



Commission on the Future Delivery of Public Services

iMPOWER Response

iMPOWER Consulting Ltd
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**COMMISSION ON THE FUTURE DELIVERY OF PUBLIC SERVICES
CALL FOR EVIDENCE: RESPONSE SHEET**

Please use this response sheet when submitting evidence to the Commission. It will help us both to organise the many responses received, and to reflect your wishes for how the material is used. It can be completed and returned either electronically or posted back in hard copy.

Please send this coversheet and your submission to the following address:

**Commission on the Future Delivery of Public Services, Thistle House, First Floor,
91 Haymarket Terrace, Edinburgh, EH12 5HE.**

Or to the following e-mail address:

FDOPSCommission@scotland.gsi.gov.uk

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Disclosure

Evidence and views submitted to the Commission are subject to disclosure under the Freedom of Information Act. If any of the evidence or views submitted are deemed confidential, please clearly mark these sections of the evidence and explain your reasoning; this will be considered in relation to exemptions in the Act. Please note that information marked confidential will not necessarily be exempt from release under the Freedom of Information Act.

Have you submitted any confidential evidence? (Y/N) NO

Are you content for this submission to be published on our website? (Y/N) YES

Would you be content to be approached by the Commission for further discussion on your submission? (Y/N) YES



Putting the Citizen First: reshaping Scotland's public services

ABOUT iMPOWER

iMPOWER is an independent consultancy that works exclusively with the public sector. Our ethics and purpose govern how we operate, which means we adopt very different ways of working to the traditional management consultancies. We focus on the big issues for local government and health in particular and have built significant strengths in corporate efficiency, divestment, strategic partnering, social care transformation and personalisation. We are also pioneering the behavioural change techniques which we believe will revolutionise the way public bodies think about the delivery of outcomes and costs of operations.

Over the past year, we have been investing in Scotland, delivering work relevant to the remit of the Commission. For example, we are currently supporting the City of Edinburgh Council in their innovative Alternative Business Models (ABM) programme; and North Ayrshire Council as its strategic partner.

iMPOWER comprises 40 staff, and holds a client roster of some 60 Councils and other agencies. Our base in Scotland is now growing fast with some recent key appointments to the team; and our aim is no less than to transform the level of value, insight and shared ethics that public bodies in Scotland receive from their advisors.

OUR RESPONSE IN SUMMARY

Our view is clear: public services in Scotland in their current form are not sustainable. The financial climate means that radical change is not only desirable but inevitable. And while this change will require some structural realignment, it also implies a cultural shift in all of our thinking - a fundamental rebalancing of our citizens' relationship with the state and their communities. Collectively, our public bodies need to cooperate better, intervene earlier, and relinquish control more; and our citizens need to take more responsibility for service delivery in their communities.

We believe that to add value to the work of the Commission, we should propose specific ideas. As such, we are setting out four specific actions that public bodies (individually or in aggregate) can take now to deliver a 'stepping out' from old norms of high-spend, high-dependency public services. They are to:

1. Maximise use of demand insight and behaviour change initiatives
2. Make large-scale investments in prevention and early intervention activities
3. Accelerate the personalisation agenda
4. Conduct mature and impartial assessments of partnering and divestment opportunities

Our response sets out how to implement these actions (and some further 'enabling' actions). We believe that together these will lead to a more citizen-focused public sector that is more relevant, demonstrably fairer and more sustainable than at present.



THE NEED FOR CHANGE

There are very serious financial constraints impacting Scotland's local authorities and other public sector bodies over the next few years. These are exacerbated in Scotland by more entrenched demographic, economic, policy and cultural challenges.

Culturally and financially, there is greater dependence on the public sector in Scotland than in the rest of the UK. As well as employing almost a quarter of its people (compared to under a fifth in England), frontline public services are impacted significantly by historically lower economic growth and corresponding levels of unemployment, poverty, poor health and crime rates. Unsurprisingly, the public sector as a proportion of GDP in Scotland remains far too high, at over 45%.

The situation is unlikely to improve without deliberate intervention. Like many in Scotland, we have doubts about the medium to long term sustainability about open-ended policy commitments like free prescriptions, publicly-funded university tuition and free personal care for the elderly. In a well-quoted piece of research, NESTA estimated that an *additional* £27billion (20% of 2010 GDP) will be needed by 2025 to pay for Scotland's long-term health problems assuming service delivery stays the same. The Scottish Government itself projects that the costs of long-term care will increase by almost 75% by 2030.

The focus rightly is now shifting to the delivery of improved outcomes, and particularly those entrenched in many parts of Scotland: *health inequalities, crime, limited educational attainment, worklessness* and *poor economic growth*. Through the Single Outcome Agreement (SOA) process, local authorities and their partners in health, police and fire & rescue services are moving away from input targets and specifying what they will deliver collectively towards national priorities, often via Community Planning Partnerships (CPPs), the main aim of which is to improve the connection between national priorities and those at local level.

However, both the SOAs and the CPPs have yet to mature properly. There are still issues on how these outcomes are measured consistently across local authority areas, the extent to which resources and results are properly linked (especially given the number of outcomes) and how best to assign responsibility for delivery in an area among what are still largely loose coalitions of partners: despite provisions being made for more formal arrangements for these vehicles, these have yet to be taken up by any CPP in Scotland.

The immaturity in partnership working reflects a wider problem for Scotland. Since local government reorganisation in 1996, the political and managerial leaders of many of Scotland's 32 local authorities have been running large scale, top-down operational functions delivered mostly in isolation from other public bodies, and with limited involvement from the citizen. This is not to decry these leaders; indeed many have developed innovative service strategies, pioneered new ways of working and rooted out bad practices. Yet for all the innovation and good practice, the consensus about *what public services are for* in Scotland has hampered the step-changes that are needed. Reversing dependency issues and improving outcomes will mean exploring and changing what is actually needed (demand) and how that is delivered (supply). Our position is that the way to create this focus on the demand side is to think about the citizen, what s/he wants and needs and to create supply around the clarity established.



So 'business as usual' or incremental change is not an option for the public sector in Scotland: in the current supply-focused form, there is a strong likelihood of deterioration in the public sector's ability to successfully deliver efficiencies and meet demand. If public bodies keep doing broadly the same kind of things - in the same kind of way - Scotland will continue to experience the same kinds of outcomes.

A CITIZENS FIRST AGENDA

What is needed in Scotland is a reappraisal of our citizens' relationships with their community services and the development of a collective 'Citizens First' ethos. Our work here and across the wider UK suggests that while councils and health agencies focus on structural and organisational questions, citizens and local communities care little about the internal make-up as long as they are of sufficient quality, personalised and offer value for money. Local services are for people and places rather than structures, organisations and services.

We propose an increased focus on 'need', placing a premium on customer insight and prioritising service provision on that basis. While some of public sector bodies have used customer segmentation data, they have done so peripherally; informing the development of customer services functions, channel shift or asset management planning. They still lag well behind the private sector in fully understanding 'what' is required by citizens rather than 'how' these might be delivered. Put simply, public sector bodies should be involving citizens and their communities more in the prioritisation, design and delivery of local services.

At the very least, more rigorous prioritisation exercises should inform a confidence to stop doing some things. Some local authorities are already withdrawing from fully providing some services directly or at least scaling back operations – but mainly in response to the financial climate. The next step should be active consideration of commissioning other services from the voluntary or private sectors.

With some notable exceptions, Scotland's local authorities have a poor record of externalising or divesting services. 'Poor' in this context is used deliberately. We believe councils are better able to meet citizen's demands if they are less preoccupied with large-scale operations and more concerned with championed value for the citizen; utilising a network of providers. We understand and respect political concerns about outsourcing and privatisation and a perceived loss of control. But the current and future economic situation facing the country means that exploration of this kind of approach is surely inevitable. The political and operational leaders of our public bodies should ensure that the conversation is less about 'outsourcing' and more about councils doing less and (better-equipped) private and third sector bodies and citizens themselves doing more. Social justice, far from being endangered in this scenario, is actually protected and enhanced.

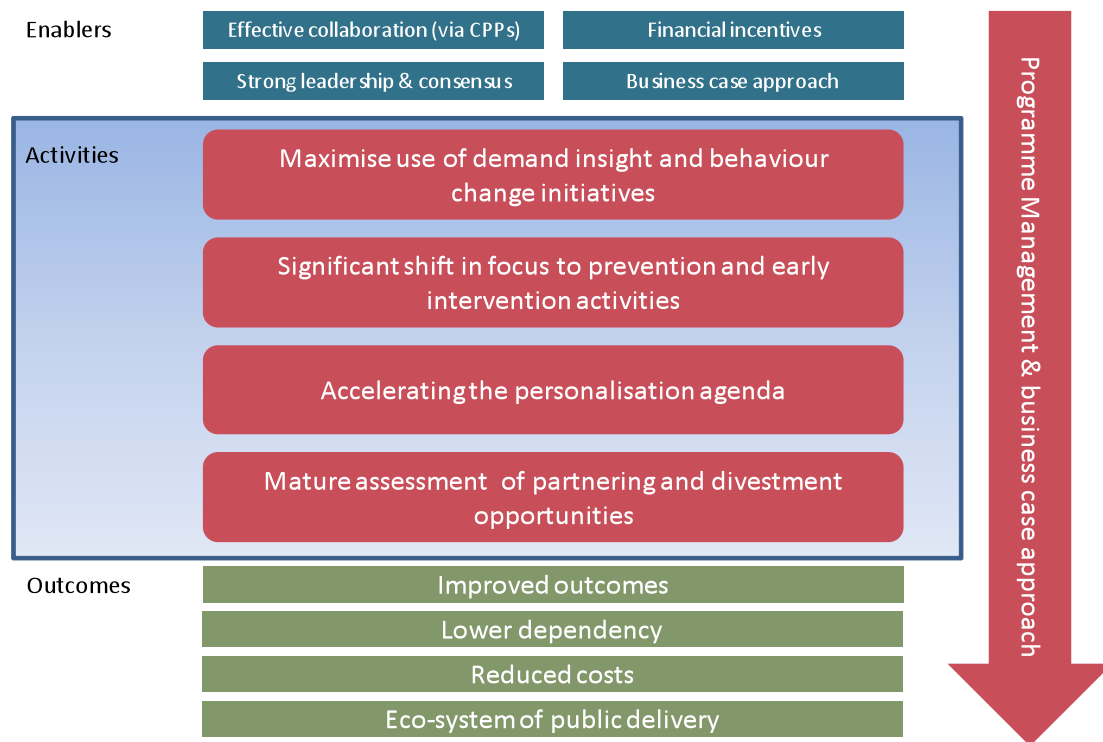
Certainly, iMPOWER would advocate a change in the role of local authorities in Scotland from being providers of large-scale universal services to becoming commissioners and managers of a less uniform *eco-system* of organisations - public, private, third sector – based on management of demand. As well as fitting more closely with the SOA and CPP ethos, it would genuinely put the citizen rather than the respective organisations first. Indeed, a Citizens First approach assumes both that an individual or community may wish to act first before the local public sector bodies, as well as ensuring that these public sector bodies put citizens before their own organisational interests.



ACTIONS TO BUILD A 'CITIZENS FIRST' PUBLIC SECTOR IN SCOTLAND

Our response can be illustrated in summary by the diagram below, which sets out a series of enablers, key activities and outcomes – all supported by robust business case and programme management approaches.

Summary of actions and enablers



Our starting position is that the most effective and efficient public services will be those that are planned, financed, coordinated and delivered locally by *all* relevant stakeholders. Given the explicit twin requirements to cut costs and improve outcomes, stronger and more coordinated collaboration between all of our public bodies – local authorities, police, health, fire & rescue, local enterprise, voluntary sector – can help reduce duplicated effort and harness broader skills and experiences for entrenched societal problems that are beyond the influence of just local authorities.

Despite the progress made in recent years in Scotland on better coordination of public sector bodies locally through the introduction of CPPs and CHCPs, there is much more that can be done. Some of this could be through changing the remit and purpose of these bodies. These are currently loose arrangements for visioning and planning rather than delivery, facilitated by local authorities and with limited formal financial strength. This does not lend itself to genuinely integrated delivery of locally-designed solutions. Giving CPPs or



equivalents some sizeable budget and statutory responsibility for delivery of outcomes would facilitate and mandate closer working between agencies.

The Commission has an opportunity not only to effect opportunities for stronger collaboration across the sector, but to achieve a consensus among the various stakeholders about the role, form and value of our public services in Scotland – in a way that no discussion or debate about Scottish society has managed since before devolution. Seizing and successfully building on that opportunity will enable the changes we propose below.

Finally, change of this nature has to be based on solid evidence through the delivery of robust business cases. Certainly decisions about the future direction of our services and who uses and delivers them needs provision of reliable data and information, as well as adequate monitoring and realisation of the benefits anticipated from the changes.

ACTION 1: Maximise use of demand insight and behaviour change

As with the rest of the UK, there is an absence of strategic demand management activity across the public sector in Scotland. Certainly, the sector does much less than private companies in understanding its customers and communities, with a significant tendency to supply side thinking in addressing problems. Where demand insight is undertaken in councils and health bodies, these tend to be novelty or tangential rather than core, strategic functions.

More rigorous understanding of need in our communities will not only allow our public bodies to focus better on areas of greatest need, but to inform efforts to reverse the dependency culture through demand management and behaviour change initiatives. The challenge for public services is to provide weighty interventions that effectively stimulate different patterns of behaviour and create change. iMPOWER strongly believes that our public services can achieve the social change implied by improved outcomes - *and* remove long term costs from the system.

This can take many forms, from co-production, mutual and user-led organisation delivery and asking citizens to take more responsibility for themselves and their public services through incentivisation for their own outcomes. iMPOWER has been involved in innovative behaviour change projects with several local authorities in England ranging from recycling to social care and social housing. More widely, the House of Lords Science and Technology Committee is currently looking into the use of behaviour change interventions in delivering government policy and has so far focused on efforts to promote healthy eating, reduce obesity and car usage in towns and cities. Its findings are due later in summer 2011 and will be of relevance to the Commission.

***RECOMMENDATION:** public sector bodies locally (via more formalised CPP arrangements), should coordinate and undertake regular demand insight analysis with their citizens and communities to inform shared priorities and effective inter-agency interventions. The Scottish Government, with support of relevant organisations such as the Improvement Service, should support and fund the rapid development of capacity and capability in demand insight across our public services.*



As a specific intervention, iMPOWER recommends Scotland-wide demand reduction programme – perhaps at a cost of £10m over three years – and designed to cut service demand by 5%. Given that we currently have over 50 large-scale local public sector bodies, this would equate to less than £70,000 for each body – and with public sector spending in Scotland exceeding £30bn per annum, we believe a business case for such investment would exist.

ACTION 2: Make large-scale investments in prevention and early intervention activities

One element of the Commission's vision is that Scotland's public services 'tackle causes as well as symptoms'. As stated already, Scotland undoubtedly suffers from some notoriously stubborn social and economic problems, many of which drive negative outcomes e.g. teenage pregnancy, drug and alcohol abuse and obesity.

The Scottish Government has recently received evidence suggesting that around 40-45% of public spending is negative i.e. short-term spending designed to address social problems, and to its credit is accepting that it needs to rebalance its spending profiles away from reactive expenditure

iMPOWER's view is that current funding mechanisms and governance arrangements across our public services make these difficult to deal with effectively. However attractive it may be, at a time of economic restraint our public bodies are not incentivised to set aside additional resources towards long-term preventative services. They will instead continue to treat the consequences rather than the causes, and further accelerate the growing unsustainability of public services in Scotland.

The UK government published in February 2011 an *Independent Report into Early Intervention*, which gives examples of how early intervention programmes worldwide have led to measurable success in improved parenting, reduced drug and alcohol use, increased literacy and many others. The Scottish Parliament is similarly looking into 'Preventative Spending', and as recently as early March 2011 has been discussing the long-term benefits that can be realised through such approaches and assessing how to maintain the momentum, particularly on early years.

Crucially, none of these issues are (nor can be) the sole responsibility of a local authority: they touch on health, police and enterprise agencies too. As such, there may be merit in pursuing area-based initiatives like the *Total Place* programme that ran in England. Much like an enhanced CPP arrangement, this encouraged all public sector bodies to examine where all public monies were spent in specific locales. This was done for two reasons: one, to reduce or eliminate duplicated effort, and two, to encourage better partnering towards improved outcomes.

RECOMMENDATION: *Put simply, a better coordinated and more concerted effort among all agencies in an area will be better able to address these negative outcomes. Supported by appropriate business case evidence, our public sector bodies should be investigating how to make a sustainable transition from expenditure on symptoms to expenditure on causes.*

The Scottish Government and our public sector leaders should investigate pooling resources from different finance streams to make it easier to tackle multi-agency issues formally. A



good start would be a comprehensive study into the total public sector spend on prevention and the expected return from that expenditure. These should be followed by pilot exercises coordinated by CPPs in certain areas, funded by the Scottish Government.

A more radical initiative would be the provision of a Public Sector Innovation Fund. Through this vehicle, our public sector bodies (via the CPPs or equivalents) could apply for soft loans through which long-term projects or programme could deliver savings through preventative activities. Supported by robust business cases, the monies would be repaid from the benefits generated with appropriate interest to ensure the continued growth of the fund. We believe this would be an infinitely preferable system of funding sector-led improvement as it places much greater responsibility for delivery on the applicant/s.

ACTION 3: Accelerate the personalisation agenda

Successfully implementing the personalisation agenda in Scotland is absolutely pivotal in attempting to improve outcomes in our communities, and to do so through the efficient use of resources. As a term, personalisation covers many approaches ranging from better targeting of support for those with additional needs (for example, in focused periods of reablement support post-hospitalisation to reduce long-term dependency) through to entitlements to individual budgets and self-directed support for children and vulnerable adults.

What all of these approaches imply is whole system change and therefore in addressing and integrating the complex interface between health and social care to provide seamless transitions in age, circumstances and need. Most significantly, this poses a considerable cultural challenge for all stakeholders in our public services - for individuals, families, social care professionals, private sector providers as well as officers and political leaders across local government.

Our view is that the appetite, planning and implementation for personalisation in Scotland is poor currently, despite evidence from England of its success in improving outcomes and reducing costs. The recently announced *Change Plan* process and funding arrangements for *Reshaping Care for Older People* in Scotland is developed to support significant service redesign and could in theory effect a step change in self-directed support but our concern is that (because the self-directed support bill is not expected to be passed until later in 2011) most local authorities and stakeholders are not going far enough by incorporating self-directed support from the start. They may then need to re-do their good work later on to incorporate it.

RECOMMENDATION:

We would strongly recommend increased visibility and sponsorship from the Scottish Government to accelerate personalisation in Scotland, specifically in challenging local authorities and their partners to make self-directed support the mainstream mechanism for the delivery of social care in Scotland.

The Change Plan process and funding arrangements for Reshaping Care for Older People in Scotland represents an excellent opportunity to effect this change. We would urge key

stakeholders in local authorities, health agencies and the third sector to seize this opportunity, particularly where this enables better collaboration across agencies.

The Scottish Government, NHS Scotland and local authority leaders should focus particularly on the governance and efficacy of the programme and ensure consistent implementation across bodies, and consistent returns on the initial (central government) funding. We suggest making funding contingent on the delivery of a 10% cost reduction target to accompany transformation of these services.

ACTION 4: *Conduct mature and impartial assessments of partnering and divestment opportunities*

iMPOWER is closely involved in the City of Edinburgh Council's exploration of alternative business models (ABM), and the possible procurement from private providers of Environmental Services, Facilities Management and some parts of its corporate & transactional services. While this exercise has yet to be completed (and decisions to partner or divest these services have yet to be made), we believe that there are considerable benefits from these types of initiatives. At the very least, the cost and non-financial value of in-house services are properly challenged. But often, the 'alternative' is seen as a 'necessary evil' to achieve financial savings. This is the wrong premise. Alternative delivery models should have the power to improve service, extend third sector involvement and reform the citizen relationship as well as save money.

For many service areas, there is an ability to build social capital by pursuing a divestment strategy. In the many areas of deprivation in Scotland, this could give opportunities for latent talent commission and run public services, rather than simply depend on them.

So far, only a handful of local authorities have explicitly explored and implemented alternative delivery routes, with a small number of councils externalising meaningful elements of service provision in trusts or limited liability partnerships. We want to see all Scottish Councils look at the opportunities in an impartial and mature way.

RECOMMENDATION: *We believe strongly that that there is significant scope for ABMs in the design and delivery of our public services in Scotland, with enhanced roles for the voluntary and private sectors: in short, a change in the role of local authorities in Scotland from being providers of large-scale universal services to becoming commissioners and managers of a less uniform eco-system of organisations - public, private, third sector.*

In times of such economic turmoil, it is incumbent on political leaders and operational managers in Scotland's public services to explore any opportunities for enhanced value for money and improved service outcomes.

The Scottish Government, with support of relevant organisations such as the Improvement Service and COSLA, should facilitate an objective research study into the merits (including the value to the wider community) of several types of ABMs for the public sector in Scotland. This should also include tools and procurement routes to explore these mechanisms where appropriate.



Further, we suggest that Councils pursue impartial option appraisals to properly discern the potential and appetite for partnering and divestment. We would be against mandating this action, but believe incentives could be put in place to provide the necessary encouragement.

WHAT WON'T WORK

We expect many responses to the Commission to explore the possibility of significant structural changes to the local authority and wider public services environment in Scotland. Certainly, there is merit in exploring whether 32 local councils, 14 NHS boards, 8 Fire & Rescue Services, 8 police authorities and many other public sector bodies are needed for a population of 5 million people. Some rationalisation should take place without disproportionately impacting local accountability and democracy, and perhaps improving outcome delivery. We note that the Scottish Government is currently consulting on the future of Scotland's fire & rescue services.

Similarly, we anticipate that others will make strong recommendations on the need for further efforts on shared services and mass consolidation. Even in recognising that local government in Scotland has already achieved some success in that area (e.g. Scotland Excel, the 'myjobscotland' recruitment portal, CPPs), we would agree that the shared services agenda could be enhanced: there are several areas where it could provide further efficiencies, either by working across councils or by working locally with partner organisations in Police, Fire and Health as outlined above.

But our view is that wholesale reorganisation or internal structural change will be a distraction from the main priorities. Shared services have played a limited role to date in the delivery of large efficiency savings, and our experience elsewhere shows that these reforms are costly, time consuming and rarely deliver the big prizes. Indeed, since back office functions comprise less than 15% of total costs in our public bodies, even major savings will not deliver the size of cost reductions required.

A top-down exercise in redrawing boundaries will not release big savings. Instead, a sustained focus on improved collaboration and the other step change activities outlined in this submission will deliver considerable long-term savings and result in public service delivery that meets projected levels of demand and delivers successful outcomes.

CONCLUSIONS AND RECOMMENDATIONS

We outline above our strong belief that public services in Scotland are in need of substantial reform, given the considerable short to medium term financial constraints faced by the sector and the long-term demographic challenges facing the country as a whole.

While the reform needed is significant and will require concerted actions championed and supported by a range of political and operational leaders across the sector, our view is that the changes needed are not primarily structural.

While there will be further opportunities to consolidate functions between our public bodies, we contend that the bigger prizes in terms of improved outcomes and sustainability will be derived from a relentless focus on the citizen rather than organisations. Indeed, our four actions and the central premise that 'our public bodies need to cooperate better,



intervene earlier, and relinquish control more' may in turn lead to a diminution of size and influence for many organisations.

There should be a recognition that the changes needed by the sector will be difficult to implement and not necessarily accepted by everyone. The road ahead will require strong leadership from elected officials, strategic leaders and the Scottish Government itself. Particularly in Scotland, these key stakeholders should not allow the conversation about change to be dominated by fears about 'outsourcing'; instead, the discussions should be about the most effective and efficient way to deliver services in our communities.

There is a requirement for a stronger coordinating or sponsorship by the Scottish Government and relevant representative bodies like COSLA, SOLACE, ADSW, the Improvement Service and many others.

These changes are for the long-term and will not be delivered without significant financial support.

- We believe that the Scottish Government should invest up to £20m over three years to fund and coordinate (via appropriate public sector bodies forums) initiatives including:
 - strengthening community partnership bodies to deliver as well as plan integrated service provision locally
 - rapid development and funding of capacity and capability in demand insight across our public services
 - research into total Scottish public sector spend on prevention & early intervention
 - incentivisation and financing of cross-sector prevention & early intervention pilot exercises coordinated by CPPs or equivalents
 - independent research into and concerted exploration of the merits of ABMs for the public sector in Scotland
- These initiatives and others should be actively managed as a programme centrally, supported by robust business cases, governance and benefits realisation processes. The financial savings component alone for this investment could be immense – we would suggest leverage of savings to investment of at least 20:1

