

# Report

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Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>13 November 2012</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Efficiency Statement 2011/2012</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide the Risk and Audit Scrutiny Forum with summary information relating to the Council's Efficiency Statement for 2011/2012.

## 2. Recommendation(s)

2.1. The Forum is asked to note the following:-

- (1) that the details within the Efficiency Statement are noted as reflecting Efficiency Savings for 2011/2012 across all Resources totalling £27.148M.
- (2) that Efficiency Savings totalling £13.866M are presented over the headings of Procurement, Shared Services and Asset Management.
- (3) that the Council's Efficiency Statement 2011/12 was submitted to CoSLA in August 2012; and
- (4) that CoSLA takes responsibility for the onward submission of the Council's statement and those of the other Scottish councils to the Scottish Government for its consideration

## 3. Background

- 3.1. Efficient Government is a concept South Lanarkshire Council has been committed to for many years. Since 2006/2007, the Scottish Government has required councils to publish an annual Efficiency Statement. The aim of these statements is to add to local accountability around the efficiency process and contribute to the sharing of best practice.
- 3.2. Continued financial pressure and increased focus on changing the way that services are delivered make the identification and delivery of efficiency savings even more vital. A broadly static Government grant requires the Council to ensure that the efficiency savings programme is core to the financial strategy. Looking forward, the Council's Revenue Budget Strategy for 2013/2014 indicates the level of savings, including efficiency savings, required to balance the budget, minimise the impact on the delivery of front line services and meet Council objectives.
- 3.3. The Efficiency Statement for 2011/2012 is South Lanarkshire Council's sixth Efficiency Statement under the requirements of the Scottish Government's Efficient Government initiative.
- 3.4. In April 2012, CoSLA issued revised guidance for completion of the Efficiency Statement. CoSLA advised that this followed on from guidance issued by the Scottish Government which greatly simplified the level of detail for reporting

efficiencies and which at the same time, stressed the importance of reporting which demonstrates how bodies have used efficiencies to maintain outputs and outcomes in the face of budget cuts. As a result of the guidance from the Scottish Government, CIPFA Directors of Finance agreed that the level of reporting to CoSLA should be streamlined to reflect the new light touch approach from the Government. Consequently, the Council's statement has now been prepared based on the revised CoSLA guidance and definition of efficiency, which is:

- 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 than previously, an efficiency has been made. The amount saved is the difference between the previous unit cost and what is now spent to deliver the outcome.

3.5. The savings presented in the Efficiency Statement do not exactly reflect the savings target agreed to be delivered by Resources as part of the 2011/2012 budget process. The 2011/2012 savings target of £25.137M presented to Executive Committee in February 2011, included savings which do not meet the definition above. The headings that savings were reported to Committee under were:

- Agreed formal reviews
- Income
- Outturn and efficiency
- Reduction or removal
- Review started
- Notional savings

Review of the detail within these headings was undertaken, to ensure that only those that met the definition referred to above were considered in respect of reporting in the Efficiency Statement. Therefore, those that were not considered a 'true' efficiency were not taken forward for inclusion in the Statement for 2011/12.

3.6. The process of bringing together the Efficiency Statement for 2011/12 has also confirmed that Resources have delivered additional efficiency savings for the year (which were not included in the original savings figures) and these have been included within the Efficiency Statement. These additional savings are reflected in the Council's final financial outturn position for 2011/12. The initial savings target of £25.137M has been monitored throughout the year by Finance Services.

#### **4. Efficiency Statement Detail**

4.1. The April 2012 revised Cosla guidance changed the requirements for the content of the Efficiency Statement and gave an outline of the format the statement (referred to as Annex A) should take. The guidance has been used when considering the detail to be included for the Council.

4.2. The revised guidance aimed to make the Efficiency Statement a more 'light touch approach' with the emphasis placed on how local authorities have 'used efficiencies to protect quality and level of services and maintained outputs and outcomes in the face of budget cuts'.

4.3. Having taken account of the revised guidance, the Efficiency Statement returned by the Council is less detailed than previous years, and for the first time makes use of the prescribed template. The notes below provide an indication of how the template has been completed :

- This year's requirement is a template termed 'Confirmation of Efficiencies Delivered'. This is referred to as 'Annex A' and is included within this report.
- **In Annex A the total efficiency figure of £27.148M** for the Council is noted at point 2.
- **Whilst the total figure reported for 2011/2012 is £27.148M, this is comprised of £23.973M cash efficiencies and £3.175M in non cash efficiencies.**
- Under points 3 and point 5 of Annex A, councils are required to provide a broad explanation of initiatives in respect of their strategic approach to efficiency. The narrative is required to be supported by auditable evidence to demonstrate that claimed efficiency savings have not resulted in service cuts, although specific details of efficiency savings and supporting evidence are not required to be included in the template.
- Under point 4 of Annex A, councils are asked to provide a breakdown by the three categories, if they consider it relevant to do so. South Lanarkshire Council continues to collect evidence under these headings, therefore figures are shown in its return. **Procurement is reported as £2.778M, Shared Services £0.191M and Asset Management of £10.897M.**
- The Council, as lead authority for Lanarkshire Valuation Joint Board (LVJB), is required to include the Board's efficiency savings within the total efficiency figure. This is noted at Point 3 of Annex A. **The figure of £0.379M is included for LVJB within the total figure of £27.148M.**

4.4. Further to the explanation at paragraph 3.4 above regarding savings headings relevant in terms of efficiency, an exercise was undertaken to identify those efficiencies, included within the 2011/2012 savings figure of £25.137M, which should be included in the Efficiency Statement. These amounted to £12.313M being included within the final version.

4.5. This figure of £12.313M was further increased to take account of additional cash efficiency savings of £11.660M and non cash efficiency savings of £3.175M. This brings the overall total of efficiency savings included within the statement to £27.148M. For information, the Forum is advised that the additional cash efficiencies figure of £11.660M is made up of the elements shown in Table 1 below.

Table 1 – Additional cash efficiency savings

Saving	£m
Sale of land/buildings	9.517
Loan Charges	1.499
Lanarkshire Valuation Joint Board	0.052
Additional Efficiency Savings (Resources)	0.592
Total	11.660

4.6. Efficiencies generated by Resources (£0.592m) during the year, which were not included in the savings targets at the beginning of the year, have contributed towards the Council's General Fund Reserve at the end of 2011/2012 and will contribute towards 2012/2013 savings as appropriate.

4.7. The figure for non cash efficiency savings of £3.175M includes additional procurement efficiencies savings of £1.956M which relate to cost avoidance, i.e. savings in respect of utility costs where procurement contract arrangements limit the impact of price increases.

4.8. A copy of the completed Efficiency Statement (termed Annex A by Cosla) is included within this report.

4.9. The Council is not complacent and recognises that there is an ongoing requirement to demonstrate efficiency. Indeed, continuous improvement is a key principle of Best Value.

4.10. The 2011/2012 statement has been prepared with the support of all Resources which continue to ensure sound evidence is available to support savings presented in the statement and Executive Directors are in support of the content.

## **5. Submission of Statement**

5.1. The Council's Efficiency Statement was submitted to CoSLA, as required, by the due date of 24 August 2012. CoSLA then takes responsibility for reporting information on all 32 councils to the Scottish Government. This will demonstrate the significant contribution being made by this part of the public sector to the achievement of the Scottish Government efficiency targets.

## **6. Employee Implications**

6.1. There are no employee implications.

## **7. Financial Implications**

7.1. There are no financial implications relating to completion of the statement. However, there is an ongoing commitment in terms of budget strategy and financial and planning frameworks.

## **8. Other Implications**

8.1. The main risk associated with the completion of the statement is that efficiencies are not recognised. This could either be through lack of evidence or non achievement. This risk is mitigated by completion of Efficiency Technical Notes (ETNs) by Resources in support of submissions. These include detailed evidence, whilst continual budget monitoring should ensure full value recognition of efficiencies.

## **9. Equality Impact Assessment and Consultation Arrangements**

9.1. There is no requirement to carry out an impact assessment in terms of the information contained within this report.

9.2. The statement has been prepared based on detailed consultation with individual Resources.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

25 September 2012

## **Link(s) to Council Values and Objectives**

♦ Value: Accountable Effective and Efficient

## **Previous References**

♦ Risk and Audit Scrutiny Forum (29 September 2011) Efficiency Statement - 2010/11

## **List of Background Papers**

♦ COSLA Guidance

♦ Efficiency Statement Performance Information for Resources

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Heather McNeil, Head of Audit and Improvement Services

Ext: 5915 (Tel: 01698 455915)

E-mail: [heather.mcneil@southlanarkshire.gov.uk](mailto:heather.mcneil@southlanarkshire.gov.uk)

## CONFIRMATION OF EFFICIENCIES DELIVERED IN 2011-12

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		<p>Outcome Agreement, the South Lanarkshire Partnership Board agreed the development of a number of Partnership Improvement Plans which encompass the local indicators and targets not contained within strategic high level SOA, to ensure that local indicators are progressed and reports. The SOA has itself made a significant impact in relation to the operation and focus of community planning.</p> <p>The Council is the lead authority for the Lanarkshire Valuation Joint Board (LVJB). It can therefore be noted that the Council efficiencies figure of £27.148m reported for 2011/12 includes efficiencies generated in the year by the LVJB which total £0.379M.</p>
4	<b>Breakdown of efficiency saving by Procurement, Shared Services or Asset Management £'000</b> (only where relevant – not all efficiencies will fall into these categories, so the figures here do not have to match the overall total.	Procurement = £2.778M
		Shared Services = £0.191M
		Asset Management = £10.897M
5	<b>Evidence:</b> What performance measures and/or quality indicators are used to ensure that efficiencies were achieved without any detriment to services?	A variety of performance measures have been reviewed and analysed to confirm that efficiencies has been delivered without any detrimental effect to services. These include KPIs and SPIs, the Customer Complaints process, SLA monitoring, continued achievement of Customer Excellence Awards, achievement of national targets, level of service standards maintained, Customer Satisfaction surveys, Care Commission reviews, Social Work Inspection Agency reviews and HMIE report results.

Signed ..... (Chief Executive or equivalent)

Date .....