



Briefing 10/28

July 2010

Scottish Parliaments Finance Committee looking at the efficient delivery public services

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

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

Key issues

- The roles of the Finance Committee and Independent Budget Review Group in developing a way forward with regard to public sector expenditure constraints
- The need for a coherent public service budget strategy which critically examines and reviews all public service expenditure
- The commitment to an outcome led approach
- Shared services are not the "golden arrow" in terms of efficiency savings particularly in the short-medium term
- Not the right time for structural change in the local government sector

APSE briefing on the work of the Scottish Governments Finance Committee which has looked at the delivery of efficient and effective public services given the forthcoming era of public expenditure constraint, together with an update on the work of the recently established Independent Budget Review Group.

Key Issues

APSE believes there is great value in the work of both the Finance Committee and Independent Budget Review Group, however there is an obvious risk of duplication and overlap in their deliberations and approaches.

The level of public debt is not directly attributable to wasteful and excessive expenditure by public sector organizations. In many ways, the level of public debt is a private sector debt in disguise.

However, there is a clear and obvious need for a coherent public sector budget strategy which allows significant public expenditure reductions to be implemented in a planned and phased manner, with resources deployed both nationally and locally in relation to priorities and outcomes.

Reducing public expenditure will have long term implications for many of Scotland's deprived areas which are highly dependant on the public sector in terms of direct employment, employee spend and investment in order to function. A recent study in West Lothian Council highlighted a multiplier of £1.71.

All areas of public expenditure should be subject to a critical examination and review particularly in relation to the Scottish Governments 15 national outcomes. Expenditure programmes should be appraised in relation to their contribution to the delivery of specific national and local outcomes.

The re-introduction of ringfencing could constrain a Councils flexibility to deliver on agreed outcomes. In addition, it could exacerbate the impact of the financial crisis on unringfenced services.

The commitment to an outcome led approach via Single Outcome Agreements needs to be retained and supported by an appropriate public sector budgeting model which has the capacity to deploy resources in relation to an areas outcomes.

The need to embark on area based collaborative reviews is required particularly around the need to reconfigure services in relation to outcomes in order to ensure maximum value is delivered from an areas public pound. This needs to be seen as part of a wider public sector efficiency programme.

Shared services are not the "golden arrow" in terms of their ability to deliver significant savings. Councils are encouraged to challenge the consultants "hype" around shared services.

Rigorous, robust and rounded options appraisal exercises need to be conducted. If a service is to be delivered differently, the review exercise and subsequent decision needs to be based on sound and reliable evidence.

APSE believes it is not the right time for structural change in the local government sector. There is little or no merit in redrawing boundaries, any structural change needs to be seen in a wider public sector context.

The Scottish Parliaments Finance Committee agreed that a Budget Strategy phase be undertaken between April and June 2010 to inform the Budget for 2011/12. To date it has been receiving evidence from a range of interested stakeholder organizations from the public, private and third sectors. Given the current economic and financial climate facing Scotland and in particularly public sector organisations, the Finance Committee has recognized that the most appropriate strategic contribution it can make at this time and given the financial circumstances is to conduct an inquiry into the delivery of efficient and effective public services. The Finance Committee reported in June 2010 and made a range of recommendations particularly in relation to the public sectors preparedness for the era of budget constraint.

Significantly the Finance Committee agreed to undertake an inquiry with the following remit:

“What preparation should be underway now by the public sector to ensure the efficient delivery of public services within a period of tightening public expenditure”

The Finance Committee expects that its remit will lead to a comprehensive analysis of the preparations being made across the public sector, providing a detailed evidence base to enable more sophisticated scrutiny of the Scottish Governments 2011/12 Draft Budget and beyond, which could confirm cuts of up to £1million pounds per annum. The Finance Committee prepared its report at the time of drafting this briefing. The Finance Committee report is available on the Scottish Governments website.

Key Questions

The Finance Committee requested interested stakeholders to address the following questions:

- In preparing for the forthcoming reductions in the Scottish Budget, how can the public sector bodies best take service users views and needs into account?
- How can public service providers ensure that the most vulnerable groups do not unduly suffer from any budget reductions?
- Should any spending area be protected from real term cuts and if so what should the implications be for other areas of the public sector?
- Should there be an emphasis on seeking efficiency savings, or are there particular bodies/spending areas that should be targeted?

- How should the public sector best be organised to deliver services for which it has responsibility and what barriers would have to be overcome to achieve this?
- What are the principles that should underpin any future strategic changes to the configuration of the Scottish public sector?
- What are the challenges to the successful delivery of the Scottish Government's national performance framework if public spending is reduced?
- What are the best examples of efficiency savings being achieved by public bodies working together and across boundaries, for example through procurement and can these be replicated across the public sector?
- Have efficiency savings had an impact on the quality of public services? To what extent can efficiency savings continue to be made while maintaining current levels of service delivery?
- Have any improvements that have been made to the delivery of public services always been consistent with the amount of funding that relevant bodies have received? What is the best way of measuring the quality of public services and ensuring that performance monitoring leads to improved service delivery?
- How should technology be utilised to ensure the better provision of public services?
- What lessons can other countries provide for how public services can be more efficiently delivered in Scotland, particularly at a time of budgetary constraint?
- Given the reduced budgets will the public sector have the capacity to deliver efficient public services while also responding to the longer term challenge of demographic change?

In addition, the Scottish Government as part of its Budget for 2010/11 has established an Independent Budget Review Group, to look at public expenditure in Scotland. The Budget Review Group is chaired by Crawford Beveridge. The Budget Review Group will report in July 2010, its findings will inform the Spending Review. The results of the Spending Review will be announced in October 2010. In terms of the next Spending Review, APSE hopes that these two developments are complementary in nature and avoid the potential risks of duplication. There is clearly a need for a coherent and

planned approach with regard to planning for significant public sector expenditure reductions over the next 10-15 years given the financial climate.

The Review Group will look at:

- The scale of the expenditure challenge that Scotland will face over the coming years
- The practical options available to decision makers
- Who will determine how the Scottish Budget is allocated and spent in the next Spending Review period and beyond

APSE Commentary

APSE welcomes the Scottish Parliament's Finance Committee review of the Budget process together with the findings of the Independent Budget Review Group. The review's are particularly timely given the coalition government that exists in the United Kingdom and the significant slow down in funding that will be available for Scotland's public services.

The Finance Committee will have a critical role in holding all Scottish Government Departments to account. This scrutiny is important given the decline in resources available to the public sector and the need to extract maximum value from the public pound.

The Finance Committee has a key role to play in seeking evidence to affirm or challenge the Scottish Government spending plans in terms of delivering the national strategic outcomes but also in ensuring value for money remains paramount. This is deemed essential in the absence of a "treasury function" in the Scottish Government and the need to reduce expenditure by up to £2 billion in 2011/12.

APSE however is concerned that there seems to be no full understanding of the current deficit. This leads many to believe that cuts in public spending and investment are both essential and inevitable. In many ways the level of public debt is really private debt in disguise and represents the cost of the massive bail out of Britain's banks and the subsequent costs of the recession in terms of loss of tax revenues and increased welfare payments, not over excessive or wasteful spending by public sector organizations.

The financial crisis has increased unemployment levels which in turn raises the demand for public services and spending and reduces tax revenues, which in turn adds to the pressures on public expenditure. In the event of public expenditure being dramatically reduced to manage the deficit, APSE is concerned about its impact particularly on Scotland's deprived areas which are heavily dependant on public sector employment and investment in order to work and function.

APSE believes that cutting public expenditure now could prolong and deepen the recession in Scotland's most deprived areas, which are heavily dependant on public sector employee spend and investment in order to work and function, including supporting local supply chains and the private sector. This could be very damaging for the very communities that local Councils are expected and required to lead.

APSE is of the view that every area of public expenditure should be subject to critical review and examination. The work of the recently established COSLA led Strategic Funding Review Group has a role to play in planning and forecasting both policy pressures and securing agreement on the necessary financial assumptions which will inform public sector resource allocation/deployment over the next three years.

APSE recognises the vital role local government in Scotland performed in developing an outcome model. However, the Single Outcome Agreement process has only just commenced, for it to develop further and reach its true potential, it is vital that the public sector within a given area or across geographical boundaries work together to deploy resources in relation to agreed outcomes. This implies that Councils and partners need to establish policy/outcome based approaches to budgeting and deploy resources in relation to priority outcomes.

Councils and their partners will need to think radically about services – what's being delivered, how services are meeting needs and what are the most effective and efficient ways to deliver services. It follows therefore that the local government sector needs to be proactive in reviewing services particularly in relation to outcomes. In many ways this will involve the local government sector working with other sectors operating in an area commissioning collaborative reviews with a view to redesigning services, identifying areas of duplication and managing costs of the public sector service delivery system. This could lead to the reconfiguration of public sector services in an area, particularly in relation to the delivery of an area's outcomes.

Councils need to be aware any calls or pressures to return to ring-fencing resources. The future fiscal climate will require Councils to have maximum flexibility to deliver on agreed outcomes. Ringfencing valuable resources diminishes local Councils ability to be agile and flexible in responding to an areas needs. If ring-fencing was re-introduced it could also exacerbate the impact of the financial climate on particular services who are not subject to ring-fencing.

Local government has "done its bit" when it comes to making efficiency savings in that it has delivered on its targets, year on year. However APSE is of the view that the local government sectors capacity to make further efficiency savings is reducing, in that much of the "low hanging fruit" has now disappeared. As mentioned, one approach could be to initiate a round of strategically focused collaborative reviews with partners.

APSE is aware that local Councils are currently assessing options around alternative service delivery mechanisms. Clearly this is a matter for local Councils in terms of exercising legitimate policy choices. APSE would encourage Councils to reference "A

guide to bringing local authority services back in-house". The guide details the benefits of in-house delivery which includes:

- Improved performance/governance
- Service continuity
- Impact on local economy
- Flexibility and integration of service delivery
- Improved customer satisfaction

APSE would encourage Councils to review services using its "Competitiveness Continuum" model which provides a rationale approach to service review whilst recognizing the need for service improvement and options appraisal exercises.

APSE has always believed one of the best ways to improve public services is to engage service users and employees in defining both the problem and designing solutions. This means listening to service users about what they need/want and then empowering employees to respond. There is a growing body of evidence that shows how real improvements can be made through this type of process. For example Newcastle City Council developed a public benefit model in partnership with employees, the trade unions and users to introduce new technology to services. Savings of £28million have been made to date. (see "Public Service Reform but not as we know it" by Hilary Wainwright.)

Given that enormous pressures on public spending in Scotland it would not be the right time to embark on structural change in the local government sector which in itself is resource intensive and time consuming. APSE is of the view that the public sector needs to look at greater collaboration across all sectors in both a coherent and planned manner. At the heart of such change should be the most effective and efficient methods of delivering the right service and this is not just about redrawing boundaries.

Conclusions

APSE both welcomes and will monitor the efforts of the Finance Committee and Independent Budget Review Group in terms of shaping a coherent set of responses to the forthcoming financial situation. This is necessary if public sector budget reductions of the magnitude being suggested are to be achieved. APSE considers that Scottish communities still require effective services delivered by the public/local government sector. There are significant implications for local communities if Councils have to introduce savage public expenditure reductions or cease providing particular services. APSE will advise its membership on the implications of decisions taken by the Finance Committee and Independent Budget Reviews for public services and support local authorities in developing appropriate responses that can achieve greater efficiencies and protect essential front-line local government services.

For more information please visit www.scottish.parliament.uk

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