



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

SFC CALL FOR INFORMATION

Institutional Efficiency
Issue Date: 7 February 2020
Reference: SFC/CI/03/2020

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Deadline: 3 April 2020

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Summary: A request for each institution to provide details of their contribution to the Scottish Government's efficiency objectives, in particular efficiencies for the academic year 2018-19.

FAO: Principals, Finance Directors and Board/Governing Body Secretaries of Scotland's colleges (including Regional Strategic Bodies) and universities

Further information: **Contact:** Ann Robertson
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Institutional Efficiency

Purpose

1. This call for information requests each institution to provide details of their contribution to the Scottish Government's efficiency objectives, in particular efficiencies for academic year 2018-19.

Background

2. Scottish Ministers expect every public body to deliver efficiency savings of at least 3% in each year and to report publicly on the actions taken and the results achieved.
3. This efficiency programme allows public bodies to demonstrate, where appropriate, how and to what extent they have used efficiencies to protect quality and level of services and maintained outputs and outcomes.
4. The Scottish Funding Council (SFC) is required by the Scottish Government to publish an annual statement of efficiencies.

2018-19 Efficiencies

5. Guidance is included for your information at **Annex A**.
6. In calculating the 2018-19 efficiencies, institutions should use the previous year as a baseline, therefore showing year-on-year efficiencies, not a cumulative figure.

Regional Strategic Bodies (RSBs) and assigned colleges

7. For all assigned colleges, please send completed versions of **Annex B** and **Annex C** to your Regional Strategic Body (RSB) by 20 March 2020 to allow the RSB to send a consolidated (or batch of individual returns) to SFC to meet the deadline of 3 April 2020.

Audit requirements

8. There is a possibility that Audit Scotland will want to review this information so it is important that the evidence being held at each institution is detailed and robust enough for audit purposes.
9. We recommend that you use appropriate internal management and governance arrangements to ensure the robustness of the efficiency information by including a review of the underlying processes within the scope of your Audit Committee's remit.

Example efficiencies

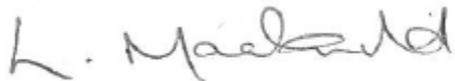
10. You will find a [list of example efficiencies](#) for your reference taken from previous returns on the SFC website.

Next steps

11. Please email a completed Excel version of **Annex B** and a Word version of **Annex C** by Friday 3 April 2020 to isg-returns@sfc.ac.uk.

Further information

12. Please contact Ann Robertson, Senior Financial Analyst, Institutional Sustainability and Governance for further information, tel: 0131 313 6689, email: arobertson@sfc.ac.uk.



Lorna MacDonald
Director of Finance

Cash-releasing and time-releasing

1. For the purposes of this efficiency savings target period 2018-19, there is a requirement for the efficiencies to be represented by cash-releasing efficiencies. Time-releasing efficiencies will not count towards the target, but should also be reported.
2. To be clear, we do not expect your efficiencies to necessarily have an impact on your level of surplus / deficit for the year as they can be savings that have been recycled within the institution.
3. The definitions of cash-releasing, notional cash and time-releasing efficiencies provided previously in Scottish Government guidance are as follows:
 - Cash-releasing efficiencies are achieved by delivering an actual resource efficiency because the organisation or function delivers the same service at a reduced cost which might be demonstrated by delivering the same outcome(s) or output(s) for a reduced input (e.g. costs, people, procurement, assets etc) or delivering a reduced unit cost allowing an increased volume of service for the same cost. Cash efficiencies release financial resources to be used for other or increased public services.
 - Notional cash efficiencies are achieved where an organisation can clearly demonstrate it has made an efficiency that releases staff resource to allow it to deliver necessary additional services e.g. in support of Ministerial priorities, within existing budget, this avoids the need for additional funding. It is essentially no different from a cash-releasing efficiency and, as such, it is likely to be eligible to contribute towards the efficiency target.
 - Time-releasing efficiencies are defined as efficiency measures which do not release cash but allow frontline services to deliver better services with the same money (for example, through workforce reform or better support).

Associated development costs

4. It should only be in very exceptional circumstances that it is necessary to offset development costs against the value of improvements as the underlying development will normally have been planned to meet one or more business objectives, and not solely to generate a contribution to the efficiency savings target.

Income generation

5. Where finance has been levered in from an organisation outwith the public sector and this has freed resources which could be redeployed, then that funding can be counted as an efficiency, provided the level of service delivery is

maintained or improved. This does not apply to funding levered in from other Scottish public sector organisations since such arrangements would have no net effect on the public sector.

6. An activity category (i) is included in the pro-forma (**Annex B**) for returns, to allow this information to be collected.

Staff restructuring

7. The efficiency gains arising from any recent staff restructuring can be included in the return.

APUC procurement savings on collaborative contracts

8. SFC collects these savings from Advanced Procurement for Universities and Colleges (APUC) direct and a total for each sector will be included in the final report.

Pro-forma (Annex B and Annex C)

9. **Annex B** will allow you to enter the activities contributing towards your institution's efficiencies for the period 2018-19, split into cash and time-releasing efficiencies in the year. The pro-forma, attached as **Annex B**, is similar to that included in sector communications in previous years.
10. An example of a cash efficiency is the sale of a surplus asset, e.g. a building or land plot. The bulk of the efficiency will be the one-off cash gain from the sale. However there may also be some recurring efficiencies from the sale of an asset if ongoing maintenance costs are reduced or eliminated and the first year of those savings should also be counted.
11. As with the previous return, we are collecting information on a wide range of activities, including the following (the workstream code is shown in brackets):
 - Business process improvements (BPI).
 - Collaborative activities (C).
 - Shared services (S) (for example, efficiencies brought about by services provided centrally by the Joint Information Systems Committee (JISC) or the Higher Education Authority (HEA)).
 - Procurement (P) (independent of and in addition to the gains secured by APUC). Where you are reporting on savings achieved through local contracts (contracts not managed by APUC) please report on the savings using the

Scottish Cross-sector Benefits Reporting Methodology¹.

- Estates (E) (for example, proceeds from sale of a surplus asset; reduction or elimination of ongoing maintenance costs; energy saving projects; space planning; and rationalisation of estates).
 - Income (i).
 - Other (O) – any other areas of improvements you are aware of that do not fit under the other headings, including one-off gains.
12. Please note that the pro-forma asks for figures to be entered in '£000'.
 13. **If you are not sure whether an activity counts towards the target** please still include it on the form and identify the uncertainty on the form beside the activity and highlight this in the email you send covering the returned form. SFC will consider and, if necessary, discuss with the Scottish Government.
 14. **Annex C**, which was introduced for the first time last year, is a high level document that summarises the information in **Annex B**. The form requires a sign-off by the head of the institution. This form is in a similar format to the final report published by SFC.

¹ Available on the APUC Buyer's Portal