



Gaming the Cuts

AnyBorough in 2018

Joe Manning

SPENDING REVIEW

THE BUDGET WAR GAME

 Any Borough
Council
Progressimus per curam

REQUIRING SKILL
AND JUDGEMENT

EXCITING
INTRIGUING
INFORMAT

New Local Government Network (NLGN) is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this report as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

© NLGN April 2013

All rights reserved

Published by NLGN

Prepared by NLGN

7 Henrietta Street, London WC2E 8PS

Tel 020 3617 9130 . Email info@nlgn.org.uk . www.nlgn.org.uk

EDUCATION

ART AND
CULTURE

Contents

Acknowledgements	4
Executive summary	5
Introduction	9
SECTION ONE	
1 Let the games begin	13
2 Difficult decisions	18
3 Transformational savings	23
4 An economic shock	33
5 AnyBorough in 2018	39
SECTION TWO	
6 A new generation of place leadership	46
7 Right diagnosis, wrong prescription	53
8 Recommendations	59
Conclusion	61
Appendix A AnyBorough profile and priorities	63
Appendix B AnyBorough PEST analysis	65
Appendix C Further information provided to expert referees	66
Appendix D Roundtable methodology	69
Partner	70

Acknowledgements

I would like to thank the many individuals and organisations that have given their time and insight to this research project.

Particular thanks are due to PwC for their support for this project. It has been extremely helpful to draw on the expertise of Mark Ambler, Andy Ford, Nick C Jones, Niamh Sands and Ros Taylor.

In autumn 2012 we held a budget war game at our annual summit. I am very grateful to all those who attended and contributed their time and thoughts. Particular thanks are due to Stephen Fitzgerald and John Foster for their role as expert referees. Thank you to Paul Raynes and Piali DasGupta at the LGA who kindly provided the data that underpinned the exercise. Chris Naylor and his team at Tower Hamlets also provided invaluable early feedback, thank you to them.

To supplement the initial war game we held three regional roundtables. Thanks to the PwC staff who kindly hosted the roundtables and to all the councils officers that took the time to attend.

Finally, I would like to thank my colleagues at NLGN who have all contributed greatly to this work: Phillip Baker, Vivek Bhardwaj, Jenna Collins, Charlie Critchell, Adrian Harvey, Claire Mansfield, Simon Parker, Liam Scott-Smith and Callum Whitaker. The game would be nothing without the team.

Any mistakes or omissions are of course my own.

Joe Manning

April 2013

Executive summary

“Life is pretty simple: You do some stuff. Most fails. Some works. You do more of what works. If it works big, others quickly copy it. Then you do something else. The trick is the doing something else.” Leonardo da Vinci

Local authority decision makers are attempting to bridge a widening financial gap. This has been illustrated by charts projecting the future of local government finance referred to as Graphs of Doom or Jaws of Death. Against this backdrop the following report sets out the potential implications of future spending reviews out to 2018. The purpose is not to add more detail to an already fatalistic picture but to recommend new policies and approaches that can be applied to future fiscal challenges.

Most local authorities are already planning for further budget reductions. Yet, the potential shape and purpose of local government after Spending Review 13 remains unclear. Therefore, NLGN conducted a budget war game and regional roundtables with over 50 senior council officers. This was based on real council data but repurposed for the fictional AnyBorough Council, a unitary authority in the South West. This allowed us to develop a dynamic model of where cuts could fall.

The budget war game made clear that councils and the places they govern will look very different in the future. The pressure of further spending reductions could see a default retreat to the role of reactive, residual service provider. This cannot be avoided but it can be mitigated through change at a local and national level, with councils proactively leading places through uncertain times.

The need for change is urgent as the prospects for the residual route look bleak. In response to further budget reductions some non-statutory services could be stopped entirely whilst statutory services will struggle under the burden of increasing demand. The game made clear that three areas in particular are likely to dominate the headlines, with a high probability of:

- Funding for leisure, recreation and cultural services stopped
- Education support services both reduced and commercialised
- Adult health and social care integrated and re-commissioned

Some councils are already facing up to the new reality of residual services. Others will meet it in the near future as further cuts bite.

Services vital to cultural identity and community wellbeing, from theatre groups to free school meals, could well be lost. At the same time, spending reductions could be made in statutory services that result in them buckling as more school places are required or social service costs increase. Local authorities will also lose organisational capability and will need agility to respond in the face of economic shocks and other unforeseen circumstance.

If AnyBorough's fate is in anyway representative, local authorities will have to rely on their capacity to govern and influence rather than direct and deliver. They will need to behave with strategic conviction to lead places and mitigate the impact of spending reductions.

Pro-active place leaders will look to the long term and confidently drive in that direction. They will be open to new partnerships with the public, private and third sectors and the community. They will be inquisitive and evaluative so that they can find practical means to meet the ends of their vision.

It is for local government to lead this transformation but Whitehall support is a pre-requisite. To this end, we recommend a horizon shift for both local and central government decision makers in line with three key principles outlined below:

- More of the same will be insufficient
- Manage demand not just supply
- Pursue growth as well as savings

Firstly, more of the same will be insufficient. Salami-slicing of services leaves little to no room for manoeuvre after 2015. Councils must readdress the type and level of services they deliver across the board. Long-term goals are required that look at outcomes well beyond cost cutting and efficiency savings.

Such local innovation must be enabled by national reform. Specifically, spiralling social care costs have to be addressed. Integrating health and social care commissioning functions at a local level carries upfront risks, with the

majority of savings accruing to the acute healthcare sector. Therefore, full integration of social care with the National Health Service may be necessary.

Secondly, new solutions must focus on demand management to forecast and reduce future dependency. Increased individual responsibility will be essential if social services are to be transformed from consumption based models. A change of mind set is required in organisations, both councils and public service providers, that are currently geared up to supply services not reduce the need for them.

To this end, Community Budgeting needs to go beyond the pilot stage and become the norm. Significant savings can be made through focusing on early intervention to reduce demand, but at present risk and reward is disproportionately shared. If local authorities are to channel upfront investment then Whitehall departments need to devolve more funding. By way of example, if councils can demonstrate that their long-term strategies for the skills base create sustainable job opportunities then localisation of Universal Credit money may be in order. Such solutions could be scaled through a future round of City Deals focused on social policy.

Thirdly, councils must pursue growth as well as savings. Local prosperity and community resilience are two sides of the same coin. They are interdependent. It is imperative that local authorities collaborate across boundaries and over functional economic areas to make investment in both economic and social infrastructure.

If economic growth is going to be core to the purpose of local government then HM Treasury will need to look again at both growth incentives and local government finance more generally. Current measures, from business rate localisation to planning gain supplements, do not go far enough. The government's decision to devolve more funding to a single pot is a significant and important step. However, with the policy detail still unclear further reform must be prioritised so that councils can prudently pursue strategies for competitiveness.

The communication of the horizon shift, and the three principles that govern it, will have a significant impact on the success or failure of new policies. Local

authorities should find channels through which they can honestly engage in dialogue with the public about the reality of spending reductions and the value and cost of public services. It is imperative that Ministers support them in this.

In order to unpack the detail of this project our methodology, findings and recommendations are structured around two main sections. These are book-ended by a context-setting introduction and concluding thoughts.

The first section of the report explains the NLGN budget game and introduces the fictional AnyBorough Council. It is largely chronological to reflect the real world time pressures that councils must battle when making choices. Decision making criteria are summarised and the role of the media is highlighted due to the importance of communicating the front line impact of cuts.

The second section is briefer and thematic; it is largely concerned with analysis and recommendations. The characteristics of place leadership are outlined. Many local authorities are already familiar with place making, but behaviours, tools and techniques will need to be repurposed due to the economic climate and required pace of change. The three key principles discussed above are covered in some detail with subsequent recommendations made for central and local government.

To summarise, this report spells out the potential implications of further spending cuts and suggests the new thinking and new policies that are required in light of this. It argues that urgent change is essential as councils will have to manage the next spending period in a markedly different way to the last. In short, the trick is the doing something else.

Introduction

The financial pressure faced by local government is escalating rapidly. Many local authorities have already made dramatic service cuts and after 2015 more will be required. Councils must be proactive or face constantly responding to circumstances beyond their control. We designed a war game and the fictional AnyBorough Council to bring home this reality.

Local government has a long history of good financial management but has been singularly hard hit by the Government's programme for deficit reduction. With the UK economy still to recover austerity could last until 2020.

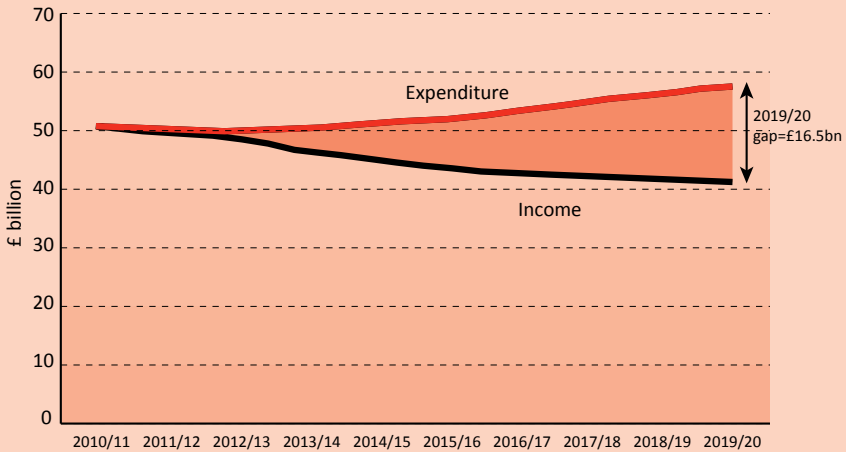
The 2013 Budget outlined that in the first two years of the next parliament Departmental Expenditure Limits are to be reduced by a further £15 billion. As recently as the 2012 autumn statement this figure was shown as £12 billion. With the NHS, schools, international development and defence equipment ring fenced from cuts the savings burden will again fall disproportionately on councils. Therefore, it now seems likely that local government, along with some other un-ringfenced services, will face real terms reductions of at least 50% of expenditure over the period 2011-12 to 2017-18.¹

The Local Government Association (LGA) has modelled the likely impact of such dramatic spending reductions. They assume government grant to continue decreasing at the same rate, falling by £9.5 billion by the end of the decade. This is a £11.6 billion reduction in real terms. At the same time growing demand pressures will become particularly acute in adult social care, and costs will increase by a 'very modest £7 billion' or about 15% over the decade. As the graph below shows, the funding gap opens up immediately the projections start and reaches £16.5 billion by the end of the decade.²

¹ See, http://cdn.hm-treasury.gov.uk/budget2013_annexb.pdf and <http://opinion.publicfinance.co.uk/2013/03/the-budgets-great-unloved/>

² See, http://www.local.gov.uk/c/document_library/get_file?uuid=c98405b7-b4a6-4b25-aebf-a63b5bcfa5c1&groupId=10171. This assumption includes efficiency savings and that sources of income will grow, from council tax to sales, fees and charges.

Figure 1 A gap will emerge between councils' spending and income in the years ahead.

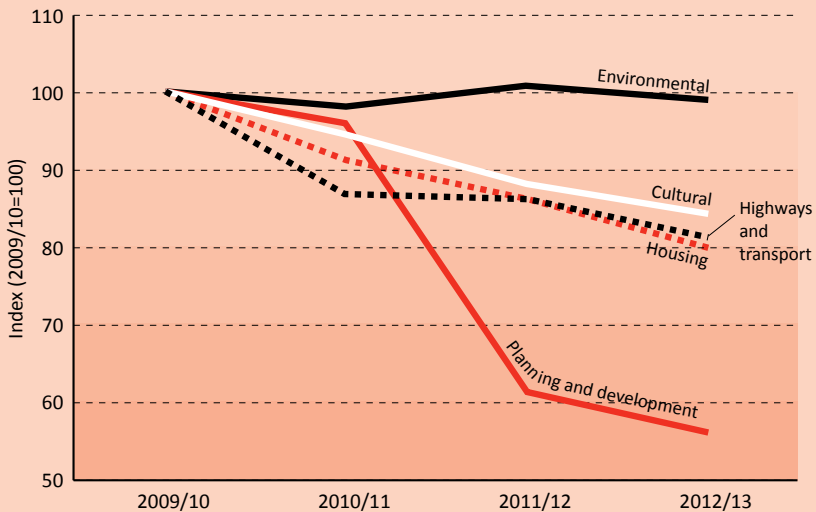


Further changes, such as reform to welfare payments through the universal credit, are yet to be fully taken into account. They will have significant impact on benefit claimants across the country and many local authorities are worried that they could be significant arrears in payments that they are due. In the Southwark pilot, arrears increased from 1-3% to 11-12% because people decided to pay off their payday loan or credit card as opposed to the council.³ This will have a negative impact on financial planning within local authorities.

To date, social care for children and older people have been largely protected, as have the publicly visible environmental services which include refuse collection, and street cleaning. As a result, spending on housing, highways and transport, cultural services and planning and economic development have all decreased at a rapid rate.⁴

³ <http://www.lgcplus.com/topics/benefits/legal-threat-over-universal-credit-scheme/5056201.article?blocktitle=Latest-Local-Government-News&contentID=2249>

⁴ See, http://www.local.gov.uk/c/document_library/get_file?uuid=5722bba1-04cf-44a6-bb61-623142db7a43&groupId=10171

Figure 2 Pro-growth services are being cut hardest

The real challenge for many local authorities will be the financial year 2014/15 and beyond, when cuts begin to bite across the board. Most local authorities recognise that they urgently need to start planning for a very difficult and risky future. While there has been plenty of horizon scanning and scenario planning in the sector, our picture of the council of 2018 remains highly speculative. NLGN therefore designed a budget game that could give us a clear sense of how leading chief executives might approach the future spending landscape.

The NLGN game

The policy summit was intended to provide a safe space in which senior local government officers could look beyond the day to day and think about the next three to five years. The budget game, and subsequent roundtables, allowed for hypothetical but grounded discussions about the future.

War games have been used for a number of years to support businesses in testing their assumptions about strategy and the markets in which they

operate. They are dynamic simulations in which to safely test difficult real world decisions. The origins of the approach lie with military war games, exemplified by Operation Solarium that informed the US foreign policy of Cold War containment under President Eisenhower.

For the NLGN game we created AnyBorough Council, a fictional unitary authority in the South West of England, complete with detailed spending data based on real world information.⁵ We also scoped out a set of local characteristics, including a large local employer, Mike's Motors, and a property portfolio, including a disused theatre and the town's football ground.

Senior local government officers were challenged to get to grips with the financial demands and strategic priorities of AnyBorough. They were tasked with making difficult choices about the future of both AnyBorough the council and AnyBorough the place.

Participants were asked to analyse key decision making points, articulate the areas of service delivery that were most vulnerable and develop transformational ideas for meeting the spending challenges. It quickly became apparent that drives for across the board efficiency, sharing services, and outsourcing highways or leisure would not get the council far. AnyBorough needed to deal with its big ticket spending items.

Local authorities will need to get ahead of the curve in decision making and budget planning time frames. Or face the challenge of constantly reacting to circumstances beyond their control. Difficult decisions made today will be essential to the future sustainability of councils and communities.

This is why the path local government follows now is so important. Councils can retreat to a role as reactive, residual service providers or they can act with conviction to lead places through difficult times. We hope that some of the ideas outlined in the following chapters can help inform both the operational and strategic decisions local government will need to make.

⁵ Background data is available in http://www.local.gov.uk/c/document_library/get_file?uuid=c98405b7-b4a6-4b25-aebf-a63b5bcfa5c1&groupId=10171 with place-specific data provided by the LGA on a confidential basis.

SECTION ONE

1 *Let the games begin*

There were to be no winners or losers in the NLGN war game. The aim was to beat the cuts. There were two council teams that were supported by representatives from the media, private sector and expert referees. Detailed quantitative and qualitative information was provided as were a number of rules. Participants also outlined a number of key principles to guide decision making.

Senior local government officers made up two council teams and were supported by other constituencies, from the private sector and media. As politicians were not involved in the war game players were provided with political parameters to work within. The game involved three turns, allowing participants not just to draw up their own strategies but to respond to the feedback and challenge of others.

Such an exercise has obvious limitations in scale and scope. Different geographies, populations, budgets, indices of multiple deprivation and politics would result in different outcomes. To guard against narrow focus, the results were further tested in regional roundtables in the North, Midlands and South East. It was apparent that AnyBorough's spending reductions were relatively light and in other localities the situation we envisaged for 2018 is already present or will be soon.

Methodology: A three turn game

The game had three turns. Each of these was designed to move participants towards solutions to current and future spending challenges and to do so within time constraints. At the end of each turn the control group provided feedback on the decisions made by the councils and the journalists wrote a news story showcasing community response. In addition, each team had to agree three principles to guide their decision making.

Turn one: Council teams set their short term budgets through to 2014/15, they had in mind the implications of a national and local election in 2015. The output of this round was a balanced budget ahead of further spending reductions.

Turn two: In this round, the council teams set the budget from 2015/16 to 2017/18. The outputs for this round were three transformational savings ideas and their implications. At the end of the round, the market group pitched a new product or service to the council.

Turn three: In this round the task for the councils was further complicated by the introduction of an economic shock and a further savings challenge. The output for this round was a finalised balanced budget in light of these challenges.

There were four groups of participants in the exercise. The *councils*, these were the two teams made up of senior local government officers and made decisions about AnyBorough; the *market group*, three representatives from the private sector who offered commercial insight and challenge; the *reporters*, two journalists who shadowed each team and wrote regular news stories reflecting community reaction to budget plans; and, the *expert referees*, local government experts who managed the rules of the game. Each had a crucial contribution to make.

- The *market group* offered alternative viewpoints on the commercial value of both AnyBorough's economic development and service reform strategies. They also pitched a new product to both councils at the end of turn two.
- The *reporters* made clear the potential impact of the council's spending decisions on local residents. Although the stories they wrote, included in follow chapters, are somewhat satirical they served the serious purpose of encouraging participants to think about the consequence of their actions.
- The *expert referees* established the parameters for decision making, helped estimate the saving potential of decisions and agreed the potential impact

of council spending choices. As such they constrained the teams but also lent the teams' choices further credibility. If they believed that the teams' decisions would prove unpopular or were too risky they could issue 'pain points.' Three pain points and a decision would be declared untenable.

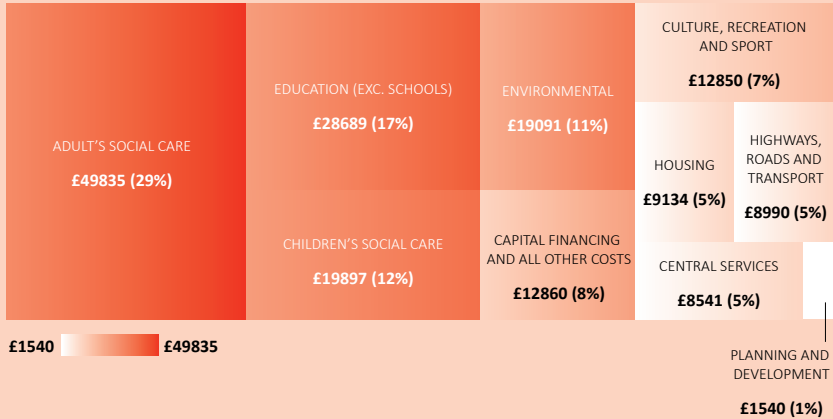
Welcome to AnyBorough

The game relied on quantitative data, with each team asked to calculate the effect of their strategy on both their business operations and the communities they represent. To aid this process, all participants were provided with AnyBorough Council's current and projected expenditure. This was based on real world information, provided by the LGA, but elaborated upon and fictionalised through general assumptions about the future of local government finance.

Participants were given detailed information on AnyBorough the place as well as some broad political parameters to work within. AnyBorough was described as a medium size unitary authority in the South West of England. Its geographic make up was predominantly urban but with extended suburbs and rural fringes. The population in 2012 was 209,000 but this was growing rapidly. In the last 10 years, the population of AnyBorough grew by 16%, higher than the English average of 7.2%.

Elections to AnyBorough Council were held in May 2011 and resulted in the Conservatives maintaining control of the council with a working majority. During the game both local and national elections were held in 2015. It was assumed that a Conservative majority was returned locally and that a coalition in government continued to pursue deficit reduction.

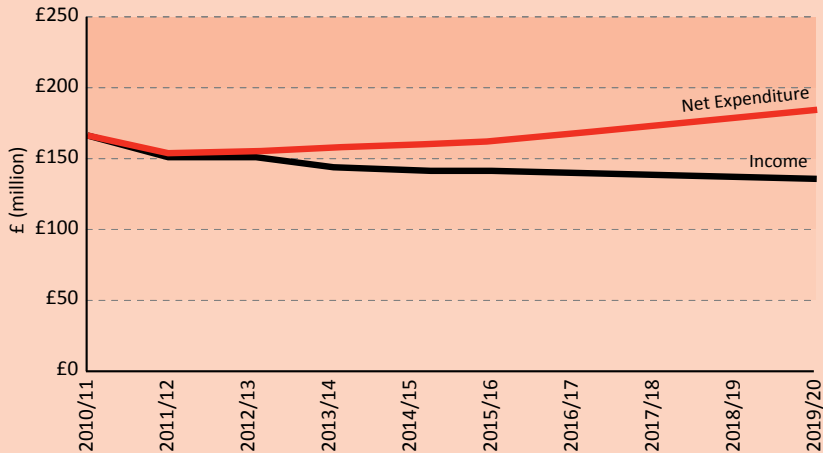
The council had an annual expenditure of £168 million in 2011/12 and its reserve levels stood at £12.6 million. Fifty per cent of the council's income was accounted for by council tax. When the game began in 2012/13 costs of £171 million had already outstripped the expenditure budget.

Figure 3 AnyBorough departmental spending 2012/13 (£000)

In turn one the two council teams were tasked with finding £13 million in further savings by 2014/15. In turn two they were tasked with finding £13 million again through to 2017/18 and in turn three they had to find approximately £10 million.

The teams therefore had to take just under 20% or £33 million from their starting cash budget of £168 million. However, when increasing demand pressures are accounted for this became even more of a challenge. With the council estimated to require service expenditure of £188 million by 2018; this figure becomes £55 million or over 30% of the starting budget.

AnyBorough's was a relatively modest budget reduction. It is a sobering reality that many local authorities will have to make significantly larger cuts in their operating budgets following the next spending review, with average local government spending likely to be reduced by as much as 50% in real terms between 2011-12 and 2017-18.

Figure 4 AnyBorough Council 'Graph of Doom' 2012 - 2018

Decision making principles

Both teams were asked to identify 3 principles that would guide their choices on spending reductions:

Team One's principles were to: 1. Secure quick wins first; 2. Squeeze costs, through ensuring the organisation rather than the front line takes the pain; 3. Build in resilience, in order not to undermine future plans.

Team Two's principles were to: 1. Grow the local economy; 2. Protect the most vulnerable; 3. More effective and efficient public services.

Interestingly Team Two's principles were challenged by the expert referee as being political priorities rather than spending principles. The question was raised as to how these principles would guide more granular decision making.

Despite different principles, both teams made remarkably similar choices about the services that they would protect and those that they would cut. Therefore, throughout the following chapters their decisions are grouped thematically.

2 *Difficult decisions*

Local government is currently working through Spending Review 10. The game therefore began at a point when AnyBorough Council had already made spending reductions. In turn one council teams set their short term budgets from 2012 through to 2014/15. They had in mind the implications of a national and local election in 2015. The output of this round was a balanced budget ahead of further spending reductions.

Summary

- The two teams found it relatively straight forward to make the spending decisions to get to 2015.
- The corporate centre took the initial pain of further spending reductions. Both teams looked to protect front line services and redundancy programmes were the result.
- Quick wins in current operations were found. This included renegotiating existing supplier contracts to drive down costs.
- New strategies for making savings after 2015 and beyond were piloted. Both teams believed this was necessary in in order that new approaches could be scaled later in the game.

The corporate centre takes the initial pain

In order to protect front line services, the council corporate bureaucracy was expected to take the initial pain of further spending reductions. The teams had been advised that staff accounted for 40% of their overall expenditure, in both central services and across other budget lines.

AnyBorough had undertaken a voluntary redundancy programme in 2011, but an estimated further £4 million could be saved per annum through a senior and middle management restructuring programme. This would cost at least £4 million to implement upfront due to redundancy payments. Both teams restructured their organisations and estimated that 100 – 200 staff would be

made redundant as a result. This would therefore be a significant ‘pain point’ for the organisation as the council would lose capability and upset the unions.

Quick wins in current operations

After addressing staffing, both teams then looked at their existing service delivery contracts. Some 80% of the council’s environmental services had already been outsourced, but a large waste collection contract was up for renewal in the autumn of 2014. Culture, recreation and sport had been kept in house as members regarded quality leisure services as crucial to the wellbeing of the local community. The local football and rugby sides, in particular, were seen as a crucial part of the community fabric.

The terms of the environmental services contract were renegotiated, with a contract extension offered to the existing service provider on the basis of a 10% annual saving, or £1.9 million, to the council. The teams also believed they could secure a £1 million saving from outsourcing highways, roads and transport. Both teams wanted to review and restructure AnyBorough’s approach to leisure services. They established leisure trusts that would save between £1 – 1.5 million per annum through productivity gains, reduced overheads and efficiency savings. Recent research demonstrates that such approaches are becoming common place, with almost two-thirds of councils intending to cut spending on culture and sports.⁶

Shared services were also discussed, and there was some more headroom for savings along the Tri-Borough model. In 2011 Westminster City Council, the London Borough of Hammersmith and Fulham, and the Royal Borough of Kensington and Chelsea set out the plan to share services, combine back office and management costs, and save £33.4 million in the process.⁷ The teams believed they could reduce back office costs through a similar arrangement with neighbours.

⁶ See, <http://www.guardian.co.uk/society/2013/mar/25/council-cuts-local-government-knees>

⁷ See, <http://www.westminster.gov.uk/services/councilgovernmentanddemocracy/tri-borough-working/>

Growth in Leisure Trusts

Leisure Trusts have become increasingly prominent in local government in the last two decades; over a 100 have been established, providing 30% of public leisure centres in the UK with a combined turnover of £739 million. Greenwich Leisure Limited is the biggest such trust.⁸ As trusts can be established with charitable status they have been used as a vehicle for councils to make savings on business rates. They have also been able to unlock grant funding from the likes of the Big Lottery Fund and Sports England. However, due to changes in the business rate retention schemes may not be as attractive in the future.⁹

Pilot strategies for 2015

New approaches were piloted to deliver savings today and prepare the council for scaling best practice. Clinical Commissioning Groups (CCG) were engaged on social care 'gain share' models and re-ablement housing services were invested in. Through smarter working practices in the former, it was estimated that £1 million could be stripped out of expenditure this year and £2 million the following year. Through the latter it was estimated that £5 million could be saved.

The teams also made cuts to their education spending. Team One decided that they would begin to strip back some spending on reactive youth services, shifting to preventative approaches and saving £1 million in the process. Team Two decided to take £5 million out of their education budget and transfer £2 million into a jobs fund in partnership with Mike's Motors.

By this stage, Team One had been able to reduce its expenditure by £11 million. The team would bridge the remaining funding gap through increasing fees and charges and drawing on the council's reserves, which stood at 7.5% of its overall revenue budget. Team Two had taken out £13.6 million.

In the time frame they were given, neither team felt able or compelled to focus on demand side savings. Nor did they develop significant plans for economic growth and competitiveness. Equally, although they were confronted by a rapidly growing population neither team addressed the pressing need to unlock

⁸ See, <http://socialenterprise.guardian.co.uk/social-enterprise-network/2013/mar/21/leisure-trusts-save-money>

⁹ See, <http://www.durham.gov.uk/pages/pressrelease.aspx?pid=4029&archive=0>

housing development. In Turn Two and Turn Three the pressure was increased in order to push both teams to think more creatively about these issues.

LOCAL HEADLINES: PRESS RESPONSE TO ANYBOROUGH COUNCIL'S DECISION

A reporter from AnyBorough Gazette was asked to observe and question Team One and a reporter from AnyBorough Bugle did the same with Team Two. The headlines and stories the reporters wrote were intended to capture the potential impact of the council's spending decisions on local residents. The stories were aimed at forcing participants to think about the consequence of their spending decisions.



Gardener's Nightmare Fear for AnyBorough

Drastic cuts to the borough's key services have been announced by Anyborough Council which could see more weeds on pavements and verges, closure of youth centres, cuts in school transport for disadvantaged children and increases in council charges.

The council says it has to save £13m by 2015 but has denied the cuts will hit Anyborough's most disadvantaged citizens, especially young people who already face high unemployment.

Councillors believe they can save £1.9m by reducing the amount of

grasscutting, claiming it will lead to areas of wildflowers that will 'beautify' the borough. But Phyllis Lake, secretary of the Anyborough Residents Association, said; 'This is just a ruse to obscure the fact our roads and verges will be full of unsightly weeds. The next thing is we'll all be handed garden shears and told to do the job ourselves. It'll be a gardener's nightmare. This borough has a budget of £168m and yet they can't even afford to cut the grass. What do they do with all their money?'

AnyBoroughBugle

News that puts local people first

Council Cuts Blamed for Pensioner Death

A distraught family has attacked AnyBorough Council after a disabled pensioner died just days after being forced to move out of her care home.

The authority sold off eight care homes to a private buyer for £4.5m. The new owners, Mean Management, increased monthly rents by more than £500 a month, forcing Doris Smith, 90, to move despite her ailing health.

Her daughter, Jenny Jones, 62, said the council was “callous” and attacked leader Cllr Mansfield who had earlier promised to care for senior citizens.

It comes as the troubled authority is facing industrial action after 200 jobs

were axed and a further 60 transferred to another employer. Theresa Bloggs, a single mother of three who lost her job as a planner with the council in the latest staff cull, said the cuts were putting public services and local residents at risk.

A council source told the AnyBorough Bugle that the authority was also banking on raising more money in council tax from new residents moving into the borough, but commuting to London for work. The staff cuts were made despite a commitment from Cllr Mansfield to provide up to 5,000 new jobs locally.

3 *Transformational savings*

In turn two, the council teams set the budget from 2015/16 to 2017/18. The outputs for this round were three transformational savings ideas including Social Impact Bonds and health and social care integration. At the end of the round, the market group pitched a new product or service to the council.

Summary

- The integration of adult health and social care was the priority. Both teams looked to dramatically reconfigure their service partnerships.
- Commercialising non-statutory services was crucial to raising revenue and reducing costs. By way of example, both teams looked at ways to sell services to schools.
- Early intervention in the provision of children's services was an important policy area. But as it would not achieve significant savings in the short term new funding mechanisms, such as Social Impact Bonds, were required.
- New private and social housing was addressed and a Revolving Investment Fund was established in order to finance new projects that would stimulate economic growth.

The teams were now asked to find an additional £13 million worth of savings. They had until 2017/18 to do this and the majority of low hanging fruit was now gone. Both teams independently assumed that there would be a £2 million growth in the Council Tax Base over the spending review period. This would help alleviate some of the revenue pressures. The transformational ideas are outlined below alongside real world examples as appropriate.

Transformational savings after 2015

Team One's ideas were: 1. Reconfigure adult social care for a new *Ageing Well* strategy; 2. Commercialise services to schools; 3. Act on housing as both a strategist and provider.

Team Two's ideas were: 1. Integrate Health and Social Care, funded through a Community Budget; 2. Design Social Impact Bonds for Children Services; 3. Create a Revolving Investment Fund.

Integrate adult health and social care

New delivery models for integration strategies were the priority issue. In order for this to work, the teams recognised that they would need to co-design services with GPs and Geriatricians. The Health and Wellbeing Board would be used as the governance vehicle, and cashable savings would also be shared with clinicians and GPs. The establishment of a new organisation, AnyBorough Care (ABC) was also mooted as a total provider of health and social care

It was estimated that savings could be made of around 12.5% of the overall adult social care budget, or £5 - £7 million, if the model successfully integrated a full suite of new techniques. But this could rise to 30% if a 'whole-system approach' was implemented to share savings realised by acute trusts.

However, it was acknowledged that such approaches must be supported by reform in the NHS. Integrating commissioning functions at a local level requires upfront investment by councils and is risky, with the majority of cost savings accruing to the acute healthcare sector.

CASE STUDY

Health and Social Care Integration

A number of councils are already moving forward with new approaches to the integration of health and social care through CCGs. A Joint Commissioning Board has been established between Leicester City

CCG and the Public Health team at Leicester City Council. The Board has agreed a broad range of areas where there is potential for joint working, these range from general 'lifestyle interventions,' to integrated care pathways for older people, to better commissioning arrangements for voluntary sector contracts.¹⁰ Leeds City Council is encouraging collaboration through co-locating adult social care workers with community NHS staff, coalesced around GP practices, and through collective spending aimed at outcomes shared with the NHS. It is also fostering social capital through the use of volunteers and voluntary groups providing friendly visits to older people.¹¹ Essex County Council has also been pioneering new approaches. They are currently in the process of establishing a single support vehicle for new commissioning entities across Essex and the 7 CCGs in the county. The ambition is to reduce demand, improve care outcomes and share risk and benefit across the whole system. The total cost of elderly care across the NHS and local authorities in Essex is estimated to be £1 billion. It is estimated that the new approach could save £348 million by 2017/18 that would help plug a widening funding gap.¹² Research commissioned by the LGA suggests that if this approach was scaled up there could be a 5 year net benefit to the public sector of £5.8 – 12 billion.¹³

Establish a Social Impact Bond for children's services

The Social Impact Bond (SIB) would be used to help manage demand for children's services through up-stream, preventative interventions. Initially the team believed that this could be funded by a philanthropic investor and it could later be marketed as an 'early year's bond.'

Team members recognised that this was a long term approach with long term pay offs. However, they thought a £1 million saving could be made within the spending review period.

¹⁰ See, [http://www.cabinet.leicester.gov.uk/\(S\(t1fziw45wvh0zr45gujmstei\)\)/mgAi.aspx?ID=49017](http://www.cabinet.leicester.gov.uk/(S(t1fziw45wvh0zr45gujmstei))/mgAi.aspx?ID=49017)

¹¹ See, <http://www.volition.org.uk/wp-content/uploads/2012/11/ASC-and-health-integration-update-November-2012.pdf>

¹² See, <http://www.webc.org.uk/projects/health-and-wellbeing-2/single-commissioning-approach-2>

¹³ See, http://www.local.gov.uk/c/document_library/get_file?uuid=3e06dd05-6204-4ae8-9b41-81f516cb9a5b&groupId=10171

SIBs are regarded as having significant potential to focus on social outcomes whilst also ensuring that providers are paid by results. They also transfer financial risk from tax payers to investors. A number have been launched in recent years, the most advanced of which is the Peterborough bond launched in 2010 to help reduce reoffending amongst recent prison inmates.

CASE STUDY

Social Impact Bonds in Essex

The first local authority Social Impact Bond in the UK will fund a £3.1 million, five-year programme to deliver intensive support to 380 vulnerable adolescents in Essex. Bridges Social Entrepreneurs Fund and Big Society Capital will be investing alongside other social investors. The scheme will be managed by Action for Children. The purpose is to avoid potential future crisis situations and save money for the public sector. An estimated £9 billion is spent annually on troubled families – an average of £75,000 per family each year. Investors get a return if the new scheme ensures that around 100 adolescents don't enter care. The government has set aside £20 million in a new social outcomes fund to accelerate such deals.¹⁴ If this is to be scaled up then HM Treasury may need to consider the potential of proportionate financial contributions from a number of Whitehall departments. This would, of course, be contingent upon an equitable balance of risk and reward from improved local service delivery.

Commercialise non-statutory services

With the increasing development of academy schools, the teams decided that AnyBorough's expenditure on children's services and education was too high. Therefore, they believed it would be possible to reduce that budget by as much as £10 million. It was stressed that the change would not affect Special Educational Needs provision.

The teams moved the rest of its education budget into a new traded services model that would provide services to schools throughout the borough and

¹⁴ See, <http://www.guardian.co.uk/society/2012/nov/23/social-impact-bond-teenagers-homelessness>

beyond. There was a sense that the market was immature for school support services and there was an opportunity to exploit this. The traded model would sit within a new company outside the council, for as one team member said, the new service ideas: “are not transformational if they stay in the local authority.”

CASE STUDY

Commercialising education services

Staffordshire County Council has already pursued a commercial approach to schools services, by establishing an independent joint venture company, which has incorporated business skills. Known as Entrust, the company will start work with 400 schools. The county council has a significant stake in the business, with 49% of the shares and will have two representatives on the board of directors. That stake will provide Staffordshire with a £30 million cash gain which can be reinvested in local public services. The council will also receive dividends based on the future growth of the company.¹⁵

The decision was made to ring-fence £3 million of the savings from children’s and education services for an investment pot to support young people. This pot could be used for job guarantees, skills training or even to extend free school meals to more students. It was also designed to overcome the significant political ‘pain points’ that AnyBorough endured when it stopped providing school support packages.

Invest in new social and private housing

To finance new public housing development the teams decided to make use of the borrowing headroom allowed by the Housing Revenue Account. They would also pursue mixed tenure developments, and make use of council owned land, particularly brownfield sites, to unlock these. Both strategies were required to meet growing demand in the area as In the last decade, the population of AnyBorough grew by 16%, higher than the English average of 7.2%.

¹⁵ See, <http://www.thisisstaffordshire.co.uk/ll-make-school-staff-changes-work/story-18533302-detail/story.html#axzz2PjTjRl>

CASE STUDY***Joint venture housing developments***

Oxford City Council has established a medium term joint venture partnership to build around 1,000 homes on its own land at Barton, on the city's eastern periphery. The new development will be built out on 36 hectares of land most of which is owned by the council and has been transferred to Barton Oxford LLP. The scheme aims to deliver 40% of new homes as affordable housing and has leveraged the value of the land to help achieve this.¹⁶ Barton is billed as a 21st century garden suburb.¹⁷

The teams were particularly interested in the potential of housing schemes that supported independent living for the elderly. They believed that by focusing on specialist accommodation for the elderly they could encourage independence later in life. This would take pressure off the social care budget.

Establish a Revolving Investment Fund

Participants agreed that they wanted to make a direct intervention in the local economy. They thought that they would have to wait too long to establish an Enterprise Zone, something that had been previously mooted, as it would require HM Treasury approval. To be more pro-active they would borrow £2 million from the Public Works Loan Board to set up a Revolving Investment Fund.

The new money would be placed in a ring-fenced pot. The fund managers would have a mandate to make strategic investments in infrastructure to realise a return. It could also take advantage of Community Infrastructure Levy and New Homes Bonus revenues.

¹⁶ See, <http://www.oxford.gov.uk/PageRender/decVanilla/BartonDevelopment.htm>

¹⁷ See, <http://www.bartonoxford.org.uk/masterplan/>

CASE STUDY

Revolving Investment Funds

Revolving Investment Funds provide access to a flexible source of capital that can be used for project finance. Importantly, the money is provided as a loan, not a grant or subsidy. They have the potential to encourage local experimentation. Team Two would be drawing on the experience of the Evergreen North West Fund, London Green Fund and Cambridgeshire Horizon's rolling fund, although with a £2 million starting pot, AnyBorough's fund would be of a much smaller scale.¹⁸

LOCAL HEADLINES

AnyBorough
the **Gazette**

The community's
number one
Newspaper since
1923

Head-Teacher Anger at Swingeing Council Cuts

Headteachers have reacted angrily to claims from councillors that schools are milking AnyBorough Council's cash-strapped budgets.

The town hall says schools, all of which have become independent academies with their own funding, are still receiving £10m of council services but not paying for them. It says either they

must cough up or the council will stop the services altogether.

Council leader Daisy Mansfield told the Gazette: 'We've been conned by schools for too long. They're freestanding entities which get their own funding direct from the government yet are still expecting us to provide back office support like IT and payroll.'

¹⁸ See, <http://www.nlgn.org.uk/public/2012/grow-your-own-skills-and-infrastructure-for-local-economic-growth/>

Mrs Molly Maquire, head of the federation of AnyBorough head-teachers said: ‘This is outrageous. It means taking food from the mouths of our children.’

The savings are part of a crackdown on budgets by the council called its transformation programme.

The council is also launching an ‘adopt a granny’ scheme in which families are being urged to look after their old folk and save the council £5m a year in not having to look after them itself.

AnyBorough Bugle

News that puts local people first

Councillors Promise “Cradle to Grave Care”

Councillors are promising that local people can expect “cradle to grave care” after AnyBorough Council agreed a deal over the management of social care and children’s services.

The council has promised to save £7m and improve care services by merging social care with the local NHS. Working together, doctors and social workers will help people stay out of hospital and provide “personalised” support for residents. It is the first borough to agree such a deal, map proved by health secretary and local MP Jeremy Hunt.

The council will also join forces with academy schools and philanthropists, asking them to invest extra cash in children’s centres and services to keep children safe. This will save £1m

this year, but is expected to save the authority tens of millions in child social care over a generation.

Margaret Smith, manager of the AnyBorough Nursery, said allowing local schools to support children’s services would improve educational attainment among young people by ensuring that children were ready for school before age five.

Other councils will be watching these schemes closely as local government across the country struggles to balance budgets against a backdrop of rising demand for care services. Hunt praised AnyBorough’s Conservative councillors for their “bold and brave vision of a personalised care service for all residents, whatever their age or needs”.

The private sector pitch

To conclude turn two, another element was introduced into the game; the private sector pitch. AnyCorp had been involved in initial discussions about the council's priorities and then independently worked up a business strategy that they believed would meet AnyBorough's needs.

Neither of the teams thought that the AnyCorp pitch was convincing enough for them to sign up. Some concerns were voiced that this "was an old world regeneration strategy." New approaches to economic growth were to dominate the next turn.

AnyCorp's growth proposal

The model that AnyCorp employed was a Local Asset Backed Vehicle (LABV). This would be a joint venture, 51% owned by AnyCorp and 49% owned by AnyBorough. The council would receive a capital receipt and the vehicle would borrow against the value of AnyBorough's land and property assets, such as the theatre. This posed some difficulties for Team One as they had already ear-marked that land for council-led housing development.

The LABV would have a wide ranging focus, including a new retail development, an apprenticeship scheme and the development of 500 new homes. It would also provide each team with an upfront capital receipt. It was believed that the approach would build on the commercial opportunities afforded by the council's considerable asset holdings but bring in private sector development capability and risk management skills in order to unlock growth in the borough.

Such asset backed, joint ventures have been employed for a number of years as an alternative to private finance initiatives. However, they are proving less attractive in current market conditions and the developer John Laing recently pulled out a number of deals it was bidding on as its board was concerned that "there will be a lack of scale in UK social infrastructure opportunities in the foreseeable future."¹⁹ "Councils

¹⁹ See, <http://www.planningresource.co.uk/go/home/article/1167380/john-laing-pulls-of-its-labv-bids/>

have therefore been behaving more commercially on their terms. Birmingham City Council, for example, kick started the redevelopment of New Street Station through the £91 million purchase of the strategically important, and privately held, Pallasades shopping centre.

Both teams saw benefits in the model but wanted a more equitable balance of risk and reward. They also thought that the larger LABV model could be a Trojan horse for a company based on housing development; it was agreed that more clarity was needed on the potential returns and the business model of AnyCorp.

The reaction to the private sector pitch could be indicative of a lack of trust between the public and private sector. A discursive and open approach, rather than a pitch, may have had a more positive outcome. Such dialogue needs to be a two-way process between commissioners and providers, with both parties recognising their inherent capabilities and skills. This is as much about effective working relationships as it is technical or contractual detail.

4 *An economic shock*

In turn three the task for the councils was further complicated by the introduction of an economic shock and a further savings objective. The output for this round was a finalised balanced budget in light of these challenges.

Summary

- Economic investment strategies and contingency plans in case of economic shocks were top of the agenda.
- Some services were stopped entirely. Both teams set up trust models for cultural services, but more work needs to be done if these are to be commercially viable in the long term.
- Health and social care integration proved very difficult to deliver. Both teams were judged to have overestimated the savings that can be made through demand management strategies.
- Smarter partnership working was addressed. It was regarded as vital to maintaining council viability in the next spending review. This ranges from large local employers through to community groups.

The third turn began in the summer of 2016. Due to macro-economic conditions, Mike's Motors, employer of 3,500 people, had decided to relocate to Bratislava. The result was an immediate 5% reduction in AnyBorough's tax base, rising unemployment and a negative net effect of £7 - £9 million on the council's budget.

To make matters worse, both teams were informed that their health and social integration plans had failed to deliver projected savings due to rising demand for services. As a result, the teams now had to find approximately £10 million worth of savings whilst also intervening more directly in the local economy. The challenges facing AnyBorough had suddenly become much more acute.

The impact of business relocation

The situation faced in AnyBorough has been faced by many local authorities that are reliant on a large local business as the main provider of jobs. In 2006 Peugeot closed its car plant in Ryton, Warwickshire and approximately 2,300 jobs were lost. The site has been empty for five years; in 2012 Network Rail announced its intentions to build a new £25 million road haulage distribution centre on the site. It is hoped that the scheme could create 1,000 jobs although these will not require the same skillset used by an automotive manufacturer. Another carmaker, Ford, announced in 2012 that it will close its plant in Dagenham in East London. The GMB Union said that 1,000 jobs would be lost at the plant and there were also concerns about its wider impact on firms in the local supply chain. Ford said the decision to close the plants was taken “against a backdrop of the severe and persistent economic crisis in Europe”, which had seen demand for cars in Western Europe drop by 20% since 2007 and car sales in the region hit a 20-year low. However, active intervention from local authorities can make a major difference. Twenty years after the pit shut in Grimethorpe, a village in Yorkshire, the strategies of Barnsley Council have paid dividends. In the early 1990s Grimethorpe was listed as the poorest village in England with a shrinking population and growing crime rate. But a £164 million public and private investment has seen new roads link the village to motorways and 50 businesses have moved to the area, including the big online fashion retailer ASOS. This has in part been achieved through business rate discounts.²⁰

A green-technology business park

Responding to the departure of Mike’s Motors, the first question asked was what is left of Mike’s Motors supply chain and plant? The teams wanted to understand what was salvageable and how they could build on this. Retaining the skills of Mike’s workforce was also regarded as a top priority;

²⁰ See, <http://www.bbc.co.uk/news/uk-england-20901162>

the teams believed that they had an 18 month window to do this before Mike's Motors left for good.

Making use of the site of Mike's Motors, both teams believed that they could encourage investment in a multi-use business park anchored upon green car production. They would appeal to HM Treasury to fast track the establishment of an Enterprise Zone alongside a £10 million council funded pot that would repurpose the site and offer equity investment to SMEs to encourage the development of a green technology. In order to get the capital for this investment they would borrow from the PWLB. They would also look for a private sector partner to deliver the scheme and considered approaching AnyCorp to gauge their interest.

In addition, AnyBorough would set itself the target of becoming the UK centre of Green Alternative Technology. Young workers would be linked into this strategy through a zero NEET policy. In order to encourage the financial sustainability of the council, they would also become a 'zero-waste borough' and charge for waste and recycling. However, both teams accepted that their schemes and ambitions would take a while to realise. Highly skilled workers may leave AnyBorough in this time.

Further savings to finance investment

Financing the capital investment would not be easy. More savings were needed. One of the teams believed that the financial pressure required them to consider "getting out of everything non-statutory."

Education work was reduced to a small commissioning function, with music services and breakfast clubs stopped entirely, saving the council an estimated £10 million. Libraries were closed with seed capital provided for the community to continue to buy books, potentially through a mutual business. This would save £2.5 million. This approach was pressed on with despite some uneasiness about the capacity and interest of the local community in running library services. The leisure centre trust would lose all subsidy, saving the council another £2.5 million. In order that this policy did not hit the poorest hardest, the council would ring fence £1 million worth of leisure vouchers to be passed to the community.

Team Two decided to bring the management of housing back within the council; it had previously been in an Arm's Length Management Organisation, to save an estimated £2.5 million. They also looked to refinance historic debt and saved £2 million through this approach. Additional savings were made through addressing care for children's services. This was based on the assumption that some foster children support would be currently based outside their administrative boundaries and that re-provisioning would maintain quality whilst driving down cost.

Team One decided that the capital receipt offered by AnyCorp at the end of the previous turn could help finance their growth strategy. However, they looked to change the terms of the deal and instead focus on housing development. They would sell the golf course for housing development – 'Fairway Residential' – and also develop the football stadium for prime city centre executive flats. In order to overcome the pain points they received for this they would help the football club relocate to a new site and provide the finance for this.

LOCAL HEADLINES

the ^{AnyBorough}Gazette

The community's
number one
Newspaper since
1923

Council Hit by Budget Crisis

Anyborough Council was described as being in 'meltdown' last night as councillors grappled with a £12m hole in its budget caused by soaring adult care costs and a collapse in local tax income.

The departure of the borough's biggest employer, Mike's Motors, to Bratislava has not only cost 3000 jobs but the loss of vital business rate revenue to the council.

Opposition leader Cllr Jim Chatterbox said: 'This crisis has been a long time coming and yet the ruling group has done nothing to prepare for it. We've all known its grandiose plans to save money in adult care were a fantasy since its housing strategy has had the effect of encouraging more elderly people into the borough. As for Mike's Motors, any Tory councillor with half a brain should have noted by the number of visits Mike was hosting from Bratislava council that he was being induced to shift to Slovakia.'

Cllr Chatterbox added: ‘The fact is the Tory administration has sat on its hands and now the council is in meltdown. The Tories couldn’t run a wheel stall and should resign.’

But leader Cllr Daisy Mansfield angrily denied the claims saying: ‘While the adult care deficit and the loss of Mike’s Motors has cost the council £12m we’ve saved that money by bringing our housing body back in-house, by good housekeeping of our finances and cutting red tape. We’re also transferring our leisure assets to a trust. As for Mike’s Motors, we intend to turn the

site into a Silicon Valley village for hi-tech clusters and low carbon industries.’

But Cllr Chatterbox called the ideas ‘pie in the sky’ adding: ‘There is no way 3,000 jobs can be provided by one man and a dog businesses. We need a big manufacturer. The Tories should get off their backsides and go out and sell AnyBorough to big investors abroad in China and India.’

He added: ‘As for the ludicrous idea about selling our best assets this is just a case of the Tories flogging the family silver to cover their own incompetence.’

AnyBorough Bugle

News that puts local people first

Vital Education Services Slashed

Pupils are arriving at school hungry and unable to concentrate after AnyBorough Council axed breakfast clubs which kept children from poorer families fed, according to angry teachers.

It is just one of a host of education services slashed by the authority, alongside musical instruments and tuition for children, English language education and the local school improvement service. Councillors believed that independent academy schools would take over the running of breakfast clubs but head-teachers and investors in the schools have claimed they are unnecessary.

Teachers are furious about the decision. “This is a cruel decision, punishing children from tough backgrounds at a time when all hardworking families are finding it difficult to make ends meet,” said Elizabeth Jones, head of year five at AnyBorough Primary. “It’s the council’s responsibility to look out for vulnerable children and they are failing to do so.”

Angela Moanalot, a 23-year-old mother of two who lost her job as an administrator when major local employer Mike’s Motors relocated to Eastern Europe, said she relied on the service to feed her daughters each

morning. “I just don’t know what to do” she said.

Last week the Bugle revealed AnyBorough Council is planning to close 10 libraries and replace the service with an online book delivery scheme. The authority has also been criticised by Labour opposition councillors for subsidising residents who live “fat

and lazy lifestyles”, after increasing charges to use local leisure facilities for all except those who qualify for an exclusive voucher scheme.

Vouchers are available to disabled people and disadvantaged families - but also those referred by doctors because they are obese.

5 *AnyBorough in 2018*

AnyBorough Council in 2018 will be a very different organisation. It will be smaller with many of its services reduced, delivered differently or not at all. AnyBorough will be a different place due to both decisions taken by the council and the macro-economic conditions that impact upon its major employer. To illustrate this, the decision making criteria that took both teams to 2018 are outlined below.

Both teams made remarkably similar choices about the services that they would protect and those that they would cut. The only major differences in their decision making were largely in the margins. This may be because the spending reductions faced by AnyBorough were not as difficult as those that many will have to face. Metropolitan authorities in the north, for example, have been hit particularly hard.

AnyBorough Council will be a much smaller organisation by 2018 with both teams reducing head count through redundancy programmes. Dramatic spending cuts were also made to education support services and culture, recreation and sport. The former was commercialised and sold back to academies, whilst the latter was placed in a trust that had to quickly become financially self-sustaining.

Efficiencies were driven out of all other service areas, with providers asked to reduce costs in environmental services, existing debt refinanced and housing brought back into the council. Social service integration was a priority issue for both councils, particularly adult care, but in the face of growing demand it was very difficult to see any large savings accruing back to the council. The implications of the decisions are shown in the graphs below. All service budgets are index linked to 100 so that the reductions can be seen relative to the initial spending for each specific service area. Only services with major spending reductions are shown.

Figure 5 AnyBorough Team One: Indexed cuts to all services

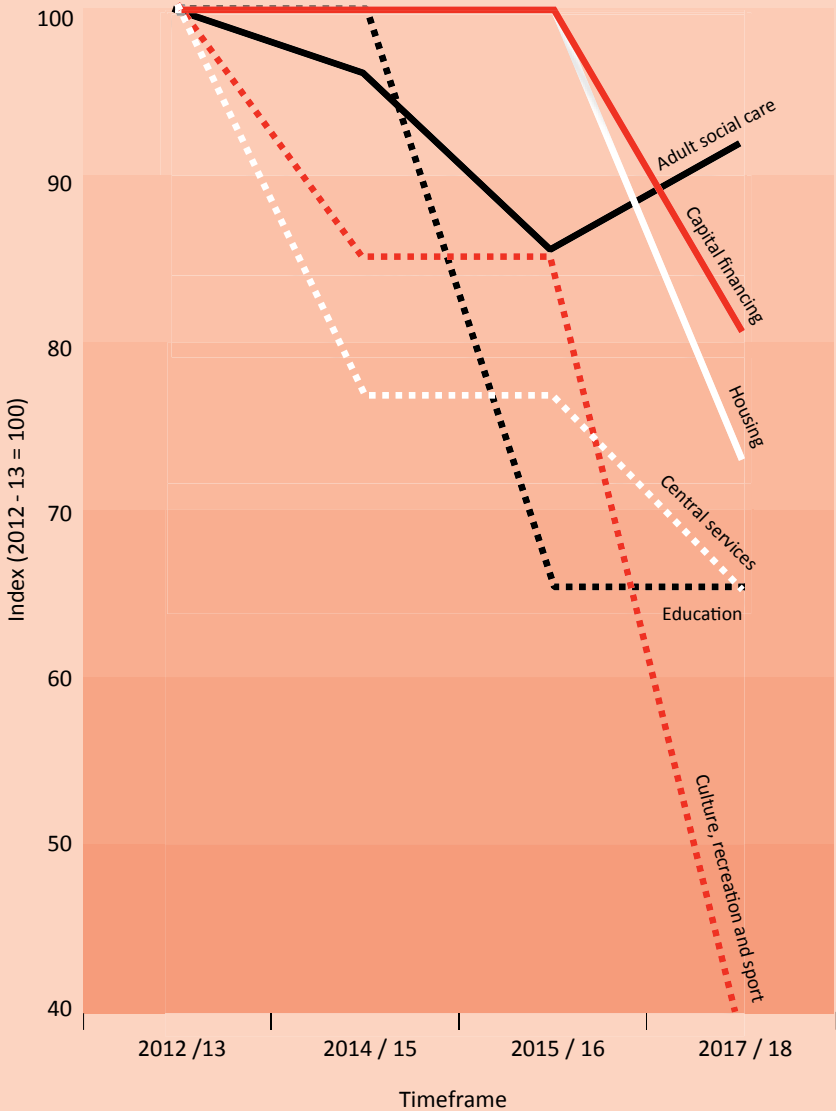
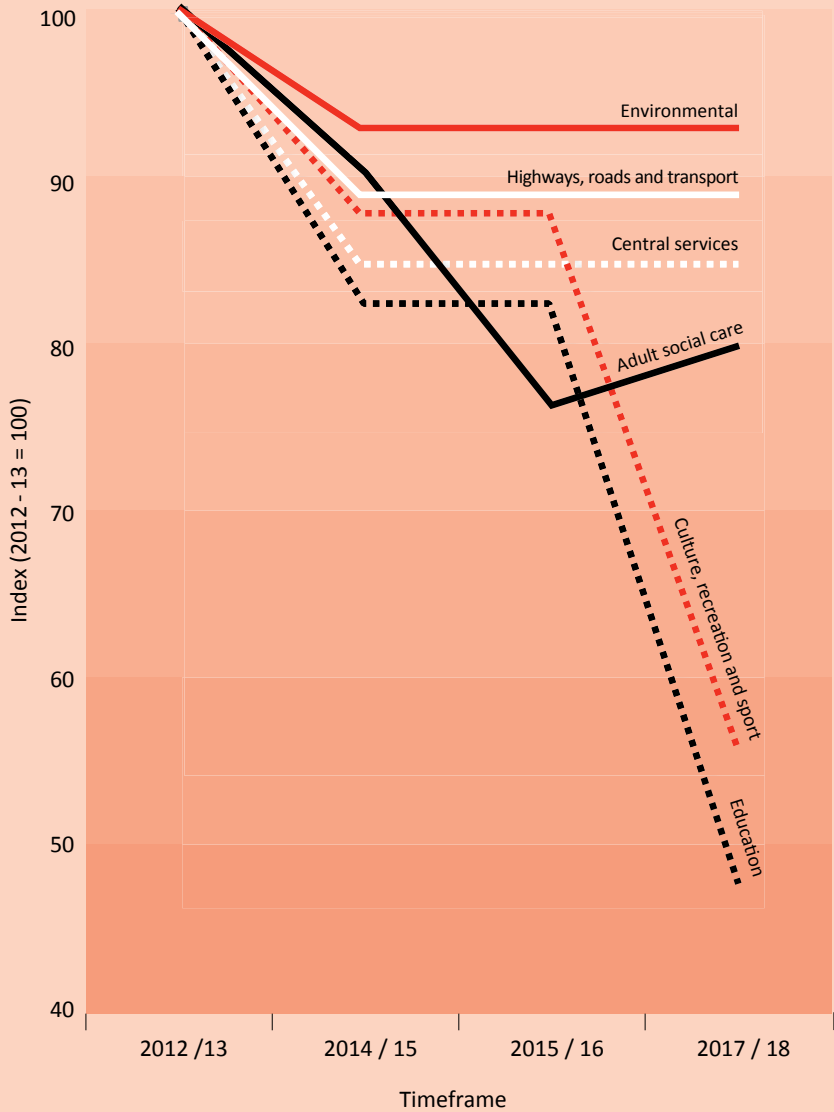


Figure 6 AnyBorough Team Two: Indexed cuts to all services



LOCAL HEADLINES**What would the papers be writing about in 2018?**

AnyBorough will be a different place in 2018. Jim Chatterbox, Leader of the Opposition, who was interviewed by AnyBorough Gazette in turn three, continues to criticise the administration's decision making. However, Council Leader, Cllr Daisy Mansfield, was confident ahead of the next election. She said: "This has been a very difficult few years for the town and the council, but in AnyBorough we have turned a corner. The green shoots of green recovery are apparent both at the former site of Mike's Motors and in our whole borough sustainability strategy."

Anyboroughs' publicly funded culture, recreation and sports facilities have either been closed entirely or are in a state of disrepair due to maintenance cuts. Phyllis Lake, secretary of AnyBorough residents association, said: "This has been harmful to both children and elderly people. It has torn the cultural heart out of the borough." Of equal concern to residents was the proposed relocation of AnyBorough FC away from its historic home to a new stadium on the fringes of the town.

The council is working more closely with CCGs, the HWB and the NHS. However, although elderly residents are now receiving a better standard of care it has done little to reduce demand and cost pressures for the council. Some vocal members of the cabinet are campaigning for further funding reform in Whitehall.

Initial controversy over the cuts to education support spending was tempered by private investment in the academy schools programme. However, this did nothing to alleviate the need for capital investment to provide primary schools for the growing number young families in AnyBorough. "We are optimistic about our future here," said Gary Smith, a newly-wed who recently moved into one of the properties in the Fairway Residential development. He added: "The excellent transport links mean I can commute to my job in London whilst my wife works in a neighbouring town. However, we are concerned about the lack of school places so may look to move when we start a family."

Theresa Bloggs who lost her job with the council struggled to find work and eventually had to leave the borough. Following the closure of Mike's Motors her departure was followed by that of a number of highly skilled engineers who moved for work around the UK or in Europe.

The job losses at Mike's Motors were tempered in part by a number of small businesses who relocated their offices to the area. After a difficult few years the borough was beginning to rediscover some of the vibrancy it had enjoyed in 2012. "We wanted to take advantage of the business rate discount and fast track planning the council offered us. It has given us a chance to expand our operations," said Steve Parker, owner of Green-Tree vehicle solutions. "But it is ironic that a borough that bills itself the new home for green automotive has so many holes in the roads."

Practical decision making

Reflecting on the choices made by both teams, and the outputs of the three rounds in totality, it is possible to establish some criteria that guided the decision making for the AnyBorough teams.

- The corporate centre takes the initial pain
- Look for quick wins in current operations
- Pilot strategies for 2015 now
- Communicate clearly with the media and public
- Integrate health and social care
- Commercialise some non-statutory services
- Stop other non-statutory services
- Lead on housing development
- Invest for economic growth

There are a number of councils that have already made the choice to pursue policies based on many if not all of the criteria above. The rest of the sector will need to accelerate change if it is to be ready for 2015. However, simply following this decision making process runs the risk of focusing on the operational at the expense of the strategic. It is with the latter that the final two chapters are concerned.

AnyBorough decision making criteria

The corporate centre takes the initial pain

This will involve further job losses through middle management restructuring. AnyBorough needed to draw on its reserves to make redundancy payments. The proviso is that Team One also invested in building staff skills and capabilities.

Look for quick wins in current operations

Both teams renegotiated the terms of existing service contracts, for example environmental services. They also shared back office services, such as ICT, and one team looked to refinance their existing debt.

Pilot strategies for 2015 now

Taking the time to plan and invest in pilot programmes was regarded as essential to meeting the challenge of the next spending review. These programmes could then be scaled when further cuts began to bite.

Communicate clearly with the media and public

The impact of the media portrayal of AnyBorough decisions was particularly instructive. The teams took the time to explain their decision making to the journalists after the first turn, treating the media as potential allies. Finding channels through which councils can honestly communicate the reality of spending reductions and the value and cost of services is of paramount importance.

Integrate health and social care

This was a priority issue and both teams looked to address it head on through collaboration with CCGs and HWBs, or establishing new delivery vehicles like AnyBorough Care. Many local authorities are already pioneering such approaches.

Commercialise some non-statutory services

Both teams believed that in light of the development of academy schools there would be less of a role for local government in the education sector. The resulting reductions in the education budget were striking and would involve the loss of music services and breakfast clubs.

Stop other non-statutory services

Further spending constraints after 2015 meant that both teams made dramatic cuts to their arts, culture and leisure budgets. Trusts were established with some initial capital support but they would need to become financially self-sustaining as the council could no longer provide revenue support.

Take the lead on housing development

Increased demand for private and social housing will be an important issue for many different local authorities. Councils should target building projects at specific demographics and work with the private sector, Registered Social Landlords, and the Homes and Communities Agency to unlock land and new developments.

Invest for economic growth

Both teams put money in a ring-fenced pot for economic growth. These funds were ramped up in the wake of the economic shock; however the investment strategies may have had more impact if they had been long term rather than reactive.

SECTION TWO

6 *A new generation of place leadership*

The budget war game led participants to reflect on the need for councils to reinterpret their role. This theme was developed during regional roundtables. It was agreed that looking outwards to place and creating space for longer term thinking is essential. Councils will need to develop a new set of characteristics if they are to make this happen.

In 2007 the Lyons Inquiry defined place-shaping as “the creative use of powers and influence to promote the general well-being of a community and its citizens.”²¹ Yet, the game made clear that councils are continually pressed into restructuring what they control rather than asking what they should be influencing.

Undoubtedly innumerable variables can impact upon place; populations fluctuate, short term crisis hit, businesses come and go and public opinions change. It is much easier to focus on institutions and process rather than wider determinants of individual and community wellbeing. It is imperative that councils focus on both. Internal efficiencies must be balanced with a focus on the external environment.²²

During plenary discussions following the budget war game there was general agreement that councils had to: “change from administrators of services to leaders of local governance.”²³ The round table discussions made this even clearer. Councils will have to rely on their capacity to govern and influence rather than direct and deliver. They will need to set out long term goals grounded in their political sovereignty.

Place leaders will accept and manage uncertainty. Too often local government can become the victim of risk aversion and “analysis paralysis.”²⁴ If the current storm in

²¹ See, <http://www.lyonsinquiry.org.uk/>

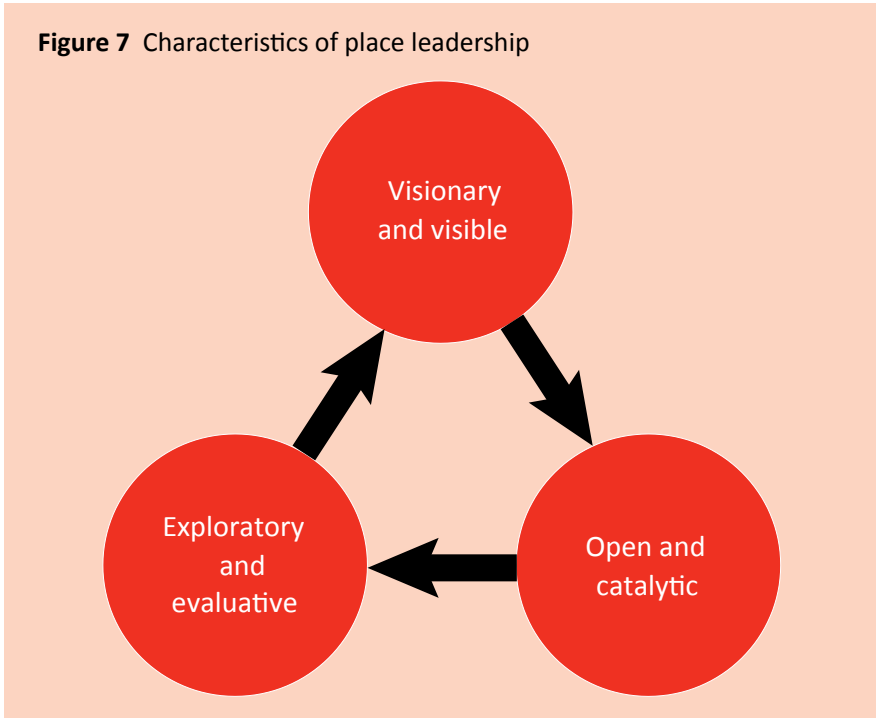
²² For more on the need for local government operational agility see <http://www.pwc.co.uk/government-public-sector/publications/the-agile-council.jhtml>

²³ War game participant

²⁴ Roundtable participant

council finance is to be weathered then conviction and activism is essential. To this end, we suggest that place leaders will be visionary and visible, open and catalytic and inquisitive and evaluative. They will also work beyond institutionally-bounded mind-sets and ignite a number of other local leaders. In order to set out how this could happen, the recommended characteristics of place leadership are outlined below.

Figure 7 Characteristics of place leadership



Visionary and visible

Visions must outline specific goals but not limit innovation. In the AnyBorough game, players were asked to set three principles to guide their decision making. Different choices may have been made if they had been asked to set three objectives for the long term. As one senior officer said in their conclusion: “This is the new normal [...]. We should be looking out to 2020 and that means making decisions that cut across three administrations.”²⁵

²⁵ War game participant

Members must take the lead on the vision setting. Political oversight and scrutiny will need to be reconfigured in order that members are focused on policy for place outcomes; rather than scrutiny of departmental budgets and narrower ward interests. Robust political accountability is necessary so that the vision is visible, supported and matters to the public.

A number of councils have already gone down this route. Bristol City Council, for example, set up a Futures Department in March 2011. This department brings together economic development, environment and digital technologies and has set out a vision for a sustainable city. The City of York Council, in partnership with the local PCT, has a vision driven by social policy considerations for the York 'Dementia without Walls' strategy. East Lindsey District Council has decided to invest in arts and cultural activity. The positive impact of council organised events for the 2012 Olympics led it to increase its arts budget five-fold, from £60,000 in 2011 to £350,000 in 2012.²⁶

In a time of financial constraint councils have had to look again at the resources available to them to achieve their vision. Councils own many physical assets, such as buildings and land, and they have unique advantages, such as heritage sites or farmlands. Bringing empty property back into use, for example, could see liabilities turned into opportunities for realising the place vision.

Local authorities need to make their strategic vision highly visible. They need to find channels through which they can openly engage in dialogue about the reality of spending reductions and the value and cost of public services. The media portrayal of AnyBorough's decision making had a significant impact on the success or failure of policies. Councils will therefore need to both push out their message and pull back insight that can support the vision.

At the same time, councils have become much more transparent about their operational decision making.²⁷ Local audit has been reformed, with detailed spending and salary data published online. Open formats with open licences mean that people can use and reuse the data for many different purposes. This visibility must go beyond so called 'armchair auditing' to encourage community-led innovation in local services.

²⁶ See, <http://www.legacytrustuk.org/national-programmes/games-time/>

²⁷ See, <https://www.gov.uk/government/policies/making-local-councils-more-transparent-and-accountable-to-local-people>

Open and catalytic

Successful localities are reliant on co-creation amongst councils, the wider public sector, local businesses, LEPs, the voluntary sector and residents. All of these stakeholders will need to be catalysed in order that they take ownership – to a greater or lesser extent – of the place vision.

The wider public sector will need to be engaged on issues from public health to housing management. Commissioning is currently in the process of transformation, moving away from a traditional silo based approach towards a collaborative focus on outcomes.²⁸ Place leaders need to ingrain these changes.

Businesses, particularly large employers, are the drivers of local growth and jobs. Yet, many local authorities have not developed the capability to involve the private sector, collaborate across functional economies or strategically invest for economic development. LEPs and the City Deals are changing this; but the change needs to happen quicker and must also include recognition of local supply chains and maximising opportunities to access export markets. The private sector has a crucial role to play as corporate citizens too. The late 19th century saw Bournville, Port Sunlight and Saltaire built as testaments to business engagement in place leadership. In the 21st century value-led companies are increasingly aware of the triple bottom line of economic, environmental and social value. Their investment in place needs to be both better understood and utilised.

The voluntary, community and faith sectors are at the front line on many social policy issues. They are often the most trusted and recognisable provider of support services. Their input into the design and delivery of the place vision will be essential in bridging gaps in public sector provision and capability.

Public participation is essential to finding out what people want, need, and are willing and able to do alone. By way of example, Tendring District Council, as part of the community budget pilots, has targeted 320 families with complex needs and built front line relationships with them. The council is coordinating the wider determinants of wellbeing to reduce duplication

²⁸ See, <http://www.nlgn.org.uk/public/2012/commissioning-dialogues-3/>

whilst supporting and encouraging family independence.²⁹ This is a markedly different approach to simply focusing resources on those in critical situations.

Beyond such targeted approaches, catalytic policies will be dependent upon community networks. Mutual social support is reliant upon strong social networks, by way of example, it is estimated that the total weekly provision of informal adult care in England and Wales is 3.4 million working weeks.³⁰ Recent research has found that clinical conditions, such as diabetes and obesity, are also subject to network effects. This is because individual behavioural traits, diet or frequency of exercise, are influenced by extended social relationships. Similar phenomena are also observable online. By way of example, micro-blogging has been found to provide emotional outlet and social support, directly impacting on individual happiness. This has been termed 'Facebook Therapy.'³¹

Place leaders will need to offer modes of relational engagement that understand networks and coordinate and enable change on the ground. Some approaches will see the council working alongside citizens to co-produce services. Equally importantly, councils will have to step back and allow communities to develop their own relationships, support and meanings as appropriate.

Inquisitive and evaluative

Looking beyond direct delivery should begin with working with individuals and the community to 'ask the right questions,' to analyse causation and correlation, and to find different ways to meet needs. Councils will need to develop new evaluation techniques if they are to be confident in the veracity of new answers.

To take a specific example, many roundtable participants discussed loneliness and social isolation amongst the elderly. Research studies confirm that at different times in different parts of the UK, between 5 – 16% of the older population is lonely. This equates to approximately 900,000 older people.³² Therefore, many costly social care interventions could be most valued for the

²⁹ See, <http://www.nlgn.org.uk/public/2013/the-road-not-taken-new-ways-of-working-for-district-councils/>

³⁰ See, http://www.ons.gov.uk/ons/dcp171766_300039.pdf

³¹ Buechel, E., Berger, J., Facebook Therapy: Why People Share Self-Relevant Content Online (2011); C

³² See, Age UK, Loneliness – the state we're in (2012)

companionship they provide. Better transport services, befriending or group work could have a more positive impact on physical and mental health. As well as providing better quality of life, such measures could also reduce demand and save money from more reactive policies.

New tools and techniques will be essential to ground the long term vision in the “art of the possible.”³³ This could involve building the skillset of current staff, for example by redefining core competencies to include techniques for co-production and outcomes based commissioning. It could also involve developing entirely new service propositions, such as Family Nurse Partnerships, or new front line roles, such as Community Prevention Workers, to better inform decision making.

Councils use a number of different models for evaluating service interventions, such as Joint Strategic Needs Assessments, but will need to analyse information in a new way if it is to be truly meaningful. The evidence required ranges from accounting for the full unit costs of a particular service – “the lack of knowledge can be terrifying” – to the more complex measurement of social value.³⁴ A sound theory of change is required to ground the place leadership strategy whilst cost-benefit analysis should be conducted for specific approaches.

Demonstrating impact will convince key decision makers, from politicians in Whitehall to philanthropic financiers to support the place vision. That Greater Manchester’s success with its Earn Back strategy is in part due to its measurement of local Gross Value Added (GVA) is a case in point.³⁵

Better evidence enables collaboration with confidence. Understanding what works can also inform the difficult decisions about which organisation is best placed to deliver or direct change and can be fed back into the place vision.

If these characteristics had governed decision making in the budget game then AnyBorough may have looked different in 2018. There would likely have been more upfront economic investment in order to stand a better chance

³³ Roundtable participant

³⁴ Roundtable participant

³⁵ See, Greater Manchester City Deal, www.agma.gov.uk/documents/city-deal/city.../index.htm

of becoming a centre for Green Alternative Technology. A wide-ranging skills strategy, for example, may have preserved local jobs.

The public might have been engaged much earlier through new channels in partnership with the public, private and third sectors in order to strip out duplication and find different delivery models. Policies may also have been specifically tailored at particular issues, such as social isolation, rather than aiming for overall managerial efficiencies or integration of operating models.

Undoubtedly, spending cuts with wide ranging impacts would still have been made. But, importantly the council would be able to draw on a range of new ways of working and a thorough evidence base. They would have designed and developed ‘something else.’³⁶

Summary of reaction from the roundtables

“The solutions developed for AnyBorough are a little too procedural rather than creative.”

“We’re really good at dealing with crisis. How do we turn it [our response to the next spending review] into an emergency without causing panic?”

“We need to ask: how do we deliver all the assets in our place to meet the needs of our place?”

“What solutions would we develop with a set of place criteria and some policy tools, but no institutions?”

“The viability of these options is dependent upon the Eric Morecambe maxim: ‘It’s all in the timing.’”

7 *Right diagnosis, wrong prescription*

Following regional roundtables, there was general agreement that the shape of AnyBorough Council in 2018 could be regarded as indicative for many local authorities across the country. In fact, for some the picture may be significantly worse. However, there was also demand for a proactive, aspirational future based on key high level decision making principles.

The savings strategies pursued by AnyBorough risk consigning local government to five years of managing decline, increasing council tax whilst raising the entitlement threshold for social care and slowly closing down non-statutory services. This is an approach that will be at variance with the expectations of both politicians and the public. In reality, it may make certain councils both untenable and unelectable.

Therefore, as outlined in the previous chapter, local authorities must be proactive or face constantly reacting to circumstances beyond their control. As one roundtable contributor said: “We’re really good at dealing with short term crisis. How do we turn it [our response to the next spending review] into an emergency without causing panic?”

The AnyBorough game may have correctly diagnosed what Spending Review 13 could have in store for local government but a different prescription is required if long term solutions are to be found. These will be based on the three principles of:

- More of the same will be insufficient
- Manage demand not just supply
- Pursue growth as well as savings

Following these principles will embolden the characteristics of place leadership. They also set up a number of policy recommendations.

More of the same will be insufficient

The solutions proposed for AnyBorough may lead councils to retreating and residualising. They will be reliant upon the backstop of the statutory minimum rather than creative solutions. Specifically, health and social care integration strategies will be insufficient to meet the scale of the spending challenge. Radicalism is required.

Local government has the scope to move away from any centrally prescribed approach, in part thanks to the General Power of Competence. However, a number of roundtable attendees argued that the AnyBorough teams did not make full use of this freedom; the solutions proposed were “procedural rather than creative.”³⁷ Arguably this was due to the time constraints imposed by the game, which were designed to replicate the limits of real world decision making.

Team Two had considered getting out of everything non-statutory. The roundtables made it clear that there is no agreement on what the minimum level of provision could mean for local government’s 1,294 statutory duties.³⁸ There were concerns raised about the impact that this retreat would have on the public reputation of the council. Any revisions would also be open to legal challenge with the potential for lengthy judicial review.

Retrenching to the statutory minimum could be a short term response that undermines an emphasis on long term solutions without saving substantial sums of money. Conversations about statutory minimum were therefore regarded by some participants as a “red herring” and “so 90s” unless combined with more creative solutions, such as the commercialising of services.³⁹

To give a specific example, there was little optimism about the savings that councils could achieve from integration of adult health and social care. Integration strategies may provide significantly better outcomes and a better service at the “coal face” but they will not provide significant savings for local government.

³⁷ Roundtable participant

³⁸ See, http://localgovernmentlawyer.co.uk/index.php?option=com_content&view=article&id=6023%3Adclg-identifies-1294-statutory-duties-on-local-government-list-not-yet-complete&catid=59%3Agovernance-a-risk-articles&Itemid=27

³⁹ Roundtable participants

It was anticipated that the majority of savings would flow to the acute healthcare sector and be accounted for against the NHS budget. Even then studies have shown a significant variety in the impact integrated care pilots have had on hospital admissions.⁴⁰

The Government's response to the proposals made by the Dilnot Commission will not be sufficient.⁴¹ It is designed to make the system fairer by protecting housing assets but it doesn't bring extra funding into the system to tackle current spending pressure nor does it address growing service demand. Simply, reforms will address the balance of payments between the state and individuals but the totality of funding will not change.

The work of localities that have pioneered integration, such as Torbay and Southern Devon Health and Care Trust, and co-located multidisciplinary teams is commendable. But local integration is risky and prone to failure with saving levels uncertain.⁴² Therefore, many argued that cuts to social services spending are likely to fall harder on budgets for children's services than was acknowledged by AnyBorough's decision makers.

In short, more radical structural reform across the board may be required. Although local government may have new freedoms it will not be able to act alone in this. Should social care commissioning continue to sit with local government or should it be moved to the National Health Service? Equally, should councils be asking some basic questions of the quality and affordability of all the services they deliver?

Manage demand not just supply

Demand management focuses on planning and forecasting in order to reduce future need. It will require increased individual responsibility and transforming social services from a consumption based model. Resource should be focused on maintaining independence rather than directed primarily to those in critical situations.

⁴⁰ See, <http://www.nuffieldtrust.org.uk/our-work/projects/national-evaluation-integrated-care-pilots>

⁴¹ See, <http://www.parliament.uk/business/committees/committees-a-z/lords-select/public-services-committee/report-ready-for-ageing/>

⁴² <http://www.nuffieldtrust.org.uk/our-work/projects/national-evaluation-integrated-care-pilots>

At a national level demand management has been based on interventions to change public norms and behaviours, examples of which include reduced drinking and smoking, or increased recycling. It has been closely linked with the nudge agenda of libertarian paternalism. However, simply put it requires a change of mind set in organisations, both councils and public service providers, from supplying services to reducing the need for them.

There has been increased recognition that councils need to look beyond targets and work with the community to build resilience and personal responsibility. The success or failure of many policies – and their subsequent impact on the public purse – is in a large part dependent upon community and individual action. Demand management can be effective if it transpires residents don't really require the services concerned or if their needs can be met more cheaply or elsewhere.

However, demand management could too readily be misconstrued as restricting the supply of services. It does not mean tightening eligibility criteria, limiting opening hours or passing costs on to others. This is redirecting or simply not meeting demand.

Demand management strategies could be developed through community workshops that establish what residents are willing to take responsibility for or by commissioning service providers on a payment-by-results basis in order to incentivise them to reduce demand. This could be supplemented through clearer communication of the need for personal responsibility and digital engagement with citizens to lower transaction costs. Data sharing within the council bureaucracy could be the catalyst for such smart community working.

Specific examples of demand management include communities taking on more responsibility for street cleaning or road gritting, and encouraging people to live independently for longer. It has been estimated that savings of £5 billion could be made if demand management techniques were applied across the full range of local government savings, equivalent to 14% of baseline expenditure.⁴³ But thorough business cases need to be developed and operational models rapidly prototyped if new approaches are to be

⁴³ See, *Changing the Game*, iMPOWER Consulting (Jan 2012)

implemented and theoretical savings levels achieved.

To this end, Community Budgeting needs to go beyond the pilot stage and become the norm. Significant savings can be made through focusing on early intervention to reduce demand, but at present risk and reward is disproportionately shared. If local authorities are to channel upfront investment then Whitehall departments need to address the totality of funding that they are willing to devolve.

Territorialism at the centre must not get in the way of innovation locally. To give a specific example, if councils can demonstrate that their long-term strategies for the skills base create sustainable job opportunities then localisation of Universal Credit money may be in order.

Pursue growth as well as savings

Local prosperity and community resilience are two sides of the same coin. They are interdependent. Therefore, local government has a crucial role to play in investing in both economic and social infrastructure.

The Heseltine Review, *No Stone Unturned*, argued that “much more of the inspiration for our economy should be based on the strength and ambition of our cities and their communities. It was this local leadership that built our country in the first place.”⁴⁴ The government has accepted many of the reviews recommendations, including a Single Local Growth Fund negotiated with LEPs, and the City Deal process is already putting policy substance alongside its ambition.

The game illustrated the difficulty of implementing strategies for growth and competitiveness, whilst also balancing budgets and keeping up with the pace of spending reductions. It was only in reaction to an economic shock that both teams set about fully implementing an economic development strategy. Therefore, as one roundtable participant said, successful councils will need to balance the demands of both “*place-shaping* and *place-shielding*.”⁴⁵

⁴⁴ See, <http://www.bis.gov.uk/assets/biscore/corporate/docs/n/12-1213-no-stone-untuned-in-pursuit-of-growth>

⁴⁵ Roundtable participant

The game also made clear that places can no longer rely on previous economic specialisms. Towns where employment is based on one industry - such as automotive manufacturing - are increasingly rare. Councils must be preoccupied with the question of how their citizens will earn a living and prosper in the future.

To this end, the proactive growth strategies pursued during the game focused on housing development, both investing in and selling the council asset base, and capitalising a Revolving Investment Fund. The roundtables confirmed that these are approaches that are currently being pursued across the country.

Yet, it was argued that the incentive structures currently in place to encourage councils to go for growth are insufficient to meet the significant revenue pressures. This was borne out in the game. Business rate retention would barely make a dent in AnyBorough's cost pressures and more novel tools, such as Tax Increment Finance or Greater Manchester's Earn Back scheme, are unlikely to be devolved to councils the size of AnyBorough.

The reactive strategies focused as much on people as they did place; an acknowledgement that skills are essential to the strength of local economies and that individual wellbeing is determined as much by employment opportunities as it is direct government service provision. However, such initiatives would take a number of years to get off the ground and may not address the problem, the loss of a major employer, for which they were set up.

It is encouraging that bold councils across the country are partnering with neighbouring authorities, developers, businesses and LEAs to attract investment and employment to their areas. During the roundtables, a number of officers said that economic growth was their major driver and it was underpinning every policy consideration and members' decision making.

Equally, the government's decision to devolve more growth funding to a single pot at LEP-level is a significant and important step. It shows the right direction of travel. However, with the policy detail still unclear further reform is required so that economic development approaches are financially sustainable. HM Treasury needs to get serious about local economic growth.

8 *Recommendations*

Local and central government will have to manage the next spending review in a markedly different way to the last. To this end, a number of recommendations for new approaches are made below:

- Central and local government need to better **understand the cumulative impact** of spending cuts. Evidence on costs and cost effectiveness is essential for decision making. Equally, we need better information on how cut programmes are impacting on front line services, people and place.
- Local government needs to act with sense of urgency and **pilot solutions for 2015 now**. Structured innovation, experimentation and informed risk taking will all be essential. New evaluation techniques are required so that councils can be confident in the veracity of new answers. Politicians and officers need to focus on place leadership and place outcomes rather than managing spending reductions within departmental silos.
- The interdependent nature of health and social care means that the current split between them is financially unsustainable and does not deliver the highest possible standards of care. **Reforming health and social care delivery** is an issue of national importance and a national solution may be required. Local government along with local health partners must continue to implement joint health and social care strategies, whilst Whitehall should analyse the costs and benefits of full integration with the National Health Service.
- **Community budgeting** needs to become the new norm. A new multi-agency approach must be supported by reform at the centre. Currently, Whitehall territorialism is hindering service outcomes on the front line. HM Treasury should evaluate spending decisions in light of their overall impact, and where a compelling case for localisation is made funding should be devolved. Such solutions could be scaled through a future round of City Deals focused on social policy.
- A new wave of **growth incentives** is required. This has to go further

than current measures, such as business rate retention. Government must make a substantive, long term commitment through permanently overhauling the financial settlement and core funding for those councils that invest for growth. This in turn will give more confidence to the markets. Growth incentives should be based on local GVA and acknowledge the different base lines from which localities begin.

Conclusion

“Plans are worthless, but planning is everything.” So goes a favourite dictum of Dwight D. Eisenhower, the 34th US President. Eisenhower used war games to inform future policy. He prioritised long term approaches and was flexible in light of unanticipated events. Similarly, local authorities will need to balance the strategic and the operational as they attempt to beat the spending cuts.

The model of AnyBorough Council’s budget is indicative of a very different future for the local state. To this end, local authorities must look beyond 2018 to ask what places they want to be governing and what key policies they will set out to get there.

The route of the residual service provider is not optimistic. Funding for leisure, recreation and cultural services will be cut entirely, education support services both reduced and commercialised and, despite the integration of adult health and social, care costs will continue to spiral out of control.

As a result, growing demand for school places and social services may go largely unmet. Local jobs will be lost and the cultural fabric of places altered. The headlines will not make happy reading.

There is another way. Councils can act with conviction to set out long term goals and shift decision making horizons. They must be supported by Ministers and Whitehall policy in taking bold and necessary steps.

A number of local authorities have already taken up the mantle of place leadership and have recognised three key principles in doing so. More of the same will be insufficient; it is essential to manage demand not just supply; and growth and savings must both be pursued as they are interdependent.

Undoubtedly, real world events will impact on localities in untold ways. The outlook for the Eurozone is unclear, energy markets continue to fluctuate and structural problems in the labour market are yet to be fully addressed.

On the other hand, the UK economy could return to growth, the private sector may begin to invest the balance sheet capital and health and social care provision could be radically overhauled.

Whatever the eventuality, councils that proactively lead places through uncertain times stand the best chance of weathering the current fiscal storm. They will also have the strongest possible plans to face what the future may hold.

Appendix A *AnyBorough profile and priorities*

All war game participants were provided with a top line profile of AnyBorough Council and the political priorities of the current leader. This was intended to provide background information and some rough constraints to decision making.

Top line profile

- AnyBorough is a medium size unitary authority in the South West of England. It is predominantly urban but has extended suburbs and rural fringes.
- 209,000 residents live in AnyBorough according to the 2011 Census. 25,000 of these residents are over 65 years old.
- In the last 10 years, the population has grown by 16%, higher than the English average of 7.2%. This is mainly attributable to young families moving to the area and has placed pressure on housing and schools.
- The council had an annual expenditure of £168m in 2012/13. The council has been building up its reserves and levels stand at £12.6m. Members do not want to see reserves drop below 5% of overall expenditure.
- Elections to the council were held in May 2011, with every ward up for election after the implementation of boundary changes. The election resulted in the Conservatives maintaining control of the council with a working majority. The next election will take place in May 2015.

Political priorities

The Council Leader, Cllr Mansfield, has prioritised the Three Ps – Place, People and Pounds.

“People: We want to work closely with communities and this is particularly important for our on-going reforms in caring for senior citizens. We also want to support resilience in the wake of the current economic situation.

Place: *The council recognises the effect of the recession and is working hard to support economic development. Members believe that our relationship with Mike's Motors is crucial. At the same time, youth unemployment is a growing concern and we have set ourselves the target of creating 3,000 – 5,000 new jobs in the borough over the next 3 years.*

Pounds: *We recognise the severity of the current spending review and have seen our central grant funding reduced by 20% overall since 2010. In anticipation of another difficult spending review we have set a minimum target of 2% efficiency savings each year in all of the council's service areas. Additionally, members have begun to take a keen interest in the community budget pilots that have been undertaken by our neighbours."*

Appendix B *AnyBorough PEST analysis*

Analysis of the Political, Economic, Social and Technological challenges faced by an organisation is a standard scenario planning tool. It was employed here to give participants a sense of both AnyBorough the place and AnyBorough the council and presented at an introductory session before the war game began.

- **Politics:** The Conservative majority prioritised the Three P's People, Place and Pounds. *People*; the council wanted to work closely with communities and care for senior citizens. *Place*; the council wanted to create 3,000 – 5,000 new jobs in the borough over the next 3 years. *Pounds*; the council was already anticipating another difficult spending review, and set a minimum target of 2% efficiency savings each year in all of the council's service areas.
- **Economic:** Despite a reasonably buoyant local economy, unemployment was on the rise in AnyBorough. Mike's Motors was the best known local employer in the region, building top of the range cars and employing 3,500 people. The council had been investigating the potential for establishing an Enterprise Zone.
- **Social:** A population of 209,000 are resident in AnyBorough. 25,000 of the residents are over 65 years old. Pockets of deprivation existed in AnyBorough. The health of AnyBorough residents was similar to the English average. In the last 10 years, the population had grown by 16%, higher than the English average of 7.2%. This was mainly attributable to young families moving to the area. It had placed pressure on housing and schools.
- **Technology:** AnyBorough had excellent transport connections to other major neighbouring towns and to London. The council had discussed investing capital in order to unlock stalled infrastructure development. The borough's digital infrastructure remained in need of improvement.

Appendix C *Further background documents for expert referees*

Memos from Senior Management Team were provided to the expert referees as part of a game guide. Participants could then ask the expert referees for detailed information as required to support their savings assumptions.

From Head of HR

The Executive Team under the Chief Executive is structured around five senior posts; Director of Localities, Director for Transformation & Strategic Projects, Director of Strategic Commissioning, Director of People and Place and Director of Finance, Revenues, Benefits & Property (\$151 Officer).

Our staff expenditure accounts for approximately 40% of our overall spend. The council has already undertaken a voluntary redundancy programme. I believe that we could save a further £4m per annum through a senior and middle management restructuring programme, but that this would cost at least £4m to implement upfront due to redundancy payments. This across the board saving approach is also dependent on the council agreeing its commissioning strategy.

From Head of Procurement

Members have taken a pragmatic stance on the benefits of outsourcing services. Yet, they remain reasonably sceptical over the entirely outsourced model. A number of **neighbouring authorities** have suffered some high profile issues with regards badly designed contracts failing to deliver value or quality services.

Environmental services: 80% of these services have already been outsourced. Our waste collection services are provided by a major environmental services contractor - AnyOldIron - which also delivers services to our neighbouring authorities. This contract is up for renewal in the autumn of 2014.

Culture, recreation and sport: these have been kept in house as members regard quality leisure services as crucial to the wellbeing of the local community. The local football and rugby teams are regarded as crucial to the fabric of the town. Following the 2012 Olympic Games members are also increasingly interested in the impact of sport on the public health of the community.

Highways, roads and transport: currently delivered in house. Reduced budgets have led to an increase in complaints from residents and a number of small law suits over vehicles damaged in pot holes.

Fees and charges: members are currently divided on suggestions for the fees and charges for council services. The options under consideration are a freeze, raise by rate of inflation, or raise at 5%. (The council's current annual income from fees and charges accounts for about 7% of its overall income, £11.5m in 2012/13.)

From Head of Asset Management

AnyBorough Council has recently conducted an asset mapping exercise as part of the government sponsored Capital and Asset Pathfinder programme. The council's assets have an estimated value of £80m. The main findings of the report were that:

- AnyBorough has a strategic approach to the use of assets but this is not yet fully embedded throughout the council or with partners in the public and private sector;
- A number of different models of sharing, owning and management of public sector assets with key partners are used;
- The property estate is generally well maintained although there is a significant backlog of maintenance work.

AnyBorough's housing stock is held by an Arm's Length Management Organisation and for the purpose of the current budget round the HRA rates have not been factored in.

Amongst our assets we hold 20 school sites, 13 libraries, a large town centre

car park, a number of smaller car parks, a golf course, 4 leisure centres, the town's football stadium and a listed theatre, which has recently closed down. The planning and development team has also given consideration to the council's role in the development of a large city centre brownfield site after a major retail company pulled out due to current economic conditions.

The council is currently in the process of rationalising its estate and has already realised savings of £350,000 through the co-location of council, NHS, DWP and library offices. Conversations are yet to be opened with other members of the public sector, such as the police.

We estimate that we could reduce our operating footprint by 20% through a new co-location strategy. This could save the council approximately £20m over a 25 year period.

From Head of Development

The council has not borrowed heavily from the PWLB. Its current borrowing headroom is an estimated £21m.

The council is exploring the potential for establishing an Enterprise Zone as part of a second wave of City Deals, currently business rates account for 18% of the council's overall income.

Appendix D *Regional roundtables*

The war game exercise had obvious limitations in scale and scope. Different geographies, populations, budgets, indices of multiple deprivation and politics would result in different outcomes. To guard against narrow focus, the results were further tested in regional roundtables in the North, Midlands and South East.

In January and February 2013 roundtables were held in Birmingham, Leeds and London. Each roundtable was attended by 6 – 20 senior officers. There was representation from different departments and different tiers of local government. It was apparent that in other regions the situation we envisage for 2018 will be faced much earlier.

Attendees were presented with the decisions made in the war game and a chart depicting AnyBorough Council's spending reductions. They were asked whether they thought the propositions were *viable* and *sufficient*. And, if so, was the sector ready to *deliver* them?

The roundtables were used to develop ideas of place leadership and the three principles that govern the horizon shift outlined in the report. They also provided constructive criticism of the decisions made in the war game.

All contributions during the war game and roundtables were made under Chatham House Rules on a non-attributable basis.

PwC

At PwC we focus on three things for government and the public sector: assurance, tax and advisory services. Working together with our clients across local government, health, education, transport, home affairs, housing, social care, defence and international development, we look for practical, workable solutions that make a difference in solving the pressing challenges that are being faced every day.

For more information, please visit www.pwc.co.uk/publicsector

As well as bringing our insight and expertise to this sector, we contribute our thinking and experience to the public policy debate through our Public Sector Research Centre.

To join this free online community, go to www.psrc.pwc.com and register today for our research and analysis.



SPENDING REVIEW

 AnyBorough
Council

Progressimus per euram

THE BUDGET WAR GAME

REQUIRING SKILL
AND JUDGEMENT

EXCITING
INTRIGUING
INFORMATIVE



EDUCATION

ARTS AND
CULTURE



SUPPORTED BY



The financial pressure faced by local government is escalating rapidly. Many local authorities have already made dramatic service cuts and after 2015 more will be required.

Most local authorities are already planning for a very different future. Yet, the potential shape and purpose of local government after Spending Review 13 remains unclear. Therefore, NLGN conducted a budget war game and regional roundtables with over 50 senior council officers. This was based on real council data but repurposed for the fictional AnyBorough Council, a unitary authority in the South West. This allowed us to develop a dynamic model of where cuts could fall.

The budget war game made clear that councils and the places they govern will change dramatically. The pressure of further spending reductions could see a default retreat to the role of reactive, residual service provider. This cannot be avoided but it can be mitigated through change at a local and national level, with councils proactively leading places through uncertain times.