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Efficient local government

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The commitment to efficiency and effectiveness

by Michael Bichard and Nick Sharman



The collection of essays in this pamphlet shows the breadth and depth of the

commitment to efficiency and effectiveness in local government. Since Sir Peter Gershon's 2004 report *Releasing Resources for the Front Line* provided a renewed focus on quantifying efficiency, local authorities have already recorded more than £3 billion of savings. This reflects the application of increasingly rigorous management in local government. However, while the demand for community services continues to rise, public spending has started to slow. Moreover, it is clear that the financial position is going to tighten further in coming years and that wider economic challenges are likely. With demand for services growing faster than available resources efficiency is becoming a crucial issue for local government's politicians and managers.

Rising expectations

While this combination of rising expectations and tightening financial position forms a common backdrop against which our contributors have written their approaches are wide, varied and imaginative. The range of issues covered roams from the moral imperative of maximising the impact of public resources to the importance of new institutional arrangements; from service innovation to customer insight and from commissioning to charging. Across these issues our contributors' outlook is positive and creative. The challenge is real, but the ambition is too.

As Robert Hill's opening essay outlines, there remains considerable scope for efficiencies through better use of technology and through service re-design. But efficiency is not a question of the technocratic fix, or of finding the best way to organise services. Efficiency involves issues of purpose and strategy, as well simply getting the best balance between inputs and outputs. A concern for managerial efficiency in government goes back at least as far as the 18th-century Scottish philosopher and economist Adam Smith. Smith's concern for the allocative efficiency of the market is well known, but we tend to talk less about his concern for the ways in which appropriate institutions contribute to efficiency through the productivity and motivation of people. These essays show that all the agencies concerned with local service delivery, whether in the public, private or voluntary sectors, will need to contribute. Indeed, it is clear that efficient and effective service delivery will depend critically on all parts of the supply chain working together around shared objectives and approaches.

Efficiency concerns managers, institutions and people but it is also a means to a greater end. In Peter Drucker's famous distinction efficiency presupposes purpose: "Effectiveness is the foundation of success – efficiency is a minimum condition for survival after success has been achieved". No amount of efficiency would have enabled the manufacturer of buggy whips to survive.

Complex task

Efficiency is concerned with doing things right. Effectiveness is doing the right things. As local

government becomes increasingly concerned with commissioning community wide outcomes and joining up local public sector agencies to secure those broad based outcomes, combining effective delivery of the outcomes while ensuring efficiency becomes a ever more complex task.

The development of local government's community commissioning role highlights a key theme of these contributions: the connections between political purpose and managerial method run right through the efficiency agenda. Without efficient organisation, the scope for political choice and democratic energy is reduced. Without political direction, efficiency lacks the focus on social and economic outcomes to be achieved. This interdependency of the political and the managerial is characteristic of local government and the most effective strategy will recognise the necessity of both approaches. This is a timely collection from leading figures in the field and we commend it to you.

Sir Michael Bichard is editor-in-chief of the SOLACE Foundation Imprint and rector of the University of the Arts London, as well as chair of the Legal Services Commission

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Efficiency as culture

by Robert Hill



When someone starts a seminar by saying that inefficiency represents organised theft of the taxes of working people you know that you are in for an interesting time!

And so it proved when over 30 chief executives, directors of resources and other senior managers from local and central government gathered together for 24 hours under the banner of "Efficiency as culture". Our challenge was how to move away from seeing efficiency as an imposed target from central government to it being part of the core business of how we operate in the public sector. So our focus was on changing the mindset, rather than on how to reach the specific target set for councils for the next three years.

Using the language of "organised theft" is one way of jolting people out of complacency but we also need to define efficiency in more prosaic terms, as box 1 (below) does, so that we are clear that we are not just talking about making cuts.

Old target: new context

The drive for efficiency is not new. Those who

Box 1. Defining efficiency

An efficiency gain is an improvement in the productivity of resources used to deliver services. It includes obtaining:

- More for the same.
- Much more for a little more.
- More for less.
- The same for less.

have been around the local government scene for a while will have sharp memories of the 3% efficiency targets of the Thatcher/Major era. But the current focus has perhaps come as a jolt for some because the relatively generous spending settlements from 2000 onwards (see chart 1, opposite) had accustomed parts of the public sector to take for granted significant continuing real-term rises in funding for public services – particularly for health, education and criminal justice.

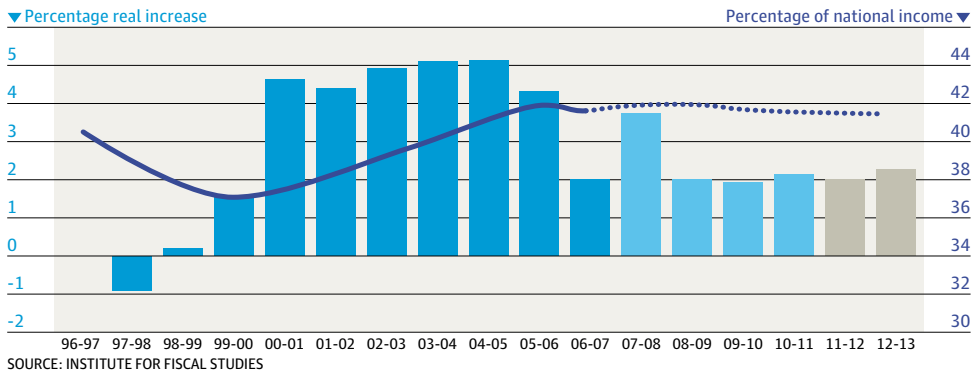
However, the years of plenty were, historically, a blip. Managing service pressures while reducing costs is not just going to be a challenge for the next three years, but for the next 10 or 20 as well – as chart 1 indicates. In addition, tucked away in the budget report in March 2008 was the chancellor's announcement of a new Public Value Programme that is intended to generate the next round of efficiencies after 2010/11. Further details are to be announced in the 2009 budget.

Nor is efficiency disputed territory between the two main political parties. Both Labour and the Conservatives are embedding efficiency at the heart of their fiscal and public sector strategies as they seek to juggle containing public spending, keeping down (or even reducing) levels of tax and creating room for service improvements.

The financial and political imperatives to realise efficiency savings sit alongside other pressures:

- A lower rate of economic growth.
- Increasing demographic costs as baby boomers reach retirement.
- The need for continuing investment in education and skills if the economy is to be competitive.

Chart 1: Total public spending 1996/97 – 2012/13



- The cost of climate change, new security threats and the demands of personalisation.

Mission possible

The challenge is a substantial one. But before we succumb to the view of the world espoused by Private Fraser from Dad’s Army – “We’re all doomed, I tell you. We’re all doomed!” – we need to reflect on what recent history tells. At any point in the past 50 years we could have looked at the future and concluded the challenges were daunting, if not overwhelming. In the 1980s, unemployment at levels of three million or more seemed to be inevitable, but it proved not to be so. Governments were able to cope with the oil price hike in the 1970s. Financial markets overcame the burst of the dot com bubble eight years ago. The NHS has not been overwhelmed by demand as many predicted. Parts of the public services have begun to show that they can be as responsive to consumers as the private sector. So although the scale of the task in adjusting to zero or incremental increases in public spending is considerable it is not impossible. And, in some areas, the development of technology offers the prospect of being able to do reduce costs and help improve quality.

Raising the bar

But doing more of what we are already doing won’t be enough to cope with the new efficiency

agenda. Local authorities have done well to meet the government’s target of making £3 billion worth of efficiency savings on their 2004/05 baseline. But it is still just scratching the surface in some service areas:

- In transactional and back-office services there is a still considerable scope to drive down and take out costs. Developing shared services may be relatively straightforward and familiar territory but too many authorities still feel that their status and independence as an organisation is compromised if they are not directly commissioning or controlling a service. But would it, for example, be more cost efficient for business rates to be collected nationally?
- The Audit Commission is due to report later this year highlighting the potential for big efficiency gains in the area of waste management.
- Much of the pressure for improvements will come in the area of personal services where costs are rising not just because of increased numbers but because of the complexity and intensity of need of clients. Too many authorities wring their hands, parade “bleeding stumps” and say “What can we do?” But, in 2007, an analysis of the top 10 providers of high-cost adult care placements showed that the price they charged to local authorities for apparently similar services varied by up to £1,000 per week. And the Audit Commission reported that, in 2005/06, council spending

on out-of-authority placements for children with special educational needs ranged from just under £11 per school-aged pupil to over £200.

- Realising substantial big efficiency gains in the area of personal services is tough but achievable. It means rethinking the purpose of a service from first principles, understanding the user journey/ experience of the service (across professional and agency boundaries), looking radically at different delivery options and developing smart commissioning skills.

- Merging organisations is often "the elephant in the room". It raises fundamental questions which those involved in leading existing structures understandably find hard to address. Some districts have combined their management teams and some counties and districts are sharing personnel and functions but we need to go beyond this. Is it, for example, sustainable in the medium term to continue with the current number of local authorities in England?

- Only one in five of councils, according to a survey published in January 2008 (*Positively Charged, Audit Commission*), believes that it is using charging to its full potential.

- Workforce reform is an issue that large parts of local government have still not addressed. In addition the biggest barrier to improving procurement practice is a lack of skills among key staff (see *Healthy Competition, Audit Commission*, November 2007).

Some key principles

So much for the challenge and problems, but where do the solutions lie? The seminar participants thought that in terms of being more strategic about efficiency the following are the key principles:

First, efficiency is yet another reason to develop local governance – the public sector agencies in a locality must address this issue together rather than separately. It is not just local authorities that are under the efficiency cosh – the health service, schools, colleges police, Job Centre Plus and probation service are as well. Local strategic partnerships (LSPs) and local area agreements (LAAs) provide the framework

for joint working, but the challenge is to use these mechanisms to work across organisational boundaries in practice to deliver better value for money for people in their area.

Second, while there is scope for continuing to make savings through traditional procurement means, increasingly innovation and service transformation will be central to moving efficiency to a new level. It will require leaders who are entrepreneurial, who can think "out of the box" and who are open to entirely new ways of doing things. Efficiency will involve taking managed risks.

Third, political leadership is vital. Efficiency is not just a managerial agenda. It has perhaps been one of local government's collective failings that council efficiency has until recently largely disappeared off local politicians' radar screens. Disputes about levels of council tax have usually centred more on the adequacy of central government support than on the relative efficiency of authorities. Perhaps not before time efficiency is likely to be territory that local political groups contest. It will offer political parties and leaders an opportunity to carve out a distinctive political position. They could, for example, establish themselves as champions of making sure every taxpayer's pound is well spent, or they could use a drive for efficiency to hold down or reduce levels of council tax or to offer new or improved services. Authorities that do not have strong political support for an efficiency agenda will find themselves stumbling from one budget crisis to another.

Fourth, the scope for being more efficient operates at a number of different levels. There are:

- Efficiencies organisations must achieve – this is where "must dos", getting the basics right and quick wins can help.
- Efficiencies organisations can realise from innovating and transforming which will happen as they move from efficiency being an add-on to it becoming a mainstream strategy.
- Efficiencies organisations can tap into from empowering, regulating and incentivising, people and communities to take more personal responsibility. For example, there is growing evidence that the introduction of individual care budgets is leading to a better and more efficient spend

- as well as more satisfied users. Changes in the frequency, charging and methods of collection for household refuse can reduce both costs and the total volume of waste.

Progressive efficiency strategies will incorporate and balance these different approaches.

A range of tactical approaches

As for tactical approaches, the most promising initiatives include:

- Making the operation of the whole delivery chain collaborative as well competitive. This involves developing partnerships and dialogue with suppliers at an earlier stage in the design or service specification stage in order to build more innovation into the competitive element of service delivery. Too often suppliers feel restricted when making a bid from putting forward radical service options because of the constraints of a specification.
- Rethinking asset management and capital procurement strategies – not just identifying under-used sites and buildings but looking at what can be delivered in partnership or by co-locating with other agencies. The development of local education partnerships (LEPs) is showing how there are different and more imaginative ways of commissioning capital projects. The new planning powers and place-shaping framework offers the prospect of increasing the capacity of local authorities to link capital and infrastructure development with their social and policy objectives.
- Working in partnership with other authorities and agencies to create local “public service villages” by integrating management teams, merging management functions as varied as public health, commissioning of care services, human resources and data management, co-locating services and sharing premises and back-office functions.
- Redesigning services based on understanding customer lifestyles, patterns of behaviour and needs. A growing number of authorities are starting to use detailed socio-economic, consumer and geographic data to plot: who uses libraries, for what purpose and where do they live; the time of the day and the days of the week that

parents require childcare, for how long they want it and for what age of child they need it; and the types of service people are either buying or accessing via the internet (or are open to doing so) in order to identify the scope for moving whole council functions and transactions online.

- Stop providing some services that are no longer a priority. Not so long ago, for example, the government and the Learning and Skills Council decided to stop subsidising courses that were not vocationally orientated and to focus resources on maximising skills necessary to enter or progress in the labour market. As a consequence those who enjoyed learning as leisure found that the prices for their courses increased. It was controversial but demonstrated a clear statement of priorities. Local authorities may find they have to the same strategic resolve.
- Embedding more intelligent commissioning. In other words, accepting contestability as an organising principle of delivery and building up the skills of staff to deliver this. This will inevitably lead to integrating commissioning into the delivery of LAA outcomes. The challenge in future will be not just to work with partners on agreeing a joint delivery strategy for a particular LAA target (which is what most areas are struggling with at the moment), but to move to an approach where partners, having agreed an outcome, identify a budget and commission external organisations and agencies to deliver the outcomes for them. There are few LSPs that at present have the capacity to do this. As authorities and LSPs apply this commissioning strategy to new areas they will also have to work at developing the supply side and support the creation of new markets.
- Improving and developing the capacity of leaders to take responsibility for efficiency. Leadership creates the climate that improves performance. Making efficiency a driving and dominating political and cultural force in the life of an authority is the responsibility of those who lead it at both a political and executive level. You cannot contract out the responsibility to use resources effectively. But you can draw on external help to develop the understanding and skills necessary to lead and embed the efficiency agenda in an organisation.

Mix and match

These approaches are not exhaustive and they overlap and reinforce each other. An authority needs a mix of approaches and interventions. Some will require political leadership and authority – others will require more managerial drive and skills. But it is important to align the two agendas and for there to be a consistent and persistent strategy if an authority is to create an expectation of continuous improvement throughout its organisation. It provides the platform for communicating, involving and trusting staff to share the challenge.

Can local government deliver?

Central government is giving local government a lot of responsibility to organise itself to deliver this agenda. The Local Government Association (LGA) is working closely with central government to lead this agenda. In return, the government has topsliced £150 million over three years and allocated it to Regional Improvement and Efficiency Partnerships (RIEPS – see box 2) to support local government's drive for improved efficiency. If the sector is effective and can deliver efficiency gains there is a big prize potentially in terms of local authorities being trusted with wider powers and access to new revenues. But if

the RIEPs are to be effective they will need to:

- Work with elected members so that they own the agenda. The improvement boards that each of the main political parties in the LGA have agreed to establish will help. Peer review is another proven way of involving and challenging elected members. And councils need to find ways of linking the efficiency agenda to members' ward roles and their new expanded scrutiny function;
- Incentivise the local public sector (not just local authorities) to address the efficiency challenge. As the new LAAs come into play RIEPs should expect local bids for support to involve and be backed by other local partners – not just by individual councils.
- Adopt a robust business model for making all financial allocations, perhaps making loans rather than grants and using a "Dragon's Den" or a venture capital type approach. The focus should be on securing improved outcomes and ensuring that support for efficiency initiatives produces tangible and measurable returns.
- Introduce new ways of spreading best practice. The NHS and the schools sector have shown how disciplined action learning, involving groups of practitioners and successive waves of organisations, can push learning around the

Box 2. Regional Improvement and Efficiency Partnerships

Regional Improvement and Efficiency Partnerships (RIEPs) bring together councils in a region to co-ordinate and support the drive for improvement, innovation and efficiency. They build on the previous work of Regional Improvement Partnerships and Regional Centres of Excellence. Each RIEP is overseen by chief executives and elected members.

The National Improvement and Efficiency Strategy, agreed between central government and the LGA, includes a commitment to devolve funding for improvement and efficiency. It puts the nine RIEPs at the heart of local arrangements for support and performance improvement. Each RIEP has drawn up a three year

strategy for how it will support the councils in its area to work in partnership to improve the quality of life in places and deliver better public services over the next three years. The strategies should reflect the priorities for improvement that councils and their partners have identified in their LAAs. The RIEPs can draw on the resources of the IDEa and the Leadership Centre for Local Government to help deliver their plans.

Each RIEP is represented on a Chief Executives Task Group (CEXTG) that forms a critical link between local authorities in each region, the LGA's Improvement Board and central government.

Source: Based on LGA briefing materials

system fast. Organisations and managers learn from doing not from studying toolkits and looking at websites.

- Be prepared to intervene in authorities that are clearly struggling to keep up. Local government cannot afford for its wider reputation to be tarnished by the slowness of some backmarkers to get on board the efficiency train. Capital Ambition, which acts as the RIEP for London, has shown how it is possible for peer support to help authorities with poor CPA scores.

- Take the lead on making data available in easy-to-access transparent form, so empowering local citizens to understand and question value for money in their area.

- Ensure that the way they are accountable (via the LGA and government ministers) is understood. RIEPs will need to build relationships with councils at senior political and managerial levels and to communicate effectively and continually with the authorities in their regions. And if the "regional" dimension of RIEPs gets in the way of some localities being prepared to accept their legitimacy, then RIEPs should be prepared to emphasise their function as improvement partnerships and downplay their role as regional entities. Elected members serving on RIEPs may also need support in understanding and developing their role. Informed and effective leadership and oversight of RIEP activities will be crucial if they to be successful.

- Address the issue of which services are best commissioned locally, which regionally and whether some should best be done nationally. This will ruffle feathers, but a key test of local government's capacity to be trusted with the improvement agenda will be its ability to get stuck into the really hard issues. In the NHS, for example, shared services has been organised as a national initiative.

Economic necessity is the mother of local innovation

The efficiency agenda may have been born out of economic necessity. But it offers the opportunity for local authorities to seize the initiative and to be entrepreneurial and innovative. Developing

efficiency as a culture is only going to happen if councils throw off the shackles of thinking they can only do what is permitted. Undoubtedly the government's performance regime and the expectations of the inspectorates have contributed to a compliance culture. That sort of regulation does have a role to play in assuring basic competence and producing comparative data but authorities cannot afford to be hidebound by it.

The performance regime is changing and becoming more flexible. We are moving into a world where it is only by being bold, creative and continually improving that organisations will survive and thrive. In the end efficiency may turn out not to be the enemy of local government but a means of its regeneration.

Robert Hill is a former adviser to prime minister Tony Blair. He now works as an independent consultant on public policy issues and in March 2008 facilitated a 24-hour seminar on Efficiency as culture commissioned by SOLACE, CIPFA and the Leadership Centre for Local Government

The future for efficiency in a world of outcomes

by Barry Quirk, London Borough of Lewisham



The shift in the government's language on efficiency is helpful. Of course the overall target for English local government is substantially higher. It is a tough task, but it is one that is achievable. Importantly, the emphasis is now clearly on better services and lower cost. It is really pleasing that the new national strategy links improvement, innovation and efficiency together.

Son of prudence

Since the time I was appointed as local government efficiency champion in 2004, I have been arguing that efficiency is a means to an end and not an end in itself. Efficiency is the son of prudence; and we need to remember that prudence is a cardinal virtue. Alongside justice, temperance and fortitude, prudence guides our actions. But as Comte-Sponville argues, "prudence is only virtuous when in service to honourable ends"¹. It is feasible to be prudent, marshalling resources and deploying them with parsimony, in pursuit of dishonourable ends. And so it is with efficiency. Bad things, as well as wrong things, can be done efficiently. Hence it is important that we try to improve the efficacy of what we are doing (alongside its fairness or justice), as well as improving its overall efficiency.

Shared services

The shared services agenda has ratcheted up our collective interest in achieving economies of scale². The agenda started with corporate services such as information technology, finance and human resources. Why have, say, several hundred

payroll administrations when these activities can be bundled together and scaled up? But economies of scale always compete with economies of scope. If a company serves one set of clients, it can sometimes make more sense managing different but related activities under one roof. This can reduce the cost of provision and improve the service to clients.

An economy of scope can arise from discovering horizontal synergies from managing "like" services or "linked" processes in one locality. Examples abound in local government – usually it is where public institutions in a locality use the same offices and facilities or share the same management. The issue for most senior managers is whether they are more likely to improve their service offer and reduce its cost through discovering local economies of scope, or whether searching for economies of scale via vertical synergies would produce better results³.

Working the market

The answer is probably found in the managerial pragmatism that is espoused in the Audit Commission's report on *Healthy Competition*⁴. It is undoubtedly the case that smarter service commissioning using better market intelligence and better market mechanisms will lead to substantial service improvements and significant cash savings. And, alongside better management of direct costs with local partners and other councils, these approaches will continue to produce efficiency gains. The Audit Commission points to the fact that some £50 billion of council spending is subject to some form of competitive pressure and that a mix of market

mechanisms are needed when searching for better efficiency. However, the Audit Commission also recognise that just £80 million of recent efficiency improvements in corporate services can be attributed to the use of market mechanisms. What is needed is stronger evidence that smarter supply management has reduced service costs substantially and not just the costs of “back office” services. The regional improvement and efficiency partnerships (RIEPs) have, among other things, the role of co-ordinating this information and fostering this approach.

Managerial change

The next phase for efficiency involves contributing to the wider agenda in localities of achieving improved service outcomes⁵. This presents the most complex challenge to us in local government. Our expertise is in managing services: functions and activities. Our experience is in marshalling resources, deploying policy instruments, operationalising objectives and managing implementation. Of course we realise that improving service performance is not the same as solving social problems. And we realise that ultimately we are concerned with delivering wide social outcomes not narrow service objectives. But we seldom acknowledge that the managerial model of change that we use to improve service performance is of limited use when we try to build an operational model for change to deliver improved social outcomes.

Perhaps the first thing we should do is to maintain our focus on service management and organisational change to improve the effectiveness and efficiency of services. We need to do

this because the sources of inefficiency are manifold. Figure 1 (below) shows that inefficiencies can be examined at four tiers of management. First, inefficiencies can arise from poor practice (at the service interface or at the point of delivery). Second, inefficiencies may arise from poor operational service management (in the design and deployment of a service). Third, inefficiencies may stem from poor organisational culture and practices in the management of organisations. And fourth, inefficiencies may stem from system-wide effects in services or across localities⁶. The danger we face is that if the new focus on outcomes leads us to place too much attention to this fourth tier, the inefficiencies in the other three tiers may increase.

A fresh approach

We need to rebalance our attention to these four tiers in order to assure ourselves that we have the appropriate management attention focused on each tier. This attention should be commensurate with the risk of failing to achieve efficiency in each tier. We then need to develop a fresh approach to efficiency in securing improved social outcomes. But how do we approach the issue of outcomes?

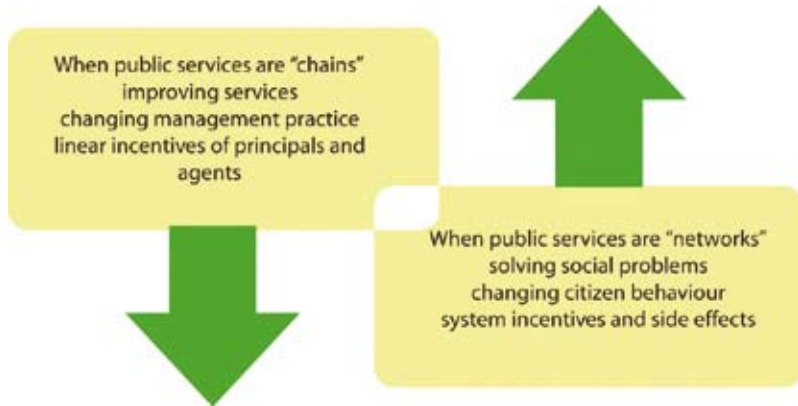
First, we need to consider whether the service area we are working on has the characteristics of a “chain” or the character of a “network”. For several years, the government’s public service reform agenda has used the term “service delivery chains” to organise our thinking on how services can be improved. This has been useful in modelling costs and benefits: in asking how much is spent on intermediate bodies of policy formulators, regulators and commissioners and how much money “hits the street”. And it has been useful in considering how best to target work and focus incentives.

Michael Barber’s successful approach to achieving positive results while he was leading the Prime Minister’s Delivery Unit is perhaps the best example of how “service chain” thinking can focus energies and efforts and produce results⁷.

But what if the issue we are focused on has more the character of a network? In figure 2 (overleaf) we can see that the issues become very

Figure 1	
Four tiers of inefficiency	Four tiers of management
System-wide	Systemic
Organisational	Corporate
Service	Strategic
Practice	Operational

Figure 2



different. Instead of trying to improve services, our focus is on solving problems; and instead of changing the practice of management, our focus is more on changing the behaviour of the public or of service users. Moreover, our incentives for action become less linear and more unpredictable.

Once we are clear that the task is more like solving a social problem than it is like improving a service, our overall approach needs to change fundamentally. The disciplines that we use to improve services may be useful in solving problems but they will not be sufficient to achieve significant results. And we need to recognise that this has a bearing on our approach to efficiency. Efficiency is no longer a technical question of outputs as a ratio of inputs or of cash released as a ratio of cash spent. Instead, efficiency becomes a system-wide consideration – about allocative efficiency as much about technical efficiency.

Figure 3 (opposite) compares the two different underlying causal models of change involved. In the case of a service (such as a library or a youth service), our focus is on the organisational capability to convert resources and policy instruments into service standards and outputs. The presumption (often unstated) is that our organisational efforts achieve positive returns to scale. That is, if we are currently putting 100 units of resource into a service to deliver 100 units of service output; then if we put 105 units in then we should get more than 105 units out. In practice, of course, we seldom achieve positive

returns to scale. Do more books bought equate to even more books read; or more libraries built produce even more library users? In an attempt to achieve positive service outcomes we focus our efforts and energies on management practices. We identify "best practices" so that we can chase them (regrettably, we seldom identify "worst practices" so that we can avoid them with equal force). We also attempt to standardise practices as much as we can. For example, the National Process Improvement project is a successful attempt to eliminate duplication, minimise waste and optimise output through better service design and smarter process management.

But when our task is more akin to solving social problems (improving adult literacy, reducing youth crime) the challenge is less about standardising management practices and processes and more about stimulating changes in citizen behaviour. The "black box" of management practice is replaced with the "fog" of public behaviour. An organisational focus on better management strategies, more resilient capabilities and more though competencies wont help us change citizen behaviour for improved social outcomes. Indeed, the underlying presumption in this model, that professionally driven policies can alter behaviour, is itself hotly contested. In 2004, the Government's Strategy Unit published a wide-ranging literature review on this subject⁸. But concluded simply that more research was needed – to produce a more integrated knowledge base between

economics and social psychology and that policy should start from the choices that people actually make rather than the ones that professional feel that they ought to make.

At least this advice eschews the certainties of much thinking in this area. It is confident that something needs to be done to encourage changes in behaviour but is less confident about what exactly will work. Delivering better outcomes on adult literacy, youth crime, teenage conception rates, smoking, parenting and so on requires system-wide thinking that starts with people rather than from how services are currently configured.

Micro-motives and macro-behaviour

Thirty years ago the economist Thomas Schelling published a ground-breaking book on the complex impact of “micro-motives” on macro-behaviour⁹. He examined the major social impact of minor behavioural changes. Small changes in numbers of people and minor changes in their social preferences can lead to very significant society-wide consequences. His work concentrated on how small changes impacted on issues as varied as household formation rates and the residential segregation of different ethnic groups. He also pointed to the “tragedy of the commons” problem - where common land would tend to be over-grazed by herdsmen acting in pursuit of their own interest and undermining the common

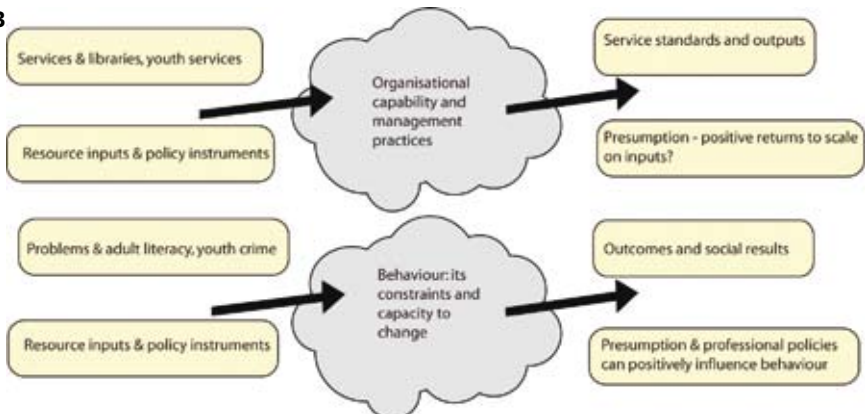
good. Schelling suggested that similar problems may occur in respect of mass social behaviour. The current arguments about recycling rates and climate change are the modern echo’s of this problem and Schelling’s analysis of them.

Some three generations ago this country faced significant social, economic and environmental problems. Services were designed to meet these problems. The problems have now changed substantially but the services have not changed to the same pace or scale. Just think of libraries. Designed in one era, for problems in that era. Some of these same problems persist - but many of today’s problems and a lot of today’s opportunities are of a different character. The opportunities for literacy, learning, knowledge and culture differ markedly in 2008 from the 1908 when many of our libraries were designed. And yet services are ossified in facilities, in assets, in patterns of delivery to meet old needs not new needs. The future for efficiency is not simply about achieving better productivity and lower costs in the current pattern of services. The future for efficiency is contributing to the change of approach that is needed to help citizens secure more effective and efficient outcomes for themselves.

Working with users and citizens

We need to maintain a focus on rooting out inefficiencies in practice in service operations

Figure 3



and in organisations. This relentless drive for ever better services at lower cost must continue. This is particularly the case over the coming period when public revenues will be squeezed ever harder and public service managers will be required to continue producing more for less. But the agenda that local government now faces is not simply an internal agenda about organisational efficiency. It is also about fostering, promoting and securing efficiency throughout local systems of service delivery regardless of organisational boundaries. The disciplines of efficiency and value for money are understood by the public; they need to be used by them as service users and citizens in securing better service outcomes and solving more social problems for themselves.

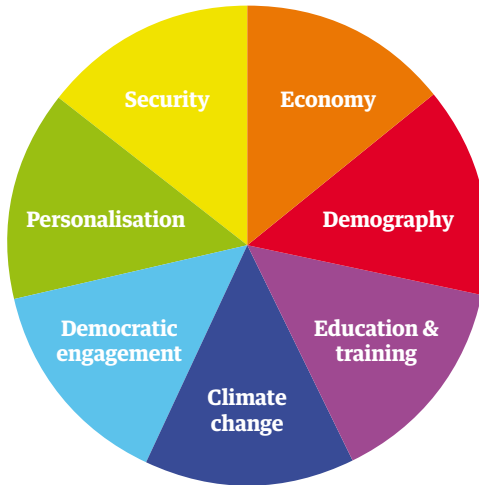
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The policy ratchet

by Joe Simpson, Leadership Centre for Local Government



There is an increasing general recognition that the next decade is likely to see at best a flat-lining in the growth of public expenditure. What I want to argue here is that alongside that recognition, in the words of Tony Crosland, "The party is over", there are other policy pressures we face over the next decade that will require an even greater focus on efficiency. Going into the next election the one thing we can be pretty certain about is that while neither major party seems likely to be advocating immediate tax cuts, equally neither party will be standing on a platform of further increasing public expenditure as a percentage of GDP.

This article explores what I will call the "policy ratchet" and focuses on seven themes and their impact on public expenditure. They are the

economy; demography; education; personalisation and aspirations; climate change; security and insecurity; and democratic engagement.

The economy

If you think CSRO7 is tough, imagine if the Treasury had been working to a CSRO8 timetable. The recession in the United States, and the impact of the subprime mortgage market crisis on the global economy means that projections for growth look much less optimistic than previously thought. So the three-year settlement now looks rather more generous than we thought. But that merely means greater challenges down the road. Looking at the longer term global economy, we now see the rapid development of the Chinese and Indian economies. By 2020, China will be the



The policy ratchet

second largest economy in the world and India the sixth. Ninety per cent of the world's labour force will be in the developing world; 40% in India and China alone. We are already seeing the impact of this with the growth of commodity prices, such as food or metals. But down the road as they move from purely basic manufacturing to more value-added production, we will see increasing pressure on UK profit margins.

Demographics

By 2020 the UK population is estimated to grow to 67 million. Those over 85 will increase by 50%, those over 65 by 30%. There will be more pensioners than those under 16. This will put intense pressure on adult and health services. We will face the triple whammy of increasing numbers requiring care (+37%), greater expectations of quality of care, and the cost of care per user rising faster than inflation. In particular, the last year of life costs have been rocketing.

If that were not enough, we have the problem of millions of people at risk of under saving for their retirement. To rectify this, the required contributions for pensions will need to exceed inflation year-on-year - for both employers and employees.

As well as changes in how long we live, we also see major changes in how we live. Let me highlight two of these. First, the numbers of years we work and pay taxes is reducing. If our parents operated a 50/50/50 lifestyle (working 50 hours per week for 50 weeks per year for 50 years), we have moved more to 40/40/40. Unless we see a radical change, the future projection is perhaps nearer 30/30/30 (starting work later as we stay in further education and do our "gap year" thing etc., while people are increasingly retiring from full-time work in their 50s).

Second, we see a change in household demographics, and an increasing number of one-person households. This creates pressure for more houses, and more infrastructure, while driving up house prices. This in turn requires a greater percentage of our income to be spent on housing.

It also creates other related pressures such as longer commuter times. As Robert Puttnam has demonstrated, each minute of extra commuting time reduces the amount of voluntary time; in other words it diminishes social capital - and lower social capital increases pressure for public expenditure to compensate.

Education and training


There is a pretty clear consensus that the UK needs to progress further up the education and skills ladder. One of the reasons why London has needed such an open pattern of immigration is that the skills levels of London residents is too low to meet the needs of the growing financial sector.

But let us recognise the following implications. First this means that people will work fewer years, as the number of years they are in education and training increases. Second, education as a percentage of public expenditure will continue to increase. Third, the percentage of the workforce involved in education will also continue to rise, and that growth will be among the most skilled in the workforce.

Climate change


According to the Stern report, the potential costs of climate change could be up to 20% of global GDP per annum. Optimistically he says that if we all get our act together, this could be contained at 1% of GDP per annum. We face some tough choices about the trade-offs between the gradual fix approach, and the economic impact of quicker changes. Certain local authorities will also face some much more severe implications, due to increased flooding etc. Norfolk has even been given the challenge of considering abandoning certain villages to establish a new front line in the fens.

Democratic engagement




My final policy challenge is of a different order – it focuses around the challenges of sustaining public support for existing levels of public expenditure, unless we can promote better democratic engagement. The evidence suggests real challenges in sustaining social capital – which if not maintained, will lead to major challenges in trust in public services. As a corollary, we also see public scepticism about the motives of those involved in many public services. Think not just of politicians; instead, consider the changing public opinions when we describe someone as a “state scientist”. At a very minimum we are going to have to invest more in democratic engagement. And we need to recognise that such investment may slow down the speed at which some of these tough decisions will be made, precisely because of the reduced level of public confidence in the state to make such decisions.

Aspirations and personalisation



As we baby-boomers come to retirement, we are much less likely to believe that the expert knows best. While our parents might have felt grateful that “the state” was there to help them – something their parents could not presume – baby-boomers have grown up with the expectation of this as a right. The personalisation route is unstoppable. I am not arguing that this in itself means higher costs, but the cost of transition is likely to bite as we sustain two parallel models. There is little evidence to date that rapid change within the state system is happening. Thus, while by 2020 this may have worked its way through the system and costs may have been contained for the next decade, the presumption should be of higher cost pressures.

Security and insecurity



Following the demise of the Iron Curtain, governments across the west were able to cash in on a “peace dividend”. Even if total defence expenditure did not fall, defence as a percentage of total public expenditure was able to reduce. But looking forward, we now face the twin challenges of a more hostile national security agenda (with Russian power now on the up, and many countries now either having or seemingly about to have nuclear weapons), while also facing the challenge of global terrorism, which requires a different sort of defence strategy. Meanwhile, technological advances mean that defence weapons always cost more to “replace” – because each upgrade is much more sophisticated. Again, the net consequence of the above is that defence costs will almost certainly grow faster than GDP over the next decade.

I have not put a percentage cost against each of these six policy drivers. For each we have choices. I have already referred to real options about the speed of investment to tackle climate change. We are having a real debate about who meets the cost of increased investment in further education and training. That debate focuses around the respective roles of government, business and participants. Some of these policy challenges could in due course become opportunities. For instance, what is the potential for major export earnings from green technologies? My argument would be that, as with previous challenges we will in due course find solutions. But for the next decade it remains prudent to work on the assumption that collectively these will be real drivers that squeeze public expenditure options.

Joe Simpson is responsible for the Leadership Centre's ground-breaking Civic Pride initiative designed to encourage confident, capable and visionary local leadership and he also takes the lead on all the Leadership Centre's political work

Surviving CSR with a swagger

by Steve Freer, CIPFA



One of the side-effects of the new three-year local government financial settlements is that messages are amplified and sometimes exaggerated. So when there is a little bit more money available "we've never had it so good", and when the emphasis is back on efficiency "the end of the world is nigh"!

Some of the reactions to CSR 2007 – especially those which have looked forward to and anticipated the flavour of CSR 2010 – have certainly majored on gloom and doom. One could be forgiven for concluding that local government has never before had to face the challenge of survival on close-to-inflation settlements.

Crisis, what crisis?

On the contrary, of course, the reality is that CSR 2007 takes us back to very familiar territory which councils inhabited for most of the 1980s and 1990s. Then, as now, funding was routinely pitched at around the prevailing rate of inflation give or take a percentage point or two. Occasional more generous settlements bucked the trend every four or five years. These were usually strategically timed to precede a general election although their impact was limited by carefully engineered funding mechanisms – "ring-fencing" and "passporting" were the favourites – which ensured that any new money reached its target destination and was not diverted to resolve other, more general, budget problems.

Capping provides another eerie parallel with the 1980s and 1990s. In theory, the local tax could provide a helpful funding safety valve

when tighter government funding settlements are in vogue. In practice, this potential flexibility is restricted by capping which, after a brief period of relaxation in the first term of the current government, is now back with a vengeance, as crude and universal as ever.

In some ways local government should take comfort from these parallels. Certainly questions which begin "can councils survive?" seem overly dramatic. We know that they can. Perhaps the more appropriate questions are "can we manage the challenges of flat-line funding more successfully than previously?" and "are the tools and techniques used before, the best available?"

Battered and bruised

Many who worked through the 1980s and 1990s will recall that local government in those days was not a happy place. The struggle to manage within tightly-constrained budgets was rarely other than centre stage. Relationships between central and local government were at best strained and, on occasion, positively hostile. Elegant and pretty it was not.

Most councils met the challenge in digestible instalments – the annual funding crisis. Few were able to bring a medium or longer term focus to their problems on a sustained basis. When inspiration and innovation were exhausted, many resorted to "salami-slicing" of all budgets rather than a more strategic approach. Indeed, some who claimed to operate more strategically were sometimes doing little more than making crude and simplistic distinctions between front-line and back-office functions.

In fairness, some councils did experiment with

more innovative approaches, such as zero – and performance-based budgeting and involving staff and service users in addressing their budget dilemmas. But, for most authorities, most of the time, balancing the budget was a grim slog which left organisations solvent but bruised and exhausted by the experience.

Can we do better?

Can we do better than this in 2008? There is a lot of evidence that councils have improved significantly in recent years. So although a tougher financial climate is a big challenge for authorities, it is a test which they should feel able to approach with some confidence. That said, they would be wise to check that all of the appropriate skills and competencies – leadership, financial management, improvement and innovation, change management and more – are present in the team and ready to fire. And, of course, they should be developing strategies and plans and preparing the organisation for a long campaign.

Every authority will be different. But there are three key areas in which most, if not all, councils need to focus some of their early change efforts.

Fixing the budget

First, we need to fix the budget and a few surrounding processes. It should be strategy-led; it should be focused on the medium term; it should engage a significant proportion of staff and customers; it should focus on what we can do rather than what we can't.

We need to be much more rigorous about measuring and tracking efficiency savings (both the cashable and non-cashable varieties) and we need to develop budget processes which capture all efficiency gains systematically so that decision-makers can fully understand where resources are being freed up and how they are being redirected, and where further work is required to stimulate new thinking and change.

Perhaps above all we need to ensure that the budget process itself is economical and fit for purpose. Think about the thousands of hours of senior management and leadership time – of officers and members – which budgets consume;

think about the opportunity costs and the more productive activities which those resources could be redirected towards.

Positive messages

My second key area is communications. We need to communicate the authority's strategy and its financial position much more clearly and effectively to stakeholders, especially staff. We need to show how available resources are being positively deployed to deliver the strategy. We need to ban feeble excuses which blame the government for everything we can't do or need to stop doing.

Too often there is very little formal communication about these matters during the currency of the budget process. So staff and partners receive all of their news from the grapevine. Typically they hear the goriest, worse case details including the scariest options which, in reality, are beyond the outer limits of what is actually going to happen. Morale and motivation inevitably suffers. These are needless, damaging own goals.

Refocusing managers

Third, and most important of all, we need to think long and hard about the style of management which our organisations need to be successful in the modern era. With noble exceptions, we still seem to have far too many managers whose financial rather than service responsibilities are poorly articulated and whose business skills are insufficiently developed.

We need much more sharpness and clarity around the performance contract which managers are expected to deliver; we need much better understanding of the cost and value drivers of the business; we need deeper thinking about fees and charges; better, more creative use of assets; smarter understanding and more proactive management of risk; we need incentives to ensure that efficiency is an all day, every day activity not a once-in-a-while spotlight to be avoided for as long as possible.

This is not where most councils are at the moment. Managers who exude all of these skills

Surviving CSR with a swagger

are the admired exception rather than the rule. Significant change and progress in this area really would transform many authorities.

The stark choice

Finally, I would like to see a dialogue in councils which invites agreement that all of these changes really are critical for the improvement and development of the organisation. For me the choice is stark. Do we want to be part of an organisation which lumbers around using out-of-date processes, cutting a service here and there and blaming government for its failure to fund our comfort zone? Or do we want to be part of an organisation which sees its role and responsibilities in expansive, ambitious terms and, notwithstanding a challenging financial climate, is very clear and focused about the agenda it plans to deliver and the positive results which must be achieved?

I know a few authorities which are definitely in the second category. But if we are really up for the challenge of CSR 2007 and beyond we need lots, lots more to join them.

Steve Freer is chief executive of the Chartered Institute of Public Finance and Accountancy. Prior to joining CIPFA he was county treasurer of Warwickshire

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Putting ambition into efficiency

by Gareth Davies, Local Government, Housing & Community Safety, Audit Commission



The real efficiency challenge

It's striking how often local authority chief officers bemoan the difficulty they have in engaging council members on the question of efficiency. Which leader or mayor is not interested in better results on their manifesto priorities and in keeping council tax as low as possible (which may well be one of them)?

Perhaps the problem is that the efficiency challenge is too often approached as an incremental and technocratic problem. The more impressive value-for-money improvements charted by the Audit Commission's work have their roots in clear political priorities, with the accompanying challenge to officers to identify significant resources to fund those priorities, mostly from within existing budgets.

The rather unexciting, but proven, vehicles for translating this political ambition into reality are the medium-term financial plan and an intelligent commissioning approach to getting things done. A well-structured medium-term financial plan sets out how, over time, the council's finances will be aligned with its strategic priorities.

Intelligent commissioning is an open-minded and pragmatic approach to securing desired outcomes using the best means available.

But you need innovation too

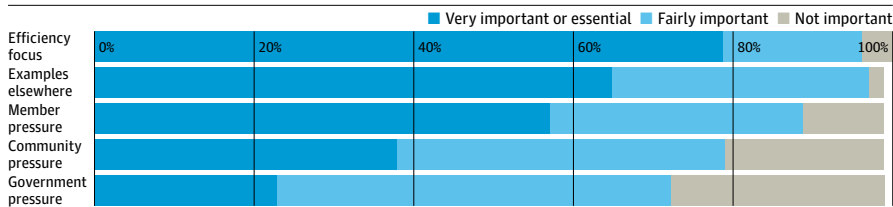
The more ambitious the efficiency challenge posed by members, the more likely it is that innovative thinking will be required. The Audit Commission's report, *Seeing the Light (2007)*, found that almost 80% of councils think that the drive for efficiency is very important or essential in supporting innovation (see box below).

The role of competition

Markets and competition – when used intelligently – can still contribute to better outcomes and lower costs. Our recent study, *Healthy Competition*, found that who delivered a service mattered less than whether some competitive pressure could be imposed on them. East Cambridgeshire District Council, for example, developed an in-house option to challenge its revenue and benefits provider. And although the council eventually chose a different option – working in partnership with other councils – the

Innovation

How important, if at all, is each of the following in supporting innovation within an organisation?



fact it had considered an alternative was enough to put pressure on the external provider.

Competition can involve the public and third sectors, as well as private companies. All three can play valuable roles in planning and delivering services, but we found no evidence that procuring services from any one sector consistently delivers better value for money than others. It's in councils' interests to develop the market for supply across all three sectors, both individually and collectively, using regional and national approaches as appropriate.

Though we found potential benefit in intelligent use of competition, we also know that many councils lack the right commissioning and procurement skills or the necessary information about local public service markets to use competition well.

Partnerships

We are learning a lot more about the role that partnership working plays in achieving efficiency. Partnership can be looked at in two ways:

- A strategic dialogue between organisations about how to achieve common objectives.
- A means of delivering outcomes.

The first is essential, but the second requires more thought.

Our work on strategic service delivery partnerships, *For Better, For Worse*, looked at partnerships between councils and private sector suppliers lasting 10 or 15 years to deliver services such as council tax collection, IT and property management. We disappointed both the starry-eyed who think they are the answer in all circumstances, and those who believe they are no more than an opportunity for hard-nosed businesses to fleece the taxpayer.

While they can deliver significant financial and service benefits, they do not do so in all cases. And while councils expect – and get – cost savings of between 1% and 15% over the life of a contract, not all have managed to obtain the additional benefits – such as flexibility, transparency, trust – that partnership is intended to bring. For these arrangements to be successful, councils must manage them so that, over the whole life of

the contract, these arrangements represent better value for money than other options.

That a large-scale service partnership arrangement is not for everyone is a message that comes back even more strongly from our study of efficiency in back office services, to be reported this summer. Some councils have chosen outsourcing or partnering to drive efficiency or improvement, while others have redesigned business processes to provide in-house services more efficiently. Still more have chosen to share services or assets with neighbours or other public bodies. It is clear that no one solution represents a magic bullet for all councils. What will work will depend on the starting point, capacity and skills.

Improving skills and capacity

Improving skills and capacity for intelligent commissioning is a major challenge both for local councils and for the National Improvement and Efficiency Strategy. Councils agree with our finding that a shortage of procurement skills is one of the biggest single barriers to improvement. We seem some way from the position described in the best private companies where managers are comfortable with up-to-date tools and approaches to securing value and have a grasp of which ones to apply in different circumstances. We need to find ways of building the same kind of capacity and confidence in our councils.

The approach I have briefly outlined here contains no reference to centrally-determined annual efficiency targets. The local ambition for better outcomes and value should dwarf these, and see them delivered as a matter of course. That it is not to pretend that the task is straightforward – the skills and capacity challenge demonstrates that it is not. But it does feel like the right approach for an increasingly confident sector.

Gareth Davies is managing director for local government, housing & community safety at the Audit Commission. He was previously the Commission's regional director for the north and his professional background is in public audit

Efficiency and councillors – the missing link?

by Malcolm Grimston, Wandsworth Council



Boring officer stuff?

The political dimension is the missing link in the efficiency agenda. For whatever reason, “efficiency” has come to be viewed by many councillors as a “techy” issue which officers should get on and do, leaving us to do the really interesting things, whatever they might be.

We all dutifully tell our electorate that the council is about to become much more efficient and that all our extravagant spending plans can be funded from “savings” or “efficiency gains” – or at least they could be if the government would reduce the burden of bureaucracy and stop piling new costs on us in terms of waste disposal, care for older people (and so on and so on). And as a sector we’ve become rather good at trumpeting that we have delivered the required Gershon savings ahead of time, that we are the most impressive part of the public sector in this respect. This seems to give councillors quite a bit of comfort and perhaps even an excuse for not getting more deeply involved. In the recent conference, also entitled Efficiency as Culture: Anticipating CSRIO, the absence of councillors (apart from three of us serving on a panel to quiz various offers from consultants) was patent.

That efficiency savings are being seen with relatively light-touch political involvement (to coin a phrase) suggests that some of more technical aspects of efficiency savings, in terms of improved contract-writing, procurement, better use of assets and of IT, better partnership working and the like (things that generally speaking really don’t turn most councillors on),

can proceed through the officer networks, peer learning and communities of practice which have emerged to support the agenda. Nonetheless, the failure (I don’t know whose failure it is) to engage councillors, even at cabinet level let alone frontliners, is disappointing. After all, the phrase “value for money” has two bits – value as well as money. Robert Hill’s definition of efficiency gain: “An efficiency gain is an improvement in the productivity of resources used to deliver services. It includes obtaining:

- More for the same.
- Much more for a little more.
- More for less.
- The same for less”, begs the question – is efficiency just about how much of whatever it is we can get out from how much of whatever we put in? If so, this may be why it is regarded as “implementation” not “policy” and councillors don’t get fully engaged.

But when we start trying to pick out what is meant by “value”, we can see the real benefits of and opportunities for a much greater degree of councillor involvement in the efficiency agenda.

The cabinet (or senior team of councillors), and indeed the whole council, sit at the beginning and the end of the policy process. We set the vision, priorities, targets and policies. We step back while officers deliver them (while making sure that any surprises, nice or nasty, are picked up as soon as possible). And then we ensure that performance is reaching targeted standards, for example by receiving information on performance indicators, teasing out with our senior officers where targets are being exceeded (possible room for release of resources) or

undershot (possible need for further investment) against our priorities, and making necessary changes to policies or budgets accordingly.

The meaningless "efficiency" mantra

Members tend to view "efficiency" as belonging in the middle bit. We may have an automatic public statement about wanting economic efficiencies. Indeed, four of the six councils whose Audit Commission use of resources score dropped in 2007 had specific commitments in their corporate plans or vision statements to improve their efficiency, in words like:

- [The] council has set targets for all its services which will lead to direct improvements in service delivery and better value for money.
- [The] council is committed to working in partnership from a basis of sound financial and strategic planning.
- ...to be an excellent council that represents the interests of all residents by providing high quality services recognised as delivering good value for money.
- Excellence in financial planning and management is vital to achieving [the council's vision]. Similar statements can be found among the 10 lowest-scoring councils:
- ...provide services in the most efficient manner possible.
- ...make best use of our resources.
- ...continually improving financial management and delivering value for money services.

Indeed how could a council meaningfully have the opposite as a corporate aim? But therein lies the weakness. A simple statement of this nature means nothing unless it enters the culture of the organisation. And it is here that members play, or could play, a vital role. And I am not sure that as a class we are quite as involved in the back-end of the efficiency debate – the clear setting, monitoring, challenging and responding to information available to us through performance indicators and management – as we should be.

Why does it matter?

There are three reasons why this is important. The first is the signal that senior councillors are

sending to the officers about their own priorities. If efficiency is the elephant in the room, seen as essentially self-contained and so obvious that it does not need constant attention, then officers will inevitably focus their attention on the issues in which members are showing an interest. Since many efficiency savings involve reductions in staff numbers (our greatest cost) and outsourcing, this can be difficult for managers who have to make long-standing colleagues redundant – if the impression is given that councillors are not too worried about this there is a possibility that the courageous decisions needed from the strategic management of the authority will not receive the attention required.

Second, the elected member body itself can be a considerable obstacle to efficiency. There are a number of authorities where frontline members do not feel engaged in the visioning and high-level, big-picture stuff. My impression is that this may have become more serious since the introduction of various "strong leadership" models such as directly-elected mayors or cabinet/executive structures, though I doubt there was ever a golden age in which all members were closely involved in authority-wide issues. One response of frontliners to this perceived exclusion is to become more ward-focused and to spend more of their time micromanaging issues at an operational level. This can divert considerable amounts of time and effort of senior managers away from the strategic-level issues that can deliver greater efficiency towards either directly responding with councillors over ward issues or managing the fallout and bad feeling that can be caused by low-level bullying of staff by members. A sense among all councillors of how damaging this is to the efficiency of the organisation is an important element of ensuring that members do not become a barrier to greater efficiency rather than a driver.

The third reason, and perhaps the most important, returns to the question of what the councillors are trying to achieve on behalf of their residents. If we are unclear about this issue, if we do not send a clear signal to the strategic management of the council as to what we want

Efficiency and councillors - the missing link?

to be done and, just as importantly, what we are prepared to let go, then the efficiency agenda cannot really get started. Simply providing an outdated or low priority service more efficiently does not necessarily improve value for money.

Of course efficiency savings are worthwhile, and better techniques in terms of procurement, project management and partnership working, for example, can deliver cost reductions. But, in reality, these are likely to be largely, if not entirely, swallowed up by reductions in resources in real terms when the greater demands and costs piled onto local government are taken into account.

What are we for?

Government at any level can only be justified if the resources we are taking from the community (and removing value from through our own bureaucracies) can be reinvested in the community to greater effect. To be able to judge this certainly involves managing performance carefully, say against best-in-sector benchmarks, but it is much more. It is a matter of clear political vision and a detailed picture, based on understanding the varying needs within our communities and enriched by our political values, as to what that reinvestment should involve. After all, there are an infinite number of "nice" things we could be doing, but however "efficiently" we might do them, if we try to do them all we will achieve very little. All these efficiency gains can only make sense against the background of what the "value" is that we are spending other people's "money" to achieve.

Malcolm C Grimston has been a Conservative member of Wandsworth Council since 1994. Since 2003 he has been a lead regional peer at the Improvement and Development Agency, with responsibility for London and the south east, working in a wide range of councils on diagnostic and developmental projects. He has been involved in the development of several new products, including the Top Team Development programme and the Ethical Governance Toolkit. He is an associate fellow at Chatham House, conducting an investigation into the future of civil nuclear energy and is a regular media contributor on energy and nuclear matters

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Local government saves

by Jamie Carswell, London Borough of Hackney



I told a somewhat startled LGIU fringe meeting last year that “procurement is sexy”. By which I meant that without the efficiencies that are being delivered by better procurement and Gershon savings it would not be possible to deliver the improved services that members were elected to make happen. Efficiency is political.

My experience over the past nine years of lows and now highs in the London Borough of Hackney is a good example of this: the reason we are able to turn around the council to the extent that school results have nearly doubled in six years, crime is falling faster than in any other London borough and we have one of the largest affordable housing programmes in the country is because the council is better run. None of this would have been possible eight years ago when we were only collecting 65% of the council tax, and benefit claimants had to wait eight months for their claims to be processed. The extra investment that we are now able to put into the priorities that the elected members identified was only possible because of the £15 million achieved through efficiency savings.

And there is good news like this across local government: we are alongside the most efficient parts of the public sector, continually reaching Gershon targets (indeed achieving significantly more cashable benefits than required) and saving a reported £2.6 million a day.

Bad PR

But in terms of public perception, local government has a long way to go. The favourite joke

of a serious Radio 4 pundit (Sandy Toksvig) recounts the tale of the two council workers and the hole: one would dig a hole, the other would follow behind him and fill it in, working furiously all day without rest, one guy digging a hole, the other guy filling it in again. When asked why, the hole digger wiped his brow and sighed, “Well, normally we’re a three-man team, but the bloke who plants the trees is sick today!” Despite a fantastic record recently, local government is still associated with inefficiency and waste.

The relationship between central and local government is also potentially a barrier to greater efficiency particularly, as so often, where money is concerned. Too often, it can seem that local government collectively develops what psychologists call “learned helplessness”. When we believe that our efforts make no real difference, we feel powerless and develop a sense of helplessness. This then reduces the amount of effort and perseverance put into pursuing goals, thus reducing working capacity and draining motivation.

Excuses

Too often, the “shackles of centralism” are used as a convenient excuse to justify local torpor. Local government is not always good at helping itself, still less standing up for itself – but we also have institutional weaknesses, such as fear of change, and the tendency to focus on providing what has historically been provided rather than what residents actually want and need from their council. We need to be solving today’s problems and looking towards tomorrow’s, rather than merely re-hashing yesterday’s. To do this, we

need to ensure that the two strands of local government leadership – political and officer – understand their complementary roles and give each other the support they need to fulfil them; politicians to make decisions and provide a policy steer, officers to implement the decisions and run services.

Leadership

Leadership is the key. And leadership is not only from officers: if efficiency is political, it needs the politicians to front up the difficult decisions and have the real conversations with local communities about why changing services need not be a “cut”. In particular, the same party in neighbouring authorities can be seen to make the case for efficiency savings when in administration, and lambaste the same decisions from opposition next door. I am not naïve enough to ignore the cut and thrust of local politics, but I would argue politicians of all parties need to move the conversation away from “cuts bad, status quo good!” onto one about what the choices were and the values associated with those choices.

The challenge for members is to step out of the cave, and to look at other authorities, and our party colleagues across the border. We must get much better at sharing what we are doing, warts and all, among ourselves.

Accountability

A further issue is about ensuring efficiency of partners and contractors. While the increased focus on partnership work is welcome, efficiency is best delivered through accountability, and there is the risk that when partnerships are exclusively with the public and voluntary sectors then that accountability can get blurred. Politicians can be more comfortable with public-private partnerships than public-public ones. You should know what you are getting into with the private sector; with the public sector and other lines of accountability, uncertainty, risk and inefficiency increases.

So, if local government is to thrive in the emerging economic environment, we will all need to be more honest about real efficiency and see through the “spin”. We will need to recog-

nise that it will involve real political choices, and require real political leadership. We will need to have hard conversations with all partners – private and public. But perhaps, actually, our residents might respect this honesty. And perhaps, in five years' time, Sandy Toksvig will have a new favourite joke.

Jamie Carswell is deputy mayor of Hackney. He has been a Stoke Newington councillor since 1999. As cabinet member for housing, he led the creation of Hackney Homes and the start of Hackney's decent homes programme. Nationally he is actively involved in Labour Housing Group and is a member of the Fabians and SERA – a green campaign organisation affiliated to Labour

Efficiency: the electoral imperative

by Janet Grauberg, London Borough of Camden



Robert Hill's introduction to this pamphlet makes the point that political leadership is vital to embedding a culture of efficiency. Here I make the reverse point - a commitment to

increased efficiency will be vital to continuing in political leadership. That point made, I suggest four ways in which political leadership can join with managerial leadership to deliver a council's priorities, largely based on reflections from my own experience in Camden. These are:

- Developing a political narrative.
- Using consultation to listen and promote change.
- Keeping going in the face of opposition.
- Ensuring change is appropriate to local circumstances.

Three facts and you're out

CSR07 gives us the context. With formula increases in 2008-09 and the coming years of 2%, 1.9% (2009-10), 2.4% (2010-11), while the government's measure of inflation is 2.7%, the first fact is that resources are going to be tight. On present projections, CSR2010 looks tighter still.

The second fact is that people don't like taxes or charges. I'm not an historian but I would suggest that willingness to contribute, through taxation, to the "public good" is at its lowest point since the creation of the welfare state - the benefits of which are now widely taken for granted and therefore widely discounted. This fact is reflected both in the "capping regime" introduced to protect the national government from voter backlash and in councils' own moder-

ate behaviour - with many councils now pledging "inflation-or-below" council tax rises for the coming years.

The third fact is that voters want more and better services, and politicians like to promise them. A manifesto that promised fewer services, shorter opening hours, grotty buildings and surly staff would be entertaining but short-lived.

Faced with these facts, the advantage of getting more out of existing resources is clear; a diagram (below right) may help to explain.

So, if getting more out of existing resources is a pre-requisite to electoral success, what is the contribution of political skills and political leadership?

A political narrative

Increasing efficiency inevitably means changing the way the organisation works and delivering services differently, and, as with all change management programmes, requires the "vision of the future" to be communicated. Natural resistance to change has to be overcome with explanations of the "prize" to be gained. This is standard change-management practice.

But in a local council, with a democratically-elected leadership, the chief executive communicating the vision to staff is not sufficient. The political leaders are the ones chosen by the electorate to make the decisions about how their tax money is spent and it is their job to communicate the vision to the residents, service users, and other people with an interest. This needs a "narrative" or set of arguments that resonates with and reinforces the political standpoint of those leaders and demonstrably comes from

the whole executive or cabinet, not just the resources portfolio holder.

Importantly, the prize to be communicated has to be sufficiently attractive to convince backbenchers, supporters and residents of the need for change. Effective prizes are likely to include manifesto promises and items either symbolic of the political administration's values or of wider messages the council is trying to convey. In Camden, the narrative hung on statements that we were "making every taxpayer's pound pull its weight", and effective prizes included delivering on our manifesto promise to freeze the unpopular council tax, creating a youth council as part of our pledge to increase residents' influence in decision-making and establishing a "revolving" energy fund as a symbol of our ambition to up the pace on sustainability - all playing strongly to local concerns but also reflecting distinctively Liberal Democrat values.

Developed in consultation and supported locally

The second role for the political leadership in a council is what might be called "stakeholder engagement". Politicians need to listen to the changing demands of local residents and to secure wider support for change. In a politically contested environment, there will always be an

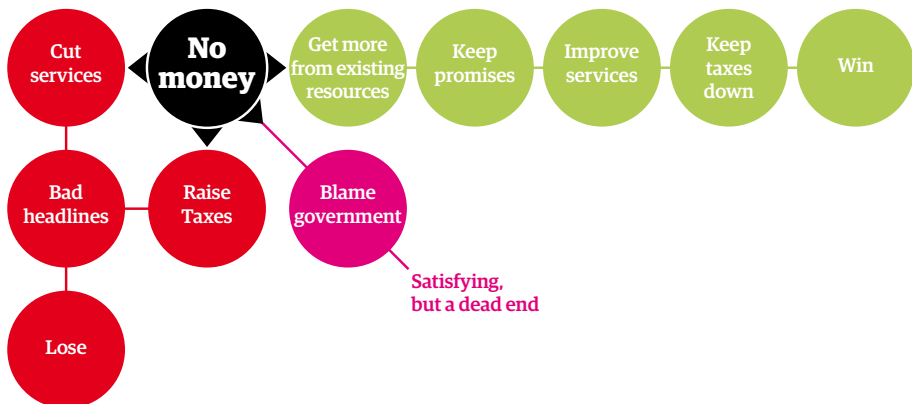
opposition, and those who oppose particular measures, but within the town hall, scrutiny increasingly offers an opportunity for politicians to challenge constructively, seek information and monitor progress - even if the underlying values are not shared.

Outside the town hall, councillor-led area forums, budget consultations and, increasingly, participatory budgeting, are being used to listen to resident views. They are also opportunities to describe and explain decisions and trade-offs. Alongside these formal measures, political and press campaigning can also be used to create the climate for change - creating the expectation in residents' minds that changes are both necessary and desirable.

Pursued in the face of opposition

In any change programme, there will be difficult times. One of the successes of the Camden efficiency programme was that when the going got tough (as represented by deputations to councillors' surgeries, negative press coverage and riots in the council chamber), difficult decisions were stuck with. This, and a commitment to year-on-year council tax rises at or below inflation, demonstrated to the public, officers and opponents, that the changes were for real, and a long-term change in culture was on the cards. This will be critical as

Getting more out of existing resources



Efficiency: the electoral imperative

we seek to build an approach in which one-off savings rounds are replaced with a continual search for more efficient ways of doing things.

Appropriate to local circumstances

The final area in which the contribution of political leadership makes a difference is in understanding local circumstances. Simply, changes need to fit with the culture of the place and the organisation. In Camden, consultants' plans to revisit our customer service model were rejected because, after much discussion, it was felt that they would not be successful in this organisation at this time.

There is a challenge here – how to spread learning quickly and avoid re-inventing the wheel. What I see from elsewhere is that the best councils spend time learning from others and adapting to their own circumstances. In Camden we ended up taking some parts of the consultants' model and applying it differently – somehow we need to strike the balance between a one-size-fits-all model that is rolled out indiscriminately and a bespoke model that takes ages to create and simply funds consultants.

The contribution of RIEPs and other bodies

It is possible the Regional Improvement and Efficiency Partnerships and the party Improvement Boards will help with exactly this—acting as brokers of information, learning and support, but they haven't had much impact yet on ordinary elected members. To be honest, very few of us have even heard of their existence.

What next?

I have two recommendations for future steps:

- A party-specific forum that would allow us to share information about the organisational challenges of embedding efficiency and of creating a political narrative that works. A task for the LGA political groups perhaps?
- Some thinking by those who seek to support elected members, whether holding the resources portfolio or not, about the best means of delivering such support. One-day weekday conferences, for example, are not the best solution for busy councillors.

Some creative – and efficient – thinking is required if the aspiration to benefit from well-informed and capable political leaders in this field is to be met.

Janet Grauberg became Liberal Democrat councillor for Kilburn in the London Borough of Camden in May 2006 and joined Camden's Liberal Democrat-Conservative partnership administration, formed in May 2006 after more than 30 years of Labour administration, as executive member for resources. Camden Council has been judged by the Audit Commission as providing excellent value for money, scoring a top marking of 4 in its use of resources assessment

How local authorities can best achieve efficiency

by John Healey MP



Society is becoming more diverse, more complex, more demanding. We face the trends of an ageing and more mobile population and the threat from climate change. Local authorities

must face these long-term challenges, while delivering on citizens' expectations that their area and their quality of life will continue to improve and that their council uses their money wisely.

Against this background, the efficiency of what local authorities do and how they do it has to be a fundamental part of the solution. I am confident that local authorities are capable of securing the 3% annual efficiency target that government has set for public services. The best councils are already doing better, and transforming the services. Savings of 3% will give councils in total almost £5 billion over the next three years.

Research also shows that value for money is a fundamental determinant of public satisfaction with a council (Frontiers of Performance in Local Government IV – Place Shapers or Shaped by Place, Ipsos MORI, 2007). So any council that dismisses the need for efficiency rejects the views not just of the Audit Commission or the government, but also the public.

The central question is what should councils do to achieve that efficiency challenge? The answer lies in the good practice in leading councils.

Efficiency has to be integral to the thinking of local authority leaders, chief executives, service managers, corporate service and frontline staff. It has to be a matter of pride and celebration for councillors and for staff when the same – or better services – can be achieved for less resource.

The best have long moved thinking away from the belief that better outcomes can only be achieved by spending more money. The Audit Commission in their 2007 report, *Seeing the Light*, make the point that improving efficiency, under internal and external pressure, is currently the strongest driver of innovation. Performance must increasingly be judged on ability to improve value for money as well as results – which is why a top-rated council such as Tameside emphasises “doing more with less” and continuous improvement in its regular “20/20” vision sessions for staff.

That, in turn, calls for local authorities to harness a range of approaches for efficiency and innovation. The devolution brought about by the new performance framework and other reforms is about less dependency on the centre and more focus on finding the best way to meet local priorities using both councils' own and their partners' resources. The CSR and three-year settlement also allow local authorities the scope to take a longer term view of local needs.

Local authorities are stepping up to the challenge. I see in what is being achieved actions linked to five key themes:

- Customer insight.
- Service redesign.
- Smarter procurement.
- Risk.
- Sharing good practice.

Customer insight. The principle of knowing what customers want and need is fundamental to progress. Every authority should seek a greater understanding of the demands and expectations their residents have of them. Take, for example, a housing project in Cornwall led by Carrick District

How local authorities can best achieve efficiency

Council with the active involvement of tenants in setting priorities and working through options for efficiencies. The savings made are redirected to their priorities – tackling anti-social behaviour, legal support, an area caretaker service.

On another level, personalisation has great potential to transform adult social care. The Making it Personal study by Demos (2007) on self-directed support found personalised budgets led to average council savings of 10% on care, as well as better services for the individual.

Citizen empowerment makes a difference. That is why I have announced our plan to require efficiency and improvement information with council tax bills next year, subject to consultation. It is also important that local authorities understand whether they are dealing with people's needs effectively, in particular getting the right response at the first time of asking. Used well the new national indicator on reducing "avoidable contact" will make this more visible, helping identify for councils which parts of their systems are inefficient for them and frustrating for the customer.

Service redesign. By redesigning processes around customer needs and tapping into the potential of new technology, major improvements can be gained. Take Peterborough City Council whose contract services division moved in 2004 from paper-based processes to a system utilising mobile technology to connect frontline staff and office, achieving savings of up to 33% over two years – while reducing the time taken to complete routine repairs from 20 days to seven.

Smarter procurement. The power of information and technology is being increasingly used by councils. Nine councils in the north-west came together in 2005 to buy 450,000 "wheelie bins" by e-auction, saving 20%. Since then, we have seen very broad partnership working taking place, with Yorkshire and Humberside's supplier contract and management system allowing councils to share information on approved suppliers and contracts, and the South East Improvement and Efficiency Partnership is taking the initiative in developing and disseminating framework contracts in construction and adult social care.

Risk. Local authorities attract criticism for risk

aversion – and for taking too many risks. Such perspectives are partly right and partly wrong. The real challenge is to manage risk well. That means being aware of risk, and having systems that are alert to and adaptable to change. Sometimes even basic measures to assess and mitigate risk have a major effect. The Fire Authority works with Sure Start, Age Concern, YMCA and others, for example, and encourages households to install alarms and forestalls fires.

Sharing good practice. There are many examples of good practice and innovative ideas that occur up and down the country. Yet the sad truth is that, as NESTA said in their 2008 report, Transformers – How Local Areas Innovate To Address Changing Social Needs, local government has paid relatively little attention to innovation in recent decades, and instead concentrated on performance management and compliance with targets. The introduction of just 35 targets in local area agreements and a total of less than 200 national indicators, means that management time is now freed up to focus on innovation and drawing on good practice.

I have made £185 million available in this CSRO7 period specifically to the Regional Improvement and Efficiency Partnerships to support councils in their actions to improve outcomes and efficiency. I approved their draft strategies, and welcome their strong endorsement of the efficiency agenda. The partnerships will increasingly play a key role in disseminating knowledge from region to region, and council to council across the service sectors.

In conclusion, we know councils can innovate, manage change and improve efficiency without a disproportionate impact on council tax payers. The frameworks we have set in place (see Delivering Value for Money in Local Government: Meeting the Challenge of CSRO7, Communities and Local Government, 2007) promote a system of challenge and support. The onus is now on councils to demonstrate they can continue to deliver what their citizens need and expect.

John Healey MP was appointed as minister of state at the Department for Communities and Local Government in June 2007

Commissioning and local government's supply chain

by Nick Sharman, Amey



Over the next few years local government faces rising expectations of better services from its citizens and a much tougher financial climate from government.

Councils generally have made significant efficiencies over recent years. Consequently better customer- and community-focused services with less resource can only be achieved by fundamental re-engineering of delivery models. These new models will need to be able to respond to strategic commissioning across a range of local public sector bodies and to the demand for more varied services at community level.

Strategic commissioning involves local authorities concentrating on their community leadership role, ensuring local services are joined up and focused on the outcomes of greatest importance to local people. Councils will look to a range of providers, private, public or third sector to fulfil these commissions. They and their providers face three key challenges in effectively implementing community and customer-focused commissioning models:

- First, delivering new service models on these lines involves substantial reorganisation. Most authorities will need the support of external partners to provide the necessary expertise and investment to make these radical changes.
- Second, council commissioners will need to agree with their providers how the outcomes are defined and how intermediate delivery outputs are measured since this will be key to accountability. Such a clear performance framework, relating the desired outcomes to an agreed

output matrix, is an essential foundation for successful relationship-building and contract-based delivery.

- Third, commissioning involves delivering consumer- and community-driven outcomes, aimed at capturing public value over the long term. This can only be generated by moving to much more flexible and co-operative relationships between councils and their providers. This will entail a radical move from the traditional contractually-driven culture based on price that still dominates local government relations with its providers.

In summary, the commissioning and subsequent procurement process¹ will depend crucially on the building of a relationship of openness and trust between all parties, founded on two key principles – early dialogue and competitive neutrality. For their part, the prospective partners need to be committed to setting out their best advice on what works and what can be realistically delivered. The journey to new models of delivery will have to be achieved together: no one council and no one provider will have all the answers.

continued on page 38

¹ *There is an important difference between commissioning and procurement. Commissioning is a process which defines strategic outcomes and seeks create relationships to ensure these outcomes are delivered. By contrast, procurement is one element of the commissioning process which aims to identify suppliers able to contribute to the outcomes. The procurement process should be “competitively neutral” ensuring that organisations from the public, private and voluntary sectors are enabled to bid and are treated on an equal basis.*

Delivering commissioning²: supply chain issues

Strategic commissioning and new service models, then, are the basis for the next phase of local government's development. For providers this will create formidable challenges.

First, there will be a number of changes in the pattern of supply required by strategic commissions. Suppliers will either themselves, or with other suppliers, have to deliver in four main areas:

- Outcome-based contracts: success and payment will be increasingly determined by broad measures of well being (economic, social and environmental) and will include a strong element of customer satisfaction.
- Co-operation with other suppliers will be essential since few suppliers are likely to be able to deliver all aspects of a commission in a form that meets local regeneration objectives and wider community concerns.
- Flexibility over time and between different groups or areas. Services will have to adapt rapidly to changing consumer led demands and to the needs of different groups within an area. This will challenge the one-size-fits-all, fixed output specification, typical of much local authority contracting and the basis of most supplier business delivery models.
- Customer focus and engagement: delivering "choice and voice" to service users demands high levels of interaction with customers by providers. This needs to occur at all levels of the organisation and challenges traditional "command-and-control" organisational models. For example councils and providers will need to empower frontline managers within clearly set limits

Second, there will need to be a positive engagement of providers in the process of commissioning, in marked contrast to the arm's-length relationships typical of traditional local authority procurement. This engagement should cover all

stages of the commissioning process: strategy and policy development, planning of service commissioning, procurement and contract management.

Market making

For their part local authorities will have to create the conditions which support a contestable, commissioning-based market place, that is able to meet current and future needs of local government.

A sustainable market place demands a number of essential elements, including generating reliable deal flow and ensuring competitive neutrality in the bidding process. More broadly local authorities will need to approach the market in a different way based on identifying and "bringing in" a partner rather than marketing a "product" requirement.

Councils will also need to move away from organising services around a rigid contractor/client split towards generating a "one team" approach which brings councils and providers together in specifying and delivering services. This in turn implies a co-management of change and risk involving a move away from rigid risk allocation between partners to agreement on shared risk and rewards. Successful commissions will typically involve substantial investment in relationship building, people skills and systems to secure broad-based outcomes. This will usually require longer term contracts than the traditional one to five years to deliver results - an issue of particular importance for the third sector which has typically faced one, or two-year contracts, which often therefore fail to utilise fully their ability to innovate and improve service quality.

Turning these principles into practice will mean setting a clear vision about direction, and understanding what individual and collective improvements need to be made and agreed by commissioners and providers.

Challenges for the local government supply chain

So for both authorities and their providers, commissioning has major implications for both

² In this context, commissioners are defined by the commissioning narrative accompanying the Statutory Guidance on "place shaping". Within the public sector, there is a clear distinction between commissioners/commissioning and suppliers, the latter category includes direct service provision by public sector bodies as well as private, not-for-profit and voluntary organisations.

traditional business practices and organisational models. For providers it involves changes in several areas:

- **Pre-contract engagement:** This process will be much more intense than has been usual in traditional procurement practice. It will involve end-user engagement from the start of the process, bespoke service and contract design to involve third sector and other partners. Crucial to this process will be the readiness of suppliers to set out their key drivers (for example their essential commercial objectives) and realistic assessments of what it is feasible to deliver. This openness and realism will need to extend to the bidding process itself, which inevitably often puts pressure on suppliers to make hard-to-fulfil promises in order to gain competitive advantage.
- **Contract management:** Again this will mean big changes in emphasis. In particular contracts will need to concentrate less on specifying outputs and methods and more on mutual obligations to manage continual change in the scope and form of service while maintaining commercial returns and customer service. Key to overseeing contracts will be the establishment of a single system of performance monitoring underpinned by an open audit process.
- **Empowerment of staff:** It will especially important to empower frontline staff so they are able to vary service and be directly accountable to communities and customers within limits of flexibility set by commissioner and provider.
- **Customer-oriented behaviours:** These behaviours need to be built into all levels of supply chain organisations and will also need to reflect local authority policies in areas such as diversity and the environment.
- **Risk sharing with partners:** Co-management blurs traditional professional and organisational boundaries making risk and return allocation more difficult. It will be important to agree initially, and then review regularly, the allocation of risk and return and reconsider the process at both strategic and operational levels.
- **Communications with the public and local stakeholders:** This is an increasingly important area for local authorities whose performance

will be judged to a large degree on the views of local communities and customers (for example in comprehensive areas assessments). The supply chain will have to play a leading role in developing all types of communication with communities and individuals, particularly by reporting openly on openly and publicly on performance.

- **Co-production with communities and individuals:** In moving away from the “post-box” system of public service delivery where individuals receive packages of service from the state, towards more customer-participative and empowering models, such as direct payments for care packages, the supply chain will have to adapt to and implement changed approaches to delivery and ensure a smooth transition between them.
- **Openness to scrutiny:** Suppliers will need to be open to higher levels of political and audit scrutiny. This will require commitment to the principle of open book accounting within agreed protocols, and a readiness for providers’ managers to be publicly accountable to the community and its representatives. Auditing and reporting outcomes, rather than measurement of inputs, should be the norm.
- **Alignment of incentives and long run outcomes:** Suppliers in the commissioning model need to be driven by long-term returns to the company or organisation rather than by short-term volume or margin incentives.

Conclusions

It is essential that the commissioning and efficiency agendas are seen as interdependent: long-term efficiency gains will only be won through establishing new forms of co-operative relationships between councils and their partners. These agendas, however, create formidable organisation and cultural challenges for both councils and providers. For their part providers in public, private and third sectors need to work at national, regional and local levels on the issues involved in implementing commissioning frameworks. This will be vital if there is to be a collective commitment to the commissioning process by providers.

Such commitment will depend crucially on local government demonstrating its own commit-

Commissioning and local government's supply chain

ment to improved service provision and efficiency using partnership-based commissioning models. The provider community must be convinced that it is worth making the investment necessary to develop capacity to respond to the new commissioning market. Success will also depend on all partners recognising that commissioning will involve a long-term process of culture change and will require capacity building by both councils and their providers at national, regional and local levels.

Nick Sharman is managing director, local government at Amey responsible for a £300 million portfolio of UK local authority environment and education service contracts. He has held senior posts in local, regional and central government including, most recently, deputy chief executive at Islington, director of operations at the London Development Agency and a regions director at DTI

Three wheels on my wagon

by Tim Byles, Partnerships for Schools



*Three wheels on my wagon,
And I'm still rolling along
The Cherokees are chasing me
Arrows fly, right on by
But I'm singing a happy song*

For too long in local government we have trudged wearily round the same annual budget cycle, making budget cuts and scoring cashable or non-cashable efficiencies as part of the process. The problem with this attritional approach is that one by one, the various options became exhausted until the final wheel falls off and the Cherokees really do get you.

Big numbers

There is much to commend approaches that rigorously test the options for the short and medium term against each of the options around service redesign, improvement, asset management etc., and there are some truly massive efficiencies to be had on the capital side. One organisation that I am aware of has recently carried out a study of the amount of surplus public sector land and buildings in three local authority areas. This has revealed that not only are 70% of these surplus facilities are not being put to any useful purpose, but that there are no plans to do so. If this statistic is replicated across the country, then there is a massive problem and therefore a need to look afresh at the options for co-location of services, something that Secretary of State for Children, Schools and Families, Ed Balls has set out as a priority in the government's recently published Children's Plan.

No more "one size fit all"

Creating a dialogue between the national plans - in my case for educational transformation - with an effective local community strategy and set of plans to deliver the transformation in radically different local settings, is the great opportunity for Building Schools for the Future (BSF). Together we are getting better at identifying the risks and issues about doing so, and producing procurement solutions that deliver value for money on a scale far exceeding anything else I have yet seen. Through better preparation, local authorities have reduced the time in preparing to start their BSF procurement by over six months in just the last year and a half. We have reviewed what is unquestionably a complex procurement process and are saving over a quarter of a billion pounds as a consequence, reducing bidding cost by up to 30% and shaving off a further two months from the process.

All of this is evidence that, by working together - local and central, private and third sectors - we can produce large-scale efficiencies without reducing the quality of the service as a result. We are working hard to increase the quality there too, by delivering services in a holistic approach reflecting the reality of the way that people chose to live their lives, rather than through siloed delivery mechanisms that reflect funding streams. This is not an easy process, and getting the right result can take a great deal of blood, sweat and tears - but the prize is to transform the educational opportunity for 3.3 million young people, for thousands of teachers and for communities up and down the country.

Central and local

Optimising the public sector capital resource is only part of the picture. Having spent a good deal of time and effort in joining things up locally in jobs gone by, I now realise that the challenge of doing so nationally is much greater. The prize here is very significant too, which is why the co-location project is such an interesting one. Colleagues in CLG and Health are getting increasingly interested in the opportunities this presents in their areas too, and we are already seeing investments in primary schools, in leisure and regeneration projects through Local Education Partnerships, with more to come on housing and healthcare.

Just get on with it!

I am a firm believer that if you spend too long devising the perfect grand strategy, you can be diverted from actually doing something very significant in the meantime. So as we work to create structures that will enable better investment across the country in the use of public assets, let's not stop putting things together now on a project-by-project basis too.

Good examples already

I am already seeing some great examples in places like Leeds, Kent, Newcastle and Salford, where the aspirations are rapidly being put into reality. If we all match the shorter term benefits, with a sustained investment in systematic and long-term changes, not only will we prevent the wheels coming off the wagon, but we will be delivering a much more sustainable set of solutions across the public sector.

Public, private and voluntary sectors

We take another quantum leap forward when the approach crosses the public, private and voluntary sectors. That means some more radical work in investing in our partnerships to ensure that they fully recognise the needs of the parties involved, recognise the legitimacy of working together for the public good in a context where it is also OK to match risk with rewards. Local Education Partnerships (LEPs) – or perhaps more

appropriately, Local Investment Partnerships – in BSF are starting to achieve just that. We are investing significantly in this at the moment to try to ensure that the hard fought procurement negotiation can develop into an affective partnership of real understanding and shared commitment. We are still in the foothills of delivering transformation across the country, and LEPs are not yet at their maturity, but unless we do properly harness the resources each sector has to offer, we are in danger of perpetuating the ongoing budget process of trying to find solutions within each sector that are best and most excitingly discovered in a different mode altogether.

Tim Byles, CBE, joined Partnerships for Schools as chief executive in November 2006. He was previously chief executive of Norfolk County Council. He has worked extensively with central government in his roles as chair of the Local Government Chief Executive's Taskforce, the Local Government Construction Taskforce, and the Society of Local Authority Chief Executives (SOLACE), a position he held for four years. He also served as National Procurement Champion for the Office of the Deputy Prime Minister

Efficiency: the leadership challenge

by Martin Horton, SOLACE Enterprises



Before reading any further take a few moments to ask yourself what and who is driving efficiency in your council?

A response to central government; fast diminishing resources; ever increasing public expectations; the Taxpayers' Alliance; fear of the regulator or is it simply something that forms part of the way you do things - the way you would expect any effective organisation to behave. If it is the latter then you have managed to achieve something that many are struggling with. Creating an environment within which improvement is a positive, everyday issue rather than a remedial response to the latest crisis.

Creating that environment requires a blend of both continuous improvement and more deep-rooted transformational change. For the past few years these two approaches have been presented as alternatives with continuous improvement being slightly old hat and, anyway, no way near as exciting as transformation. The reality is that truly successful organisations manage to work with both and overcome the barriers that are used to block either.

Continuous improvement does not challenge the existing culture of the council. It seeks to modify and optimise that which currently exists, working from existing processes and procedures and minimising disruption to the status quo. It is normally relatively low risk. Even so, it often feels disruptive to those involved and challenges people to put aside their defensiveness and arrogance and accept that there is nothing we can't improve upon. The danger, though, is that opti-

misation becomes the end game. We make things ever more efficient but long beyond the point at which they ceased to be valued by our citizens and customers. We've ticked all the right boxes at one level yet completely missed the bigger picture. As that renowned guru, Tigger, once said, "you can't help respecting anybody who can spell Tuesday, even if he can't spell it right; but spelling isn't everything. There are days when spelling Tuesday simply doesn't count".

We need people who can spell Tuesday and lots of other words, and get them right, but we also need to be able to create whole sentences - a narrative that means something valuable to others. And we need to continuously sense and respond to our communities, changing the words and reshaping the narrative as the real world moves around us.

Best councils

The best councils have already established a culture where transformation - a focus on breakthrough and dramatic alteration - is part of a continuous cycle of activity. Risk is understood and managed and the council is honestly open to challenges. To achieve this requires us to tackle a number of fundamental things. For political leaders there is a real challenge to divert resources away from service approaches that are no longer delivering in a way that best meets people's needs. Interestingly, in Scotland, the government has withdrawn ring-fencing from government funding. What we are now seeing are local councils making real choices as to local priorities and approaches. It would be easy to underestimate the political courage this requires

Efficiency: the Leadership Challenge

– one person's cut is another's reprioritisation. We need to behave as if the same holds true for local government generally; seeing beyond the efficiency of something in order to make more effective choices.

For managerial leaders, supporting the political process is key. Managers need an ability to create new options as compelling alternatives to dying strategies. Freeing up resources early enough to invest in new and, often, innovative solutions to the issues being faced. Increasingly those resources can only be found from within that which currently prevails. It takes real leadership to make the case for curtailing that which has been working well to date in order to invest in a better future.

Capacity for nostalgia

Underpinning this are the behavioural challenges that often get in the way (and can be reinforced by the ticked box of efficiency). Our capacity for nostalgia, arrogance and fear of losing that which we invented and are proud of forms a natural barrier to innovation and renewal. We need to be aware of what is changing around us and be willing to consider how those changes will affect our current performance and therefore require us to find new and better ways of doing things.

Efficiency for its own sake will never be much more than episodic and crisis driven. Efficiency as part of a responsive culture that requires continuous improvement and planned renewal will make the real difference. And leadership is the key to achieving this.

Martin Horton is director of leadership at SOLACE Enterprises. He was previously a director at the Improvement and Development Agency and has a long held passion for building the capacity of political and managerial leadership in local government

RIEPs – their role and challenges

by David Jenkins, Dorset County Council



RIEPs – Regional Improvement and Efficiency Partnerships – are the new acronym in local government. The government has set aside £185 million to support them, during 2008-11. The

National Improvement and Efficiency Strategy, published jointly by the Department for Communities and Local Government (CLG) and the Local Government Association (LGA) in December 2007, sees RIEPs as at the heart of a more devolved approach to supporting improvement and efficiency in local government and in local partnerships.

Where have they come from?

The RIEPs are in part the successors to the procurement centres of excellence, which the government established in 2004. The intention then was to provide a resource, one in each region, to support local authorities in improving the efficiency of their procurement practices, and in collaborating better to do so. The remit of these centres, and their funding, were quickly increased, so as to support local authorities more generally in their quest to meet expectations of annual efficiency savings – so-called “Gershon” savings. They became known as regional centres of excellence, and were accountable to partnership boards of local authority chief executives and others drawn from throughout the region.

Separately, improvement partnerships had come together in each region, often chaired or facilitated by the director of local government improvement from the regional government office, to play an advisory role in the allocation of

the government's capacity fund and in local government improvement generally in the context of the Comprehensive Performance Assessment.

At the end of 2005, in the south-west, a seminar of local authority chief executives and regional players identified around 100 separate organisations providing support of various sorts to local authorities! Those present decided to draw these organisations closer together, and established the LIFT South West Partnership. This provided accountability and local ownership, in one forum, for both efficiency and improvement programmes.

What are they?

Other regions moved in the same direction, and we now have a RIEP in each. CLG has now released funding to all nine RIEPs, in response to the regional strategy that each has developed. Each RIEP brings together representatives of district, county and unitary authorities, the Improvement and Development Agency, the Audit Commission, and other improvement and inspection agencies, in order to address collaboratively local government efficiency and improvement, and to put in place programmes of action. In the south-west, our partnership board also includes representatives of the police and fire and rescue services, government office, regional development agency, and regional health authority, as well as elected members from the four political groups. There is now a single conversation, across organisational boundaries, working towards a collective sense of purpose to do better for public services across the region.

Ministers' release of central funding to re-

RIEPs - their role and challenges

gional partnerships to be applied to our own local priorities for service improvement, gives us a significant opportunity, and also responsibility, to deliver. RIEPs will be judged on local outcomes.

For example, in the south-west a particular priority is to improve the health and well being of the elderly. Adult social care, taken as a whole, is underperforming compared with other regions, with a high number of authorities with only one star in this service. No performance or efficiency problem is unique to any one authority, although it can often feel as though it is! Generic learning and co-ordinated programmes of action, administered through service specific partnership groups within the overall RIEP, are a valuable support and motivation to improvement in individual authorities.

Challenges and opportunities

The structures and working approaches of the RIEPs vary from region to region, according to local circumstances and conventions. But it is vital that the improvement and efficiency agenda is owned and driven by elected members. There is a danger that the efficiency imperative is seen as a purely managerial one, distinct from democratic accountability for local services. Radical programmes of business and organisational change are often needed to release resources from process to service outcome. Such programmes usually require substantial up front investment, at times when services themselves are under pressure and threat. As the LIFT south-west strategy puts it:

"The longer term ambitions for a place will require strong local leadership. Elected members have a particular role in building a strong shared vision for their area and taking ownership of difficult choices. Delivering improvements will require new levels of efficiency, innovation and partnership working".

Purposeful collaboration with other authorities is not a threat to local accountability. The National Improvement and Efficiency Strategy declares:

"Strategic planning of improvement needs to become stronger, through greater joint decision making on the resources available to support lo-

cal improvement, innovation, and efficiency".

The "R" in RIEP can sometimes be a turn off for individual people and authorities. In some cases, regions are seen as artificial administrative constructs that inspire little allegiance of place. A challenge for us all is to achieve a real sense of ownership and participation by each local authority in its RIEP – as an entity in which each has a real stake, and which makes a really useful contribution to the day job. The RIEP should be a single gateway for access to support resources for individual authorities: the responsibility to deliver remains with each local authority, working with its local partners, but with democratic accountability to its own local electorate.

It is important that regional government offices are not just observers, but continue to be wholehearted players in each RIEP. An important aspect of local area agreements is that they represent an amalgam of national and local priorities into a single programme of action for the public service in each local area.

There is an opportunity and an expectation that RIEPs will have a particular role to play in supporting authorities in difficulty – at officer and member levels. Peer challenge, review and support have proved a valuable spur to improvement, in local government. The RIEPs can now continue this drive.

Perhaps the greatest overall challenge for RIEPs is to establish themselves as not just a vehicle for the local disbursement of central funds, but as providing innovation and real value in areas that are difficult, so that each becomes recognised as an indispensable and locally-owned forum and collaborative resource to support improvement and efficiency.

David Jenkins is chief executive of Dorset County Council and secretary to the Dorset Strategic Partnership. He is chair of the Management Board of LIFT South West, the Regional Improvement and Efficiency Partnership for the south-west of England, and a deputy chair of the National Chief Executives' Task Group

Adding value to local government

by Chris Lawrence-Pietroni, Local Government Association



Today's news is dominated by growing expectations of an economic downturn in the UK. The talk is of contracting public spending and tough choices ahead. Yet only a few months ago local government was (quietly) congratulating itself on getting away relatively lightly from the strictures of the government's Comprehensive Spending Review (CSR). The future is harder to predict than ever.

Under these circumstances the search for greater efficiency among councils is not only a necessary response to rising public expectations; it is a prudent response to growing uncertainty. The local government (LG) family (the LGA, IDeA, LGE, LACoRS, 4Ps and the Leadership Centre) is not a council and our customers are councils not citizens, but exactly the same forces are at work. Facing ever tougher choices themselves councils rightly want to see their national bodies delivering activities which reflect their circumstances and priorities, relate closely to their experience and which, above all, provide value for money.

Doing the basics

The LG family has been actively responding to these imperatives for some time - by integrating our work and identifying efficiencies. In some cases this has led to changes that are very similar to those going on in local authorities. So, for example, earlier this year we finalised a merger of our back offices to deliver savings of 17.5% over the next 10 years (around £3 million a year from 2010 onwards). We are integrating our operations so that we eliminate duplication and

overlap and provide a seamless service to councils. All of this is no more than you would expect. It is necessary, significant and valuable but it's not enough if we are going to meet the needs and expectations of councils in the future. This is why over the past few months we have been asking how we can best add value to the work of councils in the future?

This article is a brief exploration of some of the themes which are emerging in our review, and which have arisen in our discussions with leaders and chief executives about efficiency.

Is it efficient to have national bodies for local government?

Most obviously there are clearly some activities which are best undertaken nationally, either because it is possible to achieve economies of scale or because this is the best spatial level at which to deliver them. The core function of the LGA - acting as local government's national advocate - perhaps falls into both categories. By aggregating media and lobbying capacity nationally, for example, it is possible to provide a more effective service to the sector at a lower cost than could be achieved if individual local authorities were acting alone. Similarly a national presence in London, close to policy and decision-makers and the national media, makes sense in the pursuit of an effective national voice.

There has also been a ready recognition of the importance of sharing good and best practice, intelligence, ideas and innovation to enable the sector to learn quickly and to ensure that the process of continuous improvement is as rapid as possible. Here the question becomes how

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best to deliver an efficient system for learning. In part, this will continue to require national solutions – phrases like “not reinventing the wheel” and “knowing what else is out there” come up repeatedly. But there is also a recognition that as the challenges faced by local authorities become increasingly diverse, so the system for developing and sharing learning needs to be increasingly sensitive to particular circumstances. An efficient system will need to address both these challenges simultaneously.

The third theme to emerge is on the capacity, desirability and efficiency of pooling sources of particular expertise nationally. For some, this has reflected difficulties in recruiting suitably qualified staff to particular posts on salaries which are affordable. For others, it has arisen from a recognition that some of the challenges and opportunities they face will require specialist, often commercial, expertise which they do not have readily available and which would be prohibitively expensive to acquire. What would be the best model for aggregating expertise and delivering it to the right place at the right time?

Knowing councils inside out

Each of these themes relates to the efficiency of delivering certain activities nationally. In exploring this, and reflecting on the feedback we have received about the strengths and weaknesses of the LG family, an additional factor has emerged. While there is efficiency to be gained by undertaking certain tasks on behalf of the sector as a whole, there is also efficiency to be lost if these activities are not intimately informed by the experience and practice of local authorities themselves. As one of the participants in the review process put it, the LG family “needs to know councils inside out”, otherwise the value of the activities undertaken on their behalf will be reduced. This implies that the processes and structures which connect councils to their national bodies (whether formal, informal, human – or IT-based) need to be designed to allow faster and easier communication in both directions.

The diversity of local government is its strength – and for those of us who advocate lo-

calism diversity is something which we would be happy to see more of. Part of the challenge for our review, therefore, is to understand how the LG family can maximise efficiency by drawing on that diversity to add value not only to the sector as a whole but also in increasingly tailored and responsive ways to individual councils around the country. What you might call a “culture of efficiency”.

Chris Lawrence-Pietroni is director for campaigns and business strategy at the LGA. He was previously head of policy at Hampshire County Council and adviser to the SE County Chief Executives

The last of the free lunches

by Stephen Jones, Local Government Association



Coming hard on the heels of a tough Comprehensive Spending Review (CSR) settlement for local government, the Audit Commission's January 2008 report, *Positively Charged*, investigated councils' use of income from charges for services. Councils in England raised £10.8 billion from charges in 2006-07 - a significant part of total income. It compares with the £22.5 billion from council tax and the £17.5 billion from business rates that was redistributed across local government. The size of current income from charges is sufficient on its own to raise important questions about how councils' approach to charging strategies might contribute to a new culture of efficiency. That importance is redoubled in the light of likely future constraints in other funding streams.

Appetite for services is undiminished...

Ahead of the CSR, the Local Government Association took a hard look at the likely future costs of providing council services. The conclusions were stark. Simply to maintain business as usual, and taking account of likely efficiency gains, the impact of demographic and other change is that costs will rise by about 3.8% a year over the next three years. To achieve the additional outcomes government wants to see 2,500 children's centres by 2008, ensuring access to extended schools for all children by 2010, providing 14-19 year olds with a new diploma option, and enhancing waste management and recycling to meet stringent new EU requirements - this adds a further 2% a year to costs.

...But grants and taxes are on a diet

In total, therefore, the demands on local government net expenditure are rising by around 5.8% each year. How does that compare with available funding? The government's grant settlement provides annual increases that average 4.2%. That figure includes the contribution from redistributed business rates, increases in which are in any case pegged to inflation. Council tax increases are likely to be held at around 4% each year, given the government's policy on capping, and growth in the council tax base will only raise the total yield by around a further 0.8%. So a funding gap is emerging which is likely to grow by some £1.4 billion each year, based on local government net revenue expenditure of just under £100 billion. The percentage is small, but the pressures on decisions about key services will be intense.

These pressures will force councils to think long and hard about the charges they make for services. Table 1 (overleaf) shows where the current service income of £10.8 billion is raised.

If it moves, you can charge for it...

Charges cover an enormously wide range of services, including nurseries, school meals, social care, transport, pest control, leisure services, planning and building control, licensing and fees for burials and cremations. And, just as councils do not have a free hand in setting levels of council tax, the government often places restrictions on levels of fees and charges. For example, planning fees are set by government regulation. In May 2007, the government consulted on increases to fees that had last been set in 2005,

The last of the free lunches

based on 2003 research. Although almost half the respondents to the consultation supported a 40% increase in fees, the government's decision was to allow increases of only 23%, an option favoured by just over a quarter of those responding. The Local Government Association's response to the consultation pointed out that true cost recovery can be achieved only by a system based on local determination of charges, rather than nationally set fees, and that if national fee scales were retained then an increase of 55% would be needed to achieve full cost recovery.

...But the dead hand of regulation is everywhere

In other areas, the position can be even more complex, with some dispiriting consequences for councils. A consultation has just closed on changes to the £11 fixed fee that applies for a personal search of the local land charges register. This is an essential element of the work needed to produce a Home Information Pack when residential property is sold. Here again,

the current fixed fee is set at a level that is well below cost. It is also part of a complex mix of related services. Some of these are subject to fixed fees. Others may be recovered at a fee that does not exceed the cost of providing the service. Still others may be charged for at a rate that has regard to cost, implying some scope to apply price increases to fund modernization and service improvement. Finally, some elements of the service are unregulated, and can be charged at the authority's discretion. All of this is in the context of a competitive market in which commercial providers may offer the same services to the public, but without restrictions on pricing. Councils, rightly and unsurprisingly, are looking for these restrictions to be swept away and a simpler system introduced, in which fair competition is delivered alongside clear freedom for charges to be set at rates that cover the full present and future costs of the service, including the costs of modernization.

In areas where discretion over charges exists, the Audit Commission revealed wide variations in pricing. This is unexceptionable, because councils' decisions will reflect not just differences in costs but also in the ability of the local population to pay, and in the council's strategy for the charge. For example, councils can use parking charges to influence people's use of local transport systems and local shopping facilities.

From battery chicken to free-range

In conclusion, it is clear that councils will need to look very carefully at their charging strategies, as well as seeking innovative ways to reduce service costs, if they are to rise to the challenges of the CSR. There will be new political challenges, as the debates expose whether and why councils wish to subsidise particular services, to target net income from services, or to limit constraints arising from government policy. And many councils could make greater use of the power introduced in 2003 enabling charges to be raised for discretionary services.

But there is a major challenge back to Whitehall. Where is the encouragement for local debate, local accountability and local efficiency,

Table 1. Analysis of 2006-07 income from charges by councils in England

Service	2006-07 income £ million
Education services	2,025
Highways, roads and transport services	1,858
Social services	2,282
Housing services (excluding Housing Revenue Account)	611
Cultural and related services	829
Environmental services	809
Planning and development services	709
Other, including police and fire services	1,669
Total	10,792

if national charges are fixed at rates that do not fully cover costs? Why should council taxpayers pick up the tab for a subsidy that has nothing to do with council efficiency and everything to do with inappropriate government prescription? Why should government want to interfere in local charging policies when competitive markets for the relevant services exist, or can be developed? Current charging policies have the look of the battery chicken about them - highly regulated, uniform and unappealing. But they could go free-range. The central-local concordat, agreed between the government and the Local Government Association last December, confirms councils' right to shape the delivery of public services in their area without unnecessary direction or control. Furthermore, it asserts a joint commitment to delivering services that are properly funded. If the cultural challenges raised by the drive for transformation and efficiency in a tighter public spending climate are to be addressed, many rules constraining local government's ability to set appropriate fees and charges need to be swept away. And even if they are, the magnitude of the funding gap suggests that more effective local charging strategies will provide only a partial answer to the challenge of change that councils face.

Stephen Jones is director of finance and performance for the Local Government Association. He was a civil servant for 30 years, joining the Inland Revenue after university. After a varied career covering both operational and tax policy roles, Stephen became the department's and subsequently HM Revenue & Customs' finance director

Stealing from our kids?

by Roger Latham



The missing contribution

Technically and managerially, the transformational changes which are needed to achieve the kind of year-on-year savings targets, now a permanent part of the public sector landscape it seems, are not new. Collaborative procurement; shared service provision; the introduction of new technology; and increasing customer focus and segmentation all form a package of measures to deliver the efficiencies we are looking for. However, what is lacking is a real political engagement in the objectives and will to deliver this efficiency. With the exception of certain key members, who through their executive functions are effectively exercising a managerial role, most local authority members, and key politicians in other public bodies, look upon efficiency savings as cuts by any other name in the services they value. Getting politicians engaged in the efficiency process is going to become critical to getting the right culture that will deliver the goods. Moral exhortation about not wasting other people's money can get us only so far, as it still feels like compulsion and bereavement. Like the old joke about "how many psychiatrists does it take to change a light bulb?" to which the answer is "one, but the light bulb really has to want to change!"; politicians need to be engaged, if we really want change to happen.

The problem with the technocratic approach to efficiency changes is that they do not relate the outcome of those changes to the real economy. Spending on public services does not take place in an economic vacuum. The current priorities in spending on education and skills, on

transport infrastructure, social housing and community cohesion all have their roots in providing a basis for sustainable economic communities that can compete in an increasingly globalised world economy. Without them, the standards of living that people have come to expect will not be delivered. At the macro-economic level a debate about John Maynard Keynes's "balanced budget multiplier", which proposed that in times of recession spending on public services might actually boost the economy, is not happening. These are critical issues, and areas for political debate and engagement. However, we know too little about the real outcomes from public service spending, and are too little committed to a debate about future vision for our society. To overcome the sterile haggling over managerial options, a debate on these issues, at a political level, is absolutely critical.

What do you expect?

A second key area for political debate is the management of public expectations. The current set of issues which we face, which give rise to the drive for the efficiencies in the first instance, are the result of a chronic case of over-consumption in three critical areas.

First, there is the immediate over-consumption that we have experienced during the last decade, which has led to the so-called "credit crunch". On the back of increasing asset values, largely but not exclusively from housing, we have indulged in additional current consumption funded by debt. Such consumption is unsustainable, as it breaches the first rule of banking – to look for the source of income to repay debt and that assets, however

plentiful or valuable, are not a reliable substitute. The apparent increase in asset values, as a result of market revaluations, is even less sustainable than the current value of the assets themselves, but it is on this increased equity in housing and investments that so much of the borrowing has been sustained. Inevitably when the assets themselves become grossly overvalued – and it is suggested that the current housing market is 25-30% overvalued – the chickens come home to roost, as has been amply demonstrated by the “sub-prime” mortgage market and the disasters that have befallen Northern Rock. Unravelling the over-consumption will be a painful exercise, as it will require under-consumption in the future and a steady rise in incomes.

Second, and more long term, is the over-consumption between generations that has taken place over the last two to three decades. Again, partly on the back of increasing asset values, we have rewarded ourselves with pensions and future income by creating inter-generational shifts in income. Our children and young people are increasingly saddled with significant amounts of debt to achieve their educational attainments, and the rise in housing values has simply added to that burden. At the same time we have been reluctant to pay for the increasing costs of social care for ourselves in old age by liquidating the assets that we have accumulated over our working lives, and instead insisted on subsidised levels of care and the retention of those assets. This inter-generational shift cannot be sustained in the long term and there is a real danger that this generation will be the first to bequeath to it's successors a lower level of net assets than it inherited. Third, there is the over-consumption of nations as a whole against the asset stock of the planet. Apart from a few die-hard backwoodsmen who steadfastly refuse to believe that the effects of our consumption of goods over the last two hundred years is now materially affecting the environment of the planet; most people can see that we cannot continue our current collective level of consumption. Depending on how you estimate it, we are currently consuming something in the order of five planet worth's of

material on the basis of a single planet's worth of assets. Much of the work in earth sciences over the last three or four decades has drawn our attention to the cycles of renewal that form part of our natural world and the way in which our consumption of resources is interfering with the natural cycle of renewal, to unsustainable levels. Over-consumption, initially by the west, but increasingly spreading to developing countries, merely adds to the problem.

Sort it out!

These three levels of over-consumption operate on different timescales. The credit crunch is a matter of years, probably three to five; the inter-generational issue a matter of decades, perhaps 20 to 30 years; the over-consumption of the world's resources has been achieved over the past 200 years, and may take 100 to solve by gradual means.

Technological and managerial solutions are based on a philosophy that underlines managerialism, which includes the notions that:

“Whatever the objectives and outcomes that are desired, it must be properly managed”, and
“There is nothing that cannot be properly managed, given sufficient time”.

These are completely at odds with both the timescale that we have available to deal with these issues, which is much shorter than a managerial solution would permit, and with the kind of issues which form part of the political debate, which include:

“Who is us, and who is them” – who do I represent, and whose interests do I have at heart?, and

“To govern is to choose” - deciding on priorities and who, and what, is most important.

“Preserving the integrity of community, by force if necessary” – ensuring the continuity of communities for which we have responsibility.

These key political drivers are about vision, priorities, and management of expectation, outcomes rather than outputs and getting buy-in by the communities to the cultural sea changes that are necessary to deal with the kind of issues that I have outlined.

My greatest fear is that the current pressure

Stealing from our kids?

on efficiencies will be seen as a managerial issue, requiring a technocratic solution, when actually what it needs is a political debate around key visions, values and priorities. Engaging local authority members and politicians in a managerial debate is likely to be very sterile; all that would be seen would be a loss of service provision which is greatly valued by the community that we serve. What is needed is the kind of debate that only politicians are entitled to lead, by reason of their democratic mandate. Let the debate commence.

Roger Latham joined local government in 1976 as an economist and statistician. He later qualified as a CIPFA accountant thus proving that he can add up on the one hand, and make the answer mean anything you want it to on the other. He recently stepped down from his role as chief executive of Nottinghamshire, a post he held for six years, and is now pursuing advisory and research activities

Long haul leadership

by Stephen Taylor, Leadership Centre
for Local Government



"I never bother to phone a council after 4 o'clock", my last PA used to say, "because there's no-one there. Much of the rest of the time they're on answerphone anyway. I don't leave messages because they won't be returned. And finding someone not on holiday, sick leave or a training course is a pleasant surprise". Unfair? Former *Apprentice* candidate Katie Hopkins referred recently in the *Sunday Times* to human resource departments and to the public sector as "lax places where you can hide away, under-perform and still get your pay cheque". If there's any truth in that, what on earth does it say about HR in local government – ironically, a function which should be one of the main drivers of continuous improvement in our people-intensive business?

There is a lot of waste to be taken out of local government, even in the very best councils. The question is not how to do it, but the will to do so. Part of the problem is the word "efficiency" itself which, like "innovation" or "improvement", must by definition be a good thing but has lost any cutting edge. Often it is confused with "economy", ie cuts. What it actually means, of course, is the ratio of outputs to inputs.

Put that like it sounds like something for the anoraks and bean counters: worthy but dull. But it's not. Higher efficiency means finding a better way to do things, thus releasing money to spend elsewhere or to reduce tax. Unconscious inefficiency is incompetence. Conscious inefficiency is robbery. Either way a council which is not driving out waste is stealing from its public. Councillors should be outraged and senior officers should

be dismissed if their council is not continuously searching for cleverer methods. Seen this way efficiency is not technical but visceral. As my friend from Minnesota used to say: "you gotta wanna". And here's the pleasant surprise: greater efficiency and better service often go hand in hand, because what's smarter is also likely to be easier for staff and more focused on customers.

Driving out waste

What would we expect to see in a council truly concerned with efficiency? A rolling annual programme of high return projects. A quantified dashboard showing unit costs, ratios and trends reviewed regularly by Cabinet and CMT. Radical ideas about working methods, business processes and the use of technology, always designed to deliver a public benefit. Constant external scanning, not just of what other councils do but of what the world's best organisations do. Hand-some recognition of individuals and teams who take the initiative and get a result. Willing co-operation across the council in the overall interest. The early departure of staff who cannot, or will not, make an adequate contribution. Looking for ways to do things together with other organisations, rather than trying to maintain total control of all activities. A glass half full, rather than glass half empty response to potential improvements. Fewer words on paper, more action on the ground. Staff proud of working for a council which demands high standards and keeps raising the bar. In other words, a high performance climate. Creating this is about leadership. We know that what leaders – political and managerial – pay attention to, measure and control has

Long haul leadership

a bigger influence than anything else on how an organisation behaves. We also know that soon after leaders who care about efficiency move on, a council will default back to its old comfy ways of doing things unless efficiency has been hard-wired in. That means planning, budgeting and performance management processes, methods for managing and developing people and ways of designing the organisation which support efficiency. Putting these in place so that effective leadership at all levels is natural and continuing is a three to five year challenge. Quick wins are fine, but unless that "tara-tara!" branded change programme evolves smoothly into "the way we do things round here", it will need to be regularly rebranded and relaunched.

Where to look

Are the opportunities really there? They are, at three levels:

- Within a council. There are countless examples, but here are four: remove the need for support function activity (for example finance, HR) at corporate, directorate, service and team level, where most of the work consists of the staff concerned talking to one another; delayer the structure so there are never more than four management levels between the chief executive and the coal face; reduce the number of suppliers and drive a harder bargain with them; put in a performance appraisal and reward system which genuinely identifies and recognizes the people who deliver results and requires poor performance to be confronted
- Between councils. Collaborate between districts and unitaries – not necessarily all in the same region – so that each provides a service which it is particularly good at for all the others. While the back office has been the focus of attention for this, perhaps because that is where the external advisers have most experience, the bigger gains are likely to be in front line service.
- Across the local public sector. Here the potential is humungous. A typical county, for example, has of the order of £3 billion of public expenditure going into it each year, of which the council channels about a quarter. Do we really

think we cannot get an efficiency improvement of 5+% year on year almost endlessly by taking a hard look at where this money goes and what it achieves? How many councils know, for example, the number and value of all public buildings and land in their area, how well they are utilised and the total repair and maintenance cost?

We need new forms of public sector accounting, so that for example the PCTs' refusal to spend £5,000 which ends up costing the council £50,000 is recognised as a waste of £45,000 of public money rather than as a health authority's balanced books and a council's higher care threshold. We must not smugly think we have moved ahead of the civil service. We need to look at what it is beginning to do by financing primarily not Whitehall directorates and external delivery bodies but Public Service Agreement (PSA) outcomes.

There is a huge prize if we choose to go for it. It's right for our public and right for our own people. Some of us are going for it. What stops the rest of us?

Stephen Taylor is chief executive of the Leadership Centre for Local Government, which helps councils make their places better

The long march to the efficient council

by Rob Vincent, Kirklees Metropolitan Council



The road looks uphill from here on to me. Looking over its shoulder, local government can be quietly pleased with the distance covered so far. Collectively we have exceeded efficiency targets and we have become fitter in the process. More to the point, we have released resources to allow new and better services to be provided. But the focus and techniques that got us here won't allow us to maintain the pace we need in the future.

My worry is not about our collective commitment. I don't think any of us doubt the imperative to deliver efficiency. We all believe there is a distinctive public service contribution to make to the quality of life in our patches. We believe our organisations can, and do, make a real difference and that many of the challenges ahead for society (cohesion, economic renewal, skills, health inequalities, affordable housing) need an effective local response if progress is to be made. There is plenty of evidence of the current strengths of councils and their partners in providing such responses, but we all know that those strengths will ebb away if we cannot deliver the efficiencies required to allow us to focus resources on the challenges ahead.

So the drive is there. And there is no great difficulty in identifying the areas where efficiencies ought to be obtainable. The challenge is not in the analysis of possibilities or the drive. It lies in deeper and more complex change management.

Aligning efficiency and improvement

We are unlikely to achieve the right changes unless they deliver not just efficiency but also services that are better tuned to current needs.

If the second law of thermodynamics says (roughly) that higher forms of energy always dissipate into less ordered forms over time, the second law of bureaucracies must be that highly tuned forms of public service delivery become clumsy and insensitive if left without attention. (The first law is that the care taken over any decision is inversely proportional to its importance.) We need to constantly rethink and refresh what we are trying to achieve and how we are going about it. Everyone gains when that is done well: not just the service-user, but also the team providing the service. There are few things better for morale than knowing that you are doing the right job well. The renewed drive of the regional local government structures to support councils deliberately aligns "improvement and efficiency" into a simple strategy. That must be right.

Delivering change

Most local authorities have already spotted and often achieved the simpler efficiencies in their operation. There are plenty more to come, but they will only be released through more ambitious change agendas, and ambitious change agendas are difficult to deliver.

Deming, the management economist, has a phrase about management's task being to remove the barriers so that the natural wish of colleagues to do the best job possible can be fulfilled. There is much truth in that, although we also need to apply the demanding leadership and management skills that deliver complex changes effectively. Even if a council is in good fettle it can only deliver a limited number of significant change agendas at any one time. It is the need to manage

The long march to the efficient council

change well, and to be selective about the focus, that is important in balancing and maintaining the improvement and efficiency drive.

Releasing the potential in strategic partnerships

Strategic partnership has much to offer, but the difficulties of delivering change across several authorities and other partners are much greater than those involved in delivering change internally. To succeed, we need to focus on areas where compelling gains can be achieved: in the quality of what is to be provided (and thus the job satisfaction of the staff) as well as in the resources released. We will need dedicated leadership of change programmes, not just groups of colleagues forming a project board. We will need programmes that jump over the short-term barriers of politics, contracts and decision making complexities – to plan medium-term changes that deliver longer term gains.

One area where we may readily find compelling gains in the quality of provision may be in partnership with other local agencies—the NHS, police and voluntary sector—in delivering joined-up responses to need. Such local strategic and operational partnerships may well be more fertile than multi-council arrangements, at least in metropolitan areas.

Maintaining oversight and challenge

We need to create sustainable management arrangements that ensure the standards of responsiveness and efficiency are maintained. That means wise oversight and challenge, not just a good initial specification, constitution and contract. The problem here is that, whereas the evolved shape of councils makes them good (mostly) at applying wise oversight internally, our collective record in applying the same approach to partnership structures, joint boards and multi-partner contracts, of various technical stripe, is pretty shabby. It's not that we don't have service failures within the organisation from time to time. We do, but when they occur they are quickly picked up by councillors and the pressure to sort them is intense. My experience

is that our oversight of shared structures is much weaker, and the chance of poorly adapted service much higher.

I'm not arguing that we shouldn't be attempting strategic partnerships: we must or we will not achieve the efficiencies needed to allow services to adapt and thrive. But let's get serious about the scale of the change programme challenges in their delivery, and let's find a convincing answer to their long-term oversight that fits into a world of democratic bureaucracies.

Meanwhile, there remains much to be achieved in the constant renewal of internal functions, linked to adapting them to changing expectations. There are still significant opportunities for improvement and efficiency through better use of information and in more flexible ways of working.

If you were to invent a way of scoring change management effort, against risk of disappointment, against efficiency delivered – it may be that this more local work will continue to score well alongside more ambitious large-scale agglomeration of services for some time to come.

The route ahead

So my take on what's needed to pick up and maintain the pace on the long march towards an efficient council is all about good change management:

- Align the drives for efficiency, improvement and response to new service challenges into consolidated change programmes.
- Be realistic about the difficulty of the changes: plan, resource and manage them well. Think about job satisfaction and morale as you go.
- If major change takes a while to deliver, that's alright: we will still need the efficiencies when they emerge!
- Take care that the management and governance arrangements you arrive at sustain the right sort of accountability and challenge. We can't afford to let hard won gains slip away through the "second law of bureaucracies".

Rob Vincent was appointed as chief executive of Kirklees Metropolitan Council in 2004



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