

# THE INFLECTION POINT

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**i** MPOWER

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**Liam Booth-Smith and Jon Ainger**

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# FOREWORD

I am proud to think that throughout history the UK has been a leader in the development of public services. Going back to the development of public utilities in large urban areas, through to the creation of the NHS and welfare state after the end of the Second World War, we have a tradition that marks us out amongst liberal democratic peers.

However, the socio economic model of the UK has been challenged. The Blairite consensus of ever expanding GDP growth to fund investment in public services has been exhausted. Public services must evolve or the danger is that many may become extinct. In reality no government will increase taxes sufficiently to meet what is seen as the existing demand, the consequences for UK businesses, public services and individuals would be catastrophic.

To my mind there is no doubt about the need for modern and effective public services. We must however accept that the demand for the current service offering outstrips fiscal supply. Differing public sector agencies fighting to maintain their share of the decreasing pot of public funding is futile, unfair, and one might argue morally irresponsible.

Public services must evolve, and they must change locally to reflect the needs and issues of the very diverse communities that exist in the UK. This report demonstrates the increasing belief that local government can evolve and can do so in such a way as to be the most decisive agent in shaping the next generation of public services.

Those that strategically embrace a new relationship with citizens will find it easier to address the complex social problems we face in our communities where the root causes of issues require integrated support across public agencies, not new types of public agencies delivering the same old services.

Strategic leadership from central government that breaks down departmental silos is important, but we also need to repurpose the inspection and regulation regimes to focus on the relationship between public agencies and effective early and preventative support to citizens.

This is about putting the right economic incentives in the system to rebalance effort towards prevention rather than remedial treatment.

There is sufficient evidence to show that demand for public services can be reshaped, that behaviours can change and that we can create a fundamentally different relationship with citizens. It happens with every other part of our lives, why shouldn't it happen in public services. W. Demmings argued "survival is not mandatory", those that wish to remain, and do so in a meaningful sense, must choose too. Local government is at an inflection point and has a number of very important choices to make.

**Martin Cresswell**  
**Chief Executive**  
**iMPOWER**

## EXECUTIVE SUMMARY

This paper argues that we are at an inflection point in the development of local government in the UK. Our new research, coupled with our experience as one of the largest providers of consultancy services to local government, shows a sector on the precipice of an immense change. Everyone anticipates further cuts, roughly the same again over the coming parliament. Many are planning and implementing new and radical approaches to delivery and organisation; and are starting to design their budgets around these new models working.

Up until now, we would argue that local government has, largely successfully, become a 40% smaller version of itself. For most local authorities going forwards, they have set a budget for 15/16 but this may well partly be drawing on reserves; and for 16/17 and beyond there is still a substantial gap which these reserves cannot meet. The more confident authorities have been plotting a path out of this maze, aiming to become sustainable on a fundamentally different basis than recent models of local government. Now, they will need to commit fully to those models, and build in some bold assumptions into the budget.

The inflection point suggests that **the next 6 months will be critical** as we will rapidly be emerging into a world where these new and different approaches need to become the norm rather than the exception; where local government genuinely looks different to the recent past, instead of just a variant. A range of methods are needed to thrive in this new world. Our new data shows that one of the most important of these is demand focused transformation and is the primary emphasis of this report. Since 2011 we have identified a near quadrupling in the number of senior local government executives citing demand and behavioural change approaches as being a significant feature of their future plans.

What this looks like in practice, is a blend of new skills & capabilities, functions and approaches. This report argues that for many local authorities, this will mean the creation of new insight and observatory units to address gaps in data analysis and to help inform better strategic planning. Local behavioural insight hubs will be needed to develop staff

with specific experience in behavioural science, ensuring that the skills to design behavioural interventions are held in house. Allied to this is the need to sustain counter cultural behaviours across whole services or organisations. This points to councils adopting a more agile and adaptive approach to training to ensure front line workers hold the necessary skills and knowledge to maintain the new models that authorities will adopt.

Addressing the demand for public services is not a one shot silver bullet. The challenges local government faces are significant and this report makes clear that demand focused transformation is one of many approaches councils can and should be using. However, we are clear that the value on offer from tackling demand far outstrips that of a further round of supply side tweaks.

Many consultancies have suggested labels for future local authorities. We have seen 'Efficient Council'; 'Entrepreneurial Council'; 'Commercial Council' and many others. These have always felt inauthentic to us; an ersatz import of some other sector's thinking, largely due to the implied message that councils should be more like businesses.

For a number of years, iMPower has offered a view for the future council which we have called demand management. The term has become common currency (although we recognise it remains unsatisfactory for some). The work, the debate, the experimentation, the successes and the failures over the past 5 years have shown us that the really exciting future; a future free from the central government yoke, is one where local authority success is defined by helping local people avoid unnecessary need for statutory services in the first place. A win-win for the local community and for the taxpayer.

We are optimistic about the sector. The people we work with every day are committed, creative, decent and intelligent leaders, who tell us that they don't know the exact path they will end up taking, but that they have already started their journeys.

The mood of councils seems palpably different to us from that of four years ago. For a sector traditionally known for risk-aversion there is a high degree of excitement. It now feels like the local government family is saying "we've had enough of central government setting the agenda. We're going forward on our own terms."





# 1: WHY NOW FOR DEMAND FOCUSED TRANSFORMATION?

A reimagining of the state is not as rare as some would have us believe<sup>1</sup>. As commentator and author Janan Ganesh has pointed out, if you are “35 in this country then you will have lived through one already”<sup>2</sup>. For many in the business of reforming and improving public services this is not a revelation. Such reinventions are both necessary and to be encouraged. In section 1 of this report we explain four of the key dynamics that are most responsible for creating a new environment fit for a different kind of reinvention of public services; one that places behavioural insight and demand intelligence at the heart of change but leaves local public servants with the decisive role in shaping the future.

- 1 The finances have reached a point at which there is no alternative left that can both preserve the integrity of the institution of local government and the services it delivers other than demand and behaviourally focused transformation**  
.....
- 2 We have reached the point where supply side interventions are simply no longer going to create significant future benefits**  
.....
- 3 A new set of 21st century ‘service shaping drivers’ have come to a point of confluence that means we require a full reassessment of what we deliver public services for and to whom we deliver them**  
.....
- 4 The senior leadership of the local government sector is now almost entirely in agreement that a new form of transformation requiring public agencies to join up locally is needed and that demand and behaviourally focused thinking is a critical part of making that happen**

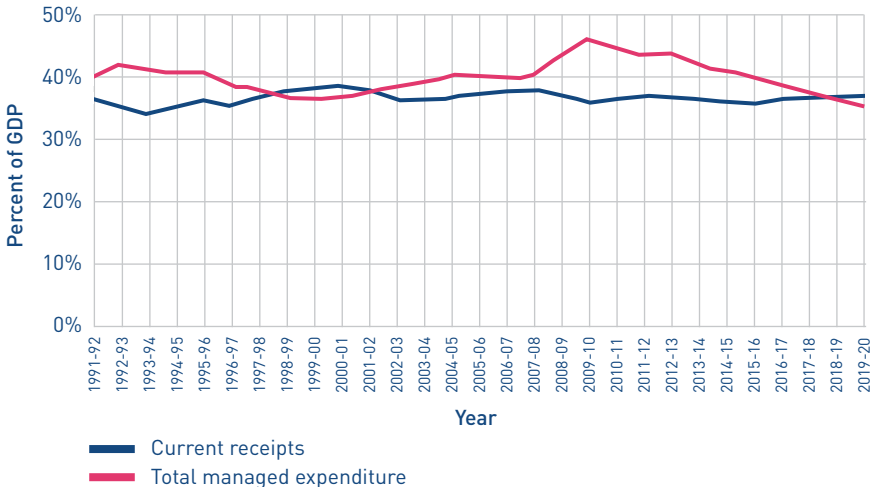
1 <http://www.theguardian.com/politics/2014/dec/11/ed-balls-attacks-george-osborne-cuts-depression-era>  
2 <http://www.ft.com/cms/s/0/24ba38e6-7c95-11e4-9a86-00144feabdc0.html#axzz3LOQXn8wg>

## THE FINANCIAL CONTEXT IS SET

Following the autumn statement in 2014, the Office for Budget Responsibility released their medium term fiscal projections for the UK. These confirmed the long held assumption that the UK was in fact in the middle of what is a decade long public spending contraction with a further £30 billion (minus debt interest) still to be cut from public expenditure over the next five years.<sup>3</sup>

This means that as of January 2015 the UK public sector has endured approximately 40% of the total public sector spending reductions it will need to make to address the structural deficit by the target of 2018/19<sup>5</sup>. With the departmental ring-fencing on health, international development and now education<sup>6</sup> this means further cuts will have to fall on areas that suffered disproportionately during the 2010 – 2015 period; in particular welfare spending, justice, defence and **of course local government**.

### Actual and Projected Tax Receipts and Public Spending into and by HMT



3 <http://www.ft.com/cms/s/2/5426fc12-6346-11e4-8a63-00144feabdc0.html#axzz3Qxlvhod>

4 OBR/ONS Data Released Dec 2014 – showing actual and projected public spending and tax receipts out of and into HMT

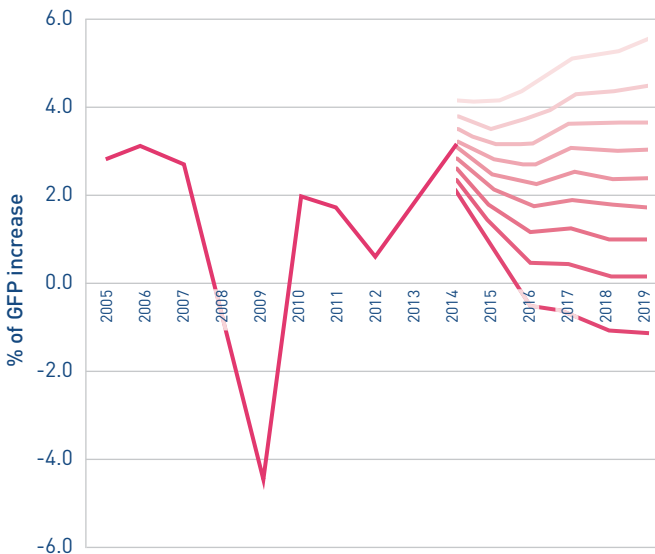
5 IFS Paul Johnson Speech (MJ Future Forum – March 2014)

6 <http://www.independent.co.uk/news/uk/politics/tory-plan-to-ringfence-schools-budget-will-push-cuts-to-other-areas-10016958.html>

Allied to this is the likelihood that whilst there is confidence that the UK will retain modest growth over the course of the next parliament (averaged out at approx. 2% of GDP per annum as per the ONS), this is unlikely to yield significant increases in tax receipts.

This continuation of the current financial context over the course of the next parliament (2015 – 20) means that the public sector needs to address the underlying causes of pressure on public services. Specifically, we believe this means tackling the fundamental issue of increasing demand. Whilst a change of government may create a different public spending outlook, both Labour and the Conservatives have pointed to the need to make savings in public expenditure.

### OBR GDP Forecast Range<sup>7</sup>



<sup>7</sup> OBR/ONS Data

## SUPPLY SIDE INTERVENTIONS DON'T OFFER THE VALUE WE NEED

The post 2010 public spending decline did not, as some hoped it would<sup>8</sup>, result in a flood of outsourcing deals from local government. With budgets to cut, senior executives looked internally for savings. This has meant a wave of council job losses, approx. 500,000 as of 2014 according to figures from UNISON<sup>9</sup>, alongside budget reductions and internal staffing re-organisations, threshold changes and service rationing. This low hanging fruit has allowed local government to navigate from 2010 – 2015. If councils retain a similar share of the cuts burden in 2015 – 2020 that it did in 2010 – 2015 then there could be upwards of a further 300,000 job losses, we estimate largely from front line services.<sup>10</sup>

Evidence from iMPower's clients shows that whilst all have successfully set budgets for 2015/16, many are drawing on reserves to do so and all still have large gaps to meet over the following 2 years.

In 2013 Cllr Peter Fleming, Chair of the LGA's Improvement Board, wrote that there was a realisation across local government that "the potential efficiencies available from improving the way services are delivered – the "supply-side" – are limited and therefore we must now look at the other side of the equation – the "demand-side".<sup>11</sup> A continued focus on supply side tweaks is a distraction from the real work that local government should be doing.

The 2014 RSA Building Future Public Services report argued "not only can demand management thinking help to shift the starting point for policy and practice today, it can help frame the future of public services, aligning it much more clearly around the root causes of social demand, the holistic needs of citizens and communities and the role that they can play in improving outcomes."<sup>12</sup> In short, the core point is not that supply side solutions are no longer available rather it is that they're insufficient at addressing the task at hand; remaking local public services and places.

8 <http://www.theguardian.com/business/2010/oct/20/spending-review-outsourcing-hopes>

9 <http://www.unison.org.uk/at-work/local-government/key-issues/cuts-to-local-services/the-facts/>

10 iMPower Public Spending Analysis

11 [http://www.local.gov.uk/c/document\\_library/get\\_file?uuid=d51198ea-c73d-4c88-adea-b46e238f85eb&groupId=10180](http://www.local.gov.uk/c/document_library/get_file?uuid=d51198ea-c73d-4c88-adea-b46e238f85eb&groupId=10180)

12 [http://www.rsa2020publicservices.org.uk/wp-content/uploads/2014/03/RSA\\_Managing-Demand\\_Final\\_Spreads.pdf](http://www.rsa2020publicservices.org.uk/wp-content/uploads/2014/03/RSA_Managing-Demand_Final_Spreads.pdf)

## THERE IS A NEW NORMAL EMERGING

Rapidly changing demographics are forcing us to consider what people want, expect and need from public services. These service shaping trends are varied but include things such as:

- An aging population is shifting the terms of political discourse ever more towards the needs and wants of older people. The House of Commons library report into the UK's aging population noted that in 20 years the number of over 65's would be expected to rise from around 10 million to 15 million and by 2050 to reach around 19 million.<sup>13</sup>  
.....
- School numbers are increasing to levels last seen in the 1980's with figures projected to go over 8 million pupils by 2023<sup>14</sup>. Professor Tony Travers has written that these figures equate to a projected rise of 10% in overall pupil numbers over the course of the next parliament.<sup>15</sup>  
.....
- Migration has doubled over the last 20 years, from approx. 3.8 million members of the foreign born population in 1993 to 7.8 million by 2013.<sup>16</sup> According to University of Oxford research approx. half of the foreign born population of the UK resides in London (36.2%) or the South East (13.73%) and this trend for higher numbers in highly urbanised areas is replicated across UK.  
.....
- Digital platforms and new technologies are allowing people to communicate and collaborate on a whole range of different issues and interests. 35 million people now own smartphones in the UK<sup>17</sup> with, according to the ONS, 38 million now using the internet daily.<sup>18</sup>

13 <http://www.parliament.uk/business/publications/research/key-issues-for-the-new-parliament/value-for-money-in-public-services/the-ageing-population/>

14 Department for Education

15 <http://www.lgcplus.com/opinion/tony-travers/it-is-easy-to-imagine-social-care-being-removed-from-local-government/5081764.article?blocktitle=Tony-Travers&contentID=16003>

16 [http://www.migrationobservatory.ox.ac.uk/sites/files/migobs/Migrants%20in%20the%20UK-Overview\\_0.pdf](http://www.migrationobservatory.ox.ac.uk/sites/files/migobs/Migrants%20in%20the%20UK-Overview_0.pdf)

17 <http://www.deloitte.co.uk/mobileuk/#feature>

18 <http://www.ons.gov.uk/ons/rel/rdit2/internet-access---households-and-individuals/2014/stb-ia-2014.html>

Whilst the above four are some of the most commonly referenced, they are by no means the limit. Rapidly changing demographics and increased connectivity mean that we can no longer make assumptions about what citizens want or treat them as passive recipients of services. Rather, as Jocelyn Bourgon in *A New Synthesis for Public Administration* notes, “government forms part of a co-evolving system between people and society, where public results are a shared responsibility and citizens are respected as important creators of public value.”<sup>19</sup>

## SENIOR LOCAL GOVERNMENT LEADERS RECOGNISE THIS NEW WORLD

Senior local government leaders acknowledge the important role demand and behaviourally focused thinking will play in the future of their organisations. As of January 2015, 76% of local government chief executives and senior directors either agree or strongly agree that demand and behavioural focused transformation represents *the single greatest opportunity to reduce costs*.

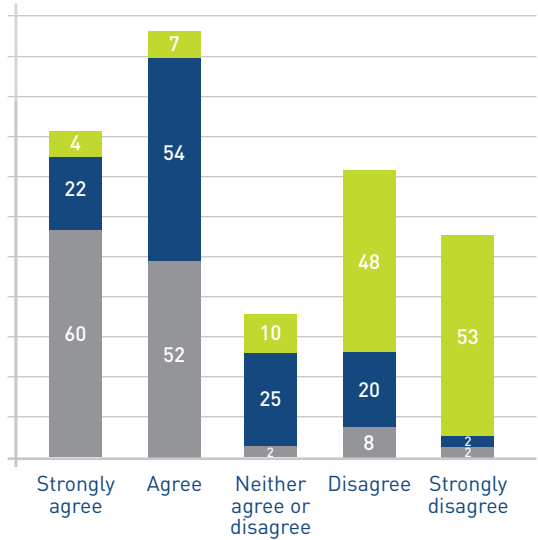
Similarly, approx. one in three chief executives and senior directors now plan to *focus heavily on demand and behavioural* thinking with almost everyone planning to use it to some degree. Not a single person stated that they will not be using demand or behavioural focused transformation over the coming years as they look to change their organisations.

This represents a significant shift since 2011 when iMPower conducted a similar survey as part of its 2012 report ‘*Changing the Game*’. This work showed only 25% of senior local government executives perceived any appetite at a senior level in their organisations for behaviour change or demand management, with 48% citing scepticism over its impact and a similar number concerned with the financial costs associated with it.<sup>20</sup>

19 A New Synthesis of Public Administration, Serving in the 21st Century, Bourgon, 2011  
20 Changing the Game, iMPower Consulting Ltd, 2012, <http://www.impower.co.uk/wp-content/uploads/impowerchangingthegame.pdf>

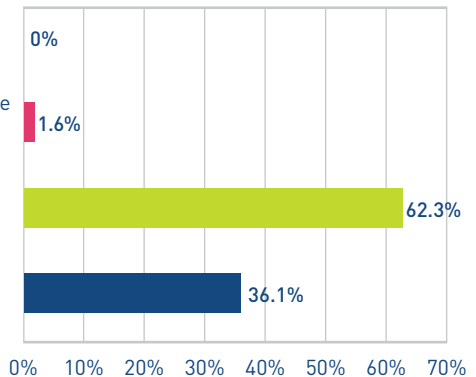
## To what extent do you agree with the following statements<sup>21</sup>

- Behaviour change is merely a current fad in local government thinking and will not become policy
- Demand management and behaviour change represent the single greatest opportunity to reduce costs
- Demand management and behaviour change represent a significant opportunity to reduce costs at a time of shrinking budgets



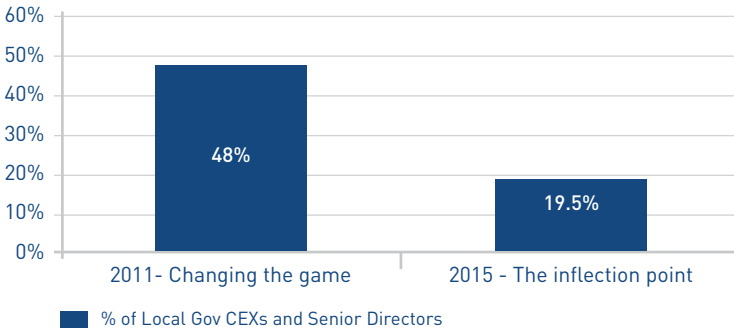
## Which of the following answers best reflects your thinking at present <sup>22</sup>

- No** - we have no plans to focus on managing demand for services
- Not really** - there maybe the odd area where we use it but its not really a big part of my plans
- Yes - a significant amount**, we'll use demand management in areas where there is a good evidence base to support it
- Yes** - we plan to focus heavily on managing demand for our services

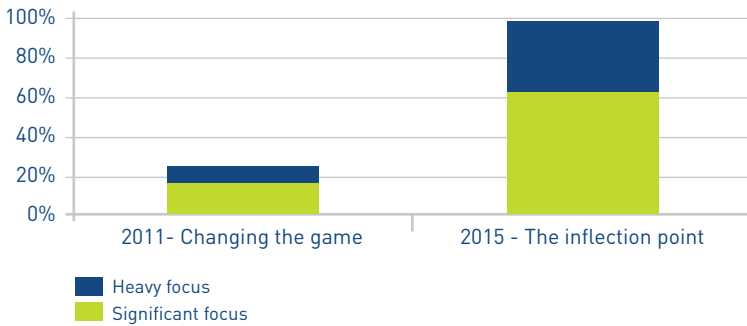


<sup>21</sup> iMPower iNSIGHT Survey Dec14 – Jan15 (125 Responses)  
<sup>22</sup> iMPower iNSIGHT Survey Dec14 – Jan15 (125 Responses)

**% of LG CEXs and Senior Directors citing lack of appetite to address demand as a barrier<sup>23</sup>**



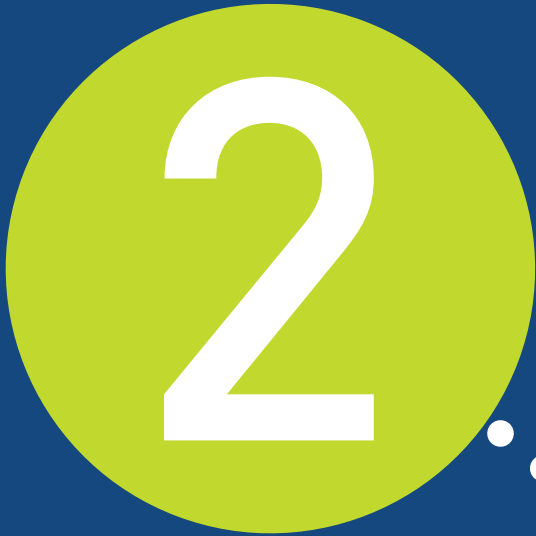
**% of CEX and Senior Directors and their focus on demand side interventions to deliver change<sup>24</sup>**



Undeniably we have seen a significant shift in the perspectives of senior local government leaders towards the benefits and potential offered by demand and behaviourally focused thinking over the last four years. We now have a local government landscape that is increasingly aware of demand and behavioural insight and one that is increasingly active in pursuing the agenda.

<sup>23</sup> iMPower iNSIGHT Survey Dec14 – Jan15 (125 Responses)  
<sup>24</sup> iMPower iNSIGHT Survey Dec14 – Jan15 (125 Responses)



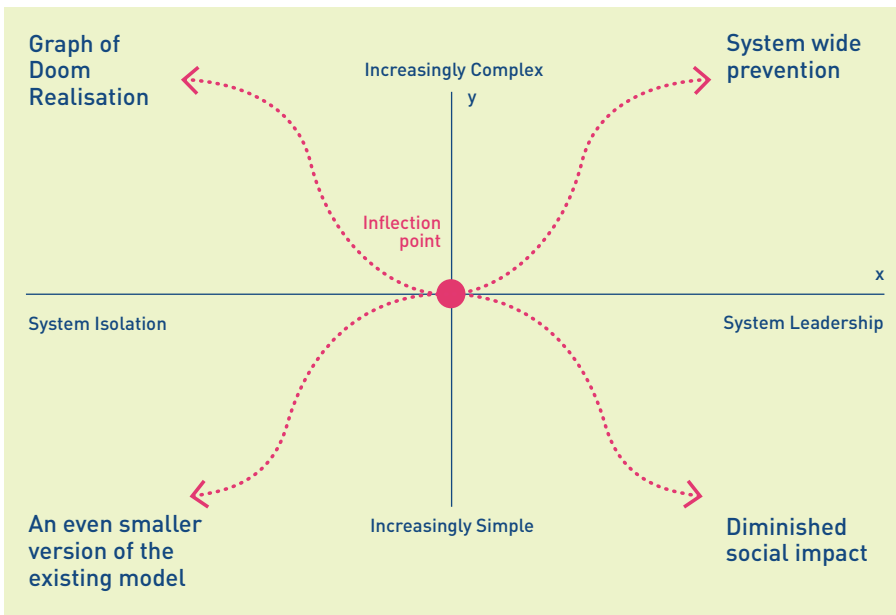


# 2

## 2: AT THE INFLECTION POINT

The analysis and new data in Section 1 shows local government finding itself at an inflection point. Below is a suggested framework for strategically assessing what an organisation's direction of travel is; understanding your position realistically against the real level of system leadership displayed throughout your organisation mapped against the understanding of the complexity of the social issues faced by the organisation. This allows for strategic choices about how an organisation should move forward to be made with an indication as to future implications for services.

### Strategic directions for local authorities out of the inflection point



x = position of LA within local systems  
y = nature of social problems LA exists to resolve

**Our analysis points to, supported by the work of others referenced in this report, the local authority landscape pivoting on two axis; its role and ability to leverage influence in systems, and the nature of the social problems it exists to resolve.** This suggests a future which is contingent. One where external forces are pressing the sector to act, but the end outcome is yet to be decided. As such local authorities have an opportunity to be a decisive player stepping out from the inflection point.

iMPOWER's position is that local government is a natural system leader, but in many instances must earn that role. Secondly, we believe that for local authorities to continue to affect significant societal change in the future they must break their services free of outdated notions of need<sup>25</sup>. Designing interventions and services that reflect the increasing complexity of our most vulnerable individuals and communities offers a way forward for those local authorities wanting to continue to have demonstrable and positive impacts in their localities.

Throughout this report, in particular sections 3 and 4, we address the issue of system leadership and as such will not touch on it further in this section. Rather the remainder of this section will address the second of the two axis on which the inflection point sits, complexity.

## **COMPLEXITY: FROM BEST PRACTICE TO BEST FIT**

Complexity is not an isolated area of work, service, community or individual. Local public servants live with it every day in much of their work<sup>26</sup>. It is now part of our social fabric and many public services are buckling under its pressure<sup>27</sup>. By accepting that local authorities must evolve to measure up to this complexity then there is a significant practical implication; the shift from best practice to best fit.

25 [http://cdn.basw.co.uk/upload/basw\\_102418-7.pdf](http://cdn.basw.co.uk/upload/basw_102418-7.pdf)

26 <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/833.pdf>

27 The Social Labs Revolution, Z Hassan, 2014, Berret-Koehler

## What is best fit?

As described by Ramalingam et al 'best fit', is a concept stemming from governance efforts, that describes programmes that are optimally adapted to the political, social and economic context. Such programmes can take advantage of a plurality of possible solutions, which can be deployed flexibly. They often work at multiple levels simultaneously – from community to national and even global policy levels – in order to facilitate and bring about change<sup>28</sup>.

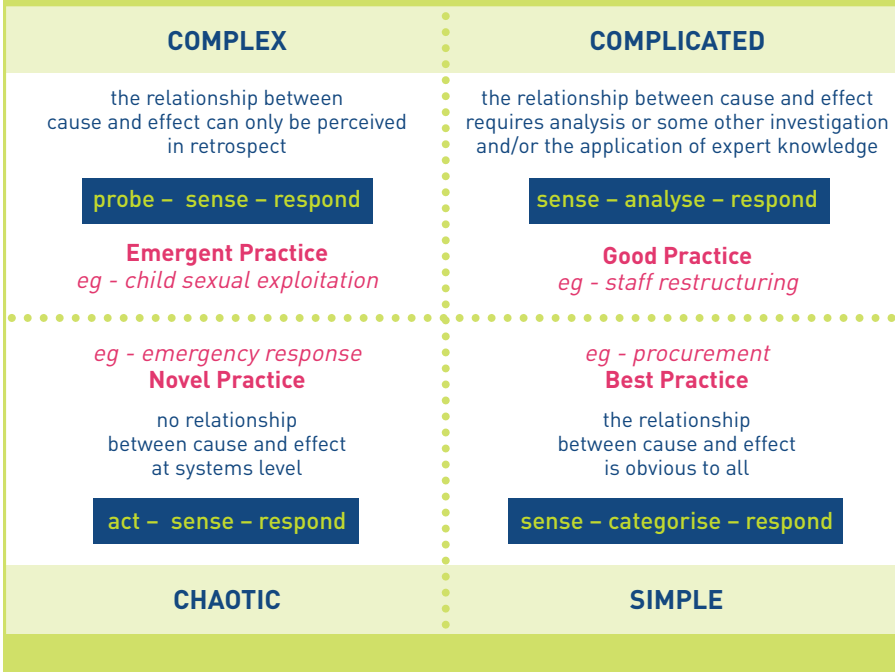
For local authorities this means taking a more adaptive approach to service delivery and service change. Prototyping and trialling different interventions is an important feature of a 'best fit' approach.

A best fit approach impacts on the way the local authority derives insight and intelligence, how it designs services and interventions, how it trains its staff and the new roles its politicians will need to assume to name but a few. Alongside these operational changes, new skills and capabilities will need to be developed to match up to the more accurately understood need and better designed services & interventions.

<sup>28</sup> [http://oxfamblogs.org/fp2p/wp-content/uploads/2014/05/BestPracticetoBestFitWorkingPaper\\_DraftforComments\\_May2014.pdf](http://oxfamblogs.org/fp2p/wp-content/uploads/2014/05/BestPracticetoBestFitWorkingPaper_DraftforComments_May2014.pdf)

A key goal for local authorities will be in explaining this change in complexity and towards best fit. One way of framing this thinking is the CYNEFIN framework. This provides us with a short hand view of how the nature of the problems the local state is trying to address evolve their states, and in turn what this means for how we respond.

The future is, in many parts, uncertain but what we can be confident of, as evidenced by this report and the multitude of studies and comment produced by others, is that external pressures will continue to present a threat to local government. **In sections 3, 4 and 5 of this report we will go on to explain how we believe local authorities should progress outwards from the inflection point and what impacts this will have on organisations, services and local politics.**





### 3: STRATEGIC CHALLENGES

Demand management can deliver significant savings, but to be sustainable in the long run, keep pace with societal change and continue to be effective, it must be delivered within an organisation that is fit for purpose. A key challenge that we as iMPower laid down at the outset of this report was to craft a method for Chief Executives to redesign their organisations from top to bottom to manage demand sustainably. In this section we lay out the strategic organisational challenges.

Based on over 100 iMPower run demand focused projects, impacting millions of people in the UK and affecting billions of pounds of public money over the last five years, there are 3 critical features that have led us to the conclusion that a ‘whole organisational to whole system’ approach is necessary.

- **Sustained counter cultural behaviour** – even when a project or programme of change is successful sustaining the benefits can be difficult because it often requires sustained counter cultural behaviours from staff  
.....
- **Future demand can't be tackled in isolation** – whilst the evidence available proves that current demand can be managed from within a service and budget boundary, future demand (ie prevention) often requires the willing participation of other system partners.  
.....
- **System wide views are needed** – depending on your position in a system, you will likely perceive and define a problem differently to that of your partners. As we know that future demand can't be shaped in isolation, collaborating and leading across a system will be critical to achieving success.

The above challenges are in essence ‘exam questions’ for any modern local authority looking at addressing demand. Without acknowledging these fundamentals you are limiting your impact.

## HOW IS THIS DIFFERENT FROM WHAT I DO NOW?

We see embedding demand thinking across a local authority as the key to unlocking its wider power. It must be at the core and considered the norm, not the exception. This has a range of significant impacts on the processes and functions of the council.

The table below describes some of the ways in which a demand-focused local authority might differ from a traditional local authority.

| Traditional                |                        | Demand-focused            |
|----------------------------|------------------------|---------------------------|
| Against service definition | Budget allocation      | Against customer cohort   |
| Allocated to single budget | Savings targets        | Allocated across budgets  |
| Statutory requirements     | Service definition     | Around customer cohort    |
| Service measures           | Performance management | Customer measures         |
| Meeting statutory need     | Priorities             | Preventing statutory need |
| Transactional              | Customer relationships | Holistic                  |

## MOVING BEYOND CUSTOMER SERVICE

This approach does require the local authority to step beyond ‘customer service’ as a means by which performance and improvement are measured. **Rather, success is determined by how well you know your customers as opposed to how you serve them**, and by extension, designing services and interventions based on this information. Without this action increased pressures on local authorities will lead them into an ever diminishing role. Re-defining success towards better outcomes and more independent communities creates the need for the council to increasingly become the trusted advisor to its people and partners.



## Case Study

The iMPower team worked with Sandwell and West Birmingham CCG to carry out an in-depth data analysis of over 80,000 data points and a population segmentation exercise to identify target groups for other interventions. Focusing on demand-side behaviour, iMPower conducted an on-site study within A&E departments across Sandwell and West Birmingham, incorporating behavioural insights alongside the data analysis and the research.

Insights highlighted the relationship with primary care as a key factor in A&E attendances and our recommended design gave equal weight to three strands:

- i) a shift in the primary care offer – research identified 16% of attendees came from the student population, where they only make up 6% of the total resident base
- ii) messaging in A&E departments - research identified numerous messages reinforcing unnecessary attendance - approximately 1 in 4 of those attending we interviewed said they made the decision to attend A&E the day before
- iii) targeted population strategies - our analysis identified that for this particular area, the working age population (predominantly male) were the likeliest inappropriate attenders.

Thom Davenport, Professor of IT and Management at Babson College, has noted that as demand for a service increases the quality of human interaction we experience, the traditional notion of quality of service, naturally decreases. This is due to the increasing complexity of needs, the range of options open to an individual and time available to help locate the answer to a person's problem.<sup>29</sup> Davenport argues that greater levels of understanding with regards to the customer will allow organisations to

<sup>29</sup> <https://hbr.org/2011/12/know-what-your-customers-want-before-they-do>

customize their offerings in innovative and more efficient ways. For a local authority to remain wedded to an outdated model that focuses on developing a transactional relationship with citizens would be a mistake. As we have already noted via Bourgon and A New Synthesis<sup>30</sup> the future of public service innovation will be determined by our ability to 'co-create new value' with citizens. The benefit is that by getting to know our citizens better, we are by proxy able to serve them better.

## OWNING OUR MOST COMPLEX SOCIAL PROBLEMS

The level of complexity inherent in many of the issues our most vulnerable communities face is quite frankly, staggering. The interlocking nature of our most challenging social issues is beyond denial. Alcohol, drug abuse, domestic violence, poor educational performance, anti-social behaviour, criminal activity, joblessness, all elements that can connect and combine to ensure that a single individual or family can be seen by multiple state agencies over extended periods of time with little to no formal acknowledgement of the multiplicity of engagement,<sup>31</sup> A more perfect bureaucratic response to these problems is not possible.

Because of the nature of local public service systems; silo funding, differing ministerial accountability, cultural misalignment, lack of understanding about roles and functions, there has historically been little incentive for a single agency to in effect 'own' a complex social problem. (Complex social problem – a problem whose causes are a combination and interlocking of different issues and challenges). **We assert that the local authority is the natural home for co-ordinating responses to complex social problems.** Not only does it retain the political mandate of the local area, its own future is increasingly dependent on creating more meaningful relationships with partners in their own local systems.

30 A New Synthesis of Public Administration, Serving in the 21st Century, Bourgon, 2011  
31 <http://dera.ioe.ac.uk/6853/1/multidimensional.pdf>

## COLLABORATIVE BY DEFAULT

As the owner of our most complex social problems, a leadership status is naturally assumed by the local authority. The challenge in this space is one of understanding how to wield power and effectively align vision and purpose across, what can often be, a dysfunctional system. We have already discussed the need for sustained counter cultural behaviours from staff; in this instance we need sustained collaborative behaviours from the leadership of a council. In *Governing by Network*, Goldsmith and Eggers use the example of the National Park Service and its work to reclaim contaminated lands and turn it into Golden Gate National Park. In short, they were able to achieve the full reclamation and further improvement and successes beyond their original plan by effective collaboration with partners, all without a single penny of government money for the project. The key to their success according to the service's superintendent? "Figuring out who our strategic partners should be and how to bring them together and inspire them to be a part of it."<sup>32</sup> The example highlights how the senior leadership of the project adopted a 'collaborate by default' mentality. Every challenge or issue was seen as either a collective problem to solve or another opportunity to create a partnership.

The research and evidence around the need for public services to better collaborate is plentiful<sup>33</sup>. Effective system leadership however, is an area where practice is still largely emergent. We would assert that a necessary first step is to adopt a 'collaborative by default' approach, particularly in relation to complex social problems.

<sup>32</sup> *Governing By Network: The New Shape of the Public Sector*, Goldsmith & Eggers, Brookings Institute, 2004  
<sup>33</sup> <http://publicservicetransformation.org/>

## Case Study

Working with Sandwell Council iMPower adopted a collaborative approach with its children's services, focussing on long-term transformation rather than 'quick fixes' in response to inspections. Outcomes and risks were shared within the partnership, and the team jointly owned the issues and improvement activity with the client.

This whole system demand focused approach has made significant achievements including:

- i) a reduction in inappropriate demand for social care services: CiN cases reduced by 30%, the numbers of children in care have reduced by nearly 10% and Sandwell now has the lowest re-referral rate in the country (9%)
- ii) a reshaped three year budget incorporating a 20% saving: based on reductions in placement costs, social care workload and agency staffing (£4m spend reduction)
- iii) a dramatic decrease in annual staff turnover (exceeding the initial target of 15%), and a new, permanent senior management team in place
- iv) clear improvements in the child's journey: fewer handoffs within the system, and better timeliness of assessments (e.g. timeliness of initial child protection conferences increased 25%)

The transformation approach was based on the following.

**Developing leadership:** including supplying a new Director of Children's Services and providing leadership coaching to the senior team.

**Developing people:** creating an environment that both supports and challenges people to give of their best and to achieve the outcomes necessary.

**A 'whole systems' approach to children's transformation:** based around the 'child's journey', initially aimed at delivering the current improvement plan and short-term savings, and then transforming the service.



# 4

## 4: ADDRESSING THE POLITICS

A demand focused agenda is political. Understanding and responding to citizen need is a complicated matter, it becomes truly complex when you infuse the equation with declining budgets and limited electoral mandates. In section 4 we explain how our current local political needs have a strong degree of synchronicity with the corporate and financial need for demand and behaviourally driven change. Councillors can and should be leading these new programmes of reform, a strong political narrative is a powerful unifying force and can be decisive in bringing common purpose to local systems.

### IT'S A 'POLITICAL CHOICE'

There has been a significant political journey linked to demand focused thinking. Consider our initial moves in the 1970's from centralised administration to free market public service delivery. Typified by Thatcher's 'New Right' but followed through to the time when Hood coined the term New Public Management<sup>34</sup>. Next came Major's 'Citizens Charter' and the more recent Blairite 'choice agenda'. These are all responses, at a national level, to someone noticing that people were changing. We were becoming more demanding and individualistic. The same is true of local government, our local leaders are recognising people are changing. However, there are important lessons to learn from this history and from what people and communities are telling us.

Firstly, choice in public services is a misnomer. Social commentator Deborah Orr recently argued that "choice in public services is a myth"<sup>35</sup>. She points to the monopolisation of public services by large firms as being directly at odds with any recognisable choice for the average citizen. Whilst the *Open Public Services* programme<sup>36</sup> led by the Cabinet Office since 2010 has attempted to arrest this concern we do believe that there is a trend

34 Hood, C. [1991]. A Public Management for All Seasons. *Public Administration*, 69 (Spring), 3-19

35 <http://www.theguardian.com/commentisfree/2014/dec/10/choice-public-services-myth-big-corporations>

36 <https://www.gov.uk/government/publications/open-public-services-2013-update/open-public-services-2013-executive-summary>

towards an over-reliance on larger firms to provide services. Secondly, the publics' response to questions regarding local choice and national standards contradict each other<sup>37</sup>. Ipsos MORI has found that people believe in equal measure that public services should be under greater local control and be subject to rigorous national standards. In short, the generic member of the public response to the question of 'Which sort of public service do you want?' can be best described as '*the best one please*'. David Boyle's independent review of choice in public service similarly noted that people are generally happy with their service, "even if they've had no choice"<sup>38</sup>.

This has had the unintended effect of forcing politicians, in particular local politicians, to make decisions that they may have assumed would have been informed by a greater sense of preference from the general public. (It is important to note that there is an argument which says that the policy split between choice and competition created unrealistic expectations of what a 'choice agenda' might yield<sup>39</sup>.) As such, local political leaders are left in the unenviable position of having to make significant decisions about public service provision without the necessary level of data and insight to adequately inform them. **To fill this gap and help local political leaders continually make sound judgements they should utilise demand and behavioural insights. As public service managers are planning to increasingly utilise these forms of analysis, our local political leaders should not be left behind.**

## NETWORKED AND CONNECTED

In the 2013 report *Future Councillors*, the think tank New Local Government Network sketch out a future world for local politics that shifts along two axes. Outward focused vs Inward Focused and Apathetic vs Engaged. It is no surprise that the report notes the scenario in which a council is both engaged and outward focused is referred to as "*the networked council*"<sup>40</sup>. Similarly,

37 <https://www.ipsos-mori.com/Assets/Docs/News/britain-2012-and-the-implications-for-government-communication.pdf>

38 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/80070/Barriers\\_to\\_choice\\_review\\_0.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80070/Barriers_to_choice_review_0.pdf)

39 [http://www.instituteforgovernment.org.uk/sites/default/files/publications/Choice%20and%20competition%20in%20public%20services\\_0.pdf](http://www.instituteforgovernment.org.uk/sites/default/files/publications/Choice%20and%20competition%20in%20public%20services_0.pdf)

40 [http://www.nlgn.org.uk/public/wp-content/uploads/Future-Councillors\\_FINAL.pdf](http://www.nlgn.org.uk/public/wp-content/uploads/Future-Councillors_FINAL.pdf)

work produced by Public-I has long advanced the cause of the *Networked Councillor*<sup>41</sup>, a highly involved and connected political representative. Whilst their work has a pronounced focus on the digital dimensions of being a modern elected representative, the principles that underpin the thinking (openness, co-productive, etc...) have a high degree of portability.

In section 1 of this report we explained how local authorities will need to become the 'owners of society's most complex social problems'. To be effective in this role means greater levels of collaboration across what can often be dysfunctional systems. Thus, leadership and influence from local political elites will need to reflect this reality. Acting as a conduit and facilitator of relationships has traditionally been a function of local political elites but this has often been a binary exercise; connecting the resident to the council, or council to another agency. We're now in a world where the political elite must be a moving part of an ever shifting constellation of agents and interests.

The challenge then is how does a locally elected representative embrace the need to be networked in a way that allows them to do this? **Councillors must increasingly see their role as thematic and based on outcome areas (substance abuse, domestic violence, youth unemployment, etc...) as much as defined by service or locality responsibilities. As we know, the nature of complex social problems doesn't comfortably fit a service silo, or even a single organisations remit. Sometimes this complexity can be managed within and/or between traditional hierarchies, but it also may need councillors to identify the problem independently and assume responsibility for bringing together different parts of the relevant system (This applies on different levels; sometimes within a ward, sometimes across a locality or even region).**

41 <http://www.public-i.info/products/networked-councillor/>



## IDENTITY

As Paul Johnson of the Institute for Fiscal Studies commented in late 2014 after the next wave of spending contraction “the state will have changed beyond recognition”<sup>42</sup>. Couched in this is a question of identity, and more specifically, what will local government be in the future. One of the implicit criticisms we make in this report, until now, is that we believe that many of the pre-packaged conceptual approaches to change, such as *the commercial council, the entrepreneurial council, etc...* are ineffective. They offer a ready-made analysis that can be dropped into any local context. They also offer any council that is willing, a prefabricated *identity*. They are a short hand way of telling people who you are and what you are about.

For some local authorities, this approach will be correct. We do not argue against the development of commercial skills, or a more entrepreneurial approach to problems. Rather, we reject the assumptions that go alongside these nomenclatures, mainly that councils should be more like businesses. This identity does not reflect the role councils have in creating public value and safeguarding the public interest. More importantly, such an identity is also built on an increasingly outdated conjecture; *that the real levers of place shaping are the services you deliver*.

Since the Lyons Inquiry final report in 2007<sup>43</sup> the notion of place shaping has waxed and waned. One element of received wisdom that has grown from this report (although not explicitly referenced in it) has been that local authorities predominantly shape place via public services. However, as we have established that services will need to be radically altered, and that our councillors should be less wedded to their hierarchies, what does this mean? **We would assert that in the world of the re-imagined state public services are no longer the major lever of place shaping but rather, politics will be the tool most consistently and effectively deployed.** As councillors increasingly tackle thematic issues the boundaries between services and agencies will dissipate, becoming more porous. This will in turn alter the nature of public services, health and social care integration being an obvious example of where we are trying to succeed albeit without the necessary political framework to support it.

42 [http://www.ifs.org.uk/uploads/publications/budgets/as2014/as2014\\_johnson.pdf](http://www.ifs.org.uk/uploads/publications/budgets/as2014/as2014_johnson.pdf)

43 <http://www.lyonsinquiry.org.uk/>



## 5: GETTING STARTED

### WHAT IS THE ENTRY POINT FOR MY ORGANISATION?

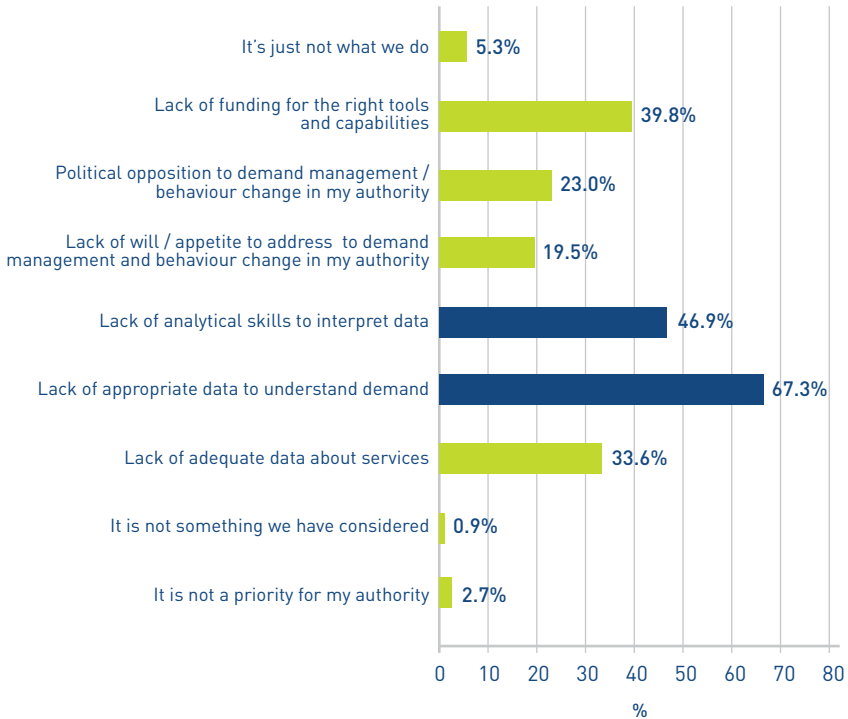
A persistent question we at iMPower are confronted with is 'how do I get started?' As we have established some of the strategic implications for what embedding demand thinking across your organisation will mean in the first half of this section; and ultimately what sort of organisation this puts you on the path to creating. Now is the right point in which to lay out the entry point for starting this journey.

Firstly, some pre-existing conditions for action are highly desirable. Whilst these are not absolutes their absence does increase the risk of failure, mean progress may be slower, or ultimately cost more than was originally intended. The conditions are:

- **Some demand management work is already planned, underway or completed within services.**
- **Some senior managers have some personal experience of delivering demand management projects.**
- **Some governance exists which has overseen the demand management agenda so far, either separately or as part of wider transformation.**
- **A forward plan exists or is in development which ties the demand management programme to forward savings opportunities.**
- **A political narrative that can reach across a local system and connect with needed partners and collaborators**

Each of these conditions remains a feature of demand focussed transformation however there are a series of key features that would form part of any plan that respond to some of the specific barriers raised by Chief Executives and Senior Directors as part of our survey work.

## What are the biggest barriers to demand focused transformation<sup>44</sup>



When Chief Executives and Senior Directors were asked to note as part of our survey work any barriers of relevance the most commonly cited were a lack of appropriate data (67.3%), lack of analytical skills (46.9%) and lack of funding for tools and capabilities (39.8%). To unlock the near universally acknowledged potential that exists for local government in this space there are some key areas where councils need further help and support. From this data and our analysis we have identified a series of functions that a demand focused transformation programme would need.

<sup>44</sup> iMPower iNSIGHT Survey Dec14 – Jan15 (125 Responses)

- **Insight function** - *linked to and supporting services, providing the latest detailed intelligence and trends on clients and demand drivers.* Many councils have restructured their corporate core in recent years. The combination of falling headcount and declining budgets have meant that units such as communications, policy and performance have all been brought together and centralised to address gaps in critical thinking capacity. The level and form of analysis we deem necessary is currently, based on the responses of chief executives and senior directors, not readily available in local authorities.

**Example** – ‘The Observatory’ model. The WHO’s (World Health Organisation) *European Observatory on Health Systems and Policies*<sup>45</sup> is one such function. It supports and promotes health policy via the analysis of data and trends from across Europe that it then feeds back into nation states with a high degree of contextualised analysis. The Observatory model has pre-defined remit – in the case of the council – the customers and services – however, the sources of analysis are decided independently of a services leadership.

- **Skills and experience function** - *providing a central hub, and training, for staff leading demand management transformation projects.* The survey data from chief executives and senior directors pointed to a significant lack of capability and skills when it came to sourcing and analysing the relevant data. Training staff, both at the corporate core and within services, will be critical to ensuring the sustainability of your programme. What marks this out as different is that you need a more flexible approach than a traditional HR model allows. A ‘many to many’ model of learning is preferable, allowing people to collaborate at times of their convenience as and when is necessary.

<sup>45</sup> <http://www.euro.who.int/en/about-us/partners/observatory>

**Example** – ‘The Salon’ model used by think tanks and other educational institutions. *The Institute of Ideas*<sup>46</sup> runs such a model whereby in like-minded individuals can collaborate on issues of mutual interest. The Salon model is portable and requires limited central administration; it focuses on connectivity and access to expertise.

- **Behavioural insight function** – *the development of staff with specific experience in behavioural science*. Ensuring you have adequate skills in designing behavioural interventions will be a critical part of maintaining your approach and continually innovating.

**Example** – ‘The Train the Trainers’ model used by The Mindspace Partnership<sup>47</sup> offers an interesting example of how to rapidly scale the expertise of staff in behavioural insight. Intensive training can be provided to create ‘internal trainers’ who can then teach staff across the organisation how to understand and use behavioural insight.

These three new features are not just necessary for success during the lifetime of a demand focused transformation programme but in sustaining your organisation as it confronts new challenges in the future. A significant determinant of long term success is the ability to sustain counter cultural behaviours and approaches to the point where it is normalised. This is difficult to achieve in the life cycle programme and rarely achieved over the course of a single project. An important part of iMPOWER’s organisational philosophy, and reflected in this report, is that we believe that local government should be able to reach a point at which it is able to take this agenda forward without significant external advice and support.

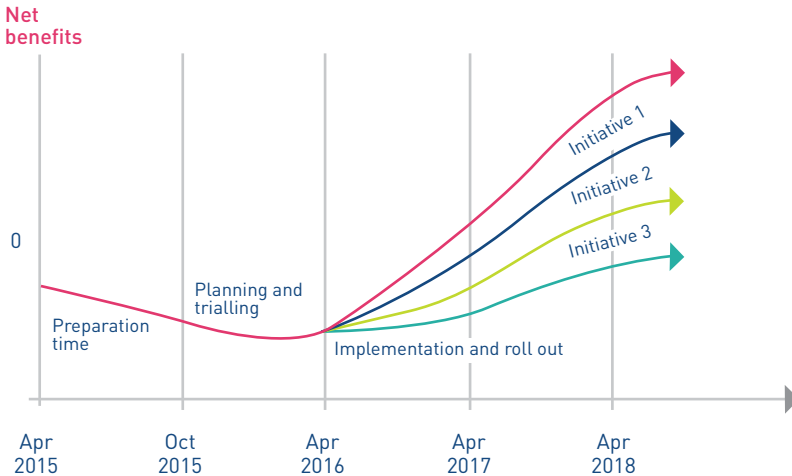
<sup>46</sup> <http://www.instituteofideas.com/forums/salons>

<sup>47</sup> <http://www.themindspacepartnership.com/>

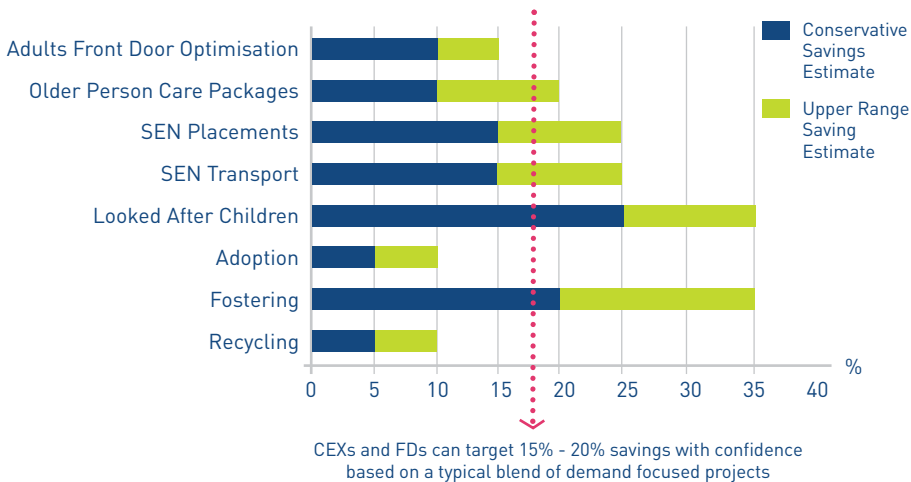
## WHAT 'VALUE' DOES THIS APPROACH OFFER MY ORGANISATION?

The ultimate test for a successful roll-out of demand focused transformation council, in short, is whether demand management savings are increased and sustained. Demand focused transformation should be:

- Generating demand focused savings as a natural part of the annual planning cycle;  
.....
- Improving their demand management insights and approaches on a continuous basis at service level;  
.....
- Building relevant internal capacity and skills;  
.....
- Sustaining the delivery of value well beyond the implementation of a new approach - business as usual is demand focused;  
.....
- Culturally attuned to understanding the drivers of demand and managing down the costs of these.



## Can demand focused transformation efforts deliver big financial benefits?



## A CHIEF EXECUTIVES CHECKLIST

Alongside understanding whether you've got some of the conditions that help to accelerate demand focused work you also need to know at what stage of the journey you are at. We have created, based on previous work that has proved immensely helpful, a short *chief executive's checklist* that will give you a steer as to what your next steps might need to be to keep taking a demand focused transformation agenda forward.

### The Conceptual Stage

Would your senior Director team agree with the following statements?

- Behaviour is not 'fluffy stuff' – it's often the difference between success and failure in delivering transformation.
- Human behaviours can be changed using scientifically proven and repeatable approaches.
- It is appropriate for the public sector to seek to change the behaviour of people if this will lead to better outcomes for them and for the taxpayer.



## The Incentives Stage

Would an external observer agree with the following statements about your organisation?

- At budget setting time, my directors and managers are not asked 'how can you cut your budget by 25%', but instead are asked 'how can you reduce demand for your service by 25%'.  
.....
- My Director of Finance actively encourages (and can provide invest to save funds for) the testing of behavioural science approaches for reducing demand and costs.  
.....
- A typical manager in my organisation has clear personal incentives to seek creative ways to reduce demand for their service and be rewarded (not necessarily financially) for their efforts.

## The Practical Stage

Do you have the following in place?

- Staff in this organisation are aware of evidence for, and examples of, effective deployment of interventions in reducing demand for public services.  
.....
- My organisation has access to skills and experience to help it design and deliver demand and behavioural science-based focused interventions.  
.....
- My organisation is well set-up to measure the impact of demand and behavioural science interventions, to share the learning arising from them, and to roll out successful interventions.  
.....
- My partner organisations are all linked into this work and have committed support to the agenda.

## RECOMMENDATIONS

- 1 As per this reports survey data which showed 98.4% (36.1% saying heavily so) of chief executives and senior directors saying their organisations are planning to adopt a significant focus on demand. **Local authorities should place demand focused transformation at the heart of their corporate planning.**  
.....
- 2 The report identifies a lack of appropriate skills, tools and capabilities as one of the most critical barriers (46.9% of survey responders cited this as a significant issue). **Local authorities must undertake a realistic assessment of their skills and capability to identify the gaps in relation to the ability to design and deliver demand focused transformation projects. Local authorities should then develop and train staff to meet this need.**  
.....
- 3 There is a critical role for the strategic alignment of political and operational leadership of a local authority behind a demand focused agenda. **Local politicians are critical to the sustainability of any demand focused transformation programme.**  
.....
- 4 The report offers an estimated illustration of potential savings from demand focused transformation projects. **Local authorities should develop a budgetary picture of their organisations aligned to customer cohorts that identifies areas where influence and demand focused efforts will leverage improved social outcomes and cost savings.**  
.....
- 5 The report highlights how the twin axis of system roles and complexity will shape public services for the future. Coming out of the inflection point local authorities will need to ensure that both of these are reflected in their corporate planning as they are intimately linked. One of the biggest benefits from greater system collaboration is the ability to resolve issues that a council can't resolve in isolation. **Local authorities should continue to identify local system partners and begin to lead the groundwork for designing collective interventions in areas recognised as being complex social problems.**

# CONCLUSION

This report presents a future that is contingent. A future made up of increasing external pressures and limited political mandates and where the role of decisive agent is not pre-determined. Demand focused transformation is unambiguously the core point of emphasis in this report but it is in truth a gateway to unlocking a wider set of strategic objectives for local authorities. To truly understand what local authorities are there to achieve, they must first understand in the most accurate sense, what their citizenry needs of them. This report offers an approach to achieve this goal. In spite of the complexity confronting public services the core message upon which this report is built is surprisingly simple.

People are changing, local government is its people; local government should therefore be confident about changing too.

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