The (local) state we’re in
PwC survey on local government’s financial challenge

Delivering public service reform
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Executive summary

In August 2011, PwC conducted an online survey of Local Authority Chief Executives to explore how councils have coped with central government funding cuts. The research examined where councils have generated immediate cost savings, and the actions they have taken as part of their cost reduction programmes. Looking ahead to the next few years, we asked how councils will find more savings, and what the major challenges would be in achieving their savings plans.

At the same time, we also conducted a national online poll with 2,013 members of the public to gather information about their awareness of the savings and service reductions made by their councils in the last 12 months.

This short report sets out the findings from those two surveys and is the first output from a programme of PwC work looking at how councils can respond to the financial challenges that they are now facing.

Doing things differently

Looking back on 2010/11, councils largely secured the savings they set out to make. In doing so, they have encountered challenges broadly in line with their expectations. To date, securing those savings has been achieved through changing support services or the “back office”, improving service delivery processes and/or management restructuring. This implies that the focus has been largely around “doing things differently” and more efficiently rather than “doing different things”. So far, both Members and staff have, in the main, accepted the savings activities that councils have implemented.

On the whole, councils reported that their savings had not adversely impacted the quality of frontline services. Where councils have made reductions to frontline services, these have largely been in libraries, youth services, areas of adult social care, highways and ground maintenance. There have been relatively few reductions to date in children’s services.

It is perhaps then not surprising that in our public survey, respondents were most aware of reductions in frontline services in relation to the repair of roads and pavements, libraries, leisure and sport, arts and culture, and adult social services. Interestingly the public are also most concerned about the impact of reductions or closures in a very similar set of environmental services, these included repair of roads and pavements, refuse collection, recycling, street cleaning and lighting, libraries, and leisure services, including parks and open spaces and leisure and sport facilities.

Many councils have invested financially to make these savings, typically securing a return of between £1 and £10 for every £1 invested.

The challenges ahead

Councils are in the main confident that they will be able to deliver their planned savings in 2011/12 and 2012/13, although the level of confidence is notably lower for 2012/13 than for the current year. Our survey suggests there are a number of significant issues for councils in the foreseeable future.

Identifying future savings

Firstly, about 40% of councils have not yet identified solutions for over half of their known funding gap to 2015 and more than half believe that one of the biggest challenges they face is identifying areas for further savings in future years. On top of this a majority of councils are also concerned that they will not have the management capacity or skilled resources to implement their planned savings programmes and deliver the changes required.

Secondly, where solutions have been identified, a complex picture emerges of where councils will be focusing their efforts over the next two years. Most councils believe that the majority of their identified future savings will still be genuine efficiency savings. They expect that improving service delivery processes and changing support services will continue to contribute significantly to future savings plans; but they also expect that a
wider range of responses will be required to meet their targets, including reviewing and improving existing procurement contracts and changing eligibility criteria. Councils also expect that sharing services with other councils and local partners will make a greater contribution to future savings.

Councils will also be looking across a broader range of services than in the past year to make savings – while the primary focus will still be on central services, adult social care, environment and cultural services, more expect to make savings from within children’s services.

However, there is significantly more concern that in the future their savings plans will impact on the quality of services and outcomes.

Engaging with the public
Thirdly, the survey suggests there is more work for councils to do in engaging with the public about the savings they plan to make. Councils are not confident that the public has fully accepted the savings they’ve made to date, although few report any particular reaction. Many local authorities expect adverse public reaction to be a challenge in implementing future savings. Additionally, many see demand for services as the key challenge they face in implementing their plans.

However, our public opinion poll presented a slightly different view about the public’s acceptance of the need for savings. Just over half of respondents felt they had not been well informed or informed at all by their council concerning savings, with older age groups on the whole feeling more informed than younger people.

Despite this, almost half of respondents said they fully accepted or tended to accept the need for savings. Interestingly men were more accepting than women, with 55% of men fully accepting or tending to accept the need for savings compared to only 40% for women. There were no marked differences regionally, although the areas least likely to accept the need were the North West and North East, with those most likely to accept being the East Midlands and East of England.

Methodology
The PwC online survey ran from 20 July 2011 to 19 August 2011. Responses came from 57 local authority Chief Executives across the UK; the range of responses from different types of council and the geographical spread gave us confidence that the results were a broad representation of views from across the sector as a whole. An online survey of 2,013 UK adults aged 18+ was carried out from 11 to 15 August. The results of the public opinion poll have been weighted to nationally representative criteria. We appreciate and value the time of all of those respondents who contributed.

Andrew Ford
Partner, UK Local Government Leader
PwC

“Relatively few services will stop or close but the way they are delivered will change.”
The survey of Local Authority Chief Executives
The savings made so far

Key findings

- More than 9 out of 10 respondents indicated that they had largely achieved their planned savings over the previous year.
- In making these savings, councils have faced challenges broadly in line with expectations. About a quarter have found the challenges greater than they had anticipated.
- Half of the councils we surveyed believe they have achieved these savings without a significant adverse impact on the quantity or quality of frontline services. Approximately a quarter believe there has been an adverse impact.
- A clear majority of respondents felt that both elected Members and council staff had accepted the savings that their council had implemented.
- Respondents were notably less convinced that the public had accepted the savings that their council had implemented, although few identified any public reaction to date.

To what extent do you agree with the statements below?

1 is strongly disagree and 5 is strongly agree
The approaches to create savings

The approaches that had most significantly contributed to savings to date were:

- changing support, or “back office” services
- improving service delivery processes
- management restructuring
- reviewing and improving existing procurement contracts
- changing customer, or “front office” services

By comparison, the areas that have featured less prominently to date in councils’ action to achieve savings have been:

- shared services, with either other local bodies or with other local authorities
- new outsourcing arrangements
- changing eligibility criteria or cutting frontline services.

The services/facilities that councils most reported had been closed, stopped or reduced were:

- library (closures or reductions in opening hours)
- youth services
- some adult social care services
- some environmental services – e.g. highways and grounds maintenance

To what extent would you say that each of these actions have contributed to the savings you have achieved to date?

1 is no contribution and 5 is significant contribution
Which areas have contributed most to savings?
To date, the most significant contribution to achieving savings had come from central services, followed by adult social care, environment and cultural services.

Not surprisingly perhaps, housing services were reported to have made only a small contribution.

One in four respondents reported that to date, there had been no reduction in children’s services.

To what extent would you say that each of these service areas have contributed to the savings you have achieved to date?

1 is no contribution  and 5 is significant contribution

NB. DCs are not responsible for Education, Children’s Services, Adult Social Care and Highways & Transport and so did not respond to these questions
The majority of respondents reported that to deliver the savings achieved in 2011/12 they had been required to make an investment.

The return on that investment for most councils was in the range of 0-5 or 5-10.

A common response was that 2010/11 was not the first year of savings, and that in many councils, savings programmes had been in place for a number of years producing significant efficiencies.

The focus so far has been on back-office and other savings that are less visible to the public.
**Future savings**

How much of your known funding gap to 2015 have you identified solutions for in your latest medium term financial plan?

Just over one in five respondents reported that they had between 90-100% of the funding gap covered.

A further 15% reported between 70-90% was covered by identified solutions.

However, just over 40% reported that they had identified solutions for less than 50% of their funding gap.

What percentage of the savings identified would you say are genuine efficiencies, as opposed to service cuts or reductions?

6 out of 10 respondents reported that at least 50% of their identified future savings will be genuine efficiency savings, with a quarter of all respondents claiming that between 79-100% of their savings will fall into that category.

However, the remaining 4 out of 10 believed that less than half of their savings will be down to genuine efficiencies.
Finding future savings

Respondents are confident that they will be able to deliver their planned savings in 2011/12 and 2012/13, although the level of confidence is notably lower for 2012/13 than for the current year.

However, looking forward, respondents were not so confident that they would be able to achieve their savings targets without seriously impacting the quality of services and outcomes – with 43% disagreeing strongly or slightly with this statement. This compares to a figure of only 23% of respondents who thought that savings achieved to date had impacted on service quality.

More respondents agreed strongly or slightly that 2012/13 would be the most challenging period ahead, 46%, compared to 34% who thought 2011/12 would be the most challenging period.

Again there was confidence that Members and managers would support the savings that needed to be made, with 66% and 62% agreeing strongly or slightly respectively.

However, there was less certainty about the public’s reaction, with only one in four agreeing slightly that the public would support the savings plans, and almost one in three disagreeing strongly or slightly.

To what extent do you agree with the statements below?

1 is strongly disagree and 5 is strongly agree
What actions will be taken to deliver future savings?

Improving service delivery processes, changing support, or “back office” services, and reviewing and improving existing procurement contracts are the three approaches expected to contribute most to savings over the next two years.

On the other hand, cutting front-line services, changes to staff terms and conditions, and shared services with other local bodies, are expected to contribute the least.

To what extent would you say that each of these actions will contribute to your savings over the next two years?

1 is no contribution and 5 is significant contribution

1 is no contribution and 5 is significant contribution
The expectation is that almost all of these approaches will provide a greater contribution to future savings. In particular there is expected to be greater contributions from:

- improving compliance with existing contracts
- revenue and income generation
- shared services and outsourcing
- changing eligibility criteria

“We believe that most savings will lead to some reduction in the levels of quality in the services we provide.”
Which service areas will contribute most to savings over the next two years?

When asked about the service areas most likely to generate future savings, the responses were remarkably similar to the areas that have already contributed most. Central services, adult social care, environment and cultural services were the most cited.

Fewer councils however (29%), suggested that children’s services would make little or no contribution to the planned savings. This is opposed to 45% that reported that they had made little or no contribution to savings achieved to date.

To what extent would you say that each of these service areas will contribute to your savings over the next two years?

1 is no contribution and 5 is significant contribution

NB. DCs are not responsible for Education, Children’s Services, Adult Social Care and Highways & Transport and so did not respond to these questions
“Whilst the first year has been relatively straightforward with little service impacts; looking ahead the savings are becoming increasingly difficult to lever - resulting in reduced services or changes to service delivery which are not always acceptable to local communities.”

The general sense of the comments is that finding savings is becoming more difficult in general, and particularly finding savings that will not require reductions or changes to front-line services.

A number of respondents commented that a move towards a ‘commissioning model’ is driving their approach to savings. Others reinforced the need to be clear about priorities.

A question was raised as to whether the sector is making ‘cuts’ or are they actually just councils being clear about their priorities and commissioning the services that are most effective at meeting them.
The big challenges ahead

By far the biggest challenge ahead as seen by respondents is the increasing demand for services, with over one-quarter of respondents saying that this is a major challenge and a further half agreeing that it is a challenge.

60% believe that management capacity to deal with change will be a challenge with just half agreeing that locating further savings areas, agreeing collaborative arrangements and accessing skilled implementation resources will also prove to be challenging.

Resistance from staff and Members was seen to be less of a challenge for the future and respondents also seemed to be relatively confident that they would be able to find suitable service suppliers.

To what extent do you anticipate the following challenge in delivering your savings targets in the next few years?

“There are significant new sources of funding in prospect that we need to explore.”
The survey of 2,013 members of the public
Public attitudes

At the same time as running our survey with local authority chief executives, we conducted a national online survey with 2,013 members of the public to gauge their views on how they perceived local authorities were responding to the financial challenges. A total of 2,013 members of the public from across the country responded between 11 and 15 August.

Awareness

Which, if any, of the following services or facilities within your local area are you aware of having been affected by reductions in services or closures by your local council within the past 12 months?

The strongest perception of service reductions was in environmental services. Within that, the area most identified as being affected by reductions was the repair of roads and pavements. Respondents also identified refuse collection, public transport and street cleaning as areas where they were aware of reductions. There is probably a high association in this area between perceptions of service reductions and the additional demands placed on councils to repair roads and pavements following the particularly adverse winter conditions.

Beyond environmental services, the most commonly cited areas where respondents were aware of service reductions were libraries, leisure and sport, arts and culture, and adult social services.
In the main, therefore, the areas where people are aware of service reductions align with those services where councils are reporting that they have made savings. Local authorities also highlighted that significant focus was placed on back office services in their savings, so it’s not surprising that these have not been noted by the public.

While our survey identified some regional differences in terms of awareness of the areas for reduction, these were not significant. In addition, there does not seem to be any significant difference between genders or age groups in terms of awareness in most areas. The most notable exceptions were in the areas of repairs to roads, reductions in public transport and reductions in adult social care provision, where older age groups reported a much higher level of awareness than younger groups. In general, older people also tended to be more certain than younger age groups about whether or not there had been service reductions in their local area.

**How well informed do you feel your council has been keeping you about the reasons for the reduction, stopping or closures of services or facilities over the past 12 months?**

We also asked respondents how well informed they felt by their local council about the reasons for reductions in services over the last 12 months. A quarter of all respondents felt they had been fairly or very well informed.

Just over half felt they had not been well informed or informed at all.

There was little difference between genders or regions but, in the main, older age groups felt better informed than younger people.
To what extent do you accept / oppose that your local council needs to reduce or close services or facilities in your local area?

Finally, we asked respondents to what extent they accepted or opposed the view that their local council needs to reduce services in their local area. Just under half tend to accept or fully accept this need. Approximately 36% either tend to oppose or fully oppose the need, with 17% overall unsure.

There was a marked difference in attitude between the genders. Whereas 55% of males either fully accepted or tended to accept the need for reductions, this figure was only 40% for females. The latter also tended to be more unsure (20% as opposed to 14% for males) and to be more opposed to the need for reductions (39% as opposed to 32%).

Older people tended to be more accepting of the need for reductions than middle-aged or younger groups. Younger people aged 18 – 34 tended to be significantly more unsure than older people (24% compared to 11%). Those who tended or fully opposed the need for reductions ranged from 38% for both over 55s and the 35-54 age group, to 31% for the 18 – 34 age group.

There were no marked differences regionally, although the areas least likely to accept were the North West and North East, with those most likely to accept being the East Midlands and East of England. The areas most likely to oppose the need for reductions were the North West and Yorks & Humber, while those least likely to oppose were the East Midlands, East of England and South East.
About PwC
Our Government & Public Sector practice provides industry-focused assurance, tax, and advisory services across sectors as diverse as local government, health, education, transport, home affairs, housing, social welfare, defence and international development, advising on solutions for delivery of the public agenda. Our people combine deep specialist expertise, commercial acumen, and private sector experience with a genuine understanding of the public sector.

In local government, we work closely with local authorities, local delivery agencies, and public-private organisations to shape and deliver strategic plans, business models and funding schemes.

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