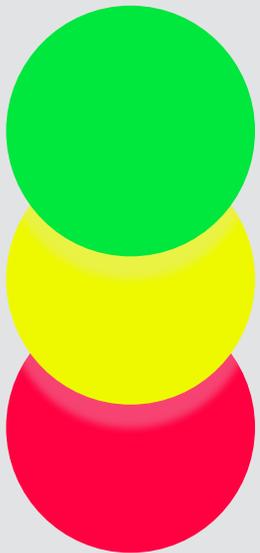


# Beyond Nudge ▶

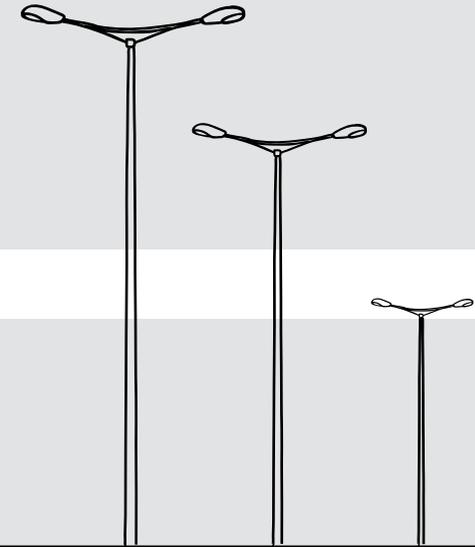


**To  
Demand  
Management**

**July 2013**

**RSA**  
2020 Public Services

# Context



**Public services are facing a generational challenge of rising demand and declining resources. These trends are set to continue for the foreseeable future.**

**Amid press reports predicting the end of services that we take for granted – from arts and culture to street lighting – in order that statutory services such as care for the elderly and vulnerable children can continue, local authorities could be forgiven for believing that they now find themselves in the business of managed decline.**

**All this is taking place in an economic and social context which is far from rosy, with low to no growth and declining living standards adding further pressures to public services.**

**If public service bodies, including local authorities, don't actively respond to this new reality, they risk finding their ability to act in future severely constrained. They have already done a great deal to adjust to new circumstances over recent years, making significant savings and efficiencies, mainly through supply side reforms. But the limits of such reforms are being reached. We need a new approach.**

**In the following pages we make the case for demand management as a set of strategies for today, and a way of thinking about the changing role of local public services in future.**

# The scale of the challenge

Key figures	2019/20
Increases in costs	£7.4bn
Budget cuts	£7bn
<b>Total shortfall</b>	<b>£14.4bn</b>

**£14.4bn**

Total shortfall  
by 2019/20

£8.7bn

Increases in costs  
by 2019/20

**£7.4bn**

£5.3bn

Budget cuts  
by 2019/20

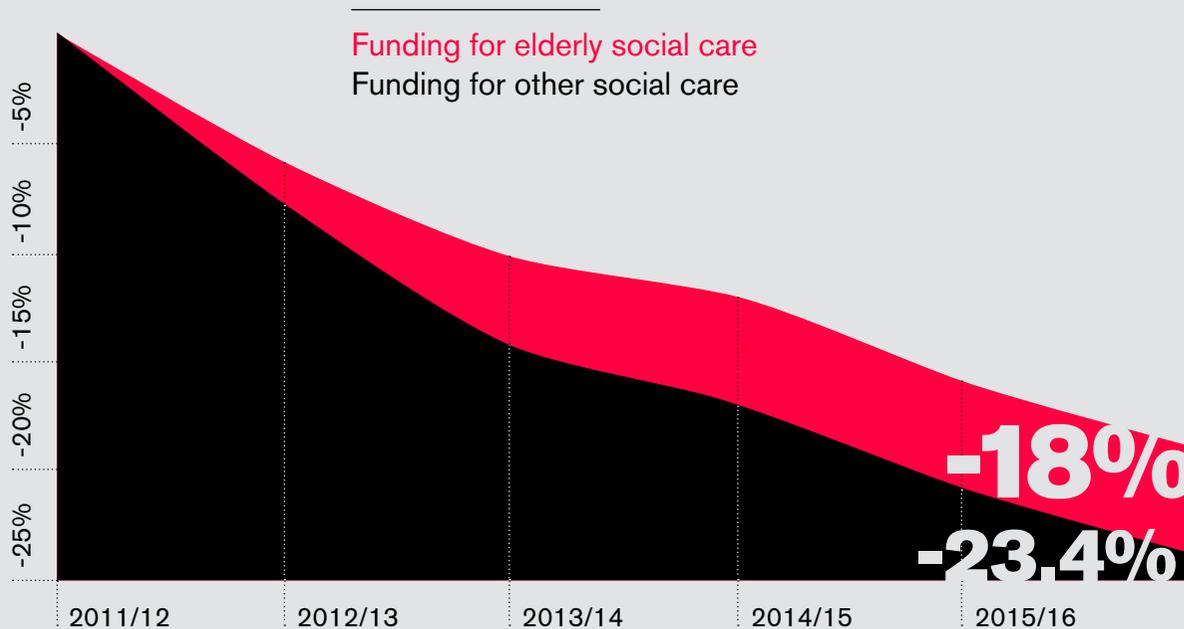
**£7bn**

Source: LGA projections based on DCLG  
outturn data, July 2013 (details at [www.local.gov.uk/finance](http://www.local.gov.uk/finance))

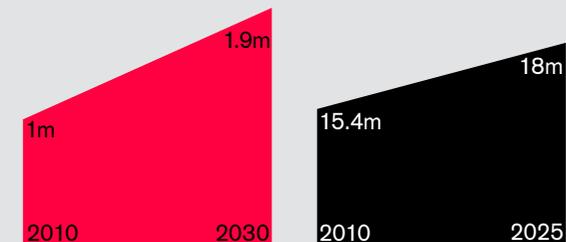
2010/11    2011/12    2012/13    2013/14    2014/15    2015/16    2016/17    2017/18    2018/19

# The scale of the challenge

## Reduced funding

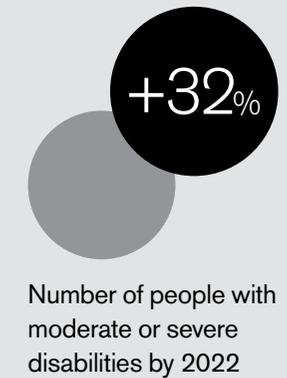
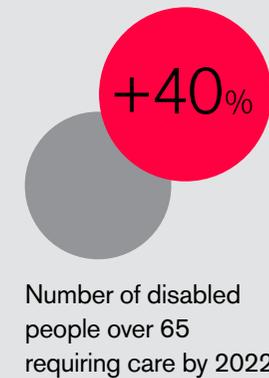


## Rising demand



People aged 65 and over who require daily disability-related assistance

People of any age with at least one long-term health condition



Source: Landman Economics, July 2013; Nuffield Trust, December 2012; House of Lords Select Committee on Public Service and Demographic Change, March 2013

# Local authorities face choices

Public services, especially local authorities, face fundamental choices about how they respond to the current climate. These might be characterised as follows:

## 1 Managed decline

Reducing the scope and role of councils; public services retrenching to becoming providers of last resort; delivering only statutory provision; 'unfunded mandates'. Public services are no longer able to play a role shaping place and supporting livelihoods.

## 2 Redefining relationships

Between citizens, communities, and services; between different service providers and arms of government; and between businesses, voluntary sector organisations, government and community. This requires give and take on all sides. Demand management is a core part of this package.

**To some extent, councils may combine elements of both the responses outlined here: cutting back on some service provision while also seeking to develop a new settlement between citizens and the state as part of a longer term strategy. But any successful strategy will have to have demand management at its core.**

# Today: An unacknowledged part of the public service landscape...

Many public services are already in the business of managing demand. A great number of interactions between services and citizens – schools, GPs, public transport – are already structured to avoid behaviours or choices which, in the longer term, would cost more and have a negative impact on individual and community wellbeing.

Anecdotal evidence from the frontline, uncovered in our preliminary research, suggests that some important preventative services are facing cuts because the value of the cost-avoidance they bring about is poorly understood, under-recognised and undervalued.



## Using 'Nudge' theory to increase income tax payment

On the advice of the 'Behavioural Insights Team', then based at the Cabinet Office, Her Majesty's Revenue and Customs tested new wording for the letters sent out to remind people to complete their tax return. The letters included information about the proportion of people in the local area who had already completed their return, thereby creating a new social norm. The change in wording resulted in an extra £200 million of tax revenue being collected on time.



## Public health

The public health agenda is about helping people to stay healthy and protecting them from threats to their health. Its aims are to support people to make healthier choices, regardless of their circumstances, and to minimise the risk and impact of illness. At a national level, policies which comprise the Government's approach to public health include obesity reduction, reducing smoking, drug use and unhealthy eating and creating a lasting legacy from the 2012 Olympics and Paralympics. At a local level, responsibility for public health was recently transferred to local government, with a £5.45 billion ring-fenced budget for 2013/14 and 2014/15.

# Today: An emerging response to straitened times

Explicit demand management techniques are now also an emerging response in new service areas. There is increasing interest from local authorities in how demand management can help achieve certain outcomes, for example increased recycling or greater provision of fostering and adoption placements. Such examples, while usually limited to a specific service area, are delivering quantifiable improvements in both expenditure and outcome.



## Using customer insight to increase the number of in-house foster carers

### Buckinghamshire County Council and iMPower

Despite achieving a 'good' service as rated by Ofsted, Buckinghamshire County Council faced a rising demand for foster homes, a static supply of in-house carers and an increasing reliance on relatively expensive agency placements, meaning that fostering was fast becoming the single biggest pressure on the council's budget. iMPower worked closely with the fostering team to deliver a standalone demand management project, providing behaviour change insight and techniques to gain a better understanding of the motivations of foster carers. This new behavioural insight enabled the council to triple the number of initial enquiries from foster carers through a targeted marketing campaign, with anticipated savings of £1million to Looked After Children placement budgets.

# Today: An emerging response to straitened times

## Shared Lives

Shared Lives is an organisation which seeks to develop small-scale, community and family-based services for people who might otherwise require formal social services, built around individuals' wishes, needs and gifts. Shared Lives supports a number of different approaches, such as Shared Lives, Homeshare and micro-enterprises. These support people to pursue ordinary lives within the families and relationships of their choice, enhancing their feelings of belonging and sense of making a full contribution to their community.

Shared Lives, as a method of care, outperforms other forms of residential care in many aspects, with greater satisfaction from people who live in Shared Lives arrangements and significant cost savings for each placement. Cost benefit modelling carried out for a business case by Shared Lives and Efficiency South East demonstrates that using Shared Lives rather than other forms of support creates per person, per annum savings to the local authority of between £23,400 (for older people) and £517,400 (for those with learning disabilities).



# Tomorrow: Central to public service reform

Today's examples are insufficient in the light of future challenges to public services. Most demand management strategies are limited to one service area, instead of being part of a wider, more fundamental system change that could be replicated across the public service landscape. While they help achieve cost savings and improvements in outcomes, demand management strategies are not yet seen as a key part of the response to reduced public service funding.

**Yet there is now increasing recognition of the need for public bodies to establish a new social contract between citizens, services, business and civil society. In an extended period of low-to-no growth, the public sector must increasingly see its role beyond providing services. It must instead consider its role in supporting livelihoods; changing relationships between citizens and state in the longer term; building community resilience; and reducing the need for traditional services.**

**The full potential of demand management goes beyond service provision, and beyond 'nudge' – that is, small scale yet significant adjustments in design which make**

**it easier for citizens to make positive decisions. It is a fundamental change with significant implications for local players, including councillors.**

**We will examine these issues in more detail in our second report on demand management in the autumn.**



## **Towards a new settlement between state and citizens**

A small number of local authorities are already beginning to develop a new social contract with their residents, aimed at reducing dependence on the state, building stronger communities and managing demand for public services. Cooperative Councils such as Lambeth, Oldham and Sunderland have made this an explicit part of their ambition to fundamentally change the way that they operate, placing a strong emphasis on community involvement in commissioning, decision making and achieving positive

outcomes. Newham have prioritised building community resilience through employment, supporting residents to find work and rewarding those who stay in employment, for example by giving them benefits such as greater priority for housing allocation. Westminster have launched a Civic Contract, which sets out the rights and responsibilities of local residents and businesses, including the responsibility of residents to keep their areas tidy, contribute to the running of local public services and help vulnerable people in the community.

# Demand management: A spectrum of approaches

Demand management is a complex area. Many different types of interventions can be characterised as demand management, ranging from 'nudge' to a fundamental re-shaping of the social contract.

Some are possible in the short term, requiring minimal shifts in behaviour and delivering short term gains, while others require greater change and are more likely to be part of a longer term strategy.

However, there are common elements to all demand management approaches. All require:

- **Some degree of recalibration of the role of the state and the role of the citizen**
- **Some behaviour change from both state (and the individuals who work within it) and citizen, though to varying degrees**
- **A level of insight into the motivations, influences and behaviours of people within the system (citizens and those working in public services)**
- **An understanding of what is driving demand**

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Are there opportunities to get a better fit with what is actually needed by citizens?

**Excess Demand**

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Is service demand arising from certain behaviours or broken relationships?

**Avoidable Demand**

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Is demand rising as a result of public service failure?

**Failure Demand**

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Is demand rising as a result of not intervening early enough?

**Preventable Demand**

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To what extent is demand unintentionally reinforced by service dependence?

**Co-dependent Demand**

# Managing Demand

**Customer Insight**

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How can we better understand the 'grain' of communities and the needs, assets, and resources of citizens?

Can different research tools, methodologies and ways of collaborating across agencies build better insight?

**Early Intervention**

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How can early intervention become a central policy consideration in the future? What kind of leadership and governance are needed?

How can we work more collaboratively and preventatively to reduce long term demand and build capacity in UK communities?

**Behaviour Change**

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How can we use behavioural insights to design better, more citizen-centric policy that moves?

How can we encourage behaviour change through new forms of leadership and a different kind of conversation with citizens?

**Building Resilience**

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What strategies can be put into place to help build the resilience and social and economic productivity of communities?

How can we move from a mindset of 'delivering services that meet need' to 'building on people's assets and supporting future livelihoods'?

'Types of demand' Source: iMPOWER

# How you can get involved

## Economic case

Has a proven case been made for a demand management approach and the social and economic value it creates?

## New practice

Help identify innovative practice and the values and strategies that make it work.

## Evidence base

Be part of an emerging community of practice and create a 'live' evidence base.

## Barriers to change

What stands in the way of more effective and transformative demand management?

Over the coming months, we will carry out further research into the role demand management could play in the future of public services, and create a routemap for public services and local authorities.

As we look to create a new community of practice around this issue, it is vital that we include experience and insight from the front line.

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