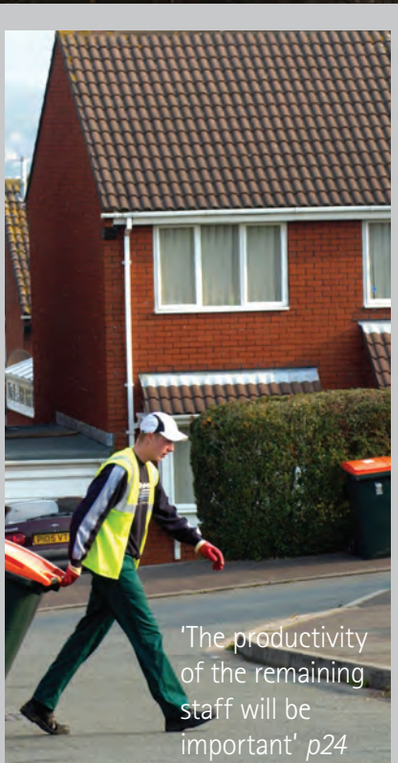
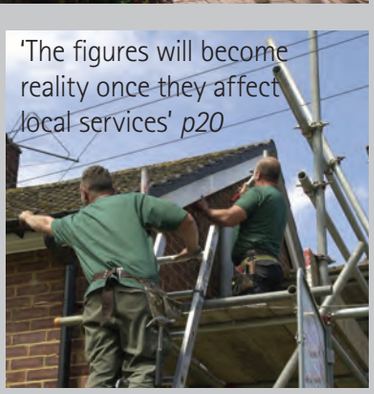
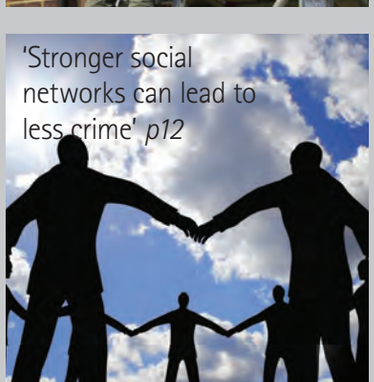
SPENDING REVIEW

Local government prepares for a new age of austerity







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What is the best way

The only certainty for local government is change. *LGC* and PwC's round table set out to weigh up the options, writes **MARK SMULIAN**

Local government expected to be denied money by the government's spending review. What it did not expect was to also be denied time.

But the cuts have been front loaded, rather than phased in over the review's four years, which has left councils with little time to prepare for the organisational and cultural change they must undertake to live within their newly reduced means.

Professional services company PwC convened a round table with *LGC* (see box) to debate the way forward.

Above, PwC's Chris Buttress. Right, Michael Lockwood, Martin Reeves and John Barradell

Participants agreed that while the challenges were tough, the cuts also presented what Coventry City Council chief executive Martin Reeves called a "once-in-a-generation opportunity" to recast local government around residents' priorities.

They felt some services would have to stop – Harrow LBC chief executive Michael Lockwood had counted 700 that his council provides, and noted, "we are not very good at stopping things" – and others would be shared or outsourced to the private, community and voluntary sectors.

Mr Reeves said: "We will see a proliferation of shared management and shared services, which is sensible in efficiency terms, but are we just taking efficiencies out of services that shouldn't be delivered anyway?"

But amid this upheaval they wanted to find a way in which the objectives that communities and local politicians rate the most important could still be achieved, even if councils themselves were no longer delivering them directly.

They wanted, too, to avoid a slash-and-burn approach and make cuts guided by priorities.

Lambeth LBC and Barnet LBC have both hit the headlines with, respectively, their 'John Lewis' and 'easyCouncil' proposals.

Lambeth chief executive Derrick Anderson said it had evolved this 'co-operative council' model as "the one that really got hold of the idea about the local authority as a strong community leader facilitating those partnership conversations about what is in best interest of the borough".

He added: "My stance as a manager is if I were to go through the significant change required I would want it to be values-led and with a clear vision around what it is we are trying to do."

The task for chief executives was to hear politicians' priorities and then say: "If this is what you want to do with this borough in context of the resource envelope I think will be available, then these are the things you will have to do differently."

Barnet's model of offering different service levels at different prices had similar aims, its chief executive Nick

ROUND TABLE PARTICIPANTS:

Derrick Anderson, chief executive, Lambeth LBC
John Barradell, chief executive, Brighton & Hove City Council
Bridget Buttinger, deputy chief executive, Norwich City Council
Michael Lockwood, chief executive, Harrow LBC
Martin Reeves, chief executive, Coventry City Council
Nick Walkley, chief executive, Barnet LBC
Chris Buttress, partner, PwC
Ray Mills, partner, PwC
Emma Maier, editor, *LGC* (chair)

This round table discussion was sponsored by PwC. The topic was agreed by *LGC* and PwC. The report was commissioned and edited by *LGC*.

forward from here?

Right, Derrick Anderson and Michael Lockwood. Below, from left, Nick Walkley and Bridget Buttinger

> My narrative is not about structure but about what the city expects public services to provide
> **John Barradell, chief executive, Brighton & Hove City Council**

> This has got to be about letting go of some things. The future for some services is for citizens to get together to provide solutions
> **Nick Walkley, chief executive, Barnet LBC**

Walkley said. But he warned: "I'm worried that what we try to do is to find a simple way ahead but this has got to be about letting go of some things. The future for some services is for citizens to get together to provide solutions."

Brighton & Hove City Council's move to become a commissioning body is among the more radical responses to the cuts, but Brighton & Hove City Council chief executive John Barradell said this, too, fitted into an approach of discovering community priorities and then focusing on their delivery by whatever proved best and most affordable.

"Form follows function, and the really critical point is the change from a departmental system to one focused around outcomes agreed by the city, so my narrative is not around structure but what the city expects public services to provide,"he said.

That would need decisions reached on the relative value of, for example, economic development, education and roads, and "gets us away from what services being provided to what priorities will you set based around money you are prepared to spend".

He said officers should "make no value judgment on who is delivering", allowing the community, voluntary and private sectors to proffer options. This would require a council organised around delivery of outcomes, rather than in the traditional way around professional skills.

Mr Reeves warned that when jobs were being lost chief executives needed "to be careful with our language, but the opportunity is there to build a new model".

He explained: "Our skill base has become highly technical and we need to get the right behaviours and qualities to deliver this new model, rather than have a fixation on professional and technical competence.

"We must think about the kind of people we want to drive this, rather than perpetuate models based on technical expertise, and that is a seismic shift."

Councils are "very professionally driven and almost act like a set of subsidiary companies", Mr Lockwood said. "Changing from that silo organisation to one that is outcome-focused is a very big jump but a massive opportunity."

The process of engaging with the public and using the feedback to design services was one where councils lacked experience, Mr Walkley said. "We have to make a transformation to focus on citizens because at the moment, hand on

PETER SEARLE

Left: chair Emma Maier. Centre, Bridget Buttinger with Nick Walkley; Below, Lambeth's Derrick Anderson

> We cannot carry people now and if there are two people and one works hard and one does not, we distinguish between them
> **Michael Lockwood, chief executive, Harrow LBC**

heart, that probably isn't there.

"How do you create a driver that takes citizens' needs, changes them into commissioning priorities and reflects them back out?"

A "deep gap" existed between the best of private sector customer focus and that found in councils, he said. An even deeper one might exist between the capabilities of the voluntary and community sectors and councils' new expectations.

Mr Barradell said councils would have to tell voluntary organisations that they could be advocacy or delivery bodies, but not both. "You either advocate and give us a hard time, or you deliver something."

He advised against choosing only large third sector providers that appear to be low risk. "That would be utterly the wrong thing to do because the innovation is lacking there," he said.

"They have survived the set-up phase but the problem now is they cannot innovate. We must say to the voluntary sector 'we want you to deliver that outcome, how is up to you'."

PwC partner Ray Mills warned that if councils worked with community organisations and mutuals, "you do have to retain a function that helps you manage that risk or you end up with a situation where you have no control over delivery of services, and the outcome may be better for the short term, but can you manage those risk when things go wrong?"

Gaining that capability was one of the changes needed to the local government skill set, participants agreed.

Mr Walkley said human resources across the sector had been "downgraded and now finds itself in a space that is not helpful and there are real challenges to reinvigorate some bits of the organisation that have been allowed to lie fallow".

Changing working culture was about "dealing with blockages", Mr Lockwood said.

He estimated that 95% of staff worked hard and of the remainder, "we have been good at going round them or ignoring them, but now we cannot carry people now and if there are two people and one works hard and one does not, we distinguish between them".

Bridget Buttinger, Norwich City Council's deputy chief executive, was concerned the costs of trying to change a culture rapidly would worsen the cuts' effects.

"The time and investment needed for transformational and cultural change is huge and will end up cutting into services," she said.

"Some programmes we have started will take a year or 18 months to deliver; they are not short-term fixes so that is a real challenge for us."

PwC partner Chris Buttress

This round table discussion was sponsored by PwC. The topic was agreed by *LGC* and PwC. The report was commissioned and edited by *LGC*.

Above, Martin Reeves and John Barradell. From far left, PwC partners Ray Mills and Chris Buttress

> Things people have loved for a long time – and we have loved providing – will go. It needs brutal honesty, but these can be really exciting times.
> **Martin Reeves, chief executive, Coventry City Council**

said that one of the greater risks local government faced was "being unable to manage the extent of people change that will come in the next three to four years.

"Do you want a resource management provider to be working in partnership with you to manage the big risks, and do you want some frontline staff employed by other organisations? That would help you to manage flexibly, but it is going to be messy and altering relationships will take longer than would just getting some procurement savings."

Ms Buttinger said she found the challenges "really quite energising" but wondered "how do we keep the people we have got now? They have had quite a rough time."

Would political leaders buy into a future of fewer services and multiple providers, which could mean they faced a hard time from voters?

Mr Barradell said: "Clarity, bravery and closeness to place are critical and some decisions are potentially difficult for politicians if they have to stand up and defend things they have said 180 degrees opposite to three months ago."

Strong political and managerial leaderships would need to jointly develop a narrative, Mr Reeves said: "Politicians did not come into local government to close things and make people redundant, they came in to do something very special for their place, and if we can create a story with them I think we will come through this probably once-in-a-generation opportunity."

He added: "We could create a once and for all set of services that genuinely meets the needs of the community and is sustainable and collaboratively designed.

"That is not going to be easy and things people have loved for a long time – and we have loved providing – will go. It needs brutal honesty, but these can be really exciting times."

Citizens receiving services based on their priorities, delivered by a variety of bodies, overseen by officers picked for their focus on results rather than professional competencies, led by politicians who admit their councils must do less, and all on fewer resources?

If even part of this comes true, local government will soon look very different.

PETER SEARLE

FOREWORD
BY STEPHEN BIGGS,
South region managing director, Agilisys

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A crisis – but also an opportunity

Although tougher than expected, the comprehensive spending review shouldn't hold many surprises for local government. Nevertheless, despite many local authorities beginning to change the way they work in anticipation of a tougher climate, we have yet to see a wholesale embracing of radical solutions.

The importance of localism means the changes will never be uniform, but a number of themes are emerging.

Financial constraints will be worsened by the tough economic climate, with reduced revenues in areas such as planning, and additional pressures on services such as benefits and housing, as well as the increasing pressure of our ageing population. Decisions will be necessary about "what can we afford to keep and what can we stop?".

Therefore sophisticated "make or buy" decisions, underpinned by a clear understanding of outcomes and intelligent data, are crucial in moving to new commissioning models across multiple services and new delivery models.

This could mean retracting to statutory services and closing facilities such as libraries and children's centres.

But it could also mean the fuller exploitation of assets such as schools, which could become more multi-functional, perhaps offering services such as a library, leisure or adult education, and so making better use of expensive premises.

New delivery models, such as mutuals and joint ventures with private and third sector organisations, will be equally important to ensure sustainability and affordability. Such models in turn could also protect local jobs.

Maintaining services and meeting citizens' needs in this environment requires a paradigm shift to demand-led service delivery.

Online self-service and personal budgets also offer two transformational opportunities. More local government services generally could be delivered online, something that could utilise private sector experience.

The final, and perhaps most challenging, theme for local government will be the need to be bold and really embrace collaboration, even where this means merged services or shared management.

> **"This could mean retracting to statutory services and closing facilities such as libraries and children's centres. But it could also mean the fuller exploitation of assets such as schools, which could become more multi-functional**

Sharing services and assets has a long and sometimes sorry history across local government but change is now clearly afoot. One good example is the government's decision to run 16 pilots for "community budgets", comprising 28 councils and their partners.

Each area will have one budget to address the multiple needs of vulnerable families across agencies and councils.

For new ways of working to succeed and for savings to be achieved, new approaches to procurement, knowledge management, asset usage and technology will be vital.

And looking after employees through supportive people management practices will be equally important to ensure that staff are positively motivated in a rapidly changing world.

Some of the answers to building a sustainable solution to the challenges generated by the spending review already exist.

The challenge for local government, as always, will be its ability to pursue these answers in an open-minded, creative and disciplined manner.

Time t
with a

Local government executives are preparing to manage an unprecedented amount of change, writes **ALEX BLYTH**

Given the months of somewhat fatalistic anticipation, it's perhaps not surprising that few, if any, in local government expected the comprehensive spending review to be good news.

But, according to an *LGC* exclusive snapshot of senior local government executives carried out in the days following the chancellor's announcement, what is clear is that many in the sector were nevertheless surprised by just how bad the news was.

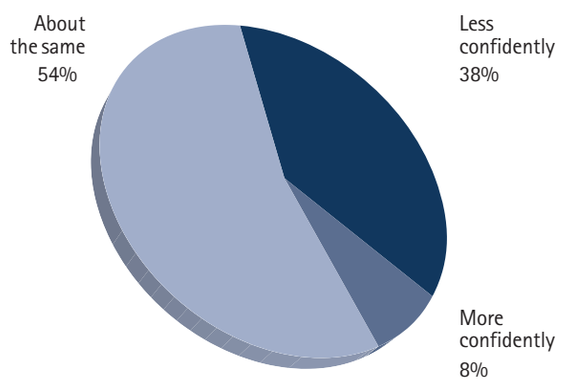
The poll, conducted by *LGC* and commissioned by IT services and outsourcing specialist Agilisys, found that nearly four out of ten senior executives – 38% – admitted the spending review had made them feel less confident about the future.

At one level, of course, this pessimism is understandable, given the scale and pace of the cuts local government will be wrestling with over the next four years.

But how do senior figures in local government expect that they and their authorities will be affected most, and

to come to terms difficult future

General attitude: now that we know the details of the spending review, how do you regard the challenge facing local government?



where do they feel the cuts will be felt the hardest?

Workforce

There was an overwhelming consensus among the poll's respondents that the workforce landscape will change radically over the next four years, especially the number of people local authorities will be able to afford to employ.

All respondents to our survey anticipated their workforces would be smaller by the end of this spending period – 2014. On average, respondents expected to have to reduce headcount by 20%.

Given that more than two million people are employed by the public sector, that could mean as many as 400,000 people will be made redundant over the next four years.

> Among the many opportunities to mitigate cuts, moving services online can achieve significant savings
> **Kay Andrews, chief executive, Agilisys**

Some have already begun the process. Just six days after the spending review, Conservative-controlled Norfolk CC unveiled plans to shed around one in three of its non-school staff over the next four years. The council said its 26,000 workforce would shrink by more than 3,000 by 2014.

This will be challenging, and local government managers will be entering new territory. Jayne Carrington, managing director of talent and career management consultancy Right Management, says: "While public sector organisations are skilled at managing change, there has not been much experience of large-scale redundancies.

"They will need to get to grips with career transition support and employee assistance programmes, and they'll need to provide strong and engaging leadership to steer their organisations through these difficult times."

Social care

The damage will not be restricted to local government workers. The services they provide will inevitably be affected.

While the chancellor pledged an extra £2bn a year for social care by 2014, our survey indicated that social care is one area that will nevertheless be damaged by the overall cuts.

In total, 42% expected they would have to increase charges and further restrict eligibility criteria for social care services to meet demand within their budgets.

Nearly a quarter (24%) expected they would only be able to help those residents assessed as having "critical" needs under the "fair access to care services criteria".

Government supporters have pointed to the removal of ring-fencing as a positive move for local government. Indeed, many in the sector are pleased to see that, while there might be less money available, they will have more control over how they spend it.

However, Anjuli Veall, social policy and campaigns manager at Parkinson's UK, believes this could further jeopardise social care provision. "There's the danger that, without ring-fencing, local authorities won't prioritise social care and could use the money elsewhere," she warns.

Housing

Funding for social housing is to be cut by more than 60%, with new tenants having to pay higher rents. The government hopes these changes will free funds to build 150,000 affordable homes over the next four years. But our respondents, were sceptical: 69% did not think it would be possible

AL GRANT

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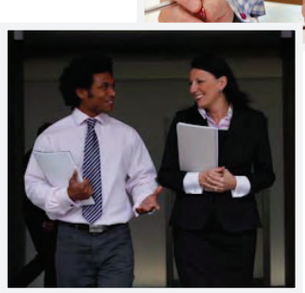

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to build that number in the timeframe.

This question attracted further, impassioned responses. One declared: "Government is too ideological on this one and the developers agree."

Another said: "It was hard enough before the cuts. Also the abolition of regional spatial strategies together with the localism agenda equals a charter for NIMBYs."

The government has said it will encourage house-building through a financial incentive for councils. Our respondents were divided in their reactions. Thirty-six percent said they would be keen to allow development in order to secure extra money.

However, 26% said local feeling against development would make it hard for them to benefit. The same percentage again believed they could gain, but only if they could point to specific benefits, such as new amenities.

Finance and efficiencies

Finally, interest rates for Public Works Loan Board borrowing have been increased by 1% with immediate effect.

Our poll respondents were split regarding the effect of this. A total of 34% said it would have little or no impact, 36% said it would have a significant impact and 28% did not know what impact it would have. This indicates that around a third of local authorities have one of these loans and they are worried about where they will find the money to pay this extra 1%.

As is apparent from our poll, for many working in local government the days since the spending review have been all about digesting bad news and feeling rather glum about it.

But Kay Andrews, Agilisys' chief executive, argues that, while it may look bleak now, the tough climate might in time bring something of a silver lining with it. The fact that councils will be forced to become more innovative in their solutions and their thinking could have longer-term knock-on benefits.

26%

said local feeling would make it hard for them to benefit from financial incentives for development

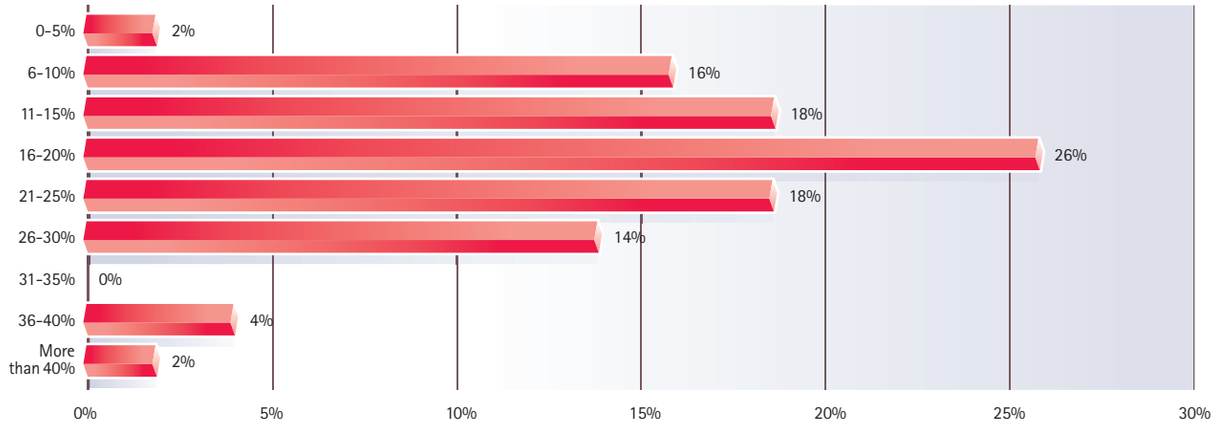
Take the oft-mentioned solution of "back-office efficiencies". Ms Andrews points out that simply moving services online could save local authorities an average of £2m each a year and have the potential to improve services.

"Among the many opportunities to mitigate cuts, moving services online can achieve significant savings, not just in the traditional high-volume transactions such as council tax and parking, but in relatively undeveloped and more costly services where bigger savings can be achieved, such as social care," she says.

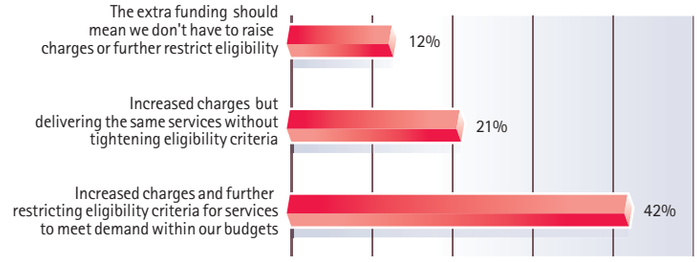
"This not only eases pressures on front-line service budgets and provides a much improved and responsive user experience, but can quickly enable seamless and joined-up delivery with partners, other public sector bodies and the third sector," she adds.

No one for a moment is suggesting that responding to the spending review's challenges is going to be easy or fun – our poll is clear on that. But, and it's a radical thought, perhaps the over-arching message for local authorities should be that while these cuts on the surface appear devastating, and are certainly significant, they might not all necessarily be bad news.

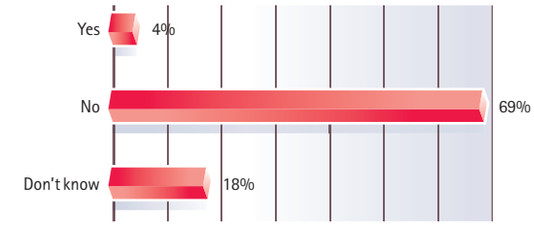
Workforce: how much smaller, in percentage terms, is your workforce likely to be by 2014?



Social care: what is the most likely outcome of the spending review for adult social care in your council?



Do you think it will be possible to build 150,000 affordable homes over the next four years despite a substantial fall in housing funding?



FOREWORD
BY ANNE GARDNER
UK local government lead, Accenture

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Map out your strategy in 100 days

Ever since President Roosevelt's "New Deal" of the 1930s, an American president's first 100 days in office have been considered, fairly or not, to be a bellwether of success or failure.

The spending review is arguably this government's "new deal" and local government faces its own "100-day" challenge: to construct an effective plan to deal with a transformed, tough landscape.

Before deciding on a change of strategy, the first thing we at Accenture recommend is to carry out a health check of your organisation. Our local authority assessment toolkit identifies the following core components of organisational health:

- Strategy, governance and communications
- Operating model (a view of your organisation that bridges the gap between strategic vision and operational execution by overlaying key information on to the organisational map)
- People and performance
- Business processes; and
- Systems, applications and data.

Councils can then begin to assess their readiness for change, in the process categorising themselves as "foundation", "mid-range" or "advanced".

A "foundation" organisation is one typically more driven by short-term operational needs rather than strategic goals. A "mid-range" organisation will tend to have a better strategic and operational balance. An "advanced" organisation, by comparison, has a very clear strategy and vision that is linked to day-to-day operations, with performance driven from the top down by a strong leadership and clarity of direction and, from the bottom up, by robust systems and sophisticated reporting capabilities. The operating model is a working document that facilitates decision making.

Once this health check is completed, the next step is to translate the findings into action. Setting out a 100-day map like the one below will, we believe, be helpful in focusing organisations on the steps they need to take.

	Days 1–10	Days 10–25	Days 25–50	Days 50–75	Days 75–100
Foundation	Plan projects and dedicate resources with project and change management skills. Create a power map of your key stakeholders and anticipate likely paths of resistance. Develop and communicate the five key points of a vision for the organisation in five years' time.	Focus on procurement to streamline your supplier catalogue and review spend by category to identify opportunities to save money. Review decision making process in order to optimise speed to decision and build in appropriate challenge.	Carry out a full systems audit and rationalise the number of applications used by the authority. Retiring legacy applications can save 20% of your ICT budget annually.	To control spend on agency staff, adopt a 'zero-base' approach to future spend (ie, each decision to take on agency staff must be argued).	Document existing operating model map on one page (top three tiers of organisation) and consider opportunities for optimisation, eg, duplicate back-office functions.
Mid-range	Assess existing strategy in light of CSR. Is your five-year vision still realistic? Document existing operating model map on one page (top three tiers of organisation) and consider opportunities for optimisation, eg, duplicate back-office functions. Develop a roadmap for change and submit through decision-making process.	To control spend on agency staff, adopt a 'zero-base' approach to future spend (ie, each decision to take on agency staff must be argued). Ask line managers in your organisation to review the distribution of work in their team. Move administrative and non-specialist work to align with skill sets and productivity.	Identify individuals with strong commercial skills in the organisation and drive down spend through negotiating existing contracts and using more sophisticated contracting mechanisms.	Look at your absence levels – absence can cost millions of pounds a year. Take simple measures (eg, enforced compliance of absence reporting process) to reduce the cost impact.	Identify your top 10 customer enquiry types and assess the ways in which you can influence customer behaviour to divert these high-volume enquiries to other channels (eg, web, IVR, etc).
Advanced	Check that your strategic goals are still viable. Speak to your allies: your relative maturity gives you the opportunity to cope with the cuts by inviting others to buy into your advanced capabilities. Ensure your leadership team is briefed and supported.	Use the commercial skills within your organisation: look into sophisticated modes of contracting (eg, pay on results), renegotiate your contracts and ask your suppliers what they are willing to give you for free.	Fundamental service review: what can you afford to deliver? Where cuts to the frontline offer must be made, how will you link your communications strategy to your political messages?	Develop final list of services for retirement/alternative delivery mechanisms and set sign-off processes in motion.	Develop plan for retiring services and communicating changes. If services are to be delivered by a third party, plan the transition.

A methodical approach will ensure changes are achievable despite the challenging timeframe, while working back from key funding cut dates will provide assurance plans are realistic.

Similarly, reviewing the leadership team will help anticipate likely blocks to progress. Remember, it is as important to examine your own role as it is to assess the influence of others.

Great courage and leadership are going to be needed and for many leaders the hardest task of all: asking others for help. Now is the time to work together to turn adversity into advantage.

It's going to be tough

There are difficult choices ahead as the sector comes to terms with the scale of the challenge, says **ROBERT BULLARD**

SHUTTERSTOCK

Let's try to be optimistic – at least local authorities now know the scale of the cuts they face. The key challenges in the wake of the comprehensive spending review are, of course, how local authorities should go about implementing these cuts and what the consequences for services and communities will be.

Longer term, too, what will this new climate mean for how communities and councils work together and relate to each other?

"What worries us is that there will be an urge to make immediate, short-term savings in the areas where it is least problematic, rather than thinking about what shape the service should have in three years' time," warns David Pardey, head of policy and research at the Institute of Leadership & Management.

He is not the only one feeling worried. "The scale of the task should not just be regarded as implementing 7% cuts each year," agrees Andy Sawford, chief executive of the Local Government Information Unit.

"Councils need to think, in four years' time when demand has increased and costs have risen and they only have three-quarters of their budget, how they get there. And I don't think it will be through 'a nip and tuck' process: it requires a pretty fundamental look at how they do things."

> What worries us is there will be an urge to make immediate, short-term savings
> **David Pardey, head of policy and research, Institute of Leadership & Management**

What's needed, suggests Simon Parker, director of the New Local Government Network (NLGN), is a more radical redesign of services, which can then serve as examples to be followed.

With no major services having been successfully transformed, he says, we need to scale up some of the smaller initiatives coming forward. By way of example he cites two initiatives in social care: Southwark Circle, in which neighbours sign up to help one another, and Swindon's family intervention project, which helps families with multiple needs.

The "hidden wealth" in neighbourhoods provides lots of untapped potential, says Mr Parker. Voluntary activity and community spirit (he says the latter term has greater resonance than the government's Big Society) is found in poor communities as well as wealthy ones, according to forthcoming NLGN research.

And this, he believes, will open new doors for councils. Stronger social networks can lead to less crime and better education – as well as people feeling happier. In turn, getting people to be more active reduces the demand on council services, as well as presenting new opportunities for delivering them.

"There is definitely scope to go further – it's interesting and exciting," says Mr Parker. "It won't be easy – people don't want to collect their own bins and run their libraries yet – but over time there is clearly scope to strengthen the resilience of communities so they take on more of a burden themselves.

"It's a generational challenge, but if we can get there it will be an important part of revitalising our overall public settlement. I hope

we start to see change during the review period. Local government is the ring-leader for the process of changing public services – I hope and expect it to lead the way."

Not everyone, however, is convinced of communities' potential to take part in service delivery. "Some people want to be involved more and some don't, but many will not want to run services – that's what they pay their taxes for," says Ann John (Lab), leader of Brent LBC. "You can't just ship things out to the community," she says.

For her, there are things her council is obliged to provide, such as social services, and things she believes they cannot stop doing, such as parks.

She says: "We have to think about what we are going to stop doing – that's the next big set of decisions."

Libraries, leisure centres, community facilities and funding for the arts are regarded as the most vulnerable. And Cllr John admits some of Brent's libraries are going to have to go. "Given the cost of book borrowing, one might as well just give out book tokens," she says.

But the decisions as to which services survive might not be as simple as the division between statutory and discretionary services, cautions Mr Sawford. For him, now that the government has stripped away performance targets and ring-fencing, statutory services are probably fewer than people think.

Meanwhile, some discretionary services have become important – even essential – for their areas.

Take district councils, he explains. They might think emptying bins and cleaning streets are their core roles, but their town centre and community safety activities – which they might think can more easily be squeezed – are also their community leadership role, as well as being where more politics is invested. "These are big, tough decisions for councils, and they may go in different directions," says Mr Sawford.

"The pressure on district councils is going to be huge," admits Mary Orton, chief executive of Waverley BC.

As relatively small units, and with the government showing no appetite for reorganisation, they could be a fertile ground for sharing staff, services and offices.

However, it's something Ms Orton is nervous about. "Sharing of services is understandable, but I would worry about separating accountability too much from service delivery, which would question the reason for people's involvement and voting," she says.

In her view, a lot of the axe will fall on "the oil in the wheels" that are needed to enable the Big Society to happen – exactly the good-news services that make people feel happy about where they live.

Ms Orton's particular concern is for councils that are not prepared for the spending review cuts, or whose finances are not already tightly controlled, might not have the time to do proper transformational change.

And when change is overly quick and panicky – which she sees in some central government decisions – redundancy numbers are plucked out of the air and services are closed, despite the time and money poured in to develop them.

Social care is undoubtedly another area where we can expect fundamental change. "Demand is increasing and resources are diminishing – there is already a crisis in the making," worries Steve Reed (Lab), the leader of Lambeth LBC. However, he anticipates that personal budgets could offer a way forward and be a catalyst for change.

Cllr Reed anticipates the development of micro-mutuals and of personal budget holders both leading to a more appropriate and cost-effective service.

He has a similar vision for the council's youth services, where community-led commissioning could provide better responses to communities' specific needs.

It's all part of Lambeth's co-operative model, which involves the sharing of power with the community, and putting them and users at the

> Some people want to be involved more and some don't, but many will not want to run services – that's what they pay their taxes for
> **Ann John (Lab), leader, Brent LBC**

heart of shaping services.

To cope with these sorts of experiments, says Mr Sawford, the government is going to have to be more supportive of innovation and tolerant of the failure that goes with it.

Managing risk will be hard, he says. Some areas, such as child safety, might be protected forever, but in others more risks might have to be taken – with possible social failure.

But innovation might be in short supply. A recent survey of public sector first-line and middle managers (not only in local government) conducted by the Institute of Leadership & Management found many felt innovation and leadership were lacking among senior managers.

"There is a strong desire to be radical," says Mr Pardey. "But too often they feel held back by their organisation's approach – you do what has already been done and work to the lowest common denominator."

"Be bold", is his message to councils. "Councils must recognise talents [among staff], and give these people the opportunity to move the organisation forward radically, rather than reverting to a more defensive and bureaucratic response," he adds.

Communicating the likely service changes is also going to be a big challenge, and councillors must step forward, advises Mr Sawford.

Mr Parker agrees, saying: "People tend to like the services of councils, but they can be suspicious of the corporate centre and all the people in suits. They're not sure what is really happening, and believe councils might be able to get by making efficiencies."

His concluding advice to councils is to get on the front foot, and to convey a sense of trust with the public, that "we are all in this together".

He says: "If all councils do in four years' time is withdraw to core statutory services and run down the quality of what they deliver, the public will not take it kindly. But if people see a council doing its best and engaging them, that will be quite positive.

"There is a need for councils to rebuild a stronger and more mature relationship with the communities they serve."

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SPENDING REVIEW: THE MAJOR CHANGES OVER THE NEXT FOUR YEARS

INCREASED FUNDING
Regional growth fund (now £1.4bn over three years); Supporting People programme (+£6bn); social care (+£2bn); funding to enable freezing of council taxes in 2011–12; and £1bn through NHS budget to encourage joint working with councils.

DECREASED FUNDING
Council spending (–26%, or –14% after council tax rises); capital funding (–45%); council tax benefit (–10%); and self-financed capital expenditure (–17% prediction, as a result of increased interest rate for Public Works Loan Board loans).

OTHER REFORMS
Council housing finance system, removal of ring-fencing on nearly all revenue grants, and introduction of 16 community budgets for families with complex needs from 2011–12.

FOREWORD SUPPLIED BY

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FOREWORD
BY KEVIN JAQUISS,
Partner at Cobbetts LLP

A mutual role in the Big Society

We all know that since the election the coalition government has been talking a great deal about mutual and employee-led organisations. For local authorities, wrestling with responding to the challenges posed by the comprehensive spending review, the establishment of new employee- and community-led enterprises could, in time, transform local government and the delivery of services.

Employee-owned mutual structures have already been proposed at a number of fee-charging public bodies, such as the Driver and Vehicle Licensing Agency and Companies House. Careful work is also being done to make a mutual structure a viable option for the Post Office when it is separated from Royal Mail Group. Earlier this year, too, paymaster general Francis Maude launched the first wave of "pathfinder" mutuals, so allowing public sector workers to take control of services. More are planned.

> **If new kinds of enterprise do not enter the market for services then councils will have very limited choices when they commission services in the future**

For many people working in local government, this agenda can be hard to get to grips with. If you are a head of service, for example, it can be very difficult to know how to proceed. From my own conversations, one of the key worries is the potential political and professional risks involved in saying you want to take over and run a service, not to mention the obvious business risks.

For me, the piece of the jigsaw missing in all the discussions about the new, transformed world has been an articulation of exactly what role these new employee- or community-led organisations might play in the context of a council as a commissioner of services. There are benefits, but they will only be gained if councils identify and plan for them.

First, and most obviously, employee- or community-led organisations have to be capable of delivering better services. Employee-led enterprises can work well – they can motivate people to be successful and can free them to make better decisions.

Giving the users of a service ownership of the enterprise that delivers it potentially enables them to shape it, improve it and encourage it to be used more responsibly. But the only sensible reason to adopt mutuality as a new structure for the delivery of services is that it will improve it.

Second, it is also clear that if new kinds of enterprise do not enter the market for services then councils will have very limited choices when they commission services in the future. The existing profit-driven providers will expand their activities beyond the areas in which they are operating successfully at present, making decisions about what works best for them. A commissioning council could find itself being forced to choose from a shortening list of the usual suspects for everything it does.

Third, commissioning is likely over time to become an increasingly strategic activity in which a council decides the priorities for its community, leaving providers to work out how best to structure the services and then to deliver what is needed. If providers come to decide which services are needed and even to commission some of them, it is likely to be important that they have some sort of community grounding.

The barriers to establishing new employee- and community-led enterprises are lower than people imagine. Hundreds of successful new enterprises have already been established, in some cases (for example, NHS foundation trusts, co-operative schools and supporters trusts) using a mutual template and by sharing experience and best practice.

Similar initiatives are possible in other areas, and could have a transformational impact on the way local government services are delivered. Ultimately, councils need to recognise there are potential benefits to secure – but they also need to be setting and leading the agenda and making this form of transformation work for them.

Privat

Carefully outsourced services have the potential to plug the funding gap, writes **GORDON CARSON**

All the fierce debate over the relative merits of the public and private sectors in the wake of the comprehensive spending review has tended to obscure the fact that, particularly within local government, both have co-existed quite happily for some time now.

This is a process that has gathered pace from the 1990s onwards, with increased outsourcing to large private companies such as Capita, and the provision of private funding for public institutions through the private finance initiative.

Nevertheless, the cuts imposed in the spending review might yet lead to a reappraisal of the public-private relationship within local government.

That is certainly the opinion of Ben Rowland, market lead for local government at Tribal Group, which offers consulting services across a number of sectors, including local government.

"The private sector is going to play an increasing role [in local government]," he says, "but not in a 'big block' way, so there are not going to be big blocks of services systematically outsourced in the way they have been in the past.

"In the 1980s there was outsourcing of blue-collar services, such as waste management, and in the

te sector possibilities

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1990s and the past decade it has been business process outsourcing.

"Now we see a wave of front-office, white-collar outsourcing, such as social workers, trading standards and planning, and in different models, such as joint ventures. For the next two to three years there will be very local variations, and no blueprint like there is for traditional outsourcing of services," he adds.

Iain Hasdell, a partner and UK head of local and regional government at KPMG, believes the spending review measures will "severely challenge the financial viability of some councils". As he explains: "In order to survive, councils will need to be ruthless in urgently deciding on frontline service priorities and ending the delivery of lower priority services."

But Mr Hasdell also predicts that the need to cut costs will not lead to another round of large-scale outsourcing. Instead, there will be more "subtlety" about the role of the private sector and its use by local government.

"The private sector will be used as much as a discipline of testing what 'good' looks like, rather than in a whole new raft of outsourcing," he says. "Lots of local authorities will look at the efficiency gaps between in-house services and how the market does it. But that won't necessarily lead them to outsourcing, and in many cases they will reform in-house provision.

> "Lots of local authorities will look at the efficiency gaps between in-house services and how the market does it
> **Iain Hasdell, head of local and regional government, KPMG**

"This will be across the board but it will be a particularly strong theme in two areas: blue-collar services, so street cleaning and environmental services; and adult social care, where the private sector market is very mature but lots of councils still have large parts of the service in-house.

"The only way through for individual local authorities is to work out in their own circumstances the real unit costs of what they do, compare those with the best in the market – and that can be the third, private or public sectors – then either match the best in class or source it from the best part of the market. It needs to be an individually tailored choice," Mr Hasdell says.

Research conducted by Mr Hasdell in the UK and elsewhere in Europe suggests there is a "reasonably mature market" for 80% of local government services, from refuse collection through to domiciliary care. "That would imply it's worth constantly market-testing the 80% that's contestable," he says.

To secure the most advantageous terms from

suppliers, local government might also benefit from importing some private sector negotiating and contract management skills, argues Mr Hasdell. "If you're going to source a service differently, whether from the third sector, in-house reform or buy it in, you need people who can negotiate deals and local government still lacks that.

"On average, local authorities in England procure third-party goods and services in a way that's 9% more expensive than in any other part of the economy. That's a 9% levy that's eminently removable."

Chris Buttress, local government partner at PwC, believes that, given the scale of the challenge presented by the spending review, local authorities could regard outsourcing more services as "one of the logical solutions given the size of the cuts. Some might just want to get some of the transformation and efficiency agenda off their table and on to someone else's."

However, the role of the private sector might also extend to sections of local government largely off-limits in the past. "All previous bets are off," Mr Buttress says.

"Traditionally a range of the strategic functions seen to be core to any local authority, such as strategic finance support and the highest-level strategic policy, have remained steadfastly in-house. But I fully expect to see the shape of private sector services provided to the public sector to change."

> "Our role has been to help [social work practice] managers to prepare for an independent and more commercial future
> **Rob Garner, managing director, government business, Tribal Group**

This could also include the private sector finding another way to utilise the skills of those local government workers who are made redundant as their employers seek to reduce costs.

The Local Government Association estimates that around 100,000, or one in 10 of the total workforce, will face this fate, while Mr Buttress suspects the figure could be higher.

"There is a range of experienced manpower planning providers that manage large numbers of people through their books and there are opportunities to manage change and retrain and redeploy people," says Mr Buttress.

He adds that these providers could place these people with individual local authorities on short-term contracts. This in turn might enable local government to soften the blow of redundancy among staff, as well as deal with the challenges of creating a workforce fit for the future (see workforce chapter, p24).

With the move to personalisation in some services, particularly adult

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CASE STUDY: SUFFOLK CC'S "CONSUMERIST" REFORMS

"The market" means very different things to different people. For some it was a byword during the recession for private sector short-termism and avarice; for others, it remains the most efficient way to deliver a range of products and services.

For Suffolk CC, it might be the best model to deliver the wholesale change required to decentralise its operations and make it an "enabler", rather than a provider of services. Chief executive Andrea Hill talks of the authority taking on a "market-making" role, and says it will "need to act as a consumer advocate making sure there's lots of different provision".

However, while council staff might have to adopt a mindset more commonly associated with the for-profit sector than local government, she doesn't expect a wholesale shift to a private sector ethos and delivery.

"It won't quite be organisations competing against each other because we count that very much as a private sector model and we want to have a mixed economy," emphasises Ms Hill.

"In that mixed economy we need to identify where we need new provision. That could be any form of organisation – charitable, social enterprises, new private sector or existing businesses that see there are new opportunities," she adds.

Ms Hill says there could still be a "quite sizeable" strategic core of Suffolk staff identifying and directing provision to meet need, and says the council has not set a target number of staff it will employ following the restructure, which aims to tackle a £100m funding gap over the next four years.

All services will be reviewed, but this does not mean all will be divested, she adds. "We're not working away in secret within the organisation to come up with a complete blueprint we will then publish. We are saying these are the principles but we want to have conversations with people in Suffolk and then develop services, rather than design them ourselves and impose them," she explains.

Ms Hill says the skills employed by Suffolk staff will become "more consumerist and commercial as opposed to how public services have been – quite paternalistic".

Some in the public sector might baulk at using this type of language to describe local government, but Suffolk is likely to be followed by other authorities looking to take a new approach in response to the coalition's cuts on local government budgets.

social care, local authorities might need to adopt a more commercial and customer-focused approach to designing services, even if the private sector itself is not directly involved in delivering them and its role focuses more on advice and skills development.

In Tribal's case, this has already taken the form of a transfer of commercial know-how to five social work practice pilots in England. These have involved social workers setting up and running their own employee-led social enterprises – outside public sector employment – providing services for children.

Rob Garner, managing director of Tribal's government business, says: "Our role has been to help the public sector managers of those services to prepare for an independent and more commercial future.

"We have brought a set of business skills – business planning, governance, etc – to marry with their subject matter expertise in the creation of successful, small organisations."

Although the spending review cuts have prompted warnings of a knock-on effect on private sector suppliers to public bodies, the opportunities presented by local government reforms might also attract companies suffering from weaknesses in the general economy, forecasts PwC's Mr Buttress.

If this is the case, the private sector may play an increasing role in advising local government – even if the days of large-scale outsourcing may largely be in the past.

FOREWORD
BY PAUL BRADBURY,
Business development director, Civica

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Someone to share the load with

The comprehensive spending review contained few surprises in its headlines but, as ever, the devil is in the detail. The settlement has been talked up as liberating local government but is front-loaded, asking for much more from much less. And its severity – large grant cut, deep reductions in housing capital budgets and a wider social care role to come – is expected to force local government and its partners to make the most radical changes to their service provision in decades.

Administrative costs are under the most severe scrutiny. Ministers have ramped up the pressure for some time, declaring war on duplications and siloed working. The review itself seemed to settle on a rule of thumb for administrative savings of one-third across the board. Yet despite the steady streamlining of business processes, chiefs know there is still further scope to standardise operations at departmental and, particularly, corporate level.

> **Local government needs to look at an emerging breed of private sector partner that provides more flexible risk and reward models**

Shared services is a clear example of better use of management capacity and resources. Mid-size authorities are natural service hubs for multiple-partner collaborations. Councils that are taking the lead and driving standardisation are already achieving positive local results as well as bottom-line savings.

Particular opportunities present themselves in areas considered difficult, such as fraud, system waste and verification of entitlements. Local authorities are starting to collaborate imaginatively with private specialists to assess claimant data more effectively and make smarter interventions in benefit fraud or system error. This approach greatly reduces time and departmental resources expended.

Similarly, although councils have taken on wider regulatory functions in recent decades, there are still opportunities for innovation. They could outsource these services, driving incremental efficiencies across parking enforcement, planning and environmental health. They could merge functions to gain geographical leverage, enhancing local service quality as well as savings. Larger authorities have investigated integrating front and back-end systems not only to "virtualise" their customer contact services but also to open the way to merge mobile workforces.

Opinion is divided on whether councils can realistically manage the assessment models required locally for the government's cherished vision of a universal benefit. But the principle of intelligent intervention could still be extended to areas such as UK revenues collection rates. These easily bear comparison with other countries yet still lag behind accepted private sector levels. Incremental savings could build to a bigger whole.

However, structural barriers to change remain. Despite the removal of ringfencing from funding, local government is still locked into inflexible OJEU (Official Journal of the European Union) procedures and needs more efficient and cost-effective procurement. Worse, there are inadequate frameworks for specification and procurement of areas such as business process outsourcing. If authorities are being forced to rethink operating models, shouldn't they be supported with government commitment to change the rules?

Local government and its partners are on the horns of a funding dilemma. They face years of budget constraints yet need to act now to put in place a response to financial pressures. They need to look at an emerging breed of private sector partner that has moved beyond first-generation outsourcing to provide more flexible and outcomes-focused risk and reward models. An existing supplier, or a new one, has greater scope to engineer up-front investments councils desperately need. Capital can be converted into savings.

The local authority that builds a robust tactical savings plan, with imaginative private sector input that redefines risk and reward, will deliver vital savings. It could also show the way to lasting transformations and successful outcomes, despite an age of austerity.

Salami slicing won't be enough – service delivery will have to be transformed, says **MARK SMULIAN**

Easing

For most people, how well local government does in its response to the comprehensive spending review will be how well, if you like, local authorities move it from "headline" to frontline.

In other words, while the figures in the chancellor's announcement were no doubt alarming, they will only become "reality" once they are translated into the ground-level effect on local services.

It will be the closed library, potholed road, inadequately tended elderly person or long housing waiting list that gets

g the pain of cuts

noticed, and which in the public's eyes will determine how successful they think their local authority has been.

While for most local authority managers the size and scale of the cuts outlined were much as expected (or feared), the front-loading – falling heaviest in the early part of the spending review period – was not.

Across the country preparations for the spending review have ranged through radical plans for service transformation, increased sharing of services, and partnering with community and voluntary groups.

Some councils might be "salami slicing" but, if so, they are not boasting about it and the consensus is that this approach will only briefly delay problems.

Matthew Taylor, chief executive of the RSA thinktank and a former Downing Street adviser under the Blair government, thinks councils must first get their houses in order, then engage with citizens to agree a strategy within which cuts will be made.

He says: "Local authorities need to have driven out all inefficiencies – which they might think they have already done – but there are always more to find and there will be zero tolerance by the public of inefficiencies once frontline services start to be cut."

> "Local authorities need to have driven out all inefficiencies – which they might think they have done – but there are always more to find
> **Matthew Taylor, chief executive, RSA**

Despite the spread of shared services, Mr Taylor says this has gone too slowly because "there will not be much public tolerance of local authorities that are bureaucratic or territorial about back-office services".

After that will need to come the "conversation with the public to think through changes and decide how services should be delivered".

The final stage will be for councils to retain "a sense of place, so that cuts are made but within a strategy for a place, and they do not just cut blindly", he adds.

One widely touted solution is for councils to hand some services to the community sector, but do groups willing and competent to run these necessarily exist?

Mr Taylor says: "It varies from place to place. I'm on the Lambeth Co-operative Council Commission and in Lambeth you have leaders keen to make change happen and lots of groups in the community ready to take that on, but in the middle a local authority that is rather risk-averse and bureaucratic.

"In a place like that it is no problem, though elsewhere community groups might need help to organise."

Colin Talbot, professor of public policy at Manchester Business

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School, fears the need to make deep cuts from next April will see councils reach first for their salami-slicing implements and "chop spending on anything that's not mandatory".

He says: "Councils will not know the exact funding they get until March and there will then have to be some rapid decisions.

"Transformational change takes three to five years to do properly, and you always have a performance dip while it is happening as things change, so I think it will therefore depend a bit on people's electoral cycles."

Prof Talbot, for one, is sceptical about the capacity of the voluntary and community sectors to take on service delivery. "They might be able to provide some service but they're not just a tap you can turn on," he says.

> The Big Society is not just sitting out there, and if it is , you still have to find a way to operationalise it
>
> **Colin Talbot, professor of public policy, Manchester Business School**

"The government can't do much about it either – whether you have organised community groups capable of doing this is largely an accident of history.

"The Big Society is not just sitting out there, and if it is, you still have to find a way to operationalise it," Prof Talbot adds.

Ultimately, each council must find its own way to grapple with service delivery in this new climate: here are examples of what some of them are doing.

Wealden DC

This rural district in East Sussex has decided to put each service into one of three categories: those destined for business process review, for outsourcing or for shared services, says chief executive Charles Lant.

"Most services have been through business process review, where we have made some huge savings, many in procurement, and removed duplication," he says.

"The key has been to have staff involved so we do not have organisational sabotage, by which I mean that when there is any transformation those who may lose out may have a motive to impede it, while it is less obvious who the gainers will be."

Wealden outsourced repairs to its 3,000 homes, taking advantage of lower prices in the construction industry, but kept grounds maintenance in-house after a competitive tender.

From 2013 the council will work with its four neighbours and East Sussex CC on refuse collection and plans a strategic alliance for shared services with an as-yet-unnamed neighbour.

Some cuts, too, have been simple. A "community conveniences" scheme, under which shopkeepers make toilets available to the public, has saved most of the £100,000 this cost Wealden.

Others are more complex. "We still have to maintain services, as we have not had a single statutory duty removed, and there are some things we do that if we don't do them right, people can die," Mr Lant says.

Wealden expects to lose some 90 of its 540 posts by 2014-15. "Keeping key staff on board is essential," says Mr Lant. "We have put £30,000-£40,000 into staff training and managing change, and people raise eyebrows at that but it's vital. You cannot do enough on communication."

> Wealden outsourced repairs to its 3,000 homes, taking advantage of lower prices in the construction industry, but kept grounds maintenance in-house

Oldham MBC

Few cuts are more controversial than those in adult social care, yet that is what Oldham has been forced to do, says its leader Howard Sykes (Lib Dem).

"We are going to have to stop doing a number of things and one of them is adult social care," he says.

"It will go out to the private and voluntary sectors because that is cheaper. We have got to make £25m cuts and we spend £10m on adult social care.

"Our total budget is £600m but the controllable budget is only £100m, by which I mean the part we can change – for example, you are not allowed to touch schools."

Oldham and neighbouring Rochdale MBC now have a joint contact centre and Cllr Sykes expects various combinations of councils across Greater Manchester will increasingly share services as "it is not efficient for us all to do 10 of everything".

And a report to the Association of Greater Manchester Authorities (whose members must save £578m over three years) in September identified 11 areas for collaboration "where there is greatest opportunity and benefit for collaboration … particularly in the high spending areas such as adults and children".

West Dunbartonshire Council

West Dunbartonshire must make cuts, but fears a boomerang effect from taking the obvious path of redundancies.

Leader Ronnie McColl (SNP) explains: "This is an area with high deprivation and poverty and if you start cutting social services in a place like this the problems don't go away.

"We are also by some distance the largest local employer, and so if we had a lot for redundancies it would be counterproductive, as it would increase demand for our welfare services."

Action on savings has included remodelling housing support on a case-by-case basis, so that it matches users' needs, "which is labour intensive to start with but will save £4m in a full year".

Advice services, which were provided from several different budgets by varied organisations, will also be consolidated.

West Dunbartonshire will rely for the big savings on shared services, where it is working with seven neighbours in the Clyde Valley Community Planning Partnership, initially on social services and back-office functions.

Kent CC

The county's "Bold Steps for Kent" programme is based around helping the economy to grow, empowering citizens to "take responsibility for their own community and service needs", and tackling disadvantage by "being a county of opportunity and aspiration rather than dependency".

These somewhat controversial aims will be built on "hard and difficult choices where not every issue will be a priority, not every concern can be funded".

Kent must find £330m of savings over the next four years. Leader Paul Carter (Con) found no surprises in the spending review cuts and even "a glimmer of hope in some of the infrastructure and road schemes, which are not quite as bad as they might have been.

"We will batten down the hatches. The council will shrink a bit and some things we will make ourselves, and sell them to other local authorities if we can, and others we will stop, or buy in," he says.

He adds: "It will not be like Suffolk, where they intend to just be a commissioning body."

This approach is based on seeing opportunities amid the financial carnage. The Bold Steps document notes, for example: "We can either 'salami slice' every service, spreading the pain equally. Or we can think big, seize this opportunity to redesign our services and fundamentally rethink what we do, how we do it and who we do it with, so that in four years' time Kent emerges a stronger, more dynamic and self-confident county."

FOREWORD

BY ANNE GIBSON

Head of human resources and organisational development at Norfolk CC and vice-president of the Public Sector People Managers' Association

We have to look beyond 2015

It will only be natural in the weeks and months following the comprehensive spending review if people are drawn into the immediate and short term. The focus will be on how we reduce headcount, how we downsize or help organisations to deal with a scale of cuts not experienced in more than two decades, how we re-engineer processes, transfer out services and support and keep people engaged and productive as well as oversee redundancies.

But if that is all human resources professionals and local authority managers focus on, I think we will be missing an important opportunity.

> If we only think about how we are going to downsize now without thinking about what sort of organisation we are going to be post-2015, we will be doing ourselves a disservice

This is because, as well as challenges, the review is an opportunity to rethink what local authorities and the wider public services are going to be like: what sort of organisations they are going to be, and become, in the long term.

We need to recognise that things will probably never be the same again. Yes, people might feel gloomy and scared but we need to accept this is the reality and, within it, create the best organisations that we can.

It is clear the spending review is not just about changing the financial scenario, it is changing from significant state and public sector provision to a much smaller state and a Big Society, and this will require public sector organisations to think in different ways.

So, as well as managing the short term, it is important to think about what shape organisations will be in the future.

What, for example, will be the relationship between the private and public sector, how will the third sector fit within this, how will the workforce of the future be managed, how will we be commissioning services and what sorts of skills, training, development and type of experience will we need from our workers?

New and different thinking will be needed on issues such as the development of social enterprise approaches and worker co-operatives, and human resources will need to facilitate those with an entrepreneurial spirit.

There will be a central role for HR in helping organisations to think about these issues, not just to get caught in short-term headlights. There are, of course, still a lot of unknowns and this is only the start of a long process – there are big changes to come, for example, around the government's plans for pensions.

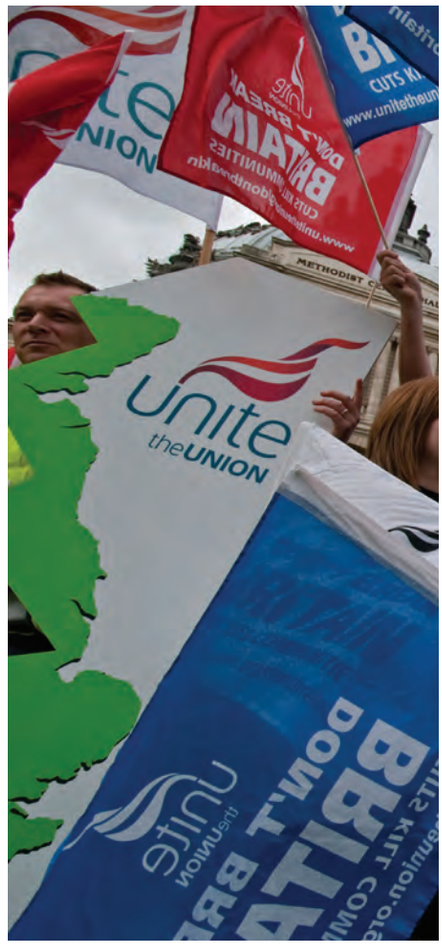
But it has to be remembered that for all the headlines, the spending review is only a five-year framework. If we only think about how we are going to downsize now without thinking about what sort of organisation we are going to be, or will want to be, post-2015 we will be doing ourselves, and our workforces and the communities we serve, a disservice.

We need to be looking at what roles and structures we will have across the public sector, what the long-term demographic predictions will be and what sorts of services people will be needing.

We will need to be designing models, structures and ways of working that are flexible enough to cope with the challenges ahead. Examples of organisations working in partnership and collaborating on sharing services and functions are likely to increase, and will further change the public sector landscape.

In the short term we all know there is a challenging job of work ahead for HR. But in many respects the longer-term work, planning and strategic thinking that needs to be done will be just as important – and with that comes a need to think about what HR will need to do to equip itself for this challenge.

Ultimately, we will need to be looking at how we can make our organisations fit for purpose, not just between now and 2015, but for the future that will be beyond that.



Employers can use a number of strategies to soften the impact of scaling down their workforces, writes **GORDON CARSON**

Local government has come a long way in addressing workforce challenges in the past decade.

The proportion of councils with recruitment or retention difficulties dropped from 93% in 2004 to 52% in 2009, according to the Local Government Workforce Strategy (see p27), while two-thirds have identified their most critical cross-council workforce issues.

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Hard reforms to carry out

However, the comprehensive spending review's 26% cut in central government funding to councils over the next four years will create new challenges. The scale and scope of reforms being planned by the sector are likely to have major implications for employers and staff alike.

The Office for Budget Responsibility has predicted there will be 500,000 job cuts across the public sector, and the Local Government Association expects at least 100,000 of these to come from local government.

The government has attempted to soften the financial impact of workforce reorganisation with £200m of funding to support reforms, but not everyone is convinced local government employers have the expertise and experience to handle this sensitive situation.

Heather Wakefield, head of local government at Unison, says the union estimates that local government has laid off 25,000 workers so far but that consultation with staff has been lacking.

If they have not done so already, local authorities should now start to talk to employees about the challenges ahead and seek innovative ways to manage budget cuts without making large-scale redundancies, according to Chris Buttress, local government partner at PwC.

He says they should follow the example of many companies in the private sector at the beginning of the recession, where employers and staff agreed to pay freezes and cuts, or reductions in working hours, rather than face the prospect of redundancies.

Once local government employers have addressed this challenge, though, longer-term reforms to the way they deliver services may require a transformation in the skills of their staff, from senior managers to those on the frontline.

For example, the proposals by Hammersmith & Fulham LBC, Kensington & Chelsea RBC and Westminster City Council to merge services will lead to a greater need for contract management and commissioning skills, says Hammersmith & Fulham's leader Stephen Greenhalgh (Con).

This is already an area of concern nationally: almost a quarter of councils report "significant skills gaps in strategic commissioning for key specialists", according to the Local Government Workforce Strategy, while a fifth say they have similar problems in change management for senior and middle managers.

In another notable restructure, Suffolk CC's plans to become an enabler

Spending review: workforce

rather than provider of services could lead to the majority of the council's operations being managed by external agencies. While the scale of the shift could be ground-breaking (although no firm decisions have been made at this stage), Suffolk's chief executive Andrea Hill does not think this would have major implications for workforce management.

She points out that providers of services that have already been outsourced are responsible for managing their staff and this would not change.

With reductions to the local government workforce likely, whether through natural attrition, early retirement or forced redundancy, the productivity of remaining staff will be increasingly important.

Andreas Ghosh, lead on workforce strategy at the Public Sector People Managers' Association, says: "What this means is people being much clearer about the expectations of what they are supposed to be delivering and more focus on the consumer."

In addition, the move to greater multi-agency working in many services means staff will need a better understanding of the work of those in other sectors, while personalisation in adult social care, for example, will lead to a rethinking of professional roles.

Although he feels the main driver for people seeking to work in local government will continue to be the type and ethos of the work they perform and a "connection with outcomes", Mr Ghosh thinks managers will need to be "more entrepreneurial and agile, moving across different agencies".

He adds: "Core managers will need to understand people's needs and the impact their services will have on them but will need to find different ways to deliver them. A little bit of enterprise won't do any harm."

Most important, perhaps, will be the quality of senior management, particularly those charged with presenting the need for change and driving through reforms in the wake of the spending review.

There could be a danger that some of those nearing retirement opt to leave rather than undertake major reforms, in which case Ghosh says it will be crucial to ensure a transfer of knowledge takes place.

Mary Orton, secretary of the Association of Local Authority Chief Executives and chief executive of Waverley BC in Surrey, says there is "always a risk of brain drain but I've not seen any evidence of people wanting to run away from difficult issues".

However, she thinks some employees in their early sixties are likely to retire before a possible increase in contributions to pensions is introduced, as suggested in the interim report from the independent Public Services Pension Commission chaired by Lord Hutton.

PwC's Mr Buttress believes there are enough talented managers ready to meet the challenge of leading reform if older senior managers opt to retire. "I think we'll see the next generation of chief executives coming through who have energy, enthusiasm and, more importantly, a stake in local government," he says.

Ben Rowland, market leader for Tribal Group's local government business, agrees: "There's a tier of people in local government who, as and when those above them retire, will be really up for this," he says.

"There's a group of people in their late thirties and early forties who are quite energised by the challenge ahead, and have been frustrated by their inability to change things.

"Their steep learning curve will be in relation to working with local politicians who are newly empowered through the coalition's decentralisation agenda," he adds.

Cuts to the local government workforce could, however, restrict the opportunities available for the leaders of the future to "learn the tricks of the trade" in middle management, warns Ms Orton.

The example of her own authority shows how this squeeze is occurring in practice. Three years ago Waverley employed 21 service heads, but this has been reduced to eight. "There's a danger that there won't be career progression for good people," she says.

As well as attempting to offer opportunities for those

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already within the local government workforce, employers will need to maintain its attractiveness to those starting their careers or considering a switch within or to the public sector, while dealing with significant funding cuts.

Rob Garner, managing director of Tribal Group's government business, says that support must continue for the National Graduate Development Programme for Local Government, which is managed by Local Government Improvement & Development, as some of those who pass through it are the "best and brightest" in local government.

He is less enthusiastic about recruitment from the private sector, and recommends that this course of action is reviewed, as the experience has been "mixed".

Pay accounts for half of a council's budget on average but there will undoubtedly be pressure on wage levels and benefits as local government grapples with the impact of the spending review.

Mr Buttress warns, though, of the danger of good managers and leaders leaving if pay is reduced. "There's not a simple answer," he adds.

Despite the overall funding cuts, the good news for senior staff who retain their jobs could be improved pay, says Mr Garner. "There are likely to be fewer, better-paid staff across the board," he adds.

"Some of the inability of the sector to move quickly and get things right comes simply because there are too many cooks in the kitchen."

But local government will also have to be wary of being seen as out of step with the mood of the nation and, in a letter to local leaders detailing the impact of the spending review, communities and local government secretary Eric Pickles promised to "bring excessive senior pay under control".

Across the workforce, pay increases might increasingly be linked more closely to performance, with the Local Government Workforce Strategy recommending that staff should "no longer be entitled to certain automatic benefits but will see that considerable opportunities are available to earn rewards for good performance".

However, this sort of competency-based pay progression covered only 3% of the local government workforce in 2009, suggesting there is still much work to be done to develop a rewards system fit for a future where the justification for all spending is likely to come under greater scrutiny.

> "There's a group of people in their late thirties and early forties who are energised by the challenge ahead
> **Ben Rowland, Tribal Group local government business**

KEY CHALLENGES FACING THE LOCAL GOVERNMENT WORKFORCE

- Reconfiguration of local services to ensure they achieve priority local outcomes, but with fewer resources
- Key occupational shortages, particularly in social work, planning and environmental health
- Large proportion of staff in many authorities are nearing retirement
- Workforce often does not reflect diversity of communities, particularly at the senior level
- Need to ensure young people are given meaningful opportunities to develop their skills through apprenticeships and work placements

(Source: Local Government Workforce Strategy 2010 – Delivering Through People. http://www.idea.gov.uk/idk/core/page.do?pageId=5222019)

SPENDING REVIEW

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