

Elected Member Masterclass

07/12/09

Strategic Challenges Facing Local Government

Programme

Time	Description
10.00am	Arrival & Coffee
10.15am	Strategic Challenges Facing Local Government (1)
10.45am	Exercise 1
11.30am	Strategic Challenges Facing Local Government (2): Identifying Costs
12.00pm	Exercise 2
12.30pm	Lunch
1.15pm	Strategic Challenges Facing Local Government (3): Service Transformation
2.00pm	Exercise 3
2.45pm	Strategic Challenges Facing Local Government (4): The Leadership Challenges
3.00pm	Close

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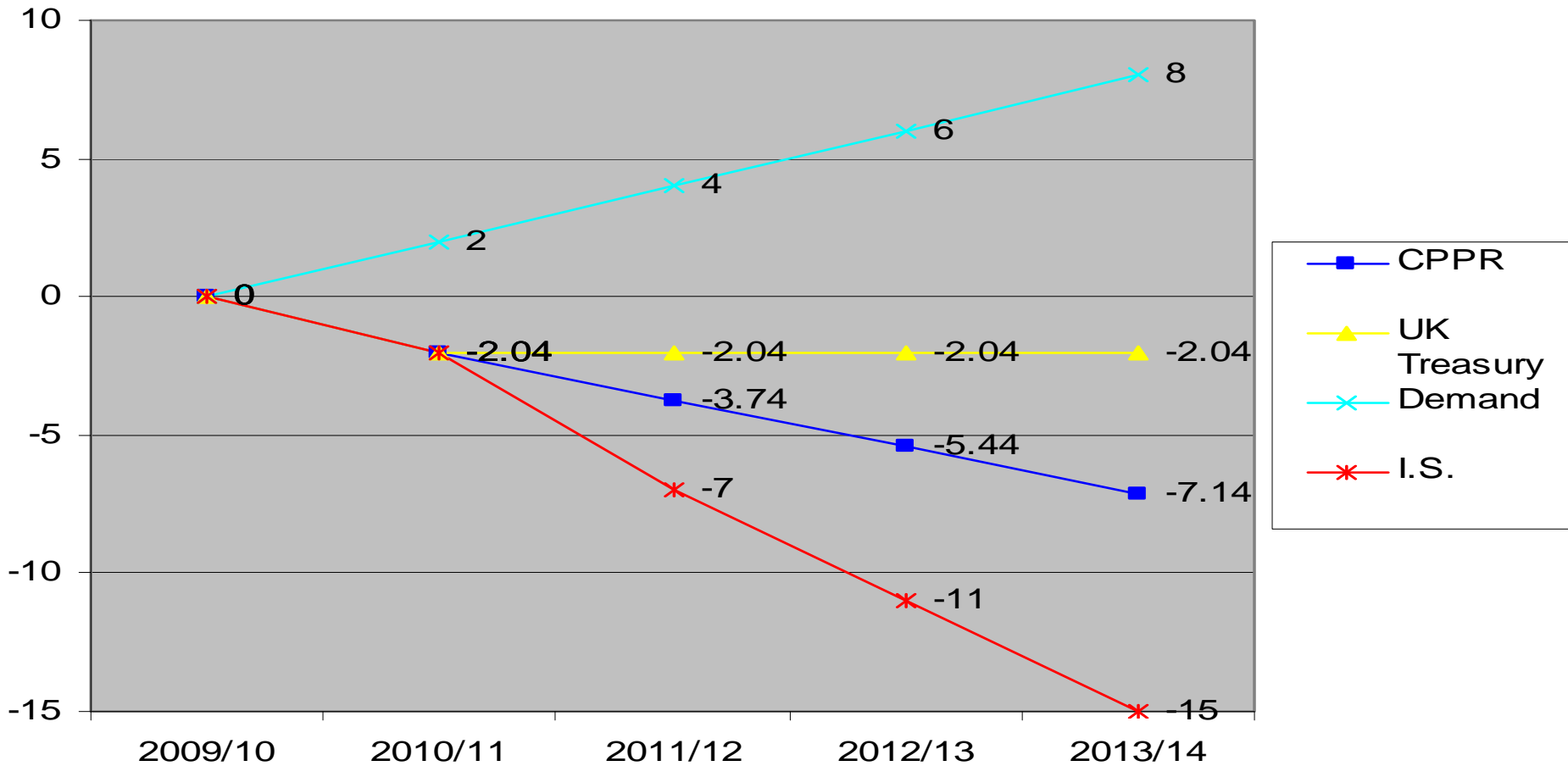
The Strategic Challenges Facing Local Government (1)

**Mark McAteer
& Sarah Gadsden
The Improvement Service**

The Purpose of The Masterclass Series

- To allow elected members to engage directly with the IS on issues relevant to local government
- To allow elected members from different councils to engage in debate & learning with one another

Scottish Block Finance & Demand 2009/10 – 2013/14 (% real terms)



Economic Growth Forecast

- 3.25% per annum 2011/12 - 2013/14 (0.5% above average 2000 – 2007)
- IMF forecast : 10/11 1% growth; 11/12 2.1% growth (1/3 less than Treasury forecast)
- Treasury forecast - 70% of growth from private consumption
- Unemployment; real wages; credit conditions; house values; public sector retrenchment – a more cautious consumer?
- 1% forecast error = £10 billion off public spending: - £440M from Scottish Block

Demand Projections

- Services for older people: 2% real growth to stand still (Kings fund; Sutherland review)
- Services for children: policy priorities & increased spend on children with learning support needs/special needs: 3 – 4% per annum
- Impacts of recession: education; social work; policing & community safety; business support; housing; leisure, etc
- Overall 2% real terms per annum

Barnett Stability ?

- Barnett advantage - aprox 125% per capita of English average
- Electoral pressures – Osborne & ‘fairness’ vs political ‘reality’ (reduction by 20% = £1.2 billion)
- Calman (‘de-barnettise’ 1/3 of Scottish Block)
 - Cash cut?
 - Tax variation?

Political Uncertainties

- What impacts of Public Sector Spending cuts?
 - Public sector employment levels (urban Scot approx 25 - 35%; rural Scot approx 50% of labour force)
- Labour pledges on legislation for balanced budget - market perceptions if future governments backtrack
- Calman – will test the Tax willingness of the Scottish electorate

Scotland's Population: Change From 2006 Base Year

- By 2016 : 65+ population + 21%
- By 2031 : 65+ population + 62%

- By 2016 : 85+ population + 38%
- By 2031 : 85+ population + 144%

- By 2016 : 16- 64 population -10%
- By 2031 : 16 -64 population -18%

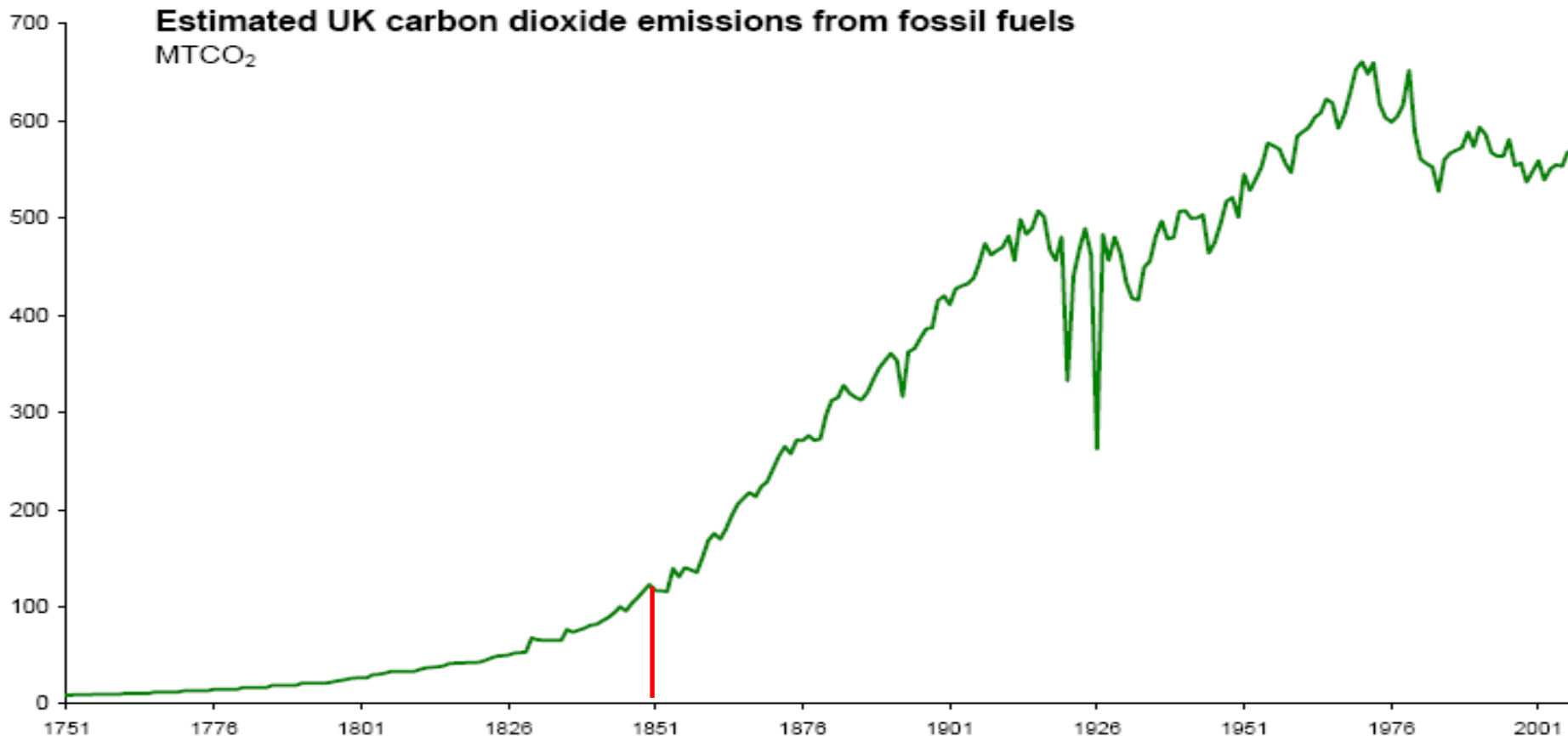
- The 'dependency ratio' sharply increases: 20% by 2020

BV2

- Outcome focused audit - 'proportionality' in audit & inspection
- Shared Risk Assessment of councils performance
- Corporate Assessment Framework
 - Vision & direction
 - Effective partnership working
 - Governance & accountability
 - Use of resources (includes competitiveness)
 - Community engagement
 - Equalities
 - Sustainability
- Backed up by 19 'toolkits' – for use by auditors

Carbon Commitment

- Carbon targets: - 40% by 2020; - 80% by 2050



Short - Term Issues

- Need to see 2010/11 as the first year of a 4 year budget cycle
- Efficiency – over last 4 years LG has generated £250m pa to recycle into services; challenge now to get efficiencies out of services
- Minimise real budget reductions by controlling inflation:
 - wage strategy: 1% on wages = £150m
 - procurement: 1% improvement procurement = £90m
 - absence : 3,500,000 days lost on average, costs £150m + p.a.
- LG inflation held at 1.5% p.a. - would absorb 1/3 of financial pressures

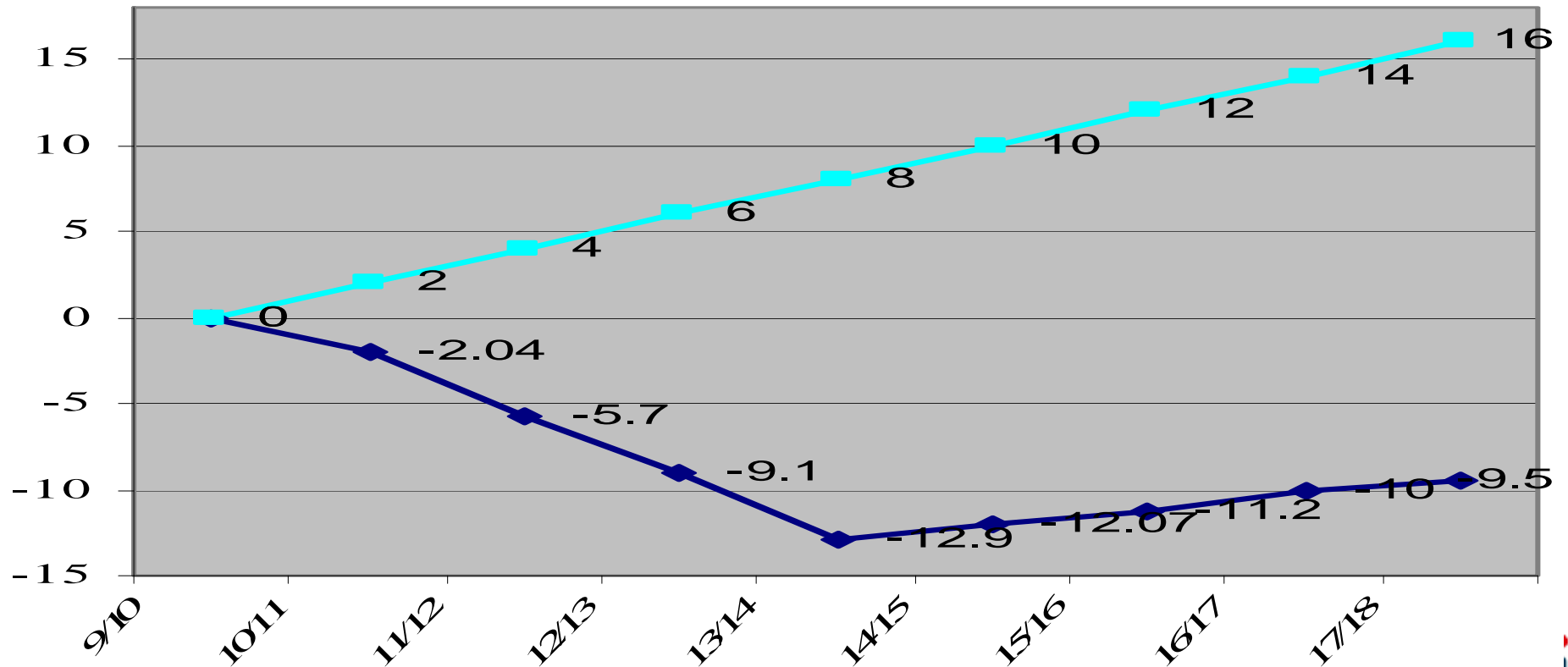
Short - Term Issues

- What should Local Government's priorities be for Capital investment - Glasgow Southern General upgrade? Forth Crossing ?
- Hard prioritisation but if health & education fully protected then impact doubles in other areas
- Fiscal measures & tax assumptions

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Scottish Block Finance & Demand 2009/10 – 2017/18 (% real terms)

IFS Demand



Exercise

- What do you see as the biggest challenges facing local government in the next 5 years ?
- What do you think will need to change within local government; across the public sector to deal with these challenges ?
- What issues will these challenges present to you as locally elected politicians?

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The Strategic Challenges Facing Local Government (2): Identifying Costs

**Mark McAteer
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The Pressure Points

- Better outcomes on lower resources
- Clear & hard prioritisation: within & between services
- Focus on efficiency & productivity – within the council & across partnerships

Oxford English Dictionary

Efficient

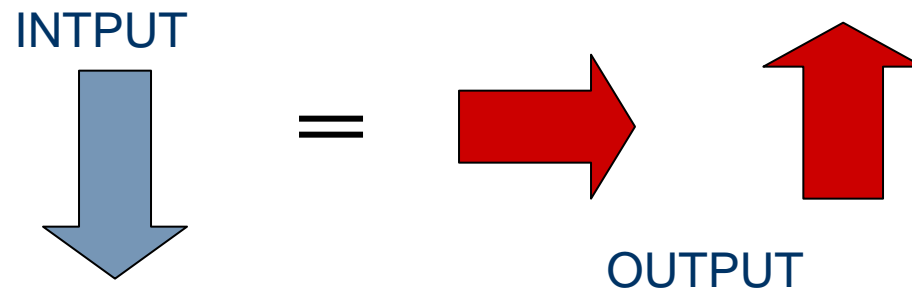
- **adjective** - working productively with minimum wasted effort or expense

Efficiency

- **noun 1.** the state or quality of being efficient. **2.** an action intended to achieve efficiency

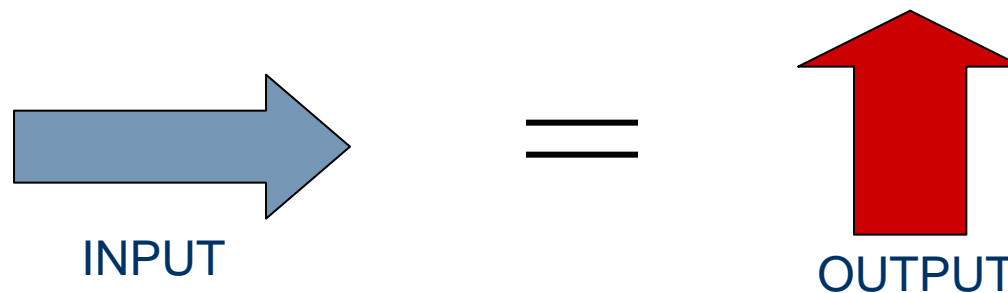
Efficiency As Defined By Efficient Government Initiative

- Achieving the same or a higher level of output on a lower level of input ('cash releasing')

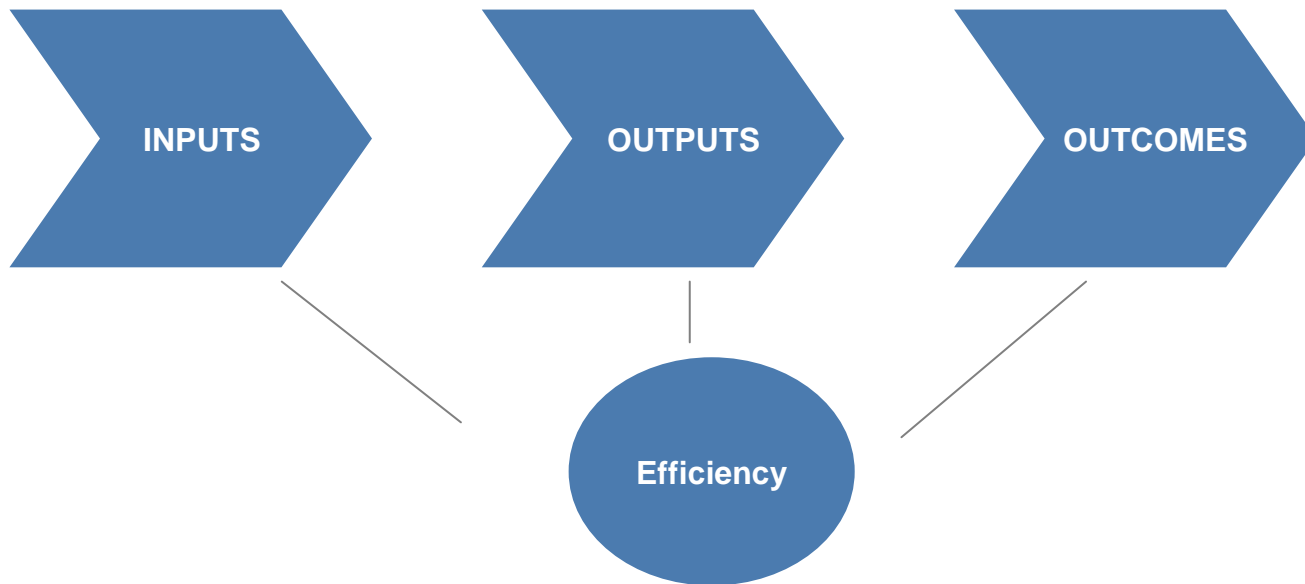


Efficiency As Defined By Efficient Government Initiative

- Achieving a higher level of output on the same level of input ('time releasing'/ productivity)



Efficiency & Outcomes



Outcomes:

1. the quality of life of individuals, households & communities
2. the opportunities in life of individuals, households & communities
3. the living context of individuals, households & communities

The 'why' of public service provision

To Find Efficiencies You Need To Know...

- What are you trying to achieve – outcomes
- What activities do you undertake to achieve your outcomes
- What are your costs against outcomes
- What can you change in your activities to reduce cost & protect your outcomes

Activity Based Costing

- Costs built up from identifying resources to deliver a service
- Costs of resources totalled to get overall cost

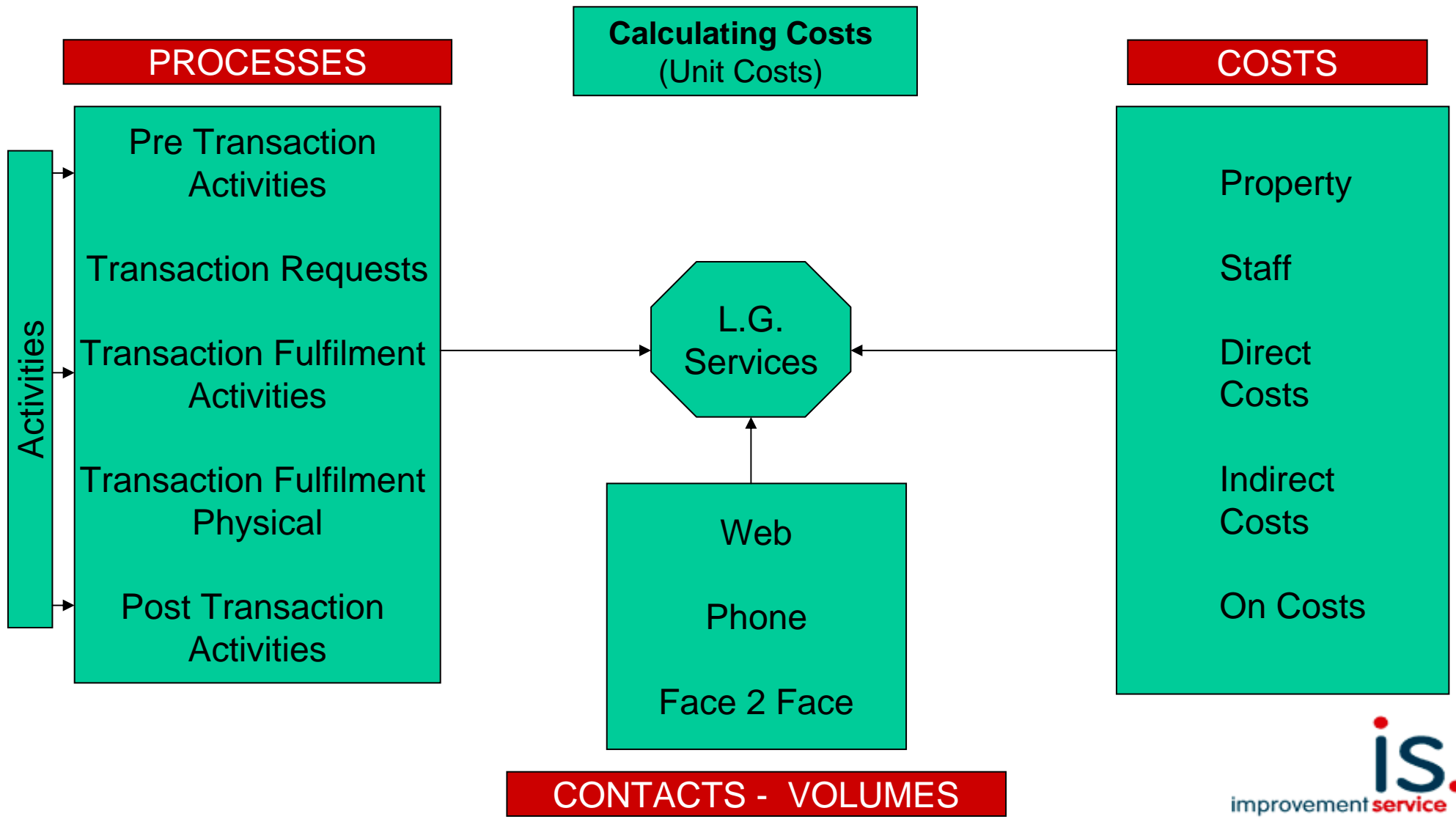
Benefits

- Focus on main costs
- Direct/ controllable costs
- Forces us to think whole service
- Forces us to ID unit costs
- Allows ID how resources being used
- Accountability between resources used
& added value to outcomes

Challenges

- Benchmarking (shared definitions)
- Need to have good quality info

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Activity Based Costing

In Practice...

- Staff – time spent on different activities/ sickness cover/ leave
- Property – square metre utilisation/ maintenance/ energy ...
- Direct Costs – salaries/ N.I. contributions/ goods & materials/ agency staff ...
- Indirect Costs – training/ recruitment/ advertising ...
- On Costs – HR/ payroll/ legal/ ‘cost of democracy’ ...

Use proxies/ estimates to keep exercise proportionate

Benchmarking

- The objective efficiency monitoring not to produce annual league tables
- However, understanding variation in performance between similar councils can provide
 - A fuller understanding of own costs
 - A fuller understanding of own performance
 - Sharing leading practice
- Need to benchmark data & underpinning service processes

Exercise

- In thinking about cost & efficiency what do you as elected members want to know most ?
- Is benchmarking of cost information desirable ? If so how should this be organised and by whom ?
- What issues will you face as politicians in developing a better understanding of cost & efficiencies ?

Cost Calculation Option Matrix

		Simple	Ease of Operation	Complex
Data Quality/ Robustness	High			Full ABC
				ABC with overheads
			Basic ABC	
		Top Down Approach		
	Low	Guess		

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The Strategic Challenges Facing Local Government (3): Service Transformation

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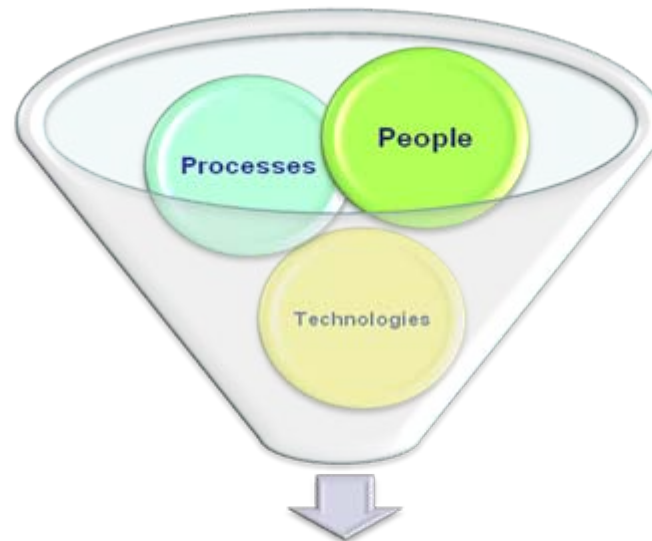
Delivering Outcomes: Business Transformation

- Financial pressures will generate strain on delivery models
- Short term issues due to recession – education; social work; leisure; community safety....
- Longer term – have we the right policies & delivery models for moving forward?

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What is Business Transformation?

OUTCOMES & STRATEGY



Efficient, effective outcomes



Improved Efficiency

Changed Culture

Improved Service Quality

Policy Issues

- Work back from outcomes – are policy commitments desirable against outcomes ?
 - Free personal care
 - Free school meals
 - P1: 3 class sizes
 - Leisure services
 - Roads
- Balancing outcome & cost !

The Spectrum of Reform

- Intensification of existing arrangements :
 - hard targeting & early intervention
 - lean & process reengineering
 - clearer rationing & triage criteria
 - income maximisation
 - agile working
- Focus on core functions:
 - identification & assessment of need
 - commissioning
 - largely outsourced delivery of services

The Spectrum of Reform

- Co-production/outcome focus:
 - personalised budgets
 - direct payments
 - vouchers
 - market stimulation
- Combination of above elements

Points

- Models not exclusive: potentially sequence of reform (political costs & benefits)
- Different models for different services/ outcomes
- All models can be overwhelmed by demand
- The “sustainability” problem needs careful definition: e.g. budget limits & control; stretching resources to cover demand, etc
- Enhancing income/limiting expenditure & drawing in personal/family/ community resources applies across all models
- Outcomes need factored in: direct & feedback effects

Children

Learning & whole child development

- Workforce – management arrangements; productivity; teaching practice & skills; DMR decentralisation but discipline
- Quasi Victorian models – low cost building designs; learning not teaching focused environments; virtual technology; alternative uses for buildings

Older People

Improved health/ wellbeing/ safety/ contributions/ respect

- Separating 'older' & 'care'
- Housing (not residential) solution
- Core & cluster; campuses/villages; 'housing for life' in the community
- Getting partnerships right : 3rd sector; private sector; local niche providers

Climate Change

Improved ecological/ social/ physical/ economic environment

- Carbon advisory committee: total area housing upgrades for efficiency
- New Deal/ 'Workfare' approach: recycling negative expenditure (DWP) - social & econ outcomes
- Capital investment & delivery vehicle : public / private JV's ?

Partnerships & Shared Services

- Getting serious about partnerships – what added value/ collaborative gain
- Partnerships to avoid the obvious – integration community care & public health ?
- Clearer on outcomes & balancing priorities – efficiency & local employment

Going Forwards

- Establish clear directions of travel : models; rationale & implications (customers & workforce)
- Mandate for officials
- Detailed business redesign/improvement plan: resources & support
- Sequence & phase to get “buy in” & to fit capacity

But: growth culture; statutory frameworks; public expectations; electoral pressures

Exercise

- (1) What do you see as the biggest challenges going forward with business/ service transformation across major service areas?
- (2) How wide should we through the net in considering service delivery options – what's in/ what's out?
- (3) What are the biggest political hurdles you will need to overcome to take your broad options forward?

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The Strategic Challenges Facing Local Government (4): The Leadership Challenges

**Mark McAteer
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The Improvement Service**

The Leadership Challenges (1)

- Driving significant efficiency & productivity improvement against outcomes
- Prioritisation - what really matters
- Organisational transformation
 - taking 'whole system' approach
 - redesign services around outcomes
 - rethinking delivery models

The Leadership Challenges (2)

- Maintain support – party group/ other members/ officers/ public/ TU's...
- Developing strategic policy direction – overall framework for council / CPP
- Governance – ensuring policies & priorities are met in practice

End Points

- Leading in a complex arena requires complex set of skills
- Balancing differing interests & dealing with multiple decision making points
- Key skill is ability to 'read' political situations & carry others with you