

Discussion Note

IS EFFICIENCY ENOUGH? OR IS A MORE FUNDAMENTAL RETHINK NEEDED?

Summary

This Discussion Note follows the 'Is Efficiency Enough?' roundtable event hosted by Localis in conjunction with Capita Symonds on 29 June 2011 at the Local Government Group conference in Birmingham.

The discussion was chaired by Alex Thomson, Chief Executive of Localis.

The participants were:

PARTICIPANT	ORGANISATION
Clive Betts MP	House of Commons
Cllr Paul Bettison	Bracknell Forest Council
Cllr Mike Jones	Cheshire West and Chester Council
Nick Walkley	London Borough of Barnet
Dr Andrew Povey	Surrey County Council
Cllr Andrew Lewer	Derbyshire County Council
John Tizard	LGID
Manjeet Gill	West Lindsey District Council
Cllr Richard Kemp	Liverpool Council
Dr Paul Blantern	Northamptonshire County Council
John Seddon	Vanguard Consulting
Simon Johnson	Capita Symonds
Christian Rogers	Capita Symonds
Alex Thomson	Localis
Tom Shakespeare	Localis

The discussion was focused around three key questions. The first question was 'What do we mean by efficiency?' which explored the issues around the different conceptions of efficiency held among the group. The second part of the discussion was around 'What innovative approaches have delivered better and cheaper services?' during which participants had the opportunity to talk about how they are putting their approach to efficiency into practice locally. And, the final question was 'What does the future hold for local government service

delivery?' which was designed to guide participants to think about the direction of travel and the future of local public services. Throughout the discussion, several themes emerged about how local authorities are thinking about efficiency and the future of local services, including:

- The current way of doing things is no longer an option, and councils will need to think innovatively about how services are delivered in the future, perhaps taking a more strategic commissioning and oversight role of local services.
- Efficiency within local government is not just about reducing short-term spending, but about ensuring that the needs of local residents are met by reducing the long-term demand on services and the associated cost.
- This will require the public, private and third sectors to think innovatively about their relationships with each other and the value that each can bring to achieving the ambitions of local areas.

What do we mean by efficiency?

In his opening remarks, Alex Thomson from Localis highlighted some potential approaches to efficiency that the participants might consider, including 'salami slicing' vs doing things differently; early intervention investment vs short term savings, or; making savings vs not doing things at all. Adding to these remarks, Christian Rogers from Capita Symonds stressed the need for the private sector to partner with local government in new ways to meet the challenges facing councils.

Responding to the opening remarks, one participant suggested that central government's current conception of efficiency has been disruptive to local public services, and that we need to radically rethink local government to ensure that services are focused on the needs of local residents.

Another participant agreed with this analysis, and suggested that studying and reducing demand on public services is the most effective way to make efficiency savings. In fact, it was suggested that economies of scale do not work in local government. However, while the participants largely agreed that reducing demand is crucial, several also suggested

that there are plenty of examples where economies of scale had delivered financial savings. One participant suggested that this was particularly true in two-tier areas.

There was therefore a measure of disagreement about the value of economies of large vs small scale, and several examples were cited in favour and against both. However, there was unanimity about the importance of understanding the fundamental drivers of cost before making a decision on what constitutes efficiency.

One participant suggested that it is standardisation and not scale per se that causes inefficiency. Two examples were cited – centralised IT systems and housing waiting lists – both of which were said to demonstrate the failure to recognise the actual needs of individuals, and hence generate cost and waste.

A couple of participants suggested that councils should stop doing some things entirely, particularly where the market is more effective. Many councils, for historic reasons, have a legacy of involvement in commercial activities that at least one participant felt was now outdated and should be passed

onto the private sector or local communities. One example was the refurbishment of business units, which in the opinion of at least one participant had been handled very badly by local councils.

However, it was argued that efficiency is a concept that cannot be divorced from the political and philosophical beliefs of individuals and organisations. Efficiency therefore means different things in different councils, and the relative merits of one approach over another must be understood in that context.

What innovative approaches have delivered cheaper and better services?

In one council, co-production through an integrated model of volunteers in revenue and benefits has led to efficiency savings of up to 30%. The slightly less tangible benefit is the sense of community ownership that residents felt over their local services.

In another council, a 'lean' study highlighted that only 15% of people on a housing waiting list actually needed housing. The remaining 85% had other problems, and their needs could be met through other means. This has led to the misallocation of council resources, and a failure to address the primary cause of individuals' requirements, which could potentially lead to even further costs down the line.

Generating new income streams and going into business as trading bodies was suggested as one solution to ensure councils have sufficient resources to deliver the quality services that are demanded locally. There was some debate about the extent to which councils have the ability to act as entrepreneurial organisations, or whether they are inherently more bureaucratic - by nature and lack the skills - to make a success of enterprise. But generally speaking there was agreement that the culture within the council is a key determinant as to their level of innovation and willingness to experiment with new ideas.

Joint ventures between councils and the private sector were suggested as one possibility of maximising the impact of the individual and different qualities of local government and the private sector. But equally, it was stressed that joint ventures with other public bodies, including councils, could yield significant results too.

The emerging moves towards the Government's Community Budget pilots were seen as a significant potential opportunity for local government, although one participant suggested that the scale of the trial was perhaps slightly timid. The new role for local government in public health may yield further opportunities, and one participant suggested that this could help substantially to deliver integrated health and education policies towards improving child literacy, for example. There was a general feeling that the moves towards more pooled budgets are a fantastic opportunity for delivering more efficient local public services, but that the biggest barrier to rolling this out further would be Whitehall civil servants and the Treasury.

What does the future hold for local government service delivery?

Following on from the discussion about innovative approaches that councils were taking to deliver more efficient services, the group talked about the broader implications for the future of local public services and councils.

“Efficiency is a concept that cannot be divorced from political and philosophical beliefs”

There was a particular emphasis on the importance of ensuring that efficiency was targeted at understanding the needs and demands of individuals and communities. However, one participant pointed towards the fact that there are multiple layers of bureaucracy between central government and the service user that can act to prevent innovation and adaptability in responding to this demand.

Several contributors pointed towards the major challenges they are increasingly going to have to tackle. One example was the impact of an ageing population on social care budgets, and the challenges this will create in ensuring the provision of quality services, although one person disagreed, arguing that the demand for social care is not actually rising at all.

The importance of the prevailing culture within local government was again raised as a barrier for greater efficiencies, particularly for shared services and management. Linked to this, one participant pointed out that a large number (approximately two-thirds) of private mergers actually fail. One contributor expressed some frustration that councils were not already much further down the road of sharing services, although another person raised the point that it is not only the council that needs to change, but other organisations too.

Despite the difficulties, there was a large degree of consensus about what the future role of the council could and should be – as strategic commissioners of local services. In this case, councillors would shift towards being trusted advocates for local people and take less involvement in the day to day running of local services. The focus of the council would be to focus on the delivery of key outcomes rather than in the detailed provision of services, and the council would ‘nudge’, support and enable individuals and communities to help themselves.

Going further, one person suggested that there was a need for councils to become better regulators and more business minded by, for example, planning ahead by placing requirements on developers to build in waste solutions on new developments.

There was a question mark as to whether local people would be able to relate to this new relationship between themselves and the council, and also over whether councils will have the necessary skills. There was also a feeling that members and council staff would be reluctant to go down this route for fear of the perceived or actual loss of sovereignty.

There were also a range of other key areas that participants felt would become increasingly relevant in the years ahead. One example was the increasing importance of broadband and internet access to service delivery. Participants agreed that councils have not fully got to grips with the potential of technology, and examples were cited of the possible impact that this could have. Another key area was the potential for the private and third sector to work more closely together, potentially putting together joint bids for local government.

Conclusion: ‘A new relationship between local government, the private sector, the community and individuals’

Throughout the discussion there was complete agreement that salami-slicing public services was not the way to deliver efficiency savings, and that a more fundamental re-think is needed. Several contributors around the table had some interesting ideas about how this is being achieved in their local areas – from co-production to service redesign to new ways of working.

It was also agreed that achieving such a large change in the way councils provide services was not easy. Many people cited the internal cultural barriers to change in local government, and particularly the concerns that members would have about any perceived loss of sovereignty over public service delivery. The pressure to deliver short term savings whilst also reducing long term demand was also cited as an obstacle.

“There was complete agreement that salami-slicing public services was not the way to deliver efficiency savings.”

In his closing remarks, Christian Rogers talked about the need for the private sector to partner with local government in new ways to meet the challenges facing councils. All sectors, including the private sector, need to learn about the successes and failures from shared service initiatives. Efficiency is not about doing things that councils think are needed, but rather what is actually demanded. This will require better engagement with individuals and community groups, and will require all sectors to adapt to the reality that public services will need to be smarter and leaner in the near future.

About Localis

Localis is an independent think tank dedicated to issues relating to local government and localism. We carry out innovative research, hold a calendar of events and facilitate an ever growing network of members to stimulate and challenge current orthodoxy of the governance of the UK.

For more information about Localis, please visit the Localis website at www.localis.org.uk or phone 0207 340 2660. For more information on this work please contact Tom Shakespeare on tom@localis.org.uk.

About Capita Symonds

For more than a decade Capita Symonds has been working in partnership with local authorities across the UK to help them transform and improve services.

We are currently involved in 8 long-term strategic partnerships, delivering a wide range of multidisciplinary and technical professional services to our partner councils as well as the broader private sector market and other local authorities. Of course, there is no 'one size fits all' solution. We develop and implement bespoke partnerships that establish a solid foundation through trust, commitment, openness, honesty, clear governance structures and realistic planning.

Capita Symonds is one of the UK's largest and most diverse multidisciplinary consultancies operating in the design, infrastructure and real estate sectors. With over 4,000 staff in over 60 UK and international offices we offer an unrivalled scope of services and a unique blend of professional and technical skills to schemes of all types and complexities.

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