



# Managing Demand

RSA  
2020 Public Services

# Building Future Public Services

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The **RSA** in  
partnership with

**i**MPower

**Local**  
Government  
Association

**E·S·R·C**  
ECONOMIC  
& SOCIAL  
RESEARCH  
COUNCIL

**collaborate**  
at London South Bank University

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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](http://www.collaboratei.com).

# Executive Summary

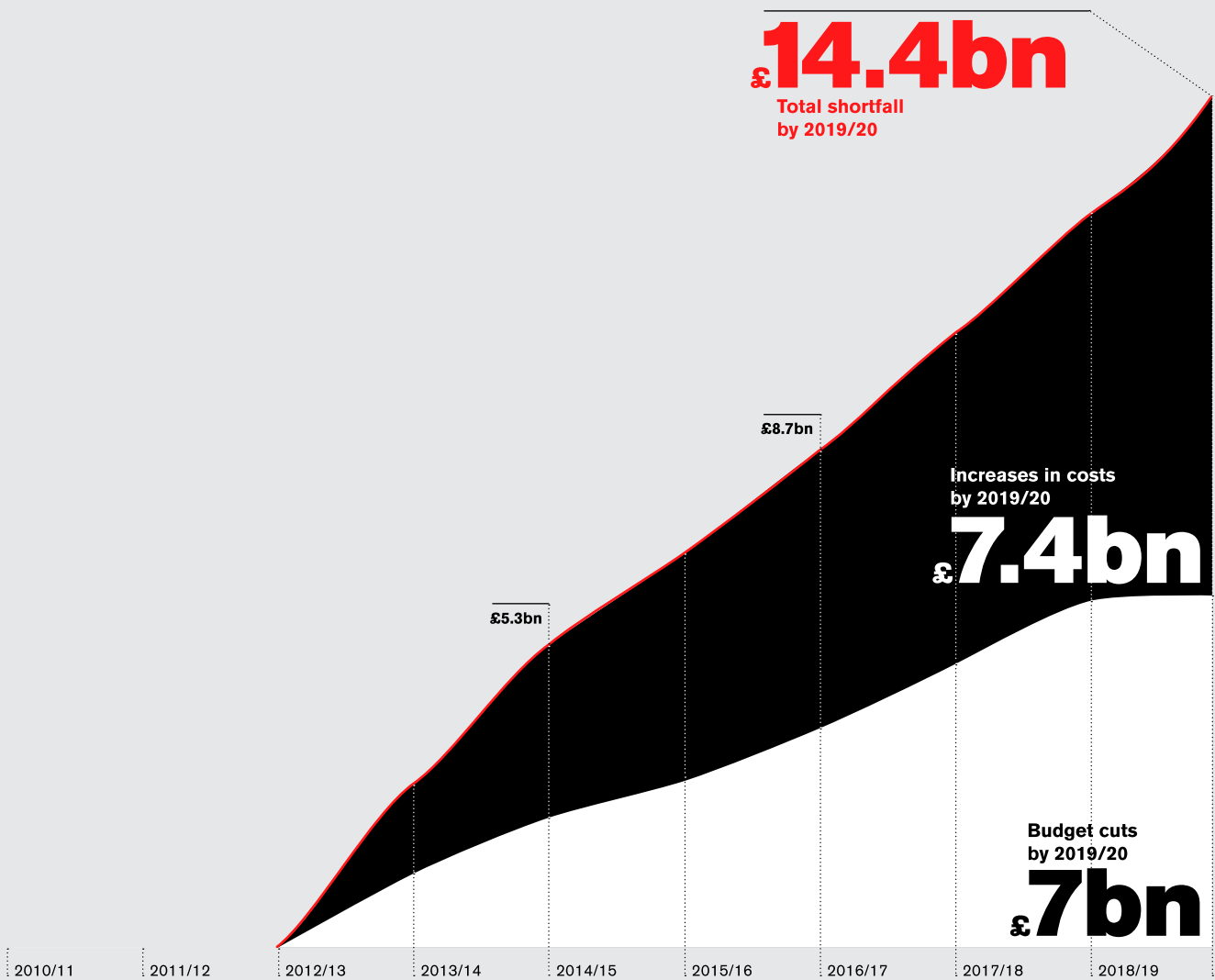
Public services face unprecedented challenges. Rising demand, changing demographics and increasingly stretched finances mean that the choice for local authorities and public service providers is stark: change the way they work, or face the possibility of service retrenchment, increasing irrelevance and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



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

- × Recognise that demand is political – 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”.
- × Find the right local narrative – 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

- × Create the methods to get closer to communities – 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.
- × Get beyond the services and build new partnerships – 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

- × Leverage emerging data on outcomes and behaviour – 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.
- × Build trust to change behaviour – 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

- × Manage demand and growth strategies interdependently – 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.
- × Use market shaping and procurement to support communities – 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

- × Engage the community in co-designing and commissioning services – 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.
- × Build coalitions between business, public services and society – 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.