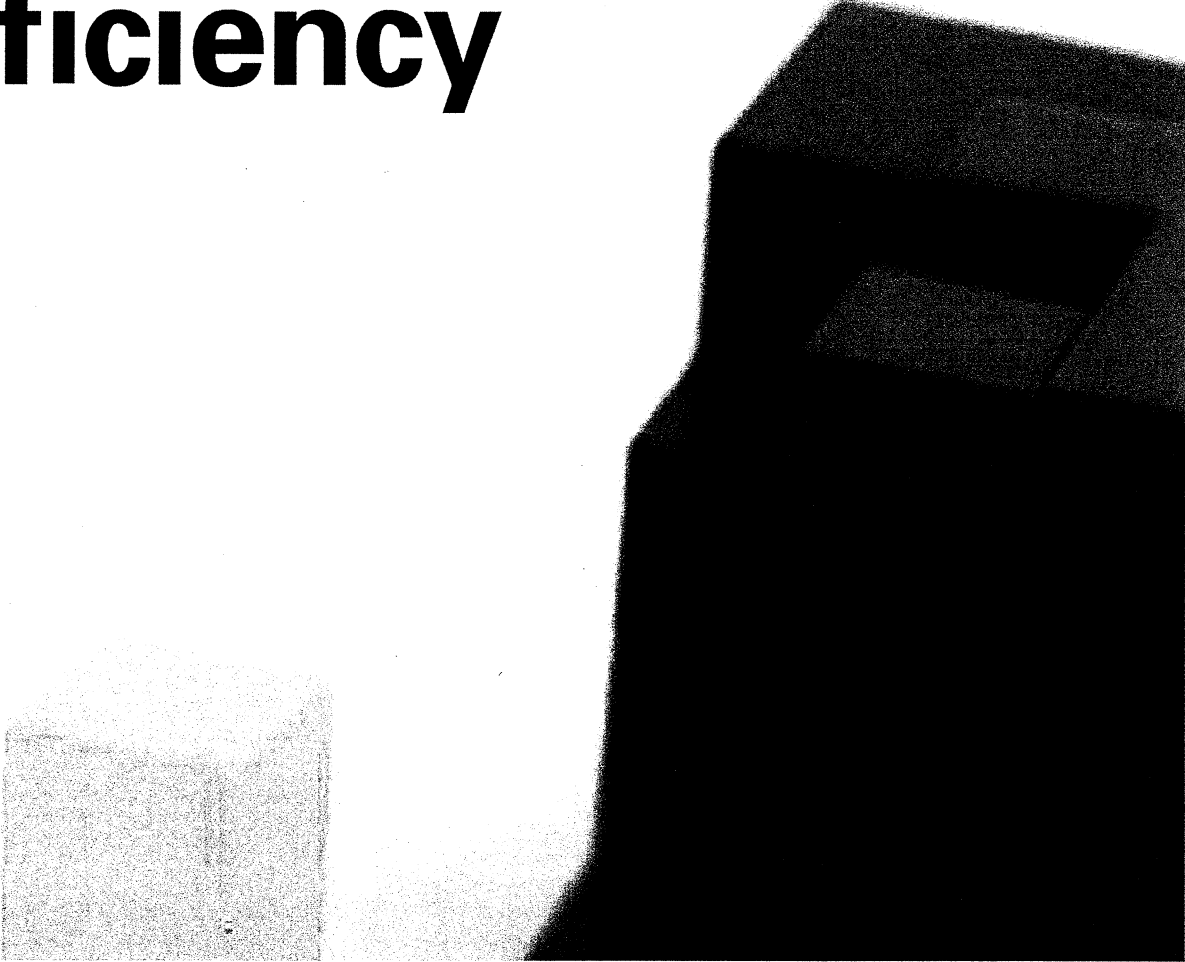
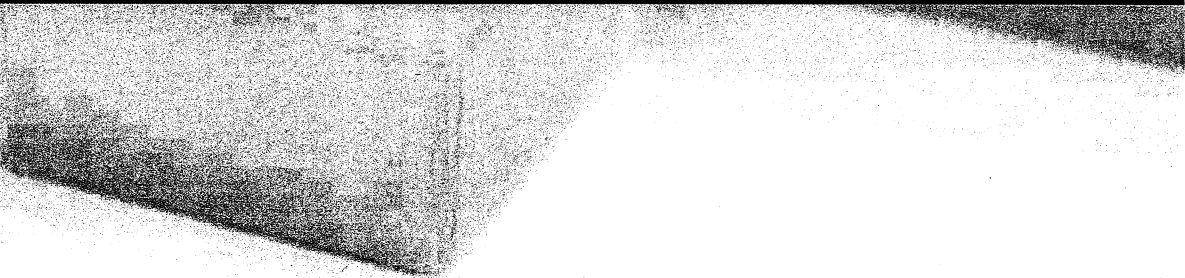


Improving public sector efficiency



Prepared for the Auditor General for Scotland and the Accounts Commission
February 2010



Our report

1. The public sector must continually strive to improve efficiency. This report provides a position statement on the first year (2008/09) of the Efficient Government Programme (the Programme), which aims to deliver £1.6 billion efficiency savings over the three years to 2010/11. It also gives an update on how the Scottish Government and public bodies have addressed the recommendations made in our 2006 report about the previous efficiency programme.¹

2. We conclude that public bodies need to build on the achievements of the Programme by taking a more fundamental approach to identifying priorities, improving the productivity of public services, and improving collaboration and joint working. We make recommendations accordingly for the Scottish Government and the wider public sector.

3. This report is organised into a further three parts:

- The need for future efficiency savings in the Scottish public sector (Introduction)
- Reported progress in delivering efficiency savings (Part 1)
- Delivering a more efficient and productive public sector (Part 2).

The methodology for this study is summarised in Appendix 1.

4. Looking ahead, the public spending context is changing significantly and the need for public bodies to improve productivity and efficiency in public services is becoming ever greater.

5. We have not attempted to validate independently the reported efficiency savings because the information to support reported savings is not

complete or consistent. To help the public sector become more efficient through improving productivity and making savings, we have highlighted some examples of developing good practice. We have also produced a good practice checklist to supplement this report, available on our website at www.audit-scotland.gov.uk. The aim of the checklist is to help leaders in public bodies check and challenge their approach and ultimately support better productivity and efficiency.

Summary of key messages

- The public sector has reported £839 million of efficiency savings in the first year of the Efficient Government Programme. This is 57 per cent higher than the £534 million target. Of the reported savings, £254 million (30 per cent) have been delivered through better purchasing, better asset management and shared services, but there is still scope to increase savings from these areas.
- Improving the efficiency and productivity of existing services is always important and the public sector should continue to do this. However, planning for two per cent efficiency savings each year will not be sufficient to bridge the gap between projected future spending and future funding.
- The scale of the financial challenges facing the Scottish public sector means that a new approach is needed that fundamentally reviews priorities and the delivery of services.
- Although public bodies have overall cost information, they still do not have sufficient information on unit costs and costs related to activity and quality of services. This information is needed to demonstrate improvements in efficiency and productivity and to provide assurance that the savings reported through the Programme are being delivered. The public sector needs to understand better the relationship between the costs, volume and quality of services to get improvements in productivity and reductions in cost.
- In seeking efficiencies, some public bodies – around a fifth of councils and a third of NHS bodies – have relied on non-recurring savings such as asset sales. It is reasonable to take advantage of opportunities like this as part of longer-term service planning and restructuring, but relying on one-off savings in the short term is not a sustainable option for the future.
- While there is a significant amount of joint working, for example between health and social care, there is a continuing need for more and better coordination between public sector organisations to improve productivity and safeguard the quality of service delivery. Better coordination could provide more consistency in reporting efficiency savings and allow better sharing of good practice.

¹ *The Efficient Government Initiative: a progress report*, Audit Scotland, December 2006.

Recommendations

The Scottish Government and public bodies should:

- ensure they have a priority-based approach to budgeting and spending
- continue to improve collaboration and joint working, overcoming traditional service boundaries
- consider using alternative providers of services, if these providers can improve the efficiency, productivity or quality of services
- improve information on costs, activity, productivity and outcomes, including setting baselines to measure performance against
- give greater urgency to developing benchmarking programmes
- maintain the momentum of activities and initiatives to improve purchasing and asset management and extend shared services
- ensure there is a joined-up approach to efficiency savings across the public sector, avoiding duplication
- ensure that plans are in place to deliver savings, clearly setting out what action will be taken, the level of savings to be delivered and how these will be measured

- strengthen the involvement of front-line staff, service providers and users in redesigning public services
- reduce reliance on non-recurring savings to meet financial targets and generally use these as part of a wider and longer-term strategy
- report efficiency savings consistently.

The Scottish Government should:

- collate and share good practice on initiatives to improve efficiency and productivity across the public sector
- challenge the use of non-recurring savings reported by public bodies
- develop clear guidance on how to measure and report savings from the three priority areas of better purchasing, better asset management and shared services to ensure there is no double-counting.