

To: POLICY & RESOURCES (FINANCE) SUB-COMMITTEE		Subject: EFFICIENT GOVERNMENT
From: DIRECTOR OF FINANCE		
Date: 19 January, 2005	Ref: AC/CP	

1. Introduction

- 1.1 The thrust of the Scottish Efficient Government initiative results from the independent review of public sector efficiency charged by the Prime Minister and Chancellor Gordon Brown and conducted by Peter Gershon for England and Wales. Gershon published his report in July 2004 "Releasing Resources to the Frontline" and it focused on six broad areas of public sector efficiencies, identifying efficiency savings that could be made in the 2004 Spending Review period.
- 1.2 Further to this, the Scottish Executive announced that there would be Scottish Efficient Government targets, focusing on savings made by moving resources from backroom to frontline services. A target of £500m recurring savings by 2008 and £1b by 2010 was set in June 2004, to be achieved across the whole of the public sector.
- 1.3 Since the announcement of the headline Spending Review figures in September, we have been expecting the publication of the Efficient Government Plan from the Executive "Building a Better Scotland. Efficient Government – Securing Efficiency, Effectiveness and Productivity" was published by the Executive on 29 November 2004.

2. The Scottish Efficient Government Plan

- 2.1 The document emphasises a focus on joining up across the public services to realise efficiencies in accommodation, support services and purchasing and identifies two types of efficiency savings, those of "cash releasing" and those of "time releasing". Cash releasing efficiency examples refer to money saved by better procurement arrangements, whilst a time releasing efficiency the staff time saved by example, streamlining bureaucracy and the improved management of sickness and absence.
- 2.2 The Plan states that the savings target has been increased from £500m to £745m to be made across the whole of the public sector by 07/08 and this might even be increased to £900m, as initial work done by the Executive indicates that this is quite likely to be achievable. These figures refer to cash savings only. The Executive have also indicated that "time releasing" savings will require to be made but no figure has been identified yet.

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2.3 The Plan details the following five work streams:

- 2.3.1 Procurement – this is about increasing collective buying power and maximising purchasing power through the use of eProcurement systems and increasing the skills and expertise we have in the area of procurement.
- 2.3.2 Managing Absence – all public sector organisations are expected to have effective strategies for the management of sickness and absence and assistance and support for staff to return to work.
- 2.3.3 Asset Management – this includes arrangements to reduce maintenance costs, active disposal policies, long term planning and joining up of estate management across the public sector.
- 2.3.4 Shared Support Services – this includes savings made by the sharing of services such as payroll, HR, IT and Finance.
- 2.3.5 Streamlining Bureaucracy – whilst public bodies should be accountable, the monitoring arrangements should not duplicate one another nor obstruct innovation. This aspect includes the three components of scrutiny (to include joint inspection), planning (to develop plans that don't overlap or duplicate) and performance monitoring.

3. **Efficient Government Fund**

- 3.1 A £60m Efficient Government Fund has been established with an invest to save emphasis, based on partnership proposals. It is a two-stage application process including three deadlines for stage one applications in January, March and July 2005.
- 3.2 For North Lanarkshire this work has been developed principally through the Clyde Valley Chief Executives Forum, working closely with Directors of Finance. Following consideration of this matter two initial submissions have been made to the fund in relation to Procurement Excellence and Non Domestic Rates collection. At this stage the submissions represent an expression of interest and following consideration by the Scottish Executive of all bids may be developed into a full business case examining all of the costs, benefits, risks and wider implications of the proposals.

4. **Financial Implications**

My report to Committee on 9 November set out that across local government savings would be required of 2% over the three year spending review period and that circa £250 million would be directly from local government. This comprises three main elements, firstly, the headline figures in the financial settlement are after a reduction of 0.7% pa for three years amounting to £170m, secondly national reductions achieved in supporting people, common Police and Fire Service efficiency gains of £37m, and thirdly £40m savings resulting from investments by the Efficient and Modernising Government Funds. Over and above this local government would be required to contribute to savings in procurement of some £80m.

5. **Conclusions**

The report provides a summary of the key issues arising from the Efficient Government Initiative and the financial impact on local government.

6. **Recommendation**

It is recommended that Committee:

- (i) Notes the announcement of the Efficient Government Initiative
- (ii) Notes the arrangements for the Efficient Government Fund



Director of Finance