

REPORT TO: AUDIT & RISK MANAGEMENT SUB-COMMITTEE - 7 JUNE 2010

REPORT ON: IMPROVING PUBLIC SECTOR EFFICIENCY

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 296-2010

1 PURPOSE OF REPORT

To provide elected members with a summary of the above national study that has been jointly undertaken by Audit Scotland on behalf of the Auditor General for Scotland and the Accounts Commission.

2 RECOMMENDATIONS

It is recommended that elected members:

- a note the information contained within this report and the attached national study including the supplementary good practice checklist.
- b instruct the Director of Finance to assess the Council's existing arrangements for improving efficiency based on the information contained in the good practice checklist and report the findings of this review to the Council's Improvement & Efficiency Board thereafter.

3 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report. Any efficiency savings that are being delivered through the Council's ongoing efficiency programme will be reflected in future years budgets in due course.

4 MAIN TEXT

- 4.1 As part of its National Programme of Performance Audits for 2009/10, Audit Scotland carried out a review of 'Improving Public Sector Efficiency' on behalf of the Auditor General for Scotland and the Accounts Commission. The report provides a progress update on the first year (2008/09) of the Efficient Government Programme, which aims to deliver £1.6 billion efficiency savings in the public sector over the 3 years to 2010/11. It also provides a follow up on progress made on their review of 'The Efficient Government Initiative: Progress report' that was previously published in December 2006.

The need for future efficiency savings in the Scottish Public Sector

This section includes an introduction and provides a summary of the key issues facing the public sector economy and details the targets set out by the latest Scottish Government Efficiency Programme.

Reported progress in delivering efficiency savings

This section provides an analysis of the efficiency savings reported by public sector bodies for 2008/09 including details of the level of savings made by each area of the public sector together with information on where these savings were achieved e.g. procurement, asset management, shared services etc. In addition, this section includes a review of the progress made to date by public sector bodies implementing Audit Scotland's recommendations included in their previous review of Efficient Government.

Delivering a more efficient and productive public sector

This section outlines the significant challenges that are faced by public sector organisations and sets out their recommended approach that should be taken to assist in delivering these efficiencies.

4.3 In addition, the report also includes a supplementary good practice checklist. This self assessment checklist provides a tool to assist public sector bodies to check and challenge their approach to efficiency and promote improvement. A copy of this checklist is appended to Audit Scotland's report.

4.4 The key messages of the report are:

- Scotland's public sector is continuing to find more efficient ways of delivering services. Efficiency savings totalling £839 million were reported in 2008/09, exceeding the Scottish Government target by more than half.
- of the above reported efficiencies above, £258 million related to the Local Government, Health (£332 million) and Central Government bodies (£249 million)
- Scottish public sector bodies are facing the greatest challenge since devolution and the current target of 2% efficiency savings per annum will not be sufficient to bridge the projected gap between spending and funding over the next few years.
- of the total reported public sector efficiency savings, £254m (30%) has been delivered through improved purchasing, better asset management and shared services although the report also concludes there is still scope to increase savings in these areas.
- although public sector bodies have overall cost information, they still do not have the sufficient level of information on unit costs and costs relating to activity (output) and quality of services. Bodies need to understand the relationship between costs, volume and quality of services in order to measure improvements in productivity and reduce costs.
- While there is already a significant amount of joint-working e.g. between health and social care, there is a continuing need for more and better co-ordination between public sector bodies, to improve productivity and safeguard the quality of service delivery.

4.5 Conclusion

Overall the report outlines that fresh approaches are needed to deal with the anticipated reductions in funding over the coming years. This will involve public sector bodies having to think radically about service design and delivery. The report concludes that in order to become more efficient and effective, public sector bodies must ensure they are budgeting for and spending on priorities, improving the information they have on productivity, quality and performance and extending their collaboration and joint working to deliver public services.

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of sustainability, Strategic Environmental Assessment, Anti-Poverty and Equality Impact Assessment and Risk Management.

There are no major issues.

6 CONSULTATIONS

The Chief Executive and Depute Chief Executive (Support Services) have been consulted on the content of this report.

7 BACKGROUND PAPERS

None.

**MARJORY M STEWART
DIRECTOR OF FINANCE**

01 JUNE 2010