



Dealing with the financial challenge - an alternate approach

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Are Traditional Solutions Sufficient

How to save @ 25%?

What's been successful is:

- Management delayering
- Changing front office
- Service reduction
- Outsourcing
- Shared services, and

More of the same will address the next 2 years?



AVOID THE JENGA EFFECT



Influencing behaviour still has a stigma attached in the public sector

No choice is ever neutral.

Why shouldn't it be us that influences choice?



Results: 80% less "spillage"

Example from 'Nudge'



Public sector must become much more proactive with their agenda





How do we think of citizens?



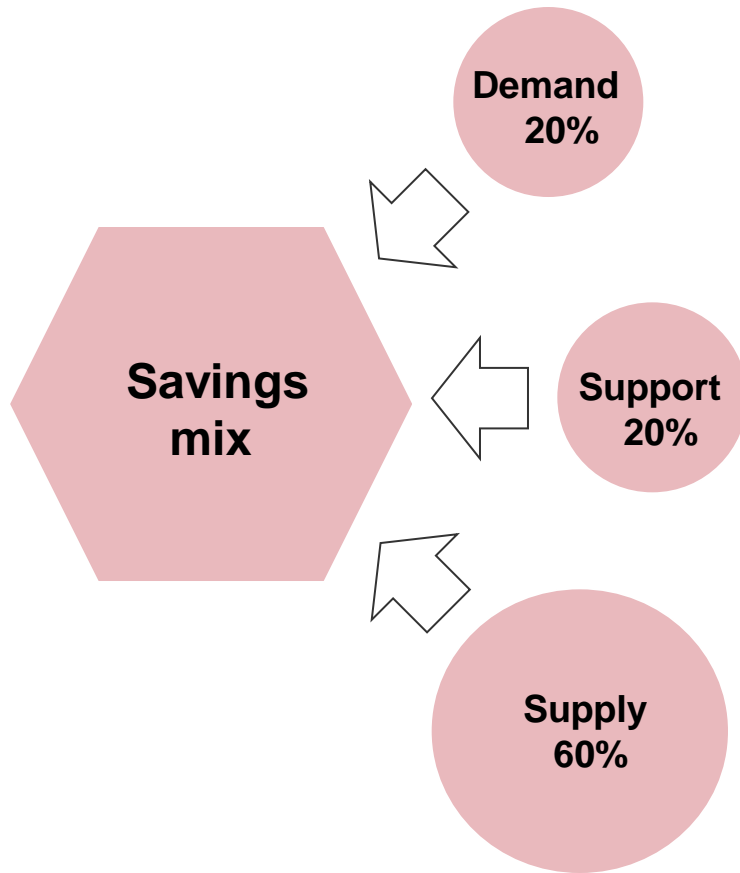
- Since 1950's services designed around small number of stereotypes
- Society is now more complex:
 - Health conditions
 - Care needs
 - Educational needs
 - Individual's rights



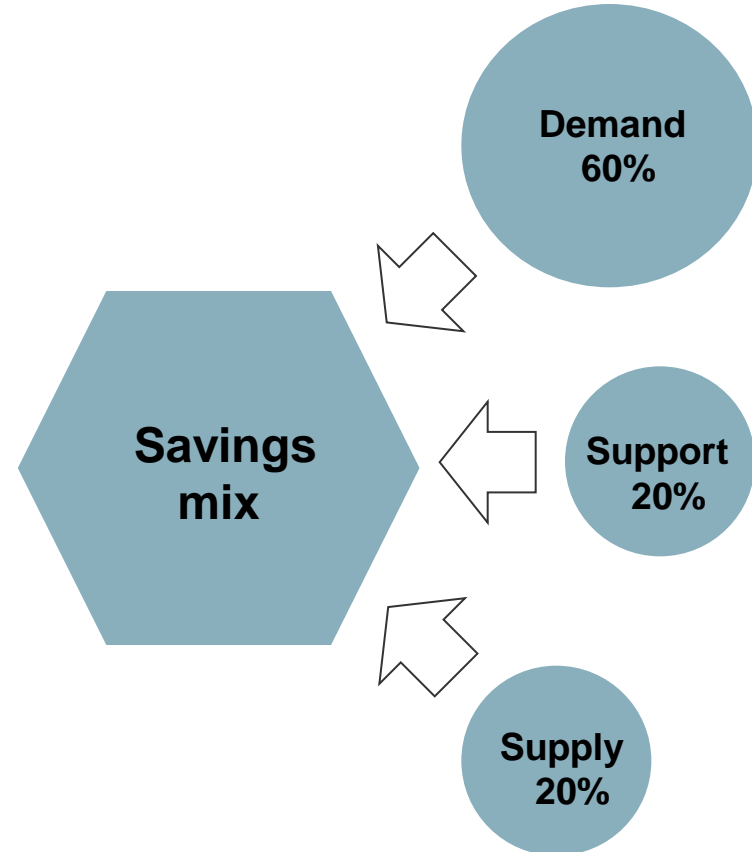


Demand management is under-exploited by the public sector

2011/12



2012/13?



Managing demand intelligently will become an increasing priority



We need to start at the other end when thinking about reducing costs

1. RE-SOURCE

- Reduce costs through changing supply side – whether through conventional competition / outsourcing or through use of voluntary / community alternatives

2. RESTRICT

- Ration and reduce take-up through
 - Pricing
 - Limiting eligibility
 - Channel migration to bring about a reduction in services

3. REDESIGN

- Re-think the nature of the service and its design and organisation

4. REMOVE

- A last resort, because maintaining some service is always better than cutting it completely – after all, the business of local government is the supply of services...

Traditional approach to cost reduction



Demand Management approach to cost reduction

1. REMOVE

- Preventative work to eliminate need for a service
- Change the behaviour in citizens that creates the need for service
- Early/timely intervention to limit or avoid long-term need or dependency

2. REDESIGN

- Integrate disparate service offerings around people and places
- Personal budgets for users to buy their own services
- Mobilise user insights / intelligence to find lower-cost forms of service

3. RESTRICT

- Use pricing and channel changes to reinforce 'remove' and 'redesign' decisions
- Decisions taken with support and involvement of users

4. RE-SOURCE

- Consider sourcing once previous stages (and the accrual of their financial benefit) have been completed
- Unless new sources of supply are necessary for successful completion





DEMAND MANAGEMENT: KNOWING YOUR AUDIENCE





Knowing your audience is the first step to successful behaviour change

“Settlers”	“Prospectors”	“Pioneers”
<p>Characteristics</p> <ul style="list-style-type: none">→ Traditional.→ Like ‘top-down’ messages.→ Naturally conservative and risk averse.→ Driven by unmet need for safety, identity, belonging.→ Wary of change – nostalgic about past.→ Low sense of ability to effect change. <p>Behaviour</p> <ul style="list-style-type: none">→ ‘Follow the crowd’.→ Least empathy of the groups.→ More likely to get family (often extended family) to help out with some tasks.→ Can be inflamed by threats.→ Pessimistic about future.	<p>Characteristics</p> <ul style="list-style-type: none">→ Guided by external influences (e.g. people, money, status, power).→ Status oriented – do things because they are cool/ fashionable/ clever.→ Draw esteem from others. <p>Behaviour</p> <ul style="list-style-type: none">→ Smarter dressed.→ “Don’t want to look stupid”.→ “All about me- how does it affect me?”→ Unlikely to come up with ideas.→ “Keeping up with the Jones”	<p>Characteristics</p> <ul style="list-style-type: none">→ Guided by their own sense of ‘right’ & ‘wrong’. This is deeply emotional and informs rational decisions.→ Strong ‘Self-efficacy’.→ Less worried about others’ perceptions of them.→ More creative.→ Most empathetic. <p>Behaviour</p> <ul style="list-style-type: none">→ More likely to volunteer.→ ‘If the rules don’t let me do it, change the rules’.→ Issues that concern them are local / within control.→ Come up with ideas / solutions.









DEMAND MANAGEMENT: DRIVING OUT COSTS

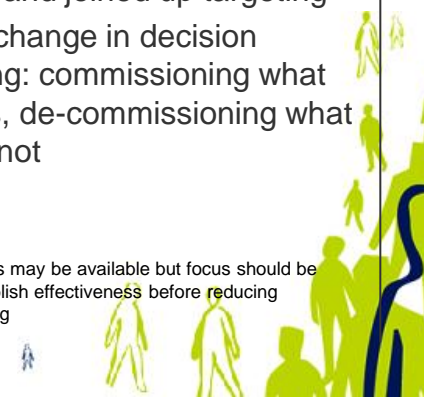




Unlocking benefits from focused demand management

Cost area	Unnecessary / excess demand	Core service provision	Prevention / early intervention
 <p>Typical savings identified by iMPOWER</p>	 15%-20% by volume	 Up to 20% per head	 0%*
Payback	<i>Short term</i>	<i>Medium term</i>	<i>Long term</i>
Approach	Eliminate excess demand by forensic approach to managing decisions	Reduce average cost per head through citizen-driven innovation	Focus on results: step change in performance management and decision making
Tasks	<ul style="list-style-type: none"> ➔ Identify key decision points, process and influencers ➔ Remodel state interaction with citizens ➔ Grip the process including the behaviour of other agencies ➔ Ensure availability of low level alternatives 	<ul style="list-style-type: none"> ➔ Empower / devolve responsibility to citizens to drive innovative solutions ➔ Challenge staff attitudes and working practices ➔ Maximise social capital ➔ Personalisation approaches: help people to serve themselves 	<ul style="list-style-type: none"> ➔ Step change in performance management ➔ Clear and joined up targeting ➔ Step change in decision making: commissioning what works, de-commissioning what does not

*savings may be available but focus should be to establish effectiveness before reducing spending





Both projects are delivering significant cashable savings

	Coventry	Croydon
Base budget 11/12	£3.032m*	£6.302m
Pilot PTBs	88	43
Pilot travel training	43	33
Next year budget	£2.729m	£6.079m
Next year saving %	-10.0%	-4%
Full effect reduced budget (projected)	£2.510m (by 13/14)	£4.885m (by 14/15)
Full effect saving	£522k	£1.417m
Full effect % saving	-17.2%	-22.5%

NB All savings net of additional expenditure and subject to conservative assumptions about roll-out speed, ability to cash savings through reduced supply, parental drop-out, etc. Croydon project started later than Coventry project, hence differential savings profile

Parental Value Modes

Type	Croydon	Coventry	National
Pioneer	31%	27%	41%
Prospector	50%	49%	28%
Settler	19%	24%	31%





Demand management has greater impact in some areas

Are there any areas which are not impacted?

Features of services where demand management will have biggest impact

- ➔ **High levels of participation** required for service to be effective
- ➔ **Low levels of satisfaction** rates with existing service
- ➔ Service process has **numerous touch points** with the public sector
- ➔ High proportion of **response activity is caused** by behaviour of citizens
- ➔ Service standards are **heavily governed by statute** / regulations
- ➔ Exceptional / seasonal **peaks in demand**
- ➔ High levels of **failure demand**
- ➔ Services with **rapid growth in demand** pressure

Typical services emerging as areas of focus in iMPOWER clients

- ➔ Community library establishment and operations
- ➔ Winter-time community response: gritting, meals on wheels delivery
- ➔ Adult Social Care: successful reablement
- ➔ Adult Social Care: creative use of personal budgets
- ➔ Adult Social Care: front door diversion away from residential care
- ➔ Specific disenfranchised groups: disaffected young men, teenage parents
- ➔ Parents of children with SEN - transport and ongoing support
- ➔ Education: participation of parents
- ➔ Worklessness: understanding motivation and participation
- ➔ Housing: maintenance and repairs of social housing
- ➔ Prevention and early intervention: preventing family break up
- ➔ Recruitment of foster carers
- ➔ Waste and recycling: changing behaviour
- ➔ Client transport: home-school and adult social care
- ➔ Channel shift and elimination of contact centre failure demand





Discussion points

- ➔ Genuinely reducing demand for statutory services requires effective behaviour change
- ➔ Traditional approaches to cost reduction are normally supply-driven, but in isolation, this is no longer sufficient
- ➔ Behaviour is mainly driven by the values we hold, & knowing your audience is the first step to successful behaviour change
- ➔ Our focus must therefore shift to helping our clients develop an in-depth understanding of how to engage with their public's underlying values & motivations
- ➔ We need to be able to demonstrate how by redesigning services in ways that go “with the grain” of citizen motivations, local government can significantly reduce service costs

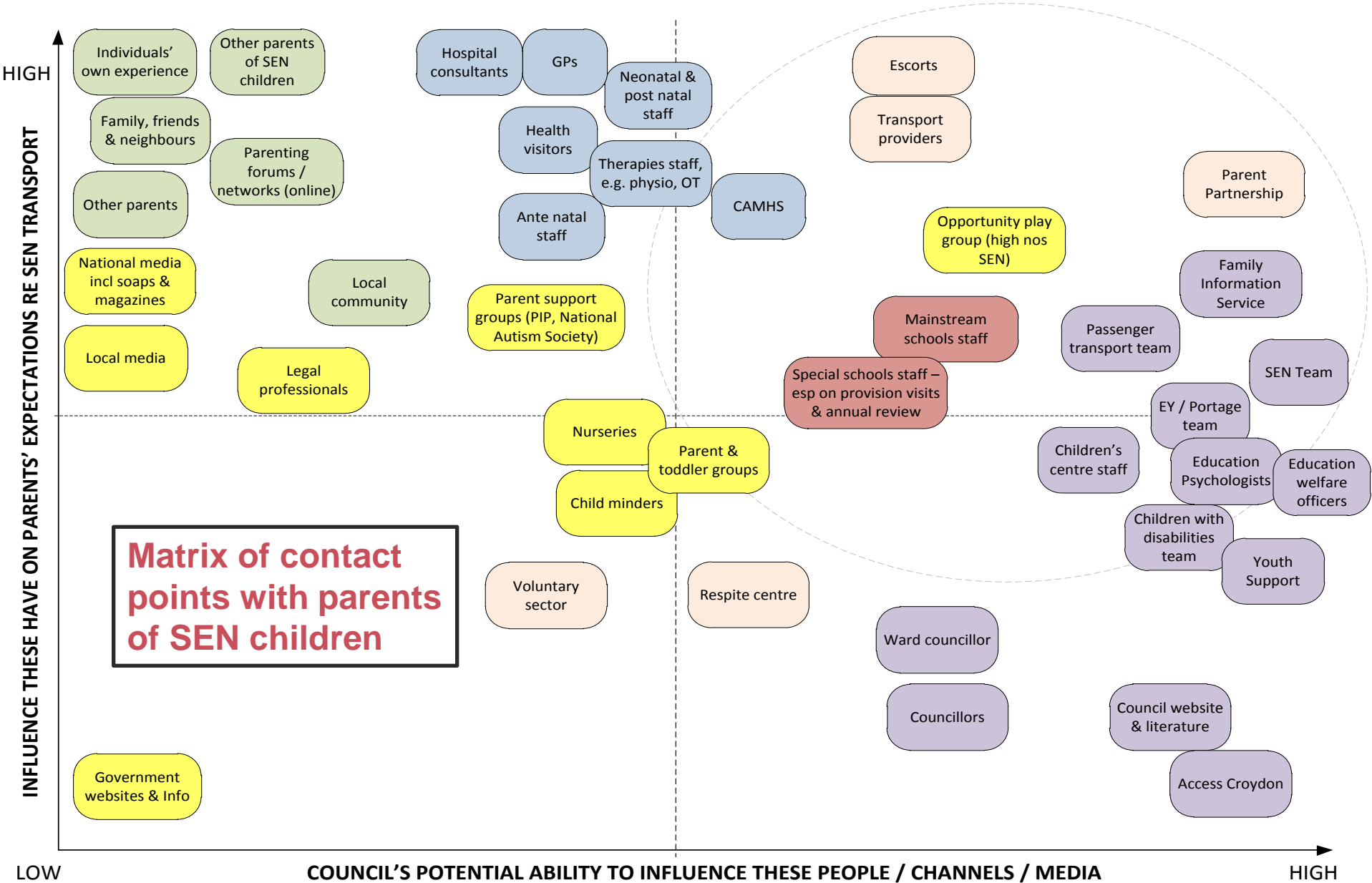
The scale of the budget challenge & increasing citizen expectations should be forcing a radical re-think of transformation activities





The staff culture challenge

- Council
- Commissioned
- Health
- Schools
- Informal
- Other





Demand management should not be seen as a separate activity

Enhance Transformation Programme

Review existing Transformation Programme through the following lenses:

- ➔ Customer-facing projects: is the customer component included? Does the business case cover in-bound demand?
- ➔ Support services projects: does this support the council's objective of improving customer insight? Will this change enhance our ability to manage demand?
- ➔ Does project portfolio contain projects which will act against council's ability to manage demand?

Potential Outcomes	Specific actions
Keep existing projects as is	None, other than review sequencing
Enhance existing projects	Add demand management component to existing projects
Add projects	Add a few priority projects where there are clear gaps
Delete existing projects	(Possibly) kill some projects which might undermine strategy

Fold into Budget Setting

Budget Stage	Actions required during each stage
Establish position (Mar-Jun)	<p>Establish demand performance data and associated cost:</p> <ul style="list-style-type: none"> ➔ Size, profile and growth of customer base ➔ Establish cost baseline and unit cost ➔ Forecast volume and cost of demand pressures ➔ Customer satisfaction data ➔ Performance of service on prevention ➔ Benchmark service and establish scope for savings
Challenge (Jul-Sep)	<p>Pose key questions for service to answer:</p> <ul style="list-style-type: none"> ➔ What are the top 5 causes of demand in your service? ➔ What proportion of your costs go on prevention of demand, and what proportion on supply? ➔ How effective is the prevention investment you are making? ➔ What would you have to do to reduce your demand by X%? if you don't know, why not? ➔ What are your plans for achieving a reduction in demand? ➔ How will you know what is achievable in September? ➔ Have you engaged stakeholders with regards to alternatives?
Negotiation (Sep-Dec)	<p>Focus on achievability and real data:</p> <ul style="list-style-type: none"> ➔ What support do you need to achieve the changes in behaviour required? What investment will need to be made? ➔ What skills will you need? How can the transformation programme / corporate centre help you? ➔ What are you prepared to sign up to as a target, and how much can you take out of your supply budget as a result? What timescales can this be achieved over? ➔ What evidence do you have that you are able to change the demand profile of your service? ➔ Where will this budget reduction be realised? Will this have knock on impacts for other budgets?





Examples of value modes projects

- ➔ **SEN home to school transport.** Coventry and Croydon projects in implementation stage. Scoping with other authorities.
- ➔ **Understanding hard to reach young men.** In analysis stage of project to improve understanding and engagement with high cost, low service-contact young men in Willenhall (an area experiencing high crime; gang membership; joblessness; substance dependency).
- ➔ **Optimising reablement.** Have completed value modes analysis in Bradford and variety of projects in place to optimise reablement using value modes insight
- ➔ **Staff cultural change.** Commencing project with Leeds, Kirklees, Bradford, Calderdale, Wakefield to look at application of demand management / behaviour change in a variety of ways including staff culture change
- ➔ **Reducing admission to residential care.** Scoping project to assess families and staff attitude impact on admission to residential care.

Understanding and influencing: citizens, front line staff, managers, families.

