A New Model for Public Services?
Making sense of the future: can we develop a new model for public services?

This discussion paper will form the first chapter of a book exploring the idea of a new model of public services to be published by INLOGOV in the autumn. Other chapters will explore co-production, behaviour change and how to build better relationships between local government and communities.

Comments and suggestions are very welcome.

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What might a new model of public services look like?

Introduction

Public services, including those commissioned and delivered by local government have changed substantially in the past ten years. There have been changes in service delivery mechanisms, in relationships between users and services, in organisational structures and in partnership arrangements. It appears likely that the next ten years will bring at least as much change, if not more.

INLOGOV is developing a new model of public services, drawing together many of the themes in current debates about the ways in which the public sector is likely to have to change, in particular, how public services can manage demand, build capacity and trust through the development of stronger relationships with communities and well as through co-production and behaviour change. The purpose of developing this model is to bring together the disparate cultural, structural, political and financial challenges facing local government and wider public services into an integrated framework which takes account not only of individual drivers of change but also of the inter-relationship between changes in public services and the wider political and social context in which those changes are taking place. If we have a coherent model which reflects current and future realities it will be easier for us to explore possible solutions.
This model brings together some of the key themes running through the current discourse on the future of public services. It proposes that it is possible to create a virtuous circle through changes in the behaviours and mutual expectations of public services and the individuals and communities they serve.

The pressure to save money is helping to create an environment in which councils and other organisations are willing to look afresh at the way in which they respond to complex need. There is increased awareness of the need for stronger relationships with communities and individual services users. Co-production\(^1\) or helping people to help themselves and others\(^2\) is now seen as an important way of reducing demand

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\(^1\) Co-production: a manifesto for growing the core economy New Economics Foundation 2009
\(^2\) Help people to help themselves Matthew Taylor, Guardian 6\(^{th}\) October 2009
for and costs of services. Local authorities and other public services need to move away from a deficit model which focuses on what people don’t have and can’t do to one which takes as its starting point that almost everyone has capabilities which they can use to improve their own quality of life and that of others. There is much interest in demand management through prevention, early intervention and re-ablement, for example, to reduce the costs of caring for the elderly.

Behaviour change is often cited as part of the answer to managing the inexorable twin pressures of increasing demand and reducing resources\(^3\). By reducing the incidence of expensive and damaging behaviour it should be possible to achieve efficiencies in the long term, although first we need a more adult and transparent public discourse about the financial consequences of certain behaviours and the choices we will all have to make. We also need a better collective understanding of the evidence of what works when seeking to change behaviour, to avoid reliance on approaches which are more likely to irritate and alienate then deliver changed behaviour.

In order to develop strong relationships and harness the potential value of co-production and behaviour change it is necessary to develop more creative and effective approaches to building trust. Trust in local authorities has declined in recent years and there is much evidence, for example, the painfully slow introduction of personalised services and direct payments, that local authorities and other public services don’t trust users and communities much either. The Swindon Life project, has demonstrated how effective it can be to hand power and responsibility back to families previously subject to multiple but often outcome-free interventions from a range of agencies, driven by competing and sometimes contradictory objectives. Perhaps the behaviour which really needs to change first, so other change can follow, is that of people in the public sector.

The impact of the downturn is providing pressure for change. Partnership working has developed in recent years and although it still has a long way to go, in many local areas relationships of trust do exist between local authorities and their partners which enable leaders and frontline staff to develop better, more cost-effective offerings. There is also a wealth of knowledge about how not to do things, although frequently made mistakes are still in evidence – such as embarking on a major review of services without engaging users or making 10% cuts across all council services without any sort of impact or risk assessment.

While there is still a place for ‘left brain’ efficiency approaches for example, streamlining processes, perhaps the time has come to use ‘right brain’ approaches to solving old problems\(^4,\(^5\). Examples of fresh thinking, such as the police force which invests in dental care for ex-addicts to improve their appearance and consequently their chances of employment, thereby reducing the risk of re-offending and the health commissioner which helps pay for improved road safety, to reduce admissions to accident and emergency departments, demonstrate that it is possible to look at complex needs in new ways. It is also possible to design processes which

\(^3\) Changing behaviours: opening a new conversation with the citizen NLGN 2011 www.nlgn.org.uk
\(^4\) Organisational development in a downturn Linda Holbeach, Impact Issue 27
\(^5\) Left Brain, Right Brain Matthew Taylor, Prospect Magazine, Issue 163, 23rd September 2009
unlock creativity to resolve complex issues and to use analysis of evidence to challenge and inform that creative thinking.

Traditional ideas that change equals risk are also being challenged as it becomes increasingly evident that rigid, linear and bureaucratic approaches don’t protect the vulnerable or effectively respond to complex need. Breaking down the barriers between organisations and professions and between providers and the people they serve to enable better collaboration and joint innovation may well offer more in terms of real change. There is increased understanding for a more mature approach to failure and for differentiating those failures which are preventable from ‘intelligent failure’, where it is possible to turn crises into opportunities. So the time may be right for some adventurous experiments. It is the nature of experiments that some will fail but it is only by trying out new things that we’ll get out of the trap of trying to do more with less by doing the same only worse.

**Why we need a new model of public services**

Central government is making cuts to public spending which are unprecedented. Figure 2, below, shows how the Government plans to bring Total Managed Expenditure down towards the level of expected tax receipts. Achieving this reduction in spending implies major and sustained real terms cuts in public services. The March 2012 Budget set departmental expenditure limits for the Spending Review 2010 period (2011-12 to 2014-15) which will decrease by an annual average rate of 2.3 per cent and at an annual average rate of 3.8 per cent for 2015/16 and 2016/17.

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6 The Great British Benefits Experiment: Prototyping Solutions Bishop C and Campbell D FutureGov www.wearefuturegov.com

7 O'Donnel, G. (2011) Its risks not rules that must point the way' Daily Telegraph 21st December


Against this picture of fiscal austerity, spending needs will be rising rapidly. For example, it is projected that the proportion of the population aged 65 and above will rise from 17 per cent in 2012 to roughly 26 per cent in 2061.\textsuperscript{10} The impact on local government will be particularly severe. The Local Government Association\textsuperscript{11} have made a projection of future local government spending against future spending needs, and have found that

“A gap opens out in 2012/13 and then continues to widen every year through to 2019/20. The overall funding gap starts at about £1.4 billion in 2013/14 in cash and amounts to over £16.5 billion in 2019/20”.

Figure 3 shows this widening funding gap graphically.

\textsuperscript{10} OBR, 2012, p.7
\textsuperscript{11} LGA, 2012
Figure 3: Projected local government income versus expenditure

At the level of the individual local authority, the consequence of the conjunction of growing spending needs and falling spending resources has been notably illustrated Barnet ‘Graph of Doom’ (4). The graph shows Barnet Council’s projected available resources being engulfed by rising spending needs for adult social care and children’s services, leaving no room for other areas of council provision.

This scenario is likely to apply to all authorities and create a major problem as highlighted by the Institute for Fiscal Studies

“the cuts in grants between 2009–10 and 2011–12 have generally meant that, across England, high-spending local authorities, which are typically relatively grant dependent, have seen larger cuts to their overall spending power than lower-spending authorities, and have therefore had to make larger spending cuts (both in absolute and in percentage terms)”

12 IFS, p.131
Drivers of change in public services

Local government and other local public services have gone through many rounds of changes and re-organisations in recent years. Drivers of these changes have included the need to reduce costs, to improve performance, changes in the expectations and behaviours of service users and citizens, new or re-allocated duties and responsibilities and technological change. Many of these changes have been characterised by three common elements; an evangelical fervour on the part of proponents of the change, whether it be ‘lean’ or ‘localism’, a belief that the change would resolve many or all of the perceived shortcomings of a service or sector and a one dimensional, ‘one size fits all’ approach.

In the 1980’s and 90’s New Public Management theories permeated much of the thinking about public services. NPM focused on the supply side of public services with an emphasis on performance management and importing private sector behaviours, systems and ideas into the public sector. A focus on back office savings through streamlined processes and systems and better use of technology through ‘channel shift’, shared services which delivered economies of scale and outsourcing to reduce unit costs have all, at one time or another, been heralded as ‘the answer’. Performance management systems have often been the change lever of choice for central government, sometimes embraced enthusiastically by public sector managers who saw the potential benefits and took the opportunities to challenge the status quo and drive up quality. In local government, successive ‘cure-alls’ included Best Value, which took a piecemeal, service by service approach to delivering more outputs for less money, Comprehensive Performance Assessment, which took a
broader view of the performance of the council as a whole and Comprehensive Area Assessment, which was designed to measure the effectiveness of public sector partners in delivering better outcomes for their areas. The Gershon report in 2004\(^\text{13}\) shone a bright light on waste in local government and was followed by the setting of national government efficiency targets for councils, made up of ‘non-cashable’ and ‘cashable’ savings. This in turn spawned an efficiency industry focusing on ‘supply side’ issues including procurement, contract management and organisational structures.

Latterly, a number of different approaches to organisational change in public services have emerged. These include the creation of ‘arms length’ service providers, such as care trusts and the transfer of some services and their staff into different types of organisations such as mutuals and co-operatives. Other, more subtle changes in perceptions about the needs of people as individuals have also taken place in the last thirty years. In the 1970’s and 1980’s the rise of a more consumerist approach to many public services created new pressures for change. The user movement in mental health challenged the then prevailing medical model of mental illness, championing a more social model in which the help of professionals, combined with mutual support and self help could deliver care which was not as dehumanising, disempowering or degrading as that provided in traditional mental health hospitals. As the quality and choice of goods and services delivered by the private sector began to rise, people became less willing to accept poor public services and expectations of personal choice have become more widespread.\(^\text{14}\) The Citizen’s Charter, the Human Rights Act and customer service standards for local services all reflect the rising importance accorded to the rights and needs of the individual. In recent years, efforts have been made to translate that understanding of the rights and needs of the user into a real transfer power to users of the ‘personalisation’ of social care and the delegation to service users of their individual budgets.

**Efficiency : the panacea of the past**

Efficiency, which usually means ‘more for less’, has been a constant theme in the public sector in recent years. Many different approaches have been taken including, outsourcing services, sharing services, restructuring and de-layering, integration of services and organisations or service reductions or increased charges for services. Each of these approaches has its proponents and there has been much lively debate about the relative merits of methodologies such as ‘lean’, ‘six sigma’ and ‘value chains’, which have their roots in manufacturing and linear processes undertaken by machine-like organisations with rigid, vertical lines of accountability. Problems arise when these methodologies are applied to complex whole systems because local public services, local agencies and partnerships do not conform such neat and manageable models.

Much of the debate about the ‘right approach’ has been based on a fallacy: that there is a single efficiency solution for local services. There isn’t - for a number of

\(^{13}\) Releasing resources to the front line: Independent Review of Public Sector Efficiency, Sir Peter Gershon, HM Treasury, July 2004

\(^{14}\) Personal choice expectations Ntcen, British Social Attitudes 25th Report 2009
reasons. Firstly, local services are planned, funded and delivered through a complex network of inter-dependent processes and arrangements. Secondly, local services comprise a very wide variety of services; statutory, discretionary, free, paid for, universal, targeted, place-based or personal. Some services are delivered by single organisations and/or professions and others require inputs from a number of agencies and professions. Partner agencies have different governance systems and answer to different political masters, locally and nationally.

One way of managing this complexity is to break down the range of organisational functions and the issues and needs local agencies are attempting to respond to into a number of different categories. Using local authorities as an example we can identify three broad categories of activity: what they buy, what they do and what they change for and with individuals and communities. ‘Buying’ encompasses the procurement of goods and services and the commissioning of services on behalf of users and communities. ‘Doing’ includes transactional and regulatory activity, management of people and resources, delivery of directly provided services and democratic functions. The main focus of the drive for efficiency in recent years has been on buying and doing, in order to make savings which could be reinvested in front line services. Change comes about as a result of the interventions which councils and their partners commission or deliver and which can improve people’s circumstances and abilities to manage their own lives, as individuals, families and communities.

Buying was one of the first areas where local authorities looked for savings. Larger contracts enabled lower prices, fewer suppliers enabled lower transactional costs, procurement consortia made up of a number of local authorities or a number of different local agencies, or a combination of both, have helped deliver significant savings. Outsourcing some activities such as customer services, to the private sector and developing shared services have also helped save money. However, these arrangements also create problems in the long term if they are not sufficiently flexible to respond to changing circumstances.

Commissioning, when the people with the money, ‘commissioners’, buy services from a range of ‘providers’ in both the public and private sectors is becoming more sophisticated. Commissioning is becoming more sophisticated, with ‘joint’, ‘strategic’ and ‘intelligent’ commissioning systems being explored in many areas. There is a growing understanding that, in order to deliver better outcomes, it is essential to take a holistic view of people’s needs, move away from old fashioned service silos and integrate structures and resources. Such changes have proved very hard to achieve.

Over recent years, there has been more emphasis on commissioning as a process for deciding how to use the total resources available in order to improve outcomes in the most efficient, effective, equitable and sustainable way. Commissioning can (and should) operate at a number of levels, including local partnerships, councils,

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16 ‘Shared services and corporate and transactional services; report for the Yorkshire and Humber Centre of Excellence and DCLG’ OPM 2006
17 Alford J. and O’Flynn J., 2012 Rethinking Public Services Delivery: managing with external providers Palgrave Macmillan
individual services or areas, and down to individual level. It goes beyond procurement: good commissioning comprises the basic cycle of Understand – Plan - Do – Review. If it is effective, this process should bring together evidence about needs, capacities and ‘what works’ and guide decisions about what outcomes need to be delivered through which services and whether they are provided in-house and what are bought-in from providers in the private or third sectors.

In local authorities ‘doing’ covers a very varied range of activities, from issuing library books, taxi licences and parking fines to paying housing benefit and collecting council tax, business rates and rubbish. Administering elections, training and supporting members, managing scrutiny and developing policy both as a council and as part of partnerships all require staff time. Recruiting, paying, training, developing and managing those staff also costs money. IT services, managing finances, internal audit and responding to external audit and regulation creates the need for many complex processes and transactions. Transactional activities have also been a prime target for councils wanting to reduce costs and this is the point at which ‘buying’ meets ‘doing’. Local authorities can use ‘buying’ to improve the efficiency of ‘doing’ - from short term buying in of external skills and capacity, simplifying processes, reducing complexity and multi-skilling staff, to more long term buying such as outsourcing and shared services. These approaches have been tried, with varying degrees of success and will continue to be part of the battle to reduce ‘supply side’ costs, as they develop and progress. However, it is clear that they cannot now bridge the growing gap between need and resources.

Simplifying management structures and integrating management and services has helped to save money. Business process re-engineering and lean have also been used to simplify processes. The internet has helped to increase co-production – the participation of the user in the delivery of services – to reduce costs as people are able to manage their own transactions on-line. Moving many standardised processes out of specialist teams into generic customer service centres has reduced costs and improved quality by freeing up expert time to respond to more complex queries and needs.

However, it is only possible to go so far with incremental savings and traditional ‘more for less’ approaches to ‘buying’ and ‘doing’. When we turn to ‘changing’ the picture becomes much more complex. The challenge to local services, particularly to local government, of a dramatic cut in resources will be to do different, more effective things with fewer resources. The purpose of most public services is to make things better for people. However, that isn’t always what they do. Sometimes services are of poor quality or poorly targeted. There is still much duplication of effort. This has perhaps been inevitable in the past, because each agency sees individual users, families and communities through the, sometimes distorting, lens of its own statutory duties, professional perspectives and organisational norms. It is very difficult to develop a coherent approach to interventions which achieve real and sustainable beneficial outcomes, as opposed to numerous and sometimes conflicting

18 Front office shared services, Delivering public service transformation, IDeA, May 2007
19 Freeing the frontline: where next for corporate shared services in the public sector? PricewaterhouseCoopers 2009
20 LGA report
outputs. Historically there has been too much of a focus on outputs, which only address one aspect of behaviour or need and this has diverted attention away from thinking about the very complex and ‘wicked’ issues. For example, many high dependency or ‘troubled’ families will at any one time be receiving inputs and interventions from children’s services, council benefits services, job centre plus, adult social care services, their GP, schools, the police and the probation service. To make sense of this complexity it is necessary to use whole systems thinking and really place the user, family or community at the heart of the system – as opposed to just saying that is where they are.

If the ‘wicked’ issues such as low attainment, obesity and drug dependency, are complex then the systems and structures set up to respond to the issues are even more complex and confusing. Partnership does offer some solutions but it can also bring its own problems, as demonstrated by the uncertainty experienced by Local Strategic Partnerships about where responsibility lay for the delivery of outcomes. Each profession and organisation will have its own view of the issue and its own interests to protect. Data sharing about the individuals for whom different agencies are providing multiple inputs and between central and local government, is fraught with difficulties, in both systems and behaviours. The prospect of radical change can generate defensive and unhelpful behaviour. A huge amount of political will and leadership skill is needed to challenge current thinking, devise better and cheaper solutions and then see through the changes in both organisational behaviours and use of resources.

The centralisation of power over local services and resources creates additional tensions and reduces local power to act collectively to reduce costs and deliver better outcomes. A pattern has emerged of successive governments asking local government to do different things and do things differently in order to further the policy aims of the government of the time. This has absorbed a great deal of local government energy, often to little effect, when the latest scheme is discontinued. The localisation of council tax benefit illustrates the way in which central government likes to devolve the problem, not the power, as they have set rules about budget reduction and protected groups which constrain local political choice. Notwithstanding its title and the introduction of a General Power of Competence, the Localism Act 2011 has done little to reverse this entrenched pattern.

**Facing a long term future of limited resources**

Over the last thirty years, local government and local public services have managed remarkably well to change in response to changing needs and circumstances but further incremental change will not be enough to meet the current challenges. Some changes and improvements have been introduced in a patchy or half-hearted way, with little emphasis on using evidence of what works, on learning from experience or

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22 Long Term Evaluation of LAAs and LSPs. Case Studies Issues Paper. European Institute of Urban Affairs; OPM; SQW Consulting; University of the West of England; Warwick Business School. 2008 Unpublished

23 Research on the costs and benefits of personal data sharing at local partnership level for CLG OPM 2008 (unpublished)

24 The World Will be Your Oyster: reflections on the Localism Act 2011 INLOGOV www.inlogov.ac.uk
sharing knowledge\textsuperscript{25}. Councils who had outsourced services to commercial providers with a great fanfare were less forthcoming about some of the problems and failures which followed. These included poor contract management, lack of effective communications and integration between the outsourced service and the rest of the council as well as expensive back-filling to plug gaps in expertise or delivery. Silo based budgets and entrenched professional positions still present enormous barriers to moving to a coherent and holistic commissioning approach.

The cuts will keep on coming, with the next CSR predicted to result in an additional 30\% of cuts for local government. The approaches of the past; pumping in more money, driving up performance through complex, costly processes and reducing ‘supply’ side costs through increased efficiency will either now not be possible or will be unable to deliver the necessary savings. The ‘low hanging fruit’ savings were picked years ago. The trees have now not only been stripped bare, their branches are being lopped off and burned just to keep services and organisations from freezing to death in the icy blasts of the funding cuts. The problem with ‘supply side’ management of costs is that most changes achieve finite savings. They don’t bring any new capacity into the system. So what will?

INLOGOV’s ‘new model of public services’ brings together a number of the key themes and constructs which are perceived to be part of the bigger picture of change in public services. The model suggests how local government and local public services can bridge the gap between the available funding and rising need. We think building trust and capacity and reducing demand must be part of the way forward. The key tools to achieve these changes are developing stronger relationships between communities and individuals and public sector organisations as well as between communities and individuals themselves, thereby changing behaviour, stimulating co-production and building capacity and resilience\textsuperscript{26}.

The diagram below illustrates how increasing co-production and reducing demand by behaviour change could help the bridge the growing gap between demand for services and the resources available to deliver them. The ‘balance’ of demand, what people cannot do for themselves or others and for which behaviour change is not the solution, would be met by the services which councils and their partners commissioned to fill the remaining gap.

\textsuperscript{25} Learning from Complex Policy Evaluations 2012 Downe J., Martin S. And Bovaird T Policy Press

\textsuperscript{26} Unlocking Capacity: why active citizens needs active councils 2012 Francis R., OPM
Some local authorities are already exploring ways of reducing demand, through co-production. The idea of reducing demand through behaviour change, for example, by encouraging people to adopt healthier lifestyles, has gained greater currency, especially with national politicians. However, there has generally been poor use of evidence to identify and support the most effective policy interventions.\(^{27}\)

The Conservative’s ‘Big Society’ idea is based on co-production of individual and public benefits through self and mutual help. It also implies a re-balancing of traditional perceptions of rights and responsibilities. It recognises that public services do not operate in a vacuum and that individuals and communities play a very significant part in the delivery of outcomes. Westminster City Council is developing a ‘Citizen Contract’ which spells out mutual rights and duties and Leeds City Council has identified a need to renegotiate a civic contract between communities and councils.\(^{28}\) The ‘Big Society’ idea has not been adopted with any enthusiasm, due partly to a failure to explain it effectively and partly to a widely held assumption that it is a way for central government to make cuts in public services more acceptable or more justifiable. Reminding the public of their responsibilities still seems to make them more concerned about preserving their rights.

**Who decides and who provides?**

Local government has always had a unique role as the only locally democratically accountable agency. It has often been called on the makes sense at a local level of those things which central government has failed to join up at a national level. Local government’s fortunes have been in decline in recent years. The Coalition has talked a good ‘localism’ talk but policy and behaviour has not matched their rhetoric.

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\(^{27}\) *Test, Learn, Adapt: Developing Public Policy With Randomised Controlled Trials* Haynes L., Service O., Goldacre B., Cabinet Office 2012

\(^{28}\) Commission on the Future of Local Government Leeds City Council July 2012
A number of commentators and local authorities have proposed ways that local government needs to change to meet the current challenges. Figure 5 shows how the extent to which power and services are externalised could shape the different proposed models.

**Figure 5: A typology of organisational models for Councils**

![Organisational Models Diagram](image)

There is certainly no shortage of suggestions of how local government needs to change and what it needs to do in order to respond to the current challenge - from shared chief executives to no chief executives, from ‘ensuring’ to ‘commissioning’ to ‘catalyst’ councils. The areas of debate include the case for and against more unitaries, the benefits of differing structures and the optimum degree of externalisation of power and/or services.

One area which is less frequently discussed is the importance of democratic legitimacy and how that is translated into ‘agency’, turning resources into outcomes through effective political and managerial leadership. Much of the debate has been internally focused and there has been a tendency to blame residents for their lack of interest in local government and even to suggest making voting compulsory. This risks missing the point. People may well be disconnected from local government

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29 The Ensuring Council APSE 2012
30 Catalyst Councils: a new future for public service delivery Localis 2012
31 NLGN Localist Manifesto 2012 www.nlgn.org.uk
because they perceive it as having no power but given the generally low levels of understanding of where power lies between central and local government and between different public service agencies it seems more likely that a failure to communicate with, engage, trust and value residents is at the heart of the democratic deficit.

Anecdotal evidence and the early stages of a pilot INLOGOV study on the skills which members will require in the future, to engage, provide community leadership and strengthen relationships between councils and communities, when more services and possibly more power are externalised, suggests that members are generally under-developed and under-supported. Many large councils spend virtually nothing on member development or offer piecemeal, ad hoc or ‘sheep dip’ training which demands little of and has minimal impact on members’ skills and confidence in a sustainable way.

Conclusion

Although a wide variety of solutions to the conundrum of reducing resources and rising demand are espoused by local and national politicians and by other commentators, there is in increasingly a shared understanding that these problems, epitomised by the ‘Barnet graph of doom’, will not be resolved by one type of remedy. It is necessary to recognise and understand the complex web of systems and relationships which underpin public services before embarking on major change, otherwise the risks, particularly of unintended consequences, arising from change cannot be managed.

Questions for discussion

Do you find the model a helpful framework in which to consider the changes needed in local government and the wider public sector?

If yes, what changes in attitudes and behaviours do you think are needed in order to develop a new model of public services. on the part of;

- The Council as an organisation?
- Members?
- Officers?
- Partners?
- Residents as citizens?
- Residents as users of services?

Are there any major issues missing from the model?

If so, what are they and where do you think they fit?

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