

**ARGYLL AND BUTE COUNCIL**  
**ANNUAL EFFICIENCY STATEMENT**  
**2006-07**

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# 1 INTRODUCTION

1.1 During 2006-07 the Council identified a range of efficiency savings as part of the 2006-07 revenue budget process. The Council did have the following policy statements in place although there was no overall strategy linking efficient government and its individual themes to the Council's planning and budgeting process:

- Asset Management Strategy
- Procurement Strategy
- Attendance Management Policy
- Tendering of Supporting People contracts to improve value for money

An overall strategy linking Efficient Government and each of its themes to the Council's planning and budgetary process will be developed in 2007-08.

1.2 The Council has invested significant management resource in its Non Profit Distributing Organisation (NPDO) variant of a Public Private Partnership (PPP) for schools and the transfer of its housing stock to registered social landlord (RSL) during the initial years of the efficient government initiative. Both these projects offer very significant benefits to the council taxpayers and tenants and required a significant focus to ensure implementation. The combined cash flows for both projects over 30 years amounts of around £1bn and it was essential to have robust management for their development. The Council has also agreed compromise settlements for historic equal pay and has been progressing job evaluation and single status.

1.3 Identification of efficiency savings during 2006-07 has largely been an exercise carried out during the budget and planning process. There has also been planned work undertaken in terms of asset management, procurement and supporting people tendering arising from the policy statement referred to in 1.1 above. The attendance management policy has also been revised.

1.4 Efficiency measures agreed as part of the revenue budget are delegated to departments to deliver as part of the service plan and budget process for the year with the overall effect being monitored through budget monitoring. Work undertaken to take forward procurement initiatives is reported to the Procurement Board. The Council is recognised as a leader in terms of implementing the eProcurement Scotland procurement system, is an active member of the Scotland Excel procurement project and has actively addressed the actions from the McClelland review of procurement. The Strategic Management Team have

been kept appraised of developments in terms of the asset management strategy.

- 1.5 The Council has had to strike a balance between the delivery of the NPDO and housing stock transfer, developing the framework and strategies to deliver long term efficiency savings and a need to identify short term savings to meet budgetary constraints.
- 1.6 The main link to financial planning processes is through the service planning and budget process where efficiency savings are identified and built in to the budget.

## 2 OPENING POSITION

- 2.1 At the start of 2006-07 it was estimated the Council had achieved the following efficiency savings during 2005-06. These arose from specific measures identified within the 2005-06 budget, procurement savings from better buying and the tendering of supporting people.

Department	Amount £000s
Community Services	292
Corporate Services	167
Operational Services	77
Other Savings	65
Supporting People	1,118
<b>Sub-Total</b>	<b>1,719</b>
Inflation Savings	493
<b>Total Efficiency Savings</b>	<b>2,212</b>

- 2.2 The Council has made its own assessment of its share of the overall target for efficiency savings and this is noted below.

	Scot Exec £000s	Local Gov £000s	ABC £000s
In finance settlements	246,000	168,300	3,245
Non NHS procurement	150,000	80,200	1,546
Supporting People		27,000	2,678
Fire Service		1,00	
Police Service		8,500	
Mod/Eff Gov Funds		40,000	
Other	349,000		
<b>Total</b>	<b>745,000</b>	<b>325,000</b>	<b>7,469</b>

- 2.3 Prior to the start of 2006-07 the Council had already established policies or strategies to take forward the following matters:
- Asset Management Strategy
  - Procurement Strategy
  - Attendance Management Policy

- Tendering of Supporting People contracts to improve value for money
- 2.4 Progress in implementing eProcurement Scotland procurement system and participation in Scotland Excel are regarded as key strengths in terms of the Council's response to the efficiency agenda.
- 2.5 The Council was subject to an audit of Best Value and Community Planning during 2005-06. The report was issued in February 2006 and the Council prepared in May 2006 an Improvement and Development Plan in response to that.
- 2.6 The report arising from the audit of Best Value and Community Planning made no specific reference to efficient government or efficiency savings. However the report whilst noting good performance in some areas, a commitment to working with partners and a good start in terms of a more systematic approach to procurement did indicate a need for the Council to improve its arrangements in terms of performance management, continuous improvement and a more strategic approach to managing its resources to ensure best value.
- 2.7 In response to the above the Council made a range of commitments in its Improvement and Development Plan that would address the improvement aspects identified in the audit report Good progress has been made in implementing the actions contained in the Improvement and Development Plan with the overwhelming majority of them completed.
- 2.8 The external auditors report to members for 2005-06 acknowledged that the Council was aware of the most challenging aspects of efficient government and the need to ensure outcomes and qualities are not adversely affected by financial savings.

### **3 KEY AREAS FOR 2006-07**

- 3.1 The Council has taken forward a number of issues during 2006-07 to progress efficient government. These are commented on below under each of the themes.
- 3.2 Asset Management
  - 3.2.1 Progress with asset management can best be summarised under 3 main headings of School Estate, Office Accommodation, Energy Management.
  - 3.2.2 In terms of the School Estate the Council has continued to update and revise its School Estate Asset Management

Strategy. The Council is aware of the level of over capacity in its schools, the levels of backlog investment required and the impact this has on the quality of the education experience. The Council faces a significant challenge in addressing these issues. A significant data collection exercise commenced in 2006-07 to allow the development of a sophisticated financial model to assist the Council in future decisions on the composition of the school estate and related investment. Reports on the options for modernising the school estate will be considered by the Council during 2007-08.

3.2.3 The Council recognised the need to rationalise its office accommodation estate. During 2006-07 scoping studies were completed covering the office accommodation estate in each of the 6 main centres. Whilst opportunities exist to rationalise the office accommodation estate in a way that minimises future costs these may still exceed current budget provision given the level of backlog investment and current budget provision. Arising from this an outline business case is being developed for rationalisation of office accommodation in Helensburgh.

3.2.4 The Council has implemented the STARK energy management system. Data is being uploaded to this system to improve the view the Council has of its energy cost and usage. This will be an important tool in terms of future asset management and efficiencies. During 2006-07 the council has been very successful in reducing water consumption/costs and in cleansing the Council's Water Account. The total refund secured from Scottish Water in 2006-07 was £167,000, which is being re-invested in further energy and water saving measures.

### 3.3 Procurement

3.3.1 The Council carried out an e-Invoicing pilot for the Scottish Executive for catering in schools which will inform a national procurement for further facilities in this area. It was the first local authority to go live with e-Invoicing with Lyreco for stationery and office supplies, and is currently working with SMEs on integration to their accounting systems. E-Invoicing provides substantial processing savings.

### 3.4 Absence Management

3.4.1 During 2006-07 the Council undertook a review of its attendance management policy.

### 3.5 Shared Services

3.5.1 The Council continued to progress a range of local arrangements to share service with partners. This includes

some shared training services with the NHS. Arising from the review of Roads Design Services an option to consider sharing this service with a public or private sector partners was identified and further consideration is being given to this in the Options Appraisal exercise for Operational Services currently underway.

- 3.5.2 The Council also established a joint working group with other North of Scotland Councils to examine the opportunity for improved sharing of financial services. This has led to a proposal for a feasibility study into a shared service for administration and collection of non-domestic rates, council tax and benefits. Funding has been approved by the Local Government National Board for Shared Services but is currently on hold awaiting approval from Ministers. A shared service for sundry debtors is being progressed with Moray Council and also joint procurement of various financial services. This will continue through 2007-08.
- 3.5.3 The Council is also a partner in the Highlands and Islands Broadband Pathfinder project that will result in a £70m investment in the provision of a robust and scaleable network of high specification broadband connections for local government. This includes provision of 20mb inter authority VPN which will facilitate shared services between those authorities. A Highlands and Islands inter-authority Education working group and a Shared Services working group have been established both of which are being led by this authority.
- 3.5.4 The Council has been an active participant in the Scotland Excel project to transform the West of Scotland authorities buying consortium into the sectoral local authority Centre of Procurement Excellence, with a member on the Steering Board and an officer seconded to the project team. This will continue through 2007-08.
- 3.5.5 Work continued in terms of the Joint Future agenda, including the setting up of a group comprising representatives of Council, Community Health Partnership and Health Board to identify/explore further areas for potential joint working.
- 3.5.6 For waste management needs in the Helensburgh and Lomond area the Council has undertaken a joint Strategic Outline Case submission to the Scottish Executive with the Glasgow and Clyde Valley consortium of local authorities. This has now to be developed, with some Scottish Executive financial support, to an Outline Business case stage by the end of this calendar year. The OBC will establish if waste treatment needs that allow diversion from landfill can be best procured jointly.

### 3.6 Reducing Bureaucracy

- 3.6.1 Whilst no specific initiatives were undertaken on the basis of taking forward this matter the Council has identified a range of efficiency savings in its 2006-07 budget that are effectively benefits from reducing bureaucracy. A programme of best value reviews was also agreed for 2006-07.
- 3.6.2 In 2006-07 a contract was concluded with Steria and Lagan software for a CRM system and business process re-engineering services, following the production of a detailed business case. Progress was made with re-designing council tax processes to improve the service to the customer and reduce the time taken to grant discounts and exemptions, and changes of address. Go-live has been delayed until June 2007 as the integration to the Council Tax software was not yet ready. Work also commenced on re-designing council tax benefit and housing benefit processes and integrating these more closely with council tax so that, for example, a change of address would only have to be notified once for both council tax and benefits. A programme of best value reviews was also agreed for 2006-07.
- 3.6.3 The approach to the customer service centre project has been based on a business case as well as efficiency savings, with a key element being business process reengineering of services linked to a new customer focus for council services which will provide measurable improvements in business efficiency on an ongoing basis.

## 4 EFFICIENCY GAINS ACHIEVED IN 2006-07

- 4.1 During 2006-07 the Council has achieved efficiency gains of £3.314m. This comprises £3.274m cashable savings and £0.040m non-cashable savings. The Council has still to fully develop its approach to capturing non-cashable savings. Details of the efficiency gains achieved are contained in Appendix 1.

## 5 VERIFICATION

- 5.1 The Council must be able to demonstrate that any efficiency saving has been delivered without impacting negatively on service delivery before it can properly counted as an efficiency. A high level approach to verifying this has been taken.
- 5.2 The Council has undertaken a comparison of performance based on statutory performance indicators between 2005-06 and 2006-07. In overall terms performance has improved for 56 SPIs against 38 SPIs where performance is poorer. There were 30 SPIs where performance improved by more than 10%

whereas there were 20 SPIs where performance deteriorated by more than 10%. In overall terms this indicates that performance levels have not deteriorated as a result of the efficiency gains.

- 5.3 The Council has identified a basket of SPIs that are particularly relevant to its Corporate Plan. In comparing performance on these between 2005-06 and 2006-07 there are equal numbers of indicators (14) where performance has improved and deteriorated. When considering movements of more than 10% then there are 3 SPIs where performance has improved and 3 SPIs where performance is poorer. This confirms that in overall terms performance did not deteriorate due to the efficiency gains.
- 5.4 A review has taken place of performance as reported in quarterly service performance reports. These compare actual performance to that planned. During the year there were a total of 69 occasions where performance exceeded plan compared to 72 where it was behind schedule. In broad terms, actual performance is not radically out of line from that planned. When the high level of completion of the Best Value Improvement and Development plan is taken account of then it is reasonable to conclude that the efficiency gains have not had an adverse effect on performance for 2006-07.

## **6 KEY AREAS TARGETED FOR 2007-08**

- 6.1 For 2007-08 the Council reported through its budget pack the level of efficiency savings required and the extent to which these were already identified in previous years or through the 2007-08 service planning and budget process. At that time efficiency savings achieved were estimated to be £3.685m. When the projected reduction in Supporting People funding of £1.039m is added to this the total of £4.724m this left a balance of £2.745m of savings to be found to achieve the target of £7.469m.
- 6.2 Based on the estimated savings for 2005-06 of £2.212m and the savings achieved for 2006-07 of £3.076m then the total achieved to the end of 2006-07 stands at £5.288m. Adding the projected reduction in Supporting People funding of £1.039m to this gives a total of £6.327m. When compared to the target of £7.469m then the Council requires to achieve further savings in 2007-08 of £1.142m. The budget approved for 2007-08 contained a number of measures to ensure this target is achieved.
- 6.3 The Council is committed to developing a more structured approach to delivering the efficient government agenda. To this end it has recently drafted an overall strategy for efficient

government and strategies for shared services and reducing bureaucracy to ensure there is an overall strategy and one for each of the 5 themes. Strategies or policy documents already exist for procurement, asset management and attendance management. These draft strategies are being submitted to the August meeting of the Council's Executive Committee.

6.4 Related to the above the Council's Executive Committee in August agreed a proposal to rationalise the boards established to take forward various issues. This also supports the aim of a more structured approach to efficient government. A performance Improvement Board will be responsible for overseeing efficient government and will also have specific responsibility for the reducing bureaucracy theme. Separate boards have been established for:

- Human Resources,
- Shared Services and Procurement
- Asset Management
- Information Technology
- Customer First and Public Sector Reform.

6.5 The Human Resources board will be responsible for the absence management theme. The Shared Services and Procurement board will be responsible for both the shared service and procurement themes. The Asset Management board will be responsible for the asset management theme.

6.6 The Council is also in the process of reviewing its corporate plan and developing a financial strategy. As a result of this the Council will need to carry out a review of its core and non core activities. There will also be a requirement to develop a longer term and more strategic approach to managing its financial position and this will require consideration of setting targets for efficiencies for departments and over the themes of the efficient government initiative for a 3 year period.

## **7 CONCLUSION**

7.1 The Council has achieved significant efficiency savings during 2005-06 and 2006-07. It recognises that a more structured approach to ensuring long term efficiency savings is required and has made arrangements to take this forward in a strategic approach that is more closely integrated to corporate, service and financial planning.

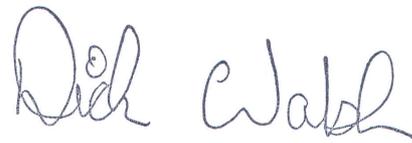
**8 APPROVAL**

8.1 This Annual Efficiency Statement for 2006-07 has been approved on 22 August 2007 by:



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James McLellan  
Chief Executive



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Dick Walsh  
Council Leader from 17 May 2007  
Community Services Spokesperson  
during 2006-07

**ARGYLL AND BUTE COUNCIL - EFFICIENCY GAINS 2006/07**
**APPENDIX 1**

Theme: PR: Procurement; MA: Managing Absence; AM: Asset Management; SS: Shared Services; SB: Streamlining Bureaucracy; O: Other

Theme	Department	Description of Efficiency Measure	Cashable	Non-Cashable	Impact on Service Delivery and Performance/Other Information
O	Chief Executive's	Reduction in staff costs budgets in Strategic Finance	50		None
O	Chief Executive's	General savings in Chief Executives Unit	20		None
O	Chief Executive's	General savings in Chief Executives Unit	5		None
O	Community Services	Departmental vacancy savings	209		None
O	Community Services	Target reduction to refuse collection costs as a result of review of number of uplifts and further roll-out of recycling	20		None
O	Community Services	Removal of rental budget within Oban Community Resource Team	9		None.
O	Community Services	New staffing structure within the council's residential units for older people	18		New staffing structure with increased unqualified posts.
O	Community Services	Reduction in Mental Health project expenditure to reconcile with reduction in internal Supporting People income.	64		None. Saving can be covered by a combination of a planned reduction in service and budget being supplemented by MH resource transfer.
O	Community Services	50% reduction to Mental Health Care Home Placement budget	50		None. Placements are sporadic and budget consistently underspent.
O	Community Services	Anticipated staff savings as a result of the change in Area Team staffing structure relating to CareFirst.	81		None
O	Community Services	Reduction to travel and subsistence budgets	7		None
O	Community Services	Reduction to Social Work Payments to other bodies	13		None
O	Community Services	Reduction to Housing and Social Work furniture and fittings	12		None
O	Community Services	Reduction to Housing and Social Work IT consumables	13		None

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Theme	Department	Description of Efficiency Measure	Cashable	Non-Cashable	Impact on Service Delivery and Performance/Other Information
O	Community Services	Reduction in Council's training costs due to increase in specific training grant.	10		None
O	Community Services	Removal of Pupil Transport sundries	1		None
O	Community Services	Reduction to Social Work training budget (Planning and Performance)	7		None
O	Community Services	50% reduction to Pupil Transport equipment budget.	1		None
O	Community Services	Reduction to pupil transport wage costs	31		None
O	Community Services	Implementation of statutory walking distances to schools	30		None
O	Community Services	Reduction to Upskilling of workforce budget as a result of delay in implementation.	53		None
O	Community Services	Reduction to Whitegates Pre Five Unit - full time Pre Five Worker leaving in August 2006, will only be replaced with 0.5	6		None
O	Community Services	Removal vacant post - 0.8FTE Secondary Education HQ	29		None
O	Community Services	Removal of IT licences provision - Seemis	11		None
O	Community Services	Reduction to clothing grant provision - Secondary Education HQ	10		None
O	Community Services	Further 50% reduction to overtime provision.	4		None
O	Community Services	12.5% reduction to printing & stationery provision.	6		None
O	Community Services	25% reduction to advertising provision.	3		None
O	Community Services	25% reduction to hire of facilities provision.	2		None

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Theme	Department	Description of Efficiency Measure	Cashable	Non-Cashable	Impact on Service Delivery and Performance/Other Information
O	Community Services	Increased saving in staffing structure implementation in elderly residential units	56		None
O	Community Services	Reduction of 25% of non contractual overtime within Planning and Performance Services	1		None
O	Community Services	Strategic Training Grant increased by £17,032. £10,000 removed during the original savings exercise remaining £7,023 to be removed	7		None
O	Community Services	Further reduction to Planning and Performance Furniture and Fittings budget	2		None
O	Community Services	Printing - internal recharges. Printing charges will be met within printing and stationery budget, separate budget no longer required	12		None
O	Community Services	Independent Living part-time clerical post will not be recruited as alternative clerical support is now being provided	7		None
O	Corporate Services	Staff savings following HST	41		None
O	Corporate Services	Staff reduction	34		Assumption that we either outsource debtors or do in-house in much more efficient way. Reduced service to departments in monitoring debtor invoices. Removal of 2 posts currently filled by temporary staff.
O	Corporate Services	Reduction in sheriff officer fees - local tax	40		Predicated on enhanced efficiencies from new sheriff officer contract. Potential effect on total council tax collections and resources available to council.
O	Corporate Services	Reduction in staff costs	9		None
O	Corporate Services	Reduction in travel and subsistence	34		Reduces ability to travel to meetings

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Theme	Department	Description of Efficiency Measure	Cashable	Non-Cashable	Impact on Service Delivery and Performance/Other Information
O	Corporate Services	Reduction in council tax printing costs	5		None
O	Corporate Services	Reduction in IT consumables	1		None
O	Corporate Services	Reduction in staff training	1		Reduces career progression available
AM	Development Services	Reduction in Asset Management Service	38		No extension to a fixed term contract.
O	Operational Services	Remove part post in traffic management.	17		None
O	Operational Services	Savings in salary from turnover in Central Services staff.	10		None
O	Operational Services	Non filling of vacancy in Central Services.	20		None
O	Operational Services	Reduce level of overtime in Roads & Amenity. Represents a reduction of 15% on the current budget (£132k).	20		Some delays in provision of service may arise but move to more efficient working.
O	Operational Services	Reduction in Travel across all sections of Operational Services.	50		Some delays in provision of service may arise but move to more efficient working.
O	Operational Services	Amendments to the winter maintenance service; salt domes, single man working.	50		Quality of salt increased and different and more efficient operating methods.
O	Operational Services	Waste collection - non-filling of vacancies (Two posts). Probable shift to alternative working.	40		Fortnightly refuse collections to be implemented initially on a trial basis in some vehicle routes of the Council.
O	Operational Services	Savings to be achieved through managing vacancies	50		None
PR		Procurement Savings as a result of adopting PECOS system		40	None
O		Efficiency Saving as a result of not applying inflation.	1,716		None
O		Reduced Insurance Premiums	238		None
<b>Total</b>			<b>3,274</b>	<b>40</b>	