

progress carefully;
but always progress



CFO summit, CIPFA

Barry Quirk, LB Lewisham

six 3s ...

- three financial starting points
- three different organisational models
- three different parenting styles
- three steps to drive down costs
- three government strategies
- a three dimensional game plan

I - national income

receipts	<u>2011-12</u>	<u>2015-16</u>	ratio
income tax	£157bn	£210bn	£677
Council tax	£26bn	£31bn	£100
Corporation tax	£46bn	£54bn	£186
business rates	£26bn	£29bn	£100

source - Office for Budget Responsibility, Nov 2010

2 - resource review

- Tiebout compliant system (1956 US theory of local government tax competition)
- what supports high land values ... and how can a business pay high property taxes?
- the abandonment of resource equalisation and needs based system of grant distribution

3 - the new normal

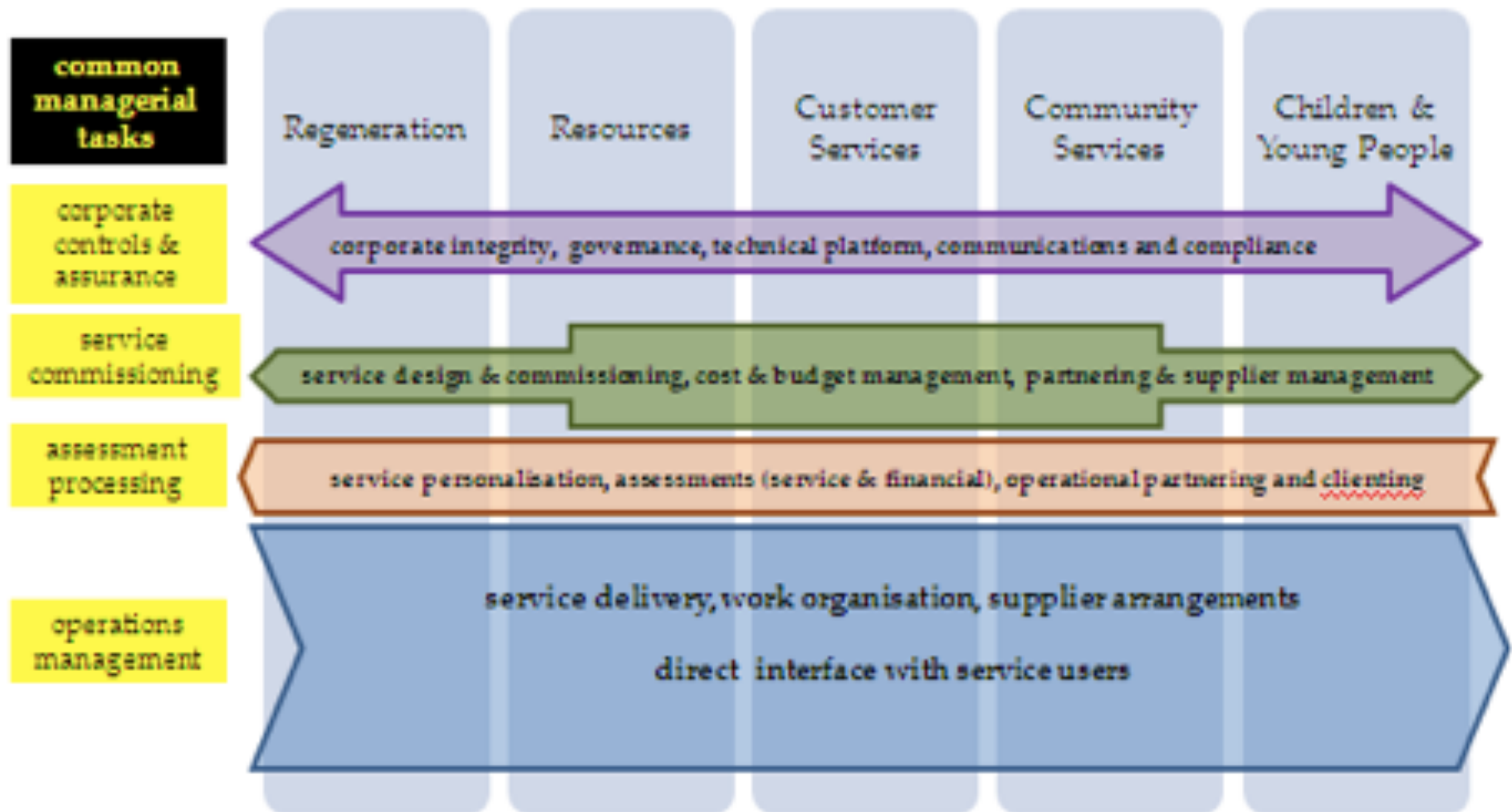
- cost reduction strategies
- no good simply being more efficient
- no good just being more productive
- a downward flightpath of spending, month by month for the next three years

corporate parenting styles

- strategic coordination
- strategic planning
- financial control
- trends in the private sector
- fashions in local government

Goold & Campbell (Ashridge)

managing supply; managing operations



3 steps to drive costs

Step 1

Service design strategy

The overall structure of cost depends upon how the service is designed (user directed or provider controlled)

- service design logistics
- facility-based services
- home-based services
- transactional benefits
- professional services to the public
- DIY and menu-based offerings

Step 2

Work organization strategy

Labour costs (approx. two-thirds of all costs) arise from the way in which work is organized

- comparative pay and pensions
- comparative terms and conditions
- steep or flat staff structures
- management overhead ratios
- generic or specialized staff
- field staff or office-based staff

Step 3

Sourcing strategy and organizational form

Sourcing decisions depend upon competitive rivalry in relevant markets and on how different organizational models link with revenue streams to realize economies

- mixed economy of provisions
- council-owned companies
- Joint Ventures and Special Purpose Vehicles
- third sector and social enterprise
- private companies
- Community Interest Companies and other socially owned vehicles
- direct provision

three government strategies



**smarter
collaboration**

**user directed
change**

**sponsored
disruptive
innovation**

Quirk (2011)