

# Highland Council

25 June 2009

Agenda Item	
Report No	

## Annual Efficiency Statement 2008/09

### Report by Depute Chief Executive and Director of Finance

#### Summary

This report sets out the Council's Annual Efficiency Statement (AES) for 2008/09.

#### 1 Introduction

1.1 This report is produced in support of the Council's corporate governance process, which in turn is designed to support/augment the Council's overall/corporate delivery of all of its obligations in terms of the Single Outcome Agreement.

1.2 It also supports the following objective from the Council's programme, "Strengthening the Highlands " :

*"We will continue to pursue best value for our residents and service users, seeking efficiencies in the way we work and continuously review the Council's spending programmes. We will modernise our services to achieve an annual 2% efficiency savings target."*

1.3 Scottish Councils are required to publish Annual Efficiency Statements to demonstrate the efficiency gains delivered each year. The Highland Council 2008/09 AES, which is appended to this report, has been prepared in accordance with the COSLA guidance "Efficient Government Reporting – Framework for Local Authorities in Scotland". COSLA has asked for all 2008/09 AESs to be submitted by 31 July 2009 in order that an amalgamated local government efficiency return may be made to the Scottish Government by the end of August.

#### 2 2008/09 Efficiency Savings

2.1 For the period 2008/09 to 2010/11 the Scottish Government set an efficiency savings target of 2% per annum across all areas of the public sector. The Council's assumed share of this target for each of the three years is £8.0m.

2.2 The Council has achieved this target in 2008/09, with total efficiency savings of £8.201m, of which £5.875m are recurring. Details of the efficiency savings are contained in Appendix 1 of the AES.

**Recommendation**

The Council is asked to consider this report and agree the Annual Efficiency Statement for 2008/09.

Signature:

Designation: Depute Chief Executive and Director of Finance

Date: 11 June 2009

Author: Alison McDonald, Principal Accountant

Author's Telephone No.: 01463 702410



**2008/09**  
**Annual Efficiency**  
**Statement**

## The Highland Council 2008/09 Annual Efficiency Statement

		Page
<b>Section 1</b>	<b>Introduction</b>	<b>1</b>
<b>Section 2</b>	<b>Background</b>	<b>1</b>
<b>Section 3</b>	<b>Key Areas</b>	<b>4</b>
	<i>Corporate Improvement Programme</i>	
	Procurement	5
	Asset Management	6
	Customer Engagement & Assessment	7
	Business Support	9
	Mobile & Flexible Working	9
	Information Management	10
	Transport	10
	Human Resources	10
	Income Generation	11
	ICT Strategy	11
	Shared Services	12
<b>Section 4</b>	<b>Efficiency Gains 2008/09</b>	<b>14</b>
<b>Section 5</b>	<b>Verification of Efficiency Gains</b>	<b>14</b>
<b>Section 6</b>	<b>Efficiency Gains 2009/10 and Beyond</b>	<b>15</b>
<b>Section 7</b>	<b>Conclusion</b>	<b>16</b>
<b>Section 8</b>	<b>Approval</b>	<b>16</b>
<b>Appendix 1</b>	<b>Summary of Efficiency Gains 2008/09</b>	<b>17</b>

The 2008/09 Annual Efficiency Statement is produced in support of the Council's corporate governance process, which in turn is designed to support/augment the Council's overall/corporate delivery of all of its obligations in terms of the Single Outcome Agreement. The statement, which been prepared in line with the Efficient Government Reporting Framework for Local Authorities in Scotland, describes the main projects and activities within the Council's efficiency programme and provides details of the efficiency gains of £8.201m which have been achieved in financial year 2008/09.

# The Highland Council

## 2008/09 Annual Efficiency Statement

### 1 Introduction

1.1 The Council's programme, "Strengthening the Highlands - Programme for the Highlands 2009 – 2011", includes the following objective :

*"We will continue to pursue best value for our residents and service users, seeking efficiencies in the way we work and continuously review the Council's spending programmes. We will modernise our services to achieve an annual 2% efficiency savings target."*

1.2 The commitment to efficiency is also included in the Single Outcome Agreement 2, agreed at Council on 2 May 2009, between the Council, in association with its community planning partners, and the Scottish Government. The local outcome "Public services are delivered effectively, efficiently and jointly" links to the national outcome "Our public services are high quality, continually improving, efficient and responsive to local people's needs".

1.3 The 2008/09 Annual Efficiency Statement provides the opportunity to report on the progress made in the Council's efficiency programme during 2008/09, to quantify the efficiency gains which have been delivered and to outline future developments.

1.4 Section 2 of this statement provides background information on the efficiency targets and the Council's efficiency strategy. Section 3 describes the Council's main efficiency projects and activities. The actual efficiency gains for 2008/09 are detailed in Section 4 while Section 5 deals with the verification of efficiency gains. The 2009/10 position and the longer term outlook are covered in Section 6.

1.5 The Annual Efficiency Statement has been prepared in accordance with the COSLA guidance "Efficient Government Reporting – Framework for Local Authorities in Scotland". Throughout the statement, references to efficiency gains comply with the following definitions:

- Cashable Efficiency : Achieving the same or a higher level of output on a lower input
- Non-Cashable Efficiency : Achieving a higher level of output on the same input

### 2 Background

#### 2.1 Efficiency Targets and Savings 2005/06 to 2007/08

The former Scottish Executive's Efficient Government Plan, issued in November 2004, set out targets to be achieved over the three years to 2007/08 for cash efficiency gains and time-releasing (or non-cash) efficiency gains of £745m and £300m respectively. Local government's share of the cash efficiency target was £325m, with £168.3m being top-sliced from the funding settlement for the three year period. The table below illustrates that, for each of the three years 2005/06 to 2007/08 the Council achieved cash efficiency savings well in excess of its

share of the efficiency targets.

Year	Highland Council Efficiency Savings Target £m	Highland Council Efficiency Savings Achieved £m
2005/06	2.449	3.690 *
2006/07	2.681	6.520
2007/08	2.559	7.620
Total	7.689 **	17.830

\* Annual Efficiency Statement not required in 2005/06 but efficiency savings were reported via COSLA's Efficient Government survey

\*\* The original local government target for cash efficiency savings of £325m was subsequently increased to £400m as a condition of the additional capital grant for 2007/08. The Council's share of this increase can be assumed to be approximately £3.5m, resulting in a revised target of approximately £11.2m for the three year period

## 2.2 Efficiency Targets 2008/09 to 2010/11

For the period 2008/09 to 2010/11 the Scottish Government set an efficiency savings target of 2% per annum across all areas of the public sector. Under the terms of the Concordat between Local Government and the Scottish Government, there has been no top-slicing of efficiency savings from the local government settlement. Local authorities can therefore retain their efficiency savings to address ongoing pressures and to reinvest in local priorities.

2.3 The Scottish Government's Efficiency Delivery Plan for 2008/11, published in May 2008, confirmed that the 2% local government cashable efficiency target equated to £174.7m per annum. The Council's assumed share of this target for each of the three years, based on its share of total estimated expenditure across Scottish local authorities, is £8.0m.

2.4 In the 2009 UK Budget Report, the Chancellor announced additional efficiency savings of £5bn for 2010/11. At this stage it is not clear how this will impact on the Scottish local government 2% efficiency target for the final year of the current settlement period.

## 2.5 Efficiency Strategy

In response to the former Scottish Executive's efficiency agenda and to the increasing level of savings required to balance the budget, an initial Efficiency Strategy was formally approved by Council in September 2005. This strategy stressed the need to set clear targets, to identify efficiency proposals to meet these targets and to demonstrate the achievement of these proposals.

2.6 By 2006/07 the Council's various efficiency projects and activities, several of which pre-dated the national efficiency agenda, had been consolidated into the following six key areas to allow for a more focused approach :

- Procurement
- Customer First
- Other process improvement projects, including the use of ICT
- Restructuring
- Asset management
- Shared services

2.7 2008/09 has seen a further significant development in the Council's efficiency strategy. The 2007/08 AES described the Shared Services Diagnostic Project, and indicated that its desired outcome was a prioritised programme of efficiency projects which, going forward, would form a key part of the efficiency strategy. The Diagnostic Project ended in August 2008 with the production of 12 outline business cases for improvement and efficiency opportunities. The Council has decided that nine of these opportunities should be progressed as improvement projects under a new programme called the Corporate Improvement Programme (CIP). This major, council-wide initiative aims to increase customer and stakeholder satisfaction and achieve efficiency savings by :

- Making more productive use of the Council's property assets, reducing the amount of owned and leased buildings and the cost of maintaining these buildings
- Reducing the effort involved in serving customers and managing information
- Providing more responsive and effective services to customers
- Making more productive use of staff aligned to more efficient working practices
- Reducing the amount of travel undertaken and the associated costs
- Ensuring that appropriate revenue is generated against valued services
- Ensuring better exploitation and management of the Council's fleet
- Securing contracts at less cost
- Reducing rework, duplication and fragmentation
- Making information more accessible and its management less of a burden
- Reducing the amount spent on sub-contractors

2.8 A Programme Board, comprising the Senior Management Team and chaired by the Chief Executive of the Council, has been set up to oversee the Corporate Improvement Programme. Each of the nine component projects is led by a different member of the Board. The Assistant Chief Executive has responsibility for the programme, working in conjunction with the Depute Chief Executive and supported by the Corporate Improvement Team. This team, which is funded for two years from the Council's Spend to Save Fund, consists of a Programme Manager, five Project Managers, a Programme Support Officer and three Business Analysts.

2.9 The nine component projects of the Corporate Improvement Programme are :

- Procurement
- Asset Management
- Customer Engagement & Assessment
- Business Support
- Mobile & Flexible Working
- Information Management
- Transport
- Human Resources
- Income Generation

Detailed project plans have been developed for each project, covering the analysis, redesign, implementation and benefits realisation stages. For the majority of projects, it is anticipated that efficiencies will be generated from 2012/13.

- 2.10 Three of the efficiency key areas from paragraph 2.6 – Procurement, Customer First and Asset Management – can be directly aligned with individual projects within the Corporate Improvement Programme. The key area described as “Other process improvement projects, including the use of ICT” is being taken forward within various component projects eg Business Support, Mobile and Flexible Working etc and also within the Council’s ICT Strategy. Service and area restructuring has resulted in efficiency savings of £1.357m - £0.843m in 2007/08 and a further £0.514m in 2008/09. As the restructuring exercise was specific to the period 2006 to 2008, this former key area is not being continued as a separate project although further changes to area and service structures may result from the Corporate Improvement Programme. In previous AESs the “Shared Services” key area included both internal and external shared services projects. The main internal project was the “Shared Services Diagnostic Project” which resulted in the Corporate Improvement Programme. The external element of “Shared Services” is being taken forward as an efficiency area outwith the Corporate Improvement Programme.
- 2.11 Business Improvement Team (BIT)  
During 2008/09, the Business Improvement Team has been heavily involved in the Shared Services Diagnostic Project. It has also continued to support the Drummuie office rationalisation process, the water management project which developed from the Council’s staff incentive scheme and the administration of the Council’s salary sacrifice schemes.
- 2.12 Funding from the Spend to Save Fund for BIT ceased at the end of December 2008. Several of the members of BIT have been seconded, either on a short or longer term basis, to the Corporate Improvement Team. The experience gained from BIT projects can therefore be utilised within the Corporate Improvement Programme.
- 2.13 Budget Process  
As a result of the challenging financial environment, and significant cost pressures to be addressed, the actual level of savings required by the Council to balance its budget has, for each year since 2005/06, exceeded its efficiency target.
- 2.14 For 2008/09, the budget gap amounted to £12.8m. This gap was allocated between Services, with each Service being required to bring forward budget proposals to close its share of the gap. Within these budget proposals, efficiency savings were to be prioritised over budget cuts. A significant proportion of the budget savings agreed for 2008/09 met the definition of cashable efficiency gains as the intention was to achieve the same level of output for a lower input.

### **3 Key Areas**

- 3.1 As previously indicated, the Corporate Improvement Programme now has a central role in the Council’s efficiency strategy. This section therefore contains information on the nine CIP projects listed in paragraph 2.9. Activity in three of the CIP projects - Procurement, Asset Management and Customer Engagement - predates the programme itself. For these projects, both the progress made during 2008/09 and the planned future developments are described. The other CIP projects did not move out of their initial development stage until the end of

2008/09. The details for these projects in this AES are therefore confined to the project aims and projected benefits. Although the programme has been set up as nine individual component projects, there are clear links and relationships between these projects. It is probable that workstreams initially identified under one project heading will generate efficiency savings across several project areas.

3.2 The Council's ICT Strategy and various external shared services projects are also highlighted in this section. Although these projects are not part of the Corporate Improvement Programme, they continue to occupy a significant place in the Council's overall efficiency strategy.

### **3.3 Procurement**

3.3.1 The role of Procurement in the Council's efficiency strategy predates the Corporate Improvement Programme, as demonstrated by its inclusion in previous AESs. The focus of the Council's procurement policy is on strategic sourcing and e-procurement through the use of PECOS.

3.3.2 The Corporate Procurement Unit (CPU), initially set up in 2002 and then expanded in line with the recommendations of the 2006 McClelland Review of Public Sector Procurement in Scotland, has as its remit the procurement of all goods and services, with the exception of care commissioning and certain major projects for which dedicated project teams have been established.

3.3.3 Annual spending through the Council's e-procurement system, calculated on a rolling 12 month basis, reached £160m during 2008/09, which represents a major step forward in terms of achievement of best practice. Electronic tendering is now used in every tendering exercise managed by CPU, resulting in savings in paper and storage space, improved governance and additional time for bidders to work on their submissions.

3.3.4 Through its membership of Scotland Excel and Procurement Scotland, the Council benefits from increased economies of scale and the sharing of best procurement practice. The Council has participated in national contract arrangements for gas since April 2008 and for electricity since April 2009. Although it is not known what the prices of the energy contracts would have been without the national arrangements, it can be assumed that, during a period of rising energy prices, they have helped to reduce the Council's overall budget requirement for energy. Benchmarking of Scotland Excel contracts for bitumen products, early learning materials, personal protective equipment and clothing and various categories of schools supplies is currently underway and is expected to result in future efficiency savings within these areas.

3.3.5 The Corporate Improvement Programme aims to achieve efficiency savings in Procurement through :

- Increased contract spend versus non-contract spend
- Improved management information leading to better contract management which in turn will help inform and improve future tendering
- Controls and practices to review and reduce the amount of off-contract "maverick" spend
- Increased number of cross service/shared contracts

3.3.6 Many of the savings generated by the CPU represent avoided costs rather than cashable efficiency savings eg avoided energy costs. CPU efficiency savings of £0.136m included in Appendix 1 relate to contracts for office supplies, stationery and public notices and represent cashable savings which have been extracted from service budgets and used to address budget pressures elsewhere. Savings in respect of contracts for water saving devices, election printing, digitisation services and road salt are not included in the appendix due to a lack of reliable baseline information which can be used to quantify them. The other efficiency savings categorised under “procurement” in Appendix 1 relate to the procurement arrangements for day care services and the extension of the ICT contract.

### **3.4 Asset Management**

3.4.1 As with Procurement, Asset Management has been a part of the Council's efficiency strategy since before its inclusion in the Corporate Improvement Programme. The Corporate Asset Management Plan was approved in November 2007 and a budget of £170k per annum was allocated to establish an Asset Management Team. The team, set up in August 2008 and led by the Director of Housing and Property, consists of two Property Managers and an Asset Management Technician. Their work is assisted by professional colleagues within Housing and Property and further supported by external consultancy services.

3.4.2 During 2008/09, the projects and activities in which the Asset Management Team was involved include :

- Examination of the scope and integrity of the existing property database
- Benchmarking of key performance indicators with other authorities
- Review of common good assets
- Strategic review of existing TECS and Housing Maintenance depot accommodation in Inverness and Wick areas
- Design of weighted scoring system to measure the performance of the Council's property assets
- Exploration of potential for asset management planning partnering at a strategic level with other public sector organisations
- Development of a structured option appraisal process in order that investment decisions take full account of lifecycle revenue costs

3.4.3 The Asset Management CIP project is aligned with the Corporate Asset Management Plan and the work of the Asset Management Team. Its vision is to adopt a corporate approach to asset management to enable the Council to proactively manage its assets. It aims to ensure that Members and officers are provided with accurate information on which to base investment, maintenance and risk management decisions and that the assets support the strategic objectives of the Council, are fit for purpose, efficient and effective. Specific actions arising from this vision include:

- The development of the Corporate Asset Management Plan to dictate the way that the Council manages and plans for investment in its assets
- The creation of a Corporate Asset Register
- The rationalisation of assets
- Making best use of scarce capital resources by taking a corporate view of priorities

3.4.4 During 2008/09, the disposal of surplus assets resulted in capital receipts of £0.578m which are included in Appendix 1 as non-recurring efficiency savings. As the Council's Asset Management Plan and the CIP project are progressed, recurring efficiency savings will arise in future years due to reductions in the costs of managing and maintaining property.

#### 3.4.5 Rationalisation of Office Accommodation

The Council's office rationalisation programme cuts across the CIP Asset Management, Business Support and Mobile and Flexible Working project headings. Following the completion of the Drummie project, described in previous AESs, the focus of the office rationalisation programme has now moved to Wick, where it is proposed to provide a new office building in the town centre to accommodate staff currently located in three separate buildings.

#### 3.4.6 Energy Management & Carbon Reduction

Previous AESs have included Energy Management under the key area heading of Asset Management. Although Energy Management and Carbon Reduction do not fall directly within the remit of the CIP project, it is still appropriate to refer to these aspects under the Asset Management heading.

3.4.7 The following targets are set out in the Council's Energy Management Performance Plan for delivery by 2010 :

- Reduce energy use by 15%, saving £3.8m in energy costs (based on 2004/05 prices)
- Reduce CO<sub>2</sub> emissions by a minimum of 15%
- Increase the installed capacity of renewable energy equipment by a minimum of 4000kW

3.4.8 During 2008/09, regular reports on the implementation of the Council's Energy Management Performance Plan have continued to be taken to Resources Committee. These reports contain information on energy consumption trends and on progress with installations of renewables technologies and other energy efficiency works. They also describe the campaigns undertaken to raise awareness of energy issues amongst staff.

3.4.9 The Council is currently participating in Carbon Management Plus, a pilot Programme being developed by the Carbon Trust, and has a Carbon Management Plan for the period 2009 – 2012, which was agreed at Resources Committee on 10 June 2009. New targets have been established for CO<sub>2</sub> emissions reductions, taking into consideration the Scottish Climate Change Bill, introduced to parliament in December 2008, and the Carbon Reduction Commitment. The Carbon Management Plan covers Council properties, Council housing stock, street lighting, staff business travel and fleet vehicles.

3.4.10 Measures to reduce fuel consumption and CO<sub>2</sub> emissions are also being taken forward within the Transport and Mobile and Flexible Working CIP projects.

### **3.5 Customer Engagement & Assessment**

3.5.1 The CIP Customer Engagement project represents a continuation of the Customer Services work already being undertaken by the Council in response to

the national Customer First initiative.

- 3.5.2 During the past 5 years the Council has made significant investment in the modernisation of its Customer Services function. In 2004 it established the Service Centre in Alness to complement the network of Service Points and to act as a hub for telephone contact and blue badge processing. A corporate Customer Relationship Management (CRM) system was implemented in 2005. The following year the Registration Service was integrated into Customer Services and there were further developments in joint facilities with internal services such as libraries and external partners such as Visit Scotland. In 2008 a new partnership was developed between Customer Services and the Passport Agency, with specific Service Points now able to act as satellite offices where interviews can be conducted via video conference for first time passport applicants.
- 3.5.3 The Council has undertaken a number of Chartermark assessments over recent years and in 2007 achieved full Chartermark status for the first time. The executive summary of the latest assessment report, dated November 2008, states that *"This organisation continues to demonstrate a very high level of customer service delivery. Pride is taken at all levels to ensure this level of delivery. Despite the widespread locations it serves, this organisation should be held as a beacon in public service delivery."*
- 3.5.4 The Council's "Customer Service Strategy" for the period 2009-2012 was approved at Resources Committee on 15 April 2009. The Strategy, which is aligned with "Strengthening the Highlands - Programme for the Highlands 2009 - 2011", the Single Outcome Agreement, and the Council's Corporate Plan builds on the Council's success in Customer Services to date and outlines a number of key future developments including :
- Working with the Corporate Improvement Programme to further improve business processes and move resources into front line customer service, thereby enabling back offices to focus their efforts on complex enquiries, which require in-depth investigation, professional expertise and/or assessment that supports the front office.
  - Increasing the number of services delivered in Service Points and the Service Centre
  - Increasing Customer choice in respect of contact with the Council and providing opportunities to move to more cost effective ways of accessing the Council
  - Increasing the number of customers dealt with at the first point of contact while reducing the number of referrals to the back office.
  - Reviewing the structure and opening hours of the Customer Services network to make it more accessible
  - Reviewing the technology, CRM and telephony systems in order to improve customer records, data sharing and e-service offerings
  - Consolidating existing partnership and seeking new partnership opportunities
  - Achievement of the Scottish Government's Customer First Programme targets and the Council's own performance targets
- 3.5.5 The Corporate Improvement Programme aims to achieve efficiency savings in Customer Engagement and Assessment through :

- Staff savings which can be managed from existing vacancies over a 3 year period
- Minimised hand-offs and increased first time resolution of calls
- Potential rationalisation of initial points of face to face customer contact
- Prioritised service delivery by Service
- Implementation of smart assessment
- Increased information sharing internally and externally
- Minimised customer requests and increased first time decisions on entitlement
- Rationalisation of customers information gathering

### **3.6 Business Support**

3.6.1 The vision of the Business Support CIP project is the development of a professional and flexible Business Support function which supports all services across the Council, delivering a consistent, high quality administration service. The 2007/08 AES described the Business Improvement Team project at Drummuie which reviewed and redesigned back office business processes to achieve improvements in service delivery and efficiency savings. The Business Support CIP project will use the experience from Drummuie to develop models for Business Support in other areas.

3.6.2 The project aims to deliver efficiency savings by means of :

- Staff savings, which can be managed from existing vacancies over a 5 year period
- Greater operational efficiency, effectiveness and performance leading to time-releasing of administrative staff and possible redeployment opportunities
- Re-engineering of business processes to ensure that they are streamlined and maximise existing and emerging technology
- Developing a common and consistent approach to processes
- Reducing expenditure on postage, printing and office supplies

3.6.3 The work undertaken in the Business Support project area will support several of the other CIP projects eg Customer Engagement, Human Resources, Information Management and Asset Management. The latter project will overlap significantly with the Business Support project in order to identify opportunities for office rationalisation.

### **3.7 Mobile & Flexible Working**

3.7.1 Mobile and Flexible Working allows efficiencies to be realised through empowering employees to manage their time and whereabouts when delivering services. The use of technology is maximised to create more effective working patterns and to allow staff to interact remotely with information systems.

3.7.2 The aims of the Mobile and Flexible Working CIP project include the faster provision of response times to service requests, streamlined service delivery and increased customer satisfaction. It will generate efficiency savings in transport costs as unnecessary "return to base" journeys are eliminated and in the costs of sub-contractors as the productivity of the Council's workforce is increased. It will also contribute towards the Council's targets for carbon reduction. Mobile Working will reduce the volume of traffic, thereby reducing the Council's carbon

footprint while Flexible Working will allow staff a greater degree of work/life balance.

### **3.8 Information Management**

3.8.1 Information Management can be defined as “creating, capturing, registering, classifying, indexing, storing, retrieving, using and disposing of records and developing ways to manage records.” The vision of the Information Management CIP project is for a consistent, co-ordinated and proactive approach to the Council’s information and its efficient and effective management in order to provide customers with a better service. Some of the specific objectives of the project are the further development of the intranet and internet, the scanning of information currently in paper format and the creation of policies and procedures regarding records inventory, storage, retrieval and destruction.

3.8.2 Easier and faster access to a greater variety of relevant information should result in more informed decision-making, streamlined service delivery, increased customer satisfaction and efficiency savings.

### **3.9 Transport**

3.9.1 The transport CIP project recognises the need for a Corporate Transportation Strategy to take account of the current fragmented organisation of the Council’s transport connected activities. The vision of the project is the :

- Creation of a Transport co-ordination function to co-ordinate standardised fleet and contract hire vehicles, school buses, taxis and private cars
- Introduction of GPS to the Council’s fleet to reduce unnecessary travel and increase productivity
- Provision of access to integrated data management and transport information systems that give the information required to make informed decisions about the location, routes and required maintenance of vehicles
- Development of simplified, standardised approaches to the delivery of transportation services for all stakeholders across the Council
- Provision of skills and training for all relevant employees

3.9.2 The project will generate efficiency savings by reducing unnecessary journeys, promoting the use of video conferencing, making better use of pooled vehicles and standardising policies for transport arrangements. It will also contribute towards the Council’s targets for carbon reduction.

### **3.10 Human Resources**

3.10.1 The Council’s Human Resources (HR) function currently comprises a central professional service with staffing administration being carried out within each of the Council’s seven services and three geographical areas. This fragmentation of HR leads to an inconsistent approach to applying HR policies and procedures and difficulty in gathering statistical and performance related information. The HR Resourcelink system, developed during the Payroll & Personnel Project referred to in previous AESs, affords the opportunity to centralise recruitment and contract administration into a single recruitment centre in order to streamline processes and improve knowledge and expertise.

3.10.2 The objectives of the Human Resources CIP project include the centralisation of recruitment and contract administration, the implementation of a revised HR structure, the review of existing HR policies and processes and the creation of self service technology for staff and HR systems access for line managers. It will also investigate the possibility of creating a shared corporate unit for training. The project should result in a freeing up of HR staff from routine matters, thereby allowing them to concentrate on the provision of HR advice, and in the streamlining of policies and practices to ensure a consistent HR and payroll service to all members of staff. The project particularly targets efficiency savings in the areas of staff time, stationery and postage and the delivery of training.

### **3.11 Income Generation**

3.11.1 The Income Generation project was added to the Corporate Improvement Programme at the beginning of 2009, bringing the total number of CIP projects to nine. This project, which is still in the initial development stage, will aim to identify opportunities for income generation across the Council. Additional income generated by increasing charges to clients and customers, or by introducing charges for services which were previously provided free of charge, does not meet the "efficiency" criteria and therefore can not be included in the savings reported within the AES. It does however contribute towards the level of savings required to balance the Council's budget.

### **3.12 ICT Strategy**

3.12.1 The vision driving the Council's Information and Communications Technology (ICT) Strategy is to use ICT to improve service delivery and to support and enable initiatives which make Council services more accessible, more convenient, more operationally efficient and cost-effective. The new ICT strategy for the period 2008-2013, which will be continually updated as the Council's business needs evolve, is being developed in parallel with the competitive dialogue process being used for the re-procurement of managed ICT services. The Council's current ICT contract with Fujitsu expires on 5 July 2009, though a service continuation has been agreed for a further 6 months. The aims of the re-procurement exercise include the delivery of efficiency savings over the period of the new contract (5-7 years).

3.12.2 There are strong links between the Corporate Improvement Programme and the ICT Strategy. Many of the initiatives set out in the ICT Strategy will be developed in line with CIP projects eg development of the Customer Relationship Management (CRM) system, introduction of document management and workflow functions, increased use of mobile and remote working. The Programme Manager is liaising closely with e-government staff to ensure that the ICT requirements of the CIP projects are met within the ICT re-procurement process.

3.12.3 During 2008/09, the Council has invested in several ICT-related projects and initiatives intended to improve service delivery and generate efficiencies. These projects, which, although not falling directly within the Corporate Improvement Programme, are all aligned to its objectives, include :

- Printer rationalisation project
- Videoconferencing

- CareFirst
- Cashless catering

### **3.13 Shared Services**

3.13.1 The 2007/08 AES described the “Shared Services” area of the Council’s efficiency strategy as comprising :

- Developing shared services with other councils and/or community planning partners
- Participating in national efficiency projects
- Identifying and implementing process improvements to enable the internal sharing of services

The internal aspect of Shared Services is being taken forward within the Corporate Improvement Programme. However, the external aspect will continue as a separate key area within the Council’s efficiency strategy. Details of the external Shared Services projects in which the Council is currently involved are outlined in the following paragraphs.

#### **3.13.2 North of Scotland Local Authorities (NOSLA) Revenues & Benefits**

In October 2007 the Scottish Government awarded seven Councils in the north of Scotland a grant to undertake a feasibility study into Shared Services for Revenues and Benefits, including the administration, billing and collection of tax, tax benefits, housing benefits and non-domestic rates. Following an open tender process, Hedra, now part of the Mouchel Group, was appointed and their feasibility study was completed in December 2008. Hedra concluded that a Shared Services solution for the seven Councils was feasible. The study also identified that Hedra’s recommended delivery model should improve the quality of the service to customers through sharing best practice, enabling workloads to be shared between participating authorities, and achieve efficiency savings through more streamlined operations and improved, standardised processes. While further work is necessary to baseline current costs and performance and to assess the cost of future service delivery, participating Councils are currently considering participation in a NOSLA Revenues & Benefits implementation project.

#### **3.13.3 Other Finance Projects**

In addition to the NOSLA Revenues & Benefits project, the Council is involved in other Finance related shared services projects and activities including :

- Internal audit – Provision of computer services to Western Isles and Shetland Councils
- Insurance - Allocating insurance premiums for Argyll & Bute Council and administering community insurance schemes for Aberdeenshire Council, Moray Council, Angus Council, Argyll & Bute Council, Orkney & Western Isles Councils
- Council Tax - Direct Debit and Council Tax Benefit promotions with Moray Council and Scottish Water
- Local Government Pension Scheme Pathfinder Project
- Accountancy Services and I.S. Services to the Police, Fire and Valuation and pension administration for 36 external bodies

#### 3.13.4 Business Gateway

From 1 April 2009, the Council has been providing Business Gateway on a shared services model with Moray Council, via the Council's enterprise trust, Highland Opportunities.

#### 3.13.5 e-Planning

The Council is one of a number of Scottish councils taking part in a Scottish Government initiative aimed at making the planning system simpler, faster and more efficient and providing a consistent level of service throughout the country. The national e-Planning system was officially launched in April 2009. When fully operational in Highland, e-Planning will provide :

- The facility to apply online for planning permission or an appeal
- More planning information online, allowing the progress of applications and appeals to be tracked and decisions to be better understood
- A mechanism to consult electronically with statutory consultees
- Information on local development plans

#### 3.13.6 Pathfinder

The Council is the lead authority for the Pathfinder North project. Pathfinder North is a partnership of five Highlands and Islands authorities, formed to undertake the procurement and implementation of high speed broadband services across the region. Progress on the rollout of the Pathfinder North network has been slower than anticipated, due to a variety of factors including problems with access to 3rd party mast sites, delays by the contractor in implementing the necessary arrangements for BT connected sites, failures of 3rd party sub-contractors to complete their works as scheduled and health and safety issues. By March 2009, the original contract implementation deadline, only 67.5% of the sites had been connected. The implementation phase of the project has now been extended to December 2009. When implemented, the Pathfinder North Network will offer direct benefits to local authorities by enabling high bandwidth connections for schools, libraries and other Council offices throughout the Highlands and Islands.

#### 3.13.7 Housing & Property Projects

The Council is involved in a number of Housing & Property related shared services projects and activities including :

- Local Housing Development Forums - Set up throughout the Highlands where officers from all the interested agencies meet to discuss housing needs and possible future developments
- Highland Housing Alliance - A private limited company co-owned by The Highland Council and a number of locally operating Registered Social Landlords and Trusts, which has successfully built on a framework of strong local relationships to prove highly successful in promoting development that otherwise would not have occurred.
- Highland Housing Register - A partnership of the Council and registered social landlords with housing stock in the Highland Council area.
- New Care Home, Grantown – A joint facility with the NHS
- Dornie Development – A new Day Care Centre which is being provided by the Lochalsh and Skye Housing Association and which will then be maintained by the Council

- Lochaline Primary School – A new school which will incorporate new Fire and Coastguard Stations

### 3.13.8 Waste Management – Joint Working with Moray Council

In March 2009 TECS Services Committee approved a joint waste management strategy between Highland and Moray Councils. The development of this strategy should enable both Councils to meet targets set by the Scottish Government under its policy for zero waste.

### 3.13.9 Joint Procurement Initiatives

Details of the Council's involvement in the joint procurement initiatives Scotland Excel and Procurement Scotland are included in paragraph 3.3.4 under the heading of Procurement.

## 4 **Efficiency Gains 2008/09**

4.1 For financial year 2008/09, the Council has achieved cashable efficiency gains of £8.201m. These gains, which are detailed in **Appendix 1**, may be summarised as follows :

	£m
Restructuring & Workforce Planning	4.390
Service Reviews & Process Improvements	2.213
Asset Management	0.636
Procurement	0.411
Other	0.551
<b>Total</b>	<b>8.201</b>

4.2 The analysis of the total efficiency gains between recurring and non-recurring is as follows :

	£m
Recurring Efficiency Gains	5.875
Non-Recurring Efficiency Gains	2.326
<b>Total</b>	<b>8.201</b>

4.3 As was the case in 2006/07 and 2007/08, the majority of these efficiency gains were first identified as part of the budget process. Only those budgeted efficiency gains which have actually been achieved have been included.

## 5 **Verification of Efficiency Gains**

5.1 The efficiency gains included in Appendix 1 all satisfy the following three criteria:

- The efficiency gain has actually been delivered. This means that 2008/09 budget savings identified as efficiency gains are not included unless there is evidence that the savings have actually been achieved.
- The "efficiency gain" definition, as set out in paragraph 1.4, is met.
- The amount of the efficiency gain is backed up by verifiable information and there is evidence that there has been no reduction in service or detrimental impact on service performance.

- 5.2 For each efficiency gain, a detailed pro-forma has been completed and signed off by the relevant Service Director. The pro-forma contains details on the calculation of the efficiency saving, the impact of the saving on service delivery and performance and the measures used as a quality cross-check to confirm that service quality has been maintained.
- 5.3 The quality cross checks consist of internal service assessments and subsidiary performance measures where available.
- 5.4 A system of Quarterly Performance Reviews for all Services was introduced in 2006/07, as part of the Council's Performance Management Framework. These reviews cover a wide range of performance information, including both financial and non-financial aspects. A report on progress to date against budgeted efficiency savings is required for each quarterly review.

## **6 Efficiency Gains 2009/10 and Beyond**

- 6.1 For 2009/10, efficiency savings will be delivered through a combination of the specific efficiency proposals contained within the revenue budget, plus further efficiencies from the range of projects and activities outlined in the preceding sections. The majority of projects within the Corporate Improvement Programme are not, however, expected to generate significant efficiencies until 2012/13.
- 6.2 A number of savings measures have already been agreed for 2010/11. In addition, the following reviews are ongoing or proposed by the Administration to identify further efficiencies and savings :
- ECS - Review of internal arrangements for cleaning and janitorial services
  - ECS - Review of models for delivery of community learning and leisure services
  - ECS - School estate reviews e.g. greater Fort William area pre-school/primary
  - ECS - Review options for use of Floral Hall and Horticulture Training Centre, Inverness
  - SW - Review into laundry arrangements
  - TECS - Depot and store rationalisations
  - TECS - Fleet management review including procurement/funding options
  - TECS - Public convenience review
  - Corporate - Reviews of former ring-fenced funds, voluntary sector grants and services, community care and children's services
  - "Micro reviews" at service delivery centre level
- 6.3 From 2010/11, the Council is likely to face significant budget pressures due to the economic downturn and extremely tight financial settlements. The Council's level of grant funding for 2010/11 will not be confirmed until December 2009, but, as a result of the UK Government's additional £5bn efficiency target, it could be as much as £8m less than the amount previously advised. It is expected that there will be little, if no real growth in the settlement for 2011/12 – 2013/14. Work is currently underway on the estimated budget position for the four years from 2010/11. The projected level of savings required to balance the budget in these years highlights the importance of a co-ordinated efficiency programme which is capable of generating real, sustainable efficiency savings. However, even with such a programme it is unlikely that the savings targets will be met by efficiency

savings alone and difficult decisions will therefore have to be taken with regards to service priorities.

## **7 Conclusion**

7.1 The Council has achieved cashable efficiency gains of £8.201m in 2008/09, £5.875m of which are recurring.

7.2 Going forward, the Council recognises the challenge of delivering efficiency savings within an increasingly difficult financial environment. The Corporate Improvement Programme has been set up to provide a robust, comprehensive and systemic approach to the identification and delivery of efficiencies. As the individual projects progress, there is the potential for significant savings arising from the implementation of more effective, efficient working practices, the better use of the Council's assets and the maximisation of the benefits of technology. These savings, together with those identified by the budget reviews, will contribute towards balancing the Council's budget and meeting its efficiency targets in future years.

## **8 Approval**

---

Councillor Sandy Park  
Convener

---

Alistair Dodds  
Chief Executive

12 June 2009

## Highland Council - Efficiency Gains 2008/09

Council Theme	Description of Efficiency Measure	Cashable Efficiency Gains £m	Recurring/ Non-Recurring ?
Restructuring & Workforce Planning	Rationalisation of teaching posts above the devolved primary school management formula entitlement	0.530	R
	Management of change within the teaching profession	0.350	R
	Review of the teaching staff budget entitlement formula within the secondary sector and realigning budgets with the formula during the mid year budget refresh	0.266	R
	Targeted voluntary early retirement process for teachers	0.250	R
	Review of Class Contact Reduction funding allocation methodology	0.198	R
	Further restructuring following on from initial management restructuring within Planning and Development	0.110	R
	Streamlining of Social Work business processes following the implementation of Care First	0.203	R
	Review of TEC Services business support function	0.189	R
	Review of Housing & Property management & staffing structures following merger	0.404	R
	Deletion of vacant posts	0.192	R
	Non-recurring staff savings due to vacancies during 2008/09	1.698	NR
	Sub-total	4.390	

<b>Council Theme</b>	<b>Description of Efficiency Measure</b>	<b>Cashable Efficiency Gains £m</b>	<b>Recurring/ Non-Recurring ?</b>
Service Reviews & Process Improvements	Review of ECS budgets and cash-limiting of expenditure where no contractual commitments exist	0.438	R
	Review of school contract cleaning specifications	0.292	R
	Increase in number of Highlife users resulting in increased income at no additional cost	0.118	R
	Consolidation of existing school transport routes	0.100	R
	Social Work review of complex care packages	0.120	R
	Reduction in unit cost of refuse collection	0.158	R
	Removal of overprovision in Members' remuneration budget	0.443	R
	Review of Chief Executive's Service non-staffing budgets and cash-limiting of expenditure	0.129	R
	Further savings from introduction of Electronic Content and Document Management (ECDM) within Finance Service	0.094	R
	Reduction in Finance Service IS budget following completion of ECDM project	0.067	R
	Other service reviews and process improvements generating cashable efficiency savings of less than £50k	0.254	R
	Sub-total	2.213	

<b>Council Theme</b>	<b>Description of Efficiency Measure</b>	<b>Cashable Efficiency Gains £m</b>	<b>Recurring/ Non- Recurring ?</b>
Asset Management	Capital receipts from sale of surplus assets	0.578	NR
	New water monitoring system at Alness Academy resulting in reduced water bills	0.029	R
	Disposal of Ralia site resulting in reduced running costs ; Ballachulish TIC car park leased out and new income stream generated	0.029	R
	Sub-total	0.636	
Procurement	Procurement savings from renegotiated contracts for goods and services	0.086	R
	Refunds received as condition of contract extension	0.050	NR
	Efficiency savings arising from negotiation of extension for current ICT contract	0.100	R
	Review of arrangements for procurement of day care services	0.175	R
	Sub-total	0.411	
Other	Debt rescheduling exercises carried out to benefit from reduced interest rates	0.507	R
	Employers' NI savings resulting from salary sacrifice schemes	0.044	R
	Sub-total	0.551	
<b>TOTAL 2008/09 EFFICIENCY GAINS</b>		<b>8.201</b>	

	<b>Cashable Efficiency Gains £m</b>
<b>Total Recurring Efficiency Gains</b>	<b>5.875</b>
<b>Total Non-recurring Efficiency Gains</b>	<b>2.326</b>
<b>Total 2008/09 Efficiency Gains</b>	<b>8.201</b>

For each of the efficiency gains, the relevant Service Director has confirmed that :

- The saving has actually been delivered
- The saving meets the definition of a cashable efficiency gain (ie achieving the same or a higher level of output on a lower input)
- The amount of the saving is backed up by verifiable information and there is evidence that there has been no reduction in service or detrimental impact on service performance