



CIPFA in the Midlands

The Efficiency Agenda in Local Government

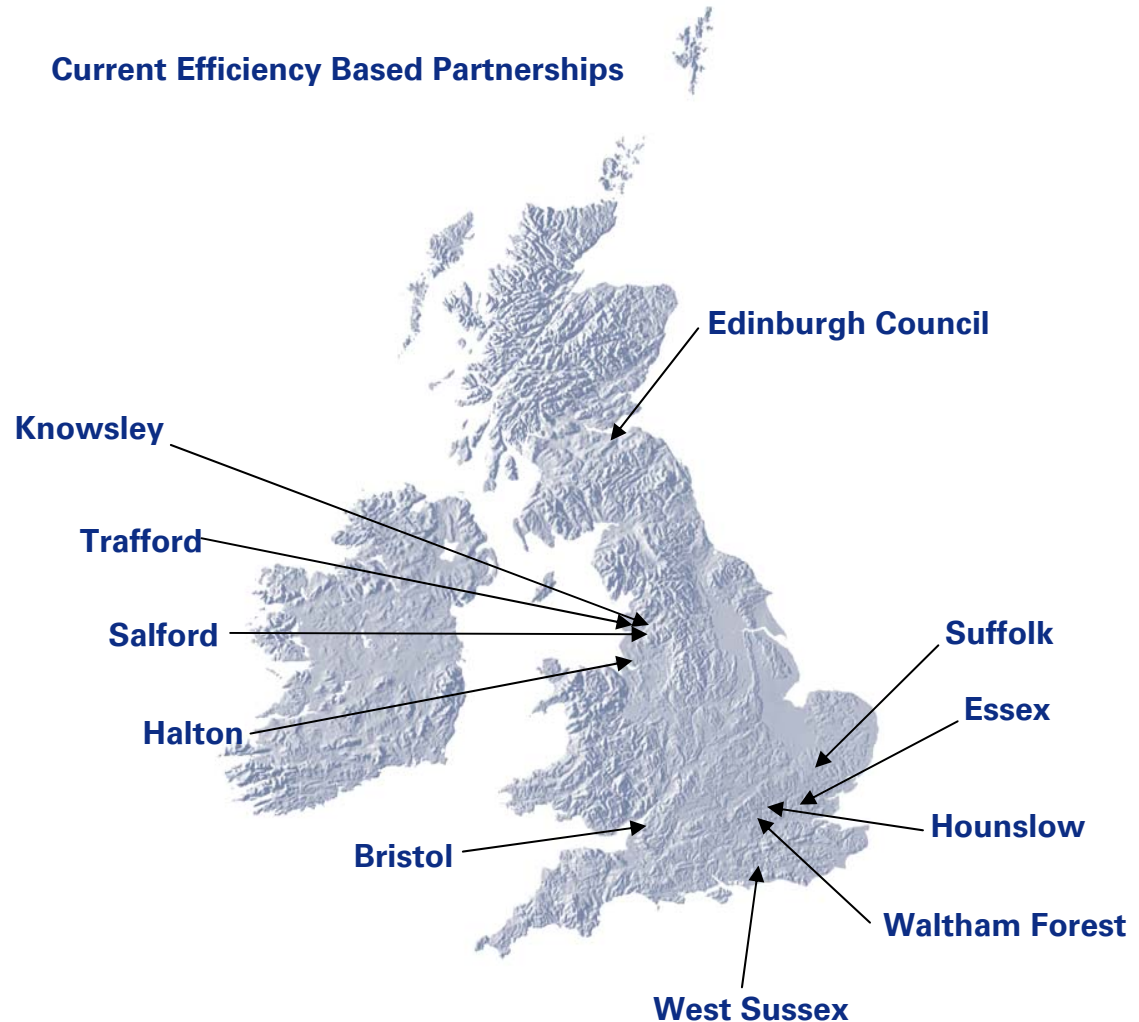
6 February 2008

Richard Williams

- Director in KPMG's national local government advisory practice
- Based in Birmingham
- CIPFA member
- Public Sector specialist
- Leading a number of KPMG's local government efficiency based partnerships

What is KPMG's experience of working with local authorities on efficiency programmes?

- Long term efficiency partnerships (2-3 years)
- Work on full lifecycle:
 - Identify opportunities
 - Design Programme
 - Implement
- Working with many top performing local authorities
- Programmes are designed to secure efficiency savings of 5%-15% of non-schools revenue budgets
- In many authorities there is a strong modernisation element to the Programmes



My argument today

- Local authorities face significant external and internal pressures to realise efficiency savings – and many are struggling with that challenge
- My argument today is that
 - Traditional approaches to efficiency are not sufficient to meet the challenge
 - There are opportunities to achieve real efficiency – but will require tough decisions and commitment to realise
 - A structured corporately driven programme is the best way to drive forward the efficiency agenda

Agenda

This discussion will cover:

- The context for efficiency in local government
- Why traditional approaches to efficiency are not sufficient to make big efficiency gains
- Tips for delivering successful efficiency programmes
 - Understanding where you are starting from
 - Identifying opportunities
 - Implementing efficiency programmes

Context – why addressing the efficiency agenda is important

- CSR 07 for local government
 - Three year settlement with limited real terms growth (1 % pa for next 3 years)
 - Renewed efficiency targets - £4.9bn cash releasing savings by 2010-11
 - Follows a number of years of budgetary constraint
- Government perceptions
 - John Healey – councils “lagging behind” on securing efficiency savings
- Rising customer expectations and demographics
 - Expectations of rising service quality and timeliness
 - Ageing population putting pressure on services
- Capacity to meet political and modernisation priorities
 - Financial lockdown syndrome
 - Maintaining and modernising front line services
 - Limiting impact on local taxpayers

Traditional approaches will not deliver the new efficiency agenda and are heavily constrained

- Most efficiency initiatives are tactical and short term in nature – and do not address structural and more complex opportunities
- There is a limit to how much budget “salami slicing” and picking off “low hanging fruit” can continue to be done
- Most Councils retain their silo approach to doing business – which mitigates against an authority wide approach
- Protecting front line services is important – but often leads to an over-emphasis on the corporate centre (10% of 10%!)
- There is a lack of meaningful baseline information to inform sound business cases for efficiency projects and targets
- A self sufficiency ethos continues to militate against a true mixed economy approach to service delivery
- Efficiency and modernisation programmes often lack corporate buy-in and commitment
- There are too many self imposed no-go areas – including headcount and externalisation

The biggest constraint is a reluctance to accept that there is any scope to unlock major efficiencies...

Only £1 in every £3 is actually spent on adult social care customers... the rest is spent on deciding how to spend it and administering the spending

50% of business activities are common but typically only 10% are shared – the rest are buried in service silos

Local authorities typically have twice the number of general administrative staff than best practice

Behaviours that contribute to low productivity often tolerated and not managed

There are usually more management tiers and shorter spans of control than best practice

Proliferation of strategy, policy and planning officers

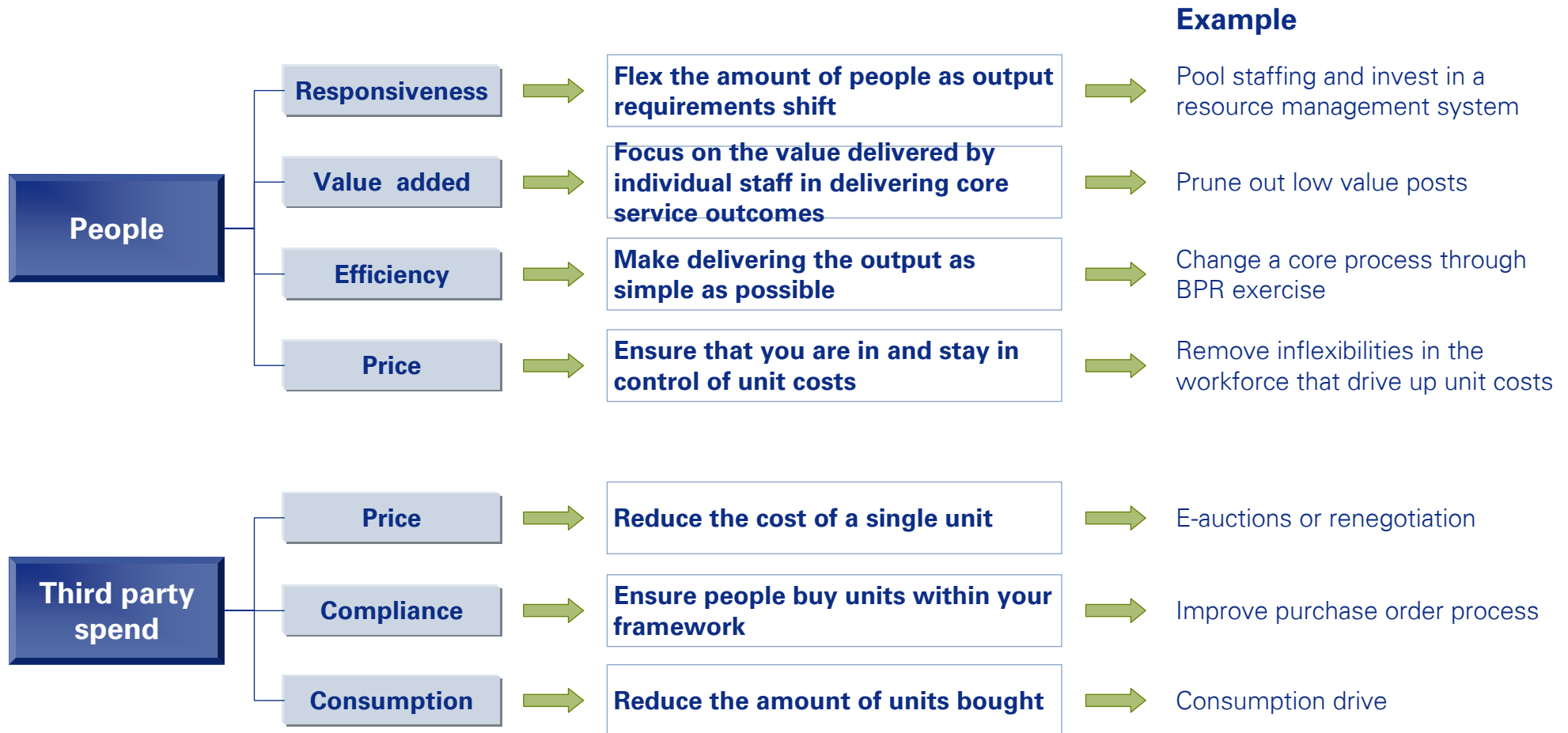
What are the lessons learned from KPMG's local authority partners? Tips for success to identify and deliver efficiency

1. Recognise that savings opportunities will usually boil down to staff and 3rd party spend
2. A whole Authority approach is essential – especially to expose the “grey area”
3. Take a new look at the organisation and how resources are deployed
4. Adopt a structured approach to identifying and agreeing opportunities including go / no go areas
5. Establish Corporate Programme that has Leadership sponsorship and commitment

Tip for success 1

Recognise that savings opportunities will usually boil down to staff and 3rd party spend

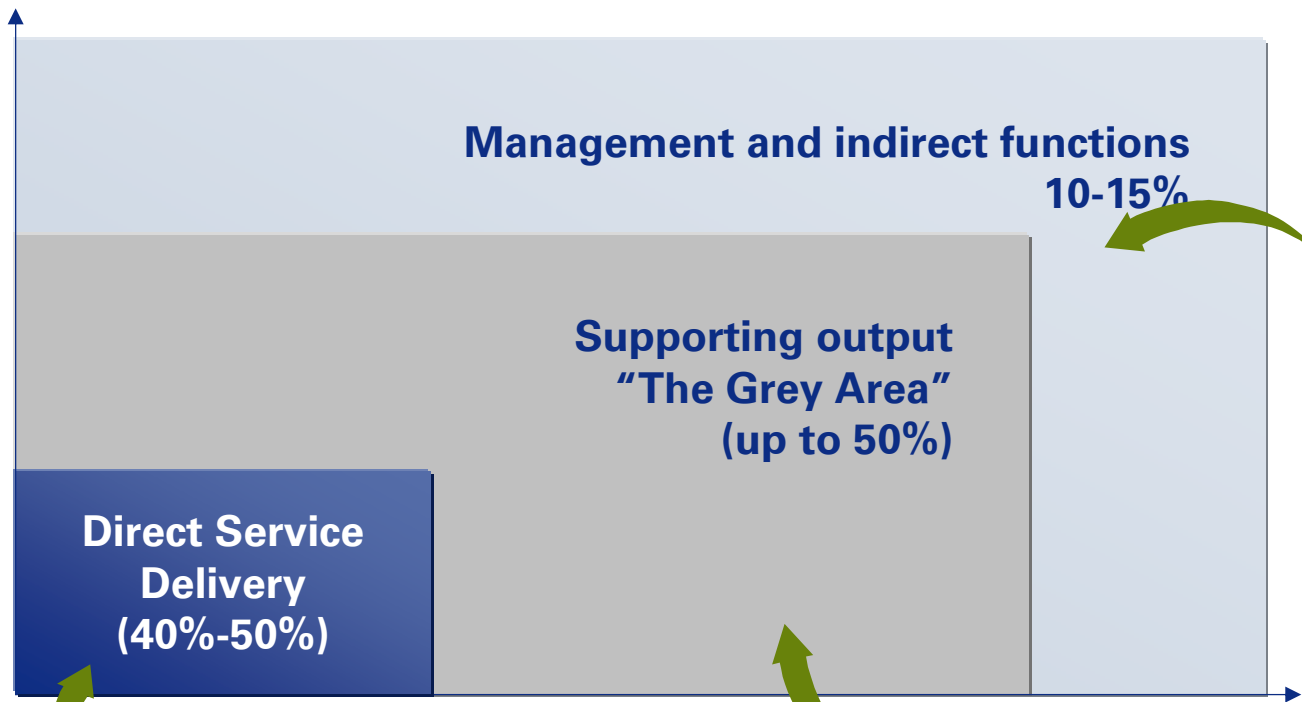
Whatever you look at it is an inescapable fact that opportunities to make real efficiency savings boil down to people and 3rd party spend



Tip for success 2

A whole Authority approach is essential – especially to expose the “grey area”

Our experience is that a high proportion of non-schools staff are deployed in supporting outputs – neither front or back office but the “Grey Area”. A whole Authority approach is therefore essential



Already defined and benchmarked

The 'output' is what customers and stakeholders see

These functions and activities offer greatest efficiency opportunity – and the greatest resistance

Tips for success 3

Take a new look at the organisation and how resources are deployed

Authorities often lack robust and insightful baseline information to help identify efficiency opportunities

- The baseline “gap” is not usually about service costs but how people are deployed and what people do
- KPMG has therefore developed the Value Chain Analysis (VCA) approach to help local authorities to understand how resources are deployed
- VCA is a detailed authority wide analysis of resources and activities – gathered and collated in a structured and uniform manner

- *VCA is a relatively new and innovative approach which we are using with all our current partners*
- *Scottish Executive has endorsed this approach as a means of identifying efficiency opportunities and is currently being rolled out to all Scottish local authorities*

Resource	City Development	Energy and Commissioning Activities										Front line service delivery					
		100% Public Service Delivery	Supporting for Economic Growth	Procurement	Strategic contract	Non Subsidised / Financial	Programme / Operations	General Administration	Initial contract award	Access & Delivery	Service delivery	Non Subsidised / Financial	Programme / Operations	General Administration	Construction	Legal services	
City Development	243	10	0	10	60	11	20	23	45	103	204	17	24	36	7	1	
City Development	4	0						0									
City Development	160	4	1			1	1	2	0	64	36	4	4	10			
City Development	141	6	6	7	48	4	7	10	25	20	72	3	4	7	6		
City Development	34				4	10		4	3								
City Development	26	1	1	1	2			1	1	2							
City Development	127		5	2				1	10	5	5		5		3		
City Development	67	3			1	1	1	1	4	10	23	3	3	7			
City Development	83	3	1	0	26	3	2	4		38					2		
City Development																	
City Development	217	5	1	0	17	7	20	7	20	27	76	9	11	4	0	1	
City Development	17	0	0	1	2	2	1	4	2	3	2						
City Development	63	0		3	4	3	4	3	1	6	20	1	1	1			
City Development	148	3	1	6	9	2	14		17	16	53	9	10	3	2	1	
City Development	67																
City Development	6,105	14	7	6	24	23	15	26	106	153	3,793	274	1,899	970	3	3	
Children and Families	4,362	3					3	1	100	100	3,833	16	1,833	685			
Children and Families	244								20	25	180	11	24	62			
Children and Families	647								20	25	380	10	192	69			
Children and Families	162								5	5	10	5	10	20			
Children and Families	106								5	5	81	5	14	10			
Children and Families	33	3						3	1				21	10			
Children and Families	3,770								68	68	2,417	107	865	331			
Children and Families	79	23	2	3	10	6	3	11									
Children and Families	26	15	1		5	4	1	1									

The VCA gives a new view of the organisation

	Strategic and commissioning activities						Front line service delivery					Support services										
Activity	Strategy, Policy, Quality, Service Development and Performance Management	Supporting the Democratic process	Procurement	Managing contracts	Work Scheduling / Planning	Management / Supervision	General Administration	Initial customer contact	Assess and Decide	Service delivery	Work Scheduling / Planning	Management / Supervision	General Administration	Communications	Legal services	Finance	HR	ICT	Property and estates	Work Scheduling / Planning	Management / Supervision	General Administration
Staff																						
Total																						

	Staff	%
Service delivery		52%
Support		10%
Gen Admin		8%
Management		12%
Accessing services		11%
Strategy & commissioning		7%

This is an extract based on the analysis of a large city council workforce

What do the numbers tell us?

- Only 52% of staff are directly involved with service delivery
- Nearly xxxx (11 %) FTE sit between customers and the service they want
- 12% of the workforce is purely responsible for management and planning
- Support (HR, Finance, ICT, etc) and Administration account together for 18% of the workforce
- Over xxx staff (8% of workforce) are in general administrative roles and are scattered across the Council
- There are over xxxx officers (7% of workforce) in “strategy and commissioning” that includes procurement, managing contracts and supporting the democratic process. Over half this number are in strategy, policy, quality, service improvement and performance management

This pattern of results is replicated – with some variation – in each of the large local authorities we have undertaken this analysis. Variation is largely a function of type of authority (County or Unitary) and extent of mixed economy in service delivery

The biggest constraint is a reluctance to accept that there is any scope to unlock major efficiencies...

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Local authorities typically have twice the number of general administrative staff than best practice

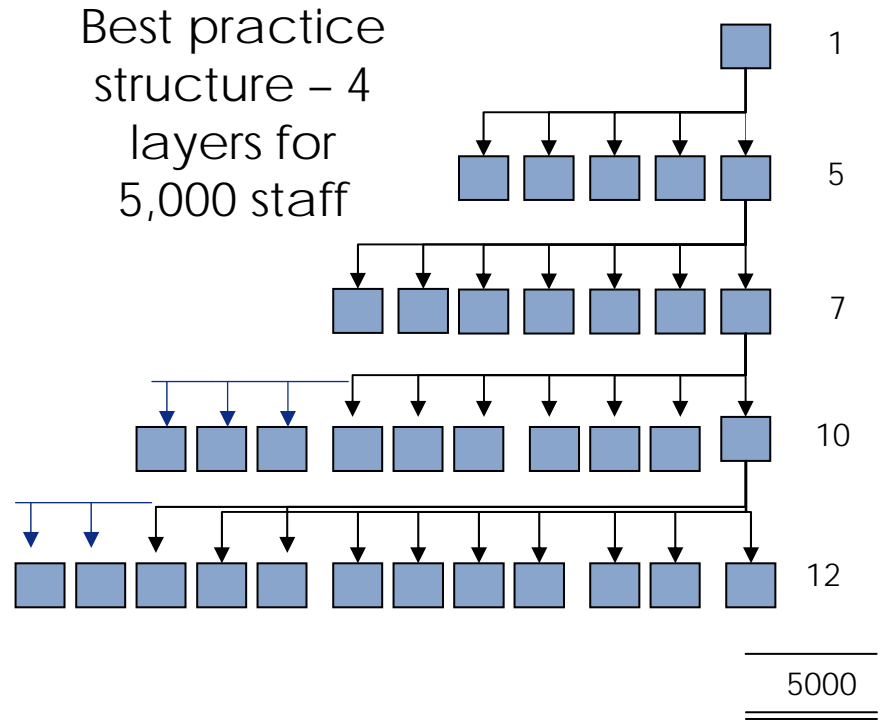
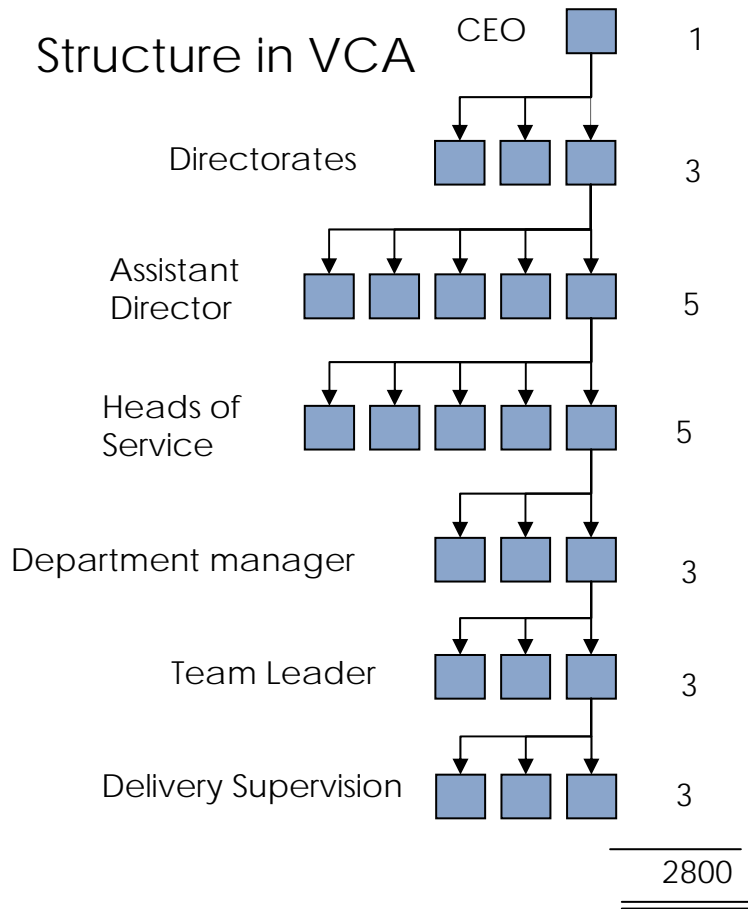
Proliferation of strategy, policy and planning officers

50% of business activities are common but typically only 10% are shared – the rest are buried in service silos

Behaviours that contribute to low productivity often tolerated and not managed

There are usually more management tiers and shorter spans of control than best practice

Using the Value Chain Analysis to identify efficiency opportunities – example – management structures



Tips for Success 4

Adopt a structured approach to identifying and agreeing opportunities including go / no go areas

Process for identifying and agreeing savings opportunities



Some of the themes other local authorities have identified and included in their efficiency programmes

- Support Services rationalisation
- ICT operations management
- Management structure
- Administration
- Commissioning and Procurement
- Service delivery models
- Customer Services

Tips for Success 5

Establish Corporate Programme that has Leadership sponsorship and commitment

A structured approach to identifying opportunities, design and planning, and implementation

Stages in a successful Efficiency Programme

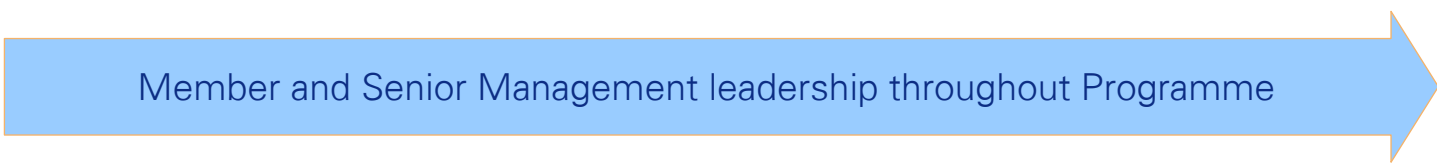


Identify opportunities

Design and Plan

Implement

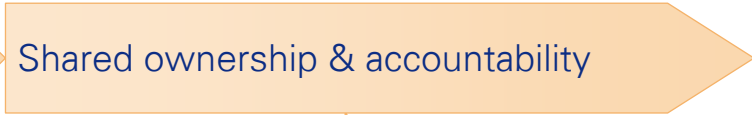
BUSINESS CASES



DESIGN PROGRAMME



DELIVER PROGRAMME



MANAGE CHANGE



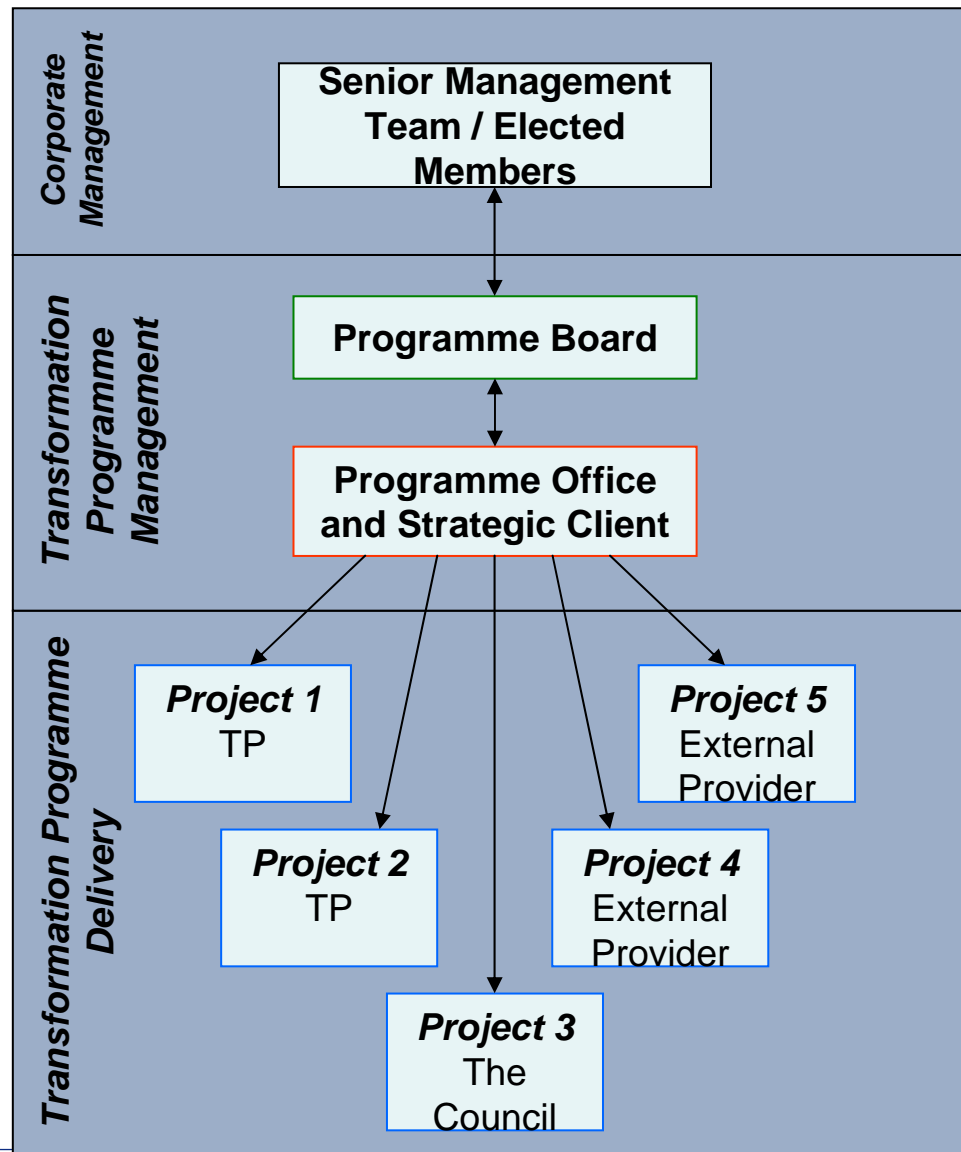
Determine opportunities

Deliver changes

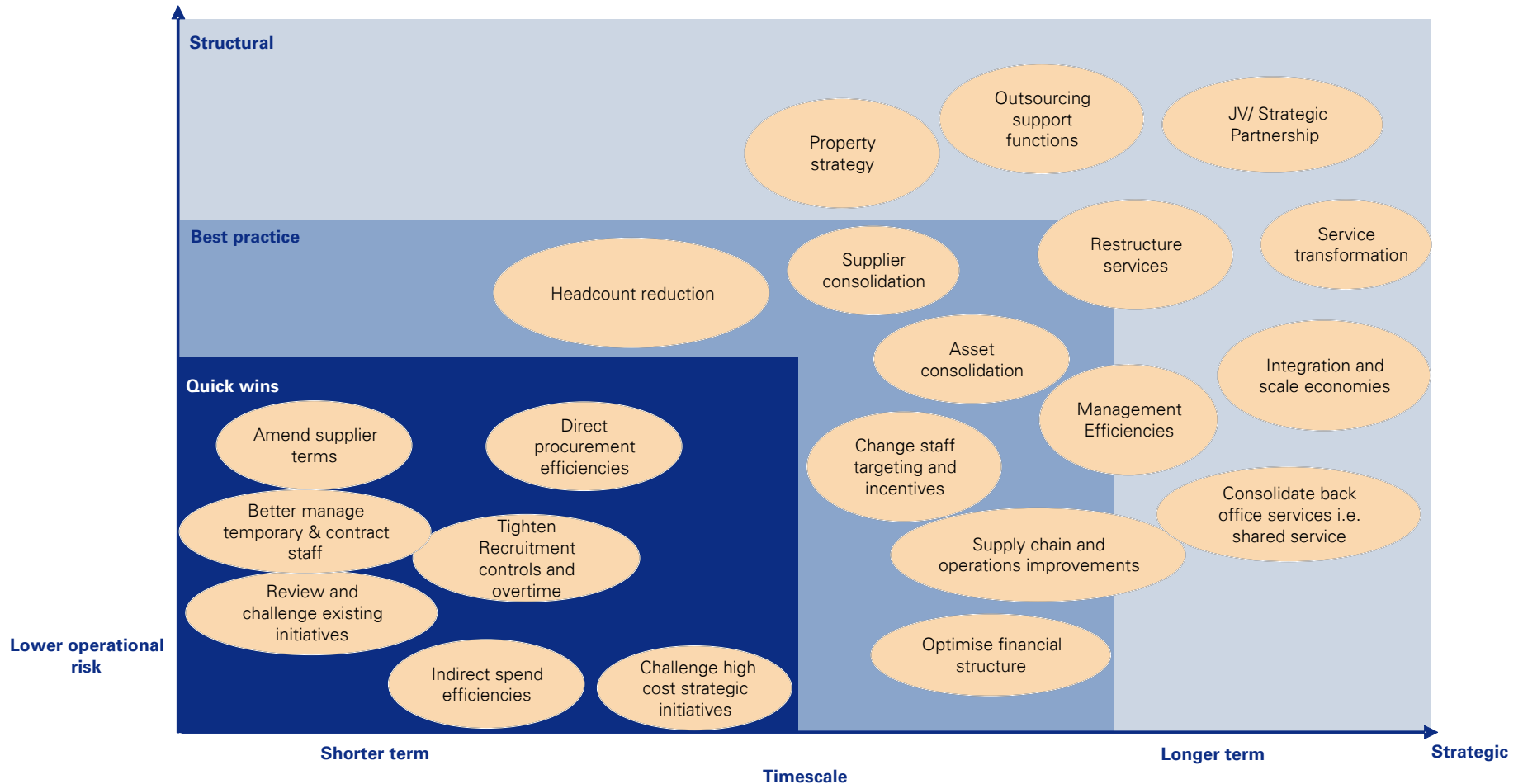
Establish Programme Governance and Infrastructure

Efficiency Programme “Must Haves”

- Member and CMT commitment and sponsorship
- Whole Authority signed up and prioritised
- Programme Level and Project Targets – ambitious and realistic
- Signed off Business Cases to guide implementation
- Self funding principle - programme must deliver more than it costs
- Sensible investment in Programme resources
- Balanced Portfolio of projects within the Programme



A balanced portfolio means a set of projects that have a mix of short and long term, "easy" and complex, and tactical versus structural





Concluding Remarks

Conclusion

- KPMG's experience of working with many large authorities is that there is scope to make significant efficiency gains
- These efficiencies can help local authorities achieve wider benefits:
 - Close the gap in financial plans
 - Release resources (people and money) for modernisation initiatives
 - Protect front line service delivery
- Achieving the efficiency gains is not easy and requires:
 - A solid evidence base and business cases
 - A corporately led programme
 - Senior level commitment from officers and members
 - The appetite to make tough decisions and overcome strong resistance



Questions and Discussion

Richard Williams – pen portrait and contact details



Richard Williams is a Director in KPMG's Local and Regional Government Advisory Practice. He is an experienced management consultant who specialises in the Public Sector. Richard started his career in local government and is a CIPFA qualified accountant. He has over twelve years of public sector consulting experience covering the central government and health sectors, as well as local government. He has led a wide range of consulting assignments and advised at the most senior levels in the public sector.

His experience has included working on major business transformation programmes; leading major organisational development initiatives, developing and implementing partnerships between the public and private sectors; and undertaking cost reduction and performance improvement reviews.

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