

# The Efficient Government Initiative

A progress report

Prepared for the Auditor General for Scotland

December 2006



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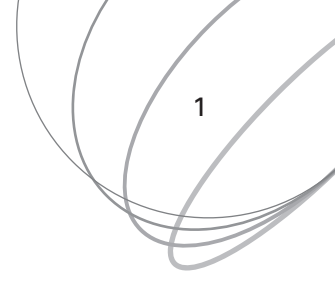
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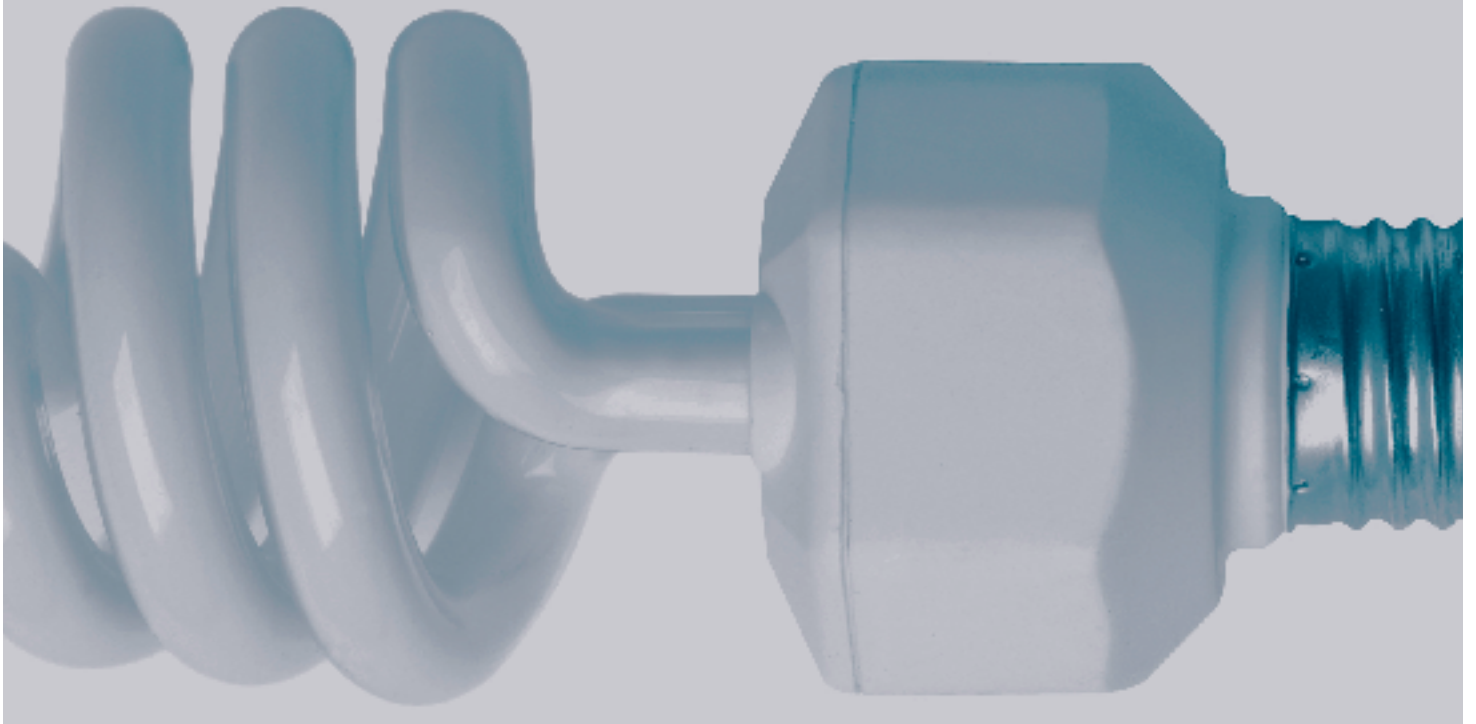
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# Summary



The Scottish Executive reported efficiency gains of £442 million in 2005/06 although more needs to be done to provide assurances on the accuracy of reported savings.

## Introduction

1. The Scottish Executive's (the Executive) Efficient Government Initiative, launched in June 2004, is a central part of a programme of investment, reform and modernisation of the public sector. It comprises a five-year programme to attack waste, bureaucracy and duplication with the intention that any savings achieved will be reinvested in improving public services.

2. The objective is to deliver the same services with less money (cash-releasing efficiency gains) or to enable public services to deliver more or better services with the same money (time-releasing efficiency gains). The Executive's Efficient Government Plan, published in November 2004, outlined its belief that up to £900 million of recurring cash-releasing efficiency gains and £600 million of recurring time-releasing gains were achievable across the full range of public services covered by devolved government. It has developed a series of efficiency projects which are intended to achieve recurring efficiency gains of £1,271 million by 2007/08. The Executive is working with all parts of the public sector to identify further projects and expects to publish details of them before the end of 2006.

3. The Efficient Government Initiative is an ongoing process and the Executive recognises that further work is necessary to demonstrate how gains have been achieved and to confirm that these have not reduced service quality. This report reviews progress with the implementation of the Efficient Government Initiative and the extent to which reported efficiency gains are based on robust processes and information. It does not provide an

independent assessment of the accuracy of the level of efficiency gains reported to date.

## Key findings

### **The challenge is to deliver efficiencies while maintaining or improving service quality and quantity**

4. Delivering the benefits of the Efficient Government Initiative is a major undertaking. It involves not only achieving efficiencies within already existing cost pressures, such as the consequences of pay modernisation in the NHS, but also a number of structural, cultural and process reforms across the public sector. Most public bodies are using existing processes and systems to measure efficiency gains which, for the most part, were not designed for the purpose. The Executive considers that, in the short term, delivering improved and more efficient public services is more important than improving the management information systems used to monitor progress but work on improving information systems has now started.

### **The Executive has established arrangements to monitor progress against efficiency targets and is addressing risks with the definition of gains**

5. The Executive has established an Efficient Government Delivery Division (EGDD) to monitor progress against efficiency targets. Regular progress reports on efficiency gains made are provided to the Executive's Management Group Efficiency Sub-Group and the Efficient Government Steering Group. The EGDD is now part of a larger Public Service Reform and Efficiency Group so as to better integrate the Efficient Government Initiative with other areas of public sector reform.

6. In March and September 2005, and again in March 2006, EGDD published over 70 Efficiency Technical Notes (ETNs) setting out how individual projects were expected to deliver specific efficiency gains and how progress against savings plans was to be measured, monitored and reported. During 2005, Audit Scotland identified a number of risks in the methodologies, measurement and eligibility of savings projects. Since then, there has been some improvement in the content of ETNs, although the adviser to the Scottish Parliament's Finance Committee commented in June 2006 that risks remained which make it difficult to validate reported efficiency gains.

### **A significant proportion of gains are expected to be delivered by a small number of projects and by local bodies rather than central government**

7. The Executive has identified projects which were expected to achieve recurring efficiency gains of £475 million in 2005/06, and a further £853 million in 2006/07 and £1,271 million in 2007/08. A further £229 million of efficiency gains still need to be identified if its aspirations of £1,500 million recurring savings are to be achieved by 2007/08. The Executive is working with all parts of the public sector to identify further projects and expects to publish a further set of ETNs before the end of 2006.

8. Of the 71 efficiency projects identified by March 2006, 44 are each expected to generate savings of £5 million or less in 2007/08. The top seven projects, each of which is expected to generate savings of more than £50 million, are expected to deliver 64 per cent of the programme. Around 85 per cent (by value) of the current projects rely on delivery by local bodies, such as local authorities, NHS boards and other public bodies.

### The Executive reported efficiency gains of £442 million in 2005/06

**9.** The Executive reported that £442 million in efficiency gains had been achieved in 2005/06. Cash-releasing efficiency gains amounted to £386.6 million against the Efficient Government Plan target of £405 million and the proposed savings set out in the ETNs of £383.6 million. Although reported cash-releasing gains were less than expected, they exclude any made by Scottish Water because data was not available when the Executive reported. The Water Industry Commission subsequently reported that, compared to 2001/02, Scottish Water achieved cumulative efficiency gains of £947 million in the four years to 2005/06. Time-releasing efficiency gains amounted to £55.4 million against the proposed savings set out in the ETNs of £91.6 million. Most portfolios performed well against their savings plans although difficulties in measuring efficiency gains resulting from improved consultant productivity in the NHS meant that progress was less than expected.

### Some risks remain with the measurement of efficiency gains

**10.** We reviewed the annual efficiency reports supporting a sample of 12 efficiency projects to determine whether robust systems and processes are in place to record and report claimed savings. The sample covered 86 per cent of the £442 million reported gains in 2005/06 and covered a range of projects of different sizes although we focused more on higher value projects (details of the sample are provided in [Exhibit 9 on page 18](#)).

**11.** We found that the annual returns provided clear evidence of a commitment to improve efficiency across the public sector. But further action is necessary to provide

assurance on the level of savings reported and their impact on service delivery. In particular, we found that:

- Most of our sample of projects appeared to have established robust baselines but some did not. Robust baselines which represent the situation before a project to improve efficiency begins are important because they provide a 'line in the sand' against which improvements can be measured.
- More needs to be done to develop measures of output quality to ensure that service quality is maintained and reported gains do not simply result in a cut in services. Attempts have been made with some of the projects we examined to identify measures which would allow the quality of services to be measured but in other projects we had concerns about the quality of output measures in place.
- In some cases it is acceptable to claim savings gross of development costs if, for example, the project was introduced to meet a number of business objectives and not solely to generate efficiency gains. In one of the projects examined, however, we were concerned that relevant development costs should have been deducted from the reported savings.
- Methods for calculating efficiency gains may not always be robust. In two projects we examined, the calculation of reported efficiency gains was based on extrapolation of a sample of savings. This approach casts doubts as to the accuracy of reported gains. However, in one of these projects, local government

efficiency savings, further work has been commissioned to explore how efficiency gains can be better measured.

- Most projects we examined have a clear audit trail for reporting claimed efficiency gains. But in at least two of the projects examined, reported gains were not subject to detailed validation by EGDD or the Scottish Executive Health Department.

### Conclusions and recommendations

**12.** The Efficient Government Initiative is part of the drive for progress and improvement in the delivery of public services. Systems for measuring gains are still being refined but the development of a culture where concern for efficiency is part of the everyday behaviour of public sector employees can be viewed as being of at least equal importance as the precise measurement of what efficiencies are achieved.

**13.** Our review has found a wide body of evidence to suggest that the initiative is progressing and that it is delivering efficiencies that would not otherwise have been achieved. There is evidence that those responsible for delivering efficiencies across the public sector are responding well in embedding the initiative into their day-to-day business. Systems are also in place to track and report efficiencies in line with the Efficient Government Plan and to provide clear lines of accountability for delivering against the plan.

**14.** From the outset the Executive recognised significant challenges and difficulties in measuring and monitoring efficiency gains. It needed to develop a robust mechanism for validating reported efficiency gains

using management information systems which were not designed for that purpose. Improvements in the content of ETNs demonstrate the Executive's commitment to provide greater assurance on the level of savings delivered and on the extent to which gains are achieved without reductions in quality of services. Our review suggests a need to focus on some specific areas.

#### **The Executive should:**

- ensure that the EGDD is maintained with an appropriate level of resources and skills to drive forward the initiative and to monitor its progress
  - continue to develop information on good practice in delivering efficiencies and disseminate this to all parts of the public sector
  - continue to improve openness and transparency in the monitoring of progress by:
    - reviewing the definition of efficiency savings in ETNs, especially for new efficiency projects which are developed
    - further analysing the information used to compile baselines against which efficiency savings are to be monitored, especially for new efficiency projects which are developed
    - improving the standard of measures available to demonstrate the impact of efficiency savings on the quality of services delivered
- reviewing and, if necessary, clarifying circumstances in which the costs of developments should be offset against efficiency savings
  - ensuring that all reported efficiency savings are calculated using suitably robust methodologies
  - further developing robust information to support clear audit trails to provide assurance on reported savings.



# Part 1. What the Efficient Government Initiative is all about

**1.1** The Scottish Executive's (the Executive) Efficient Government Initiative is an efficiency programme which supports effective management and customer-focused service delivery. It is not an economy drive and any savings it achieves will be reinvested in public services. As such, it is an important continuation of a drive to change public sector culture which is not new or limited to the Initiative. For example, one of the principal benefits anticipated from the creation of Scottish Water from the three previous water authorities in 2002 was to make the industry more efficient and competitive.

**1.2** This part of the report describes the current Efficient Government Initiative and our approach to reviewing its progress.

## **The Initiative is central to the Executive's programme of investment and reform of the public sector**

**1.3** Since devolution, the total resources available to the Executive have increased by 27 per cent between 2002/03 and 2005/06 to £27.4 billion. In July 2004, as part of the UK Spending Review 2004, and based on the Gershon review of public sector efficiency<sup>1</sup>, the Chancellor of the Exchequer announced plans to save 2.5 per cent per year over the three years to 2007/08, equivalent to £20 billion each year. The effect of this announcement is that, while public spending is still expected to increase in Scotland in real terms, the rate of increase will be less than in previous years (**Exhibit 1**).

**1.4** The 2003 Labour-Liberal Democrat coalition Partnership Agreement, *A Partnership for a Better Scotland*, sets out the Executive's vision for high-quality

public services to be achieved by matching investment with reform, increasing public sector productivity and designing services around the needs of individuals. The Executive's Efficient Government Initiative, launched in June 2004, is a central part of that programme of investment, reform and modernisation and comprises a five-year programme to attack waste, bureaucracy and duplication in Scotland's public sector.

## **The Executive aspires to achieve recurring efficiency gains of £1.5 billion by 2007/08**

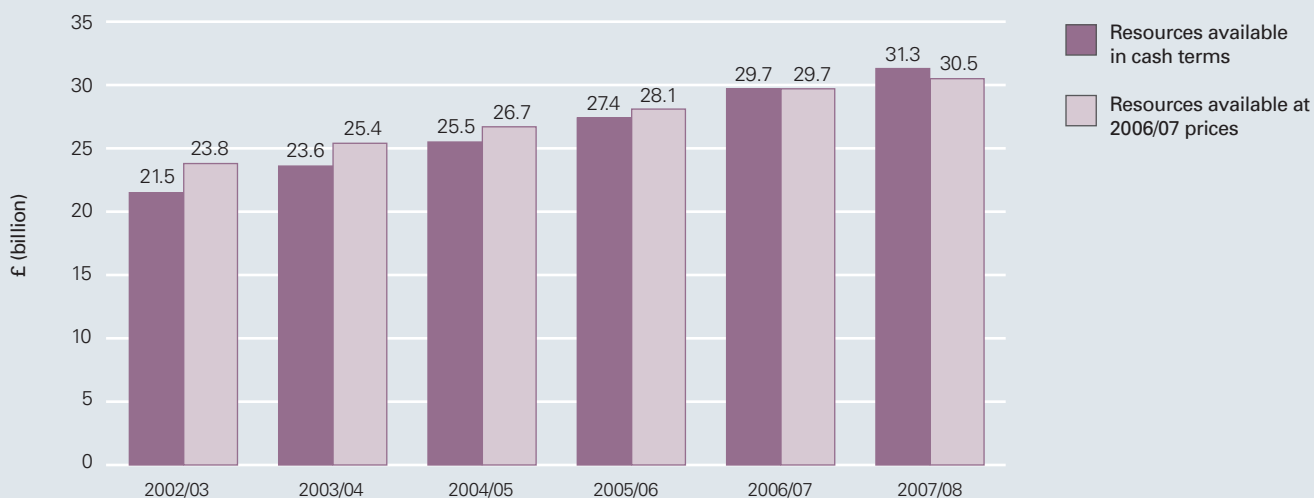
**1.5** The Executive's strategy for implementing the initiative was published in November 2004 in *Building a Better Scotland: Efficient Government – Securing Efficiency, Effectiveness and Productivity* (the Efficient Government Plan). This defined an efficiency improvement as any activity which improves the ratio of outputs to inputs. Such improvements may arise in two ways:

<sup>1</sup> *Releasing resources to the frontline: Independent review of Public Sector Efficiency*, Sir Peter Gershon CBE, July 2004.



## Exhibit 1

### Scottish Executive resources available 2002/03 to 2007/08



Source: *The Scottish Executive's Draft Budget 2007/08*, Scottish Executive, September 2006

- By producing the same outputs with fewer inputs eg, producing the same level of service at lower cost. These are termed cash-releasing gains.
- By producing more or better outputs for the same inputs eg, producing more or better quality services at the same cost. These are termed time-releasing gains.

**1.6** The Efficient Government Plan also set out how the Executive planned to achieve recurring cash-releasing gains of £745 million and recurring time-releasing gains of £300 million by 2007/08, although it considered cash-releasing gains of £900 million and time-releasing gains of £600 million were achievable. It recognised the scope for efficiency savings across all parts of the public sector, identified efficiency gains for each area of Executive activity ([Exhibit 2 overleaf](#)) and outlined

some specific projects which could contribute to the savings expected.

#### Five key workstreams are expected to contribute to efficiencies in the longer term

**1.7** The Efficient Government Plan also identified five key workstreams which are expected to drive further efficiency improvements across the public sector in the longer term:

- **Better procurement** through 125 public sector organisations becoming part of eProcurement Scotl@nd<sup>2</sup> by 2007/08; achieving sustainable costs reductions of £200 million per annum by 2007/08 through collaborative purchasing; and through a review of public procurement in Scotland to be carried out in 2005.<sup>3</sup>
- **Managing sickness absence** by analysing the pattern of sickness absence in public services to disseminate best practice in

sickness absence management and set improvement targets.

- **Proper asset management** through an evaluation of current arrangements for asset management within the public sector as whole. The management of assets is typically the second highest revenue cost incurred by public sector bodies after staff costs.
- **Shared support services** by recognising that sharing support services (such as procurement, payroll, HR, IT and finance) among public bodies has the potential to generate substantial efficiency savings through economies of scale, greater standardisation and the adoption of best practice.
- **Streamlining bureaucracy** through action to improve the way scrutiny bodies operate;

2 The eProcurement Scotl@nd service uses web-based technologies and electronic networks for the purchase and payment of goods and services. The service is provided by Capgemini UK and employs a dedicated service team to coordinate and support service provision. Buying organisations pay a joining fee and annual service charge but there are no charges for suppliers or any transaction fees.

3 *The Review of Public Procurement in Scotland*, John F McClelland CBE, March 2006.

## Exhibit 2

### Expected cash-releasing efficiency gains by portfolio

Recurring cash-releasing efficiency gains of £745 million are expected by 2007/08.

Scottish Executive Portfolio	Expected Efficiency Gains (£ million)		
	2005/06	2006/07	2007/08
Finance & public service reform (including local government)	89	167	246
Health	166	166	166
Non-NHS procurement	50	100	150
Scottish Water	75	85	95
Justice	7	23	30
Transport	7	12	14
Education & young people	0	5	12
Enterprise & lifelong learning	5	5	5
Administration	1	7	8
Communities	0	5	9
Environment & rural development	2	3	5
Crown Office/Procurator Fiscal Service	3	3	3
Tourism, culture & sport	0	1	2
<b>Total</b>	<b>405</b>	<b>582</b>	<b>745</b>

**Note:** When it was published in November 2004, *Building a Better Scotland: Efficient Government – Securing Efficiency, Effectiveness and Productivity* noted that departments had already come forward with proposals to generate cash-releasing efficiency gains of £405 million in 2005/06, £582 million in 2006/07 and £745 million in 2007/08. Overall, however, the Executive considered that recurring cash-releasing gains of £900 million and recurring time-releasing gains of £600 million by 2007/08 was achievable, although it still had to identify all the projects necessary to achieve this more demanding target.

**Source:** *Building a Better Scotland: Efficient Government – Securing Efficiency, Effectiveness and Productivity*, Scottish Executive, November 2004

review the planning requirements for local government and community planning partners; and make the monitoring of local government performance simpler and more effective.

**1.8** With the exception of procurement-related projects, there is no explicit link between efficiency projects identified to date and the five workstreams. Further work is required on developing the workstreams before new efficiency projects associated with them can be devised. Better procurement is, however, expected to generate recurring savings of £83.6 million in 2005/06, £153 million in 2006/07 and £213 million in 2007/08.

### **The challenge is to deliver efficiencies while maintaining or improving service quality and quantity**

**1.9** Delivering the benefits of the Efficient Government Initiative is a major undertaking. It involves not only achieving efficiencies within already existing cost pressures, such as the consequences of pay modernisation in the NHS, but also a number of structural, cultural and process reforms across the public sector. Efficiency gains need to be achievable without jeopardising other policy objectives. For example, an efficiency target could be achieved by cutting resources with a consequent reduction in service quality. But the continuation of service quality is imperative and the Executive will only accept reported efficiency gains if quality has at least been maintained.

### **Good management information is needed to monitor the impact of efficiency gains on service quality and quantity**

**1.10** To avoid the additional costs of new data collection and reporting systems, most public bodies are using existing processes to measure efficiency gains. For the most part, existing systems were not designed to measure or monitor the efficiency gains flowing from the individual projects which make up the Efficient Government Plan.

**1.11** Underpinning the monitoring of efficiency gains is the need for good baseline information on costs and service outputs and outcomes. Weaknesses in the quality and timeliness of data on inputs and outputs means that there is a risk that public bodies will find it difficult to monitor each efficiency project as it progresses and take corrective action if service quality or quantity deteriorates. The Executive acknowledges this but considers that improvement in management information systems has to be achieved without diverting resources away from the primary objective of delivering improved and more efficient public services.<sup>4</sup> Work has, however, now started on developing better information systems.

### **The Executive has established arrangements to monitor progress against efficiency targets**

**1.12** In January 2005, the Executive created an Efficient Government Delivery Group (now the Efficient Government Delivery Division, EGDD) within its Finance and Central Services Department to:

- monitor and assess progress against efficiency savings targets
- champion the drive for further efficiency improvements
- support the delivery of shared services and common systems by facilitating the adoption of common standards, security and authentication protocols.

**1.13** The EGDD consists of a small team of four portfolio managers together with administrative support. Each portfolio manager has responsibility for working with particular Executive departments and associated bodies to monitor progress on individual projects, and to challenge methodologies used to calculate reported efficiency savings. Portfolio managers also have responsibility for taking forward initiatives under the five workstreams identified in the Efficient Government Plan.

**1.14** In March and September 2005, and again in March 2006, the EGDD published over 70 ETNs.<sup>5</sup> These described how individual projects were expected to deliver specific efficiency savings which would contribute to planned targets, and how progress against those expectations would be measured, monitored and reported.

**1.15** The EGDD reports to the Executive's Management Group Efficiency Sub-Group (chaired by the permanent secretary) and to its Efficient Government Steering Group (chaired by the Minister for Finance and Public Services). It produces quarterly reports on the progress of individual projects using a traffic light system to highlight risks to the delivery of efficiency savings. This systematic approach to monitoring

4 *Efficient Government - Efficiency Outturn Report for 2005/06*, Scottish Executive, September 2006.  
5 *Efficiency Technical Notes*, Scottish Executive, March 2005, September 2005 and March 2006.

provides a focus for scrutiny of the delivery of the Efficient Government Initiative at a corporate level within the Executive.

**1.16** Annual efficiency statements<sup>6</sup> are also published showing a comparison of claimed savings against plans. They are signed by the relevant head of department and supported by a pyramid of assurances under which individual project managers provide a signed statement of savings claimed, together with supporting evidence, to the relevant division or group head (or chief executive of an executive agency or NDPB), who in turn provide assurances to their head of department.

**Steps have been taken to integrate the Efficient Government Initiative with other areas of public sector reform but challenges still exist**

**1.17** Previously the EGDD operated largely independently of other policy groups within the Executive. In August 2006, the Scottish Executive Finance and Central Services Department was reorganised and the EGDD is now part of a larger Public Service Reform and Efficiency Group with responsibility for the development of Best Value, performance improvement and community planning as well as the Efficient Government Initiative. These changes are expected to lead to better integration of the initiative with other strands of the public sector reform agenda.

**1.18** Notwithstanding these changes, delivery of the Efficient Government Initiative remains challenging. The EGDD has had a high turnover of staff since its inception. Its remit has also expanded to include the development of eGovernment and the promotion of initiatives designed to enhance the public's awareness of IT and access to the Internet. Unless EGDD's resource and skills base is maintained, there is a risk that it will be unable to champion the drive for further efficiency improvements across the public sector.

**Risks associated with the definition of efficiency gains are being addressed**

**1.19** During 2005, the Executive invited Audit Scotland to comment on the first set of ETNs. Audit Scotland's responses on cash-releasing savings in May 2005 and on time-releasing savings in August 2005 identified a number of risks in the methodologies, measurement and eligibility of projects covered by the ETNs (Exhibit 3).

**1.20** In June 2006, Professor Arthur Midwinter reported to the Scottish Parliament's Finance Committee on his review of ETNs published in March 2006. He found that the Executive had responded positively to the Finance Committee's recommendations<sup>7</sup> to revise the ETNs, which were now more tightly focused on the inputs and outputs of specific projects and which contained more information on delivery arrangements. Professor Midwinter concluded, however, that some risks remained with the ETNs which make it difficult to validate the efficiency gains reported.

**Audit Scotland's approach to this review**

**1.21** The Efficient Government Initiative is an ongoing process. In producing its annual efficiency statements the Executive recognises scope for further improvement in the information necessary to demonstrate how savings have been achieved and to confirm that such gains have not reduced service quality. In the light of these limitations, and the risks associated with ETNs noted above, we examined the progress made under the initiative by reviewing:

- the extent to which projects identified in ETNs and gains reported by the Executive compare with the Efficient Government Plan
- a sample of 12 projects covered by ETNs to identify scope for continued improvements in the assessment of efficiency gains.

**1.22** Our review does not provide an independent assessment of the accuracy of the level of efficiency gains reported to date. It focuses on the extent to which assurances on efficiency gains are based on robust processes and information, and identifies areas for further improvement.

<sup>6</sup> *Efficient Government - Efficiency Outturn Report for 2005/06*, Scottish Executive, September 2006.

<sup>7</sup> *5th Report 2005: Stage 2 of the 2006-07 Budget Process*, Scottish Parliament Finance Committee, December 2005.

## Exhibit 3

### Risks associated with identifying and counting efficiency gains

Measurement	Methodology	Eligibility
<ul style="list-style-type: none"> <li>Some savings measures are not adequately specified and in some cases information sources or calculation comparisons are unavailable.</li> <li>A number of ETNs rely on measuring changes in expenditure. Measuring efficiency depends on capturing changes in inputs and outputs, and efficiency savings cannot be measured through changes in expenditure alone.</li> <li>More information is needed to remove the uncertainty about how and where some of the savings will be realised.</li> <li>Baselines are not treated consistently across the ETNs and in some cases are inadequately specified.</li> <li>Adequate systems need to be in place to capture and measure baselines, transaction costs and productivity outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Guidance covering the definition and identification of efficiency savings is insufficiently developed.</li> <li>There is a risk of double counting some efficiency gains and associated development costs are largely omitted from savings calculations.</li> <li>ETNs need to be supported by good project planning and risk management.</li> <li>The technical notes have adopted 'proxy' measures – these will be more open to challenge and interpretation.</li> <li>The technical notes incorporate a range of assumptions which are often untested.</li> <li>Many savings depend on redesign or advances in technology and may require additional investment before savings are realised. It is not clear whether these investment costs are offset from the savings identified.</li> <li>Savings calculations assume that time released will be 100% productive.</li> </ul>	<ul style="list-style-type: none"> <li>Some savings are from initiatives started prior to the Efficient Government Plan. There should be the same baseline of 1 April 2005.</li> </ul>

Source: Summary of Audit Scotland's letters to the Scottish Executive, May and August 2005

## Part 2. Progress to date

**2.1** This part of the report reviews progress of the Efficient Government Initiative. It examines:

- whether projects identified to deliver savings match expectations in the Efficient Government Plan
- what efficiency gains have been reported to date
- whether robust systems and processes are in place to record and report claimed savings.

### **Efficiency Technical Notes identify projects which should deliver over 80 per cent of the savings expected**

**2.2** The latest efficiency savings plans<sup>8</sup> provide details of 71 projects which are expected to generate efficiency gains. Overall, the Executive expects to achieve recurring cash and time-releasing efficiency gains from these projects of £475 million in 2005/06, £853 million in 2006/07 and £1,271 million by 2007/08 (Exhibit 4

and Appendix 1, page 23). A further £229 million of efficiency savings still need to be identified to achieve the aspiration of £1,500 million recurring efficiency gains by 2007/08. The Executive is continuing to work with all parts of the public sector to identify further projects and expects to publish a further set of ETNs before the end of 2006.

**2.3** Of the 71 efficiency savings projects included in the latest plan, 44 are each expected to generate savings of £5 million or less in 2007/08. The top seven projects are expected to deliver 64 per cent of the programme (Exhibits 5 and 6, overleaf). Four of these projects, each of which is expected to generate recurring efficiency gains of at least £50 million by 2007/08, are within the health portfolio.

### **A significant proportion of the savings are expected to be delivered by local bodies rather than central government**

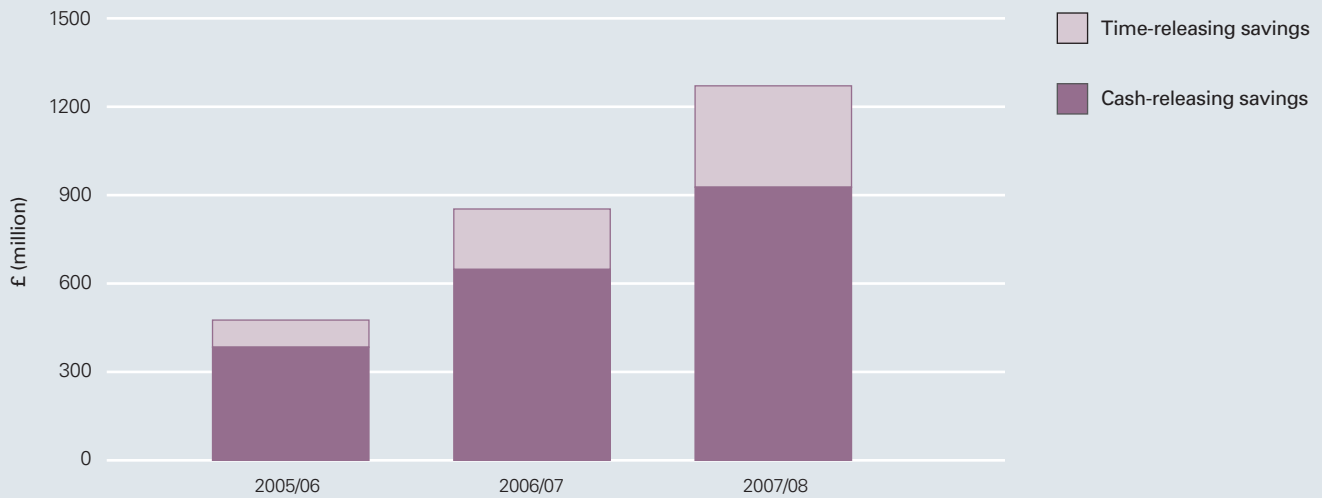
**2.4** Local authorities and other public bodies such as the police and fire services, NHS boards, further education colleges and higher education institutes are expected to make a significant contribution to the Efficient Government Initiative. Around 85 per cent (by value) of the current projects rely on delivery by local bodies (Exhibit 7, page 15).

**2.5** The approach to making savings differs among the various parts of the public sector:

- In Executive departments, agencies and non-departmental public bodies, savings targets have been assigned to individual bodies and are expected to be delivered through locally managed projects.

## Exhibit 4

### Efficiency savings plans

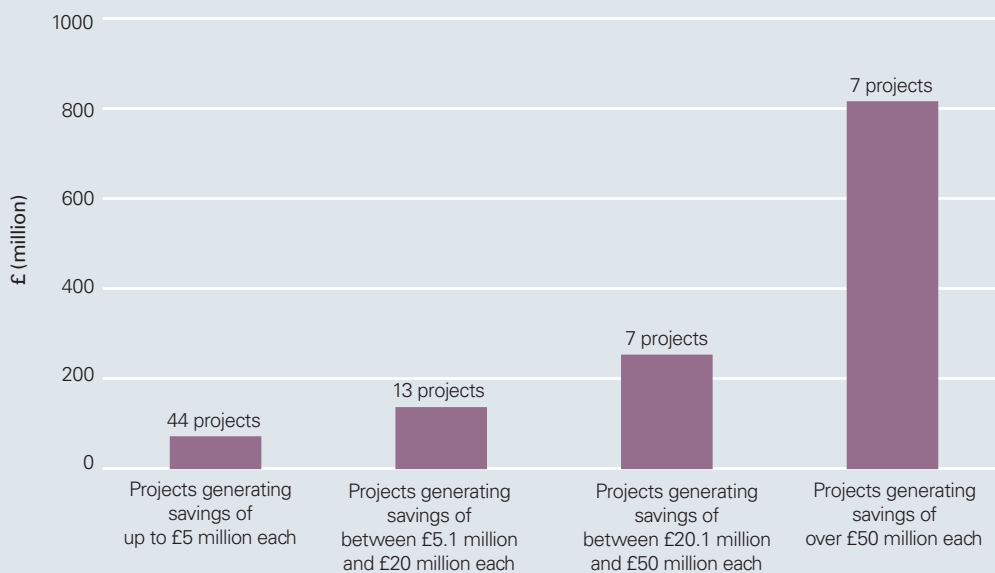


Source: *Efficiency Technical Notes March 2006*, Scottish Executive, March 2006

## Exhibit 5

### Expected recurring efficiency savings by 2007/08 by project size

Seven projects are expected to deliver 64 per cent of the efficiency savings.



Source: *Efficiency Technical Notes March 2006*, Scottish Executive, March 2006



## Exhibit 6

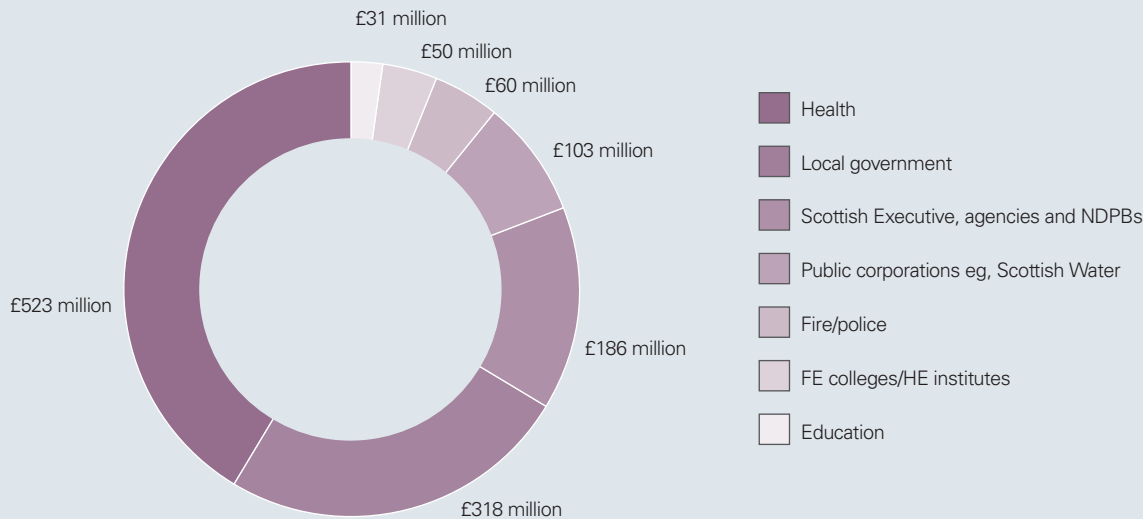
### Projects expected to deliver the most efficiency gains

Seven projects are each expected to deliver more than £50 million in recurring savings by 2007/08.

Project	Cash or time-releasing	Annual planned savings			Details
		2005/06 £ million	2006/07 £ million	2007/08 £ million	
NHS efficiency savings	Cash	88.0	134.0	208.0	A recurring 1% efficiency saving is being applied to all NHS boards through deductions in annual allocations. NHS boards are expected to propose their own savings including contracting, commissioning, estates and facilities, service redesign, workforce arrangements, transport services and local initiatives on drugs prescribing and support services which are additional to national initiatives.
Assumed local government efficiency savings	Cash	81.1	112.6	168.3	Efficiency gains are expected to be achieved through top-slicing Grant Assisted Expenditure. Local authorities are required to develop their own savings projects while at least maintaining the quality of services provided.
Non-NHS procurement	Cash	23.0	100.0	150.0	Improved procurement efficiency is expected to result in savings in non-NHS public sector bodies through the creation of centres of expertise to carry out collaborative procurement, the further roll-out of eProcurement Scotl@nd and the adoption of the minimum standards set out in the McClelland Report. (See paragraphs 1.7 and 2.24 for more details.)
Scottish Water savings	Cash	54.0	76.5	100.5	Scottish Water is expected to improve its efficiency relative to water companies in England and Wales by reducing both its operating costs and the cost of replacing and enhancing its network of pipes, treatment works and other capital assets.
Increasing NHS consultant productivity	Time	21.1	45.6	73.0	NHS boards are expected to demonstrate an increase in consultant productivity by 1% per annum over the three years to 31 March 2008. Service redesign and implementation of the new consultant contract are expected to be key to improved consultant productivity.
NHS procurement	Cash	33.0	50.0	60.0	National Procurement, a division of NHS National Services Scotland, is expected to generate savings for the NHS by stimulating collaborative buying eg, extending the use of national contracts and by making greater use of e-procurement.
Reduction in NHS sickness absence	Time	16.3	34.5	54.8	All NHS boards are expected to develop plans to achieve sickness absence targets of 4% by 31 March 2008.

## Exhibit 7

### Savings plans by area of the public sector



Source: *Efficiency Technical Notes March 2006*, Scottish Executive, March 2006

- In the health sector, efficiency gains are expected to arise from a combination of national initiatives managed centrally by NHS National Services Scotland and by deductions from the annual funding allocation provided to NHS boards.
- In local government, £168 million of the £318 million expected savings will be delivered by top-slicing Grant Assisted Expenditure. The remaining gains are expected to derive from locally managed projects although individual targets have not been set for each local authority. The Improvement Service<sup>9</sup> has a key role in ensuring that local authority efficiency gains do not result in cuts in services.

In the NHS and local government sectors in particular, the reduction in central funding through the top-slicing of annual allocations and Grant Assisted Expenditure presents particular challenges to maintaining service quality in an environment where cost pressures already exist.

#### The Executive reported efficiency gains of £442 million in 2005/06

**2.6** The Executive published its first annual Efficiency Outturn Report<sup>10</sup> in September 2006. Overall, it reported £442 million in efficiency gains in 2005/06. Cash-releasing efficiency gains amounted to £386.6 million against the Efficient Government Plan target of £405 million and the proposed savings set out in the ETNs of £383.6 million. Although reported cash-releasing gains were less than expected, they exclude any made by Scottish Water for reasons explained

in [paragraph 2.7](#). Time-releasing efficiency gains amounted to £55.4 million against the proposed savings set out in the ETNs of £91.6 million.

**2.7** The Executive reported that most portfolios had performed well against their plans ([Exhibit 8, overleaf and Appendix 1, page 23](#)) but that progress in two important areas was less than expected:

- The Executive reported that no cash-releasing efficiency gains had been achieved against Scottish Water's target of £54 million because data were not available when the Efficiency Outturn Report was published. The Water Industry Commission subsequently reported<sup>11</sup> that, compared to 2001/02, Scottish Water made cumulative efficiency savings of £453 million in respect of its operating expenditure and

<sup>9</sup> The Improvement Service is a partnership between the Executive, the Convention of Scottish Local Authorities (COSLA) and the Society of Local Authority Chief Executives. It is a company limited by guarantee with a budget of £4.5 million over three years, provided by the Scottish Executive. It aims to support continuous improvement by building on expertise within local authorities and working in partnership with stakeholders in the public, private and voluntary sector. It provides support and advice in a number of areas including Best Value; Customer First; efficient government and performance management; elected members' development; and partnership and joint working.

<sup>10</sup> *Efficient Government – Efficiency Outturn Report for 2005/06*, Scottish Executive, September 2006.

<sup>11</sup> *Costs and performance report 2003-06*, Water Industry Commission for Scotland, November 2006.

## Exhibit 8

Reported efficiency gains in 2005/06 by portfolio

Scottish Executive Portfolio	Savings in 2005/06 (£ million)					
	Cash-releasing		Time-releasing		Total	
	Planned	Reported	Planned	Reported	Planned	Reported
Health	169.1	165.5	54.7	11.3	223.8	176.8
Finance & public service reform (includes local government)	89.5	130.7	0	0	89.5	130.7
Enterprise & lifelong learning	3.8	7.6	12.3	18.0	16.1	25.6
Communities	19.0	25.0	0	0.2	19.0	25.2
Non-NHS procurement	23.0	24.6	0	0	23.0	24.6
Justice	7.1	7.6	10.9	10.9	18.0	18.5
Transport	12.0	16.9	0	0	12.0	16.9
Education & young people	0.3	0.5	10.0	11.7	10.3	12.2
Environment & rural development	1.6	3.6	3.1	2.7	4.9	6.3
Crown Office/Procurator Fiscal Service	2.8	2.8	0	0	2.8	2.8
Administration	1.5	1.5	0	0	1.5	1.5
Registers of Scotland	0	0	0.6	0.6	0.6	0.6
Tourism, culture & sport	0	0.3	0	0	0	0.3
Scottish Water	53.9	0	0	0	53.9	0
<b>Total</b>	<b>383.6</b>	<b>386.6</b>	<b>91.6</b>	<b>55.4</b>	<b>475.4</b>	<b>442.0</b>

**Note:** Local government procurement savings are now monitored as part of assumed local government efficiency savings rather than non-NHS procurement. As a result and compared to the March 2006 ETNs, planned gains of £27 million in 2005/06 have been transferred from the non-NHS procurement portfolio to the finance and public sector reform portfolio.

**Source:** *Efficient Government – Efficiency Outturn Report for 2005/06*, Scottish Executive, September 2006

£494 million in respect of its capital expenditure over the four years to 2005/06.

- The health portfolio reported £11.3 million of time-releasing efficiency gains against planned savings of £54.7 million. The most significant reasons given for this shortfall was that sickness absence rates had not fallen as quickly as expected (savings of £5.9 million reported against plans of £16.3 million), and that further work was needed to develop more appropriate indicators to measure increases in consultant productivity (no savings were reported against plans of £21.1 million). Audit Scotland has previously reported on the difficulty in measuring consultant productivity.<sup>12</sup>

**2.8** Overall, the health portfolio and the finance and public service reform portfolio (which includes local government) were responsible for nearly 70 per cent of the reported savings. The Executive has reported savings of £90.3 million across all portfolios as a result of better procurement (20 per cent of the total savings claimed).

### Measurement of projects' efficiency gains

**2.9** We reviewed annual efficiency reports supporting a sample of 12 efficiency projects (Exhibit 9, overleaf). The sample, which covered £379.7 million of the £442 million reported savings in 2005/06 (86 per cent), was drawn from across the different portfolios and covered a range of projects of different sizes although we focused more on higher value projects (eg, five of the sampled projects involved reported savings of more than £50 million each).

**2.10** We found that the annual returns provided clear evidence of a commitment to improve efficiency across the public sector but that further action is needed to provide assurance on the level of savings reported and their impact on service delivery. The following paragraphs illustrate where further improvement is necessary.

### Setting a robust baseline is essential

**2.11** Baseline information on costs and service outputs and outcomes is necessary for measuring progress against efficiency targets.

**2.12** Most of our sample of projects appeared to have established robust baselines but some were using baselines which did not appear to reflect good practice. For example, information used to establish the baseline for the initiative to reduce sickness absence in the NHS is poor because some NHS boards were unable to provide accurate data on current levels of sickness absence. The absence of a robust baseline means there is a risk that the reported progress in reducing sickness absence could be unreliable.

### More needs to be done on quality measures

**2.13** Quality of output measures are required across the Efficient Government Initiative for two reasons:

- Projects need to develop measures of output quality to show that efficiency gains are not being developed at the expense of the quality of public services. If efficiencies are expected to arise from reducing costs and quality measures are not in place, reported savings might otherwise be simply a cut to services.

- If projects are reporting efficiencies from improving the quality of services at no additional costs, quality needs to be measured before and after any reforms to quantify the efficiency gain.

**2.14** Attempts have been made with some projects to identify measures which would allow the quality of services to be assessed. For example, legislative and regulatory changes have been made to reduce the cost of legal aid by transferring some criminal cases from the high courts to the sheriff courts and by changing how legal aid fees are calculated. The quality of civil and children's legal assistance provided is already monitored using an established quality assurance peer review scheme. Similar arrangements are intended to be introduced for criminal legal assistance in 2006/07. This will complement the Scottish Legal Aid Board's existing audit of criminal legal assistance for compliance with the Criminal Legal Aid Code of Practice.

**2.15** In a number of other projects, however, we had concerns about the adequacy of output measures in place. For example, time-releasing gains were expected to result from employing classroom assistants in schools. The project is intended to increase staff productivity by releasing teachers from administrative tasks to allow them to spend more time with individual pupils. The calculation of efficiency gains for classroom assistants is based on the difference in the average salaries of teachers and classroom assistants multiplied by the number of assistants employed. Similarly, better IT management, including the screening out of spam email, in HE institutes and FE colleges, is expected to allow

## Exhibit 9

### Details of reported savings for our sample projects

Project	Reported efficiency gains in 2005/06		Objective	Details of claimed savings
	Target £ million	Reported £ million		
NHS Efficiency Savings	88.0	71.0	A recurring 1% efficiency saving from NHSScotland to be drawn from schemes submitted by NHS boards. These include efficiency improvements in contracting, commissioning, estates and facilities, service redesign, workforce arrangements, transport services, and local initiatives on prescribing and support services.	NHS boards reported recurring savings of £71 million and another £42 million which were regarded as non-recurring so were not counted against the target. The largest reported gains were in NHS Lothian, NHS Lanarkshire, NHS Greater Glasgow, NHS Argyll and Clyde and NHS Tayside.
Drug pricing	42.0	38.0	To improve value for money in national arrangements for the pricing of drugs by NHS Scotland. This is largely to be achieved by implementing a revised Pharmaceutical Prices Regulation Scheme, negotiated on a UK-wide basis with drugs suppliers. The target is derived by applying a 7% discount across all branded drugs.	Savings of £35.4 million (93% of the total reported) were reported as being the result of the cheaper cost of drugs compared to prices paid in November 2004. The Executive attributes the shortfall against the target to initial savings being realised before the 1 April 2005 commencement date for target measurement purposes.
NHS procurement	33.0	33.3	National Procurement, a division of NHS National Services Scotland, aims to promote collaborative buying to create sustainable cost reductions. The main activities are the coordinated roll-out of eProcurement Scotland to NHS Scotland and the development of national contracts for a range of commodities.	Calculation of the reported savings was based on a comparison of the difference in prices paid in 2004/05 and 2005/06 for equipment and services which are part of national contracts. This included, drugs, food and IT hardware.
Improved drug prescribing	5.0	21.6	To create efficiency gains through improvements in prescribing by adopting best practice and by reducing inappropriate prescribing. NHS boards were required to develop local plans based on existing guidance.	Savings of £10.7 million were reported to arise from the application of recommendations from the Audit Scotland report <i>Supporting prescribing in general practice</i> published in June 2003. A further £6.8 million savings was reported as being the result of greater use of generic drugs as branded products lose licence protection.

Project	Reported efficiency gains in 2005/06		Objective	Details of claimed savings
	Target £ million	Reported £ million		
Reducing sickness absence in NHS	16.3 <sup>1</sup>	5.8 <sup>1</sup>	To reduce sickness absence levels across NHS Scotland to 4% by March 2008. This is a time-releasing gain and NHS boards are required to develop their own plans to achieve the target.	The savings reported were based on a 0.15% reduction in sickness absence rates across the NHS in 2005/06. This was applied to the national paybill of £3.9 billion giving a saving of £5.85 million.
Local government efficiency savings <sup>2</sup>	81.1	122.0	Funding for local authorities is being reduced by top-slicing Grant Assisted Expenditure at source. Individual local authorities are responsible for generating the efficiency savings while at least maintaining the quality of services.	The reported savings were based on research commissioned by the Improvement Service. The study estimated efficiencies of £83 million in the 21 councils which took part which was then extrapolated across councils as a whole.
Use of classroom assistants	9.0 <sup>1</sup>	10.7 <sup>1</sup>	To provide additional support staff to ease the administrative burden on teachers so that their time can be used more productively. For example, the presence of classroom assistants is expected to allow teachers to spend more time with individual pupils.	The reported time-releasing gains were based on a calculation that multiplied the number of new support staff employed during the year (564 FTE) by the difference between average salaries of teachers and support staff.
Efficiency in the police service	10.0 <sup>1</sup>	10.0 <sup>1</sup>	To free up police time through rationalisation, the use of civilians, process re-engineering, the spreading of best practice, the use of technology and greater productivity. Savings are to be reported annually by the Association of Chief Police Officers in Scotland (ACPOS).	In May 2006, the Executive project manager reported achieving the target for 2005/06 based on information provided by ACPOS but commented that the actual amount saved could not be verified until the ACPOS Best Value report was finalised. In June 2006, ACPOS reported time-releasing gains of £17.0 million in 2005/06 largely due to Reliance Secure Task Management Ltd assuming responsibility for most prisoner management and escort duties (£8.7 million) and improved absence management (£3.7 million).
Supporting People programme	19.0	25.0	Supporting People grant to local authorities is being reduced at source. Efficiency gains are expected to be delivered by local authorities through local reviews of 1,200 housing support services currently delivered by over 100 individual providers.	The reported savings relate to the amount top-sliced.

Project	Reported efficiency gains in 2005/06		Objective	Details of claimed savings
	Target £ million	Reported £ million		
FE colleges and HE Institutions	1.0 5.0 <sup>1</sup>	1.0 11.0 <sup>1</sup>	To achieve cash and time-releasing gains through investment in estates, identifying new approaches for learning, teaching and support functions and further development of joint procurement arrangements.	£10 million of the reported time-releasing savings were based on pilot projects carried out at four universities which aim to freeup staff time through better IT management, eg, through the rejection of spam emails.
Non NHS procurement <sup>2</sup>	23.0	24.6	To achieve savings across the public sector through improved value for money from purchasing. Savings are expected to be generated from greater collaborative procurement through the creation of centres of expertise, the further roll-out of eProcurement Scotl@nd and adoption of the minimum standards set out in <i>The Review of Public Procurement in Scotland</i> by John F McClelland. Savings are to be measured by comparing 2005/06 prices with those of 2004/05 when available or prevailing market prices when not.	The largest elements of the reported savings relate to savings made by the Scottish Procurement Directorate (£11.2 million of which £8.4 million relates to the Broadband for Scotland contract), the use of Office of Government Commerce contracts in Scotland (£4.8 million) and procurement savings by the police services (£4.5 million). Note that the original savings target for 2005/06 was £50 million. Local government procurement gains are, however, now monitored as part of assumed local government efficiency savings and as a result, planned savings of £27 million were transferred from the non-NHS procurement project.
Legal aid	5.5	5.7	To make savings through the Modernising Legal Aid programme. These will be cash-releasing gains through changes in legislation and regulation and structural changes to the justice system.	The largest elements of the reported savings relate to changes in how legal aid fees are calculated (£1.1 million) and through new evidence disclosure requirements which are intended to reduce the work of the defence (£1.5 million).

**Notes:**

1. Time-releasing efficiency gains.

2. The original savings target for 2005/06 for non-NHS procurement was £50 million. Local government procurement gains are, however, now monitored as part of assumed local government efficiency savings. As a result, planned savings of £27 million were transferred from the non-NHS procurement project and reported local government efficiency savings include those made from procurement gains.

Source: Audit Scotland



staff to spend more time on more productive work. The calculation of efficiency gains for HE institutes and FE colleges is based on the cost of staff time freed up. In both cases, however, the reported savings assume that all of the time released is directed towards more productive activities. There are, however, no measures to identify the extent to which teachers and HE institute/FE college staff are more productive.

### **Savings can be claimed gross of development costs**

**2.16** The Executive's guidance states that, where it is possible to isolate development costs giving rise to efficiency, then those costs should be deducted from the efficiencies claimed. In the majority of cases, however, development costs are expected to arise to meet a number of business objectives and not solely to generate an efficiency gain. In such cases development costs should not be offset against the efficiency gain claimed. An example of the latter is the project to reduce sickness absence in the NHS. Development costs were incurred through the introduction of the Scottish Workforce Information Standard System but these were not deducted from efficiency savings because the system was developed to provide better information to NHS managers rather than to generate efficiency savings alone.

**2.17** In one project, however, we were concerned that the relevant development costs should have been deducted from the reported savings. The Association of Chief Police Officers in Scotland reported time-releasing efficiency gains in the police services of £3.7 million as a

result of active measures to reduce staff sickness absence. But it was not clear whether the gains reported took account of any new investment in areas such as enhanced occupational health provision to improve attendance rates.

### **Methods for calculating efficiency gains are not always robust**

**2.18** We found a number of cases in the sample where the calculation of savings was based on extrapolation raising concerns over the eligibility of reported gains. For example, the improved drug prescribing project aims to make cash-releasing efficiency gains by adopting best practice to drug prescribing and reducing inappropriate prescribing in the NHS. Reported savings of £21.6 million were submitted by NHS boards but reliance is placed on each board's chief pharmacist's extrapolation of baselines and output information.

**2.19** The £122 million efficiency gains reported by the 32 Scottish local authorities in 2005/06 were based on research commissioned by the Improvement Service.<sup>13</sup> The study estimated efficiencies of £83 million in the 21 councils which took part which was then extrapolated across all 32 councils. The £83 million savings comprises £37 million, which was calculated from case studies at six councils, and £46 million, which was based on survey questionnaire returns by 15 councils. The six case studies were subject to scrutiny and challenge to validate the savings claimed but the study team did not challenge the survey data. Although the Improvement Service considers that the detailed case studies showed that councils underestimated, rather

than overestimated, the efficiency savings made, the overall approach is insufficient to validate the accuracy of reported savings.

**2.20** Representatives of COSLA, the Improvement Service, CIPFA Directors of Finance Section and the Executive have now established an Efficient Government Monitoring Group to consider how efficiency savings by local authorities can be better measured. Performance management consultants Aspiren were appointed in August 2006 to lead the project.

### **Better supporting information is needed**

**2.21** Within our sample, most projects have a clear audit trail for reporting claimed efficiency gains and project managers are able to quality assure the data used to calculate savings. Audit trails are important because they demonstrate how a project's efficiency gains are calculated all the way from the raw data collection process and underlying assumptions made, through to the processing, analysis and reporting phases.

**2.22** In a few cases, however, the EGDD was unable to check whether reported gains were robust because insufficient information was provided to them. An example of this is the improved drug prescribing project. Savings of £21.6 million were reported by NHS boards but apart from a reasonableness check carried out by the Information and Statistics Division of NHS National Services Scotland, no other work was done to verify the reported savings.

**2.23** Similarly, the NHS efficiency saving projects involves NHS boards identifying their own savings projects to offset the annual one per cent reduction in funding allocations. In 2005/06, NHS boards reported efficiency gains of £146 million, although £75 million was subsequently deducted because they did not relate to the Efficient Government Initiative (£25 million), had already been reported under other projects (£8 million) or because they were non-recurring (£42 million). Reported savings from individual projects were not, however, subject to detailed audit and validation by EGDD or the Scottish Executive Health Department.

### The EGDD has made progress in taking forward the five key workstreams

**2.24** The EGDD has made progress in developing efficiency initiatives emanating from the five key workstreams outlined in the Efficient Government Plan:

- **Better procurement.**

The *Review of Procurement in Scotland*<sup>14</sup> was published in March 2006. It indicated that some significant improvements have been made in public procurement over the last three years. This includes the installation and partial adoption of the eProcurement Scotl@nd (ePS) service and the central development of procurement policies. However, further action is required to spread good practice across the public sector; there is scope for better collaboration between public bodies; and greater leadership is required to develop procurement practices and skills.

In response, the Executive established a Public Procurement Reform Board, chaired by John McClelland and including membership drawn from across the public sector in Scotland, to provide overall guidance and direction to procurement reform and oversee the implementation of the *Review of Procurement in Scotland* report recommendations. The board's immediate priorities are to ensure the adoption of the minimum governance and procurement standards outlined in the report; to help establish procurement centres of expertise; and to encourage more public bodies to seek ePS accreditation.

- **Managing sickness absence.**

The EGDD has established a Managing Absence Steering Group with cross-sectoral representation to help develop best practice for managing sickness absence. As part of this, the EGDD has also visited a number of public bodies to learn more about absence management policies and procedures and has been collecting statistics on sickness absence levels.

- **Proper asset management.**

Working with other Executive departments and the Improvement Service for local government, the EGDD has undertaken a general scoping assessment of asset management across the public sector. The EGDD is now exploring the use of the electronic Property Information Mapping service operated by the Office of Government Commerce in central government bodies to improve asset management.

- **Shared support services.**

Following discussion with public sector partners, the Executive published a consultation paper on the further development of shared services in May 2006. The consultation paper sets out proposals for the development of a national strategy for shared services covering all parts of the Scottish public sector. The consultation exercise closed at the end of August and the Executive is currently analysing responses.

- **Streamlining bureaucracy.**

In June 2006, the Executive established an independent review to look at how improvements could be made in inspection, regulation, audit and complaints handling for public services in Scotland. The review, chaired by Professor Lorne Crerar, is intended to complement wider Executive initiatives to reform public services and ensure public money is used as efficiently and effectively as possible. It is expected to make recommendations on how regulation, audit, inspection and complaints handling can be more efficient and joined-up, and how continuous improvement in public services can be better supported. The review is expected to report in summer 2007.

# Appendix 1.

## Efficiency savings projects

Portfolio and project	Cash or time-releasing	Planned savings			Savings reported in 2005/06 £ million
		2005/06 £ million	2006/07 £ million	2007/08 £ million	
<b>Administration</b>					
CAP reform	Cash	0	2.4	2.4	0
Better procurement	Cash	0.6	3.0	3.0	0.6
HR reform programme	Cash	0	0.5	0.5	0
eRDM	Cash	0.5	0.5	0.5	0.5
Savings from non-staff costs/better staff deployment	Cash	0.4	1.0	2.0	0.439
<b>Total</b>	<b>Cash</b>	<b>1.5</b>	<b>7.4</b>	<b>8.4</b>	<b>1.539</b>
	<b>Time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Communities</b>					
Reducing unit costs in Communities Scotland development programme	Cash	0	5.0	9.0	0
Efficiencies in Supporting People programme	Cash	19.0	27.0	25.0	25.0
Improving the targeting, effectiveness and efficiency of housing investment	Time	0.011	0.023	0.046	0.119
Reduce regulatory burden, particularly on RSLs	Time	0.009	0.009	0.009	0.0097
Modernising building standards	Time	0.02	0.02	0.02	0.02
<b>Total</b>	<b>Cash</b>	<b>19.0</b>	<b>32.0</b>	<b>32.0</b>	<b>25.0</b>
	<b>Time</b>	<b>0.04</b>	<b>0.052</b>	<b>0.075</b>	<b>0.1487</b>
<b>Crown Office and Procurator Fiscal Service</b>					
Alternatives to prosecution	Cash	1.1	1.1	1.1	0.92
Case-related costs and estates rationalisation	Cash	0.5	0.5	0.5	0.88
Increase Sheriff's solemn sentencing powers to five years	Cash	0.4	0.4	0.4	0.34
Staff savings from introduction of new IT system	Cash	0.8	0.8	0.8	0.7
Closer working with police and Scottish Courts Service	Time	0	0.1	0.1	0
Improvement in case handling	Time	0	0.2	0.2	0
<b>Total</b>	<b>Cash</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.84</b>
	<b>Time</b>	<b>0</b>	<b>0.3</b>	<b>0.3</b>	<b>0</b>

Portfolio and project	Cash or time-releasing	Planned savings			Savings reported in 2005/06 £ million
		2005/06 £ million	2006/07 £ million	2007/08 £ million	
<b>Education and young people</b>					
Efficiency savings in the Scottish Qualifications Authority	Cash	0.3	0.7	1.0	0.5
Savings from EYP central government expenditure	Cash	0	4.2	9.8	0
School building programme	Time	1.0	3.0	5.0	1.0
Use of classroom assistants	Time	9.0	14.0	21.0	10.7
Improved access to downloaded teaching and learning resources	Time	0	0	5.0	0
Children's Hearings	Time	0	0	4.0	0
<b>Total</b>	<b>Cash</b>	<b>0.3</b>	<b>4.9</b>	<b>10.8</b>	<b>0.5</b>
	<b>Time</b>	<b>10.0</b>	<b>17.0</b>	<b>26.0</b>	<b>11.7</b>
<b>Enterprise and lifelong learning</b>					
Scottish Enterprise savings	Cash	2.328	2.328	2.328	5.958
	Time	7.332	7.332	7.332	7.0
Scottish science centres programme	Cash	0.47	0.47	0.47	0.62
Scottish further education colleges and higher education institutes	Cash	1.0	5.0	15.0	1.0
	Time	5.0	11.0	35.0	11.0
<b>Total</b>	<b>Cash</b>	<b>3.798</b>	<b>7.798</b>	<b>17.798</b>	<b>7.578</b>
	<b>Time</b>	<b>12.332</b>	<b>18.332</b>	<b>42.332</b>	<b>18.0</b>
<b>Environment and rural affairs</b>					
Efficiency savings in Forestry Commission Scotland	Cash	0.2	1.1	1.6	0.6
Savings in SEPA	Cash	0.7	2.0	2.0	2.366
	Time	1.6	2.0	2.3	1.73
Savings in Scottish Natural Heritage	Cash	0.7	0.6	1.6	0.608
ERAD science programme	Time	1.5	0.9	0.9	1.0
<b>Total</b>	<b>Cash</b>	<b>1.6</b>	<b>4.4</b>	<b>5.9</b>	<b>3.574</b>
	<b>Time</b>	<b>3.1</b>	<b>3.3</b>	<b>3.6</b>	<b>2.73</b>

Portfolio and project	Cash or time-releasing	Planned savings			Savings reported in 2005/06 £ million
		2005/06 £ million	2006/07 £ million	2007/08 £ million	
<b>Finance and public sector reform</b>					
Standards Commission	Cash	0.016	0.016	0.016	0
Inspectorate of Prosecution	Cash	0.02	0.02	0.02	0.016
Internal efficiency savings in Scottish Public Pensions Agency	Cash	0.4	0.635	0.635	0.41
Assumed local government efficiency savings <sup>1</sup>	Cash	81.1	112.6	168.3	122.0
Fire service reform	Cash	0	1.5	1.5	0
Efficiency savings in the Scottish Police Service	Cash	4.0	6.0	8.0	4.0
Modernising Government and Efficient Government Fund	Cash	4.0	10.0	20.0	4.237
	Time	0	10.0	20.0	0
<b>Total</b>	<b>Cash</b>	<b>89.536</b>	<b>130.771</b>	<b>198.471</b>	<b>130.663</b>
	<b>Time</b>	<b>0</b>	<b>10.0</b>	<b>20.0</b>	<b>0</b>
<b>Health</b>					
NHS procurement	Cash	33.0	50.0	60.0	33.3
NHS support service reform	Cash	0	0	10.0	0
NHS logistics reform	Cash	0	2.5	7.5	0
Improved prescribing of drugs	Cash	5.0	10.0	20.0	21.6
NHS efficiency savings	Cash	88.0	134.0	208.0	71.0
Facilities management system in NHSScotland	Cash	0.1	0.4	0.8	0.14
Drugs pricing	Cash	42.0	42.0	42.0	38.0
Efficiency savings in the Care Commission	Cash	1.0	1.6	1.6	1.5
Reduction in sickness absence	Time	16.3	34.5	54.8	5.85
Increasing consultant productivity	Time	21.1	45.6	73.0	0
Scottish Primary Care Collaborative	Time	6.52	6.52	6.52	3.112
Outpatient programme/specialty redesign projects	Time	0.897	0.897	0.897	1.249
Outpatient programme/patient focused booking	Time	2.59	2.59	2.59	1.12
Electronic transmission of lab results to GPs	Time	4.0	8.0	12.0	0
Digital x-rays/Picture Archive Computer System	Time	3.25	13.4	23.5	0
<b>Total</b>	<b>Cash</b>	<b>169.1</b>	<b>240.5</b>	<b>349.9</b>	<b>165.54</b>
	<b>Time</b>	<b>54.657</b>	<b>111.507</b>	<b>173.307</b>	<b>11.331</b>

**Note**

1. Local government procurement savings are now monitored as part of assumed local government efficiency savings rather than non-NHS procurement. As a result and compared to the March 2006 ETNs, planned savings of £27 million in 2005/06 have been transferred from the non-NHS procurement portfolio to the finance and public sector reform portfolio.

Portfolio and project	Cash or time-releasing	Planned savings			Savings reported in 2005/06 £ million
		2005/06 £ million	2006/07 £ million	2007/08 £ million	
<b>Justice</b>					
Fire central government	Cash	0.1	0.1	0.1	0.102
Community justice services	Cash	0	4.0	4.0	0
Scottish Courts Service	Cash	1.5	2.0	3.0	1.788
Legal aid – changes in rules and increased efficiency	Cash	5.5	9.0	12.0	5.733
Efficiency savings in Scottish Prison Service	Cash	0	7.0	10.0	0
Accountant in Bankruptcy	Cash	0	0.5	1.0	0
Review of summary justice	Time	0	0	2.77	0
Prison escorting and court custody services	Time	0.9	0.9	0.9	0.9
Time-releasing efficiency savings in the police service	Time	10.0	35.0	50.0	10.0
<b>Total</b>	<b>Cash</b>	<b>7.1</b>	<b>22.6</b>	<b>30.1</b>	<b>7.623</b>
	<b>Time</b>	<b>10.9</b>	<b>35.9</b>	<b>53.67</b>	<b>10.9</b>
<b>Tourism, culture and sport</b>					
Efficiency savings from cultural and sport NDPBs	Cash	0	0	0.75	0
Efficiency savings in tourism network	Cash	0	1.0	1.0	0.28
<b>Total</b>	<b>Cash</b>	<b>0</b>	<b>1.0</b>	<b>1.75</b>	<b>0.28</b>
	<b>Time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transport</b>					
Rail franchise procurement	Cash	10.0	7.8	6.9	13.3
Concessionary fares	Cash	0	5.0	5.0	0
Rail franchise – introduction of ticket machines	Cash	1.2	1.2	1.2	1.2
Highlands and Islands Airport Ltd	Cash	0.5	1.9	2.4	2.187
Caledonian MacBrayne	Cash	0.268	0.275	0.282	0.2
Management and maintenance of trunk road network	Time	0	8.0	13.5	0
<b>Total</b>	<b>Cash</b>	<b>11.968</b>	<b>16.175</b>	<b>15.782</b>	<b>16.887</b>
	<b>Time</b>	<b>0</b>	<b>8.0</b>	<b>13.5</b>	<b>0</b>
<b>Other</b>					
Non-NHS procurement	Cash	23.0	100.0	150.0	24.6
Scottish Water savings	Cash	54.0	76.5	100.5	0
Registers of Scotland	Cash	-0.088	0.702	1.228	0
	Time	0.580	0.619	1.864	0.562
<b>Grand totals</b>	<b>Cash</b>	<b>383.614</b>	<b>647.546</b>	<b>925.429</b>	<b>386.624</b>
	<b>Time</b>	<b>91.609</b>	<b>205.01</b>	<b>334.648</b>	<b>55.3717</b>





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A progress report



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