The Committee will meet at 10.00 am in Committee Room 2 to consider the following agenda items:

1. **Efficient Government**: The Committee will take evidence on the Scottish Executive’s Efficient Government Initiative from—

   Colin Mair, Chief Executive; and Dr. Mark McAteer, Senior Development Manager, Improvement Service for Local Government.

2. **Criminal Proceedings etc. (Reform) (Scotland) Bill**: The Committee will consider its approach to the Financial Memorandum for the Criminal Proceedings etc. (Reform) (Scotland) Bill.

3. **Item in private**: The Committee will decide whether to consider its draft report on its inquiry into the cost of the Local Authority Single Status Agreement in private at its next meeting and any subsequent meetings.

4. **Deprivation Inquiry (in private)**: The Committee will consider its draft report on its inquiry into deprivation.

Susan Duffy
Clerk to the Committee
Room T3.60
Extn 85215
The papers for this meeting are:

**Agenda Item 1**

Submission from Colin Mair  
PRIVATE PAPER  

**Agenda Item 2**

Paper from the Clerk  

*Criminal Proceedings etc (Reform) (Scotland) Bill* (circulated to Members in hardcopy only, copies available from the Scottish Parliament website)

**Agenda Item 4**

PRIVATE PAPER
Finance Committee

7th Meeting 2006 – Tuesday 7 March 2006

Efficient Government

1. The Finance Committee will today be taking evidence on the Scottish Executive’s Efficient Government initiative from Colin Mair, Chief Executive, and Dr Mark McAteer, Senior Development Manager, from the Improvement Service for Local Government.

2. A written submission from the Improvement Service is attached below.

Susan Duffy
Clerk to the Committee
Efficient Government Monitoring in Scottish Local Government

Briefing Note for Finance Committee of the Scottish Parliament
Submission from Colin Mair, Chief Executive and Dr Mark McAteer, Senior Development Manager
Improvement Service

Background

1. Local Councils across Scotland are planned to make over £300 million of efficiency gains across the period 2005/06 and 2007/08. £168 million were top sliced off the local government settlement for this period and Councils are expected to find efficiency gains to make that good, and to make a further contribution of around £140 million to efficient government targets.

2. 2005/06 is year 1 of the efficient government plan and the process of developing the monitoring framework for efficient government is still ongoing. There is a clear commitment at local and national level that ‘efficiency improvement’ should not be a cover for reductions in service and increased costs to service users. In essence, efficiency gains would be the provision of the same level and quality of service on a reduced resource base or the provision of a higher level or quality of service on the same resource base.

3. In May 2005 the IS was asked by COSLA and the Scottish Executive Efficient Government Delivery team to assess the potential of using Council’s Budget planning and monitoring frameworks as a “light touch” basis for monitoring delivery of “Efficient Government” savings. Information from 29 councils was examined between May 10th and June 17th 2005. It was concluded that current budgetary information would not suffice for monitoring EG as it had been prepared prior to clarification of criteria through the Technical Notes and that few Councils had an explicit and developed EG programme for 2005/06. Although the timing of councils financial planning and the rolling out of EG guidance was an important factor, the study revealed a number of other factors that needed to be addressed if a consistent and reliable monitoring of EG was to be achieved. These were:

- The separation of financial and performance monitoring and reporting in Councils which means that the impact of financial savings on the level and quality of output is hard to assess

- The absence of nationally consistent and relevant measures of productivity and output. The major investment in SPIs does not provide adequate measures but resource investment in returning these means that resources have not been available to develop more useful measures

- The practice in many Councils of achieving savings by setting % savings targets for services without a developed narrative of how they are to be accomplished, or their impact on service users and partners
• The tendency in most Councils to quantify growth and cuts in expenditure separately so that the flow of resources, and the link between net loss in some areas and net growth in others, is hard to track. As EG is concerned with the shift of resources to customer service then the flow of resources needs to be established

• The necessary focus of budgetary documentation on finance means that efficiency gains are captured only if expressed as financial savings (as opposed to time releasing gains that improve both service quality and resource utilisation)

These issues are not analytically complicated but they required an agreed and consistent approach between Councils. The report concluded that a more detailed study was necessary to provide a reliable assessment of the scale of cash and time releasing efficiencies 2005/06 and, on that basis, to set a consistent framework for future years

4. Subsequently the IS undertook to establish a reliable estimate for 2005/06 of the efficiency gains level achieved by the 32 Councils, and to undertake work to develop an agreed consistent monitoring framework for subsequent years. The work on estimation was commissioned from a team from IPF (CIPFA’s consulting arm) and Bishops Consulting. The team was chosen to provide a blend of finance and audit skills and a steering group from the IS, Scottish Executive, COSLA, CIPFA and SOLACE oversaw this work.

The Study

5. The study, and therefore the estimate provided, was based on detailed and rigorous case studies of 6 Councils and a survey of the other 26 requiring the return of data in a standard format. The 6 case study were supplemented by completed questionnaire returns from the corporate centre of 17 further councils, and a further 43 returns received from 150 service-focused questionnaires issued to a sample of common service areas. The corporate returns provided the most important information for this review. The 65% response rate to the corporate survey – combined with the detailed work in the six case studies - provides a strong basis for extrapolating the key messages from the analysis to Scottish local government as a whole. Taken together, the case study and corporate questionnaire responses reflect feedback from more than 70% of Scottish councils. The case studies involved Councils making a return and then the detailed interrogation of that with corporate and service managers. The aim was to test the efficiencies identified and also to check where other efficiencies might exist but had not been identified.

6. Through this process of challenge and scrutiny, the total efficiency gains identified across the 6 Councils were £37 million. This total was made up of the gains initially identified by Councils, minus non-efficiencies included in the initial estimate, plus additional efficiency gains identified by the study team working with corporate and service managers. The uniform trend across the case study Councils was for the initial estimate by the Council to underestimate overall efficiency gains by 10%.

7. The survey of the other 26 Councils generated a response from 15 authorities. There was no consistent scale, urban, rural or political bias to responses and non-responses. Two of the Councils who responded did not complete the proforma as
they could not assemble the data within the timescale. The total efficiencies identified by the responding Councils were valued at £46 million. This survey data was not challenged by the study team but (a) controlling for scale the level of efficiency gains identified is lower than in the case studies where challenge occurred and (b) the case study Councils initial self-assessments were below the actual level of efficiency gains being achieved. As such this total is likely to be an underestimation of the real levels of efficiencies being generated within the councils who participated in this study. Overall from the 21 participating councils a figure of some £83 million in efficiency gains has been identified.

8. The research team also undertook an extrapolation from their research findings for all 32 Scottish councils. In this extrapolation they used the insights gained from the case study and survey findings to establish a figure for the total efficiency gains generated for the year 2005/06. The research team were able to estimate an overall efficiency gain for all 32 Scottish Councils of £122 million for the year 2005/06. This estimate of £122 million was controlled in a variety of ways to prevent an overestimation of efficiencies:

- First, all of the detailed case studies showed that Councils underestimated, rather than overestimated, efficiencies but this was not factored into the extrapolation that underpins the estimate.
- Second, two of the Councils who responded to the survey made blank returns. As they returned the proforma, their efficiency achievement was counted as zero within the estimate.
- Third, the extrapolation controlled for scale of spend by Councils.

9. The critical difference in this study and others (e.g. the work undertaken by Audit Scotland) is that we have focussed on efficiency gains in frontline as well as back office services, and we have not restricted our examination to the themes within the Efficient Government Plan. The Scottish Executive has repeatedly indicated that the plan themes were indicative not prescriptive. Furthermore, the proportion of Council spend that is back office is small in comparison to that deployed on customer services and therefore efficiency gains are likely, of necessity, to be sought in frontline service areas.

10. In seeking to develop an agreed monitoring framework the research project proceeded from the position that the monitoring framework would first and foremost be developed for and in partnership with councils. As such, it should aid management and decision-making within each council. Any national efficiency ‘return’ would be a ‘light touch’ abstraction of the key messages in the framework, rather than a detailed annual submission. With this in mind, there are two different kinds of efficiency gains that should be included in the monitoring framework:

- Those that produce the same level of service from less inputs or less resource
- Those that result in greater levels of service from the same levels of input or resource.
As a result, the monitoring framework should explicitly re-state that efficiency gains must be those that:

a. Reduce inputs (money, people, assets, etc) and produce the same outputs
b. Reduce prices (procurement, labour costs, etc) and produce the same outputs
c. Deliver additional outputs or improved quality (extra service, productivity, etc) for the same inputs
d. Improve ratios of cost/output (unit costs, etc).

11. The research suggested that there should be three main requirements placed upon councils as part of any new efficiency monitoring framework. These were that council:

a. Identify genuine efficiencies (rather than cuts), and allocate these between cash and non-cash categories;
b. Adjust financial systems to allow the identification of planned cash efficiency gains, and either adjust departmental operational systems for recording non-cash items or design a standard recording template for departmental non-cash gains; and
c. Ensure that quality cross-checking evidence is available and cross-referenced to individual efficiencies as part of the framework return completion process.

12. In applying such a framework councils should have the requisite freedom to determine how they wish to pursue genuine efficiencies, on either a corporate, service or crosscutting theme basis. The proposed monitoring framework would allow for this information to be presented and reported to local communities while still retaining a comparative dimension to encourage collaboration and learning between councils as the EG agenda develops further. Moreover, the framework will include past performance against a council’s efficiency targets and forward actions to further pursue those targets. The initial proposed framework is attached to this report in appendix one.

13. Overall the research team were able to conclude that local government in Scotland is making good progress in finding genuine cash efficiency gains and are ahead of their expected position for the year 2005/06. The team further concluded that additional work remains to be done to advance their proposed monitoring framework and recommended a series of actions for the partners involved in the steering group. As a consequence a technical working group involving all the partners plus Audit Scotland has now been formed to further develop the detail of and implementation supports for the monitoring framework. The IS will co-ordinate this group on behalf of the partners.

14. All of the above relates to the measurement and monitoring of efficiencies. The IS is also working with local government and the Scottish Executive to practically improve efficiency. In the last year, we have undertaken work on procurement, absence management and recruitment costs, and we are currently doing work on public notices and infrastructure sharing. We will be happy to expand on any or all of these
in evidence. The core point is that it is necessary to balance proving improvement with actually making improvement.

Colin Mair
Mark McAteer
*February 2006*
Appendix 1 Potential efficiency template for Scottish Councils

<table>
<thead>
<tr>
<th>Corporate/Service Area/Cross Cutting Themes</th>
<th>Cashable (£)</th>
<th>Non-Cashable (£)</th>
<th>Total Efficiencies (£)</th>
<th>Key actions to be taken to achieve efficiencies</th>
<th>Disinvestment from/re-investment to (where applicable)</th>
<th>Changing input/output ratios (eg more for the same/same for less)</th>
<th>Quality Cross Check in place (Y/N)</th>
<th>Quality Cross Check Notes</th>
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<tbody>
<tr>
<td>Corporate Efficiencies (where separately identified)</td>
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<td>Additional Service Specific Efficiencies</td>
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<tr>
<td>Cross Cutting Theme Efficiencies (where separately identified)</td>
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<td>1. Procurement</td>
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<td>2. Asset Management</td>
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<td>3. Absence Management</td>
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<td>4. Shared Support Services</td>
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<td>5. Streamlining Bureaucracy</td>
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1. likely pitched at Head of Service level
Background

1. The Criminal Proceedings etc. (Reform) (Scotland) Bill (“the Bill”) was introduced to parliament on 28 February 2006. The Justice 1 Committee has been designated the lead committee for the Bill at Stage 1.

2. This paper has been prepared to assist the Committee to determine its approach to considering the Financial Memorandum for the Bill.

The Bill

3. The Bill seeks to reform the summary justice system to improve its efficiency. The Bill also seeks to make changes to the current system for bail and remand.

4. The Bill makes provision in eight policy areas which aim to:
   - make reforms to the system of bail and remand including requiring judges to provide justifications for refusing bail;
   - improve the efficiency of criminal proceedings in summary cases;
   - introduce increases in the criminal sentencing powers of the summary courts;
   - extend the range of alternatives to prosecution for example fiscal compensation offers (FCOs) and work orders (WOs), where a court appearance may not be the most effective approach;
   - establish a unified system of justice of the peace courts administered by the SCS in place of district courts administered by local authorities;
   - make reforms to the current procedures by which Justices of the Peace (JPs) are appointed, trained and appraised;
   - make reforms in relation to administrating fines and other financial penalties including creating the role of Fine Enforcement Officers; and
   - place on a statutory footing the Inspectorate of Prosecution in Scotland for the inspection of the Crown Office and Procurator Fiscal Service.

Costs

5. The costs relating to the provisions created by the Bill are summarised in the Financial Memorandum as follows:
<table>
<thead>
<tr>
<th>Area (and paragraph references)</th>
<th>2006-07 (£m)</th>
<th>2007-08 (£m)</th>
<th>(£m)</th>
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<tbody>
<tr>
<td></td>
<td>Recurring</td>
<td>Non-recurring</td>
<td>Recurring</td>
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<tr>
<td>Bail &amp; remand (375-381)</td>
<td>0.4</td>
<td>0.22</td>
<td>0.40</td>
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<tr>
<td>Criminal procedure (382-394)</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>FCOs and WOs (395-404)</td>
<td>-</td>
<td>0.40</td>
<td>-</td>
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<tr>
<td>Fiscal fines (405-411) (1)</td>
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<td>-</td>
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<td>Fines Enforcement (412-421)</td>
<td>-</td>
<td>0.47</td>
<td>0.40</td>
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<td>Court admin (422-442) (2)</td>
<td>-</td>
<td>-</td>
<td>0.08</td>
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<tr>
<td>Lay justice (443-451)</td>
<td>0.70</td>
<td>0.20</td>
<td>0.70</td>
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<tr>
<td>COPFS Inspectorate (452)</td>
<td>-</td>
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<td>-</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1.1</strong></td>
<td><strong>1.29</strong></td>
<td><strong>1.58</strong></td>
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<tr>
<td><strong>Cash-releasing</strong></td>
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<td><strong>Time-releasing</strong></td>
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Notes to table

(1) Figures do not include unquantifiable savings referred to at paragraphs 416 and 419, or possible savings from changing the method of enforcement of fiscal fines, which are referred to at paragraphs 416 and 421 of the Financial Memorandum.

(2) Figures do not include unquantifiable pension liabilities referred to at paragraphs 433 and 441 to 443. All savings are cash-releasing and accrue to local authorities, as set out in paragraph 450 of the Financial Memorandum.

**Bail and Remand**

6. In relation to Bail and remand provisions, it is anticipated in the Financial Memorandum that the costs will be mostly absorbed from within existing resources. These costs will be met by the Scottish Administration, and can be broken down as follows:

- **Crown Office and Procurator Fiscal Service - £0.3m**
- **Courts – £1.34m**

**Changes to Criminal Procedure**

7. The Financial Memorandum does not anticipate that the changes to the criminal procedure will have significant cost implications. It states that the Executive believes that the changes will increase efficiency to current procedures, and therefore result in time releasing savings of **£1.93m** and cash releasing savings of **£0.20m**.
8. These savings are also included in the Justice Department’s Efficient Government technical notes.

9. These annual savings are broken down as follows:
   - Crown Office and Procurator Fiscal Service - £1.65m savings
   - Courts - £0.28m savings
   - Scottish Legal Aid Board - £0.20m savings

Alternatives to Prosecution
10. In relation to the alternatives to prosecution, all the costs which have been calculated are in relation to non-recurring costs. These will total £0.80m, £0.40m in 2006-07 and 2007-08. These costs will be met from the Scottish Executive’s budget.

Justice Of The Peace Courts
11. The total additional expenditure in relation to the unification of the court service will be £1.47m of recurring costs, and £13.4m for non-recurring costs. It is anticipated in the financial memorandum that this will be offset against annual savings of £1.29m. The costs will be incurred by the Scottish Court Service. This will be met by reallocation of funding currently provided to local authorities for the district courts, to the Scottish Court Service.

12. It should be noted that it has not been possible to estimate the pension liability in relation to staffing changes as a result of this policy, in the Financial Memorandum.

13. In addition, members should note that the Financial Memorandum states that the Executive is still in discussions with COSLA about the level of the reduction in the Revenue Support Grant as a result of removing responsibility for district courts by local authorities.

Justice Of The Peace Appointments
14. Costs relating to the appointment, recruitment, training, and appraisal of Justices of the Peace will be met by the Scottish Executive and the Scottish Court Service. This is broken down as £0.70m for recurring costs, and £0.30m for non-recurring costs.

Fine and Penalty Administration
15. The Financial Memorandum states that the total eventual recurring costs for reforms to the administration of fines and other financial penalties will be £0.80m, with a non-recurring cost of £0.70m. It anticipates that there will be an annual saving of £1.30m, as a result of the reduction of cost in relation to police time, warrants, and court time.

16. These costs are broken down as follows:
   - Scottish Court Service - £2.46m
   - Annual savings to the Scottish Administration - £1.30m
Inspectorate of Prosecution in Scotland

17. The Financial Memorandum does not anticipate any additional costs to be accrued as a result of the provisions in relation to the Inspectorate of Prosecution in Scotland.

Conclusion

18. Although the Financial Memorandum is reasonably detailed, members may wish to consider the assumptions made in relation to time releasing savings and cash releasing savings. Members may also wish to look at the issue of pension’s liability and the adjustment of the level of Revenue Support Grant to local authorities.

19. Members are asked to agree that the Committee should adopt level two scrutiny for the Bill on the basis of the information contained in the Financial Memorandum, i.e. that it should take oral evidence on the Financial Memorandum from Scottish Executive officials and seek written comments from relevant organisations (listed below) through its agreed questionnaire.

20. Relevant organisations:
   - COSLA
   - Scottish Prison Service
   - Crown Office and Procurator Fiscal Service
   - Scottish Court Service
   - Scottish Legal Aid Board
   - Association of Chief Police Officers in Scotland
   - Inspectorate of Prosecution in Scotland

Kristin Mitchell
Assistant Clerk to the Finance Committee
March 2006