest into Services. For 2007/08, this includes services for disadvantaged youngsters, Asset Management, Operational Maintenance Budgets, Customer Contact Centre and recognised service development as a result of demographic growth in Education and Social work Services.

4) Are there particular functions or activities where a disproportionate element of the efficiency gains- have been made (e.g. in one service area or in one category of overhead)?

In 2007/08 workforce planning efficiencies were applied across all services with the exception of the schools, children and families and older peoples sectors, which represent our largest areas of budget growth. As a result Education Services and Social policy had a smaller level of efficiency to deliver in terms of percentage of their budgets, but these still represented the largest areas of efficiency in terms of value.

However, the Council acknowledges that further work may be required by Education and Social Work in generating efficiencies in the future. This process could be assisted by the implementation of lean management reviews across the Council.

5) Do the level of cash release efficiencies in the statement simply reflect that departments have managed to hit aggregate efficiency targets set by the corporate centre (say for a 1% efficiency saving), or are they measurable in terms of identifiable changes in the levels of input or output into / from the specific areas of activity where they have been delivered?

The efficiencies identified in 2007/08 were a combination of council wide efficiencies such as absence management and reductions in meeting accommodation identified by the Council's Efficiency Working Group and Workforce Planning efficiencies agreed by the Corporate Management Team. The level of input to each service can be identified in terms of the efficiencies applied to that service and the level of outputs verified by the Covalent System.

6) What progress has been made in driving time releasing efficiencies/ productivity gains?

- a) Have some services made greater progress than others in this?**
- b) Have the productivity gains that have been made been sustainable?**

c) How have productivity gains been measured?

d) Are there areas of services or services that will be targeted in the coming year for greater productivity gains?

There has been little change to report against the position in the Council's last statement. However, reviews are ongoing (e.g. of revenue and capital budget monitoring) that may give rise to non-cashable efficiency savings in the corporate centre. In addition, further work is being undertaken in areas such as Operational Services and social policy to improve productivity.

There is also an issue around how well non-cashable savings are understood and therefore measured. There can also be difficulties in accurately measuring the time freed up in terms of actual costs.

7) Are there any significant areas (where efficiencies have been made) that genuine and widespread concerns exists about a subsequent deterioration in performance as a result (e.g. where there has been a reduction in management overhead or staffing levels)?

Services are confident that the delivery of the £6 million of efficiencies in 2008/09 will have no significant negative impact on delivery of services. Looking ahead, the Council is looking to lean management training and service reviews to ensure that outcome targets are not significantly reduced as a result of a continuing need to deliver efficiencies.

8) How confident are you about the sustainability of the efficiencies that the council has generated, i.e. are they annually recurring?

During 2006, the Council's Policy, Partnership and Resources Committee approved a five-year efficiency strategy for 2007/08 to 2011/12. As such the Council is committed to delivering ongoing efficiency savings in order to deliver balanced budgets in these years, that takes into account the settlement for 2008/09 to 2010/11 and the likelihood of that position (in terms of the level of the settlement) remaining in the next Spending Review cycle. The Council is confident that all efficiencies are annually recurring.

9) Who takes responsibility for the performance management / quality assurance mechanisms to verify the efficiencies being delivered at departmental/ service levels?

a) If so, how do these processes work?

In terms of performance management, the individual managers (with the relevant responsibility for their own service area) have ultimate responsibility for the ongoing management and monitoring of their input to the Council's internal assessment model and that it is kept up-to-date. Information from the internal

assessment model is reviewed on a bi-annual basis, with reports from the performance management system (Covalent) submitted to the Council's Corporate Management team.

10) How confident are you that the 2007/08 and the 2008/09 efficiency statements will stand up to external audit and scrutiny?

a) What specific evidence would the Council submit as the basis for external scrutiny?

The Council is confident that these efficiency statements will stand up to external scrutiny. As previously highlighted, the Council would use the output from its own internal assessment model and other external indicators to provide evidence in support of the efficiencies within the statement.

11) In terms of shared services, has the Council

a) Implemented or participated in shared service projects with a view to generating efficiencies?

b) Made use of the shared service diagnostic tool?

The Council has this year signed up to the Scotland Excel project designed to generate efficiencies in procurement. Also the Council is continuing its partnership between the Health Service and Social Policy (Community Health and Care Partnership).

The Council has not as yet, made use of the shared service diagnostic tool.

12) Are there any areas (see over) where notable efficiencies may have been made but have so far been excluded from your efficiency statements? E.G. non-cashable asset management efficiencies?

The Council is currently reviewing the effect that its asset management strategy will have on revenue budgets such as planned and reactive maintenance budgets. Asset management is about better use of resources so will produce better assets. It won't necessarily save money but it will target resources more effectively.

13) What use is being made of emerging Improvement Service work on asset management?

The Council have developed their own Asset Management Plans in conjunction with the Cipfa Asset Management and Option Appraisal Guidance. In November 2007 a ten year capital investment plan was approved based on asset management and option appraisal planning.

Case Study 3

Introductory Statement

The Council is about to commence the preparatory work for this year's statement. Whilst the Council realise the importance of being able to effectively measure efficiencies (and in the majority of cases, it can), there is still a gap where a small proportion of efficiencies are based on assertions. The Council has attempted to solve this issue by making Services responsible for the information provided to the Finance Service. However the Council does stress that not all efficiencies will generate a measure and the availability of information to continuously monitor benefits realisation is not always readily available.

The Council does emphasise the importance of its ongoing monitoring process, which ensures that Services distinguish between service cuts and efficiencies. This information is scrutinised by the Council's Corporate Management Team and its Finance & Resources Committee.

Further work is required to fully realise the level of non-cashable savings across the organisation. The Council believe that some Services under-estimate the level of non-cashable savings, perhaps due to the cash driven nature of the budget and / or the relative subtlety of non-cashable savings. Furthermore, this may be a cultural issue where explicit identification of 'efficiency' is not yet embedded within Services and the knowledge that exists about the agenda, across the Council. For example, Services may renegotiate contracts to 'get a better deal' in terms of quality outcomes or clients served without realising how this would be part of the efficiency agenda, i.e. efficient government is not the main driver. However, the Council remains confident about the level of reported efficiencies being achieved.

1) **How confident are you that:**

- a. **the baseline figures contained in the 2007/ 08 efficiency statement (of inputs and outputs) have been achieved?**
- b. **the output/quality measures used to judge impact on service delivery/performance have been robust?**

The Council has not yet analysed the baseline information for the 2007/08 report. However, outputs will continue to be verified through a number of existing mechanisms, including regular departmental monitoring reports, Statutory Performance Indicators and internal key performance indicators. The Council also makes use of cost based measures, which are not available until after the year end (as only at that point will they include recharges and other internal financial adjustments).

In order to provide a continuous process of reporting and monitoring of the efficiency programme, reports are submitted throughout the year to the Corporate Management Team and the relevant Council committee for scrutiny. Therefore, with this in mind, the Council is confident that it will achieve the efficiencies to be reported in the forthcoming statement.

However, the Council is aware that some efficiencies are currently reported as assertions, rather than being evidence-based and with accompanying performance measures. This is mainly true of areas where efficiencies in process are dependent on both the process improvement but also other factors. This is exemplified with recruitment advertising where changes in practice (reducing advertisement space) need to be contextualised against an overall recruitment freeze in parts of the organisation agreed after the efficiency measure was planned. The overall spend on recruitment advertising has fallen significantly but to verify the efficiencies for 2005/06 and 2006/07 from changes in practice alone require a large amount of data to be analysed year on year. Therefore only spot checks take place as part of the verification process.

The Council is also of the view that there is still an element of unreported efficiencies across the organisation, mostly in the form of non-cashable efficiencies which were not explicitly recognised within the budget preparation process but retained within service areas. This may be due to the cash-driven nature of the budget and the relative subtle interpretation of non-cashable savings. The Council is now working to further develop its performance management framework to take account of this and enable improved measurement, although Services are at different stages of development.

- 2) **Will your efficiency gains from 2007/08 and those planned for 2008/09 stand up to external scrutiny/challenge?**
- a) **Are you confident that the activities represent efficiency gains rather than service cuts?**
 - b) **What measures of efficiency have been used to evidence the efficiencies generated?**
 - c) **If you have used any of the measures jointly developed by councils and the Improvement Service (the Aspiren measures), which ones?**
 - d) **How useful have these measures proved to be?**
 - e) **Have you had any problems in using the measures?**

The Council is confident that its statement would stand up to external scrutiny. It is also confident that the activities represent efficiency gains rather than service cuts. However, the distinction can prove difficult where there is a lack of evidence to support the reported gain. Where there is a doubt, the saving is classed as a service cut and not included within the annual statement.

The Council does undertake bi-monthly departmental monitoring reviews where it reports on both the achievement of planned service cuts and efficiencies which were included as part of the budget. This dual reporting allows the Council to monitor progress towards achieving its budget targets. In order to demonstrate their confidence in the level of reported efficiencies, it points to Audit Scotland reports on the Council's direction of travel that identifies the areas where efficiencies are being made that one would expect.

Where possible, the Council also point to a wide range measures that are used to evidence the efficiencies. This includes productivity improvement measures, customer satisfaction and other survey work. The Council did consider utilising the measures developed jointly by councils and the Improvement Service. However it is felt that the measures were too input and cost based, too narrow in scope, too high level and did not easily link with quality cross check measures. Therefore the Council concluded that the measures were not easily used to calculate efficiency gains.

The Council is looking towards adoption of the national Audit Office efficiency measures for corporate services to provide a broader comparative base across the UK.

3) Are there any particular services or functions that have benefited from re-investment as a result of the efficiencies?

a) Are most of the efficiencies re-invested within the same 'service chains', or re-allocated elsewhere within the Council?

The Council have taken the decision to notionally allow managers to generally reinvest efficiencies within their own service. However this can only take place where efficiencies have not been generated solely to meet budget expectations, and in general this tends not to be the case.

There have been instances where large scale corporate services, such as the simplification and standardisation of the Council's ICT infrastructure and renegotiation of the Council's IT services contract, allowed funds to be reinvested in new ICT applications supporting particular services, with a view to these ICT investments generating future efficiency savings in these business areas. The Council also reallocated significant savings (>£8m) from the ICT service as part of the 2007/8 and 2008/9 budget processes towards other (non-ICT) areas of priority in terms of service delivery.

4) Are there particular functions or activities where a disproportionate element of the efficiency gains- have been made (e.g. in one service area or in one category of overhead)?

A large proportion of the efficiency gains are generated across 'corporate' services, e.g. IT, Council Tax, Non-domestic rates, Facilities Management and e-Human Resources. To exemplify this, Services with around 6% of the total staffing in the Council have so far generated most of the efficiencies.

However it is recognised that in order to sustain the required level of efficiency in the future, a greater percentage will be derived from across all Council services (although it is recognised that this may be politically difficult in some areas). Upcoming review work in Home Care and Schools Office Administration will have efficiency as one of the key drivers.

Most of the cashable efficiencies have come from the category of Procurement which includes the ICT example outlined above, and another third of efficiencies (in 2006/07) being generated through Improving

Processes (a term the Council uses instead of Streamlining Bureaucracy). Most non-cashable savings also come from this strand.

- 5) **Do the level of cash release efficiencies in the statement simply reflect that departments have managed to hit aggregate efficiency targets set by the corporate centre (say for a 1% efficiency saving), or are they measurable in terms of identifiable changes in the levels of input or output into / from the specific areas of activity where they have been delivered?**

The Council do not issue a uniform target for efficiency savings across all Services. However targets are issued with regard to the level of budget savings to be made by each Service, which can be achieved through a mixture of efficiencies and service cuts. However the Council ensures that only the efficiencies are reported in the annual Efficiency Statement. Therefore by making this distinction, the Council is confident that most efficiencies are linked to identifiable changes in specific areas.

- 6) **What progress has been made in driving time releasing efficiencies/ productivity gains?**

- a) **Have some services made greater progress than others in this?**
- b) **Have the productivity gains that have been made been sustainable?**
- c) **How have productivity gains been measured?**
- d) **Are there areas of services or services that will be targeted in the coming year for greater productivity gains?**

In general, more progress is being made in identifying efficiencies / productivity gains in corporate service areas rather than in front line services. The Council is of the view that this is partly due to the fact that the concept of explicit identification of non-cashable savings is difficult to appreciate. Furthermore, in the Council's developing performance management framework, it is recognised that there is a need to further develop measures that would assist all Services in identifying non-cashable efficiencies. It is also the Council's view that officers are perhaps 'too wrapped up' in generating cash efficiencies and a cultural change is required within Services to enable identification of all types of efficiencies. This can therefore lead to Services not picking up on areas that are generating efficiencies and the Council under-estimating its total efficiency gain.

Where these efficiencies are reported, they are thought to be sustainable and are measured using the broad range of measures identified earlier in the document.

The Council is looking to target areas for non-cashable savings, for example this includes corporate communications, legal services and home based care.

- 7) Are there any significant areas (where efficiencies have been made) that genuine and widespread concerns exists about a subsequent deterioration in performance as a result (e.g. where there has been a reduction in management overhead or staffing levels)?**

The Council believes that in order to reassure itself around performance levels, the quality crosscheck indicators require development in a number of areas and work is ongoing. However, the indicators that it does employ have not identified any deterioration in performance that are a direct result of previous efficiency gains.

- 8) How confident are you about the sustainability of the efficiencies that the council has generated, i.e. are they annually recurring?**

The Council's approach to generating efficiencies means that it looks to generate efficiencies that are sustainable and recurring. This approach is reinforced through the bi-monthly monitoring process and the ongoing budget process. This assists in identifying areas where there is a potential for efficiencies not being sustained.

However, the Council is aware that changing political (or indeed management) priorities may lead to a change of policy that would prevent previously reported efficiencies from recurring year on year. Referring to the earlier example of recruitment advertising, a recruitment freeze would in once sense stop recurring efficiencies for that specific activity.

- 9) Who takes responsibility for the performance management / quality assurance mechanisms to verify the efficiencies being delivered at departmental/ service levels?**

a) If so, how do these processes work?

The responsibility for preparing the annual efficiency statements rests with Finance. This statement is prepared using information submitted by Services across the Council. It is also the responsibility of senior management teams within each Service / Directorate to consider the efficiency submissions from their own area prior to its submission for inclusion in the wider statement.

Once completed, the statement is then submitted to the Corporate Management Team, the Finance & Resources Committee and the Council's Efficiency Board. This final process brings a degree of scrutiny and elected member involvement to the final document.

In addition to this year-end process, the bi-monthly budget reports provide the indicators that are scrutinised by the CMT and then by the relevant committee.

10) How confident are you that the 2007/08 and the 2008/ 09/efficiency statements will stand up to external audit and scrutiny?

a) What specific evidence would the Council submit as the basis for external scrutiny?

The Council is relatively confident that the measures used in the statement would stand up to external scrutiny. The development of quality cross check information, using recognised measures such as the Statutory Performance Indicators or CIPFA DoF indicators for example, would ensure that the statement would bear up to external scrutiny. The Council would also point to Performance Scorecards and Audit Scotland reports to demonstrate that it is an improving Council in this area.

However, the Council does recognise that this may only present a high level picture of performance and work is ongoing to assist in the measurement of the detail within the efficiency statement.

11) In terms of shared services, has the Council

a) Implemented or participated in shared service projects with a view to generating efficiencies?

b) Made use of the shared service diagnostic tool?

Given the Council's status as one of the pathfinder councils, it has fully engaged with the shared services agenda and also made use of the shared service diagnostic tool. This is an area that has provided considerable input to the efficiency statements and it is anticipated that it will continue to do so.

12) Are there any areas (see over) where notable efficiencies may have been made but have so far been excluded from your efficiency statements? e.g. non-cashable asset management efficiencies?

The Council is of the view that the following areas have generated efficiencies but have not been reported:

- Inflation absorbed within existing budgets – the Council believe that this can be interpreted in many different ways and used to inflate the level of efficiencies generated
- Savings passed on to voluntary sector organisations and other service delivery partners – the Council has passed on savings to the leisure trust but this has not been reported as an efficiency
- Increased use of customer contact centres
- Reduced staff absence and overtime
- Increased income from an external source for service provided within existing capacity

- Service extended to increased number of properties within existing capacity
- Capital spend resulting in revenue savings.

13) What use is being made of emerging Improvement Service work on asset management?

The Council is aware of the work being undertaken but it has not yet engaged with this specific process, although it does have its own approach to asset management.

Case Study 4

Introductory Statement

The Council has had a strategy in place to tackle efficiency since its inception in 1996. There has always been emphasis given to ensuring that efficiency did not impact detrimentally on service performance. Initially, the focus of the efficiency strategy was broad, including savings and increases in charges to users. However, this has now been refined to reflect the expectations and definitions of the Efficiency Government agenda.

Overall progress/performance is monitored by a Performance Improvement Group. This focuses on Council-wide strategy on performance management, including arrangements for delivering efficiency.

The Council is structured into five main 'Services', with a number of 'divisions' in each Service. Service Plans are prepared at a Service level. Each division prepares a performance portfolio of financial and non-financial measures and targets. Each portfolio is monitored on an ongoing basis, with performance reported quarterly on an exception basis to the appropriate committee. The measures reflect levels of efficiency rather than drive them. The Council considers that there is further scope to focus on measures associated with service quality.

All of the Council's efficiency activities are progressed in the context of its '*Service and People First*' framework. Co-incidentally, this has involved the Council seeking to deliver an efficiency target of 2%. It provides the framework for improvement, efficiencies, savings and (re-)investment across the Council.

Efficiencies are always likely to be progressed in parallel with the need for some savings/cuts to be made in some aspects of some services.

The Council drives its approaches to procurement, absence management and asset management corporately; opportunities for streamlining bureaucracy are identified and progressed at a service level.

Efficiency is becoming embedded in the Council's approaches to service improvement.

1) **How confident are you that:**

a. the baseline figures contained in the 2007/ 08 efficiency statement (of inputs and outputs) have been achieved?

Limited progress has yet been made in preparing the 07/08 Efficiency Statement. This will be progressed between now and June. The levels of efficiency will reflect those predicted at the beginning of the financial year. They will be broadly in line with those achieved in 06/07. The 06/07 Statement reflected genuine cashable efficiencies, with comparable reductions in revenue budgets. The only one area of partial doubt relates to the efficiencies predicted from absence management. While the financial target has been hit (the projected savings was simply removed from service budgets), there has been limited monitoring of the detail of the impact on services.

b. the output/quality measures used to judge impact on service delivery/performance have been robust?

The Council is not aware of any negative impact on performance from the efficiencies achieved. This is evidenced through the information provided in each service's performance portfolio. These portfolios are being strengthened year on year, containing both financial and non-financial performance information. Work is currently underway to develop a consistent unit costing methodology for roll-out across the Council. This should help to further strengthen efficiency monitoring in future years.

2) Will your efficiency gains from 2007/08 and those planned for 2008/09 stand up to external scrutiny/challenge?

a) Are you confident that the activities represent efficiency gains rather than service cuts?

Relatively confident. The 08/09 Statement will be better than the 07/08 Statement; which will, in turn, be better than the 06/07 Statement. More detailed and systematic information from/on services is being developed each year. For the first time, efficiencies were formally built into the 08/09 planning and budgeting cycle. In addition, review work completed within the financial year is likely to lead to further efficiencies over and above those predicted at the outset, either increasing the overall level of efficiencies being realised, or covering any slippage against estimated targets.

b) What measures of efficiency have been used to evidence the efficiencies generated?

Beyond the obvious corporate measures used to judge progress on procurement, absence management and asset management, efficiency measures themselves have largely been left to services. These are typically input, unit cost and output measures. Growing emphasis is being given to quality measures (rather than solely volume/frequency) (e.g. quality of job applicants, customer perceptions of service quality). The notion is that a rich balance of measures – efficiency oriented and otherwise - can be used to judge success.

c) If you have used any of the measures jointly developed by councils and the Improvement Service (the Aspiren measures), which ones?

Some limited use is being made of the Aspiren measures by services, but far from all of the measures. Emphasis is placed on services identifying the measures that are most meaningful to them. While the Council was keen to promote the principles associated with Aspiren thinking, there is no good corporate understanding of the extent to which the measures themselves have been adopted.

d) How useful have these measures proved to be?

Of limited use. There is probably too much emphasis being placed on individual measures, and too many measures.

e) Have you had any problems in using the measures?

There are issues relating to the number of measures, their credibility in the eyes of services and their status. Their predominant focus on efficiency makes them less interesting than the SPIs. There is also a view that measures fail to reflect the complexity/richness of services. Particular efficiencies get lost in this complexity/richness making it hard to link efficiencies to changes in outputs, satisfaction or outcomes. It is important to avoid too many proxy measures. In addition, the impact is often seen around the edges of services, rather than in changes in core service levels/frequencies/quality.

3) Are there any particular services or functions that have benefited from re-investment as a result of the efficiencies?

a) Are most of the efficiencies re-invested within the same 'service chains', or re-allocated elsewhere within the Council?

Growth proposals, efficiencies and savings are considered together in the context of the 'Service and People First' framework. 70% of 08/09 efficiencies will be delivered via corporate approaches to the 5 strands; the remaining 30% have come from service proposals.

Not all efficiencies are re-invested in the same Service. Some are abstracted to meet Council-wide needs (such as Equal Pay). In 2008/09 the Council identified c.£10m in efficiencies, but proposed c.£12m in growth. Any cashable efficiencies would be fed into the Council's balances if appropriate growth proposals were not forthcoming.

There is growing recognition amongst services of the links between efficiency and opportunities for re-investment. Culture and attitudes towards efficiency and improvement are changing. Services interviewed considered that the approach is increasingly based on partnership between the corporate centre and services. Progress is being made here, but there remains scope for further collaboration.

The distinction between front-line and back office services is often oversimplified. Most services reliant of a chain from the back office to the front-line. Assumed scope for efficiencies in the back office can often undermine service sustainability.

4) Are there particular functions or activities where a disproportionate element of the efficiency gains have been made (e.g. in one service area or in one category of overhead)?

In 06/07, there was a disproportionate focus on Education, but largely due to the preparation of the Statement coinciding with the Council's rationalisation and re-investment proposals.

Service rationalisation/re-investment is likely to be of increasing importance as the Council moves forward.

- 5) **Do the level of cash release efficiencies in the statement simply reflect that departments have managed to hit aggregate efficiency targets set by the corporate centre (say for a 1% efficiency saving), or are they measurable in terms of identifiable changes in the levels of input or output into / from the specific areas of activity where they have been delivered?**

Services have to hit a corporate target, but most of the proposals – beyond the corporate work associated with procurement, asset management and absence management - come from the bottom-up.

- 6) **What progress has been made in driving time releasing efficiencies/ productivity gains?**

- a) **Have some services made greater progress than others in this?**
- b) **Have the productivity gains that have been made been sustainable?**
- c) **How have productivity gains been measured?**
- d) **Are there areas of services or services that will be targeted in the coming year for greater productivity gains?**

Cash efficiencies have been easier to measure. The notion of time gains (and associated benefits) have been harder to conceptualise. In addition, the non-cashable benefits have been of less initial/immediate importance to the Council in addressing financial demands/pressures. This is starting to change under the 'Service and People First' framework.

The time gains made/reported have been small, but they are sustainable. Emphasis so far has been placed on estimating the time gains, rather than systematically measuring them. As the Council moves forward, time gains will become increasingly importance, particularly as the emphasis on streamlining bureaucracy increases. The emerging 08/09 projections back this up.

- 7) **Are there any significant areas (where efficiencies have been made) that genuine and widespread concerns exists about a subsequent deterioration in performance as a result (e.g. where there has been a reduction in management overhead or staffing levels)?**

Not really. There is some potential for concern where the Council has adopted a more arms-length approach to service delivery (e.g. the Leisure Trust development), or is reliant on a contractual arrangement with a third party (e.g. the roads partnership with Amey or the contractual arrangements round the PPP schools). The Council has placed a lot of emphasis on contract design and monitoring with this in mind. It has taken a risk management perspective, aiming to ensure sound governance at the same time as maximising wellbeing for individuals and communities.

- 8) **How confident are you about the sustainability of the efficiencies that the council has generated, i.e. are they annually recurring?**

The initial focus on 06/07 was conservative, emphasising those efficiencies that were seen to be sustainable. The Council is currently moving to distinguishing between sustainable and one-off efficiencies in its budget papers (and the emerging Efficiency Statement).

- 9) **Who takes responsibility for the performance management / quality assurance mechanisms to verify the efficiencies being delivered at departmental/ service levels?**

- a) **If so, how do these processes work?**

See opening/introductory observations

- 10) **How confident are you that the 2007/08 and the 2008/09 efficiency statements will stand up to external audit and scrutiny?**

- a) **What specific evidence would the Council submit as the basis for external scrutiny?**

The Council is confident that the 2007/08 and 2008/09 efficiency statements will stand up to external scrutiny. The Council would use the range of measures in the performance portfolios (referred to earlier).

- 11) **In terms of shared services, has the Council**

- b) **Implemented or participated in shared service projects with a view to generating efficiencies?**

- c) **Made use of the shared service diagnostic tool?**

The Council is currently reserving its position regarding shared services

- 12) **Are there any areas (see over) where notable efficiencies may have been made but have so far been excluded from your efficiency statements? E.G. non-cashable asset management efficiencies?**

The increase in efficiency associated with providing services to an increased number of households.

Efficiencies arising from management restructuring

13) What use is being made of emerging Improvement Service work on asset management?

The Council has examined the IS work on asset management and considers it a good reflection of best practice in asset management. It mirrors many earlier messages on good practice and helps to embed much of the thinking. It's still too early for the guidance to have impacted on council practices, but it will be considered.

Case Study 5

Introductory Statement

The Council has been committed to efficiency long before the launch of the Efficient Government agenda. This was progressed through focused internal corporate strategies, and the progression of significant service change in a number of service areas (often involving the identification and use of special purpose vehicles). It is now trying to further win hearts and minds to ensure efficiency is systematically built into all its activities. It's not a driver of success, but it is an important component.

The Council is concerned about the extent to which the bureaucracy associated with Efficient Government support organisational efficiency. They consider that the Efficiency Statement may become obsolete as Single Outcome Agreements are developed and become embedded in the way councils work. In such an event, stated efficiencies become more a matter of internal significance than an area of interest for external scrutiny. The numbers are important as they free up resources for re-investment. In the context of the Concordat, the Council assumes a desire on the part of the Scottish Government to avoid micro-management of the agenda in every council.

In saying that, the Council believes that there is a congruence of the efficiency agendas at national and local levels. The Efficient Government agenda has been useful in providing a driver for increased efficiency, identifying opportunities within the five strands, and as a basis for making meaningful judgments about subsequent progress. It may have been even more useful if it had acknowledged the potential impact on jobs from the outset.

The five Efficient Government strands provide a mechanism for informing the Council's approach. Within services, the Council is adopting a 'whole process' perspective. It believes this will deliver further efficiencies in due course. It increasingly considers that efficiency and improvement are interlinked as agendas. Customer focus lies at the heart of both.

It has progressed efficiency in parallel with delivering savings across its portfolio of activities. It believes it has been successful in both.

1) **How confident are you that:**

- a. the baseline figures contained in the 2007/ 08 efficiency statement (of inputs and outputs) have been achieved?**

Limited progress has yet been made in preparing the 07/08 Efficiency Statement. This will be progressed on sign off of the audited accounts. The levels of efficiency will be close to those projected.

- b. the output/quality measures used to judge impact on service delivery/performance have been robust?**

The Council is confident that the measures in place are robust. They comprise a range of hard and soft measures needed to systematically manage activities and services. These include:

Procurement:

- savings/cost avoidance/cost reduction
- actual v forecast
- reduced demand
- perceptions of improvement

Shared services

- FTEs
- Service volumes
- Quality
- Satisfaction

Asset Management

- Space availability
- Cost/space
- Satisfaction

Absence management

- Cost
- Absence levels

They are currently not used as systematically as the Council would like. There are some concerns about the robustness of data sets. They are considered in the context of a wider set of financial and non-financial performance measures; there will be no separate subsets of information developed linked explicitly/solely to efficiency. The Council's approach is to embed a culture of efficiency rather than place an emphasis on measures. Measures in themselves will not reflect the richness of the judgements it wishes to make.

The Council's view is that the Efficiency Statements will be very difficult to audit. This is based on the inability to measure/notice the impact of individual efficiencies on the hard or soft measures that are used.

2) **Will your efficiency gains from 2007/08 and those planned for 2008/09 stand up to external scrutiny/challenge?**

a) **Are you confident that the activities represent efficiency gains rather than service cuts?**

Relatively confident. Efficiencies and savings are not happening in isolation from each other. The efficiency/savings definitions are seen to be somewhat ambiguous because of complex operational realities, rather than an inability to distinguish terminology. In individual service areas, this includes shifts in policy emphasis, and enhancements in quality, as well as efficiencies and savings. The Efficient Government agenda considers the whole issue in a far too linear manner.

b) **What measures of efficiency have been used to evidence the efficiencies generated?**

Levels of spend, service volumes/frequencies, unit costs and levels of satisfaction ... all monitored against previous years' baselines. Some of these measures counteract each other (e.g. reductions in service buying reduce procurement efficiency levels).

c) **If you have used any of the measures jointly developed by councils and the Improvement Service (the Aspiren measures), which ones?**

There are half a dozen the Council would use if it had to; typically those that link to SPIs and its own KPIs (e.g. Revenues and Benefits measures and some Social Work Finance measures). There are another half a dozen that the Council could develop and measure if it was made to. The remainder are not seen to be relevant or appropriate (compared to those the Council uses already).

d) **How useful have these measures proved to be?**

It is both bureaucratic and expensive to adopt new measures. The Aspiren measures typically don't place adequate emphasis on efficiency as an aspect of wider service performance. They also lack context, which made the Council nervous as to how they might be used.

e) **Have you had any problems in using the measures?**

See (c) and (d)

3) **Are there any particular services or functions that have benefited from re-investment as a result of the efficiencies?**

a) **Are most of the efficiencies re-invested within the same 'service chains', or re-allocated elsewhere within the Council?**

It has not really worked that way within the Council. Efficiency targets are set for each service, with corporate approaches to the five strands helping to realise these services. Thereafter, services are left to deploy their own resources as efficiently as possible to their stated priorities. This can involve service re-configuration and service withdrawal, as well as efficiencies.

- 4) **Are there particular functions or activities where a disproportionate element of the efficiency gains have been made (e.g. in one service area or in one category of overhead)?**

A consistent target is set for each service, so no one service takes a disproportionate hit. The nature of scope to realise efficiencies does vary between services (some more suitable for process re-engineering, or exploiting the benefits of mobile technology).

- 5) **Do the level of cash release efficiencies in the statement simply reflect that departments have managed to hit aggregate efficiency targets set by the corporate centre (say for a 1% efficiency saving), or are they measurable in terms of identifiable changes in the levels of input or output into / from the specific areas of activity where they have been delivered?**

In reality, it's a bit of both. Efficiencies are driven by an element of corporate top-slicing, but supported by the five strands, and delivered via contributions from individual departments/services. It is up to services to identify both the efficiencies and savings of least impact on service delivery.

- 6) **What progress has been made in driving time releasing efficiencies/ productivity gains?**

- a) **Have some services made greater progress than others in this?**
- b) **Have the productivity gains that have been made been sustainable?**
- c) **How have productivity gains been measured?**
- d) **Are there areas of services or services that will be targeted in the coming year for greater productivity gains?**

The focus has been on cash efficiencies, although emphasis has always been given to time gains through process reconfiguration. The evidence base is typically more robust for cash efficiencies. The Council is uncertain as to whether the identified time gains are sustainable. They are measured through the same service performance measures used for cash efficiencies. There are no particular areas that are likely to be targeted, but there are pockets of opportunity across services. The Council aims to pro-actively identify corporate solutions to areas where inefficiencies are recurring.

- 7) **Are there any significant areas (where efficiencies have been made) that genuine and widespread concerns exists about a subsequent deterioration in performance as a result (e.g. where there has been a reduction in management overhead or staffing levels)?**

Perspective is important here. If the Council believes in partnership and innovation, then it needs to be prepared to take managed risks. Decisions regarding changing service delivery arrangements have been informed, and supported by appropriate compliance and monitoring arrangements. The Council also needs to systematically consider the risks of not exploiting opportunities for innovation.

- 8) **How confident are you about the sustainability of the efficiencies that the council has generated, i.e. are they annually recurring?**

The focus has been on sustainable efficiencies from the outset. There have been one or two efficiencies that have been one off (linked to recruitment freezes that have not impacted on performance).

- 9) **Who takes responsibility for the performance management / quality assurance mechanisms to verify the efficiencies being delivered at departmental/ service levels?**

- a) **If so, how do these processes work?**

A Senior Officer group meets regularly to discuss the breadth of Transforming Public Services issues as they impact on the Council. Progress on Efficient Government is managed as part of this. Progress on each strand is also monitored by an Officer Group. Efficiency within individual services is monitored through service performance management arrangements; there is no distinct focus here on efficiencies.

- 10) **How confident are you that the 2007/08 and the 2008/09 efficiency statements will stand up to external audit and scrutiny?**

- a) **What specific evidence would the Council submit as the basis for external scrutiny?**

Fairly confident ... see (2)

- 11) **In terms of shared services, has the Council**

- a) **Implemented or participated in shared service projects with a view to generating efficiencies?**

- b) **Made use of the shared service diagnostic tool?**

The Council is a 'shared services pathfinder'

12) Are there any areas (see over) where notable efficiencies may have been made but have so far been excluded from your efficiency statements? E.G. non-cashable asset management efficiencies?

Nothing of particular note

13) What use is being made of emerging Improvement Service work on asset management?

The Council sees the IS work on asset management as being a helpful reflection on good practice. It is considering the main messages as part of its unique arrangements for asset management

4 Annex 2 – response to survey

Case Study 6 (Survey – 12 councils responding)

1) How confident are you that:

- a. **the baseline figures contained in the 2007/08 efficiency statement (of inputs and outputs) have been achieved?**

Councils demonstrate a high level of confidence here, in line with the case study findings. 8 out of 12 respondents are confident that the baseline figures have been achieved. 2 are not sure, and the remaining 2 are not confident.

- b. **the output/quality measures used to judge the impact on service delivery/performance have been robust?**

This question prompted a wide variation in responses, demonstrating that there is still work to be done to ensure that output / quality measures used are robust. Only 1 council is very confident. 4 are confident, 4 are not sure and the remaining 3 are not confident.

2) Scrutiny and challenge of your efficiency gains from 2007/08 and those planned for 2008/09:

- a) **How confident are you that the activities represent efficiency gains rather than service cuts?**

There is a high level of confidence amongst councils here, reflecting the case study work. Three quarters, (9 out of 12) councils are confident that activities represent efficiencies and not service cuts. The remaining three are not sure.

- b) **What of the following measures of efficiency have been used to evidence the efficiencies generated?**

- I. **Joint Council/Improvement Service (Aspiren) Measures**
- II. **SPIs**
- III. **Internal Measures**
- IV. **Other (Please state)**

Responses to this question prompted a wide variation in responses. However the majority of the councils use SPIs (9) and internal measures (11). Only 3 councils use the Aspiren measures. There were also a variety of 'other' responses, which include:

- Corporate budget strategy

- Senior management declarations
- Customer satisfaction surveys
- Service usage data.

c) If you have used any of the measures jointly developed by councils and the Improvement Service (the Aspiren measures), which ones?

Where councils did use the Aspiren measures, 2 used all measures, with 1 not using CM1 and CM5.

d) How useful have these measures proved to be?

Responses to this question, included replies from councils who did not use the measures, so replied as not sure. 1 council did find them useful, and another replied that it was too early to gauge at the moment.

e) Have you had any problems using the measures?

Two problems were highlighted. The first was because few councils are using the measures, no meaningful comparison can be made. The second identified that some measures were too broadly defined to capture smaller efficiencies.

3) Benefits to services and functions:

a) Are there any particular services or functions that have benefited from re-investment as a result of the efficiencies gained in 2007/08?

Four councils responded by saying that efficiencies were not used for re-investment. 1 council did say that the re-investment was used to fund single status requirements. Across the remaining councils, the services that did benefit included:

- Improvement to the roads network
- Older people's services
- Education
- Child care
- Waste Management
- Leisure facilities
- Revenues services

b) Are most of the efficiencies re-invested within the same 'service chains' or re-allocated elsewhere within the Council?

Most councils said efficiencies were re-invested elsewhere (8 out of 12), the remained (4 out of 12) identified the service chain. Few examples were given of services 'elsewhere', but councils did state that it depended on:

- Wider corporate budgetary requirements
- Council priorities.

4) Are there particular functions or activities where a disproportionate element of the efficiency gains have been made (e.g. in one service area or in one category overhead)?

The majority of respondents (8 from 12), identified that there were no particular functions or activities where a disproportionate element of the efficiency gains have been made. Of the remainder, the areas where a disproportionate element had been made included:

- Central administration function
- Asset management (through the rationalisation of council offices)

5) Do the level of cash release efficiencies in the statement simply reflect that departments have managed to hit aggregate efficiency targets set by the corporate centre (say for a 1% efficiency saving), or are they measurable in terms of identifiable changes in the levels of input or output into/from the specific areas of activity where they have been delivered?

a) Met corporate target

9 of the 12 councils responding said that services hit targets set by the corporate centre.

b) Delivered identifiable changes in input

7 of the 12 highlighted that the efficiencies were also measurable in terms of delivered identifiable change in input. 1 council highlighted a saving of 1.7%, due to the fact that the uplift in non-staff budgets was limited to 1.3%, when inflation was running at 3%.

c) Delivered identifiable changes in output - for no more proportionate additional input

Only 4 of the 12 councils said that the efficiencies were measurable in terms of delivered changes in output (for no more proportionate additional input). Examples given identified an increase in planning income due

to existing staff taking on an increase in workload and another related to the output from better management of insurance claims.

6) Progress in driving time releasing efficiencies/productivity gains.

a) What progress have services made?

- 4 respondents did not reply to this question, or gave the reply as 'unknown'. Of those that did say progress was being made the following areas were given as examples:
- Reductions in absence leading to a 0.25% increase in productivity
- Information on new properties has been used to re-route existing refuse collection services
- Information on new streets has been used to re-route existing street cleaning services
- CPD for Teachers - time taken to complete the task has been managed without additional staff resources £700k
- Integrated Lighting Services - no increase in administrative staff employed despite the doubling of workload
- Planning/Building Warrant Applications - there has been significant increase in warrant applications with only a minor increase in staffing

1 council responded by highlighting that some services have made significant progress in identifying areas where time releasing cash and non-cash efficiency gains could be made, that will be ongoing into the future. The position was reinforced by the Council as part of the 2008/09 Revenue Budget Setting exercise, when departments were asked to specifically identify efficiency gains that would generate cash savings into the future.

b) Have the productivity gains that have been made been sustainable?

5 councils were confident that the gains were sustainable. 2 identified that they gains were 'partly' sustainable, with 1 of those councils saying it was too early to say for certain. The remainder either did not know of said that the gains made were not sustainable.

c) How have productivity gains been measured?

- **Joint Council/Improvement Service (Aspiren) Measures**
- **SPIs**
- **Internal Measures**

- **Other (Please state)**

Replies to this question were similar to those for question 2(b), with the majority of councils who did have non-cashable efficiency gains using internal measures or SPIs (where applicable).

d) Which, if any of your services, or areas of services, will be targeted in the coming year for greater productivity gains?

2 councils identified that all services would be targeted. However where specific examples were given, there were a broad range of replies with little overlap amongst respondents. The areas included:

- Procurement
- Street sweeping
- Refuse collection
- Reduction in road inspection
- Primary school rationalisation
- Energy efficiency
- Absence management

7) Are there any significant areas (where efficiencies have been made) that genuine and widespread concern exists about a subsequent deterioration in performance as a result (e.g. where there has been a reduction in management overhead or staffing levels)?

Nearly every council (11 from the 12) had no doubts about deteriorations in performance. Only 1 council voiced concern. It identified that the more councils strive for efficiencies; the scope for generating new efficiencies can narrow, leading to further budgetary pressures that could eventually have a negative impact on performance.

8) How confident are you about the sustainability of the efficiencies that the council has generated, i.e. are they annually recurring?

Only 4 councils were unsure about the sustainability of efficiencies generated. More positively, no council responded as being not confident. The remainder of councils were either confident (6 from 12) or very confident (2 from 12).

9) What mechanisms/processes has your council established for the performance management/quality assurance verification of the efficiencies being delivered at departmental/service levels?

There was a broad range of replies to this question, with 2 councils not responding. In most replies, service played a pivotal role in the quality assurance process. Where this did happen the onus is on services to verify the efficiencies they submit for inclusion in the statement. However prior to their inclusion, most councils did scrutinise this information at a corporate level, in the main through the finance departments. Around 4 councils mentioned the use of a specific internal board or working group, part of whose role was to verify all efficiencies.

10) How confident are you that:

a) the 2007/08 efficiency statements will stand up to external audit and scrutiny?

Only 1 council was not confident that its 2007/08 statement would stand up to external scrutiny. A further 3 were not sure. The remainder are either confident (7 from 12) or very confident (1 from 12). One council highlighted that there is too much subjective evidence, based on senior management assertions to be either confident or very confident about the detail in the statements.

b) what evidence would the council submit as the basis for external scrutiny?

The following were listed as sources of evidence that the council would submit as the basis for external scrutiny:

- Financial reports
- SPIs
- Quality cross-checks
- Corporate budget strategies
- Discussions with external audit around the detail of the statement
- Efficiency register with financial, productivity and quality information.

11) In terms of shared services, has the Council:

c) implemented or participated in shared service projects with a view to generating efficiencies?

All councils have either implemented or participated in shared service projects with a view to generating efficiencies. Examples of projects include:

- Scotland Excel
- The '5 Councils project'
- A 3 council Civil Contingencies project
- Clyde Valley Training and Development
- Archived Records Storage Facility
- Joint Equipment Stores (with Community Planning partners)

d) made use of the shared service diagnostic tool?

9 of the 12 councils had made use of the shared service diagnostic tool. However in most cases, councils highlighted that it was too early in the process to make comment on it. However 1 council did highlight a value chain analysis project with 2 other councils was due for completion in June 2008.

12) From the list at the end of this questionnaire, are there any areas where notable efficiencies may have been made but have so far been excluded from your efficiency statements?

Responses to this question were varied. However the following areas were identified by most councils:

- Energy efficiency – use and unit rates.
- Reduced staff absence and overtime.
- Reduced insurance premiums or increased insurance cover.
- Service extended to increased number of properties within existing capacity e.g. waste collection/disposal.
- Reduction in bad debt provisions as a result of improved follow up procedures
- Management restructure – needs to be more clearly defined and take account of costs.
- Debt re-structuring – this is ok to include in Scotland (not in England and Wales).
- Capital spend resulting in revenue savings

13) What use is being made of emerging Improvement Service work on asset management?

Only 2 councils were unaware of the work being done by the Improvement Service. However only a further 2 had commenced implementation. The remaining 10 councils had not yet considered implementation.

14) Are there any particular projects that have generated efficiencies for your council that other councils would benefit from learning about?

One council did highlight their work on lean management. However the remaining councils (11 from 12) did not highlight any particular projects that could be shared for the benefit of other councils.

Common savings which could be adopted by all councils (drawn from the 2006/07 statements)

- Reduction in property void periods.
- Increased use of customer contact centres.
- Energy efficiency – use and unit rates.
- Online job adverts and application.
- Reduced loan charges through debt restructuring.
- Reduced staff absence and overtime.
- Reduced insurance premiums or increased insurance cover.
- Increased income arising from increased use of facilities e.g. leisure centres, museums.
- Increased income from an external source for services provided within existing capacity.
- Service extended to increased number of properties within existing capacity e.g. waste collection/disposal.
- Reduction in bad debt provisions as a result of improved follow up procedures
- Cost of council tax collection (cashable)
- Increase in overall council tax collection rate (non-cashable)
- Cost of NDR collection (cashable)
- Management restructure – needs to be more clearly defined and take account of costs.
- Savings passed on to voluntary organisations and other service delivery partners.
- Staff vacancies – ok but need to be recurring.
- Salary sacrifice schemes resulting in NI savings.
- Property efficiencies e.g. schools rationalisation – only count if overall property consumption reducing.
- Inflation absorbed within existing budgets – include as an aggregate efficiency.
- Cash flow improvements e.g. electronic submission of VAT return.
- Debt re-structuring – this is ok to include in Scotland (not in England and Wales).
- Capital spend resulting in revenue savings

