

## EFFICIENCY SAVINGS: GUIDANCE & ANNUAL REPORTING TEMPLATE

### Efficiency Definition

Ministers have stated that they expect every public body<sup>1</sup> to deliver efficiency savings of at least 3% per annum in and to report publicly on the actions taken and the results achieved.

The efficiency expectation does not result in any change to allocated budgets, but will help public bodies to offset cost pressures and live within the budget allocations they have been given, helping to protect services from the full impact of the budget cut.

In the current economic situation, the emphasis needs to move from a process focused, centrally managed efficiency programme to one which allows public bodies to demonstrate how, and to what extent, they have used efficiencies to protect quality and level of services and maintained outputs and outcomes in the face of budget cuts. We have therefore developed a simplified definition of efficiency:

#### Efficiency definition

*Where a body manages to deliver services or functions that can be shown to result in a broadly similar (or improved) level of outcome or output for a lower unit input than previously, an efficiency saving has been made.*

*The amount saved is the difference between the previous unit cost and what is now spent to deliver the outcome.*

Efficiencies are achieved by delivering the same results at a reduced unit cost which may be demonstrated by delivering the same outcomes or outputs for a reduced input. This may allow the resources freed up, whether financial, staff time, or infrastructure assets to be used for other services. Delivering an increased volume of service for the same cost also demonstrates a reduced unit cost and, by definition, constitutes an efficiency.

Efficiency savings are measured and expressed in cash terms and should be supported by auditable evidence to demonstrate they have not resulted in service cuts.

### Reporting Requirements

There is no requirement to set out formal Efficiency Delivery Plans as with previous programmes and responsibility for monitoring and reporting progress will lie with organisations themselves.

For audit and accountability purposes however, public bodies will need to publish an end-year report and to ensure consistency within Scottish Government and across public bodies, a proforma is attached.

Supplementary guidance on specific types of efficiency and examples of good practice are available on the Scottish Government Internet site at: [www.scotland.gov.uk/Efficiency2011-12](http://www.scotland.gov.uk/Efficiency2011-12).

### Efficiency – Checklist for Good Practice

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<sup>1</sup> In relation to reporting efficiencies, 'public body' means an organisation, such as a public authority, public body or public sector organisation which receives funding from the Scottish Government.

Improving efficiency and productivity requires strong leadership and engagement from the top of organisations. Audit Scotland has developed a good practice checklist to help public bodies check their approach to efficiency, available at:

[http://www.audit-scotland.gov.uk/utilities/search\\_report.php?id=1341](http://www.audit-scotland.gov.uk/utilities/search_report.php?id=1341).

The checklist provides a series of questions about good practice organised under three key elements to securing greater efficiency and productivity:

1. Adopting a priority-based approach to budgeting and spending
2. Improving information on productivity, service quality and performance
3. Improving collaboration and joint working to deliver efficient and user-focussed services

This checklist is to help board members, elected members and senior managers to check, challenge, monitor and support their organisations in delivering efficiency and productivity improvements. By using the checklist leaders in public bodies may assess and reflect on their approach to efficiency, with the aim to promote improvement and facilitate detailed review

Completing the checklist is not a formal audit requirement – the emphasis in the checklist is on informed self-assessment. But it is open to public bodies to use the checklist as a matter of good practice, to assess the organisation's development and to challenge and if need be improve existing arrangements. Using the checklist in this way may also help to inform the work needed to meet the duty on all public bodies to publish information each year on the steps taken to improve efficiency, effectiveness and economy.

### **The Public Services Reform (Scotland) Act 2010**

Section 32 of the Public Services Reform (Scotland) Act 2010 requires each public body listed in Schedule 8 of the Act to publish a self-standing statement of the steps it has taken in the previous financial year to improve efficiency, effectiveness and economy in the exercise of its functions. While Schedule 8 bodies that do not receive Scottish Government funding do not need to complete the template, they may find it helpful in discharging this duty.

Further detail can be found in the published guidance "Public Services Reform (Scotland) Act 2010: Duties on Public bodies to Provide Information" at:

<http://www.scotland.gov.uk/Topics/Government/public-bodies/pubs>.

**CONFIRMATION OF EFFICIENCIES DELIVERED (INSERT DATE)**

1	Organisation Name	E.g.....SEPA
2	Responsible Director General	E.g.....DG Enterprise and Environment
3	Total cash efficiency achieved	
4	Efficiency achieved as percentage of DEL baseline (or Grant in Aid)	
5	<p>Summary of efficiency activity e.g.</p> <ul style="list-style-type: none"> <li>the main initiatives the organisation has taken over the year to ensure a strategic approach to increased efficiency and productivity and the improvements achieved in these areas.</li> <li>the main information that the organisation uses to assess productivity, service quality and performance and how the scope, usefulness or reliability has been improved during the year.</li> <li>specific steps the organisation has taken during the year to improve collaboration and joint working to deliver efficient and user-focussed services and the improvements achieved.</li> </ul>	<p>e.g....3% efficiencies across all NHS Health Boards</p> <p>.....improved financial management within an organisation, reducing operational costs</p> <p>.....business improvement/redesign work, co-location and sharing services</p> <p>.....savings delivered across schools through national schools intranet, Glow</p> <p>.....new procurement arrangements to deliver lower priced supplies/utilities etc</p>
6	How have savings been applied?	e.g. to maintain outputs/outcomes to mitigate impact of budget cut or cost pressures
7	<p>Breakdown of efficiency saving by Procurement, Shared Services or Asset Management</p> <p>(only where relevant – not all efficiencies will fall into these categories, so the figures here do not have to match the overall total.</p>	Procurement =
		Shared Services =
		Asset Management =
8	Evidence: What performance measures and/or quality indicators are used to ensure that efficiencies were achieved without any detriment to services?	<p>e.g.....customer/stakeholder surveys</p> <p>.....monitoring of agreed qualitative indicators</p> <p>.....established performance assessment measures/KPIs etc</p>

I confirm that the efficiencies delivered for the year **(INSERT DATE)** are as detailed in the above table and I am satisfied that the efficiencies identified fall within the published definition.

**Signed** ..... **(Accountable Officer)**

**Date** .....

## CONFIRMATION OF EFFICIENCIES DELIVERED (INSERT DATE)

### Notes on completing template:

#### Measuring efficiencies

The baseline against which percentage efficiency savings will be measured is 2010-11 DEL (resource and capital). For public bodies, this equates to a percentage of total 2010-11 Scottish Government grant.

#### Breakdown of efficiency

While efficiencies may be generated through a variety of means, such as business process improvement, absence management, pay restraint, Ministers have made clear the importance that procurement, shared services and asset management have in delivering increased efficiencies (and public bodies listed in the Public Services Reform Act have a duty to report specifically on the first two categories). For clarity we have defined each term below:

Where it is not possible to provide a quantifiable cash saving attributable to shared services, asset management or procurement, bodies may wish to consider instead a short statement outlining the measures and steps they are taking to improve their effectiveness and to deliver maximum economy in these areas.

#### Shared Services

The convergence or streamlining of similar functions within or across organisations to ensure they are delivered as efficiently as possible. A shared service function would include a common set of agreed business processes, shared staff and common technology. Examples include the sharing of HR/Payroll functions, sharing office premises and facilities management across organisations, sharing of IT services, sharing customer contact through single contact centres and sharing through participating in collaborative contracts for service provision.

#### Asset Management

The more effective use of our estate, by which we largely mean physical assets such as land and buildings but also including IT and vehicles. Examples include efficiencies gained through asset disposals including subsequent reductions in ongoing maintenance, lease negotiation, improved asset maintenance including vehicle maintenance etc. Examples would *not* include savings from the running costs of an organisation whose primary purpose is the management of land or assets if the savings were not directly relating to a specific asset.

#### Procurement

The improvement in buying decisions and processes to reduce costs. Savings can be achieved through procurement activity, for instance collaborative contracts, eProcurement or bulk contracts and include savings made on large projects, e.g. major infrastructure projects. These could be negotiated by the organisation itself or by the relevant Centre of Procurement Expertise (e.g. CGCoPE, Procurement Scotland). Procurement savings can also, importantly, be delivered through buying less – such decisions fall to all those who make buying decisions. Centres of Procurement Expertise may be able to assist individual organisations in their identification of the level of savings collaborative contracts have delivered. Procurement savings can be generated in any part of the organisation, and the total claimed should be produced in conjunction with the organisation's head of procurement to ensure parity with the recording of savings as part of the procurement reform programme (Procurement teams report Best Practice Indicators (BPIs), including savings, into the Scottish Procurement Information Hub). Regardless of the source of a saving, the benefit counts against the budget holder's area of responsibility. You will be expected to confirm that the figures for procurement which you report have been cleared and agreed with those responsible for procurement on behalf of your respective organisation, and that the figures match those reported against procurement BPIs.

#### Quality & performance measures

It is recognised that public bodies will use a variety of methods to monitor their performance, such as KPI monitoring, customer satisfaction surveys, EFQM, etc. However, where possible performance should also be reported against National Outcomes.

- *Single Outcome Agreements (SOAs) embody how local partners across Scotland take forward our outcomes-based approach. In SOAs, Local Authorities and Community Planning Partnerships set out the local outcomes they plan to achieve, responding to local needs and priorities. These local outcomes contribute to the delivery of the Government's Purpose and National Outcomes*
- *Public bodies contribute directly to the Government's Purpose through the 15 National Outcomes, progress towards which is measured against the 11 High Level Purpose Targets and 45 National Indicators.*