

# THE SHOCK OF THE NEW

**Can councils innovate  
their way out of austerity?**

Simon Parker



New Local Government Network (NLGN) is an independent think tank that seeks to transform public services, revitalise local political leadership and empower local communities. NLGN is publishing this report as part of its programme of research and innovative policy projects, which we hope will be of use to policy makers and practitioners. The views expressed are however those of the authors and not necessarily those of NLGN.

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# INTRODUCTION

**Everyone knows about the scale of the financial challenge facing local government. The 28% cut in central grants set out in Spending Review 2010 has forced significant change: councils have cut the back office, reduced senior management costs, squeezed their suppliers and made hundreds of thousands of redundancies. This has been extraordinarily difficult but, in many parts of the sector, it does not yet amount to a transformation. Many councils are still delivering more-or-less the same services with fewer people.**

This cannot last. Some councils expect that by 2018 they will be as much as 40% smaller than they were eight years previously. Budget reductions on this scale simply cannot be achieved without a more radical reassessment of the range and scope of council functions. The only real question is whether councils will be able to innovate their way out of austerity – finding innovative ways to maintain or improve outcomes – or whether they will have to rely on crude cuts to social care eligibility, leisure and education services.

This paper explores how prepared councils are to meet this innovation challenge. It is based on a survey NLGN ran during June 2013, which gathered responses from 83 council officers, representing over 65 individual councils.

A clear message emerged: many councils are expecting to make huge savings from innovation, but they are worried about a lack of time and skills to drive change, and they think the sector as a whole is changing too slowly. The findings are worrying because they suggest that local government's transformation efforts could stall in the coming years.

The headline findings are that:

- **Councils are banking on huge savings from innovation:** almost a third of respondents expect that innovative new approaches could help them meet 50% or more of their cuts targets.

- **They have clear innovation priorities:** councils are looking for new approaches in health and social care integration, the use of ICT for better interaction with service users and wider forms of service integration across the local public sector.
- **But they know there are big practical barriers to innovating:** 70% said there wasn't enough time to focus on innovation and 56% said their council did not have the right skills for innovation.
- **And they're deeply worried that the sector is moving too slowly:** some 70% said they thought the pace of change across local government was too slow and needed to speed up.

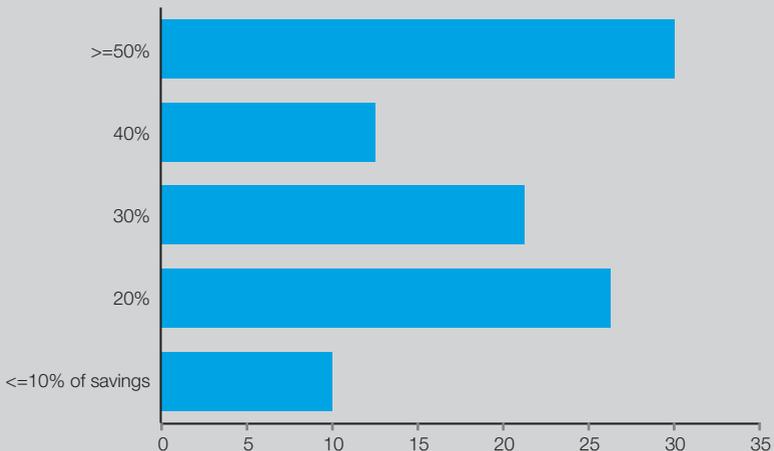
While this survey focuses on innovation, it is clearly only one way in which councils can make savings and maintain outcomes, and it will not always be the right answer to the problems that councils face. As one county officer told us: "Some good ideas aren't innovative, they're just good."

# INNOVATION: A STRATEGIC PRIORITY FOR LOCAL GOVERNMENT

For the purposes of this survey, we defined innovation as putting new ideas into practice, in a way that makes a permanent difference to the quality and cost of services. Councils recognise that they need to make this sort of change a strategic priority. Some 30% of respondents said they thought half or more of their savings target could come from innovative new approaches to securing outcomes for citizens (fig 1).

This appetite for innovation is not being driven purely by cuts – in fact, there is no statistical relationship between the size of each council’s budget reductions and the level of savings it expects to make from innovation. Culture and leadership almost certainly matter more than the burning platform created by budget reductions.

**FIGURE 1** What proportion of your council's savings do you estimate could come from innovative new approaches to service delivery, as opposed to incremental efficiency gains, restricting access to existing services and other kinds of cutback?



Most councils recognise that efficiency savings will not be enough to see them through the next three years. Around 60% agreed with the statement: “Efficiency savings will never provide us with a route to financial sustainability, we have to free up resources to innovate.” Almost 80% said they were either well-placed or very well-placed to deliver improvements through innovation.

But not every council is this confident. Nearly 15% said they would like to be more innovative but lacked the capacity to be so, and nearly 20% said that efficiency savings had to come before innovation.

*There isn't really an alternative to this but it's worrying that the public has yet to be fully engaged on the scale of the challenge to services they cherish.*

**County senior officer**

*Innovation will help us to mostly maintain outcomes, but it will be difficult, especially in implementation.*

**London Borough senior officer**

*A large proportion of services are people-facing and people-delivered. Innovation in expectations and delivery models will help, but the scale of funding reductions cannot be met solely by innovating.*

**County middle manager**

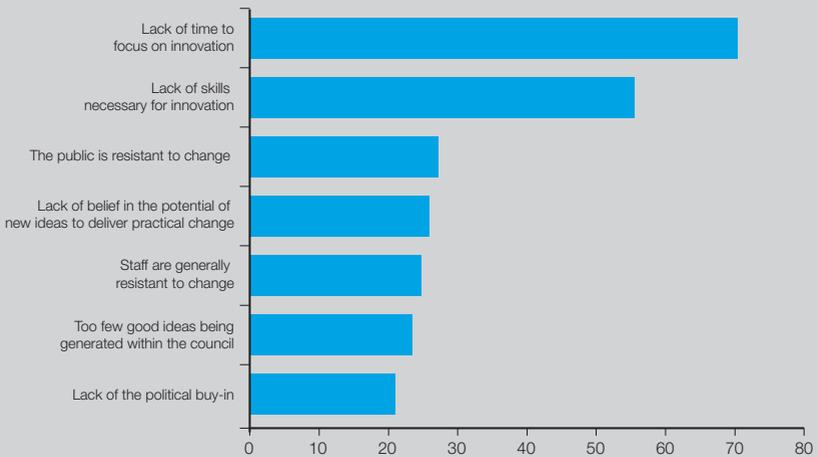
But worryingly, councils also identify some very real barriers to change in their organisations. The vast majority identified a lack of time to focus on innovation as a problem, and more than half felt they lacked the skills necessary for innovation (fig 2).

While these barriers were mentioned fairly consistently across our sample of 65 authorities, there were some differences of opinion among different classes of authorities and between those authorities seeking to make the largest savings and the others. The key findings to note are that:

- Respondents expecting to make the biggest savings from innovation were less likely to see time as a barrier – presumably because they have prioritised innovation and freed up resources to deliver it. But their focus on innovation has also led to a greater awareness of how difficult delivering change can be, and these councils were more likely to view a lack of skills as a problem.

- County respondents were significantly more likely than other types of councils to identify a lack of political buy in (31% mentioned this) and a culture that does not value or support innovation (27%) as a barrier. Meanwhile, unitaries were more likely to see public resistance to change as a barrier (27%).

**FIGURE 2** What do you think are the main barriers to innovation in your council?



**WHAT'S INNOVATIVE NOW?**

We asked respondents to identify the most innovative idea their council is currently working on. This is a selection of the responses:

*A new Target Operating Model based on the idea of a 'commercial council' with business units encouraged to trade to generate income. We are already along way into this with a LATC for social care, a learning trust for school improvement, a trust for museum services and another for OutwardBound activities for young people.*

*A district-level families and communities strategy, focusing on early intervention through innovative use of our resources and assets to stop families from reaching crisis points that then require expensive interventions from other parts of the public sector.*

*Sustainable employment for people with learning disabilities, resulting in major savings to social care support.*

*Transforming Early Years to reduce barriers between professionals and parents and make the most of the home learning environment.*

*A new delivery model to support an all-age disability strategy in one form of a user led-social enterprise covering all age and client groups.*

*Transferring services provided to schools to a new co-operative (industrial & provident society) which is 90% owned by the schools themselves. The co-op is now providing services to local schools and to schools far outside the council area.*

*Our council aims to evolve into an 'enabling' authority, based on the principles of locality influence, shared responsibility, collaboration and coproduction - to yield profit, improved outcomes, increased resilience and reduced demand. To help us to move to this new state, we are soon to launch our 'RightSourcing' project which will help services to determine which delivery model best suits them, providing commercial expertise to enable the transformation required.*

*It's telling perhaps that I (for one at least) had to think long and hard to even generate an answer to this one... personalisation agenda?*

*I can't think of anything we are doing that is truly innovative (i.e. others aren't doing). But does that matter?*

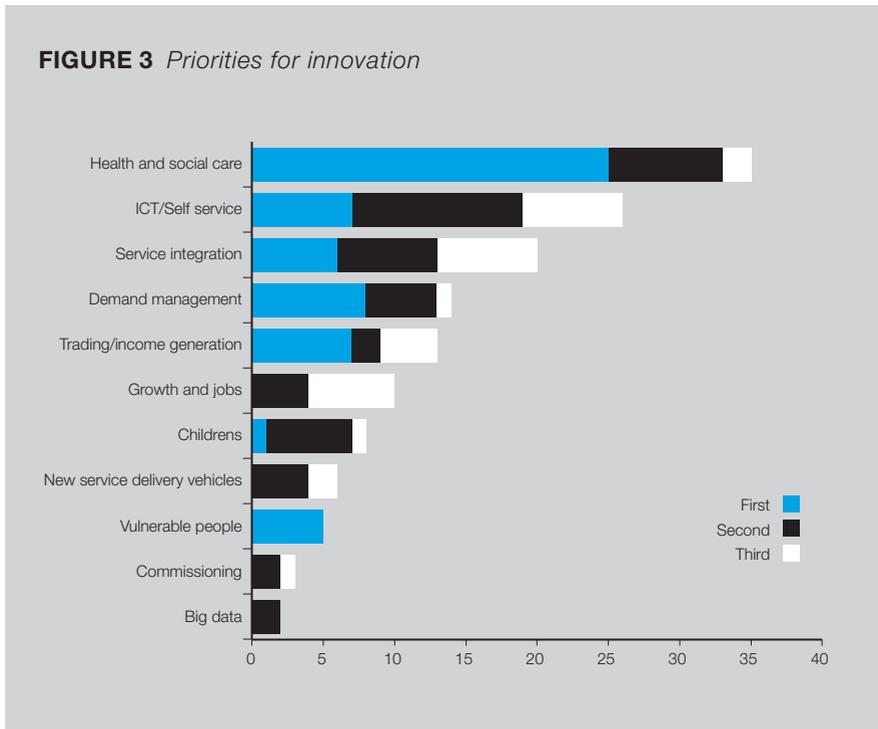
# BIG DREAMS, SLOW PROGRESS

**As part of the survey, we asked councils to identify the three areas where they thought innovation could make the most difference in order of priority. The results provide a clear sense of where the sector thinks the biggest opportunities for change might be (fig 3).**

Unsurprisingly, health and social care integration emerges as being far and away the highest priority. Councils clearly believe there is significant scope to use ICTs to reshape their relationships with citizens, particularly through self-service mechanisms, and there is lots of interest in place-based service integration (essentially the broad community budgets agenda). Demand management received a healthy number of top priority votes, as did trading and income generation.

Just as interesting are the themes that did not feature strongly. Given the national policy focus on economic growth, we might have expected to see this as a top innovation priority. This doesn't mean that councils are not making growth a corporate priority, just that they do not see it as a key area for fresh thinking. Similarly, commissioning and new service delivery vehicles come surprisingly low in the mix.

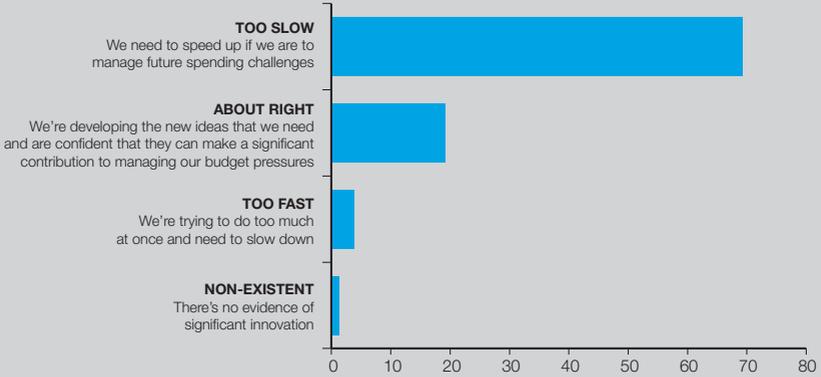
But while councils think they are well-placed to innovate, and they have a reasonably clear agenda for change, they are also concerned that the pace of change is too slow (fig 4). This may seem paradoxical – how is it possible to be both well-placed to innovate and yet moving too slowly? The answer probably lies in the remorseless pace of the cuts. As one district chief executive put it: "Gains from innovation will be neutered or outweighed by budget cuts." Councils have to innovate just to stand still.

**FIGURE 3** *Priorities for innovation*

There is also a challenge for councils in converting a strong position for innovation into practical change on the ground. One county chief executive said: “It is not that we have too few good ideas; it is more that we need to be better at capturing ideas and translating them into local policy and action. We need to create the time for staff to innovate and find the resources to create ‘surge capacity’ when required.”

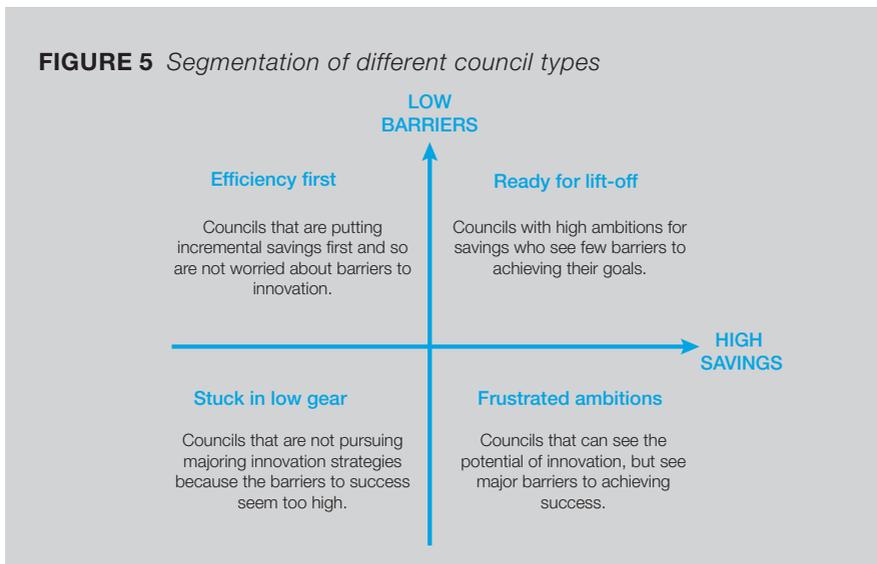
In other words, councils have many of the preconditions for innovation in place. But they lack time and skills to turn that potential into the reality of a new and sustainable business model.

**FIGURE 4** *What is your opinion of the current pace of innovation in the local government sector as a whole?*



# SEGMENTING INNOVATION

We can develop a clearer picture of how councils see themselves by looking at the survey data more closely. We broke down the results by looking at the level of saving each council expected to make from innovation compared to the number of barriers that council saw in the way of delivering change. This revealed four distinct clusters of councils with very different attitudes (fig 5), some of which are far more concerned about the barriers to innovation than others.

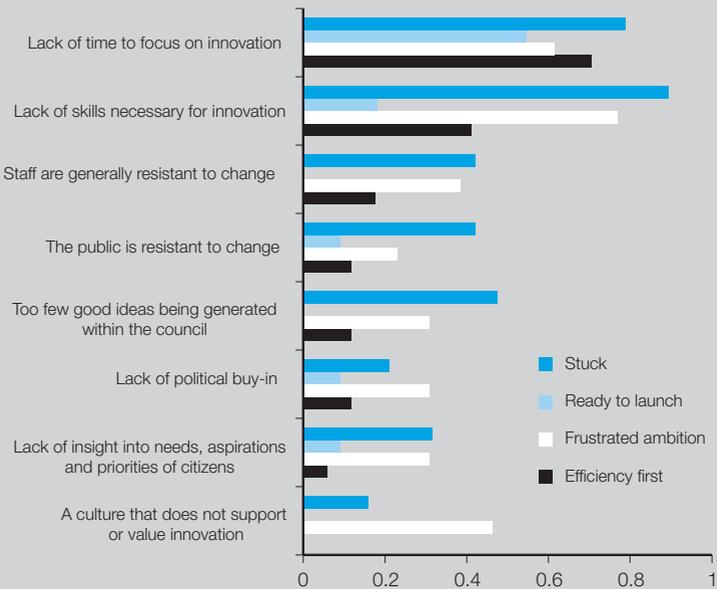


The four groups are:

- Efficiency first (low barriers and low savings):** more than half the councils in this group say they lack either the capacity to innovate or that efficiency savings must come first, about 10 percentage points more than in any other segment. They see few barriers to innovating within their organisations, but this may be because their ambitions in this area are relatively low compared with other groups. If they not focused on generating innovative new solutions, they may not have encountered some of the challenges associated with this sort of change.

- Stuck in low gear (high barriers and low savings):** for many councils in this group, the barriers to innovation seem so high that it is simply unrealistic to expect big savings from new approaches to services. Some 90% of the stuck councils say they lack the skills to drive innovation, while over 40% of them think that staff and the public are resistant to change, and that too few good ideas are coming from the council (fig 6).
- Frustrated ambitions (high savings, high barriers):** many councils in this group recognise that innovation is a major opportunity for local government, but they feel held back by their organisations. This group was the only one to identify culture as a major barrier to innovation – 45% of them said that their council did not support or value innovation.
- Ready for lift off (high savings, low barriers):** a bullish group of councils who expect to make big savings from innovation and the only real barrier they see to doing so is a lack of time. All of them agreed that they needed to free up resources to focus on innovation.

**FIGURE 6** Ranking of barriers to innovation by segment



It should be noted that our data allowed us to perform this analysis for 54 councils, so each group only contains 13-17 local authorities. The segmentation is therefore presented primarily to spark debate, rather than as a hard-and-fast finding.

# CONCLUSION: ONEBIGIDEA

**It would be easy to leave this survey with a sense of optimism. The results paint a picture of a sector that is under pressure, but seems confident that it can use innovation to ride out the storm while maintaining the quality of outcomes.**

Two words of caution.

First, maintaining outcomes does not mean maintaining services in their current form. The local population can be well-educated and healthy without council-run libraries and leisure centres. Vulnerable people can be cared for in the community while eligibility criteria for formal social services are tightened. Nothing in this survey should be taken to suggest that budget reductions will not mean the loss of services the public values.

Second, the optimism that councils express in this survey needs to be set against the very real barriers that they identify to change. Is it realistic to expect to realise 50% of your savings from innovation at the same time as admitting that you lack the skills to change and have no time to think? Is there a danger that some councils are over-confident about their ability to change?

The obvious conclusion from this survey is that local government is going to need a lot more support if it is going to innovate its way out of austerity.

NLGN's response lies in our new OneBigIdea project. This will create an innovation network to bring together the brainpower of our network of public and private sector partners in order to: create dedicated time for innovation; build a network of creative thinkers from across the sector; and develop a practical new approach to delivering a service that can be implemented by a council.

It begins with a conference on November 7<sup>th</sup>, with the agenda set in part by the findings of this report.

# ANNEX: ABOUT THE SURVEY

**This paper sets out the results of a survey NLGN carried out in June 2013 to determine the extent to which councils were relying on innovation to meet the challenge of austerity. Some 83 local government officers responded, representing over 65 individual councils. Over 90% of responses were from senior officers or chief executives. This means that the survey covers roughly one-in-five English councils, including nearly 40% of all counties and 20% of all unitary authorities.**

The survey suffers from several limitations. While the sample is reasonably strong, respondents were self-selecting, so we cannot be certain that the results reflect the state of play in the sector as a whole. It seems likely that the results overstate the confidence of the local government community, if only because innovative councils are probably more likely to fill in this kind of survey.

Despite these limitations, our experience of working with local government suggests that the results do offer an accurate picture of the state of play at the higher-performing end of the sector. We hope this paper will spark discussion and debate.

# BT GLOBAL SERVICES

The OneBigIdea survey and the subsequent programme is sponsored by BT Global Services. Working in partnership with local authorities to build and connect communities, and bring innovation to life.

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