

Cutting the cost of Local Government

By David Wedge and Colin Hilton

Introduction

The economic climate in recent times has been the cause of considerable pain in both private and public sector. Ill judged action to reduce budgets can damage the quality of products, services and an organisation's reputation.

This article examines emerging thinking about the way in which costs can be significantly cut in local government without such damage. This is not theory or the output of an academic study, but reflects practice which is being successfully applied today.

It is important to point out that the value of identifying millions in potential saving is entirely dependent on having the political and managerial will to implement these measures. Unfortunately there is little enough time and resource to be able to afford the luxury of project planning measures where that commitment is lacking. Rule one therefore is secure the focus and vision of the Leadership and get early buy in and acceptance of change by the key stakeholders.

Prioritise and rationalise

All local council's are currently embarking on the necessary soul searching to determine which services should be prioritised and those which may have to be significantly reduced, ceased completely or passed into some low cost or unfunded voluntary outsourced arrangement. Much of this analysis is at a macro level because of the strategic or political consequences and often, because of managerial hierarchy, defined in service block or portfolio thinking. Unfortunately this path is often well worn having been subject to efficiency reviews for years.

The most forward looking work currently is therefore taking a cross cutting approach, not only within council's but across the extensive public, voluntary and community sector partnerships which both deliver services and enable place shaping. It is an extension of thinking from the "total place" and "joint service" agenda to one which applies business process re-engineering, often at a relatively small scale geographic level, across all the activities which impact on key quality of life outcomes for communities and individuals. Mapping and remodelling activity on this basis is yielding not only efficiencies in terms of both front line and back office services but it is also challenging cultural norms between organisations. It is this challenge which is producing some of the most surprising results, particularly where there has traditionally been a mix of mainstream funded services and grant funded activity.

People and productivity

The most important resource of any organisation is the people who do the work, whether directly or through contracted arrangements. Everyone accepts that reducing head count is a necessity but less forensic thought is generally applied to increasing productivity of those who remain aside from increased use of technology which we will come to later. Cutting highways maintenance teams by half, for example, does not necessarily mean that only half the work is done.

Poor change management will see de-motivation, reduced personal productivity, an irrational scale of infrastructure and fractured interdependencies to a point where perhaps only a third of output is being achieved. In contrast, even without technological investment, positive leadership and motivational change is producing outcomes whereby two thirds output is still being achieved. To obtain this people need to feel confidence in the direction of travel and the people who lead the organisation. They require to be understood and feel valued. They need to see that they are making a contribution, be aware of best practice and be, in turn, motivated to achieve high standards of service and customer care. Finally they must be empowered to deliver change and service improvement themselves. It is this "soft" cultural change which will produce the most sustainable increase in efficiency.

ICT strategy and transaction

A current and regularly updated ICT strategy is essential otherwise the organisation will almost certainly be incurring needless costs and enduring abortive service development projects. Furthermore unless that ICT strategy is welded to the broader organisational vision of outcomes you wish to achieve, you will be wasting money on often interesting, but ultimately non essential ICT activities.

You can't decide where you are going with ICT and how to get there unless you understand exactly where you are at the moment. This requires a detailed assessment of the current strengths and weaknesses across the entire ICT capability. This is not a one off exercise, the only sure way to keep ICT efficient and on track is to develop a culture that facilitates this process at least two or three times a year. To focus on cost the exercise needs to not only assess current and potential productivity measures but the whole basis of transactions and information exchange. Costs reduce exponentially across the range of physical transaction – person to person transaction – person to group transaction – telephony – electronic digital – self referenced/managed non contact. ICT strategies should be proactive and challenging in this respect.

Streamlining ICT infrastructure

The corporate ICT infrastructure offers significant opportunity to reduce costs and at the same time improve the service to users.

ICT systems and infrastructure tend to be implemented on a project by project basis which is an outdated approach and highly inefficient. Modern commodity technology allows for widespread sharing of ICT resources, and also for the number of servers being utilised to be reduced considerably.

This can reduce costs significantly. Taking advantage of commodity technology reduces the initial capital investment, higher utilisation of resources reduces the need for infrastructure and there are subsequent savings from spiralling energy budgets and Data Centre space costs.

It can be a false economy to try and maintain the status quo and try to 'sweat' old infrastructure. For example in one assignment it was found that 60% of desktop support costs were being used by 20% of the estate (older and increasingly problematic desktop devices).

A programme of rationalisation and integration can release resources and reduce costs significantly. In addition this can make ICT as a whole far more nimble and versatile to support the objectives which really matter.

Making ICT costs easy to understand is actually not difficult, it just requires a business approach supported by the right framework.

It should be clear exactly how the ICT budget is allocated and spent, and the business should have 'menu driven' choices for what they require and how much changes and additions to systems and services will cost them.

The ICT function should be accountable for the allocation and efficiency of all its assets and resources. Establishing a performance framework for ICT activity presented in an easily understandable format for management teams and elected Members is a must.

Optimise Project Management

Projects which fail to progress in a timely fashion, or become stuck, cost a fortune in management time and can cause reputational damage. Despite this poor practice is still common place in both the Public and Private sectors.

According To Price Waterhouse Cooper, project performance statistics show that 50% of projects end up late or over budget, 25% fail completely, and only 25% actually succeed. These statistics are particularly poignant when you consider that they have been collected from blue chip institutions that are meant to know what they are doing.

A common approach to implementing a project methodology is to try and adopt an existing and proven framework such as Prince 2. This is a good start, but such frameworks can be cumbersome and difficult to apply, all environments have their own cultural and structural complexities to consider. The way in which you apply the framework and associated behaviours are what makes the biggest difference.

It is vital to apply a Project risk management process from the outset; this will reduce costs and increase the likelihood of project success. Good governance is also critical, as is a robust but flexible framework that is adhered to by all project participants.

A project which is not tightly defined and containing clear project objectives has a good chance of failing. It is important to set success criteria from the start, indicators are needed to show whether the project has achieved what it should have done.

An effective Programme Management Office is also a must, this is the only reliable way to monitor and control a series of concurrent projects. This is an important element in a fit for purpose Governance structure, it provides that all important transparency across the organisation as a whole.

Manage procurement and suppliers effectively

Improved management of the services you get from your suppliers will reduce your costs and deliver improved value over time. Unless you are effectively managing the value you receive from your suppliers you will get the lowest rate of return.

Suppliers are in the business of making a profit. Most will provide the minimum level of service they can get away with. It is essential to get a clear and measurable Service Level Agreement in place which is tracked continuously and with the supplier held accountable to their targets. It is very easy to waste large sums of money on sub-standard products and services.

It is important to recognise that supplier contracts tend to be static, whereas over time your business and your business requirements will change. Regular meetings with suppliers and a contract which provides flexibility against changing circumstances are essential, otherwise the effectiveness of the product or service will diminish.

Renegotiation with existing suppliers or replacing suppliers can produce huge long term savings. A very high percentage of existing expenditure may be unnecessary. This is often best carried out collectively and there are a number of strong emerging joint procurement arrangements across specific regions and between different public sector bodies.

Summary

These are all current key areas for reducing and controlling costs which local councils are delivering. The stark reality is that virtually all organisations waste money, to some extent or undertake activity that is neither essential nor productive. Through good leadership it is often possible to cut costs and improve productivity at the same time and there are many emerging examples of where this is happening. Such leadership is emerging around common threads in demonstrating a will to undertake change, a clear vision and focus which it proactively communicates to its staff and stakeholders, a culture of learning from best practice and a true empowerment of its staff. Harnessing all this to a strong ICT strategy and robust arrangements for performance, procurement and contracting makes a powerful approach to dealing with the financial challenges facing local government.

David Wedge Profile

David is an experienced Manager specialising in strategy, corporate troubleshooting, cost reduction, supplier management, optimising outsourcing arrangements, and the identification and implementation of change and process improvement.



He has an extensive ICT background coupled with over 20 years of senior management experience. Strong track record of successful delivery, both in the UK and international, having worked in many sectors including Investment banks in the City of London and Wall Street in New York, and also running teams in Asia and mainland Europe.

David has successfully undertaken a number of local government assignments. Recently he completed an 18 month assignment for a large city council in the North West. This involved creating and implementing an ICT strategy, putting frameworks in place for managing projects and suppliers, and reviewing and controlling failing outsourcing arrangements. As a result the council has the opportunity to save in excess of £10m a year.

Working with a team of highly skilled associates David is able to supply a very broad mix of skills and experience.



Colin Hilton has worked in Local Government for 23 years including four as Chief Executive of Liverpool City Council. He was awarded a C.B.E. in 2005 and has held a number of non executive board posts as well as participating in various regional and national working groups and committees. He now runs his own consultancy company Shaw Hilton Limited, in association with a number of other high profile individuals. Full details can be found at www.shawhilton.co.uk