



ANNUAL EFFICIENCY STATEMENT

2008-09

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Appendix 1 – Efficiency Gains 2008-09

1. INTRODUCTION

- 1.1 During the 2008-09 budget setting process, a proposed programme of action to achieve the Scottish Government target of 2% cash releasing efficiency savings was outlined in the document "Efficiency Savings Plan 2008-09 to 2010-11, which formed part of the Budget Pack prepared for councillors and officers.
- 1.2 The Council's objectives in relation to the Efficient Government Initiative are as follows:
- To innovate in service delivery.
 - To create opportunities and lead the way.
 - To improve service quality and responsiveness.
 - To generate time releasing savings to redirect resources to priority areas.
 - To generate cash releasing savings to ensure financial sustainability of service delivery.
- 1.3 Efficiency savings were built into the Council's budget exercise for 2008-09. The departmental budget proposals included proposals on efficiency savings.
- 1.4 In setting out the plan to achieve the target of 2% cash releasing efficiency savings, the Council recognises that not all savings are available to balance the budget. There are good reasons to reinvest some of the savings in redesign or improvement of services or in new assets.
- 1.5 Within the Council's Corporate Plan under the Forward Looking Theme the Council's Strategic Objective is to be "improving, innovative, proactive and successful". The Efficiency Savings Plan supports the delivery of this objective. The commitment within the Improvement Plan is to revise the Efficient Government Plan with clear actions identified.

2. OPENING POSITION

Savings Achieved to Date

- 2.1 The Council had made its own assessment of its share of the overall target for efficiency savings up to 2007-08, as noted below:

| Department | Scottish Government | Local Government | Argyll and Bute |
|---------------------------------|---------------------|------------------|-----------------|
| | £000's | | |
| 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 | | 1,000 | |
| Police Service | | 8,500 | |
| Mod/Eff Gov Funds | | 40,000 | |
| Other | 349,000 | | |
| Total Efficiency Savings | 745,000 | 325,000 | 7,469 |

2.2 The efficiency savings that the Council have achieved between the period 2005-06 and 2007-08 are noted below.

| Financial Year | Efficiency Savings £000 |
|------------------------|------------------------------------|
| 2005/06 | 1,671 |
| 2006/07 | 3,314 |
| 2007/08 | 2,948 |
| Total To Date | 7,933 |
| Original Target | 7,459 |
| Excess | 474 |

2.3 Some of the main areas where efficiencies have been achieved to date are:

- Better procurement.
- Non-provision for inflation within departmental budgets.
- More efficient use of supporting people funding.
- Vacancy savings calculated at 0.5% of direct employee costs.
- Setting targets for departmental efficiency savings.

Target Savings for 2008-09

2.4 The Council has estimated that its share of the national target of £174.7m is £3.372m. This may well increase as central government seek to drive out increasing levels of efficiency savings from the public sector.

2.5 The table below summarises the efficiency savings which were identified at the start of the financial year.

| Type of Efficiency | Estimated Saving £000 |
|---------------------------------|----------------------------------|
| Asset Management | 220 |
| Procurement | 282 |
| Other Efficiency Savings | 4,148 |
| Total Efficiency Savings | 4,650 |

3 KEY AREAS FOR 2008-09

3.1 In last year's efficiency statement there were a number of key areas to be targeted for 2008-09 to 2010-11. The progress on each of these key areas is outlined below:

| PLANNED AREA OF WORK | PROGRESS TO DATE |
|--|--|
| Procurement | |
| A three year plan for taking forward the shared service and procurement agenda. In 2008-09 it is assumed the savings will be available for investment. | Joint work is ongoing with Procurement Scotland and Scotland Excel. The Council identified Procurement as one of the opportunities worthy of further investigation as part of it's Shared Services Diagnostic and the high level design stage has been completed with agreement to progress with implementation. |
| Absence Management | |
| The Council remains committed to addressing the issue of attendance and retains a target of 5% reduction in absence costs for 2008-09. | Ongoing. The Council have a number of tools in place for the ongoing management of absence and the HR Strategy Board are in place for overseeing improvements. |
| Asset Management | |
| Office rationalisation programme. | Ongoing. A long term programme of office rationalisation has commenced. An outline business case for Helensburgh has been prepared and savings of £98,000 are anticipated from 2011-12. Other business cases are due to be complete during 2009-10 and 2010-11. |
| Modernising school estate. | Ongoing. A report outlining and appraising the various options will be submitted to Council during 2009/10. |
| Other Asset Management | Progress has continued to be made with projects related to energy efficiency, purchase of salt domes, vehicle satellite tracking and review of non-operational assets. |
| Shared Services | |
| Shared Services Diagnostic Projects. | Ongoing. The Shared Services Diagnostic stage was completed and high level design reports were presented to Council in March 2009. It has been agreed towards implementation with the Procurement proposals and Workforce Deployment and Customer Management have moved into the detailed design stage. |
| Joint shared services project with NOSLA. | Ongoing. The project with NOSLA will focus upon a feasibility diagnostic study on a shared revenues and benefits service. |
| Single Status | |
| Single status savings of 52 jobs amounting to £1.170m. | Single status savings have been ongoing. |

4. EFFICIENCY GAINS ACHIEVED IN 2008-09

- 4.1 Cashable efficiencies of £3.339m and non-cashable efficiencies of £0.107m were achieved in 2008-09 and are summarised below using the standard Efficient Government Themes. Further detail is provided in Appendix 1.

| Efficient Government Theme | Cashable Savings £000 | Non-Cashable Savings £000 |
|-----------------------------------|----------------------------------|--------------------------------------|
| Asset Management | 190 | |
| Procurement | 571 | 107 |
| Other Efficiency Savings | 2,578 | |
| Total | 3,339 | 107 |

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 be properly counted as an efficiency. A high level approach to verifying this has been taken.
- 5.2 The Council has been developing Service Performance Scorecards that identify KPIs for each service. The information for the performance scorecards is drawn from the Council's management system. A snapshot of the KPIs has been taken as at March 2009. The KPIs represent the success measures for ongoing service delivery in important areas of the Councils business. On this basis they can be assumed to represent quality and delivery in key service areas. The KPIs are classified as red, amber or green where green represents on target, amber is off target and red is significantly off target. If the KPIs are predominately classed as green then this indicates the standards for service quality and delivery are being achieved.
- 5.3 As at March 2009, out of 43 KPIs, 31 were green, 5 were amber and 7 were red. This indicates that service quality are at the standards specified in the service plan and on this basis the efficiency savings have not had a negative impact on service delivery.

6. KEY AREAS TARGETED FOR 2009-10

- 6.1 As part of the budget process for 2009-10, departments were asked to identify how they would contribute to the efficiency savings target and prepare schedules showing proposals for efficiency savings. The Council have introduced performance scorecards and the efficiency savings are incorporated into these scorecards. The scorecards will be used to monitor the efficiency savings identified at the beginning of the year and these will be reported in next years annual efficiency statement. Other areas that are being targeted for efficiencies are noted below.
- 6.2 The Council has developed a Carbon Management Plan which identifies significant

opportunities for the Council to reduce its carbon footprint and also achieve efficiency savings. The efficiencies will be achieved through a combination of improved heating systems, insulation, reduced power consumption, recycling and reduced travel. A total investment of £2.7m is envisaged with an eventual payback of £793,000 per annum and pay back of investment in 4.7 years. All proposals in the plan will be supported by a business case before implementation.

- 6.3 Procurement and Contract Management was one of the opportunity themes coming out of the National Shared Service Diagnostic Project to take forward the Process for Change project. A high level design report was presented to Council in March 2009 and it was agreed to go to progress with implementation. The net benefit over the next five years is expected to be:

| Year | Net Benefit £ | Annual Increment efficiency Saving £ |
|---------|------------------|--|
| 2009/10 | 1,000 | 1,000 |
| 2010/11 | 303,650 | 302,650 |
| 2011/12 | 566,300 | 262,650 |
| 2012/13 | 708,250 | 141,950 |
| 2013/14 | 863,200 | 154,950 |
| 2014/15 | 863,200 | 0 |

- 6.4 Two further opportunity themes coming out of the National Shared Service Diagnostic project are Workforce Deployment and Customer Management. High level design reports were presented to Council in March and it was agreed for these to move into the detailed design phase due to be complete by November 2009.

- 6.5 The Council is establishing an annual programme of service reviews with a third of the budget being reviewed each year for the next three years. (First tranche commenced in June 2009.) This will be driven by annual reviews that consider the performance, budget, risk, competitiveness, customer engagement and future challenges of services. This approach will be the main driver of identifying budgetary savings. Whilst some savings will come from prioritisation a key feature of this process will be identifying efficiency savings. Savings targets for the following five years are outlined below:

| Year | % Savings Total Budget | % Savings Year Review | Incremental Target Saving £ |
|---------|---------------------------|--------------------------|--------------------------------------|
| 2010/11 | 1.3% | 4.0% | 2,817,350 |
| 2011/12 | 1.2% | 3.7% | 2,583,733 |
| 2012/13 | 1.4% | 4.1% | 2,903,090 |
| 2013/14 | 0.9% | 2.8% | 1,977,023 |
| 2014/15 | 1.3% | 3.8% | 2,625,762 |

7. CONCLUSION

- 7.1 The Council has made significant progress in addressing the Efficiency Government agenda and has achieved significant efficiency savings to date. Appendix 1 summarises that the Council achieved £3.339m cashable savings during 2008/09.
- 7.2 Arrangements are in place to monitor and report on progress with efficiency savings and the links have been put in place between the Efficiency Savings Plan and Planning and Performance Management Framework and Performance Scorecards.
- 7.3 The Council is acutely aware of the tight financial settlements ahead and are taking steps to actively progress with medium to long term options for efficiency in order to meet the financial pressures.

8. APPROVAL

- 8.1 This Annual Efficiency Statement for 2008-09 has been approved by:

Sally Loudon
Chief Executive

Dick Walsh
Council Leader

9. PUBLICATION

- 9.1 This Efficiency Statement will be published on the Council's website.

APPENDIX 1

ARGYLL AND BUTE COUNCIL - EFFICIENCY GAINS 2008-09

| Theme | Description of Efficiency Measure | Cashable £000 | Non- Cashable £000 | Impact on Service Delivery |
|--------------|---|------------------|--------------------------|---|
| AM | Energy Efficiency Measures | 40 | | No impact on service delivery by introducing the energy efficiency measures. |
| AM | Office Accommodation | 50 | | Reduction in Costs - no impact on service delivery. |
| AM | Vehicle Satellite Tracking | 35 | | Reduction in Fuel costs - no impact on service delivery. |
| AM | Water Efficiency | 65 | | Reduction in Costs - no impact on service delivery. |
| PR | Heavy Vehicles Contract | 35 | | Reduction in Costs - no impact on service delivery. |
| PR | Landline and Mobile Phones | 150 | | Reduction in Costs - no impact on service delivery. |
| PR | Light Vehicles Contract | 50 | | Reduction in Costs - no impact on service delivery. |
| PR | Microsoft Enterprise Agreement | 24 | | Reduction in Costs - no impact on service delivery. |
| PR | Procurement of PCs and Laptops | 120 | | Reduction in Costs - no impact on service delivery. |
| PR | Procurement savings using Pecos | | 107 | Time releasing saving achieved through using Pecos. |
| PR | Scotland Excel Procurement | 132 | | Reduction in Costs - no impact on service delivery. |
| PR | Stationery and Office Supplies Contract | 60 | | Reduction in Costs - no impact on service delivery. |
| O | 0.5% Saving from Cost Centre/Service Reviews | 1,000 | | Reduction in Costs - no impact on service delivery. |
| O | 0.5% Vacancy Savings | 424 | | Management of vacancies whilst service levels maintained. |
| O | Customer Contact Centre | 81 | | Reduction in costs due to Customer Contact Centre - no adverse impact on service delivery. |
| O | Growth in Telecare clients | 42 | | Increased use of service, therefore, increased income with no increase in admin/management costs. |
| O | Homeless Accommodation | 176 | | Reduction in Costs - finding cheaper and more suitable alternatives. |
| O | Removal of General Provision for Inflation | 774 | | Reduction in Costs - no impact on service delivery. |
| O | Waste diverted from landfill resulting in saving in landfill tax. | 81 | | Reduction in Costs - no impact on service delivery. |
| TOTAL | | 3,339 | 107 | |

Theme:

PR: Procurement; WP: Workforce Planning; AM: Asset Management; SS: Shared Services; SB: Streamlining Bureaucracy; O: Other