



Briefing 07/26

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The Efficient Government initiative

To: All Chief Executives, Main Contacts and Email Contacts (Scotland)

CC: All Chief Executives, Main Contacts (England, Northern Ireland and Wales)

The Scottish Executive reported efficiency gains of £442 million in 2005/06 although more needs to be done to avoid assurances on the accuracy of reported savings

Key issues

The challenge is to deliver efficiencies while maintaining or improving service quality and quantity.

To deliver the same services with less money and enable public services to deliver better services.

Reviews progress with the implementation of the Efficient Government Initiative.

1. What the Efficient Government Initiative is all about:

The Scottish Executive believes that the "Efficient Government Initiative" is an efficiency programme which supports effective management and customer focused service delivery. It is not an economy drive and any savings it achieves will be reinvested in

public services. As such, it is an important continuation of a drive to change public sector culture which is not new or limited to the initiative.

The initiative is central to the Executive's programme of investment and reform of the public sector. Since devolution, the total resources available to the Executive have increased by 27 per cent between 2002/03 and 2005/06 to £27.4 billion. In July 2004, as part of the UK Spending Review 2004, the Chancellor of the Exchequer announced plans to save 2.5 per cent per year over the three years to 2007/08, equivalent to £20 billion each year. The effect of this announcement is that, while public spending is still expected to increase in Scotland in real terms, the rate of increase will be less than in previous years.

The Executive state their vision for high-quality public services is to be achieved by matching investment with reform, increasing public sector productivity and designing services around the needs of individuals. Central to that programme of investment, reform and modernisation combines a five year plan to attack waste, bureaucracy and duplication in Scotland's public sector, whilst at the same time, aims to achieve recurring efficiency gains of £1.5 billion by 2007/08. This could be achieved through producing the same level of service at lower costs and by producing better quality services at the same cost.

The Efficient Government Plan has five key workstreams and these are expected to contribute to efficiencies in the longer term:

- Better procurement through 125 public sector organisations becoming part of eProcurement Scotland by 2007/08
- Managing sickness absence by analysing the pattern of sickness absence in public services to disseminate best practice and setting improvement targets
- Proper asset management through evaluation of current arrangements with the public sector as a whole, as the management of assets is typically the second highest revenue cost incurred by public sector bodies after staff costs.
- Shared support services by recognising that sharing support services among public bodies has the potential to generate substantial efficiency savings through economies of scale
- Streamlining bureaucracy through action to improve the way scrutiny bodies operate; review the planning requirements for local government and community planning partners

The challenge will be to deliver efficiencies while maintaining or improving service quality and quantity. This is a major undertaking and involves not only achieving efficiencies within already existing cost pressures, such as the consequences of pay modernisation in the NHS, but also a number of structural, cultural and process reforms across the public sector. Efficiency gains need to be achievable without jeopardising other policy objectives. Good management information is needed to monitor the impact of efficiency gains on service quality and quantity. Underpinning the monitoring of efficiency gains is the need for good baseline information on costs and service outputs and outcomes. Weakness in the quality and timelines of data inputs and outputs means that there is a risk that public bodies will find it difficult to monitor each

efficiency project as it progresses and to take corrective action if service quality or quantity deteriorates. The Executive acknowledges this but considers that improvement in management information systems has to be achieved without diverting resources away from the primary objective of delivering improved and more efficient public services.

The Executive has established arrangements to monitor progress against efficiency targets by:

- Monitoring and assessing the progress against efficiency savings targets
- To champion the drive for further efficiency improvements
- Support the delivery of shared services and common systems by facilitating the adoption of common standards, security and authentication protocols

As it stands, steps have been taken to integrate the Efficient Government Initiative with other areas of public sector reform. Risks associated with the definition of efficiency gains are being addressed. Audit Scotland had previously been invited to comment on the Executive's Initiative and they see it as an on going process in producing Councils annual efficiency statements. The Executive however, recognises the scope for further improvement in order to demonstrate how savings have been achieved and to confirm that such gains have not reduced service quality. The Executive believe that the review by Audit Scotland does not provide an independent assessment of the accuracy of the level of efficiency gains reported to date. It focuses on the extent to which assurances on efficiency gains are based on robust processes and information, and identifies areas for further improvement.

2. Progress to date

The report reviews the progress of the Efficient Government Initiative and looks at:

- Whether projects identified to deliver savings match expectations in the Efficient Government plan
- What efficiency gains have been reported to date
- Whether robust systems and processes are in place to record and report claimed savings

The latest efficiency savings plans provide details of 71 projects which are expected to generate efficiency gains. Overall, the Executive expects to achieve recurring cash and time-releasing efficiency gains from these projects from over £475 million in 2005/06 to £1,271 million by 2007/08. The Executive is continuing to work with all parts of the public sector to identify further projects. A significant proportion of the savings are expected to be delivered by local bodies rather than central government. Local authorities and other public bodies such as police and fire services, NHS boards, further education colleges etc, are expected to make a significant contribution to the Efficient Government Initiative. The approach to making savings differs among the various parts of the public sector:

- In Executive departments, agencies and non-departmental public bodies, savings targets have been assigned to individual bodies and are expected to be delivered through locally managed projects.
- In the health sector, efficiency gains are expected to arise from a combination of national initiatives managed centrally by NHS National Services Scotland and by deductions from the annual funding allocation provided to NHS boards.
- In local government, £168 million of the £318 million expected savings will be delivered by top-slicing Grant Assisted Expenditure. The remaining gains are expected to derive from locally managed projects although individual targets have not been set for each local authority. However, the Improvement Service must ensure that these efficiency gains do not result in cuts in services.

Some risks remain with the measurement of efficiency gains. The annual returns provided clear evidence of a commitment to improve efficiency across the public sector. But further action is needed to provide assurance on the level of savings reported and their impact on service delivery. In particular, it was found that:

- Most of the sample projects appeared to have established robust baselines but some did not. Robust baselines which represent the situation before a project to improve efficiency begins are important because they provide a 'line in the sand' against which improvements can be measured.
- More needs to be done to develop measures of output quality to ensure that service quality is maintained and reported gains do not simply result in a cut in services.
- The project was introduced to meet a number of business objectives and not solely to generate efficiency gains. Further work has been commissioned to explore how efficiency gains can be better measured. Most projects have clear audit trails for reporting claimed efficiency gains.

3. Conclusions and recommendations

The Efficient Government Initiative is part of the drive for progress and improvement in the delivery of public services. Systems for measuring gains are still being refined but the development of a culture where concern for efficiency is part of the everyday behaviour of public sector employees, can be viewed as being of at least equal importance, as the precise measurement of what efficiencies are achieved.

The review has found a wide body of evidence to suggest that the initiative is progressing and that it is delivering efficiencies. There is evidence that those responsible for delivering efficiencies across the public sector are responding well in embedding the initiative into their day to day business. Systems are also in place to track and report efficiencies in line with the Efficient Government Plan and to provide clear lines of accountability for delivering against the plan.

It is clear that the Executive recognised from the outset, significant challenges and difficulties in measuring and monitoring efficiency gains. It needed to develop a robust mechanism for validating reported efficiency gains using management information

systems which were not specifically designed for that purpose. The Executive remain committed to provide a greater assurance on the level of savings delivered and on the extent to which gains are achieved without reductions in quality of services.

APSE welcomes many of the initiatives being pursued by the Executive with regard to improving efficiency. It demonstrates the improvements to be achieved when greater emphasis is placed on the need to deliver an improved service.

It is particularly welcomed by APSE that the progress made by councils in delivering improved efficiency has been acknowledged. APSE believes that this will allow the government and the public to have confidence in these results and strive for a more efficient Scotland.

For further details on this topic or to access APSE's email query network, performance networks information or best value consultancy please contact Pat Taggart on ptaggart@apse.org.uk

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