

Lyons Inquiry Seminar Series

Driving Efficiency in Local Government

Sir Michael Lyons

19 October 2006

The Inquiry's remit

- Original remit: funding
- New remit: role and function (and funding)
 - Consider changing **strategic role** of local government in the context of national and local priorities for local services; and implications for accountability;
 - Review how **devolution and decentralisation**, together with changes in decision making and funding, could improve local services, their responsiveness to users, and efficiency;
 - Consider changes which help to **manage pressures** on local services;
 - Reporting to Ministers in December 2006

Vision and objectives:

The world we want to live in

- We want a **sustainable** and **fair system** of central and local government for the 21st century, which helps achieve:
 - A more **prosperous society**
 - A more **cohesive** and **engaged society**
 - Better **outcomes from public services**

May report

- *'National Prosperity, Local Choice and Civic Engagement – a new partnership between central and local government for the 21st century'*
- Greater local choice is needed to better meet local needs and improve value for money
- Local government can contribute to national prosperity through effective place-shaping
- But - LG must rise to the challenge, particularly by better use of engagement with local people

Analysis and engagement

- Case Studies
 - nine areas, six services
 - interviews with officials, councillors and partner organisations
 - public engagement events
- Quantitative survey and qualitative research with the public
- In-house modelling and analysis of funding options
- Events with business & councillors
- Seminar series – focusing on specific areas
- Economic development conference
- Open consultation (over 2,500 responses)

Provisional conclusions: function

- Britain has to confront some hard choices – some of which are best made at the local level
- There is a need for central government and local government to work more closely together
- Central govt needs to make space for place-shaping by reducing the weight of performance management
- Local government should play a stronger place-shaping and convening role
- Flexibility more important than new powers

Provisional conclusions: funding

- Not about raising more money, but better stewardship of public resources, managing pressures better and local choices, but possible case for allowing communities to choose to spend more
- Public understanding of the case for local taxation is frail
- Central govt needs to improve the incentives for local govt
- CTB take-up / reform may be the key to fairness
- Some reform options would require lengthy and careful implementation

Implications for efficiency

- What is the right balance between central direction / coordination and local innovation?
- How do we avoid continually reinventing the wheel?
- How can we get better at evaluating best practice and disseminating?
- What are the blocks to big leaps forward?
- What more can ICT deliver and how?
- What makes the most effective cross boundary / cross sector partnerships?
- Can local government get back on the front foot in terms of public recognition of its commitment to efficiency?

Measuring Efficiency

Sue Reid – October 2006

Delivering effective services within our communities

Making the best use of finite resources

- Releasing cash for frontline services
- Delivering more with existing resource
- Across all services
- Holding down Council Tax increases

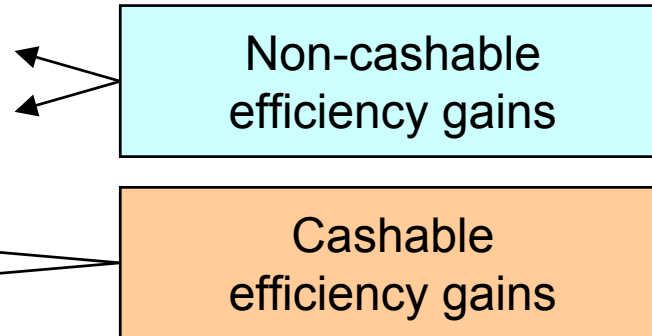
Efficiency is not...

- Cuts in service
- Only about the 'back office'

What is an efficiency gain?

An efficiency gain is an improvement in the productivity of resources used to deliver services. It includes obtaining:

- “more for the same”
- “much more for a little more”
- “more for less”
- “the same for less”



A service cut is NOT an efficiency gain – the efficiency agenda is not about cuts in budget, quality or services

Only those gains that are sustained through to 2007/08 will be counted against councils' 7.5% target

Measuring improvement within each individual organisation – not a measure of absolute efficiency

Each council asked to calculate the change in the inputs and outputs for each activity from one year to the next

Activities that do not represent a real improvement for the whole of the public sector are excluded, e.g.

- Reclassification of activities
- Transfer of costs and subsidies within the public sector
- Arbitrary cuts in payments to the VCS
- New or increased charges for services

Need to put a £ value on improvements in service quality where inputs are unchanged – this is not easy and some under-reporting likely

Valuation needs to be based on the cost of outputs not value of outcomes

Local authorities self-assess their gains and report them in the Annual Efficiency Statement (AES)

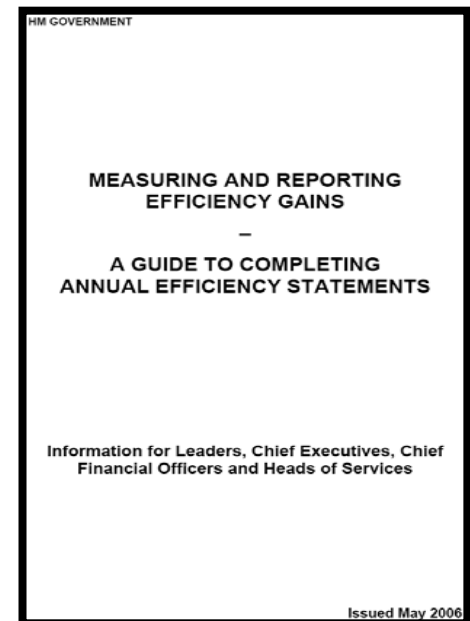
- The Forward Look AES details the new gains expected during the forthcoming financial year and the plans for delivering them – due by mid-April
- The Mid-Year Update AES allows councils to refresh their expectations for new gains and report on what was achieved in the first six months of the financial year – due by mid-November
NB: The Mid-Year Update is voluntary for shire district & CPA-rated 4 or 3* and “Improving Strongly” councils*
- The Backward Look AES details the new gains achieved during the previous financial year and the value of gains sustained from previous financial years – due by early-July

Aim has been to have a single robust measurement regime that minimises burdens for councils

To support this regime, we have provided assistance through:

- Measurement Guidance – fully revised and updated for May 2006
- Online discussion forum
- Series of voluntary toolkits for each sector/workstream
- Regional Centres of Excellence

The Measurement Taskforce has been fully involved to ensure assistance is effective



Decisions on how efficiency agenda will be taken forward after 2007/08 dependent on Local Government White Paper and CSR07

However, can expect that councils will be required to deliver further efficiency gains

We will be keen to examine whether there are ways to better measure the efficiency impacts of activities across the public sector
e.g. impacts on council's adult social care spending of changes to procedures in NHS hospitals

Will continue to seek to minimise burdens on councils or changes to measurement regime to avoid fruitless work