



CIPFA in Yorkshire and the Humber

Transformation within
Local Public Services

Scene Setting



Ian Washington, Deloitte Partner
3rd November 2011

Agenda

Context

Transformation focus and progress to date

The crux of the problem we are facing

Refocusing Transformation - Alternative delivery models

Conclusions

Context

For many, whilst transformation progress has been good, continuing along the current course will..

- compromise the ability to deliver statutory services
- place the most vulnerable at risk due to inadequate resources
- Inhibit the authority delivering upon its political priorities
- focus on balancing the budget as oppose to improving outcomes

Creating a longer term sustainable future requires...

- public sector organisations to consider alternative ways of providing services
- savings to be delivered with minimal impact on frontline services
- services to be scalable and resilient
- a much greater focus on collaboration

Transformation focus and progress to date

Where have most been focusing:

There is a fairly consistent picture across different transformation programmes

Procurement Related		Operational and Headcount Related					
Driving Procurement Savings	Review of major contracts	Programmes and Projects Rationalisation	Asset Management	De-layering and reducing management bureaucracy	Increase income and improving cost recovery	Reducing the cost of support services	Major service area re-design
<p>RELEASE VALUE Local Government spends approximately 50% of its revenue on goods and services purchased from third parties. Improving the specification, negotiation, compliance and management information associated with this spend will release value.</p>	<p>DRIVE BETTER VALUE Significant efficiencies are available from major outsourced contracts which are typically 2 – 4 years into an 8 year+ deal. Quick wins can be taken which offer an uncontroversial route for the Organisation to take and the level of cashable efficiencies are significant</p>	<p>RELEASE CAPACITY Significant resources go into trying to manage and run programmes and project sin an un-coordinated manner. Improved focus and joining up of projects into one overall programme can release significant organisational capacity</p>	<p>RELEASE RESOURCES Most local authorities are sat on large property portfolios which no longer bear any resemblance to future need. By freeing up and utilising these assets authorities can fund future development as well as reduce ongoing operational costs</p>	<p>BE BEST IN CLASS Historical structural shapes have changed resulting in increased costs with no increased productivity on the front line. It is not uncommon for less than 40% of total front line service budgets to be spent on service delivery. The issue is about how people are deployed, what they do and how they are adding value to front line services.</p>	<p>OPTIMISE INCOME We would expect most have conducted some form of income review. However, from our experience, we would challenge that this has been too focused on increasing common charges, such as car parking, and has not been far reaching enough, in the areas of policy, cost management and recovery and cash flow management</p>	<p>LOWER UNIT COSTS Centralising transactional support functions to create an shared service based on defined outputs, increased use of self-service and lower unit costs; together with removing duplication between the corporate centre and directorates will drive lower costs and release significant resources</p>	<p>IMPROVE VFM Focusing on the large spend areas to continuously challenge the current delivery model based on leading practice, and working with directorates to implement new operating models to improve quality and reduce cost – particular focus should be on elements of Social Care, Customer Contact and Highways and Transport</p>

Where is there still further potential for savings?

In all areas, but some more than others!

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Getting to the Crux of the issue

Closing the longer-term budget gap will require a different approach

Timescale	Issues	New Approach
Longer Term (24 – 48 months)	<ul style="list-style-type: none">• Tactical efficiencies savings will not deliver level of savings required for 2013/14, 2014/15 and beyond• More fundamental decisions required about future ways of working• Greater willingness to explore sharing and collaboration between authorities and partnerships with the private sector• Greater focus on reducing demand on local authority services	<ul style="list-style-type: none">• Explore new deliver models for the organisation• Commissioning v delivery roles decisions• Assessment and business case for collaboration and joint working opportunities• Design future operating model for the whole organisation

Organisations need a different set of design principles for the future

Example of overarching principles

1. Citizens' interaction with any service will result in a joined up response as One organisation.
2. The organisation will be designed to be efficient, effective and fit for purpose, and operate in a way that will close the financial gap in the next five years.
3. Services will be designed and delivered with a view to delivering better outcomes which are focussed on citizens needs
4. The Organisation will use service delivery relationships with Partners (the private and third sectors) where they add value (lower cost, or better performance)
5. The Organisation will embrace collaborative arrangements with other public sector organisations
6. The Organisation will be a strong commissioner of services with delivery provided by the most appropriate delivery body

The change of focus

Traditional: command & control services

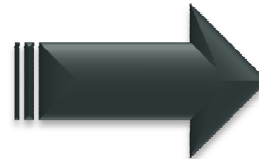


Managing resources

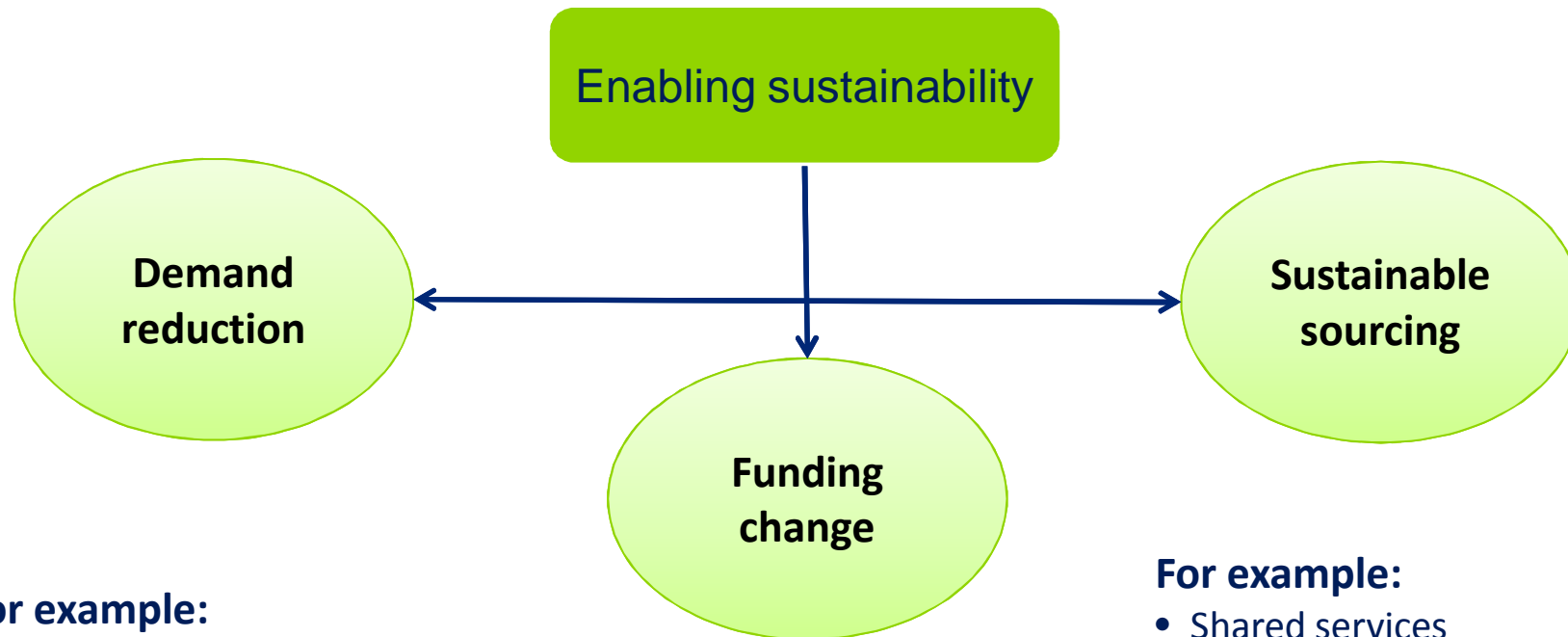
Outcome-driven: targeted & multi-agency strategies



Managing demand & outcomes



What are the key issues to sustainability?



For example:

- Diversion - reducing reliance on the state (helping people to help themselves)
- Prevention - improving outcomes

For example:

- Pump priming community initiatives
- Supporting communities to access other funding sources
- Using new models like Social Impact Bonds

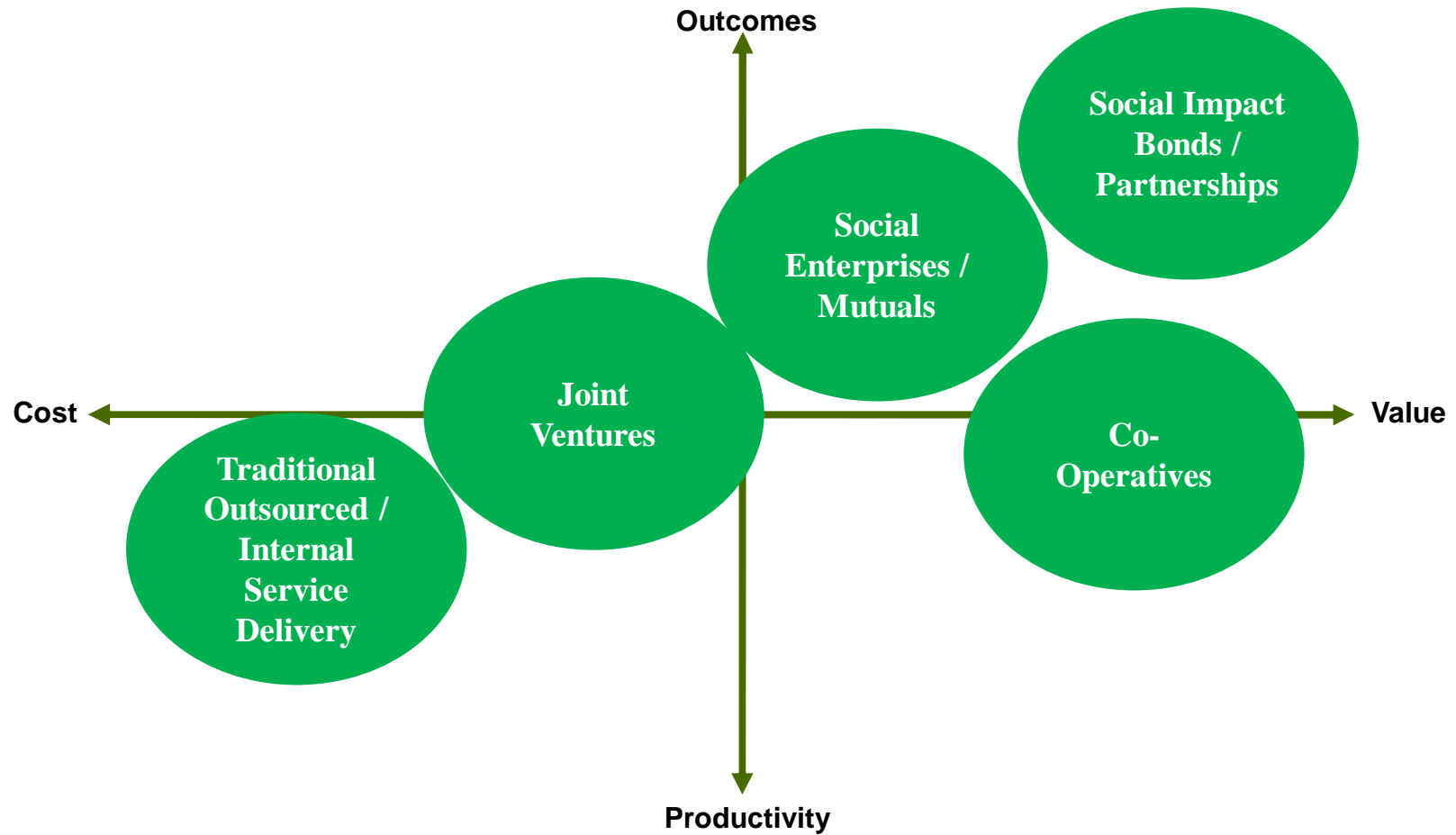
For example:

- Shared services
- Outsourced
- Mutuals
- Community Budgets
- **Collaboration**

Looking forward...

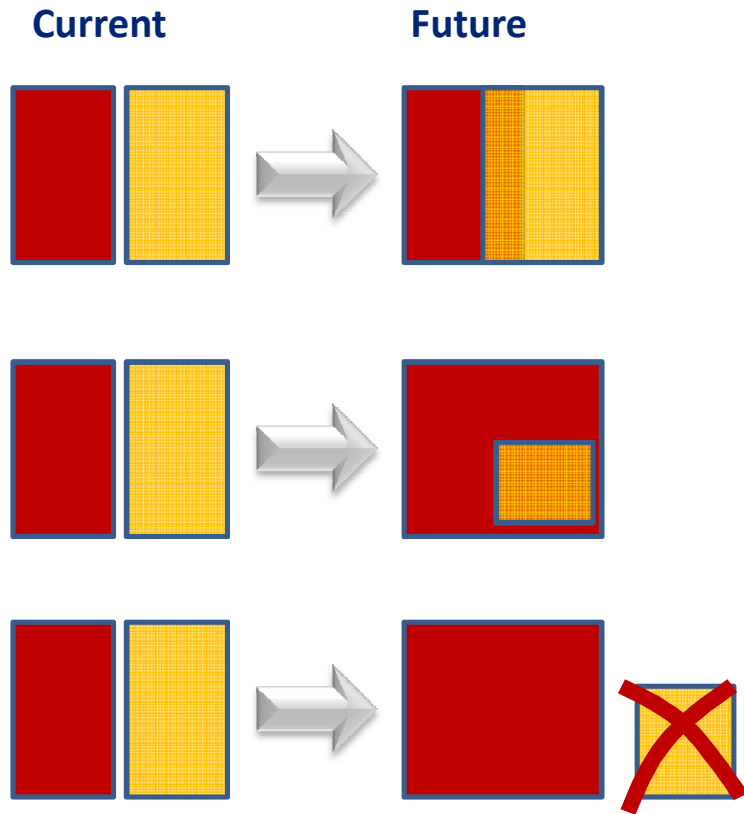
Alternative delivery models

A Perspective on Alternative Delivery Models



Future transformation through Collaborate

At a high level there are three key ways to collaborate



Option Name	Example Function Type
Integrate Redesign new functions Merge existing resources and redesign the operating model (this may include outsourcing for delivery functions)	<ul style="list-style-type: none"> • Senior management team • Corporate support • Commissioning functions • Delivery functions
Replicate Expand existing function Use the better existing operating model and merge resources	<ul style="list-style-type: none"> • Corporate support • Commissioning functions • Delivery functions
Replace Divest Use the better asset and dispose of the duplicate	<ul style="list-style-type: none"> • ICT • Property

Conclusions

Conclusions

- Good progress being made in many areas
- Many organisations are ahead of the curve... But the curve is rising steeply and therefore so is the funding gap
- Current approaches are unlikely to deliver what is required over the next 2 – 4 years
- Thinking is switching to greater focus on demand management
- Greater focus on different collaboration models and new delivery models as a driver for future transformation
- Greater focus on the future operating model

“Insanity: doing the same thing over and over again and expecting different results”

Albert Einstein

Thank you

Time for Questions!



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