

# *Redefining local government*

*Talking Points*

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# Executive summary

*Prolonged austerity is driving an important shift in local government.*

*The early years of austerity have been characterised by authorities taking action to reduce costs through a range of traditional ‘supply side’ cost reduction measures. Local government has been very successful in this, making deep efficiency savings without causing major upheaval in the delivery of services.*

*However, given the severity and duration of austerity, alongside increasing demand for services, local government needs to raise its sights, and shift beyond traditional cost reduction approaches.*

Many authorities are already reaching a *tipping point* where it is no longer possible to undertake the same activities as before. Local authorities now have to *fundamentally redefine* their role and purpose.

Put simply, local government now needs to make *new strategic choices* as well as finding more efficient and effective ways of working.

Approaches need to be focused on pursuing the right outcomes and impact in localities, irrespective of delivery method; developing the right strategic partnership and decision making models, irrespective of ideology; and embedding new analytical techniques, competencies and disciplines for measuring success.

Local public services need to be viewed in a much more holistic way, with a focus on how multiple organisations, and citizens themselves, can contribute to securing desired outcomes.

This is not about ‘lifting and shifting’ existing operational service delivery into new models. Solutions need to do different things, not just the same things differently.

This new landscape will require fundamentally different organisational cultures and behaviours to make it successful, along with an intense focus on digital innovation and intelligent and insightful data collection and management.

In this Talking Points publication we argue that there is a need for a new framework that enables local authorities to make strategic choices leading to the redesign and development of new ways of working on the ground.

This will be a complex journey, but there are six steps that will help to create the right foundations to deliver more effectively against this agenda.

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### ***1. Place leadership – focusing on outcomes for people and places***

Being clear about ‘place based’ ambitions and building consensus around desired outcomes with the public and the partners that will have to help deliver them. This requires thinking carefully about the leadership narrative needed to inspire confidence and to enable collaboration.

The relationship between the citizen and the state has to change. While councils must still focus on safeguarding the most vulnerable, they are likely to increasingly become the provider of last, or later, resort. Citizens and communities, enabled by digital technologies, must be enabled and empowered to deliver outcomes for themselves.

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### ***2. Strategic planning framework – translating priorities to smarter choices***

Councils need to be clear about their strategic intentions, moving away from being a pure provider of services to focusing on commissioning outcomes for people and place. Making smarter choices is about combining strategic intentions with data, insight and understanding to prioritise interventions that have the greatest impact.

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### ***3. Data analytics and business intelligence – new skills and capacity to provide insight***

Modelling the impact of interventions is critically important as resources become scarcer and effectiveness must be demonstrable. Building capacity around data and analytics is therefore essential. This is currently an area that is less well developed than in other sectors that already use data and insight to make more informed and evidence based policy and operational decisions.

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### ***4. Embracing digital – and being more commercial***

Digital is fast evolving and will impact right across the board. Local authorities need to use it as a tool to drive innovation, transform how they engage with citizens, foster the interaction of citizens with each other, and in exploring how outcomes can be better secured.

Local authorities can also learn from private sector digitally orientated companies and explore whether more innovative business models can be developed. A more commercial mindset is required to ensure that fees and charges are more closely related to the cost of providing services where appropriate.

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### **5. Portfolio management – robust management of risks and benefits**

As delivery moves away from traditional services to more innovative interventions, managing risks and benefits will become more demanding. It is vital to adopt a portfolio risk and benefit management approach to ensure change programmes deliver what is needed and focus on measuring success.

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### **6. Efficient operating models – becoming more agile**

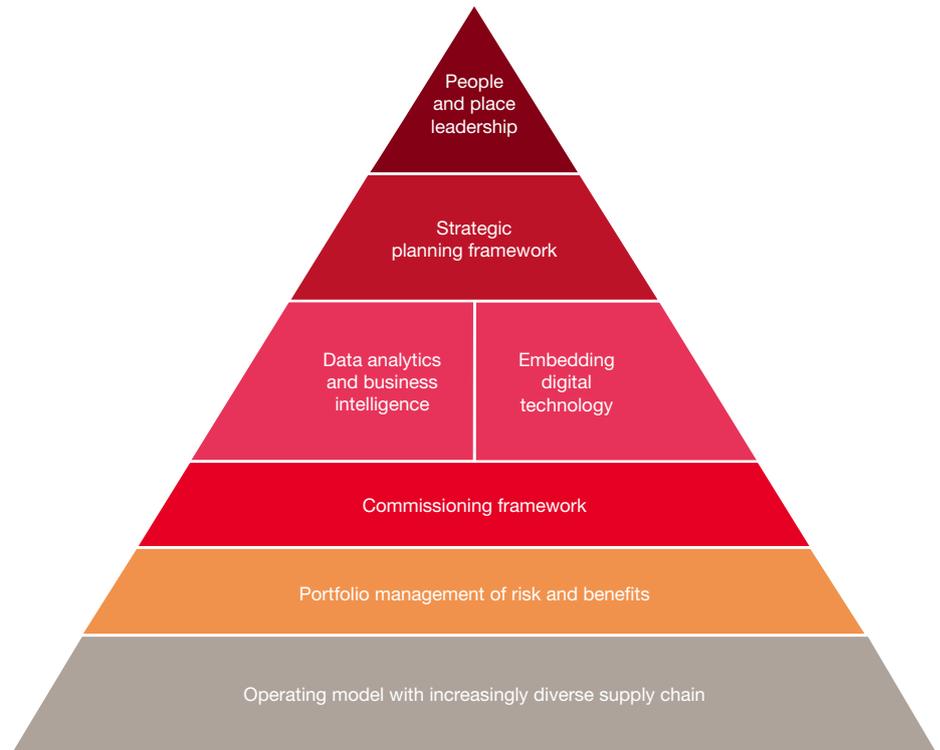
It is easy to assume that everything has been done to reduce operating model costs, but all organisations have scope to become more agile. Highly efficient operating models are essential, covering both delivery and commissioning.

By taking a positive leadership stance, engaging in strategic planning, improving analytical insight, embracing the potential of digital, managing portfolio risk, and continuing to focus on improving operating efficiency, local authorities will significantly improve the outcomes they, and their partners, communities and citizens can achieve.

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**Figure 1: Redefining local government**

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# A significant shift to taking new strategic choices

A year ago we wrote about emerging trends in the way councils were operating – The Agile Council<sup>1</sup>. Since then, the pressures on local government and the broader public sector have continued to intensify. This Talking Points publication re-examines the Agile Council, setting out the next stage of development as councils are beginning to employ different strategies to overcome austerity and innovate on the ground.

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***The savings so far have been relatively straightforward to achieve. The issue is the further significant cuts that will impact front line services and require consideration of different service models and levels of provision.”***

Chief Executive

## ***Increasing pressures on local government***

- Austere public finances will last well into the next parliament, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead.
- Demand continues to rise in the sector, driven in particular by complex needs in social care, an ageing population and higher service expectations from citizens.
- Disruptive technology ranging from the use of mobile devices and applications, to Big Data and predictive analytics, is developing rapidly and offers huge opportunities along with significant risks in an area where the sector has a patchy record of success.
- Major, national programmes in areas like welfare reform and business rate reform, and structural changes such as the introduction of Police and Crime Commissioners, Clinical Commissioning Groups and Local Enterprise Partnerships mean the environment has been relatively unstable.

The actions taken to date by most local authorities have focused on traditional cost reduction approaches and the delivery of operating efficiency gains. To a large extent, these approaches have been successfully delivered without major upheaval in the delivery of services to citizens.<sup>2</sup>

More recently however, the outlook has changed as the acceptance of prolonged austerity, along with projections of ever increasing demand for services, is leading to a range of responses that are more far reaching and in many cases more difficult to both implement and potentially to accept.

Our 2013 survey, The Local State We're In, shows a shift away from local authorities prioritising back office, management and staffing costs towards more ambitious plans around demand management and implementing new delivery models based on increased collaboration and shared services (Figure 2).

These ideas are by no means new and they have been discussed and implemented in places over recent years across local government and beyond. There is now a pressing need to transform these strategically challenging 'good ideas' into

<sup>1</sup> PwC (2012) The Agile Council  
[www.pwc.co.uk/theagilecouncil](http://www.pwc.co.uk/theagilecouncil)

<sup>2</sup> PwC (2013) The Local State We're In  
[www.pwc.co.uk/localgov2013](http://www.pwc.co.uk/localgov2013)

practical, consistent and operational realities on the ground. This needs to be done in a way that releases significant cost savings as well as devolving responsibility, empowering communities and citizens to do more for themselves.

The 2013 PwC survey of public finance professionals, *Leading from the Front*<sup>3</sup>, showed that while most respondents recognise that managing demand and using customer insight are important, the majority of authorities are not fully involved with actually implementing it (Figure 3).

3 PwC (2013) *Leading from the Front*

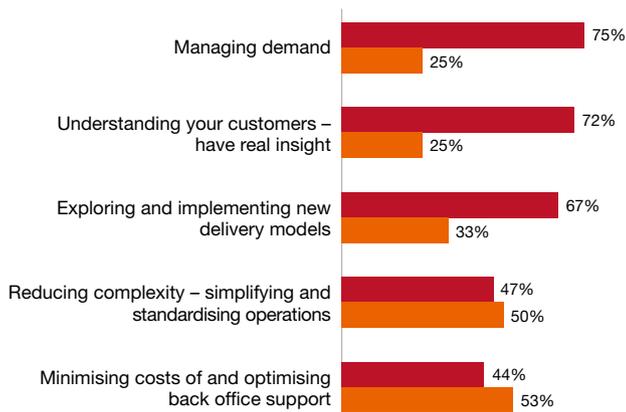
**Figure 2: Where will the savings come from?**



Source: The Local State We're In, 2013

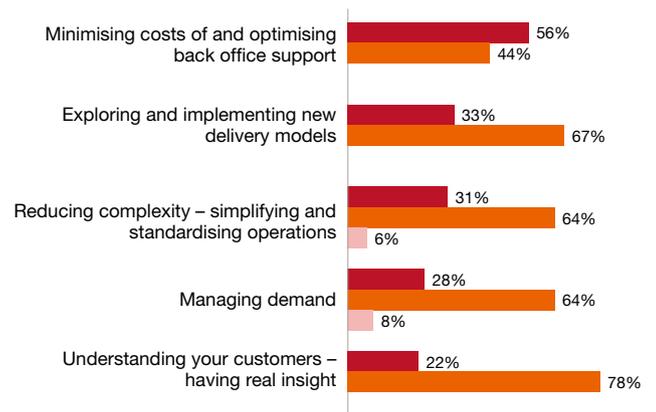
**Figure 3: Implementing the characteristics of an Agile Council**

To what extent are the following characteristics important for an Agile Council



Very important Somewhat important

To what extent has your authority been involved with:



Full involvement Some involvement No involvement

The future is bleak if the sector is not able to implement these ideas and realise the potential benefits in the short to medium term. Respondents to both The Local State We're In and the finance survey indicated that while financial plans for 2013-14 look well defined, beyond that confidence in their ability to continue to make savings decreases rapidly and they face a tipping point where they will no longer be able to undertake the same activities as before (Figure 4).

Put simply, local government now needs to make new strategic choices as well as finding more efficient and effective ways of working. This requires more than incremental change: we are embarking on a more *fundamental shift to redefining the purpose and role of local government*.

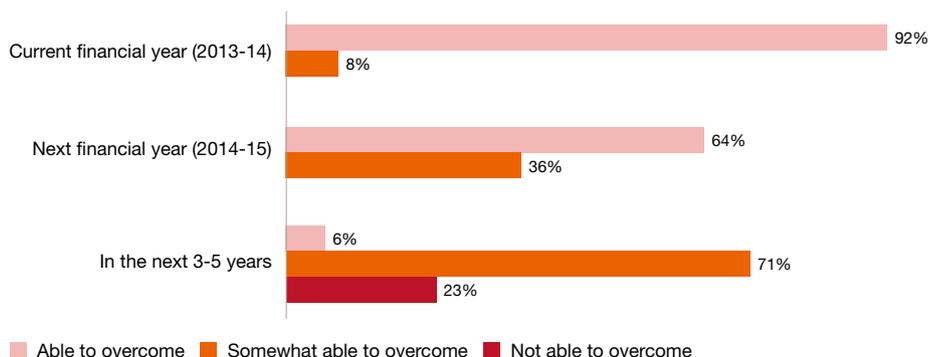
“

***The pressure from 2015 onwards is going to be really tough. The current approach to local government funding cannot continue without causing the collapse of councils.”***

Council Leader

**Figure 4: Ability to overcome financial challenges**

**How would you rate your Authority's ability to overcome the financial challenges it is facing?**



# Place leadership – focusing on outcomes for people and places

*Fundamentally redefining the purpose and role of local government* requires a shift in focus to viewing local public services in a more holistic way, considering how multiple organisations, and citizens themselves, can contribute to securing desired outcomes.

Local government is well placed to enable this shift on the ground<sup>4</sup>, co-ordinating action across a range of organisations and a number of different sectors. This means councils will increasingly achieve impact through influence, alliance and collaboration rather than through the direct delivery of services.<sup>5</sup>

In the context of scarce resources, new strategic choices need to be made to prioritise those interventions that have the greatest impact on outcomes. A discussion about making new strategic choices needs to address the following points:

- Higher levels of clarity are required around the ambitions and priorities for key stakeholders across a place, with local government playing a pivotal leadership role.
- Councils need to re-evaluate the base costs of their statutory functions and prioritise remaining scarce resources in alignment with the shared outcomes they want to achieve.

- Councils are likely to become the provider of last, or later, resort rather than the first call, keeping their focus on safeguarding the most vulnerable, but increasingly facilitating and enabling citizens to actively achieve outcomes for themselves.
- The challenge is to innovate to secure outcomes by applying different approaches rather than focusing on traditional service delivery.

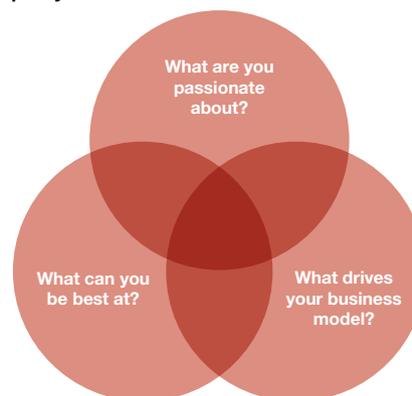
This is a time for courage, confidence and for taking risks in order to motivate others and bring communities, employees and partner organisations together to build consensus around shared desired

outcomes. This may involve hard discussions and compromise, but it will be essential if a more holistic approach to place is to be achieved.

Careful attention needs to be given to the style, content and narrative of leadership. There is a danger that the leadership agenda becomes preoccupied with cost savings and enters a negative spiral. The 'narrative' needs to be inspiring for employees, partners and citizens alike. The most successful leadership approaches will effectively balance messaging around purpose and people, quality and cost, community and good growth.<sup>6</sup>

**Figure 5: Developing the narrative**

**Need to balance people, purpose, quality and cost:**



**Stories that cover 4 dimensions:**

- **Ideas**  
– Our 'proposition': The role we play – the services we provide, the outcomes we support
- **Values**  
– The values that drive us and shape behaviour
- **Edge**  
– What are the trade offs – the tough yes/no decisions
- **Energy**  
– Our motivation and how we can motivate others

<sup>4</sup> NLGN (2013) *Gaming the Cuts: Anyborough in 2018* [www.pwc.co.uk/unthinkable](http://www.pwc.co.uk/unthinkable)

<sup>5</sup> PwC (2013) *Stepping Stones to Growth* [www.pwc.co.uk/steppingstones](http://www.pwc.co.uk/steppingstones)

<sup>6</sup> PwC (2013) *Good Growth for Cities* [www.pwc.co.uk/goodgrowth](http://www.pwc.co.uk/goodgrowth)

This leadership approach will naturally need to involve more collaboration and co-creation involving both partner organisations and communities, a new focus on shared agreed outcomes and the blurring of existing organisational boundaries. As a result we will see more sharing of services and governance models, reflecting strong alignment of strategic intent and outcomes.

This will involve 'letting go' of some traditionally council led agendas, particularly service delivery models, to allow space for others to come forward. Elected members have a key role in making this a success.

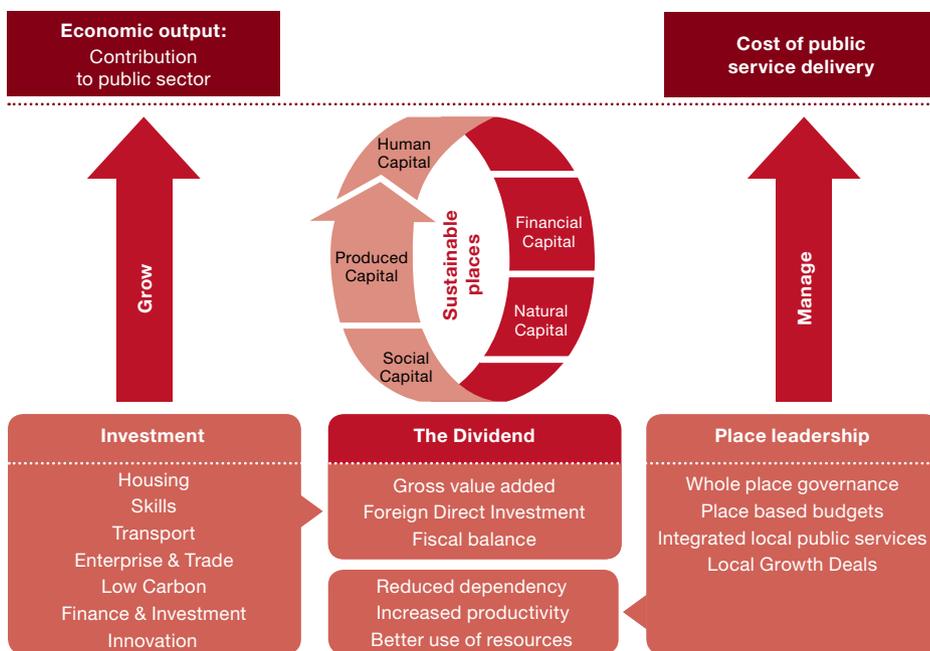
Digital innovation and the desire for transparency by citizens has the potential to provide both opportunities and challenges for leadership. Consultation and devolved/engaged decision making will be made much easier and accessible for councils and elected members. The voice of the citizen or customer has the potential to be much louder than it perhaps is now. This has the potential to be a tremendous benefit to councils but it will be to their detriment if they will not or cannot engage effectively in the digital world.

## Balancing growth and reform

The relationship between economic growth, jobs and council revenue is now clearer than ever. The direct interaction of economic and jobs growth and reduced demand for public services needs to be reflected in strategic priorities and choices (Figure 6).

Councils need to consider how investment initiatives will contribute to rebalancing local economies. This is discussed further in our recent report 'Good Growth for Cities'.<sup>7</sup>

Figure 6: The dividend from integrating growth



7 PwC (2013) Good Growth for Cities  
www.pwc.co.uk/goodgrowth

# Strategic planning framework – translating priorities to smarter choices

Effective ‘place leadership’ will require councils and their partners to be clear and focused about their vision, purpose and strategy.

There is a strong need to use a planning framework that helps to translate priorities into the right strategic decisions about what the council will, and won’t, do in the future, and how this will operate on the ground (Figure 7).

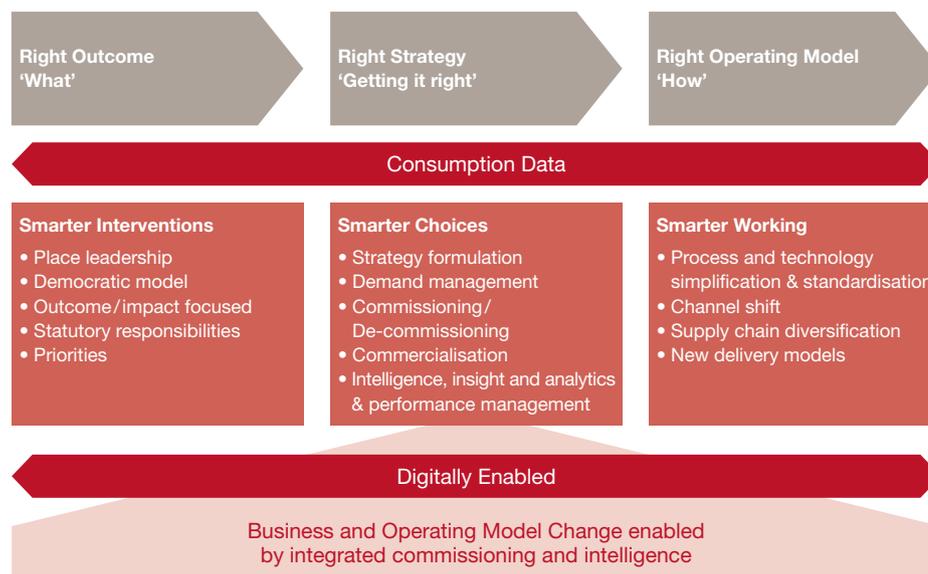
We believe that an effective planning framework needs to be based around asking (and answering) three sets of questions:

- What are the right outcomes and impact to pursue (‘what’)?
- What are the right strategic choices (‘getting it right’) required to achieve those outcomes?
- What is the right operating model (‘how’) to deliver on the ground?

These intuitively simple questions are typically very complex in practice but by taking a structured approach it is possible to start to define answers which outline:

- **Smarter interventions** – more co-ordinated and agreed objectives that are shared across organisations and sectors within a place.
- **Smarter choices** – where the right people have been involved and innovative and insight driven thought has been applied to determining how intentions can be fulfilled; and
- **Smarter working** – where the operations required to execute the agreed decisions are organised in agile and cost effective ways.

Figure 7: A new strategic planning framework



This approach has the potential to provide a powerful common planning framework to help guide and focus strategic discussion and manage effective delivery on the ground.

The key to unlocking the potential power of this kind of framework is the right data, information and insight. A granular analysis of the demand and cost drivers within relevant local areas needs to underpin this thinking.

It is important to begin by understanding how effectively resources are currently being used – outcome based budgeting. This approach helps to create a comprehensive baseline that looks at total spend through a number of lenses:

- by outcome;
- by customer group;
- by statutory duty;
- by geography;
- by service/category.

This baseline assessment allows councils to look at themselves in a new way and challenge their current business models and supporting operating models. This approach is now actively being used by a number of leading councils. Those that do this well can use this insight to make smarter strategic choices and to focus resources on activities

that best meet the desired local outcomes. Importantly it also starts to unlock debates about the costs of statutory provision and the strategic choices and investments that are therefore available.

By really understanding what citizens need/demand, what is currently delivered, and the related costs of both,

across public services in a locality, it is possible to consider different outcomes, strategic choices and begin to optimise public service investment around them.

These decisions can then drive ‘shifts’ across public services within a local area often lowering cost and improving desired outcomes at the same time.

**Figure 8: Translating priorities to smarter choices**



## ***Demand management and earlier intervention***

There are a number of trends in how these ‘shifts’ are being considered including:

- Taking upstream or preventative actions to reduce the incidence of a risk or event;
- Changing the relationship with customers leading to better management of demand, behavioural changes and self-sufficiency; and
- Implementing new models of local leadership and collaboration and the sharing of responsibilities across the public sector.

There are a growing number of practical examples around this approach (particularly the management of the frail elderly cohort, safeguarding young people and families with complex needs) underpinned by national and international experience and academic studies. However, further exploration of how the public sector can be optimised and incentivised around these approaches and how they can operate in practice is needed.

Future business cases need to be developed on the back of well researched evidence which then can be appropriately ‘specified’ and ‘commissioned’. For example, modelling across whole care economies suggests that increasing council domiciliary social care spend and further integrating community provision can significantly reduce residential care spend and acute hospital spend and, importantly, provide improved outcomes and customer experience.

The development of business cases often requires scenario modelling, innovative thinking *and* rational, evidence based service redesign to help to bring different parties on board. Addressing the different (and often conflicting) performance management regimes of stakeholders, where the costs and benefits of collaborative working are logical across the system as a whole, but not necessarily for individual organisations, is a key to making collaboration work in our experience.

## ***Resetting your care economy***

The rising costs associated with health and social care is probably the biggest challenge facing the public sector. Despite the growing recognition that integrated care offers the opportunity to deliver better outcomes and value for money across the whole care economy, integration has been held back by many factors including organisational structures and incentives, including risk share and the basis of payments.

Our experience has demonstrated that integration of health and care works best with early and sustained effort to engage providers and commissioners, agree expectations and create a commitment to delivering a shared vision that works in the interests of the health and social care system as a whole.

By examining the current models of care and creating a ‘whole care economy’ view of the performance, income and cost of provision, decisions can be made to reset the care economy based on net improvement as a whole.

## Diversification of delivery models

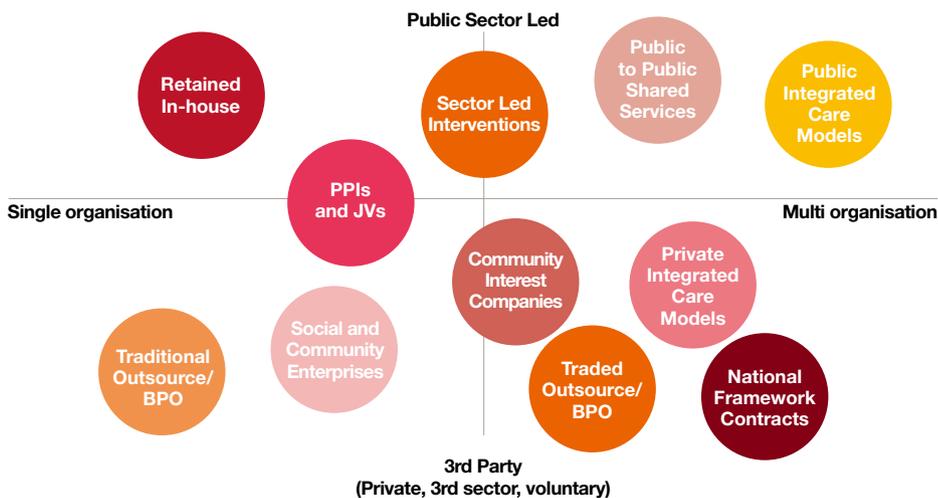
Translating strategic outcome based thinking into operational arrangements is particularly difficult where current services are fragmented and complex and where there is a lack of clarity on the link between the activity inputs and expected outcomes.

New models focused on delivering the new strategic choices can be the best way to overcome the inherent difficulties with existing services. This trend is leading to a significant diversification of options for place leaders to consider in how they support particular outcomes (Figure 9).

These can be represented in terms of a spectrum from public sector led through to third party led – whether that is private sector, third sector or voluntary. It also useful to consider the number of parties involved – from highly complex multi organisations models such as public sector integrated care models to more traditional in-house or outsourced arrangements.

One thing is for certain however, the move away from traditional service delivery models will continue and is essential if scarce resources are going to be targeted in the most effective manner.

Figure 9: Increasing diversity in service delivery models



# Data analytics and business intelligence – new skills and capacity to provide insight

When planning and delivering change initiatives that are more focused on outcomes, organisations have to be sure that they are investing in areas that get the best return. Local government needs to strengthen capacity and capability in terms of data collection, management and analytics to produce the quality insight and intelligence required to underpin the new strategic planning framework.

Some parts of the private sector (such as retail) and other aspects of the public sector (such as health) already use data and insight extensively to make more informed and evidence based policy and operational decisions. What is the real need? What are the options for addressing it? What would be the impact of planned change? This kind of modelling becomes critically important as resources become scarcer and interventions must be demonstrably effective.

A number of councils are successfully using sophisticated segmentation techniques to start to develop a deeper and more granular understanding of the behaviours, needs, demands and preferences of different customer group (Figure 10). Once a clear view of different customer segments is developed, this analysis can be used to start to build a

picture of the ‘cost to serve’ of different customer groups. This analysis in itself can drive innovation in service delivery as typical consumption paths (or customer journeys) are mapped and understood.

Typically, the information we have today largely tells us about quantity – how many people experience a service. Sometimes the information tells us about quality – such as whether people had high levels of satisfaction.

However, this operational data rarely helps us to know whether investing in libraries improves children’s school performance. It doesn’t tell us if access to quality open spaces encourages exercise and therefore reduces demand on health services and ultimately saves public money. And crucially, it doesn’t tend to help us evaluate what happens if we reduce this spend by ten or twenty percent.

Figure 10: Council customer groups



Increasingly evidence is going to be required that shows the relationship between inputs, outputs and outcomes. There will be more of an emphasis on the scientific method – exploring hypotheses, providing counterfactual evidence to show the impact of investment in an activity against a ‘base case’, and building in positive reinforcement – meaning that commissioners can, over time, build up a picture of what works and what doesn’t in different situations. The capacity and capability to do this well is not common place in local government today.

Digital innovation will enable the management of commissioned services in a much more effective manner. Councils often experience a lack of clarity with outsourced services around actual service performance. This problem has the potential to be resolved as Big Data highlights actual performance with customers owning and making available their own data, giving immediate feedback.

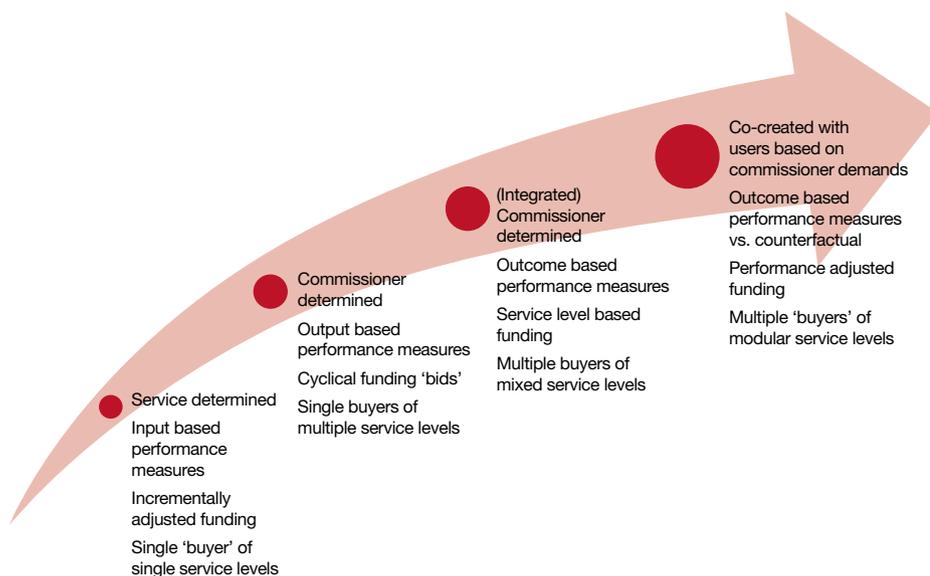
Master data management, standards and policies and clarity on who is

gathering what data for what purpose is under-developed in most authorities. Very little truly integrated data exists within authorities and across the public sector. The relevant data is often held in different forms in many different places and is not stored in a way that makes it easy to integrate. This will become a major challenge if it is not dealt with.

This does not assume that we need a big (and expensive) system to achieve these goals. This is about collecting, using and sharing information better, rather than investing in very expensive technology. For example, most councils do not gather data by unique customer IDs and/or postcode systematically across their places and cannot easily share this data in an integrated way. It also means they are often not able to understand customer preferences or perform rigorous evaluation of the effectiveness of current interventions or options and the return on investment.

Citizen data gathering, trend analysis and the use of digital technologies will enable the development of these approaches. Mobile, social media, the cloud and Big Data will all play a role in transforming the information and insight of most authorities within the next 5-10 years, but the need to access the right capabilities and capacity to underpin the needs of the next 2-3 years is pressing.

**Figure 11: Building transformational support**



# Embracing digital – innovating and being more commercial

Digital technology and culture is evolving fast and has already had a significant impact on the way local government supports the delivery of services to citizens. Local authorities need to use it as a tool to drive innovation in their understanding of people and place, how they interact with citizens, foster the interaction of citizens with each other, and in exploring how outcomes can be better secured.

The context of the latest wave of digital innovation is critical to enabling the potential of a *fundamental redefining of the purpose and role of local government.*

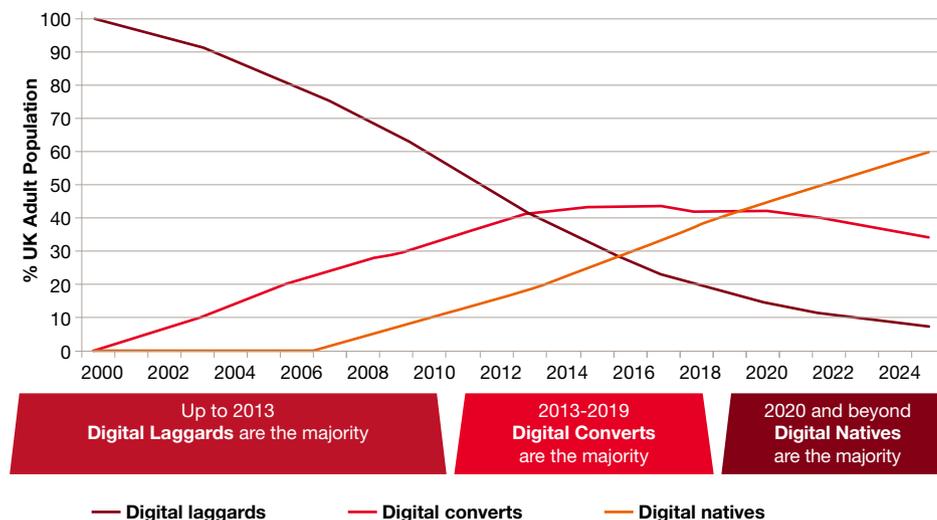
Until 2013, the majority of the UK adult population were ‘digital laggards’ who had little or no interest in, capability or access to digital technology and transactions. In 2013 however, ‘digital converts’ became the majority group, made up of those who have learned to interact and transact by digital means during their adult lives. The increase in digital converts has corresponded with the significant uptake of online transactions and activity over recent years. This shift is set to continue, with ‘digital natives’ – those that have grown up with digital as a default – become the majority, increasing further the scope and potential opportunities involved.

Local government and the broader public sector does not need a digital strategy, it needs a strategy for the digital age. We are on the cusp of seeing the balance tip to the

majority of citizens being digital natives (Figure 12). This means that the much vaunted benefits of ‘e-government’ that date back around 15 years are likely to become a reality through advancements such as channel shift, as citizens demand digital ways of interacting. However, the current and imminent waves of digital innovation have the potential to go far beyond the things that have been achieved or planned within the local government community to date.

The impact of digital change can be described in three distinct waves of development (Figure 13). The first wave saw a shift toward digital commerce, the second wave sees a much stronger focus on consumption patterns rather than supply and the third wave sees a move toward digital identities and brand advocacy.

Figure 12: The changing digital demographics



While there is still some way to go in terms of getting the full benefits from the first wave of digital transactions, authorities now need to open up to the additional possibilities of the second wave and how using 'consumption data' changes the way that service innovation can be driven. These new arrangements will have a significant impact on the future operating and supply chain

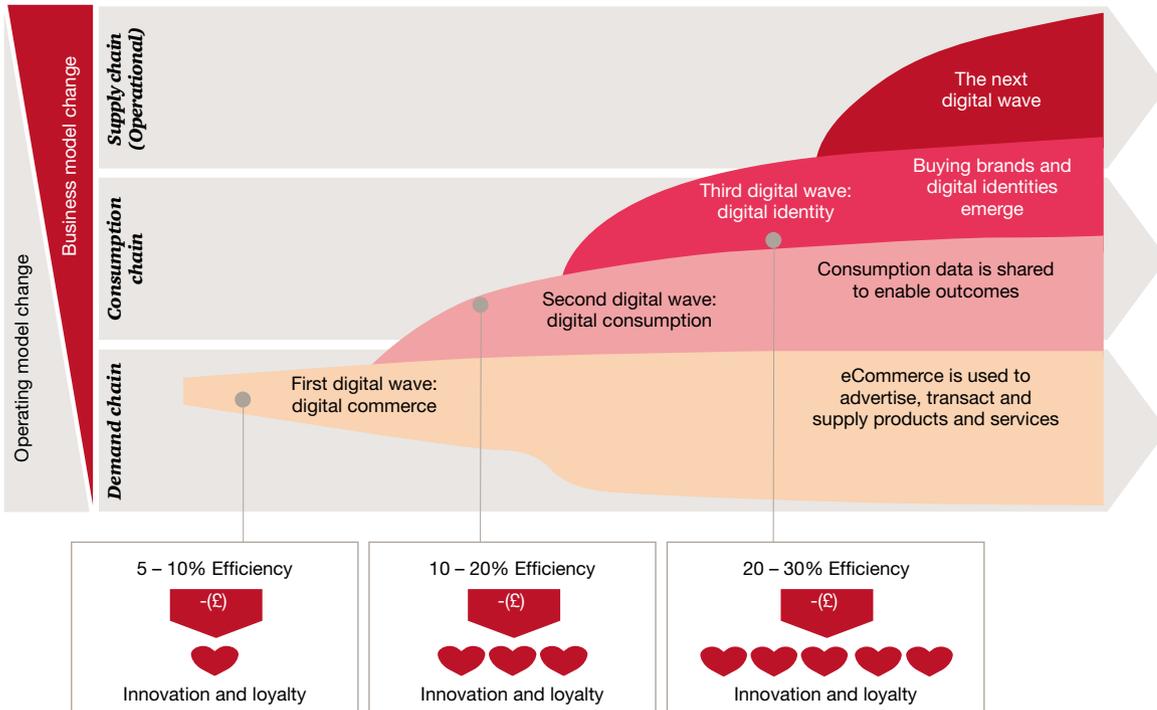
arrangements within most authorities and we should expect to see further organisational redesign. Local government will need to develop new skill sets to respond to the opportunities and challenges digital presents.

Alongside digital, we are likely to see an increase in the trend of the commercialisation of local government.

Local authorities can learn from private sector digitally orientated companies and should explore what innovative business models can be developed.

As digital disrupts existing business and operating models across all sectors, local government must be agile in finding opportunities to make more commercial decisions to help underpin future funding.

**Figure 13: The three waves of digital innovation**



# Portfolio management – robust management of risks and benefits

Change of the nature we're describing is inherently risky and requires careful management.

Given the pressure on public services there is not much room for slippage and/or for things to go wrong. At the same time, the nature of the new strategic choices being deployed means that the likelihood of success is less certain.

A portfolio risk and benefit management approach is therefore vital to ensure change programmes are focused on

success and deliver the outcomes needed. It is important that clear and rigorous governance and project management disciplines are put into place and that benefits realisation is carefully tracked.

Effective benefits management requires:

- A clear and agreed baseline
- Mutually agreed benefit targets
- Agreement over sharing of cost and benefits across organisational boundaries

- Regular tracking and monitoring with evidence and information
- Robust accounting for both costs and benefits. Portfolio risks need to be regularly examined and managed.

It is also important to scenario plan and to work with clear contingency arrangements to retain flexibility and mitigate risk.

Projects should be thought about on a value basis – what is the lost value as a result of a project delay – how much benefit are we losing for each month delay? Councils should be prepared to shift resources to manage and rectify this.

It is important to look to partners and the private sector to provide capacity and share these risks. There are a range of new and innovative financing and payment approaches that can support this, helping councils to achieve the benefits they are looking for in quicker time periods and with less risk.

Partners also need to work together to develop a clear case for change, which enables mature and productive conversations about pooling funding and sharing the benefits. Wherever possible there needs to be a clear link between the change being undertaken and the benefits being anticipated.

Figure 14 : Key challenges for the Chief Executive



# Efficient operating models – becoming more agile

It is easy to assume that you have done all there is to do in reducing operating model costs, but all organisations continue to have scope to do more.

Continuing to focus on operating model excellence is important on two counts. Firstly, all organisations should continue to strive to reduce costs and increase efficiency as the capability to support such changes continually develops around them.

Secondly, ‘smarter interventions’ and ‘smarter choices’ need ‘smarter working’ through highly efficient operating models to help them achieve the desired benefits. All organisations need the right people capabilities, organised in the right way, doing the right processes, supported

by the right information and technology if they are to achieve their more ambitious goals.

The operating model of any organisation is necessarily complex in form and relationships (Figure 15). The extent to which organisations can control and reduce this complexity is key to their success. Most authorities still have significant opportunities to derive more value from existing operational arrangements. Operational efficiency can include the digitalisation of services, using a single customer ‘front door’ and putting commercial pressure on suppliers to reduce costs. These techniques are not new but they are rarely implemented to their full potential in any given situation.

Alongside achieving efficiencies it is possible to build more agility into operating models, making organisations more responsive to change. This often includes having fewer ‘fixed’ points in the organisation for example using matrix management, ‘cloud’ IT and managed service contracts.

The potential to simplify, standard and share operations persist across most large organisations including local councils. When we assess at the whole operating model level, we typically still find 10-20% cost savings available through a range of areas usually focused on:

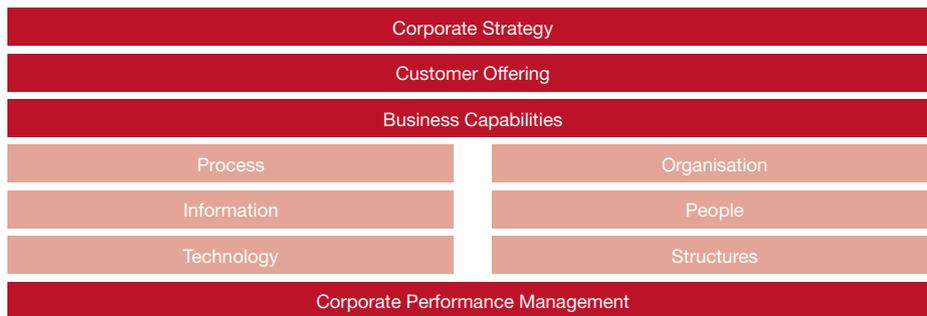
**Third party spend** – the effective use of category management and procurement techniques;

**Back office** – typically around process automation;

**Business support** – consolidation and standardisation of support functions and processes; and

**Front office** – for example, first time resolution of customer enquiries and channel shift.

Figure 15: Operating model framework



# Conclusion

The acceptance of prolonged austerity in the UK, along with projections of ever increasing demand for services, is leading to a *fundamental shift towards redefining the purpose and role of local government*. Local government now needs to change to making new strategic choices as well as finding more efficient and effective ways of working.

This is a tough challenge and involves local authorities leading change and working in new ways with a broad range of partners and citizens through a new strategic framework that seeks to deliver the right outcomes and impact ('what'), through the right strategic choices ('getting it right') and the right operating models ('how').

In this Talking Points publication we have set out how this can be achieved by addressing six key areas:

- 1. Place leadership:** creating a positive leadership narrative, focusing on outcomes for people and places, and prioritising resources where they will have greatest impact.
- 2. Strategic planning framework:** translating shared priorities to smarter interventions and choices.
- 3. Data analytics and business intelligence:** using evidence and analytics to underpin decision making and developing new skills and capacity to provide insight.
- 4. Embracing digital:** making the most of digital to harness the potential of citizens and communities to help themselves, learning from digital innovators from others across the public and private sector.

**5. Portfolio management:** robustly managing risks and benefits to deliver collaborative and complex change programmes.

**6. Efficient operating models:** continuing to find efficiencies and becoming more agile.

By taking a positive leadership stance, engaging in strategic planning, improving analytical insight, embracing the potential of digital, managing portfolio risk, and continuing to focus on improving operating efficiency, local authorities will significantly improve the outcomes they, and their partners, communities and citizens can achieve.

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PwC provides assurance, tax and advisory services to the public sector, including a specialist practice in healthcare. Working together with our clients – across local government, health, education, transport, home affairs, housing, social care, defence and international development – we look for answers on how to increase efficiencies while improving quality and outcomes, and help to develop solutions that add value and are practical to implement.

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