Beyond control
Local government in the age of participation
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive summary</td>
<td>2</td>
</tr>
<tr>
<td>Beyond control...towards participation</td>
<td>5</td>
</tr>
<tr>
<td>A new deal</td>
<td>8</td>
</tr>
<tr>
<td>Facilitating shared place leadership</td>
<td>12</td>
</tr>
<tr>
<td>Championing digital communities</td>
<td>15</td>
</tr>
<tr>
<td>Empowering an agile workforce</td>
<td>18</td>
</tr>
<tr>
<td>Understanding data and analytics</td>
<td>21</td>
</tr>
<tr>
<td>Disruptive innovation</td>
<td>23</td>
</tr>
<tr>
<td>Redefining responsibility</td>
<td>25</td>
</tr>
</tbody>
</table>
Local government must learn to give up traditional notions of control if it is to remain relevant in the future. If councils do not shift quickly to an effective model of participation with their partners, communities and citizens, they will lose the ability to make a positive impact in their local areas. This is a significant challenge for officers and politicians, but the disruptive influences of deficit reduction, devolution and digital innovation are such that significant change must be delivered.

The past five years has seen a period of unprecedented change for local authorities. Councils have been pushed to the point where they are not only more compact, but to where they are having to ask fundamental questions about their place in society.

For many years, local authorities sought to improve outcomes for citizens primarily by managing the delivery of services in their local areas. They took responsibility for supporting vulnerable people, children and young people achieving their potential, growing local economies and keeping communities safe. In many instances, they endeavoured to achieve this by providing strong leadership, taking tough decisions and exerting control over the services provided in their areas.

The ability of most local authorities to continue to pursue these sorts of strategies has been severely compromised by their financial position, resulting in a loosening of their control on certain aspects of public life. Additionally, strategic consideration of the focus of interventions has evolved, as decision makers have shifted their attention from system inputs and processes to outcomes.

At the same time as the inevitable consequences of reduced funding have been taking effect, the administrative and social environments in which councils operate have also been undergoing a period of accelerated change.

Few people anticipated the extent of the current Government’s enthusiasm for devolution to local areas. However, it has become increasingly clear that there is a commitment to providing new freedoms and flexibilities for local authorities in return for greater responsibilities.

Government has also been keen to stress a shift in focus away from merely cutting budgets towards introducing smarter ways of working and an emphasis on promoting local growth. The leading councils are collaborating within this space, resulting in the emergence of new administrative and quasi-administrative geographies where productive participation is key.

Communities too are undergoing rapid change. Many feared that digital technology and the rise of social networking might undermine place-based associations. However, as the demographic make-up of communities evolves, with increasing numbers of ‘digital natives’ making an active contribution to society, communities
have begun to use digital platforms to reinforce local connections and create new opportunities for participation. As is the case with forward thinking organisations in all industry sectors, the leading local authorities are already considering how best to support and harness this capacity.

We believe the councils that will be most successful in the future will seek to take advantage of these changes by letting go of traditional approaches to control. They will focus instead on strategies to share the responsibility of leadership. They will lead by influencing and facilitating, devolving certain functions and developing the digital enablers that will encourage greater community participation and resilience.

Based on primary research with local government members, officers and citizens and our experience of working with over fifty upper tier authorities in recent years, Talking Points suggests that there are five areas which councils should focus on to harness the power of participation.

1. **Facilitating shared place leadership**

   Councils have recognised the need for whole-system transformation to support the needs of citizens. This requires place leaders to take responsibility for designing fundamentally different ways of achieving outcomes for citizens. Local government has an important role in facilitating this leadership, but not solely by exercising control. They must seek to achieve this by being clear about their ambitions for the people they serve, building consensus with partners and the public and sharing responsibility for leadership.

2. **Actively championing digital participation**

   Councils need to go further with digital, not just by harnessing its potential to deliver efficiencies, but also to empower their workforce and communities. Adopting the right strategy, developing the right applications for staff, building digital marketplaces and recognising that technology enabled customer service is about more than the efficient processing of transactions, will help to foster collective participation and responsibility, and promote independence.
3. Developing an empowered, networked and agile workforce

Just as local authorities have been undergoing rapid change, so too have their employees. In addition, conceptions of what constitutes the council workforce have become broader – many services are now administered by arm’s length companies or contractors. The skills required to participate effectively are fundamentally different to those required to control service delivery. The development of “portfolio careers” within local government could provide opportunities for employees to make a greater contribution, but only if councils are prepared to fundamentally change their cultures and move away from hierarchy and managerialism. It will also mean that the nature of the workforce will begin to change, as increasing levels of empowerment encourage staff to become more dynamic and proactive. By adopting this approach, councils can expect to attract and retain the best talent.

4. Building capacity around data and analytics

The increasing emphasis on outcome driven change is exposing the analytical capabilities of local authorities. Councils and their partners hold significant data assets but they have much to learn about the value of consolidating and using this information to anticipate demand and model the impacts of interventions. The most successful councils will pay greater attention to developing the skills needed to use this data effectively.

5. Designing innovative improvements to deliver improved outcomes

Local authorities have limited capacity to spend time developing new and radical strategies and will need to look beyond traditional approaches to carrying out research and development. Developing innovation partnerships and building solutions around disruptive technology will enable councils to design new interventions and accelerate their impact.

Adopting this sort of approach will enable councils to respond to devolution and the growth in digital technology by utilising data and their workforce to identify new ways of improving outcomes.
Focus priorities

Facilitating shared place leadership

Developing an empowered, agile and networked workforce

Designing innovative improvements to deliver better outcomes

Building capacity around data and analytics

Actively championing digital participation

External disruptors

Devolution

Deficit

Digital

From control to participation

Participation with partners and peers

Local government budgets and traditional conceptions of control

Participation with citizens and communities

Reduced funding

Reduced control

More influence

Figure 1: Beyond control...towards participation
Local authorities have changed beyond recognition over the past five years. Taking account of increases in Council Tax, the funding available to local authorities in England reduced by a quarter over the period 2009/10 to 2015/16. Factoring in population growth, net service spending per person by local authorities in England fell by 23.4% between 2009/10 and 2014/15 (excluding spending on public health, education, police and fire).

A change agenda has also been pursued in Northern Ireland, where local government reform has reduced the total number of councils from 26 to 11. In Scotland and Wales, the devolved administrations protected local authority budgets for a period, but here too councils are having to find significant savings. The Welsh Local Government Association has projected a financial gap of £941 million by 2019/20 for its local authorities. Scotland’s Cabinet Secretary for Finance, Constitution and Economy recently announced a 3.5% cut to local government revenues for 2016/17.

Though the recent Spending Review offered more ‘fiscal flexibility’ than had been anticipated, austerity will continue for at least the remainder of this Parliament. Local authority grant funding in England is expected to reduce by a further £6.1 billion over the Review period to 2019/20 (though the intention to facilitate increases in other forms of income may off-set this reduction).

Confidence in managing the impact of austerity within the sector remains low. Respondents to our 2015 survey of local authority leaders and chief executives expressed relative confidence in achieving next year’s savings without impacting on the quality of service delivery or outcomes – seven in ten suggested they were confident this could be achieved. However, confidence appears to fall away significantly over the longer term. Only one in ten chief executives indicated they were confident in the ability of their councils to manage savings over a five year timeframe.

---

1 National Audit Office (2014) Financial Stability of Local Authorities
3 Welsh Local Government Association (2015) Funding Outlook Finance Sub-Group
4 The results of our most recent survey will be published in March, 2016
5 PwC (2015) The Local State We’re In
6 PwC (2012) The Agile Council
7 PwC (2014) Redefining local government
Box 1: The public view on local government austerity
Local councils may have spent the last five years undergoing radical transformation, yet less than a fifth (16%) of UK adults agree that they have succeeded in becoming more efficient and only 17% agree councils have become more effective at delivering local services (Figure 3).
Our most recent polling also found that public acceptance of reductions and closures is hardening, with 31% of the public now accepting of the need for cuts, compared with 47% in 2011. Almost half (49%) of the public are concerned about the impact reductions and closures in council services and facilities will have on them personally and almost six in ten (58%) are concerned about the impact this will have on their local community.
Half of the public do not feel well informed about the need for closures or reductions, suggesting councils have work to do in engaging their residents in the difficult decisions ahead.

Figure 3: Council efficiency and effectiveness in the public’s eyes

In spite of this seemingly bleak future, local government has made significant progress in responding to austerity. Leading authorities have made savings by developing new and innovative approaches to service delivery and by adapting their strategies. For example, Kent County Council has moved towards providing services on a more commercial basis, as has Cornwall Council, which is now trading a broad range of services through its legacy “direct labour” organisation, CORMAC. Sunderland City Council now provides its care services through a “super mutual” arm’s length company. In addition, there are numerous examples of councils working together to build new models of service delivery, particularly in the field of back office shared services, e.g. Tri-Borough and oneSource in London or DELT in Plymouth.
However, as a result our work with a broad range of councils, we are convinced that local authorities in post-austerity Britain need to go much further. We believe the councils that will be most successful in the future will be confident enough to let go of traditional approaches to
control in favour of using participation to help secure positive outcomes in their local areas.

In *The Agile Council*⁶, we described the importance of councils becoming change-ready and able to adapt to the uncertain future ahead. Many local authorities are now simplifying and standardising their operating models and sharing services to achieve back office cost savings and limit cuts to the front line. Others have become more commercial – seeking alternative income streams as their traditional sources of revenue diminish.

In *Redefining Local Government*⁷, we described the importance of place leadership, strategic planning and building capacity around data, digital and portfolio management. Again, many authorities are now putting these ideas into practice, recognising that the solutions to delivering improved outcomes in their areas often lie beyond the services for which they are responsible.

Just as councils have begun to question the nature of their place in society, communities too appear to be in the midst of a period of rapid change. For some, the rise of technology and virtual social networks could be considered a threat to place-based associations and established notions of community. However, many communities are exploiting digital platforms to build relationships and resilience. The use of social media to galvanise the clean-up operation following the London riots of 2011 was just one early example of this. Digital and local communities co-exist, overlap and interact – this is likely to accelerate.

As a result of these changes, new networks of power and responsibility are being established. Local authorities are becoming less dependent on central government, mitigating the impact of reduced grant funding by using new freedoms and flexibilities and by demonstrating clear leadership. This often requires them to work with others, both locally and in their neighbouring areas. In turn, communities and individuals are becoming less dependent on local authorities. A new administrative geography is being developed, built around the willingness of local leaders, communities and individuals to participate around achieving positive outcomes within any given area.

In this report we argue that as local authorities let go of traditional control and ways of working, they need to develop new strategies to harness the power of participation. We believe there are five areas upon which councils should focus to achieve this:

- Facilitating shared place leadership.
- Actively championing digital participation.
- Developing an empowered, networked and agile workforce.
- Building capacity around data and predictive analytics.
- Designing innovative improvements to deliver improved outcomes.
A new deal

Local government has always played a significant role in encouraging and managing growth, but plans to phase out the Revenue Support Grant in England in favour of authorities being allowed to retain 100% of their business rate income will place this agenda at centre stage. While the detail has yet to be announced, the direct link between economic growth and council funding will demand even greater commercial acumen. Some authorities may opt to reduce business rates in order to attract companies to their areas. However, others will adopt a more sophisticated approach, blending their tax powers with measures which rely on using local distinctiveness – such as the quality of their environment, education facilities and other services – and place branding to gain a competitive advantage.

The devolved administrations in Scotland, Wales and Northern Ireland have pursued a different agenda. Welsh Government is currently advocating the creation of larger unitary authorities, with the capacity to take on greater responsibilities. Reorganisation has already been implemented in Northern Ireland. Decentralisation is no less hot a topic in Scotland, with the Scottish Parliament actively considering the flexibility and autonomy of local government.
The introduction of these new policy levers is having a marked effect on the local government landscape. New administrative and quasi-administrative geographies are emerging as neighbouring councils build new collaborative arrangements. Combined Authorities, City Deals, Growth Deals, multi-authority devolution bids, and Local Enterprise Partnerships are all indicative of a more organisation and boundary agnostic approach to local leadership and governance. In Wales, Public Service Boards have the potential to have the same impact. New structures have also been implemented in Scotland and Northern Ireland.

The resurgence in the importance and fluidity of place is driving organisations at all levels to reconsider their roles and relationships. Increasingly, local leaders are having to adopt a whole-system focus, demonstrating a greater interest in outcomes than in structures and making strategic choices about how best to manage increasing demand for services. The sovereign status of separate organisations is becoming less relevant, with council decision-makers increasingly seeing themselves as custodians of public service delivery – influencing public spend within their territories in support of shared outcomes.

This redefinition of roles and responsibilities at a regional and municipal level is also being reflected within communities. As councils have rationalised services, in some areas local groups and communities have stepped in, taking on the management of libraries, theatres and local amenities. There is a growing recognition that the state cannot be relied upon to the extent it has been in the past.
Local authorities should be more responsible for facilitating outcomes rather than delivering service solutions

Some might argue that these changes are being driven by necessity – as the state shrinks, someone has to fill the gap. However, the reality is more complex. The pace of change in our communities is accelerating, supported by a proliferation of ever more portable devices with which to remain in contact with the virtual world. Modern technology, and in particular social networking, has changed our perceptions of place. Perhaps, for a time, these new networks threatened to supplant local communities. And yet, there are numerous examples of the adoption of digital platforms for the express purpose of invigorating place-based communities. Some of the most inspiring examples, such as FixMyStreet, Love Clean Streets and Casserole Club (which invites participants to share home-cooked food with people in their area who are unable to cook for themselves), now have a global appeal.

New forms of community participation are emerging which may not have been possible without digital technology. For example, crowdfunding offering a new source of support for civic projects and online forums replacing the parish notice board as a source of information as well as a focus for complaints. Social media is helping to remove the barriers to community participation – it is providing direct lines of communication between communities and decision-makers.

The policy developments at a national level and the changing nature of local communities represent a unique opportunity for local government. How councils seek to capitalise on these changes will be critical in determining how successful they are in achieving their goals.
Facilitating shared place leadership

Austerity has increased the need for whole system transformation in supporting the needs of citizens. This requires place leaders to take responsibility for designing fundamentally different ways of achieving outcomes for citizens. Local government has an important role in facilitating shared place leadership, but not by exercising control. They must seek to achieve this by being clear about their ambitions for the people they serve, building consensus with partners and the public and distributing their power.

Their democratic mandate means local authorities have a unique position with respect to place leadership. Local councillors in particular are able to broker agreements between public service providers, and critically between providers and Government, to improve the coordination of planning and delivery and to lobby for greater flexibility. The role played by senior councillors and local government officers in championing devolution in Greater Manchester is perhaps the most notable recent example of this. Councils need to recognise that attempts to control place leadership do not always succeed. Increasingly there will be a role for facilitating a shared sense of place leadership with others.

Local authorities need to recognise that many of the levers they need to tackle complex social and economic issues lie beyond their immediate control. This will drive them to adopt more of an influencing or facilitative role – relying on participation with their stakeholders (many of whom do control critical levers) and encouraging them to focus on re-engineering systems to deliver a broader set of outcomes. The need for this change in focus is already acknowledged within the sector – leaders and chief executives are increasingly organising themselves to focus on outcomes rather than delivering services.

The Greater Manchester Health and Social Care Strategic Plan encourages all of the local boroughs and their partner organisations to focus on whole-system transformation across the Combined Authority area. In Leeds, the City Council has focussed on measuring return on investment in Children’s Services in terms of the contribution made to the local economy. The London Borough of Croydon has also pushed this agenda through its Outcome Based Commissioning programme. Place leaders are starting to acknowledge that the debate over who is responsible for the component services is less important than the discussion about what they are trying to achieve.
The leadership required to achieve this kind of change will rely less on hierarchies and the force of particular personalities, and more on the capacity of local leaders to connect with others and share power. Future leaders will need to be more adept at creating the conditions under which distributed forms of leadership can flourish.

Though some have already begun to prove they are able to play this role effectively, careful consideration will need to be given to leadership style.

There has been a tendency in some areas to focus exclusively on the negative impact of spending reductions. While this must be acknowledged, in the future emphasis should be placed on the opportunities the new freedoms are creating.

Councils need to be skilled at helping others to construct a compelling vision for improvement and growth in their local areas – providing greater clarity in relation to their objectives, the action they and others will take to achieve them and spelling out how communities and individuals can make a positive contribution to these goals. Local authorities need to get better at explaining how and why resources need to be aligned to these priorities.

In adopting a position that creates the space for others to participate in the delivery of improved outcomes, local authorities will send a clear signal that place leadership is about much more than traditional conceptions of control. Responsibility for achieving better outcomes will become more dispersed and leadership effort more distributed.
Box 2: Making an impact

Taking an outcomes-based approach is a fundamental shift for public bodies. The outcomes a council, or LEP, wants to achieve will rarely be in the control of their organisation only. Public bodies need to develop an understanding of the different factors that impact the outcomes they want to achieve and how to influence them. Establishing this relationship between interventions, impact and outcomes will be critical. Our approach to measuring impact is Total Impact Measurement and Management (TIMM), a technique supporting decision making between options to improve outcomes in a place, many of which are long term in nature (Figure 6). TIMM provides a clear framework within which to design the strategy to deliver the vision and, critically, the priorities for the implementation plan. A place-based TIMM can aid cities trying to measure their impact which has always been characterised in terms which are broader than purely financial. Being able to measure, understand and compare the trade-offs between different options means decisions can be made with more complete knowledge of the overall impact and a better understanding of which stakeholders will be affected by decisions, whether an organisation is in the public, private or not-for-profit sectors.

Figure 6: Place based TIMM

Source: Measuring and managing total impact: a new language for business decisions
Local authorities are becoming increasingly aware of the benefits of digital service provision. The populations they serve are becoming adept at negotiating online self-service platforms and many people now expect to be able to conduct transactions via their smartphone, tablet or computer. However, digital technology offers opportunities far beyond the automation of routine tasks and services. The councils at the forefront of this agenda are beginning to realise the true value of actively championing digital participation.

In order to optimise digital participation, it is important that digital platforms represent cross-industry best practice. Many authorities have developed their own solutions to enable customers to report, pay for and request services or to undertake assessments. Relatively few have drawn on expertise from other sectors to enhance their approach. Councils would do well to tap into the experience of industries with a longer tradition of behaviour based design and a deeper understanding of how to engage users as they move through self-serve transactions. In addition, councils need to pay greater attention to the benefits of moving to cloud-based solutions.

Consumers are used to receiving personalised information from online retailers, and to some extent expect a similar level of service from their local authority. Councils hold a significant amount of information about their customers and there is a strong case for using this data to generate relevant content for users based on their profile and context. This would enhance the user experience and help councils target their messaging and marketing campaigns.
The dissemination of information in the digital age is immediate. Many councils have struggled to keep pace with the ability of their communities and service users to share views, provide feedback and raise concerns instantly. There are even examples of authorities resisting the rise in importance of social media. Councils need to be more astute, seizing the initiative and actively using social media to engage sections of the community which may previously only have had limited contact with decision-makers.

The ability to communicate directly with significant proportions of society is giving rise to further opportunities to build community capacity. In some areas, councils are using online community groups and secure forums to share ideas, not just with service managers and elected representatives, but also with each other. The Shift Surrey initiative, which encourages local residents to register online to participate in a creative problem solving network is just one example of this.

There is particular potential in the field of social care. The development of online solutions to facilitate collaborative case management would enable families, care workers and professionals to share the management of a client’s care needs. One area where this is already common practice is fostering – online peer-to-peer support for foster carers is now used widely across the country.

Empowering communities in this way will help to manage demand and reduce dependency on certain services. Local authorities could and should be extending their online offer to other areas. Councils should consider how to support digital marketplaces, encouraging individuals to register their interest in different volunteering activities and matching them with opportunities with local groups and charities. In Hull, the City Council has launched its own digital currency to support the local economy and recognise the contribution made by volunteers. This type of proposition could also be applied to the skills agenda – connecting job seekers with local requirements for skills and paid work.

**Figure 8: Encouraging digital participation**
The real power of digital participation starts to be realised where the disparate elements of digital transactions, communities and engagement are fully integrated through single cloud-based platforms.

Going further with digital and using it to empower communities will help local authorities achieve their objectives. Adopting the right strategy, and recognising that technology enabled customer service is about more than the efficient processing of transactions, will help to foster collective participation and responsibility, promote independence and generate local economic growth.

**Figure 9: Public participation**

<table>
<thead>
<tr>
<th>34%</th>
<th>19%</th>
<th>24%</th>
<th>17%</th>
</tr>
</thead>
<tbody>
<tr>
<td>say they would participate more to improve their local area and help local people if their council made it easier to do so</td>
<td>say their council uses social media effectively to engage the public</td>
<td>agree that their council encourages members of the public to participate in the design of local services</td>
<td>agree their council helps members of their community to support each other</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>27%</th>
</tr>
</thead>
<tbody>
<tr>
<td>say their council works closely with the community to improve services and outcomes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>agree their council encourages members of the public to participate in the delivery of local services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>say their council encourages members of the public to participate in the decisions that affect the local community</td>
</tr>
</tbody>
</table>

Source: PwC polling, February 2016, UK national sample of 2007 adults
Empowering an agile workforce

As local authorities have been undergoing rapid change, so too have their employees. Until relatively recently, new starters setting out on a career in local government could look forward to a long, often discipline specific, and above all stable career in the public sector. However, local government work has become more fluid and an increasing number of authorities are investing in the development of an empowered, networked and agile workforce.

In particular, councils need to promote and develop skills and mindsets that enable participation to work effectively, within their organisations as well as with partners, communities and citizens. These are fundamentally different to the approaches required to exercise control and deliver services.

Local government workers will, in the future, require a broader skill set than was previously the case. Councils are becoming more adept at understanding their work as a series of functions or activities. Technical expertise in particular disciplines will still be in high demand, but many authorities will appoint by competency. They will depend to a far greater extent on multi-disciplinary teams with generic skills in the areas of customer engagement, process redesign, technology and risk management. In adopting this sort of approach, councils can expect to attract and retain the best talent available.

The councils that invest in these skills will develop the ability to flex their workforce, aligning resources to specific areas only during periods of peak demand. This will create new opportunities for employees, with some choosing to leave direct employment in order to build portfolio careers as contractors – selling services to their former employers, building networks with like-minded entrepreneurs and developing new markets. Councils too will benefit from being able to call on specialist advice only when they needed, and make buying decisions based on price and quality.

Even those who opt to remain within local authorities will enjoy greater levels of autonomy. Leadership teams will rightly focus on strategy, outcomes and organisational culture – they will be less concerned with control or prescribing the precise model of service delivery. Hierarchy will become less important, with many local authorities choosing to rationalise senior posts to create flatter management structures.

The most successful organisations will build a culture of distributed leadership, supported by a new “contract” with their employees, defined by greater trust, responsibility and freedom. This will empower workers, creating the conditions that will enable them to experiment and innovate.

Monmouthshire County Council has used these sorts of concepts to inform the development of its intrapreneurship programme, building on digital ideas put forward by the workforce to inform its strategy and outputs.

Local government needs to become less risk averse as a result. Achieving this will require a fundamental shift in the culture of most local authorities – the challenge of making this step-change should not be underestimated.
Technology needs to be harnessed effectively to support this transition. Some councils have already implemented mobile-working programmes, enabling employees to manage their work, deliver excellent customer service and remain connected to their host organisations without ever needing to be “on site”. This is helping authorities to reduce the cost of their fixed assets\(^8\) and is enhancing work-life balance for employees. Further work needs to be done in this area.

The more dynamic nature of local government employment in the twenty-first century requires new solutions to motivating and managing the performance of staff. As employees become more mobile, and managers more comfortable with not “owning” their people, it will be important to develop the capacity to build and focus teams quickly. Reinforcing core values and expectations will be critical to creating a shared sense of purpose and responsibility.

---

\(^8\) For more information, see PwC (2015) To own or not to own: Realising the value of public sector assets
Box 3: How do you achieve and sustain an agile and networked workforce?

An agile and networked workforce challenges the traditional way of working, breaking down departmental silos and utilising agile methods and digital capabilities to proactively respond to fluctuating demand.

In order to achieve an agile and networked workforce there must be a step-change in mindsets and behaviours. Organisations must become equipped with the internal management and digital capabilities to channel resources towards accomplishing a vision of “sustainable excellence”.

An agile and networked workforce is not simply about driving down cost to deliver. It is about improving productivity and releasing capacity – optimising the inputs, resources and processes that will help achieve the organisation’s desired outcomes. affected by decisions, whether an organisation is in the public, private or not-for-profit sectors.

**New behaviours**
Greater management and leadership visibility; on-the-job coaching with a focus on value add activity to drive team performance; team member empowerment and responsibility.

**Insightful management systems**
Data and analytics capabilities are used to forecast and forward plan, supporting staff to meet statutory requirements and service level agreements.

**Effectiveness**
Creating and enforcing standard operating procedures to improve customer experience and get things right first time.

**Efficiency**
Managing capacity and removing unnecessary processes to ensure that key priorities are delivered.
The increasing emphasis on outcome driven system change is exposing the analytical capabilities of local authorities and their understanding of the importance of Big Data. The private sector has long recognised the role that information can play in helping to identify demand and in modelling the impacts of intervention. Councils hold significant data assets but they have much to learn about the value of consolidating and using this information. Currently, less than half of local authority leaders and chief executives use data analytics to inform decision making. All local authorities should be building capacity around data and predictive analytics.

We have described how councils need to facilitate the creation of shared and compelling visions for change and improvement. In the most successful examples, councils have recognised that designing their strategies around measurable outcomes can help them build partnerships between organisations. Identifying the principal indicators that will define whether or not these partnerships are successful requires a sound understanding of how to use and present information.

At a high level, some councils are using data to predict and manage demand for services. For example, demographic information is used extensively in social care to forecast long-term pressures on services and assist with the practice of demand management. Hackney Council has used data to pilot a risk profiling model in Children’s Services. This is helping to identify children most at risk of maltreatment and the targeting of appropriate interventions. However, the extent and quality of the information available to local authorities is such that, with the right analytical capabilities, they could develop a much more granular understanding of how demand is changing. The ability to construct accurate projections of when and where demand will peak is integral to the efficient allocation of resources.

The reduction in funds available to design and deliver service interventions is also helping organisations to realise the value of data and analytics. Some councils are seeking to understand the effects of planned interventions before they are implemented. For example, Barnet Council has made a significant investment in a dedicated insight team to help identify the needs of local authorities.

Figure 11: Business intelligence

---

9 PwC (2015) The Local State We’re In, www.pwc.co.uk/localgov2015
residents. Using data to model impacts enables organisations to compare different modifications to services – optimising decision making and return on investment. However, the use of these techniques is still relatively rare in local government.

The leading councils have become better at managing the information they hold. In some authorities, customer information is now held or is accessible in one place – a single version of the truth. There are fewer instances of different departments holding duplicate records with no means of ensuring consistency between them. Information sharing between organisations has also improved in some areas. There are good examples of providers working together to design and target services based on their existing knowledge of customers. The Greater Manchester Combined Authority recently announced plans to establish a data-sharing authority – GM-Connect – to help break down the barriers which stop public services sharing information. The initiative will support the area’s focus on health and social care integration and reduce duplication caused by individuals having to provide identical information to separate public institutions.

Further potential exists for those local authorities prepared to release more of their data, making it available in open formats and encouraging others to use it. This would serve two purposes. First, it would provide further evidence of the willingness of local leaders to be scrutinised and held to account. Second, it would enable communities to build their own capacity for analysing and interpreting data, helping them to understand the challenges in their areas and empowering them to design home-grown solutions.

The London Borough of Camden has experimented with organised ‘hack days’, where it has brought data experts, industry and the community together to find more cost effective ways of delivering services. Similarly, Trafford Council’s Innovation and Intelligence Lab is focussed on empowering the community to understand and use data. It has used a range of techniques – creative data visualisations and data surgeries – to provide opportunities for local people to share their ideas about future service provision.

Opening up data in this way can also generate new business and service ideas – increasing local economic activity and driving rate revenue growth.

Local authorities are well placed to capitalise on the increasing value of data as an asset. They touch the lives of individuals in a way that is beyond the reach of most private sector companies, and the information they gather as a result should help them deliver improvement. However, they need to pay greater attention to developing the skills needed to use this information effectively and think more seriously about cyber security (Figure 12).

Figure 12: Public trust

Source: PwC polling, February 2016, UK national sample of 2007 adults
Disruptive innovation

By taking advantage of the disruptive impacts of devolution and the rise of digital communities, and by harnessing the power of business analytics and the development of a more agile workforce, councils will enhance their capacity to innovate. The ongoing pressure to deliver improved outcomes amidst declining resources is pushing councils to focus on designing **innovative improvements to deliver improved outcomes**.

Advances in the use of technology by councils is focussing attention on the potential impact of digital innovation. The leading authorities will develop digital solutions which, as well as making transactional activity more efficient, will fundamentally alter the relationship between councils and their communities.

We have already examined how by opening up their information and technology to local community groups and activists, and by funding ideas-based proposals, councils will be able to facilitate the development of new opportunities for technology and innovation start-ups. This could have the dual impact of securing the participation of communities in the design and delivery of services at the same time as generating local economic growth.

Parallels can be drawn between the way in which Fintech\(^\text{10}\) is disrupting the marketplace in the financial services sector and the potential for further innovation in the public sector. For example, the emergence of advanced robotics in this area offers some indication of what the future might look like for some high-volume, transactional council services, e.g. revenues and benefits. Developments in how machines process language, retrieve and store information may mean this trend goes further, with the automation of tasks once thought too complicated now considered to be a possibility.

Some authorities have sought to develop “innovation partnerships”, frequently with universities but in some instances with the private sector, in order to design new interventions and accelerate their impact. For example, Hampshire County Council has worked with post-doctoral students from Southampton University to identify the factors that impact on supply and demand for health and social care in ageing populations. These types of partnerships can provide the expertise, capacity and a safe space in which to experiment with different options. This is opening up new opportunities for creativity and co-design and offering linkages to global networks of innovation professionals.

Entering into these sorts of arrangements could help local authorities to develop techniques and ideas that will help them to retreat from more prescriptive behaviours. Opportunities exist to draw more heavily on behavioural science, “nudge theory” and gamification to manage demand more effectively. The redesign of public services around techniques and incentives that encourage people to take greater personal responsibility and make better choices, offers enormous potential for organisations seeking to improve outcomes at the same time as increasing efficiency.

---

\(^{10}\) Financial Technology – business sector based on using software to provide financial services.
Local authorities must harness the power of innovation, in particular by encouraging their communities to participate in the design of new ideas. Though councils have traditionally been regarded as guardians of information and access to services, it is communities and service users that most clearly understand the complexities of negotiating service pathways. Adopting an open approach to innovation will enable local authorities to exploit the ideas and perspectives of the full breadth of society.
Redefining responsibility

Local government must learn to give up traditional notions of control if it is to remain relevant in the future. If councils do not shift quickly to an effective model of participation with partners, peers, communities and citizens, they will lose the ability to make a positive impact in their local areas. This is a significant challenge for officers and politicians, but the disruptive influences of deficit reduction, devolution and digital innovation are such that significant change must be delivered.

The local government landscape is changing at an unprecedented rate. The leading local authorities have done well to adapt to the pressures of reduced funding and have demonstrated their ability to think creatively about their place in a rapidly evolving society. We have argued that by letting go of traditional models of control, councils will succeed in empowering others to play a more active role in delivering improved outcomes.

This shift in dynamic will redefine our understanding of who is responsible for public services. Authorities should focus on developing a renewed sense of municipal responsibility – working collaboratively with their partner organisations and distributing their power in order to bring about whole-system transformation. The current Government’s policy agenda is encouraging this, through the devolution of new freedoms and flexibilities and by placing greater emphasis on the importance of local distinctiveness, place branding and growth.

This should be complemented by paying increasing attention to community responsibility. Some councils are already empowering individuals and local groups to play a more active role in building capacity and supporting the more vulnerable members of society. At a time when cohesion is being tested on the world stage, the opportunity to develop resilience and unity at the local level could not be more important. Forward thinking authorities will need to extend their digital offer to support this agenda.

Finally, local authorities should focus on encouraging greater levels of personal responsibility. By developing new opportunities for individuals to take control of their own lives, councils will reduce dependency and demand on critical services. The aim of creating a virtuous circle, in which individual self-interest is harnessed in order to free up resources for those with more complex needs, is something all councils should be striving for.

Local authorities that fail to recognise the importance of empowering others, and embracing participation, will struggle to remain relevant in this rapidly changing world. Councils can no longer afford to effect the levels of control they once held over people and places. Even if they could, it is debateable whether this would be an effective strategy. The more successful organisations will seek to harness the power of participation to bring about lasting change.
Local government must respond to this challenge quickly and decisively. There is little doubt that the authorities which react the fastest will secure significant advantages for their areas over those that delay. Specifically, we believe councils should:

• Have the courage to share responsibility for leadership, being prepared to “let go” and lead more through influence than control.

**Action:** Define the outcomes you and others are trying to achieve for your area – are all stakeholders (from all sectors) on board, have you modelled the impact of your strategies, how will you monitor your successes and failures?

• Use digital technology to grow community capacity and resilience, reducing dependency on public services.

**Action:** The leading authorities are already investing in the development of multi-function digital platforms. Consider how you engage with your service users and communities – are you meeting their expectations, are they actively participating in helping to deliver improved outcomes, do you understand how digital could support this agenda?
• Focus on the importance of data and analytical capabilities and develop deep expertise around the value of information and insight.

**Action:** Understand your current capabilities – what information do you hold, what is it used for and by whom, what don’t you know which could be of value?

• Invest in ways to improve workforce agility, productivity and inventiveness – build a culture of distributed leadership and move away from traditional styles of managerialism.

**Action:** Examine the culture of your organisation – how is performance managed, what motivates your people, are you achieving your desired outcomes?

• Accelerate the adoption of disruptive business models, develop new relationships across the public, private and community sectors and harness the power of innovation.

**Action:** Analyse your partnerships with higher education, the private sector, research organisations, charities and other partner organisations – are you using these networks effectively, are there ways in which these partnerships could be used to improve systems and processes?

---

**Figure 14: How to harness the power of participation**

---

**Devolution**

*Facilitating shared place leadership*

*Having the courage to facilitate, rather than try and control, a shared sense of place leadership, through productive participation and exercising influence*

**Outcomes and enablers**

*Developing an empowered, networked & agile workforce*

*Investing in ways to improve the productivity and innovation of staff, allowing them to exploit the opportunities increased participation can bring*

*Engineering innovative improvements to deliver improved outcomes*

*Accelerating the adoption of disruptive business models that are enabled by digital technology and harness the power of participation*

**Digital**

*Actively championing digital participation*

*Empowering individuals and communities by providing the digital tools which will better manage and reduce the dependency on certain council services*
Authors

Ian Evans
+44 (0)7834 250 818
ian.r.evans@uk.pwc.com
@ianrevans1

Ian is the Foresight Lead for Devolved, Regional and Local Government within PwC. He has over 18 years’ experience in public sector transformation predominantly with local government clients across Wales and South West England. Ian’s previous publications include The Agile Council and Redefining Local Government in the PwC Talking Points series.

Ben Pykett
+44 (0)7841 786 900
ben.pykett@uk.pwc.com
@benpykett1

Ben has over 10 years’ industry experience including working in senior local government roles in England and Wales. He has recently joined the PwC Local Government team and is working with clients across the UK to transform their operating models and improve efficiency.
Contacts

National Lead & West and Wales

Scott Bailey
Partner
M: +44 (0)7771 816 002
scott.bailey@uk.pwc.com

Scotland

Fiona Young
Director
M: +44 (0)7803 908 814
fiona.young@uk.pwc.com

London

David Padwick
Partner
M: +44 (0)7714 711 115
david.padwick@uk.pwc.com

Midlands

Caitroina McCusker
Partner
M: +44 (0)7764 331 623
caitroina.mccusker@uk.pwc.com

South East

Paul Deegan
Partner
M: +44 (0)7903 720 714
paul.deegan@uk.pwc.com

North

Chris Buttress
Partner
M: +44 (0)7730 733 779
chris.buttress@uk.pwc.com

North

Jonathan House
Partner
M: +44 (0)7791 114 593
jonathan.r.house@strategyand.uk.pwc.com
Join the debate. www.psrc.pwc.com

The Public Sector Research Centre is PwC’s online community for insight and research into the most pressing issues and challenges facing government and public sector organisations, today and in the future.

The PSRC enables the collaborative exchange of ideas between policy makers, opinion formers, market experts, academics and practitioners internationally.

To register for this free resource please visit www.psrc.pwc.com

www.pwc.co.uk/publicsector

Follow us @pwc_ukgov

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2016 PricewaterhouseCoopers LLP. All rights reserved. In this document, “PwC” refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.