Managing Demand

RSA
2020 Public Services

Building Future Public Services

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Contents

Acknowledgements

The supporting organisations' thanks go to a large number of people who have supported the development of this report, lending their time and support through interviews and the provision of information and evidence about demand management in practice.

The authors' thanks go to the members of the project group who have been closely involved in steering the research and providing ideas and input to the first report (published in July 2013) and this report. They are: Michael Coughlin and Joe Simpson of the LGA; Jon Ainger and Liam Scott-Smith of iMPOWER; Ben Lucas, Atif Shafique and Claire Coulier of the RSA; and Kirsty Johnson, Natalie Jones and Eloise Meller of the ESRC.

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About the RSA

The RSA: an enlightenment organisation committed to finding innovative practical solutions to today's social challenges. Through its ideas, research and 27,000-strong
Fellowship it seeks to understand and enhance human capability so we can close the gap between today's reality and people's hopes for a better world.

RSA 2020 Public Services is a practice-research and policy development hub. We work with local authorities, public sector bodies, businesses and the third sector to develop social productivity approaches to public service reform, helping to create stronger and more resilient citizens and communities.

About the project partners

The Local Government Association (LGA)
The LGA is the national voice of local government. It works with councils to support, promote and improve local government. It is a politically-led, cross-party organisation that works on behalf of councils to ensure local government has a strong, credible voice with national government. It aims to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems.

The Economic and Social Research Council (ESRC)
The Economic and Social Research Council (ESRC) is the UK's largest organisation for funding research on economic and social issues. It supports independent, high quality research which has an impact on business, the public sector and the third sector. The ESRC's total budget for 2013/14 is £212 million. At any one time the ESRC supports over 4,000 researchers and postgraduate students in academic institutions and independent research institutes.

iMPOWER
iMPOWER is a 50-strong team specialising in behavioural insight, commissioning and demand management for local public services. We are also the UK's leading advisor to adults and children's social care services

Collaborate
Collaborate is a CIC based at London South Bank University. We promote effective and sustainable collaboration between the public, business and social sectors to secure improvements in public service outcomes, build sustainable communities and foster a strong civil society. Collaborate has been established as place for creative thinking, policy development and practical action. We aim to be a centre of leadership and skills development and a 'shared space' for conversation, debate and problem-solving between the business, social and public sectors. You can find out more about our work at www.collaboratei.com.
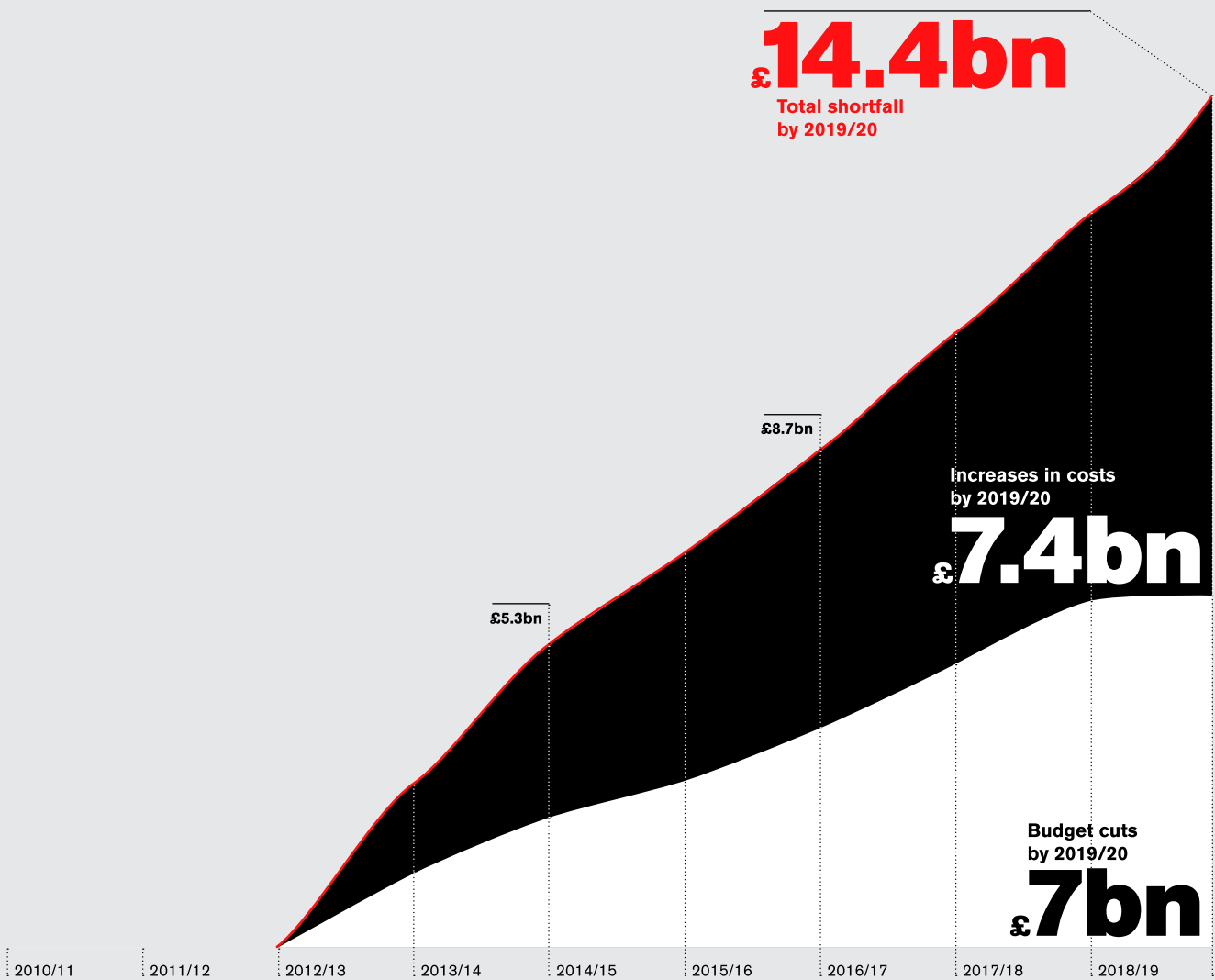
Executive Summary

Public services face unprecedented challenges. Rising demand, changing demographics and increasingly stretched finances mean that the choice for local authorities and public service providers is stark: change the way they work, or face the possibility of service retrenchment, increasing irrelevance and perpetual crisis management.

Many of England's local authorities and local public service providers have responded to austerity by asking hard questions about the services they manage. Many are asking where they can reduce service levels or remove services entirely, where they can drive greater efficiencies and improve the productivity of their operating models, and where they can change eligibility criteria to reduce costs.

Many of those politicians and executives also know that these strategies – designed to realise immediate and substantial savings – are not an answer to the long term demands of a changing society. Future demand will not only outstrip current supply, but is likely to overwhelm public agencies with a set of needs that do not correspond to the service models of today, and that challenge the very basis of public services.

From Emerging Science to a New Social Contract

This report looks at the potential of demand management to address this challenge. It traces the 'state of the art' from emerging science, through to system change and – most importantly – a shifting set of relationships between the public, the state and public services. It argues that 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.

£**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**

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

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

Section 1: Emerging Science

We examine different types of demand and the spectrum of tools and techniques which are being used to manage demand, such as 'nudge', building insight based on 'values modes' analysis of service users and applying behavioural insight in areas like recycling, littering, school transport and adoption. We review projects which are beginning to recalibrate the relationships between citizens and the state by using co-production and changing the expectations of citizens and their role, and projects which focus on preventative action. We examine a range of examples of effective use of these techniques by local authorities and other agencies.

'This is about taking a systematic, whole organisation approach to demand management … building it into the DNA of the organisation'
Interviewee from Calderdale Council

'We need to stop thinking of what we do in terms of a reactive model'
County Council Chief Executive

Section 2: Whole System, Whole Place

We examine emerging attempts to develop collaborative strategies for managing demand and improving outcomes among local partners based on local circumstances and influences on people's behaviour; addressing need outside of the 'service' lens; and reconfiguring service delivery mechanisms through understanding how demand manifests across a 'whole system' and a 'whole place'. We examine the ways in which these projects use a range of the tools and techniques outlined in Section 1, bringing them together in a shared strategy which seeks to drive wider system change. We look at examples from Greater Manchester and Cheshire West, reviewing learning and evidence to date.

'We have successfully proved the case for demand management in small projects, now it is about doing it at scale and changing the system'
Senior Community Budget Manager

Section 3: Citizens and State

We examine the increasing move towards thinking about demand management as a fundamental cultural shift: away from public services as delivery agents of one-size-fits all services to a passive population, to localities in which everyone plays a role, and services and outcomes are shaped by active, independent and resilient citizens. We examine the themes and principles which underpin attempts to reimagine public services in these ways.

> 'This is a positive strategy about people helping themselves and others'
> Local Government Chief Executive

The Financial Case for Demand Management

The potential scope for financial savings from demand management is difficult to quantify in simple terms, given the range of approaches and interventions which can be used and the early stage of demand management implementation.

Evidence of savings from the small-scale use of demand management techniques is included throughout the report. Real evidence of larger scale savings from whole system change is beginning to emerge from Community Budget areas. We examine early findings from Greater Manchester/Oldham and West Cheshire in Section 3.

The theoretical case for savings predicts that the level of savings that are possible increases as interventions move from short to longer term, and from small, bespoke projects towards whole system change.

Predictive modelling for systematic use of demand management thinking and techniques suggests that the scale of potential savings runs into the billions. We review modelling undertaken by iMPOWER and by Ernst & Young (EY) for the LGA, concluding that although hard financial evidence is as yet undeveloped, emerging evidence and a range of modelling suggests that the financial case is strong enough for local authorities to prioritise demand management as part of their response to financial pressures.

A Framework for Demand Management

Community leadership

× <u>Recognise that demand is political</u> – transformative change requires political buy-in, and it is vital that local politicians lead a new conversation with citizens that is more collaborative. As one Conservative Party local government advisor told us, "if communities need to take more responsibility, then their representatives must lead the way".

× <u>Find the right local narrative</u> – demand management is a technocratic term, couched in management rhetoric and often statist in approach. Making it stick beyond these boundaries needs language that is locally meaningful. For example, one council Chief Executive told us that "we don't talk about (issues like) demographic change... we talk about helping our neighbours".

Building insight

× <u>Create the methods to get closer to communities</u> – demand cannot be understood purely through the lens of services currently provided. Public agencies need to look outwards, creating the methods to generate deeper insight into the needs, wants and aspirations of citizens. We profile efforts to do this in areas such as Lambeth and Sunderland.

× <u>Get beyond the services and build new partnerships</u> – the corollary of better insight is the responsibility to use it effectively. Addressing the real drivers of demand will require public managers to broker new cross-sector relationships and build new partnerships – as Oldham Council's work in addressing transport and energy costs demonstrates.

Changing behaviour

× <u>Leverage emerging data on outcomes and behaviour</u> – many local authorities (we profile Kirklees and Calderdale) are already building on nudge and network techniques to change the way they interact with the community and address failure demand. Interviewees reported that focusing on what David Halpern has called the 'little details' is realising immediate benefits in take-up and savings.

× <u>Build trust to change behaviour</u> – long term behaviour change requires

a two-way relationship, with responsibility on both citizens and state, and high levels of trust between them. This is a challenge for all public agencies, but Ipsos MORI find that 79 percent of citizens trust their local council to make 'difficult decisions', as opposed to 11 percent for central government. However, the LGA suggests that local authorities will need to engage in new, more collaborative ways with communities as cuts bite harder.

Changing the system

× Think whole system, whole place – managing future demand will be about scaling up isolated, service-based practice and embedding a culture shift across public organisations. Interviewees felt that where public managers are able to look across a 'whole place' and commission services preventatively, the biggest potential gains are to be found.

× Work collaboratively across agencies and sectors – the default assumption for local public services should be for outcome-focused collaboration around the holistic needs of citizens (and thus the root causes of demand). Commissioning and procurement practice makes this difficult, but we profile examples such as the MEAM (Making Every Adult Matter) approach, and Worcestershire County Council's 'Early Help Hub'.

Creating shared value

× <u>Manage demand and growth strategies interdependently</u> – demand management and inclusive growth should be two sides of the same coin, as Greater Manchester's proposed switch from reactive to proactive investment spending demonstrates. AGMA data suggests that 35 percent of public spending in the area is 'reactive' and therefore potentially addressable through early intervention.

× <u>Use market shaping and procurement to support communities</u> – several interviewees felt that the Public Services (Social Value) Act and forthcoming EU procurement changes offer an opportunity to manage demand through more targeted and collaborative commissioning, focused on community benefit and value as well as price. Yet we also heard the need for new 'toolkits', with one official arguing that "the (procurement) profession hasn't caught up with the new narrative".

Building community resilience

× <u>Engage the community in co-designing and commissioning services</u> – transformative demand management – and long term transformative change in public services – cannot happen without truly engaging and enrolling the community in the design and delivery of services. We profile several examples of this – from Turning Point's Connected Care model to Lambeth's Outcomes Framework for Children and Young People.

× <u>Build coalitions between business, public services and society</u> – the role of the private and social sector in managing demand is key. Being in work is the single best tool of demand management, and responsible employment practice, living wage and skills development were all advocated in our research as ways for the private sector to support this agenda. Councils need to think about ways to convene a broader dialogue about social responsibility, shared values and inclusive growth.

Conclusion

'This is really the way the public services should be done'
Leader of a London Borough

This research was originally undertaken because we felt that demand management is an emerging area of thinking and practice in local public services which, in the context of austerity, warranted research that would bring some clarity to the concept, and help organisations think through their own approaches to managing demand.

Through the course of the research it has become clear that, while the 'emerging science' is important, demand management is in fact part of a much wider debate about the future of public services and the state. Now is the time for a fundamental re-think about what public services are there to do, the role of the state and our rights and responsibilities as citizens.

Creating a 'shallow end' of policy and practice

Our research uncovered remarkable coalescence around the potential of demand management as both a set of techniques and a language that can encapsulate an approach that gets beyond the supply side. We examine the financial evidence to suggest some of the potential for short- and long-term savings. Yet we must also acknowledge that at this stage the case for a demand management approach has not been proven: evidence is nascent; the financial case is largely built on predictive modelling rather than real evidence; fully developed examples are rare.

This is why we have undertaken this research – to hothouse emerging practice; to gather together the existing evidence; to establish a set of underlying principles that can support the development of bespoke approaches – however incremental or transformative – across local public services; and to offer a set of actions which might be of use to councils thinking about their own approaches to demand management. We hope that they add value to the new thinking and practice that is so greatly needed.

Introduction

Public services face unprecedented challenges. Rising demand, changing demographics and increasingly stretched finances mean that the choice for local authorities and public service providers is stark: change the way they work, or face the possibility of service retrenchment, increasing irrelevance and perpetual crisis management.

The political narrative from central government is unstinting and unequivocal. Key figures in local government like Birmingham's Sir Albert Bore have already made it clear that we could be seeing 'the end of local government as we know it.'[1] It would take a brave person to predict he is wrong. Old social, economic and policy certainties such as steady growth, sustained public spending and economic stability are long gone. Instead, public austerity, macroeconomic uncertainty and radical policy reform create a new – and highly challenging – environment for public actors.

Public service policymakers and practitioners will have read this – or similar – before. They will also have digested a range of suggested panaceas. Strategies of 'more for less', 'crisis to opportunity', 'smarter state' and 'post-bureaucratic age' (amongst many others) have all been advanced as the silver lining to soften the crisis. They point the way to a leaner, more agile and more sustainable system of public services that is better placed for the future, and a better fit with the citizens of tomorrow.

Except none of these strategies have yet stuck. Why? We think they begin from the wrong starting point. They focus on how the supply side in public services can be re-shaped and reformed, and do not pay enough attention to citizens, communities and – ultimately – social demand.

In the first stage of this research, published in July 2013,[2] we set out the scale of the challenge facing public services posed by rising demand and falling financial resources. In this report we examine emerging evidence of demand management thinking and approaches in local government, with the aim of compiling the building blocks of a strategy for managing demand in the future, and understanding what this means for the way we think about the role of public services. While practice is developing in some service areas and some places, it tends to be isolated and under the radar of wider public sector strategy. We think there is a gap in policy and practical thinking around demand management, and this is the space into which this report is pitched.

1 http://www.theguardian.com/society/2013/dec/09/birmingham-council-unable-fund-statutory-services
2 *Beyond Nudge to Managing Demand*, http://www.thersa.org/action-research-centre/community-and-public-services/2020-public-services/beyond-nudge-to-managing-demand

Today: local responses to a global crisis

Many of England's local authorities and local public service providers have responded to austerity by asking hard questions about the services they manage. Many are asking where they can reduce service levels or remove services entirely, where they can drive greater efficiencies and improve the productivity of their operating models, and where they can change eligibility criteria to reduce costs.

Many of those politicians and executives doing this also know that these strategies – designed to realise immediate and substantial savings – are not an answer to the long term demands of a changing society. Future demand will not only outstrip current supply, but is likely to overwhelm public agencies with a set of needs that do not correspond to the service models of today, and that challenge the very basis of public services.

This is leading many to question the starting point of their reforms: What is our strategy for dealing with a changing locality over the long term? Are we well set up to even understand – let alone cope with – future demand? What are the things we can do now to ready ourselves for the future? These are the questions addressed in this report. We look at the emergence of demand management as a relatively novel part of the lexicon of local government, and trace its relevance from practical, proven techniques, through to game-changing ways of re-shaping the relationship between citizens and communities.

In particular, we profile examples of emerging practice from councils that believe that their long term viability will come through re-shaping service demand as part of a changed relationship between themselves and their communities. They argue that sustaining this level of ambition is the only way to emerge from crisis and austerity with a role in the community that goes beyond the provision of statutory services. They are basing long-term public service reform strategies on themes of reciprocity, responsibility, trust and partnership, and the need for a much closer understanding of how people behave, and what they want, need and aspire to.

Whole System, Whole Place – building collaborative strategies based on local circumstances and influences on people's behaviour; addressing need outside of the 'service' lens; and reconfiguring service delivery mechanisms through understanding how demand manifests across a 'whole system' and a 'whole place'.

Emerging Science

Whole System, Whole Place

Public Service Reform

Emerging Science – different types of demand and the tools and techniques which are being used to manage demand, such as 'nudge', building insight based on 'values modes' analysis of service users and applying behavioural insight in areas like recycling, littering, school transport, adoption and democratic engagement.

Citizens and State - thinking about demand management as a fundamental cultural shift: away from public services as delivery agents of one-size-fits-all services to a passive population, to localities in which everyone 'does their bit', and services and outcomes are shaped by active, independent and resilient citizens.

Demand management

In the following pages we explore three 'steps' of demand management thinking – from emerging science and specific local practice, through to system change and whole-place approaches, to the implications for transforming the relationship between citizens and state as part of a new approach to public service reform.

× <u>Emerging Science</u> – different types of demand and the tools and techniques which are being used to manage demand, such as 'nudge', building insight based on 'values modes' analysis of service users and applying behavioural insight in areas like recycling, littering, school transport, adoption and democratic engagement.

× <u>Whole System, Whole Place</u> – building collaborative strategies based on local circumstances and influences on people's behaviour; addressing need outside of the 'service' lens; and reconfiguring service delivery mechanisms through understanding how demand manifests across a 'whole system' and a 'whole place'.

× <u>Citizens and State</u> – thinking about demand management as a fundamental cultural shift: away from public services as delivery agents of one-size-fits all services to a passive population, to localities in which everyone 'does their bit', and services and outcomes are shaped by active, independent and resilient citizens.

Our research uncovered remarkable coalescence around the potential of demand management as both a set of techniques and a language that can encapsulate an approach that gets beyond the supply side. We examine the financial evidence to suggest some of the potential for short-and-long term savings. Yet we must also acknowledge that at this stage the case for a demand management approach has not been proven: evidence is nascent; the financial case is largely built on predictive modelling rather than real evidence; fully developed examples are rare.

This is why we have undertaken this research – to hothouse emerging practice; to gather together the existing evidence; to establish a set of underlying principles that can support the development of

bespoke approaches – however incremental or transformative – across local public services; and to offer a set of actions which might be of use to councils thinking about their own approaches to demand management. We hope they add value to the new thinking and practice that is so greatly needed.

Section 1
The 'emerging science' of demand management

'This is about taking a systematic, whole organisation approach to demand management… building it into the DNA of the organisation'
Interviewee from Calderdale Council

Demand management is an increasingly voguish term in public services. But is it new? One frequent observation from our interviewees was that it has always been an integral part of the way public managers do things. This is undoubtedly true, from public awareness campaigns and punitive measures, through to core public services designed to build our capacity to be independent and productive. Yet we are seeing something new emerge. Understanding and managing demand has not been part of the narrative of public service reform – but this is changing.

What we believe is truly emergent within public services is a clear, strategic and sometimes scientific application of demand management techniques with the stated aim of saving money; and sometimes also with the aim of developing and implementing new principles about the role of the state and its relationship with citizens.

A spectrum of different demand management approaches and techniques are being developed and used in public services, which vary in the degree to which they can be implemented in small, bespoke service areas or require corresponding system change; the complexity of the interventions; and the degree to which they challenge traditional understanding of the role of the state and citizens.

The table below is a summary of different types of demand and the range of interventions which make up the 'emerging science' of understanding and managing it. Some interventions are particularly useful for managing certain types of demand, though the relationships between different types of demand and strategies for managing it are not necessarily as linear as the table below might imply – in reality there is overlap and a degree of fluidity between the different elements.

Understanding demand	Is demand rising as a result of public service failure or poor design?	Is service demand arising from certain behaviours that could be hanged?
Type of demand	**Failure Demand**	**Avoidable Demand**
Possible strategies and approaches	System and/or service redesign Behavioural insight 'Nudge' Addressing root causes of problems	Building behavioural insight Behaviour change strategies Changing the relationships with citizens Shifting investment towards prevention System change - aligning state-to-state incentives and behaviours
Key strategy questions	What are the root causes of failure demand? How can the system be redesigned to be more effective and efficient, tackling demand early on? Should citizens and/or service users be involved in redesign?	How can we use behavioural insights to design better, more citizen-centric policy that moves? How can we change expectations of what citizens will do? Will shifting resources towards prevention help manage demand downstream? Can different research tools, methodologies and ways of collaborating across agencies build better insight? How can we encourage behaviour change through new forms of leadership and a different kind of conversation with citizens?

Is the state providing more than is needed, or inadvertently creating demand through dependency?

Are there opportunities to provide services that are a better fit with what is actually needed by citizens?

Are citizens accessing services they don't strictly need?

To what extent is demand arising from causes which could have been addressed earlier?

To what extent is demand unintentionally reinforced by service dependence?

Excess Demand

Preventable Demand

Co-Dependent Demand

Building citizen/customer insight

Encouraging communities to take greater responsibility

Charging

Punitive measures for non-compliance

Changing eligibility criteria (restricting supply)

Understanding the root causes of demand

Building community insight

Working closely with users and residents to understand root causes and behavioural influences

Building community resilience

Alternative strategies to uncover community and personal capacity

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

How can we change expectations of what the state will provide?

Do councils/partners understand the impact of the services councils provide on the beneficiaries? Is the impact what we are seeking?

Do we understand the root causes of demand?

Do we understand the early signs of demand?

Can we influence demand earlier and/or prevent acute demand occurring?

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'?

Understanding the 'emerging science' — demand management interventions

A Behavioural insight, 'nudge' and service redesign

'With failure demand you act to turn off the cause'
John Seddon

Failure demand – a term coined by Professor John Seddon – refers to new or repeat demand generated by a failure in the very system designed to respond to demand in the first place. The term applies to any system that deals repeatedly with the same problem (or the same people) without actually effecting change in the service or people's lives that enables them to avoid repeated problems or use of the service. This may be because many services are designed to respond to the problem being presented, rather than the root causes of the problem, or because services are not designed in ways which suit the way people behave and make decisions.

Failure demand interventions can range from the redesign of call centre systems, to avoid repeat and lost calls which are generated because the reason a person has called has not been successfully dealt with, through to using 'nudge' techniques to effect small changes on people's behaviour. They are also relevant to attempts to tackle big social challenges, such as repeat offenders and chronic antisocial behaviour, though here they tend to be used as part of a wider system change involving a range of approaches, which we will examine in Section 2.

A number of case studies in Greater Manchester (GM) highlight the multiple touch points, costs and failure to address the underlying root cause(s) of a family's problems. [We have mapped the interventions with] one particular family, demonstrating the number of times they indicated they needed help and were passed around the system, experiencing multiple referral and assessment. This experience, repeated time and again with case studies across GM, is responsible for driving the large

levels of failure demand and therefore wasted activity in our system.[3]

Recent years have seen a growth in interest in the application of insights from behavioural economics to public policy and practice, including publications such as *Nudge*,[4] *Nudge, Nudge, Think, Think*[5] and the Cabinet Office and Institute of Government's MINDSPACE,[6] and the setting up of the Cabinet Office's high profile Behavioural Insights (or 'nudge') Unit in 2010.

'Nudge' usually refers to interventions designed to go with the grain of human influences and behaviour, which gently 'nudge' people to make better – and cheaper (for them or the state) – choices. Notable claims by the Cabinet Office 'Nudge Unit' have included a 5-fold increase in the numbers of people agreeing to insulate their lofts, achieved by offering loft clearance alongside insulation, and an increase of £200m of taxes collected on time resulting from small changes to the wording of an HMRC letter.

> 'It is in the little details that no one in Whitehall usually gets into that the savings will be made'
> David Halpern[7]

'Nudge' interventions are normally based on an insight about how failure demand is being generated by service or design failure, often because policies have not been designed based on clear insight about the ways people might be encouraged to comply, for example signing up for organ donation or donating to charity. It is frequently also about the removal of small barriers, or 'friction costs', that impact the likelihood of compliance, for example the presence of junk which will need to be cleared from a loft before insulation.

'Nudge' techniques are sometimes seen as rather sinister – using design to influence people's choices, often without them being aware of how they are being influenced, and have been described as 'libertarian paternalism' – ie a manifestation of a 'state knows best' belief. It is

3   Greater Manchester Troubled Families Business Case http://www.agma.gov.uk/cms_media/files/121031_tf2_business_case.pdf?static=1
4   Nudge, Thaler and Sunstein, 2008
5   Nudge, Nudge, Think, Think: Experimenting with Ways to Change Civic Behaviour, Peter John, Sarah Cotterill, Liz Richardson, Alice Moseley, Graham Smith, Gerry Stoker and Corinne Wales, 2011
6   http://www.instituteforgovernment.org.uk/sites/default/files/publications/MINDSPACE.pdf
7   http://www.theguardian.com/society/2013/feb/05/david-halpern-government-nudge-unit

interesting to note that such techniques are routinely used in the private sector, sometimes fairly invisibly, for example in marketing campaigns, and sometimes very explicitly, as in the case of supermarket deals and discounting, with little comment or controversy.

> 'Some of the most agile and public spirited companies in the coming years will be able to do well and do good with choice architecture…'
> Cass Sunstein, interviewed in the *New York Times*, 2013

However, such concerns seem to be abating as 'nudge' techniques become more proven in fields which are uncontroversial, and perhaps as the appeal to personal benefits (for example free loft clearance and insulation; avoidance of late tax return fines) as well as collective benefit become clearer. A recent editorial in *The Independent* newspaper took the issue head on: "Far from infringing the liberties of citizens, behavioural economics uses our evolving understanding of human nature to liberate us from avoidable errors. It could produce better government and a better society… The application of behavioural economics is smart, scientific, and liberal."[8]

'Nudge' interventions are normally based on scientific evidence gathered through testing different approaches, often through randomised control trials (RCTs). We have found councils applying such insight within their local context; for example Calderdale have reviewed all their communications with residents to identify examples of where they create failure demand, and after costing the impact of repeat contact with residents, used 'nudge' insights to review all their letters and communication materials.

> 'We did a lot of work around internal and external communications. We found that lots of the letters and communications we send out to residents generated failure demand'
> Interviewee from Calderdale Council

8   http://www.independent.co.uk/voices/editorials/applying-the-insights-of-behavioural-economics-will-mean-better--and-cheaper--government-9022980.html, December 2013

B Managing 'excess' and 'avoidable' demand

'Some constituents expect us to start picking up after them. They think we should start with areas where residents don't look after their own streets. Do not attack the council for not taking action when you don't take your own'[9]
Local Government Leader, Greater Manchester

Excess demand generally refers to demand beyond that which could be considered genuine. It may be because the state is in some way providing more than is actually needed. It may be because citizens are choosing to access services they don't strictly need. It may also be because the state is inadvertently creating demand through dependency. 'Avoidable' demand arises where bad behaviours or relationships are created or reinforced by patterns of service delivery.

'Around 90 percent of people arriving at A&E in this city leave in under four hours…'
Interviewee, North East local authority

This is a complex area that poses questions about our expectations of what the state will do for us, and what we should do in return. Demand for public services is inevitable; in some cases unavoidable, in other cases desirable. But austerity creates grey areas – areas in which citizens could – or should – take more responsibility for their own behaviour: for managing, funding, or meeting their own needs or complying with initiatives designed to recognise wider community benefits. We found councils and other public service bodies that feel those expectations can – and must – be changed.

Current debates about the pressures on accident and emergency departments (A&E) are a good example of concerns about excess demand, with many hospitals running public awareness campaigns urging people with non-urgent illnesses to attend their GP or a walk-in clinic instead of A&E.

9   http://www.oldham-chronicle.co.uk/news-features/8/news/66265/cleanup-prayers-are-answered

'When pressure builds across the health and social care system, the symptoms are usually found in the A&E department…'
Professor Keith Willett, NHS England

We also heard examples of council leaders and chief executives who temporarily suspended street cleaning in parts of their boroughs as a way of alerting residents to the pressures that littering puts on public services.

Case study

Keep Britain Tidy
'Which Side of the Fence?' campaign

Over one weekend in November 2013, Keep Britain Tidy worked in partnership with local authorities across the country in a social experiment to reveal the extent of the nation's littering behaviour in 25 different locations.

For 48 hours, only one side of the participating streets and parks were cleaned by environmental services teams, in order to demonstrate the scale of the problem to people in these areas. The scale of litter that built up on the uncleaned sides was documented in photographs and videos. Some of the councils involved organised community clean ups at the end of the 48 hours, and posted photos on their websites with information about how much they spend on collecting litter every year, together with links to their budget pages.[8]

Other ways of managing 'excess' demand include:

× charging – either to act as a deterrent for use of the service or to help fund the costs of providing it – for example for local services such as bulky waste collection

× introducing punitive measures such as fines for non-compliance, for example littering or failing to sort household waste correctly

× changing eligibility criteria to focus resources on the most in need – for example in adult social care (managing demand through restricting supply)

These types of responses have their part to play in any council's demand management strategy. They can be tested (sometimes through Randomised Control Trials) and introduced reasonably quickly in specific service areas.

10   See for example: http://www.darlington.gov.uk/Environment/streetscene/WhichSideoftheFenceAreYouOn.htm

C Redesigning services based on better community or service user insight

Building better insight into communities and service users is a key component of any demand management strategy. Insight can mean many different things, including:

- × why people make certain choices or behave in certain ways which cause problems and costs for themselves and others
- × the influence of social networks and norms
- × understanding communities better – what motivates people and what they value
- × developing interventions that go 'with the grain' of how people think and behave (including 'nudge')

With councils beginning to look beyond 'MOSAIC' systems which help profile and segment customers, the value of building deeper insight is that interventions, whether in terms of policy, services or communications, can be redesigned to reflect what has been learned, and therefore be made more impactful and effective.

Values modes analysis

Our research has uncovered increasing use by local authorities of 'values modes' analysis, which uncovers the underlying values and opinions that really influence people's responses to the world around them. Understanding why people do certain things enables behaviour change strategies to be designed and campaigns to be targeted with this specifically taken into account.
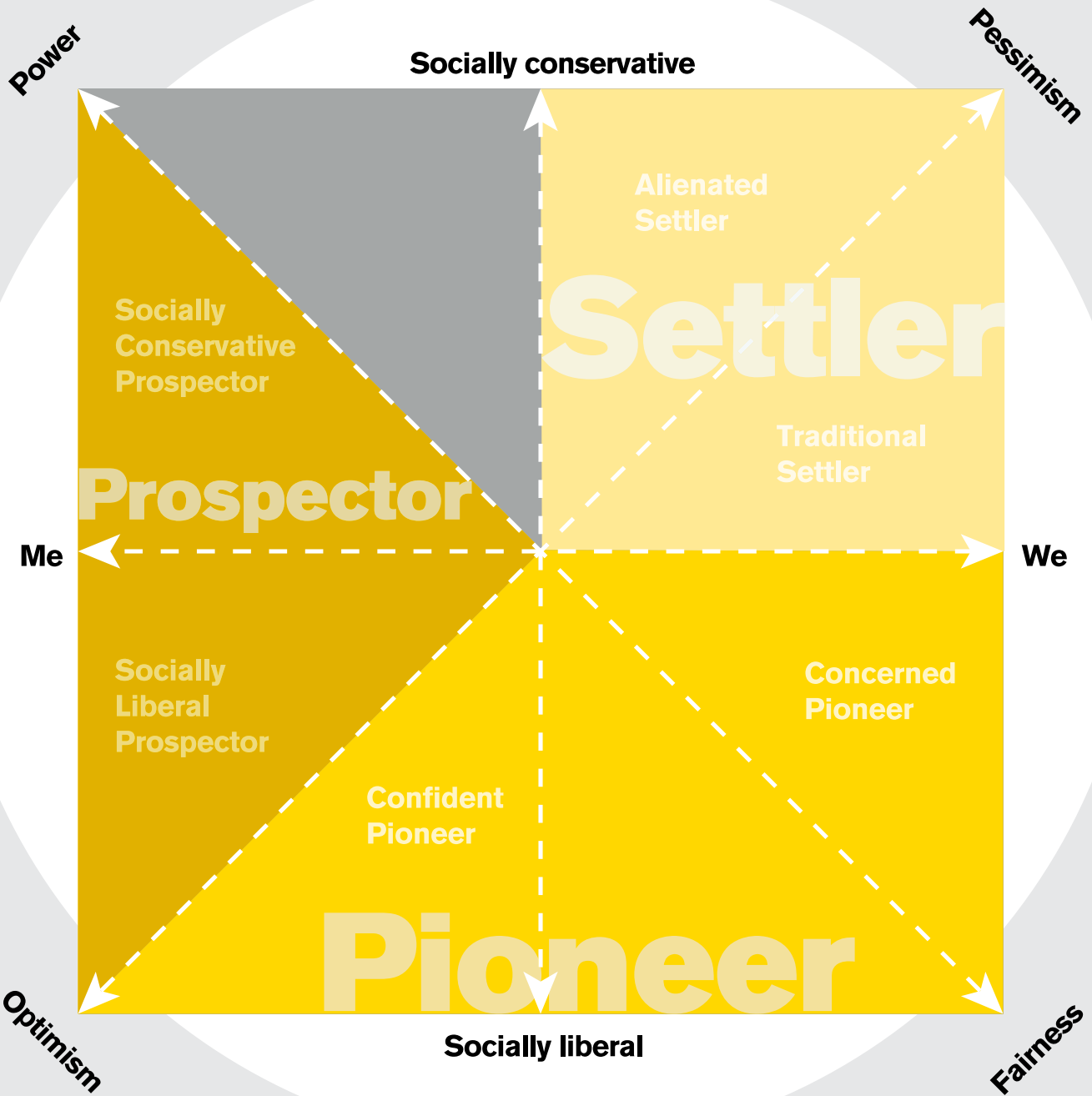
Based upon: Pecorelli, N. (2013) *The New Electorate: why understanding values is the key to electoral success*, ippr, online at http://www.ippr.org/images/media/files/publication/2013/10/new-electorate-voter-values_Oct2013_11359.pdf
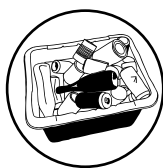
Case study

Improving numbers of in-house foster carers
in Buckinghamshire

Buckinghamshire County Council worked with iMPOWER to use a range of techniques including values modes analysis to build insight into the motivations of current foster carers. The aim of the project was to increase the number of in-house foster carers in the county, helping the council avoid more expensive alternatives such as the use of independent agencies or children's homes, and also providing children with caring homes.

Guided by the question 'what is it that we could do better or differently to inspire more interest in foster care and sustain that motivation?', current foster carers were segmented according to their values sets, thereby revealing the core beliefs and behavioural drivers of foster carers, and why they want to be foster carers. These insights led to the development of new messages to guide recruitment campaigns and changes to the ongoing relationship with foster carers to help improve retention.

Buckinghamshire Council are working towards the recruitment of 50 additional foster carers, which would add more than 50 percent to existing capacity, and anticipate savings from the work in the region of £1m. These improvements are in line with projects elsewhere which have used similar approaches; for example work using values modes analysis in Hertfordshire led to a net gain of 50 in-house foster carers in 2013/14, with savings of approximately £1.25m.

Case study

Recycling in Southampton
managing demand through building better customer insight

Southampton needed to improve the quality and quantity of recycling it collected from houses and flats as residents were putting wrong items in their recycling bins. In parts of the city where there was population churn this was significant, and in other areas it was apparent that lack of knowledge about recycling meant residents could be recycling better and more.

Lack of engagement with residents and information about recycling services were identified as one cause of this failure demand, which has environmental and financial costs and also impacts on the generation of income from sales of recycled materials.

Southampton began by developing deep insight into the motivations of residents and developing a better understanding of their needs. They used a range of techniques, including data analysis, which led to customer segmentation, supported by focus groups, a telephone survey and Bartec in-cab terminals in the refuse trucks to track refuse collections at household level and provide immediate information about behaviours.

The behavioural insights generated by this research helped the council to create communications and behaviour change campaigns tailored to specific audiences, with a focus on low to medium recyclers and students. Different techniques to improve understanding and change behaviour were used for specific groups, informed by the type of engagement and message they were most likely to respond to. For example:

×   Doorstepping was used for medium recyclers who were categorised as 'confused but well behaved', and whose preferred information channel was face to face contact. Visual inspections were then undertaken a month later in a small sample area to assess the impact of the first intervention.

×   Direct mail was sent to 31,000 households, focused on residents who did recycle but were classified as confused or doubtful, whose preferred service channel was through the post.

The council have also developed an app to target students, young professionals and transient young singles, whose preferred information channel is through their mobile phone, enabling them to self-serve and manage recycling themselves.

Customer led insight has achieved cost savings relating to waste reduction, alongside non-cashable benefits such as CO2 reduction. By managing demand, there has been a reduction in contamination levels of 4 percent, savings of £115,400 were made on waste disposal, CO2 emissions were reduced by 1,345 tonnes of CO2 and textile recycling increased by 2.81 percent.

The impact of social norms or networks on behaviour

There is increasing interest in the ways that public agencies might use greater insight into the impact which social norms and networks – sometimes at a very local level – can have on their behaviour, and the impact this has in turn on the effectiveness of public services. Networks, including the connections that make up people's day to day lives, have dynamic qualities through which behaviour, emotional states, conditions, and influence spread and cluster, often in quite specific ways. Social networks can therefore play a crucial role in meeting social and economic challenges.

The RSA's work on Connected Communities[11] has demonstrated the importance of social networks in achieving sustainable change through services and interventions. A good example of this is ongoing work by the RSA's Whole Person Recovery programme in West Kent,[12] which seeks to improve recovery outcomes for people in recovery from drug and alcohol misuse by the creation of stronger and more recovery-supportive social networks.

The 'whole system, whole place' approaches to demand management explored in Section 2 are attempts to build and respond to a more holistic understanding of the causes of social problems beyond the service lens, including social networks and norms and their influences on people's behaviour.

D Co-producing service design and commissioning

There is an established and growing evidence-base that the involvement of citizens and/or service users in the commissioning, design and delivery of services can lead to better, more effective services by creating better alignment between user need and provision.

> 'You can't call it commissioning if co-production isn't the most important component'
> Expert interview

Described by Professor Tony Bovaird of Birmingham University as "one

11   http://www.thersa.org/action-research-centre/community-and-public-services/
      connected-communities
12   *Whole Person Recovery: a user-centered systems approach to Problem Drug Use*, R Daddow
      and S Broome, 2010 http://www.thersa.org/__data/assets/pdf_file/0011/362099/RSA-
      Whole-Person-Recovery-report.pdf

of the most talked about themes in public services internationally", he conceptualises the shift towards co-production as moving away from 'services for the public' towards 'services by the public'. Work by his colleagues has neatly illustrated the difference between professionals' views of service users' priorities and the priorities of users themselves, showing how involving service users in the design process can lead to a fundamental rethink of assumptions which have historically underpinned the design and delivery of a service.[13]

Co-production is a well-worn phrase in government and policy circles, but is still arguably a relatively young agenda. It is also central to the future of public service design. For example:

× Designing frameworks for commissioning and service delivery with the community – exemplified in the UK by initiatives like Turning Point's Connected Care and Lambeth Council's co-produced Outcomes Framework for Children and Young People

× Building targeted, multi-agency approaches that address complex problems in partnership with citizens, families and communities. Initiatives such as the Making Every Adult Matter (MEAM) coalition's work in Cambridgeshire, Action for Children's 'intensive family support services', and the Winterbourne View Joint Improvement Programme are examples of this approach

× Creating personalised relationships with citizens to improve health and human service outcomes. Classic examples of this type of co-production include nurse-family partnerships, which worked with young, poor first time mothers to build the right behaviours and social connections to enable them to look after their children

13   Martin Willis and Eileen Dunstan, University of Birmingham, 2009

Case study

Chronically Excluded Adult service, Cambridgeshire
tackling complex and multiple needs through co-ordinated services, innovation and co-creation[12]

Partnering with a number of local statutory and social sector organisations, Cambridgeshire County Council and Making Every Adult Matter (MEAM) helped pilot a co-ordinated multi-agency approach to providing services to individuals with complex and multiple needs. MEAM estimates that there are approximately 60,000 adults nationwide living chaotic lives who have ineffective contact with services. This group impose disproportionate costs on society and the taxpayer, and the public sector has struggled to commission joined up services in response.

Key successful elements of the Chronically Excluded Adult (CEA) service include:

× Strategic and operational buy-in through the creation of senior level Board and Operational groups. Comprising key public sector commissioners from a broad spectrum of agencies, these groups bring the right people and agencies together across silos to join-up frontline working around the needs of specific clients

× A single point of contact for clients to help them navigate access to services, co-ordinate provision around their needs and follow and support them through the journey to rebuild their lives. The CEA co-ordinator has no other remit than meeting their clients' needs, with sufficient authority to employ innovative, multi-agency approaches and demand flexibility from local services

× Implicit recognition that long-term, transformative change is only possible if service users themselves are involved in co-creating them. Clients themselves have to want to make the changes needed to turn their lives around, and the CEA service is predicated on this approach; after building trust with their clients over a period of time, the co-ordinator is always ready for them when help is needed at any point in their journey
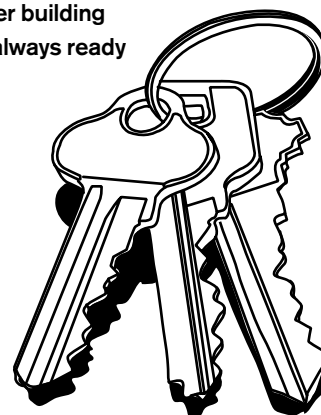
E Investing in prevention

**'We need to stop thinking of what we do in terms of a reactive model'
County Council Chief Executive '**

Investing in prevention is a crucial part of shifting from a model of reactive to proactive services. Again, prevention is not new, but there is certainly a new emphasis with local government and other public services on its systematic development and application. The establishment of the Early Intervention Foundation[15] is one sign that there is growing interest in changing the culture of public services from reaction to early intervention, addressing root causes rather than symptoms with the aim of avoiding poor outcomes and high costs later on.

**'An authoritative study of boys assessed by nurses at age 3 as being 'at risk' found that they had two and a half times as many criminal convictions as the group not deemed to be at risk (by) age 21'
Graham Allen MP[16]**

The Scottish government is actively developing ways to refocus public sector expenditure around prevention. Following recommendations from the Christie Commission on the Future of Public Services,[17] which recognised the urgent need to address 'failure demand', the Scottish Government's 2011 Spending Review allocated £500m to preventative initiatives and proposed a "decisive shift to preventative spending", coupled with "a step change in the way in which we fund and deliver public services." As part of this shift, three 'Change Funds' were developed, focused around reshaping care services for older people, early years and reducing re-offending, to foster local partnerships and a more preventative approach to public services.

Our research found many examples of councils thinking seriously about preventative services and tackling the challenge of how to measure the impact and savings achieved through early intervention. Many of them commented on the leap of faith required to invest in prevention when resources are reducing, often without the benefit of tried and tested

15 http://www.earlyinterventionfoundation.org.uk
16 *Early Intervention, the Next Steps*, Graham Allen MP, 2001 http://www.dwp.gov.uk/docs/early-intervention-next-steps.pdf
17 *Commission* on the Future Delivery of Public Services, chaired by Dr Campbell Christie, 2011 http://www.scotland.gov.uk/About/Review/publicservicescommission

models of investment or evidence of the benefits. However all felt that logically this is a crucial area for local government to understand and get right, sharing the evidence as it builds.

Case study

The Early Intervention Foundation

The Early Intervention Foundation (EIF) was established to champion the use of evidence-based early intervention measures to tackle the root causes of children and young people's social problems and improve their long-term outcomes – thus avoiding the expensive and ineffective service responses to problems once they have become entrenched. The EIF also forms one of the Government's 'What Works Centres', focusing on identifying effective and evidence-based early intervention programmes and approaches.

A key part of the EIF's work is to build the business case for early intervention, assembling evidence and drawing on methodologies such as the social benefit-cost ratio (BCR) to enable commissioners to understand the fiscal and social costs and benefits of investment. This allows service planners to assess not only the potential savings from reductions in service demand, but also the wider social and economic impact on communities.

The EIF is supporting 20 'Pioneering Places' to establish an early intervention strategy, quantify spending on early interventions, measure their outcomes and effectiveness, and improve delivery. The evidence from these projects will contribute to the emerging evidence base on upstream approaches to public services – a key element of effective demand management.

The evidence: There are a range of evidence-based early intervention programmes that have produced social and cost-related benefits. These include Functional Family Therapy for crime and the Family Nurse Partnership for child abuse and disruptive behaviour. The Blueprint for Healthy Youth Development provides a database of evidence, and resources such as the Unit Costs of Health and Social Care, the Department for Education's Family Savings Calculator, and the Troubled Families Cost Database are all useful sources of cost and demand-related evidence.

See: http://www.earlyinterventionfoundation.org.uk/evidence

Worcestershire Children's Services

Worcestershire County Council has set up an 'Early Help Hub' as a single point of contact for professionals and families requiring family advice, support and access to appropriate Early Help Services. The service is a key aspect of Worcestershire's Early Help Strategy which aims to transform early help services so that they are locally responsive, targeted at communities and individuals in greatest need and clearly focused on improving outcomes for children and families. There are many services available to families and the Early Help Hub is there to find the right support for a child, young person or family.

The Early Help Hub, working closely with Children's Social Care Access Centre, helps build a profile of families who need support. This information is then used by the providers, who work directly with families and the commissioners who evaluate and design what services are needed, to nip issues in the bud and reduce demand on social care. Worcestershire is working with the Early Intervention Foundation to understand the impact of early intervention on outcomes and the savings that can be achieved. They are also developing financial tools to help model the costs avoided, for example by keeping children out of care.

F Integrating state to state behaviours and incentives to support genuine partnership working

Partnership working across the public sector is becoming ever more important as a means of designing services which fit local needs and creating efficiencies through better integration. Much of the 'whole system, whole place' approach examined in the next section aims to achieve these benefits. However, while many of the barriers to effective partnership working – for example different budget, reporting and accountability systems, ring-fenced funding etc – are well-rehearsed, less attention has been paid to the effect of softer influences on the behaviour and motivations of the staff operating within the system. If a big part of managing demand involves re-shaping citizen-state relationships, evidence is suggesting it is important that state-to-state relationships are considered too.

'Home Truths'

iMPOWER's 'Home Truths'[16] work with a number of local authorities has focused on revealing the different incentives and behaviours of staff within different parts of the state in relation to the same target group (older people), and the ways in which this compromises the effectiveness of services and drives preventable demand.

Working across eleven areas, the work is developing a deeper, measurable understanding of relationships, trust and motivation between citizens and partners across the health and care system, and building the case for a radical new approach to health and social care integration based on systematically transforming relationships.

Research has revealed a poor relationship and lack of trust between GPs and social care and low awareness among GPs of alternatives to residential care for older people. This combined with the greater influence of GPs over older people, compared with social work staff, means that GPs are driving demand for costly adult residential care which could be avoided through building better relationships and aligning behaviours and incentives.

Findings so far support the early modelling which predicted potential savings of £600m per annum to adult social care budgets, with potential savings for the NHS of over £1bn per annum.

G Unlocking the 'hidden wealth' of communities

'We have recruited 1,000 volunteers to help us 'watch out' for the elderly and keep them away from formal services for longer… this is a positive strategy about people helping themselves and others'
County Council Chief Executive

There are many examples, within the UK and internationally, of projects designed to take a different approach to improving outcomes and building stronger communities, which go beyond traditional services to attempt to harness what David Halpern has described as the 'hidden wealth' of communities. There are also a growing number of organisations dedicated to building what is often referred to as the 'relational state'.

These projects are designed on the principle that strong, connected communities are resilient communities, and that the capacity to make positive change exists within communities themselves. For example,

18   http://www.impower.co.uk/en/home-truths-436.html

Participle and the London Borough of Southwark's 'Southwark Circle' seeks to match people who need help with everyday tasks such as shopping or changing a lightbulb with people in the community who can help, thereby building a social network simultaneously.[19] FutureGov's 'Casserole Club' which matches people who need food with people willing to cook and deliver an extra portion of their daily meal, is also a good example. These initiatives are part of a growing range of 'shared economy' thinking and practice across the public and private sectors.

In projects such as these, the state's role is about providing the platform for social connection, rather than directly providing a service to respond to need. This is moving very much into the territory of new roles for citizens and the state which will be explored more in Sections 2 and 3, but they are also relevant to the 'emerging science' part of this report, because at this stage, these projects tend to be experimental and relatively small in scale, and often exist as reasonably isolated projects within local authorities and other local public services.

Case study

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).
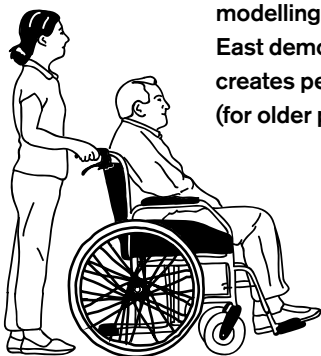
19   http://www.southwarkcircle.org.uk/our_story.php

Conclusion

This section has outlined a number of specific demand management interventions and techniques that local authorities and public services can use to try and reduce demand on public services. We found many examples of their use by local authorities, but it is notable that while many councils are using demand management strategies and techniques within specific service areas, we found they were very often small-scale, isolated examples. Very few were part of a wider strategy or even replicated within a small number of other service areas within the same local authority, despite mounting evidence that they are effective in saving money and improving outcomes. Interestingly, those that are trying to systematically implement demand management techniques across their work said that they were increasingly looking towards wider system change as the next stage.

Case study

Calderdale: a 'whole organisation' approach
to demand management

Calderdale are taking a 'whole organisation' approach to demand management, based on a set of principles they have developed and the learning from a small number of early projects, including communications and school transport. With a nominated senior officer leading on demand management across the organisation, they have developed a demand management accreditation programme designed to increase understanding of demand management across the organisation and enable managers to deploy demand management techniques and insights in their areas. Calderdale are now beginning to examine broader questions about the type of services they need and how to make decisions about investing their resources with demand management in mind.

We believe that the 'emerging science' of demand management is likely to be most impactful if it is considered within a wider agreed strategy of public service reform. This suggests that there is a need to understand and disseminate learning from these projects more widely, and move the use of demand management techniques more into the mainstream of local government practice.

In the next section we will look at some examples of 'whole system, whole place' reform which are attempting to use techniques such as these within the context of wider system change.

Section 2
Changing the system: Whole system, Whole place
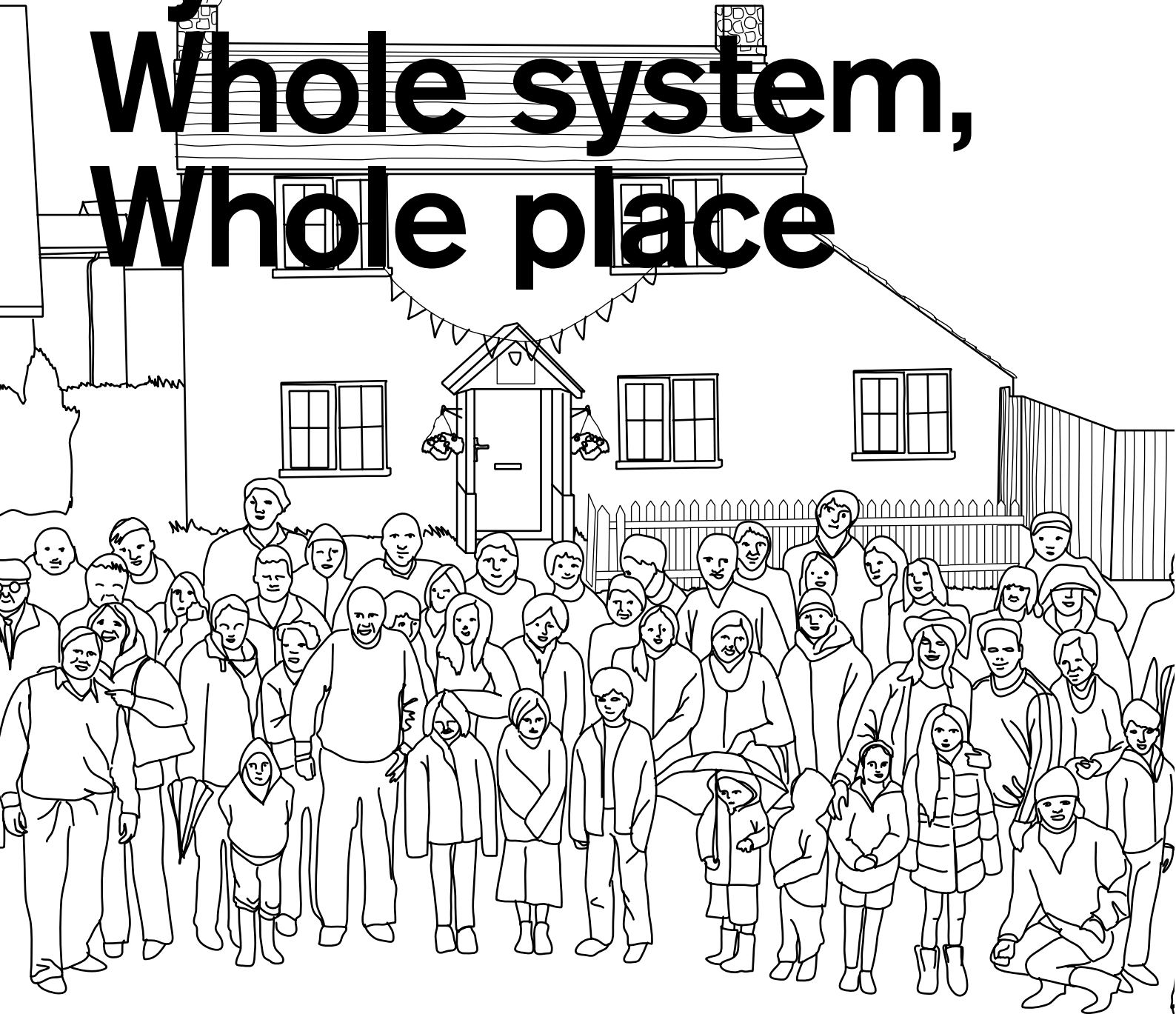
'We are increasingly getting into bigger questions about the shape of services and what to invest in'
Senior officer, Calderdale

Public service systems are hugely complex and often shaped around historic structures, funding arrangements, accountability mechanisms and even motivations which make little or no sense to the way in which people experience problems in their lives.

Financial pressures are adding new focus to a 'joined-up services' agenda which, while familiar in some ways, is being taken into new territory by a small number of councils from across the political spectrum that are beginning to developing 'whole system, whole place' approaches to building services around communities and places.

'Demand management is a driving force across our whole organisation… this is about looking at population trends and calculating the cost of future demand… doing 'proper maths' to frame the size of the issue and understanding how we can avoid some of those costs'
County Council Chief Executive

Such places believe that the real potential for savings and better outcomes lie in thinking beyond traditional 'delivery' or service silos – the supply side – across services and across place, starting from the perspective of people and communities and the various influences on their behaviour and circumstances. Hence the 'system' being changed is not just the public service system but also the wider social and economic system which affects people's lives, and where the root causes of many problems that people experience lie.

'We have successfully proved the case for demand management in small projects, now it is about doing it at scale and changing the system'
Senior Community Budget Manager

In some cases these initiatives are within one borough, in others they cover an entire county or even, as in the case of Greater Manchester, a

city region that includes a number of local authorities working together. They include the Community Budget pilots, which are beginning to generate real learning and impact at the end of their first year of implementation.

> We have developed new delivery models across GM that are able to gain a comprehensive understanding of the nature of demand created by and the underlying causes of problems experienced by troubled families. Adopting a systems thinking approach we will focus on the needs of the whole family in an integrated way across the whole public sector. This will provide an opportunity to radically reshape our front-line response to service users, removing waste, duplication and reducing costs.[20]

Attempts to create 'whole system, whole place' models of public services tend to share a set of principles which have been agreed among local partners, including:

×   Issues are best tackled through the context of 'place' because local circumstances and norms influence people's behaviour, choices and opportunities

×   The starting place for tackling issues in an area should be the place, the community, the neighbourhood, and in some cases the individual or the family, rather than the traditional service structures

×   Working together to build community insight, create services which respond to that insight, pooling resources and working towards shared outcomes will be more efficient and effective than agencies working alone

×   Local people identify with where they live and have a natural interest in being part of a strong community, so there is an opportunity to tap into this in order to generate behaviour change and a greater sense of responsibility for community well-being

×   (In some cases) Councillors and the local authority can provide strong community leadership authority through their sense of place and democratic accountability

Integrating the work of different organisations across places and within

20   Greater Manchester Troubled Families Business Case, http://www.agma.gov.uk/cms_media/files/121031_tf2_business_case.pdf?static=1

communities is complex and requires significant changes to the way organisations work – the way they invest, the types of interventions they fund, the ways that they engage with residents and the way that they build insight into local communities. Oldham have described it as a journey from a 'simple' model, in which specific interventions are targeted at key cohorts to reduce their demand on public services, to an 'integrated approach' in which different interventions are linked, through to a 'whole system, whole place' model in which the full range of factors which influence residents' attitudes and behaviours are included, for example social norms in the community, the economy, the physical environment and social networks.

Community Budgets

Community Budget pilots are attempting to create 'whole system, whole place' models which look at the whole system rather than individual services, though they are focused on core themes such as troubled families. The four pilot areas which have been in operation since 2012 aim to build evidence that local public services can be redesigned to work together towards shared local priorities, using new investment models, building better insight into the needs and assets within the local community and ultimately reducing the dependency of people on the state and public services. The Community Budget pilots are designed to:

×   Make better use of their resources by establishing joint budgets and sharing local knowledge, and an understanding of community assets and voluntary effort

×   Generate investment in new delivery models that improve outcomes, reduce demand for services and support growth

×   Remove central rules and regulations so local professionals can provide better services that suit their area

×   Give people greater control over their local public services

×   Establish local partnership and governance arrangements to create a unified approach for a given area[21]

21   http://www.communitybudgets.org.uk

Case study

Public Service Reform in Greater Manchester
Oldham's 'Whole System, Whole Place' pilot

Since June 2013 Oldham have been developing a 'whole system, whole place' approach to public service reform to test the benefits as part of the wider Greater Manchester (GM) Public Service Reform work which forms their Community Budget. The approach is designed to build on new delivery models developed as part of the wider GM work, but integrate this with work based within particular communities, in an attempt to change community norms as well as targeting individual families. It is focusing on:

× Challenging and changing behaviours among frontline staff so that they provide constructive support and challenge to residents to help them become more independent and self-reliant;

× Challenging and changing the behaviours of the community by making its residents more independent and self-reliant so that they place less demand on public services;

× Challenging and changing the behaviours of key decision-makers and budget holders so that reduced service demand is reflected in changed investment, commissioning and decommissioning arrangements. This is designed to enable the council and local partners to use public sector funds more efficiently and effectively.

The approach is also designed to enable Oldham to bring together thematic work which was already taking place across the rest of the borough (for example health and social care, troubled families, work and skills), in an attempt to see these issues holistically as they manifest in a place, and also to shift approaches taken by the whole public sector workforce in the area to enable social norms to be shifted.

Oldham's early cost-benefit analysis, combined with detailed cohort analysis, has highlighted the following key points:
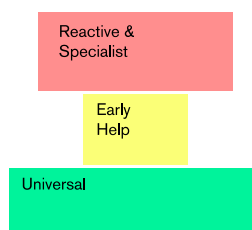
1. The council's systems are overly complicated and do not always encourage or enable people to self-serve;

2. The way the organisation works can mean people can access support when they have small problems and then reach crisis point before connecting with services – and then it is often too late;

3. These issues are embedded in the way the council works – from its processes, structures and staff behaviours. Changing this requires a wholesale change in the public service offer;

4. Oldham's work to date has demonstrated the significant impact that a person's friends, family and neighbours have on their attitudes and behaviours;

5. The council will not make significant savings if it focuses only on investing in early intervention and prevention - this has to be part of a fundamental service re-design that re-profiles spend away from high-cost, reactive services and towards services that support people to develop the skills to help themselves – for example, life skills, confidence and self-esteem, and the ability to take control of their own lives. The proposition that Oldham are currently testing is that if it can put a solid layer of this type of support in, it will be possible to more safely scale back the level of support offered in high-cost, reactive services.

This is supported by a range of evidence-based interventions that all have this type of behaviour change and confidence-building support at their core – for example, Family Intervention Projects, Brief Interventions, a range of drug and alcohol support interventions, and a range of public health behaviour change interventions.

Making this shift would require a re-profiling of public sector spend:

From this | …To this

Reactive & Specialist

Early Help

Universal

Reactive & Specialist

Early Help

Universal - including changing social norms, place-based change & capital investment
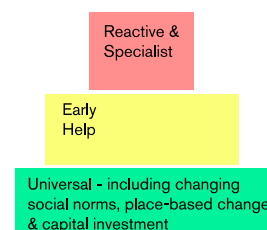
'Altogether Better'
West Cheshire's Whole Place Community Budget pilot

West Cheshire's Community Budget work – Altogether Better – is designed to reduce wasteful duplication of services, promote an integrated approach to service delivery and improve outcomes for residents. The key aims of the Altogether Better[3] programme include reducing demand for more expensive and long term services by:

× Reducing duplication and waste that exists in current delivery models

× Targeting resources to where they are most needed and in a way that is easier for people to see on the ground

× Providing better value for money

× Supporting, sharing and replicating excellent practice, with proven solutions that can be scaled up locally, regionally and nationally

× Providing services that genuinely make a difference to people's lives and that result in sustainable improvements for local communities

× Devolving and divesting services, responsibilities and assets to local communities where appropriate

× Enabling local communities to play a greater role in the design and delivery of services

× Supporting economic growth and job creation

The project is one year into implementation and a lot of the focus in that year has been on setting up the systems to support the work, including shared systems amongst partners, facilities, information sharing and how to understand and measure the impact of new delivery models – known as benefits realisation. This approach focuses on the metrics and baselines that enable partners to track progress and understand the impact of new models of service delivery, allowing partners to move from theoretical cost-benefit analysis to real data.

Innovative projects that work across themes have been established, including one known as Integrated Early Support, which supports children and young people with multiple needs and troubled families, as well as tackling domestic abuse in a joined up way. This approach brings together three of the original business cases submitted to Government to avoid new silos. The ultimate aim is to improve outcomes by intervening before people's problems escalate to crisis points, thereby reducing demand on costly acute services.

West Cheshire's business plans predicted savings overall from the Community Budget in the region of £106m gross and £51m net over five years, but savings were not expected at scale in the first financial year of implementation (2013-14). However, some early learning is available, which includes encouraging signs across the board. Those from the Integrated Early Support work include:

× The balance between 'step ups' to statutory social care and 'step downs' from social care is shifting, indicating that multi-agency support to individuals and families below the social care threshold can help prevent escalation. This positive trend in step downs could result in a financial saving of between £378 and £2,416 per case when looking at the case's management costs only, but importantly, by intervening earlier and preventing a case escalating, avoids a child potentially being taken into care (average placement cost of £44,676)

× Very small numbers of people are being re-escalated into social care after they have been 'stepped down', and significantly lower numbers than before the integrated care system was in place

× In some cases, due to earlier intervention to prevent a case escalating, demand for services can increase (we found this is a finding common to areas focusing on early intervention) – however it is anticipated that corresponding reductions in more acute interventions should be seen over time, resulting in significant financial savings

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22   http://www.altogetherbetterwestcheshire.org.uk/

- × Practitioners are reporting that improved access to multi-agency information is assisting them in accurate decision making, operating in partnership with agencies in case management teams is helping lead workers engage with hard to reach families and find out the truth about their needs, and families and individuals are clearer on the issues they need to address and the support they require
- × There is evidence of an increased usage of the model and the percentage of contact suitable for case management is increasing

- × Process improvements are being captured – a more efficient process from contact to case management (less duplication)

However the West Cheshire team is also clear that demand reduction takes time – the families being worked with are complex and the impact of early intervention does not always manifest in the short term, and it is anticipated that greater demand reductions and savings will be achieved as the programme matures.

Conclusion

These projects that attempt to redesign the whole system go beyond specific, targeted interventions and techniques such as those outlined in Section 1, which often focus on making the existing system work more effectively, and often operate within individual services on a reasonably small scale. Although those also have their place in a whole system approach, it is likely that here these different techniques are being used in combination as part of a wider strategy, to explore new and innovative ways in which demand can be fundamentally prevented from arising, through a new holistic understanding of the causes of demand that lie in real communities, real places, and the way that services operate.

It is also more likely in a 'whole system, whole place' approach that different services and agencies are working together to respond in a joined-up way to the needs of the community rather than the convenience of public service structures. In some cases this takes the state into new territory, investing in community capacity, resilience and relationship building.

Projects such as these are moving us towards a new relationship between citizens and the state, based on a set of principles and agreements about the role of public services and the aims of public investment which local partners and local people can be encouraged to engage with. We will examine these principles in Section 3.

Diagram: Characteristics of different types of approaches to demand management

Emerging Science	Whole System, Whole Place
Tend to be small scale projects, operating alongside or outside the rest of the public service architecture and system, though sometimes used as testers and precursors of wider system change	Attempt to redesign the whole system of public services to take into account the reality of people's lives and the range of local partners and services
Generally use one or two demand management techniques within a project	Use many demand management techniques in combination
Relatively simple to track savings from the projects	Difficult to track savings that are directly attributable to the whole system change, because of the complexity of the interventions. This is work in progress
Can be undertaken by individual public service bodies without the involvement of other partners	Require the development of shared principles about the role and value of public services which underpin the work
Require some recalibration of the relationship between citizens and the state, but only within the context of the individual project	Require a more fundamental recalibration of the relationship between citizens and the state
Can operate within the existing public service structures and relationship between central and local government and public services	Likely to require changes in the relationships between central and local government and local partners

Emerging Science   **Whole System, Whole Place**

Section 3

Managing Demand: Building Future Public Services
Principles of public service reform:
building a new relationship between citizens and the state

Section 3
Principles of public service reform

Building a new relationship between citizens and the state

Section 3

Managing Demand: Building Future Public Services
**Principles of public service reform:
building a new relationship between citizens and the state**

Through our research we detected a fundamental shift taking place in the way that some people are thinking about the role of public services.

Our research uncovered a growing belief, very likely highlighted by the pressures of austerity, that our current model of public services is unsustainable over the long-term. Many of the people we spoke to, both politicians and officers, are beginning to articulate the case for a re-thinking of the role of the state and the relationships between public services and citizens.

In many cases this is politically-led, and evidence of it ranges across the political spectrum, though the language that politicians of different parties use to express it varies. The role of politicians in providing leadership for a shift of this magnitude is crucial in many local areas, providing a democratically accountable voice for change and sometimes enabling tough messages to be expressed, although we found examples of strong leadership from Chief Executives too.

We identified three key themes guiding attempts to re-think the principles that drive the design and provision of public services and the relationship between public services and citizens:

× Changing expectations: encouraging people to demand less from public services and do more themselves – with a concurrent shift in the role of the state to enable this

× Supporting people to be healthy, productive and socially connected

× Viewing people as assets who can help achieve better outcomes

Based on these themes, the 'new' principles being articulated are as follows:

× The role of the state is not principally about 'delivery' but building stronger communities:

▪ Communities that are more connected and resilient and 'need' public services less

▪ Supporting all the different players within the system to successfully play their own part in creating good places to live and producing social value (or better outcomes)

× Citizens – people – are not passive recipients of services but have an active role to play in creating better outcomes for themselves and

Section 3

Managing Demand: Building Future Public Services
**Principles of public service reform:
building a new relationship between citizens and the state**

others (which the Commission on 2020 Public Services referred to as social productivity)

× Relationships matter – value is created at the point where interaction between state/public services and citizens takes place (an analysis currently being developed by Participle, NESTA and others in their 'relational welfare' programme)

Councils that are attempting to implement these principles in practice are using all or some of the techniques and approaches outlined in this report. All the case studies described here are guided at least to some extent by these principles, and all demand management interventions that involve at least some degree of recalibration of the role of the citizen and the state. Not all councils attempting to put into place a new citizen-state relationship are yet attempting 'whole system, whole place' reform which systematically involves all local partners and attempts to see problems beyond the service lens as they manifest in people's lives. But many are beginning to see this as the longer term strategy.

We believe that a shared set of principles underpinning public service reform within a place is the glue which brings together a complex and varied set of projects and initiatives into a coherent change strategy – and a future for local government which is not about 'managed decline' and retreat into statutory provision, but a strong community leadership role.

This is not about special pleading on behalf of local government, aimed at protecting the future of the local government sector. Indeed, the only way to protect local public services in the face of future challenges is to change what they do. Local authorities and their partners need to find the most effective ways of supporting people and communities to be socially and economically productive, and ensure that communities are strong and resilient.

Section 3

Managing Demand: Building Future Public Services
Principles of public service reform:
building a new relationship between citizens and the state

Social productivity

'Social productivity' was proposed by the Commission on 2020 Public Services as the foundation for a new relationship between citizen, society and the state.[1] The Commission argued in its final report (published in 2010) for a new settlement for public services, emphasising the importance of responsibility and reciprocity as essential characteristics of a more resilient society, including the duty of citizens to contribute to society, as well as their right to receive support.

The Commission argued that public services should be judged by the extent to which they help citizens, families and communities to achieve the social outcomes they desire, and that at a time when state resources are squeezed it is vital to mobilise the 'hidden wealth' of citizens. Public services should aim to:

×   Help create social value for citizens and communities
×   Enhance citizen autonomy, capability and resilience
×   Mobilises the hidden wealth of communities
×   Support existing social networks and build collective community capacity

After the Commission reported the RSA 2020 Public Services team was established at the RSA, working with organisations from the public and private sector to turn social productivity into practice.

Case study

Cooperative Councils

Cooperative Councils are committed to reforming the way they work through building an equal partnership with local people and building new models of co-operation which fundamentally re-balance power between public services and citizens. Their aims are to build stronger and more resilient communities, achieve better outcomes and manage demand on public services in the future. There are currently around 20 Cooperative Councils across the UK and their numbers are growing.

The focus and priorities of 'Coop Councils' vary from place to place, but underpinning their work is a belief that it is better to work with local people than to treat them as passive recipients of services, and that by involving people in decisions which affect them and their community, people can be encouraged and enabled to take greater responsibility. Many Coop Councils are moving towards new commissioning models which directly involve local people in the commissioning process and move towards a focus on the outcomes local people want, rather than outputs, as well as how people can be involved in achieving those outcomes.
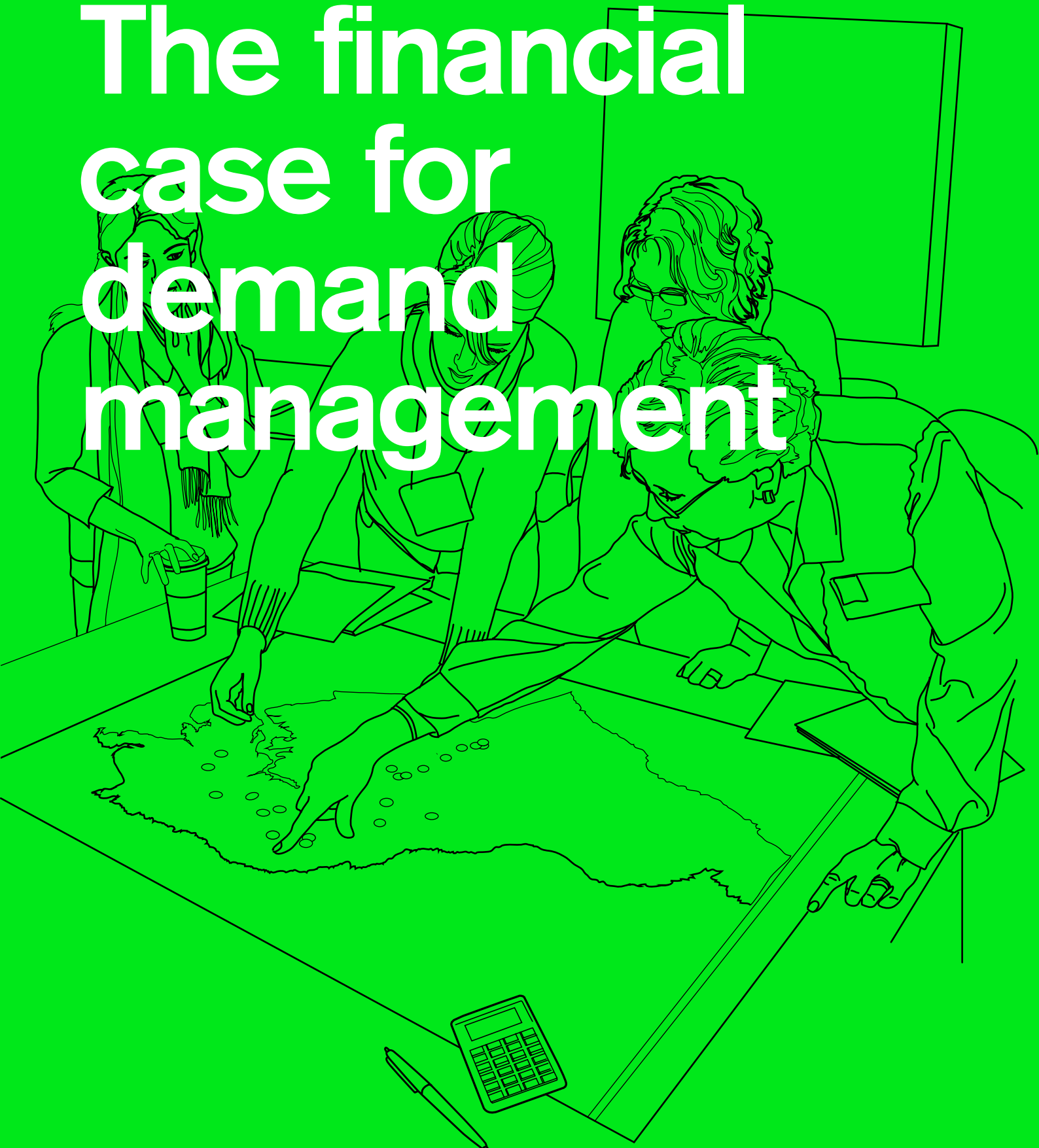
23   *From Social Security to Social Productivity: a vision for public services* – The final report of the Commission on 2020 Public Services, 2010 http://clients.squareeye.net/uploads/2020/documents/PST_final_rep.pdfa vision for 2020 Public Services. The final report of the Commission on 2020 Public Services

Section 3

Managing Demand: Building Future Public Services
Principles of public service reform:
building a new relationship between citizens and the state

To fundamentally rethink the principles which underpin our public services is no small ambition. We have spoken to places determined to do it, but it is an interesting question whether it can really be achieved through purely local leadership. National politicians and policy could also play an important role, and a national debate about the future of public services could help air some of these questions more openly. In addition, changes to national as well as local policy may be required; for example the way that central government works with local government and other local services; the way services are funded and held accountable for their performance; and the levers which local institutions have over local spending such as benefits. This report is not the place to explore all of these questions in detail, but they may become more pressing as demand management in all its manifestations becomes a more commonplace part of thinking and practice in public services.

Section 3

Managing Demand: Building Future Public Services
Principles of public service reform:
building a new relationship between citizens and the state

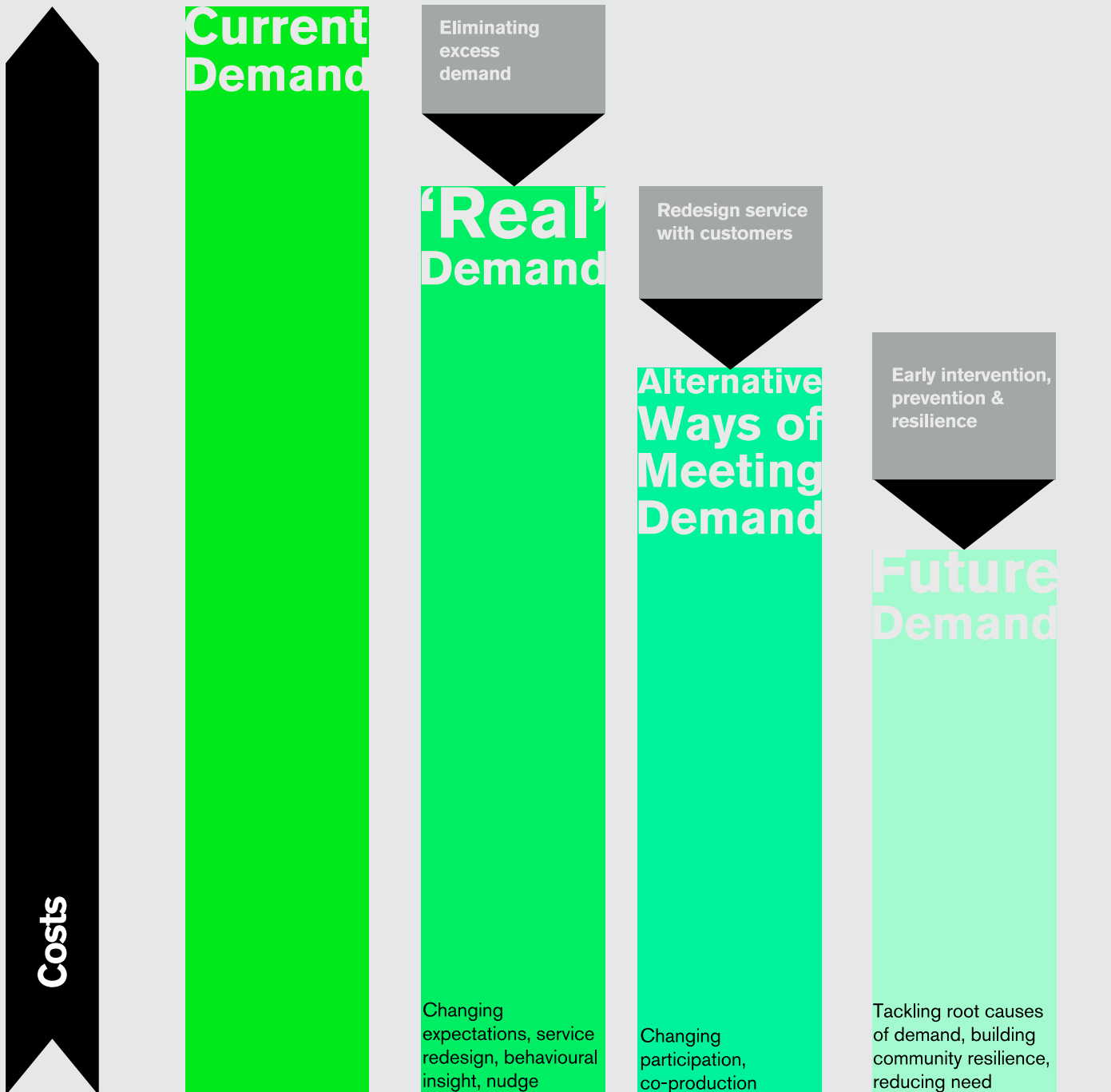# Section 4
The financial case for demand management

When we embarked on this research, we intended to examine and build the financial case for demand management in public services. This has proved a difficult task, for several reasons:

× Managing demand ranges from the application of a suite of specific tools and techniques, such as 'nudge', through to ways of working such as co-production, through to investing in prevention and partnership working and ultimately re-thinking the role of the state. There is evidence that all these different approaches can help achieve savings, but the complexity makes it difficult to be clear about the overall potential for savings that 'demand management', when thought about as a single strategy, can achieve

× Much of the evidence currently relates to small-scale projects in single service areas or across specific themes, such as troubled families or work and skills, making it difficult to build a picture of the overall potential savings

× The business case for much of the more systemic work, such as community budgets work, is based on predictive modelling. The early stage of implementation of most of these projects means that it is too early to be clear about the savings they will achieve

× Very few places, if any, are currently attempting to apply all these different ways of thinking about demand management together, or attempting to measure savings across the board

The theoretical case for financial savings through managing demand is summarised in the diagram below.[23] The scale of the potential savings increases as interventions move from the short to the longer term, and move from small scale, bespoke projects towards whole system change (though in practice councils may be doing elements of all these approaches simultaneously).

23   Developed from work by iMPOWER

Costs

Current Demand

Eliminating excess demand

'Real' Demand

Redesign service with customers

Changing expectations, service redesign, behavioural insight, nudge

Alternative Ways of Meeting Demand

Early intervention, prevention & resilience

Changing participation, co-production

Future Demand

Tackling root causes of demand, building community resilience, reducing need

Payback | **Short term** | **Medium term** | **Long term**

System Change

What savings could be realised by a more systematic approach to demand management?

iMPOWER has modelled the potential financial opportunity that lies in applying demand management techniques across seven service areas. Using national performance and expenditure data sets, they analysed how councils are performing in comparison to their peers and determined the average costs to councils at different levels of performance. Focusing on performance metrics that provide an indication of the effectiveness of demand management – for example, lower percentages of older citizens entering residential care suggests effective provision of alternatives – the modeling indicated that improving local authorities' performance to the next quartile in the national data set could save £3bn across the seven service areas, equivalent to 14 percent of baseline expenditure. Extrapolation of these figures over other local government services where demand management could be applied gave an indicative £5bn potential saving for English councils.[24]
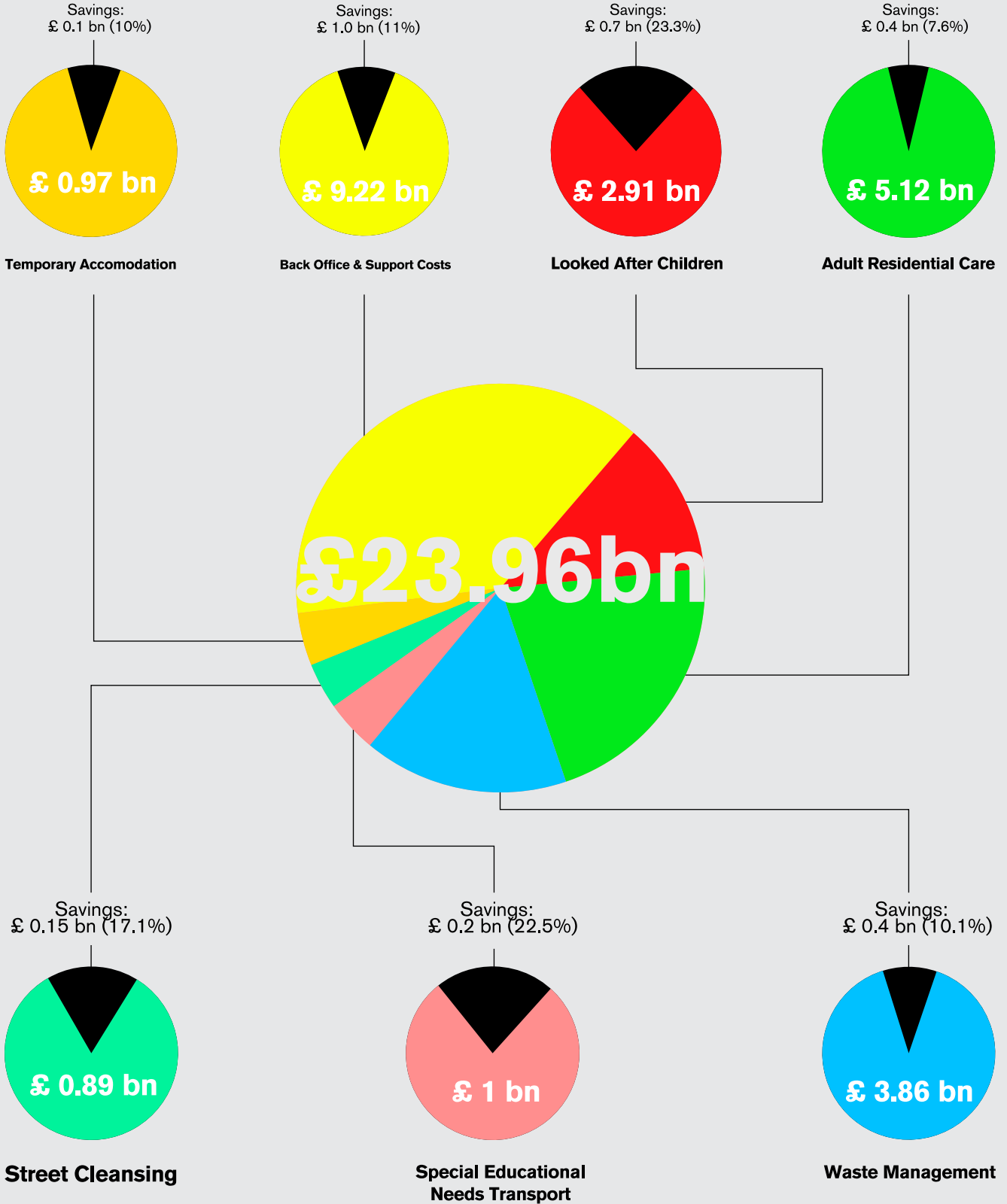
For the purposes of this project, we asked an economist to evaluate the robustness of this model and suggest ways in which it could be improved. We built additional externalities into the modeling for reablement of adults (taken as an indicator of management of demand for residential care), such as the percentage of pensioners in the population and deprivation indicators, trying to establish whether there were local factors, outside of the control of local authorities, that constrained their ability to make savings through demand management. The results suggested that this is not the case: there appears to be no relationship between local variables and the performance of councils in reablement.
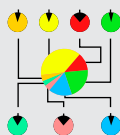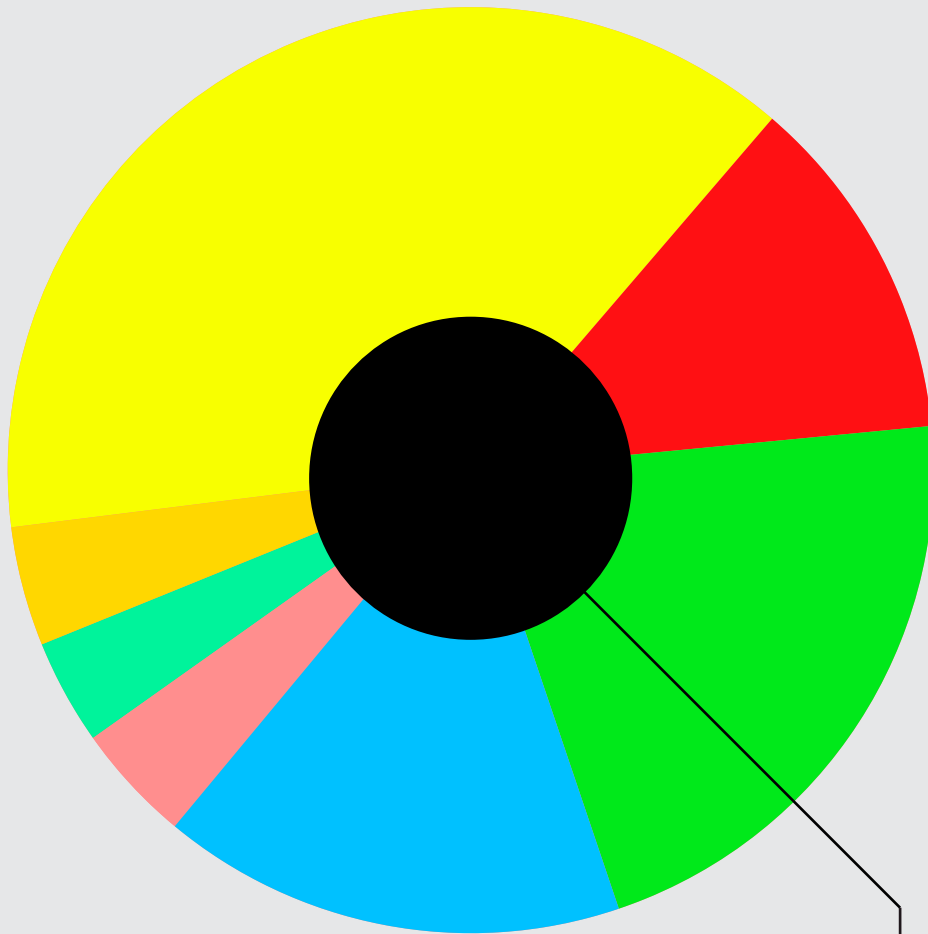
How much faith can be put in numbers such as these is questionable, with such a high degree of extrapolation and so many assumptions built into the modelling. However they do suggest two things: firstly that sizeable savings are likely to be possible from demand management across multiple service areas; and secondly that external factors that are outside of local authorities' control – for example deprivation and

24   *Changing the Game*, iMPOWER, 2012, http://www.impower.co.uk/public/upload/fichiers/106/impowerchangingthegame.pdf. Based on local authority performance data from 2009/10

Potential savings from behaviour change in representative public service areas

Savings:
£ 0.1 bn (10%)

£ 0.97 bn

Temporary Accomodation

Savings:
£ 1.0 bn (11%)

£ 9.22 bn

Back Office & Support Costs

Savings:
£ 0.7 bn (23.3%)

£ 2.91 bn

Looked After Children

Savings:
£ 0.4 bn (7.6%)

£ 5.12 bn

Adult Residential Care

£23.96bn

Savings:
£ 0.15 bn (17.1%)

£ 0.89 bn

Street Cleansing

Savings:
£ 0.2 bn (22.5%)

£ 1 bn

**Special Educational
Needs Transport**

Savings:
£ 0.4 bn (10.1%)

£ 3.86 bn

Waste Management

Total Expenditure £23.96bn

Potential Savings £ 2.94 billion

population make up – appear not to affect the ability of councils to find ways of effectively managing demand.

Other modelling exercises which have attempted to assess the scale of the savings which could be achieved from demand management have produced similarly large figures. EY[25] produced an aggregation model to represent the potential national benefits identified through the four Community Budget business cases that were submitted to the government in October 2012. Although their figures are also highly sensitive to the assumptions made about the ability of local public services to apply the local approaches taken by the pilots (and of course to the pilots themselves being successfully implemented and producing savings in line with those predicted), the modeling predicted a potential 5 year net benefit from community budgets of between £9.4bn and £20.6bn.

In addition to the potential savings, EY concluded that "the Whole Place Community Budget pilots provide evidence that new ways of investing in, integrating and delivering public services can deliver net financial benefits. They are part of the solution to the public sector funding gap". Further work to develop Community Budget-type approaches to public service reform is now being taken forward by the Public Services Transformation Network, which is helping 9 new areas to learn from the 4 pilot areas, with support from Whitehall officials, as well as involving a wider set of local authorities. Established to try and move away from the pilot model and towards wider reform, the Network has described its role as "trying to create a movement for change"[26].

However there is an interesting caveat added to EY's conclusions; which is that the net benefits are spread across the public sector. For example they estimated that local authorities would achieve under a fifth of the total net benefits achieved through community budgets across all thematic areas.

This conclusion is backed up by spending analysis from Community Budget areas, which has caused some places, such as Greater Manchester, to raise the issue of whether there needs to be greater local control over the totality of spending within an area, and greater sharing of the rewards of spending reduction (for example in welfare

25 *Whole Place Community Budgets: A Review of the Potential for Aggregation,* LGA, 2013
    http://www.local.gov.uk/c/document_library/get_file?uuid=29b7253f-3132-4617-be79-88ada11cf5e0&groupId=10180
26 http://www.lgcplus.com/news/analysis/transforming-the-community-budget-pilots/5064425.article

spending) in order to incentivise councils to take a 'whole system, whole place' approach to demand management.[27] Analysis of public spending in Greater Manchester by AGMA shows that although spending by local authorities fell from 2008–09 to 2013–14, this shortfall was almost entirely picked up by increases in spending on benefits and tax credits and health.

Greater Manchester spend in real terms 2008–09

AGMA and Greater Manchester analysis of public spending across the area also demonstrates that 35 percent of public expenditure is reactive, and therefore hypothetically preventable through early intervention. Attempts to establish whether there is real potential to reduce the spend through new ways of working developed under the public service reform themes (early years, health and social care, transforming justice, troubled families and work and skills) established that the bulk of spend in GM could theoretically be influenced by the PSR programme, suggesting that there are greater possible financial gains to be made in the future.

Conclusion

As set out in the first stage of our research *Beyond Nudge to Demand Management,* the LGA have predicted cuts to local government funding of £7bn by 2019–20, alongside increases in costs from rising demand of £7.4bn in the same period – a total shortfall of £14.4bn that has come to be known as the 'jaws of doom' within local government.[28] While it would be over-simplistic to suggest that the modelling set out above shows that various approaches to demand management can close this gap entirely – the two examples are modeling different approaches, based on different assumptions – given the scale of the financial challenges currently facing local authorities, it is clear that demand management must be part of the answer.

27   http://www.agma.gov.uk/cms_media/files/121031_ws2_business_case.pdf?static=1
28   Source: LGA projections based on DCLG outturn data, July 2013 (details at www.local.gov.
uk/finance); taken from RSA/ESRC/LGA/iMPOWER first stage report Beyond Nudge to
Demand Management http://www.thersa.org/__data/assets/pdf_file/0010/1526275/RSA-
Demand-Management-document_04072012.pdf

Greater Manchester spend in real terms 2008–09

3.1

7.6

7

4.7
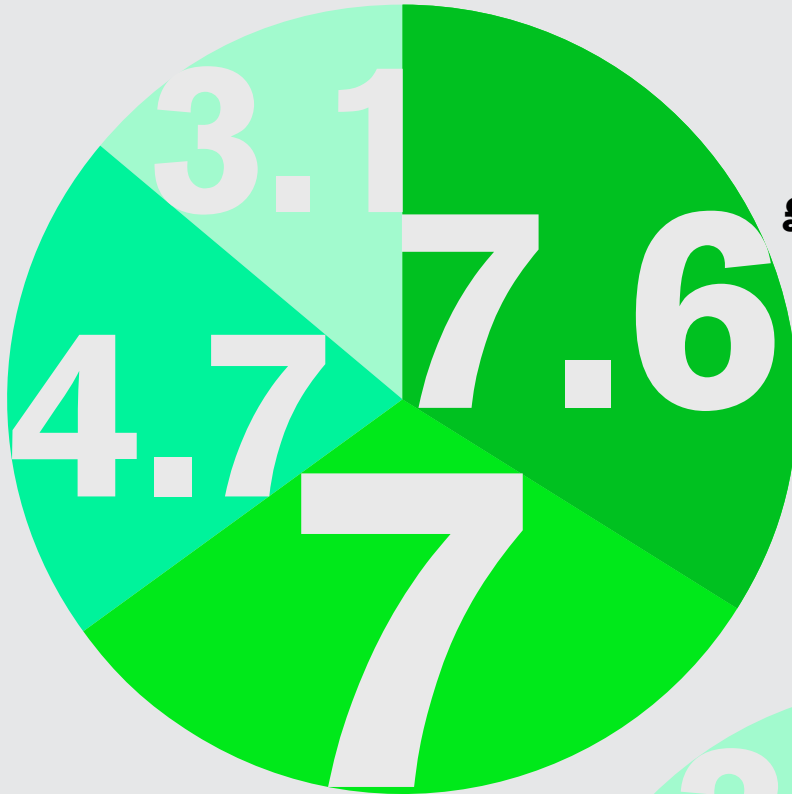
£22.4bn
08/09 expenditure

8

3.1

5

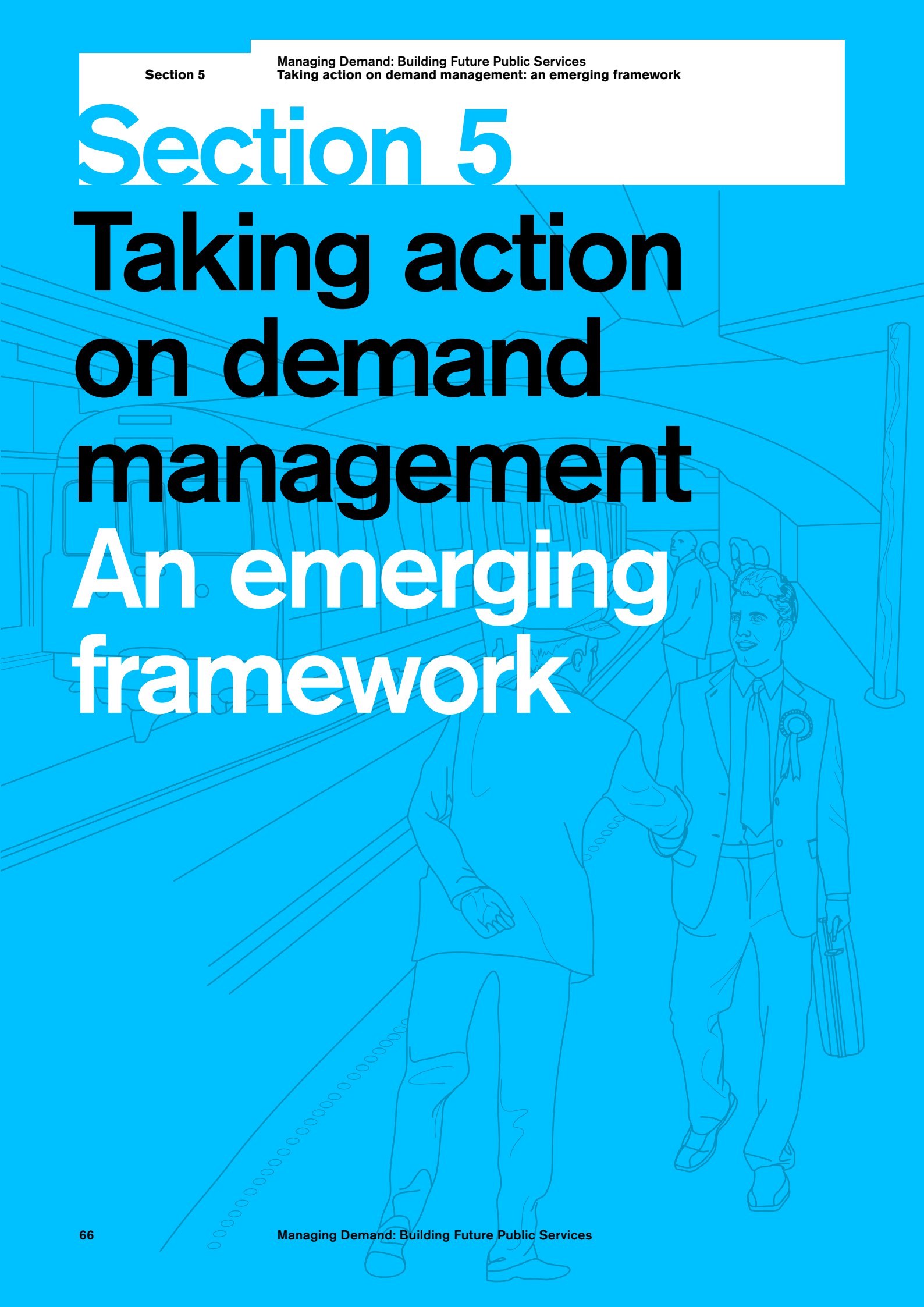6.1

£22.2bn
11/12 expenditure

- Benefits and tax credits
- Local authorities
- Health
- Other

Section 5

Taking action on demand management

An emerging framework

'We started by identifying a few areas to take forward a demand management approach… we're now building it into everything that we do'
Senior interviewee, Calderdale

'Trying to understand the way a population acts or responds the way it does is key…'
Public Sector Commissioner, Collaborate/IFG focus group[29]

As illustrated throughout this report, local authorities and wider public services are at very different stages of thinking about demand management. Some of those who are leading the way have been highlighted here, others are at the beginning of thinking about what demand management might mean for them. This section suggests some ways of thinking about demand management which might offer a place to start or a way of thinking about developing current approaches and making connections between different elements of the public service reform agenda. They are steps councils and other public services can take as part of a framework for understanding and managing demand in their communities.

29   Quoted in Crowe, D., Gash, T. & Kippin, H. (2014) *Beyond Big Contracts: commissioning public services for better outcomes,* Institute for Government and Collaborate
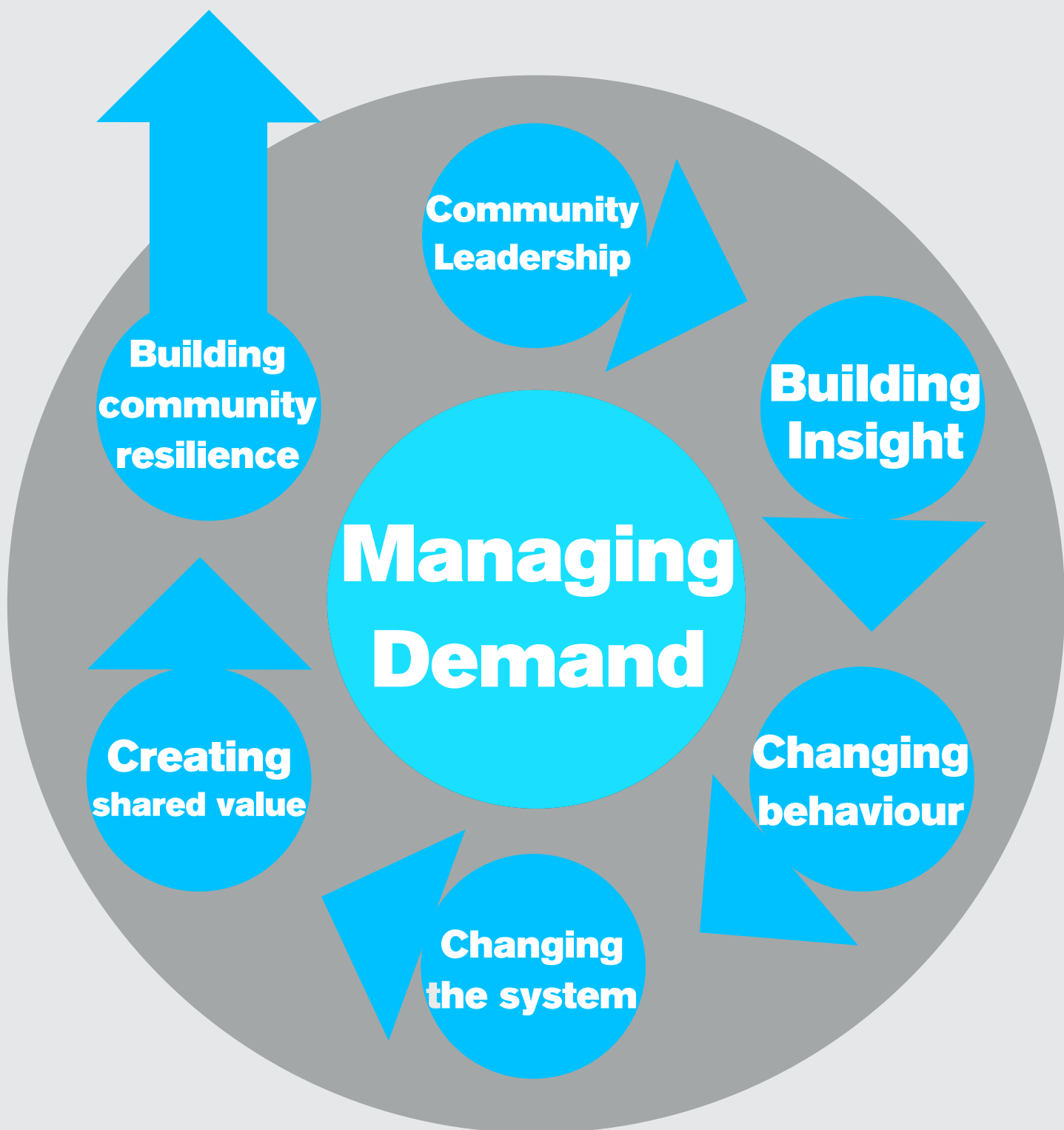
1 Community leadership – bringing the politics in

For demand management to be transformative, rather than a small collection of unconnected initiatives, it must become part of broader political narratives about the future of local public services. Politicians themselves must begin using their political skills – narrative, communication, persuasion – to forge new co-productive and collaborative relationships with communities.

The following themes are important:

Demand is political

As the New Local Government Network's Simon Parker writes, "the dramatic reductions councils currently face demand a new kind of leadership, focused on engaging the community to make difficult decisions about (for example) whether to cut care, after school clubs or school transport".[30] Community leadership – what the LGA has called councillors "enabling local communities to steer their own future" is thus core to creating a climate for better engagement and a more grown up conversation with citizens.

> Local politicians play an important role. If communities need to take more responsibility, then their representatives must lead the way"
> Conservative Party Local Government Advisor

We found a small number of compelling examples of strong political leadership on this agenda, in places such as Sunderland and Oldham, which seemed to play an essential role in translating big concepts into real change on the ground and in communities, and also provide a means of communicating some more controversial changes such as changes to services. They also spoke of the essential role of councillors in bringing together partnerships with other local agencies and helping organisations see their role in terms of the whole community and whole place, rather than service silos.

Several interviewees we spoke to bemoaned the prevalence of a 'fix

30 *Future Councillors Where next for Local Politics?* Edited by S Parker and L Scott-Smith, 2013
http://www.nlgn.org.uk/public/wp-content/uploads/Future-Councillors_FINAL.pdf

it' culture in local government, wherein politicians often inadvertently contribute to increasing demand on council services through an inability to have conversations with residents about taking shared responsibility for local outcomes. Effective community leadership means turning this situation on its head – asking how elected members can be part of a new, co-productive approach that positions local politics not as a barrier to effective commissioning and service delivery, but as an essential enabler.

Language matters – find the right political narrative

> Members don't like the term demand management. They think it's about stopping people getting their entitlements. They like the idea of resilience better"
> Senior local government interviewee

It is not surprising that one frequent comment from those we spoke to was that the term 'demand management', while useful in the context of a report largely aimed at local authority officers, does not work for politicians or the public. Our research suggests that demand management – where it is understood and communicated as such – is most often an officer-led agenda, couched as a range of technical interventions that focus on how to make existing services work more effectively.

If the agenda is to be more transformative – beginning to change citizen-state relationships in a broader sense – we must 'bring the politics back in', and ensure that demand management is owned by council leaders, portfolio holders and ward councillors. This requires some creative thinking about language, communication and engagement in order to create what one senior executive called a 'quantum leap' in the way the agenda is developed.

> We don't talk to our community about demographic change, we talk to them about helping their neighbours"
> County Council Chief Executive

Some councils are finding their own language and strategies to express and address deeper questions about the role of the state, for example talking about building community resilience, neighbourlines, or stronger, more active communities.

2 Building insight into behaviour and the root causes of demand

Effective demand management starts with deep insight, often generated by a willingness to look beyond traditional interactions with citizens and understand the real drivers of demand within communities. Finding the right local methods for doing this should be a priority for public leaders.

Public agencies need to know more about their communities

Too often public agencies understand and respond to citizens through the perspective of the services they already provide. This perpetuates a focus that is too narrow – seeing only need, instead of resource and assets; seeing the symptom but not the underlying cause; assuming that a pre-existing service is the answer; and missing out the energy and insight the community could bring to solving collective problems. We heard that when practitioners have attempted to look beyond services to really understand demand, innovative approaches have emerged that do not necessarily require expensive interventions.

> There is a piece about unlocking what the community can do, that we haven't really got to yet…"
> Senior social services professional, North East England

Deep insight of this kind can sometimes produce surprisingly simple solutions. In Oldham one key worker realised that a long-standing truancy problem in one family could be tackled if the mother was encouraged to walk her children to school. In Sunderland, one senior official told us that truancy in one particular neighbourhood had been reduced after ward councillors realised that having the 'wrong shoes' was part of the reason

for children skipping school.

The RSA's Connected Communities research has uncovered similar insights – finding that, in one south London community, the hub of the community and its most trusted resident was the pub and its landlord.[31] Lambeth council is using these informal 'community connectors' to provide financial advice to residents who prefer not to access formal advice from institutions such as banks. Using this insight creatively – some examples of which will be discussed below – is a core part of effective demand management.

Get beyond the services – think about a range of resources

The corollary of better insight is the responsibility to use it more creatively and effectively. We heard about local leaders seeking to manage demand through working 'beyond the services', addressing quality of life, 'cost of living' and 'social economy' issues, for example through using the social and economic clout of the public sector to bargain on behalf of citizens.

In Tower Hamlets, this has meant unpicking the relationship between payday lenders, housing providers and citizens in transition from homelessness to housing. In parts of Manchester, this has meant acting with the private sector on energy bargaining and fuel poverty issues. Mobilising the full range of resources also means finding social network-based solutions to problems that have been traditionally seen as professional or clinical.

Data is useless without the means to analyse it

Many of the officials and politicians we interviewed during this research readily admitted to the need to generate deeper insight into social norms and networks, but few were certain about the appropriate mechanisms to do this. This is partly a question of finding ways to bring together what are, for many local authorities, a fragmented and service-specific evidence base and data sets. We heard about the need for 'intelligence' or 'insight' hubs that would create unified datasets – or at least the means to more easily navigate them – that could be shared across departments and even partners to enable more integrated service commissioning and

31 http://www.thersa.org/action-research-centre/community-and-public-services/
connected-communities

accountability.

There are, however, limits to this approach. Technology is not a panacea, and often the most valuable insight about communities lies outside of the purview of the data local public services usually collect. This is where qualitative techniques such as social network analysis and ethnographic research can be so valuable.

3 Changing Behaviour

Behaviour change is an essential component of demand management. 'Nudge' strategies alone can generate behaviour change, leading to better outcomes and saving money, but alone they will not effect the type of system change we believe may be necessary in the longer term. Effective strategies will combine 'nudge' strategies from local public services with a nuanced understanding of networks and incentives. The following themes are key:

Use 'nudge' today…

We need to get better at playing behavioural insight into the way public services are designed and delivered. As described earlier, several interviewees noted that their local authorities – such as Calderdale and Kirklees – were using insights generated by the Cabinet Office 'Nudge Unit' in the design of letters, emails and communication material. Our research suggests that in areas such as recycling and waste management (including reducing fly tipping), a combination of 'carrot and stick' approaches including 'nudge' techniques can help the public to think differently about a particular issue, and begin changing their response. There is potential here for 'quick wins' and immediate savings.

One senior interviewee felt that building individual responsibility was a key element of this, arguing that government has fostered reliance on 'the system' at the expense of individual responsibility.

'We have educated people to believe in 'public service systems', but managing future demand will require a different approach'
Senior Conservative adviser

…But long term change requires 'nudge' and networks…

Our research suggests that effective behaviour change will cover a cycle of interventions, ranging from immediate and short-term 'nudges', to incorporating bounded cognitive frameworks and network effects into the long term planning and design of public service interventions.

It was suggested to us that policymakers should look to the diffusion of cultural practice to understand how new ideas and trends are picked up and reproduced at a local level, learning from recent U.S. studies by Cass Sunstein,[32] Sasha Issenberg and others, as well as clear examples of behaviour change and demand management in the private sector.

What is clear is that to be transformative, behaviour change strategies must be underpinned by high levels of trust between citizens and public services. Research has shown that levels of trust in local authorities are reasonably high, increasing from 52 percent to 65 percent from 2001 to 2012,[33] providing a good platform on which to build. In the context of austerity, the LGA's 'Building Trust' project, launched in 2013, seeks to support councils to take a more nuanced approach designed to ensure that communities retain confidence in councils as financial resources reduce. The LGA argues that it will be increasingly important for people to work with councils in order to achieve local outcomes, and that "trust will be the oxygen of this increased cooperation".[34]

Recent Ipsos MORI findings suggest that "Eight in 10 (79 percent) say they trust their local council to make the important decisions, compared to just one in 10 (11 percent) who trust (central) government to. Eight percent do not trust either"[35]

32   Simpler: the future of government, Cass Sunstein, 2013
33   Citizenship Survey (2001-2011) c.10,000 GB adults 18+ each year. Community Life Survey (2012) c.2,500 GB adults 18+
34   www.local.gov.uk/documents/10180/11709/Building+Trust+Action+Plan+Final+Summary +9+Oct+2013.pdf/c4002910-a587-4bbb-b6cd-f132b430ecbc
35   http://www.ipsos-mori.com/researchpublications/researcharchive/3123/Public-concerned-about-cuts-to-council-services-but-councils-arent-necessarily-to-blame.aspx

4

Changing the system

Think whole system, whole place

Managing future demand will be about scaling up isolated, service-based practice and embedding a culture shift throughout public service organisations. The biggest potential gains are to be found when public managers are able to look across a whole place (ie a borough or city) and understand the relationships between public service reform as a whole (across local government, NHS, police and other sectors), and the diverse economic needs and resources of a place. Systems thinking – understanding the interplay of different parts of a whole system – can be a useful tool to do this, with a view to redesigning elements of how the system works.

Work collaboratively across agencies and sectors

We believe that the default assumption for local authorities (and indeed across local public services) should be towards outcome-focused collaboration between local agencies and actors. The relationship between local authorities, NHS, police and housing services needs to be more fluid. The voluntary and community sector and the state need to create better forums for sharing insight and jointly building platforms for commissioning services. The private sector needs to do more to align its incentives with the needs and values of place.

This is easier said than done. Interviewees told us that financial and managerial incentives work in the opposite direction, and that in the context of austerity, we are more likely to see a shifting of demand towards other agencies or 'downstream' towards acute interventions, rather than concerted collaboration to manage demand at an early stage.

How to address this problem is one of the biggest issues in local government. Outcome-based commissioning, payment by results, Connected Care and Community Budget-type integrated funding approaches can help. But the biggest challenge is cultural, and

interviewees were near-unanimous that we need a better evidence base to drive more integrated and collaborative policy and practice.

> 'The more complex the service, the more difficult it is to contract. But we pit competition and collaboration against each other…'

> 'We need a different type of leadership – more open, honest and realistic. Resource allocation is political, there are no easy answers…'
> Contributions to a Collaborate, RSA and ESRC roundtable, November 2013

5 Creating shared value

Think about the role of the private sector

Enabling communities to become more resilient requires public agencies to think about the contribution that can be made by the private sector and the ways companies can work in partnership with local authorities, not just as service deliverers, but also as corporate citizens. The resilience of communities is hugely affected by issues such as the living wage, skills and employment support, responsible employment practices and financial resilience. Councils need to think about ways they can open a wider dialogue about social responsibility, shared value and inclusive growth.

Demand management and growth – two sides of the same coin

It is axiomatic that the most effective way of managing demand for many services is for people to be in productive and rewarding work which pays a liveable wage. Many of the councils we spoke to argued that generating employment must be at the heart of their demand management strategies – again, looking beyond the traditional service lens towards what will help build productive, resilient communities.

For local public services to begin making inroads into the huge

social and economic demands ahead, it is vital that agendas for growth and public service reform are recognized as interrelated. The following themes are key:

Support productive communities through market shaping and procurement

The future sustainability of our localities will depend upon the extent to which communities can become more economically and socially productive – and how effective public agencies are in supporting this. This is likely to require a range of interventions, possibly including:

×   prioritising the creation of community-based enterprise and SMEs

×   encouraging the development of new social markets in areas such as social care and education services

×   asking what the public sector can do to kick-start or incubate the development of local business from back-office support through to front-line delivery

The same ethos needs to be embedded in commissioning and procurement processes, where creative design of commissioning processes can boost local supply chains and work with employers to ensure that local jobs are financially and socially rewarding.

> 'You need toolkits to improve commissioning… there is no silver bullet. The (procurement) profession hasn't caught up with the new narrative…'
> Procurement professional, North West England

Thinking about Social Value can also help embed a more holistic approach. The Public Services (Social Value) Act places new duties on public procurement that can reinforce demand management approaches. A good example is Oldham's Social Value Procurement Framework,[36] which includes demand management as a possible criterion for inclusion in contracts, while also driving procurement towards other key outcomes about building productive and resilient communities.

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36   http://committees.oldham.gov.uk/documents/s36856/Appendix%201%20-%20Social%20
Value%20Procurement%20Framework.doc.pdf

6 Building community resilience

Involve communities in creating solutions to local problems and service redesign

Communities often hold solutions to problems faced by public services, but are not always given the opportunity to be part of the answer. Examples outlined in this report ranging from parents helping to re-shape transport for young people with special educational needs, through to working with older people and their families to help avoid older people entering residential care, demonstrate the hidden resource that communities offer.

The shift towards a new relationship between citizens and the state requires public service organisations to engage in a new way with residents and service users, working together to understand the perspectives of each and create new, more effective and less costly solutions. Councils such as Lambeth are redesigning the way the organisation works in order to put co-production of the whole commissioning process with residents and service users at the heart of their operating model.[37]

7 Creating the tools for change

'We can use predictive tools to understand the changes that will take place in our community and predict the cohorts that will cost us the most'
County Council Chief Executive

Many of those we spoke to commented on the need for new tools, techniques and skills that are needed to support a focus on demand management. These include predictive tools to understand demographic changes, and financial modeling tools that enable councils to understand,

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37 See *Towards a Social Value Commissioning Framework: lessons from Lambeth*, for details, published by Collaborate and the Transition Institute, http://www.collaboratei.com/media/4098/Social%20Value%20A%20Commissioning%20Framework%20Report.pdf

predict and measure the scale of cost avoided through demand management interventions. These are important tools for effective commissioning. However, they are not things that councils are traditionally familiar with doing, and some councils have set up new 'infomatics' and financial modeling teams, bringing in new people and skills. Organisations such as the Early Intervention Foundation are supporting councils with some of this work and are sharing good practice, but we think this is likely to be an important area of further development.

Conclusion

Creating a 'shallow end' of policy and practice

In this report we have explored a number of building blocks for what we envisage as a strategy for demand management in public services in the future. Our research has found that a small number of councils are leading the way in making demand management a core tenet of their vision for the future. We also found that many councils are cognisant of demand management and (at an executive level) speak the language of transformation, relational services, prevention and collaborative working. However, for many this is a long way from becoming a reality, and we hope that some of the techniques and examples outlined in this report will help create a 'shallow end' to help councils think about this agenda and how they can make a quick difference.

We also hope that in this report we have illustrated 'proof of concept', with varied examples of different ways that councils and others are approaching demand management and early evidence of its effectiveness. We hope that this report can at least contribute to the 'argument' stage of this process.

Further research

It is important to acknowledge that while the implications of demand management may be profound, it remains a nascent agenda, and therefore more work is needed to understand the changes that will be required to realise it. Firstly, we think that ongoing work will be needed to continue to build the evidence base as projects mature, particularly in relation to the financial case, and also to enable public service bodies to learn from each other's examples.

We also think that there is a particular challenge related to creating financial and investment models to enable commissioners to invest in a range of demand management strategies, particularly early intervention, with confidence that this makes sense in the context of austerity. A small number of councils are working together through the Early Intervention Foundation to build new models, but we think it likely that more work is

needed in this area. The implications for the skills needed within local authorities, including financial modelling, and the changing roles of local authority accountants and heads of finance also need to be considered.

New relationships between citizens and the state: demand management in the future

'This is really the way the public services should be done'
Leader of a London Borough

This research was originally undertaken because the supporting organisations felt that 'demand management' is an emerging area of thinking and practice in local public services which, in the context of austerity, warranted research which would bring some clarity to the concept and help organisations think through their own approaches to managing demand.

Through the course of the research it has become clear that, while the 'emerging science' is important, demand management is in fact part of a much wider debate about the future of public services and the state. It is possible that now is the time for a fundamental re-think about what public services are there to do, the role of the state and our responsibilities as citizens. Indeed many on the left as well as the right are arguing that a culture of dependency is in no one's best interests.

Smaller scale demand management interventions that use a range of techniques and insights within specific service areas – building insight into the needs of users, communications campaigns, 'nudge' and behaviour change techniques – are already operating within local government. However, we mostly found that such projects were small scale, isolated examples within the wider public service architecture of an area or an authority.

A small number of local authorities are beginning to think about demand management in the context of a coherent strategy for public service reform within a place, taking into account the role of the community in helping to achieve better outcomes. They believe that for

demand management interventions to be effective, they should be part of a wider, overarching strategy for local public services, based on a new set of principles and agreements about the role of public services and the aims of public investment which local partners and local people can be encouraged to engage with.

Taken together, these strategies are designed to do more than simply manage demand; they are really about understanding the causes of demand, how it can be prevented, and new and innovative ways in which the needs of individuals and communities can be met. The bigger questions about public service reform that they raise should almost certainly be part of a wider, national public debate, but this is not purely about the theoretical or ideological: we must also learn from real progress in creating a new account of public services and the role of citizens already being made in towns, cities and counties up and down the country.

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