

The Efficiencies Challenge

APSE
Llandrindod Wells, 10 June 2009

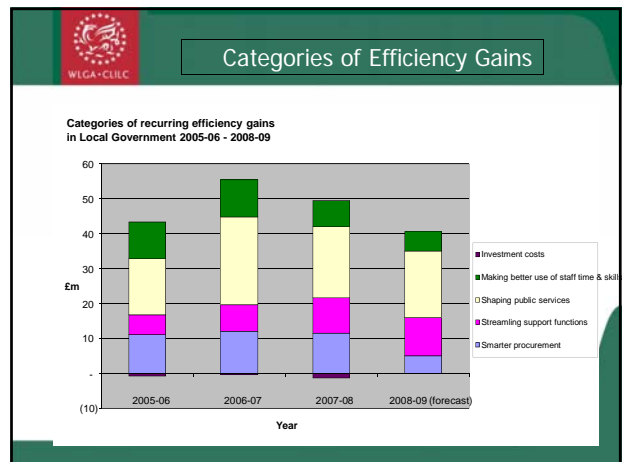
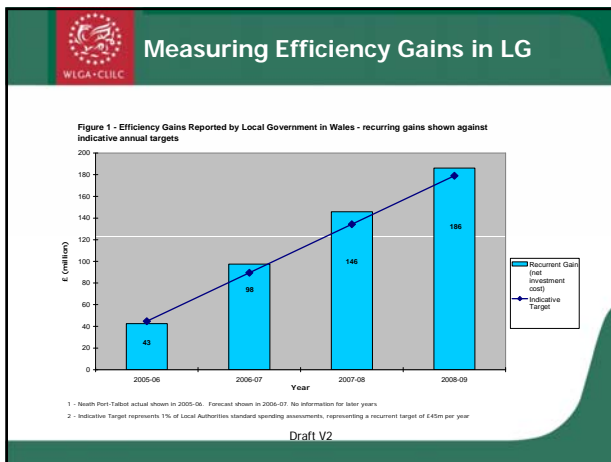
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The Efficiencies Challenge

- ❖ What local government has achieved so far
- ❖ Public Finance Outlook
- ❖ Meeting the challenge ahead

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Efficiencies and savings

MtC reported efficiency gains:

£146 million of recurrent efficiency gains between 2005-08

Forecast to rise to £186 million by the end of March 2009

£70 million of non recurrent efficiency gains

Efficiency gains top sliced from the Aggregate External Finance settlement:

£136 million since 2005-06, 1% recurrent top slice

Living within our means:

£102 million efficiencies and savings in 2009-10 to balance budget

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Public Finance Outlook

WAG Budget reduction £216 million revenue and £200 million capital in 2010-11

Settlements for 2011-12 and beyond will be even worse - "Two parliaments of pain" IFS

IFS warns that if budget squeeze were to continue to fall on spending up to 2017-18, total public spending would return to 2002 levels

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Turbulent Times Ahead

*"The next five years will represent a crossroads as the downturn either drives **radical transformation** across the business of government or, unchecked, the tension between expenditure reduction and increased citizen expectations results in **critical shortfalls** in public service quality and provision. While government leaders need to consider the strategic action required to meet this challenge they also need to anticipate and prepare for future shocks"*

Mike Turley - Deloitte Research "Turning the tide"

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HM Treasury's Operational Efficiency Programme

Additional £15 billion Efficiency Gains 2010-11 to 2013-14

- ❖ Back Office Operations and IT
- ❖ Collaborative Procurement
- ❖ Asset Management and Sales
- ❖ Property
- ❖ Local Incentives and Empowerment

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Implications for Welsh public sector?

- No new targets yet, but clear Welsh Assembly Government expects budget reductions to be met by efficiency savings
- Scope for further efficiency savings but need to understand real potential
- Corporate expenditure makes up a small part of local government's expenditure - around 4% of their gross annual expenditure
- Corporate efficiencies will be a part of the solution but they will not provide a 'silver bullet' to the financial pressures that authorities face
- Local authorities increasingly looking for efficiencies in the front line

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How is local government responding?

- Priority to maintain high quality services
- Efficiency coupled with service improvement
- Latest in transformational business thinking
- Benchmarking
- Sharing best practice
- Investment in staff to design and implement business change
- Greater collaboration
- Fundamental reviews of structure and purpose to assess organisational capacity and capability

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Regional Collaboration

Development of Local Government Regional Working Arrangements




Source: Cardiff Research Centre

Wider Collaborations

- Role of Local Service Boards
- Powys County Council and Powys Local Health Board are currently assessing the potential benefits of creating a merged management structure
- Regional Learning Partnership South West Wales includes the local authorities, higher education, further education, the third sector, Careers Wales West and JobCentre Plus outlining efficiencies and service improvements in the area of skills and learning, while improving the engagement of citizens (in this sense "learners") across the region
- Cardiff Neighbourhood transformation

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Barriers to change?

- Risks associated with achieving efficiencies of the scale that will be required
- Require complex change, which can involve large scale IT change programmes, asset rationalisation, staff moves and alternative working practices - not an overnight solution
- Significant costs (consultancy support to help design and develop proposals, officer time in stakeholder management, IT costs)
- Large scale change can also bring significant reductions in employee head-count – potential cost; impact on local economy and possible implications for service quality
- Cultural barriers to change

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Conclusions

Local government has achieved a lot already, but parlous state of public finances means...

- More of the same will not be enough
- Need to prepare for long term fiscal constraint
- Further efficiency gains will be essential
- collective effort needed by all parts of public sector
- the pace of collaboration needs to increase
- Transformational change

...radical transformation of local government over next five years

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