

THE GWYNEDD WAY

SUSTAINABLE SERVICE OUTCOMES IN CHALLENGING TIMES

An Initial Strategy Document



*H. Thomas
Chief Executive
February 2013*

THE GWYNEDD WAY

1.0 INTRODUCTION

1.1 **Why - do we need to further change the way the Council works with partners, citizens and communities?**

The answer is that the magnitude of the financial challenge over the next five or more years is so great that sticking to our traditional business model will not be sufficient to avoid considerable cuts in services. This is likely to result in increased negative social outcomes which will eventually place greater demand on services and that could create a vicious circle. A revised approach that gives Gwynedd a chance of sustainable service outcomes is needed.

1.2 **What - would the revised approach entail?**

It would mean intensifying our efforts to make efficiency savings but the big change would be to add a new dimension to our strategy. The new approach would focus on managing the demand for services largely, though not exclusively, through prevention and early intervention in a more systematic, structured and strategic way than has been the case to date.

1.3 **How - will this be achieved?**

A good place to start will be to build on what already exists and map and evaluate the effectiveness and efficiency of current activities. However, this will not be enough. Together with partners the Council will also need to:-

- Act creatively to exploit new resources – both financial and non-financial.
- Undertake demand management in new areas.
- Acquire the capacity and capability to be far more business like when it comes to :-
 - identifying the most effective areas for intervention
 - targeting the right people and communities
 - choosing the best way to intervene
 - finding the best way to get people and communities engaged as it is their demand for services we are trying to reduce
 - measure and evaluate success.

1.4 Will - this strategy succeed?

There is sufficient evidence to suggest that it can succeed. A lot will depend on the capacity of the Council and its partners to change and acquire the necessary skills and mindset for success. This will include putting greater emphasis on a dual role – both provider and enabler. Perhaps a more critical success factor is our ability to engage effectively with the people and communities of Gwynedd to form a new relationship with public services. One in which more citizens move from being passive recipients of services to active participants. One in which a greater mutuality emerges between public services and the community. Such mutuality would have a sound basis as it is the people of Gwynedd, past and present, who have paid for and effectively own Gwynedd's public services with Councillors acting as custodians. Therefore success also depends on the appetite of citizens and communities to change in order to get the most from their own public businesses.

2.0 **BACKGROUND – THE FINANCIAL CONTEXT**

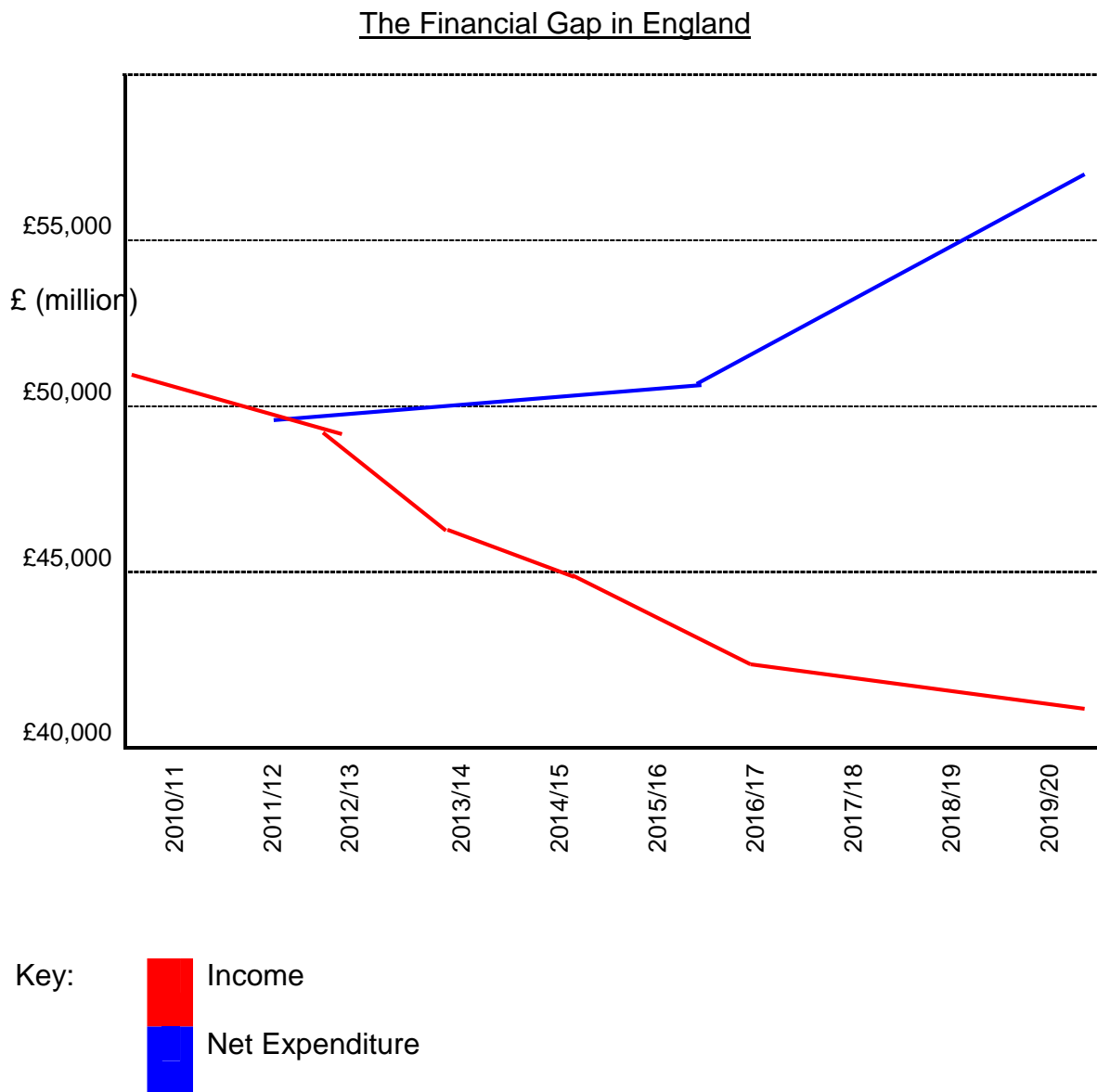
- 2.1 Every year for the past eight years the Council has had to deal with a budget deficit. The cumulative savings to date is £29m. The Council's medium term financial strategy for the four year period 2013/14 to 2016/17 forecasts a £25m budget deficit. Therefore the Council will be expected to save almost the same amount again in half the time.
- 2.2 However, it is quite possible that the challenge will be greater and will last for a longer period. The poorer than expected forecast performance of the economy means that the level of public debt has not fallen to planned levels. According to the Institute of Fiscal Studies¹ (I.F.S.):-

“By the end of 2012/13 ... 21% of the cuts to day-to-day spending on public services will have been delivered”.

In other words, there is far more to come.

- 2.3 In addition, there is a danger that the Welsh Government will change course and move to protect the Health Service in Wales at the expense of Local Government. This was one of the issues highlighted in a separate report by the I.F.S on Local Government Expenditure in Wales². Experience in North Wales suggests that continuing with the present level of savings in Health in the medium term will be unsustainable and informal information indicates that a switch to give greater protection to Health is on the cards.

2.4 In England, the Local Government Association is forecasting that the budgetary gap for Councils will increase to 2019/20.



Source: LGA 2013

The required savings in England to date have been greater than in Wales. The National Audit Office has recently issued a report ³ which reviews the financial sustainability of Councils. The report provides examples of how savings are impacting on services. For instance, the percentage of Councils limiting eligibility for adult social care to “substantial” or “critical” needs has increased from 53% in 2005/06 to 85% in 2012/13. Another example was the £38 million reduction in library budgets (7.3% cash reduction) in one year – 2011/12.

2.5 Gwynedd Council's medium term financial plan provides us with good and bad news.

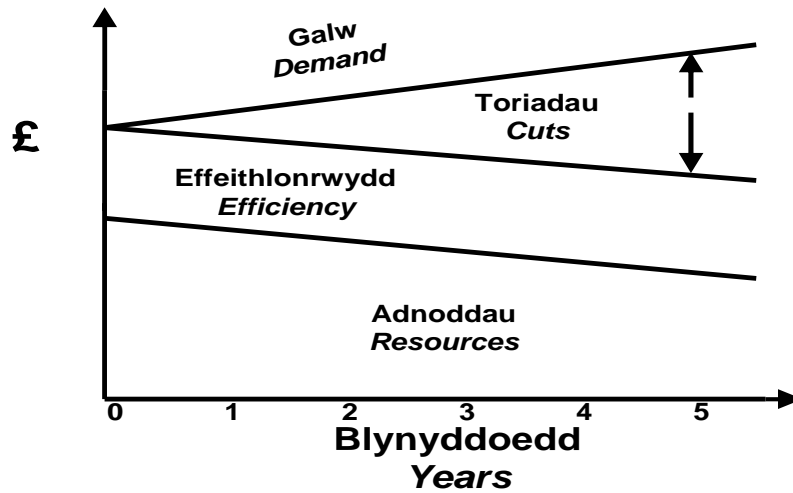
	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	Total £'m
Forecast Deficit	1.9	4.7	9.8	8.4	24.8
Savings Plan	(3.7)	(4.6)	(0.4)	—	8.7
To be found	(1.8)	0.1	9.4	8.4	16.1

2.6 The bad news is that the financial challenge is much greater after 2014/15 and, given the evidence in previous paragraphs, is likely to continue for several years. The average annual level of efficiency savings achieved by the Council over the past 5 years is £4.6m Even if the Council manages not only to sustain this level but to increase it considerably, it will still leave a funding gap which would have to be met by service cuts.

2.7 The good news is that the Council has robust efficiency plans in place to meet the financial challenge and avoid service cuts over the next two years. It has been a virtuous characteristic of this Council that, for many years now, elected members and officers work effectively together to plan well in advance, efficiency projects. Members have also been decisive in approving projects and have worked well with officers to adopt strong project management arrangements to ensure the savings are delivered. We need to build on this strength and use the next two years to sow the seeds of a new approach as intensifying efficiencies is unlikely to be sufficient to avoid service cuts.

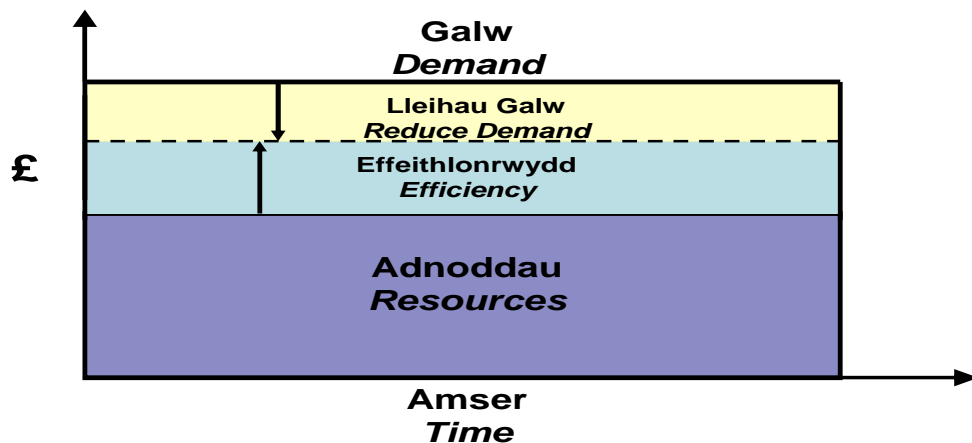
2.8 The traditional approach to dealing with the budgetary gap has been one dimensional in that it involves focussing on stretching reduced resources by efficiency measures to meet increasing demand for services. Continuing with this approach will have the effect illustrated below:

Y Dull Presennol / The Present Approach



- 2.9 An alternative approach is to intensify the search for efficiencies but to also address the demand pressures which, in addition to reducing resources, contribute to the financial gap.

Dull Amgen / Alternative Approach



The Council, with partners, is already involved in some schemes which aim to impact upon demand. However, we cannot argue that we have adopted a structured, systematic and strategic approach to demand management which also links positive social outcomes with budgets.

3.0 **DEMAND MANAGEMENT**

3.1 When compared to the systems used by the private sector to increase demand (e.g. marketing), the concept of management demand in the public sector to reduce costs is not very advanced. It broadly falls into two categories:-

- (A) Reducing or curbing the level of demand.
- (B) Transferring the costs of demand to individuals and communities.

3.2 Reducing the level of demand can include the following:-

- (i) Avoiding demand through preventative activities.
- (ii) Moving demand from intense categories, and therefore expensive, to more moderate categories through early intervention.
- (iii) Avoiding failure demand (recurring incidences of the same problem) by getting things right first time through using techniques like systems thinking.
- (iv) Matching supply with real demand.

Sometimes the public sector can be guilty of over supply. This can arise when, for instance, care packages are not reviewed in a timely manner to ensure consistency with real need. It can also arise from a much more entrenched feature of public sector people services which is that assessed need is largely based on a “deficit model” rather than “asset based model”. This means that we do not build on people and community strengths and can lead to increased dependency and higher demand for services.

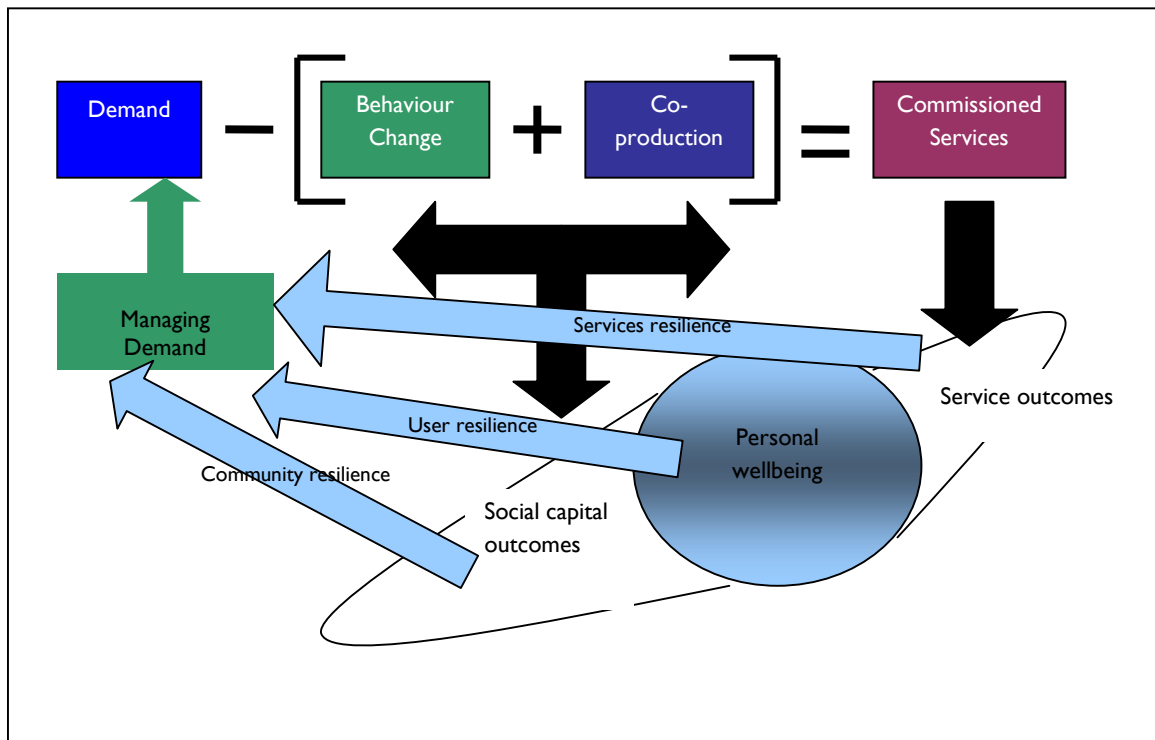
3.3 Transferring the costs of demand can include the following:

- (i) Channel Shift -
- (ii) Personalisation -
- (iii) Transferring responsibility to volunteers/communities -
- (iv) Transferring greater costs to users –
- (v) Co-creating less expensive service solutions with service users and communities

3.4 Although this strategy will address all the opportunities listed in paragraphs 3.2 and 3.3 above, the investment which will provide the biggest returns is reducing demand through prevention and early intervention. The benefits of this approach are threefold:

- better social outcomes
- reduced costs
- increased resilience

These features are captured in the diagram below:-



4.0 **FOCUS OF PREVENTION AND EARLY INTERVENTION**

4.1 The overall priorities would be to:-

- target services to reduce inequalities
- shift some resources upstream to deliver preventative services
- ensure that we achieve the maximum impact for our expenditure

4.2 The philosophy is captured in a publication by the New Economics Foundation entitled “The Wisdom of Prevention”⁴.

“We must get better at preventing harm – to people, planet and economy. This calls for long-term planning, upstream investment and early action. It will improve people’s quality of life, make better use of public money, reduce the need for costly state services and help to safeguard the future. Preventing harm is essential if we are to make the great transition to a sustainable future”.

4.3 There is high level evidence that prevention and early intervention can save money e.g.:

- The Scottish Finance Committee Report⁵ which reports that 100% effective interventions pre-birth to age eight could initially save up to £131m per annum.
- Scotland's Futures Forum have cited evidence claiming that an estimated 40-45% of public spending is negative i.e. short-term spending aimed at addressing social problems.
- A consultancy firm has recently estimated that by applying demand management the potential savings to Local Government in Wales is £500m per annum⁶.

4.4 A potential structure for addressing demand management would be to categorise by life stages:-

- Children and Families – prenatal, pregnancy, early years, school age, transition to adulthood.
- Adults – universal services e.g. waste recycling
- Older People

Public Health could be categorised as a cross cutting theme over all the life stages.

Life stage interventions at all ages will bring benefits but the biggest benefits come from children and families. Some of the evidence for this is examined in more detail in the next section.

5.0 CHILDREN AND FAMILIES

5.1 To understand a child's life chances, it is important to understand the significance of early brain development. Skill formation starts in the womb. Babies are born with 25% of the brain developed. Much like the construction of a home the building process begins with laying the foundations and the strength of these foundations is fundamental to the success of everything that follows. The most sensitive time for the development of different life skills is the first 36 months by which time 80% of the brain is developed.

5.2 The interactive influences of genes and experience shape the developing brain. Crucially, it is appropriate sensory input (e.g. through hearing and vision) and stable, responsive relationships that build the healthy brain architecture that provides a strong foundation for lifelong learning, behaviour and health. Inequalities in opportunities can start early in life. For instance, by the age of 4 a child from a professional family will have heard 45 million words whereas a child from a family on welfare will have heard 13 million. Vocabulary at age 5 is a very strong predictor of educational achievements at school age and beyond. Low communication skills have also been shown to be statistically significant in predicting:

- behaviour problems
- mental health
- employability
- criminality

5.3 It can be seen therefore that early success fosters later success and advantages cumulate and vice-versa. It is much easier to prevent deficits from arising in early years than to try and remediate later in life. The good news is that not only do we know the prime time for intervention (Appendix 1) but we also have evidence regarding the best interventions at different times in a child's development (example at Appendix 2).

5.4 Ironically, despite the evidence that the biggest return on investment in human capital is in the early years (see Appendix 3) actual investment patterns contradict the evidence (see Appendix 4).

5.5 Not only is there a lot of evidence available about the efficacy of specific interventions, there is also evidence regarding generic interventions like family intervention services⁷. At least half of the 3,675 families completing a family intervention between 2007 and 2011 were reported to have a successful outcome in the following areas:-

- poor parenting (53%)
- relationship family breakdown (56%)
- domestic violence (65%)
- involvement in crime (65%)
- lack of exercise/poor diet (52%)
- drug or substance misuse (50%)
- truancy, exclusion or bad behaviour at school (57%)

There is also a substantial evidence base as to the most effective interventions in schools – the “Teaching and Learning Toolkit” from the Sutton Trust⁸ and I.P.R.R's report on “Closing the attainment gap in secondary schools”⁹.

5.6 In conclusion, there is sufficient high level evidence to conclude that intensifying our efforts to work with children and families could substantially increase positive social outcomes which could then have an impact on budgets. The evidence base relating to older people is not as extensive but there is some compelling evidence. For instance, there is good evidence that one to one interventions such as befriending and community navigators reduce loneliness and improve health and well-being¹⁰.

There is also evidence that elderly people who receive a handyperson service¹¹ reduce the risk of falls from 32% to 10%. A model for preventative elderly services is attached at Appendix 5.

The evidence base relating to public health interventions is very strong. There is plenty of scope for the Council to become a more effective partner with the Health Board to reduce health inequalities and improve overall health (e.g. 7,000 workforce, 18,000 children in schools).

6.0 **CRITICAL ENABLERS**

6.1 There are many critical enablers which are a prerequisite to ensure the success of Gwynedd Council and its key partners if we are to intensify and scale up our efforts to manage the demand for services.

6.2 **Resources – Financial**

There are many sources of financial resources which could be harnessed and focussed to provide maximum impact:-

- Government Grants – e.g. for Gwynedd Families First £1.3m in 2013/14, Flaying Start £1.2m in 2013/14.
- Council Resources – access to the development funds set aside for the Council's four year strategy. Also, the transformation and invest to save funds.
- Local Partner Resources – e.g. Police and Health Authorities.
- European Funding – Brighter Futures (early years and young people).
- Crowd Funding – Many small sums from a large group of individuals¹².
- Sponsorship – from the private sector.
- Charity Sources.

6.3 **Resources – Non Financial**

The traditional public service model for people based public services has largely been a deficit model. Increasingly, some public agencies are trying to change the overarching culture to an asset based approach. Essentially, this entails mobilising individuals, associations and institutions to build on their assets rather than concentrating on their needs.

- Individual Capacity – enabling families and residents to do more themselves. This might mean taking more control and responsibility in their daily lives e.g. health, fitness or recycling. Or, it might mean mobilising more volunteers.

- Community Capacity – individuals acting together in order to take a collective contribution e.g. taking more control of a community or Council asset.
- Elected Members – Councillors bring a wealth of knowledge and experience regarding their communities and can act as a bridge between local communities and public services and help mobilise local assets.

The whole concept is captured graphically at Appendix 6.

There are many examples of this approach including:

- Leeds where 5,948 volunteers help deliver services to 17,174 older people.
- Rochdale Community Champions where 210 champions were involved in helping to achieve 2030 positive social outcomes in education, crime etc.
- Time banking schemes

6.4 Using the Right Methodology

If the Council and its partners are to maximise the impact of the resources, we can devote to demand management we need to quickly develop a smarter and more business like approach – particularly when it comes to:-

- Identifying the most effective areas for intervention.
- Targeting the right people and communities.
- Choosing the best way to intervene to achieve the desired outcomes.
- Finding the best way to get people and communities engaged.
- Measuring and evaluating success. Nottingham Council have developed their own methodology for evaluating the effectiveness of early intervention progress (Appendix 7).

6.5 Capacity and Capability

To succeed we need to increase capacity and capability in the following areas:-

- Analytics – Using data in a systematic way in order to gain better insights and understanding which in turn leads for better decisions and better outcomes. For example, Westminster City Council¹³ and Scottish Borders Council¹⁴ use customer segmentation information in order to drive channel shift which leads to financial savings.
- Research – Improving our research into what works best to improve different issues. The evidence we need for most areas already exists – it is mostly a question of finding and analysing its suitability for our needs. For instance NESTA¹⁵ have produced lots of guidance in this area.

- New Techniques – Adopting new techniques in order to influence behaviours which lead to increased demand e.g. behavioural economics and social marketing. For example, the Inland Revenue tested the power of social norms by changing slightly the wording of letters chasing £600m in unpaid tax. The repayment rate went up from an average of 50% to 85%¹⁶.
- Evaluation – evaluation is not only important in order to scale up activity but also to identify when interventions should be decommissioned. For example, a two year pilot involving 13,500 disadvantaged children in free childcare established that there was no identifiable impact on children's cognitive or social development except where settings were high quality.
- Reach – Understanding the best ways to reach and engage the target audience rather than hoping they come to us, including the use of community agents e.g. some authorities have been very successful in increasing the reach of programmes through the increased use of volunteer peer supporters who know their communities (Appendices 8 & 9).

In addition, there is a need to understand better the geographical and clustering nature of some issues e.g. multiple deprivation concentrated in specific areas through the use of techniques such as geodemographic segmentation.¹⁷

7.0 HIGH LEVEL RISK ANALYSIS

- 7.1 Clearly there are risks associated with this strategy. At a national level, increased alignment between our vision for demand management and the national vision and ambition would mitigate risks. It is true that there is an emerging national policy initiative but it has its limits e.g. the Health Service still only spends 4% of the health budget on prevention and the U.K. is nowhere near as effective as Scandinavian countries on this issue.
- 7.2 There are significant risks associated with the need to require the right skills and insights as referred to in paragraph 6. However, I believe many of these risks could be mitigated by effective collaboration with, for instance, Bangor University.
- 7.3 Another significant risk is that whilst we may be able to successfully impact upon social outcomes, we may not be able to link this success to budgets and therefore realise financial savings. This is a significant risk.
- 7.4 Perhaps the biggest risk of all is that we need individuals, families and communities to engage more with us in order to increase the mutuality of our relationship. To do this, we need more people to feel and think that we are on their side and are here for them. To this end a project that would mitigate risks would be one which:-
- (i) Demonstrated our willingness to use our size and financial clout to help individuals and communities e.g.
 - Energy switching.
 - Green deal.

- Exploring the limited use of the pension fund to help housing/economic issues.
 - Supporting Credit Unions.
 - Council apprenticeships.
- (ii) Accelerating the “Ffordd Gwynedd” initiative to change Council services to put customer needs at the centre of our service delivery and design.
- (iii) Inviting the public in to help us redesign services which, through essential, can frustrate people e.g. traffic warden service (this will also help the workforce who are often the subject of abuse).

7.5 Whilst there are significant risks associated with this strategy, the risk of not changing is greater and I believe the downside risk is limited but the upside opportunity is great.

8.0 **CONCLUSION**

8.1 The majority of the £29m cumulative savings the Council has made over the last eight years have not entailed service cuts. This is because the Council has planned well in advance, been decisive, had good systems for the delivery of savings plans and refreshed the savings strategy in a timely manner (e.g. the £16m savings initiative).

8.2 We know that the squeeze on finances is going to intensify and last for the foreseeable future. We are also fortunate to have robust plans in place for the next two years which give us time to plan and implement for the period beyond. From 2015/16 onwards, carrying on with an efficiency savings strategy alone will be insufficient to avoid service cuts. If the efficiency strategy is supplemented by a strategy to manage demand for services, it provides us with an opportunity to reduce and delay cuts to services.

8.3 A demand management strategy would have two broad components:-

- A. Reducing or curbing the level of demand.
- B. Transferring the costs of demand to individuals and communities.

A potential Structure for addressing the demand management element would be to categorise by life stages

- Children and Families
- Adults – universal services
- Older People

with public health being a cross cutting theme over all the life stages.

8.4 The overall priorities would be to:-

- Target services to reduce inequalities.
- Shift some resources upstream to deliver preventative
- Maximise the impact of expenditure

This should result in a triple dividend of better social outcomes, reduced costs and increased resilience.

8.5 To increase the chances of success, there are many critical enablers which need to be addressed:-

- Resources – Financial and non Financial
- Methodology
- Capacity and Capability
- Adopting New Techniques – e.g. behavioural economics
- Evaluating Projects Effectively

8.6 There are many risks associated with the strategy some of which can be mitigated by appropriate action. The residual risk can be viewed as being lower than the risk of doing nothing.

8.7 The strategy entails changing the relationship with citizens from passive recipients of services to active participants. From a largely one way relationship to an increasingly inter-dependent relationship; a mutual relationship based on rights and responsibilities. It also requires an asset based approach which builds on strengths and increasing individual and community capacity. The Council and its partners will also have to change the emphasis of our roles to enable and empower more in the community.

8.8 It is in challenging times that strong leadership is needed the most. The Council has a responsibility to steer Gwynedd and its citizens through this problem and not only minimise potential damage but also build, together with partners, a sustainable model for Gwynedd's public services in the future.

9. **RECOMMENDATIONS**

9.1 To approve this outline strategy as a basis for:-

- Formal engagement with local, regional and national partners.
- Mobilising financial resources both internally and externally to support the planning and implementation stage of the strategy.

- Acquiring the necessary skills and capacity to be successful.
- Evaluating what works well at present and identifying gaps in provision.
- Engaging with the public in order to establish a better understanding of how citizens and public services can work better together to cope with the financial challenge.
- Establishing appropriate governance arrangements, which build on existing structures (where possible) in order to ensure successful progress.
- Some of the priorities in the four year strategic plan to be presented to the Council in May.

***H. Thomas,
Chief Executive.***

February 2013.