



## **Councils advised to prioritise spending and outsource more services, KPMG/Localis report suggests**

***Councils should set self-imposed targets to reduce expenditure by around 20% by 2011.***

**November 9, 2009**

Councils are advised to reassess their priorities against cost and innovate if they are to achieve much needed expenditure reductions of around 20% by 2011, according to a new report from KPMG and think tank Localis. Entitled ***“The Bottom Line – a vision for local government”***, it suggests that many services, such as libraries and swimming pools, are costly and could be run more effectively by the private and third sectors. In order to achieve the necessary efficiency savings, councils should consider seriously moving beyond their current role as “service providers” towards becoming “commissioning and procurement hubs”.

***Iain Hasdell, Partner and UK Head of Local and Regional Government at KPMG, comments:*** “With almost 10% of UK GDP flowing through local government in one way or another, councils are at the forefront of the reform of public finances. Many parts of local government are innovative and progressive. However much of local government is still struggling with modernisation. This report offers insights and ideas for those in local government that are interested in a fast journey to excellence”.

***James Morris, Chief Executive of Localis, comments:*** “Councils must not be afraid to make tough decisions. Some are beginning to lead the way and it is up to others to take up the challenge and prioritise funding to match up with their core functions. Councils must innovate more in order to deliver high quality services to local residents”.

The report also suggests a number of other aspects of policy which should be assessed and where appropriate, changed. These include:

- **The Comprehensive Area Assessment (CAA), which is often felt to be inaccessible and sometimes holds limited value to local residents, must be looked at.** Rather than only using a centralized approach – performance would benefit from also being monitored from the bottom up by citizens, and it would be helpful to establish more dialogue with local residents.
- **If they have not already done so, councils should reassess all investments based upon their priorities in the local area.** High risk investments should be focused on the main

priorities for a local area. Councils should seek to achieve their investment objectives through innovative approaches such as risk pooling.

- **Councils – rather than Whitehall – should commission new partnerships.** These should focus on mutual interests along with pre-determined meaningful outcomes – which can be achieved through the use of fluid budgets. This should allow services to be more personalized around the requirements of the end user.
- **Councils should set self imposed targets (if not already set) – in the region of 10% of gross revenue – to be raised locally.** This could be aided through the use of existing financial powers such as TIFs, the new Innovation Fund and prudential borrowing more extensively.

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**About Localis:**

Localis is an independent think-tank dedicated to issues related to local government and localism. We carry out innovative research, hold a calendar of events and facilitate an ever growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK. We believe in a greater devolution of power to the local level. Decisions should be made by those most closely affected, and they should be accountable to the people which they serve.