The New Efficiency: four ways forward

Social enterprise, commissioning and the real future of services

This is a report for POPse which draws together a number of strands of my recent work about how future public services might be both more effective and cost less money to run.

It is published ahead of the long-delayed white paper on Public Service Reform, and deliberately so – because the danger is that the government is looking in two contradictory directions in their thinking on this, hoping that opening up commissioning to mutuals and community organisations will build a new, more flexible and effective public service network.

Unfortunately, at the same time, they have yet to slough off the control systems and increasing scale of commissioning that they have inherited from the last government, and which seems likely to undermine their objectives.

This report also looks forward towards the publication of my book, *The Human Element*, in October which sets out some of these arguments in more detail. This report suggests four key ways forward:

- Make services more flexible
- Build services which also reduce demand
- Co-produce services to reach out and rebuild community.
- Make services human scale

Introduction

The systems thinker John Seddon set out a series of revelations about the real efficiency of UK public service systems at the end of the first decade of the 21st century.[1] It was a system that was clearly striving for efficiency, but which was manifestly failing to achieve it, and nowhere more than in housing benefits administration.

The benefits system was introduced in the early days of New Labour, when the Department for Work and Pensions (DWP) persuaded Gordon Brown at the Treasury to invest £200 million in a new design. It wasn't a huge amount compared with the IT systems that were to come, but the design was much the same.

People would apply by phoning the call centre. The call centre staff would send the applications for processing to the experts in the back office, and their every move would then be measured – how quickly the phones were answered, how quickly letters were answered, how long the claim took to calculate, and so on.

In one council, Seddon found it took an average of 52 days for people claiming housing benefits to get the money, but sometimes as much as 152 days. He says that managers often seemed shocked when they saw the figures, which usually showed something very different to their official targets.

In practice, some councils which got four stars for excellence were actually no better than those which were doing badly. The target measured the time between the claim for benefit arriving at the front office and when a decision was made. This was one of the government's 'best value performance indicators', but in practice it did not measure the time it actually took for the average person claiming.

As Goodhart's Law implies, any target used to control people will always be inaccurate.[2] That is because staff subjected to targets will always find ways to make the figures look better. So, in the case of housing benefits, staff kept the forms out of the statistics until they had been nearly finished. Then the inspectors would find out – about this and other ruses – add in more rules, and they would use their ingenuity to massage the figures some other way.

Seddon found staff used one rule called 'nil-qualify', which disqualified claimants who had failed to produce all the information needed within a month. The case then closed and claimants had to start again from scratch, so that cases which might break the target did not go through into the figures. In one case, he found that 40 per cent of claims were being nil qualified so that one council could say that its average length of time to deal with claims was 28 days, when it was actually 98 days.

The system was being used to protect frontline staff from the inspectors and to make their managers look effective, rather than what it was supposed to be for. It fed the delusions of those higher up the hierarchy that things were working when they weren't. In one council, only three per cent of claimants were getting their claim settled in one call or one visit.

Seddon discovered that up to 78 per cent of calls were not from people calling with new claims but from people finding out what was causing the delay, which he called *failure demand.* He believed this was avoidable and the direct result of preventing staff from dealing directly with people.

Asking claimants in the housing benefits queues, he found people coming back for the fifth or sixth time, even sometimes the tenth time, bringing in yet more documents – many of them documents they had already brought in. The system was clogged up with its own processes and duplications, bouncing bits of applications backwards and forwards between front and back offices.
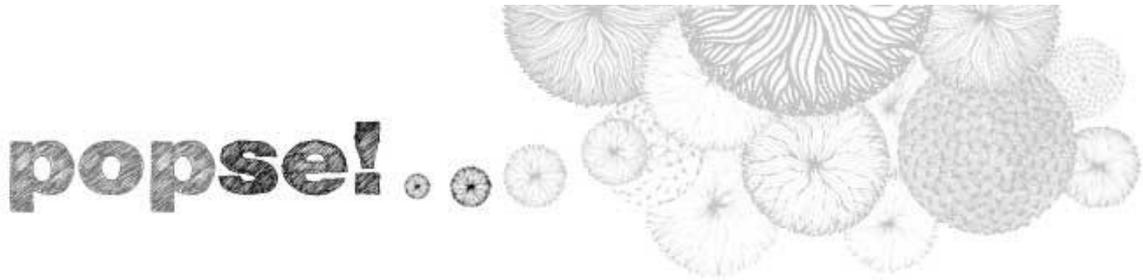
Of course, there were targets about this to make sure they are seen within 15 minutes. In practice, managers could meet this target by giving people a form and sending them home to get more information. When the queues began to gather outside from early in the morning, some managers hit on the idea of giving people numbers and letting the first 50 ask a question (only one) while everyone else could only hand in documents.

This system is the same in so many similar services. It means the front office tends to fragment jobs, which then have to be put back together again by the back office – without any human contact with the person who is claiming, and feeling no responsibility to them. If the case is 'incomplete', they have no qualms about taking it out of the target statistics, sending it back to the front office for more information, and so the volume of work grows – a huge machine for creating work, at vast expense. The targets are met but the service is appalling.

The new coalition which took office in 2011 was quick to declare that the targets regime was over. They abolished the Audit Commission which used to oversee it. But the job was only half done. The targets had disappeared, but local authorities and other public bodies are being advised by inspectors to stick to them. The split between front office and back office also remains, and so do the inflexible IT systems pedalled to the last government by so many management and IT consultancies. The inefficiencies therefore remain.

Seddon believes the proportion of demand on call centres in financial services which is just the result of failure elsewhere can be anything from 20 to 60 per cent. In utilities and local authorities, it is sometimes as much as 80 per cent, or just occasionally more. It is some explanation why Labour's public service reforms did not succeed as they were intended, and why they led to such huge increases in costs.

This can be summed as one fundamental mistake. Whitehall became committed to the industrial model of public services, as if services were like assembly lines and could be made more effective by reducing the human element, and by controlling the staff ever more closely.

They still are, which is why they seem unlikely yet to tackle the problem of rising costs and declining effectiveness.

The key problems are:

1. **The audit regime based on specified outputs and 'best practice'.** The last government built a huge edifice of reporting requirements at every level, which specified not just the ends but details of the means – right down to specific institutions and regulations which were part of approved 'best practice'. The main effect of this was to stifle innovation (some of the most innovative local authorities

were penalised for failing to demonstrate that they had followed more expensive procedures, for example on housing repairs).[3]

2. **The fantasy of central control.** There was a widespread belief that these statistics, reported by frontline staff in every area of public service, could provide a coherent understanding of the situation on the ground. Goodhart's Law suggests otherwise.[4] The reporting requirements were at best misleading and at worst corrosive and wasteful of time, effort and imagination (the new A&E IT system at Kings College Hospital has 20 pages of reporting before each patient can be processed). It was worse for voluntary sector organisations delivering government contracts (until recently, Bristol's drugs action team had to juggle 44 different funding streams, 9 different grids and 82 different objectives imposed on them by funders).

3. **The division of jobs into multiple tasks held together by expensive new IT systems.** This fantasy of control was then set in concrete using new ERP software, which split up each job into multiple tasks carried out in back office silos. Many of these new IT systems imposed assembly line models onto what ought to have been simple human tasks (six people now handle each tax return at HMRC rather than two). This is part of the disastrous link between the last government and the IT consultants (there were five representatives from one IT consultancy on the Gershon Review committee) which seems to have cost over £70 billion.[5]

4. **The failure to distinguish between useful work and pointless work caused by failures elsewhere.** Seddon's concept of 'failure demand', which is the demand – for example on call centres – which comes from people who ought really to be calling elsewhere, or who are phoning to find out why nothing happened after their previous call.[6] It is caused by inflexible systems which can't deal with variety. The scandal is that, thanks to badly negotiated contracts, many government call centre managers are paid for the failure demand as well as the real work, so have no incentive to change.

5. **The increasingly centralised and bureaucratic procurement system.** Centralising procurement in search of economies of scale also increases the bureaucracy involved and tends to add to the cost (Al Gore's National Performance Review (see below) saved money by de-regulating small procurement).[7] It also narrows the field of potential bidders, raising the price and undermining quality.

First task: Make services more flexible

Public housing repairs in the UK are one of those areas of practice which combines central control, with bureaucratic systems dividing front and back offices – the least effective

aspects of UK services. Most repair systems assign a job number to callers, but don't allow them to make any kind of contact with the technicians.

Seddon has inspired one of the solutions to this problem, which has been pioneered by Owen Buckwell, the head of housing for Portsmouth City Council, who has to deal with the upkeep for 50,000 people living in council homes in the city.

By 2007, they had designed a process which reversed the approved system, and reflected actual work flows, rather than fitting work into rigid centralised standards and protocols. Within a few months, Buckwell and his team had created a process where tenants could call up for service, get a real human being on the first ring, and schedule service at exactly when they wanted – not a half-day window, a two-hour window, or even a fifteen-minute window. The technician now shows up with all the correct parts and asks if there is anything else that needs fixing.

There is no paper print-out of jobs and technicians get one job at a time to avoid delays. Days tenants had to wait for a repair dropped from 60 to seven, while the proportion of problems fixed on the first visit rose to 99 per cent, from 45 percent. At the same time, the cost per repair was cut by more than half.

The work culture changed from what Seddon described as "learned helplessness and cheating to meet targets" to one that encourages employees to use their initiative and imagination.

What the Portsmouth housing repair system manages to do is to side-step the illusions of scale, get the system out of the way and to deal flexibly with all the different kinds of demand that come into the office. The sheer inflexibility of command-and-control also costs money. The processes are set in stone; they can't – as Seddon puts it – absorb variety, as empowered frontline staff can do when they are face to face with members of the public.

The approved bureaucratic systems are also stuck in aspic by the IT systems that control them. Reporting becomes more important than solving people's problems, which means that is where the money is spent. The wrong measurements drive the wrong kind of spending.

When Sir David Varney urged the Treasury to invest in more call centres and IT systems, in his 2006 report *Service Transformation*, he boasted that local authorities with modern call centres increase their call volumes by 300 per cent.[8] That is precisely the problem: we don't need three times the activity; we need three times the effectiveness.

The point is that inflexible systems make it hard to deal with variety, and the more difficult cases then clog up the system. John Seddon's system is designed to root out the costs of

what he calls 'failure demand' – the work that is created by failures elsewhere in the system. That involves:

- Studying demand on systems to see where it is coming from and why, rather than assuming that all demand is bound to be the same.
- Making sure people have direct access to the experts who can deal with their problems there and then.
- Sticking jobs back together again so that staff can take responsibility for dealing with issues immediately themselves, and getting it right first time.

But while the old model persists, the blind commitment to economies of scale, long after the point when these are overwhelmed by the externalities created, makes flexibility impossible.

## *Second task: Build services which reduce demand*

The early years psychologist David Olds, now Professor of Paediatrics and Preventative Health at Colorado University, was increasingly frustrated by the damage he saw inflicted on children in their first years by parents who were too young, too poor or too badly-educated.

Often they were in intractable situations themselves, with few resources, either financial or psychological. Olds developed a system which could provide them with support in those crucial early years, and – over a whole generation – he measured the results, which have been dramatic. His idea was that services which build on what people *can* do, rather than trying to fix what people can't do, makes for a subtle change in the way they see themselves and everyone else.

That was the original idea behind Family-Nurse Partnerships, which began in New York, Memphis and Denver in 1977, and which has developed into a programme now running in 20 states of the USA, and is now launching in the UK.[9]

The idea that bonding with parents in the first years of life actually turns the brain on is much more recent, but Dr Olds was feeling his way towards this when he developed the idea. This was to provide for a proper relationship between young mothers, mainly vulnerable first-time teenagers, with nurses who visit them sometimes weekly, helping them build a relationship with their babies, and improve their self-esteem and ability to operate in the world.

The nurses come from a variety of professionals and never have any more than 25 families at any one time. They don't so much surround them with services, but work with the abilities they find in the families they work with, and their neighbours, to show what kind of behaviour works with the children – teaching as much by osmosis as by instruction.
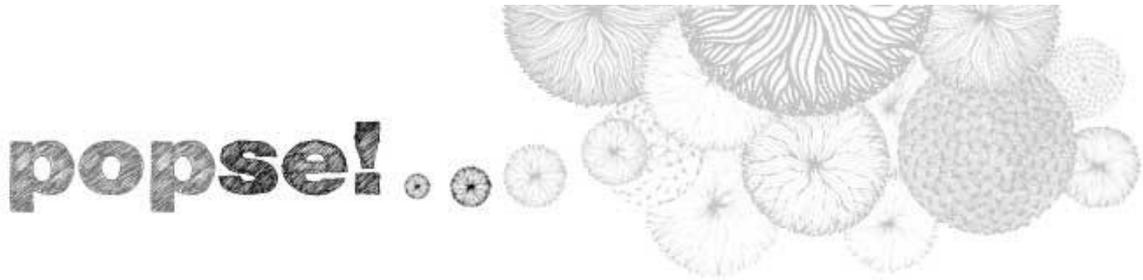
Dr Olds was extremely cautious about claiming anything he couldn't prove. The result is a battery of evidence that shows that the Nurse-Family interventions carry on having effects on children up to the age of 28, and that the cost savings to the public purse can he huge.

In the very early years, it prevents child abuse and neglect. It changes the way mothers behave – there is less smoking, better nutrition, fewer infections and better emotional and behavioural development for the children.

But it also seems to have an impact on the lives of the mothers – less welfare dependency, for example. Crucially, it also reduces children's involvement in crime and anti-social behaviour later in life.[10] There were only two programmes identified in *The Lancet* as capable of reducing maltreatment and child abuse, and Family-Nurse Partnerships was one of them.

What seems to make the difference is not so much the system but the relationships between nurses and clients. This kind of powerful preventive effect is not something that can be done on a huge scale. It requires human beings at local level who can make things happen.

But if this mix is correct, then the savings can be huge. For every $1 invested in Family-Nurse Partnerships in the USA, research shows that between $5.70 and $2.88 is saved, and the savings are greatest for the high-risk groups who were followed up over long term. It was also identified as the most cost-effective child welfare and home visiting programme in a study by Washington State Institute for Public Policy.[11]

Many of these cost savings come from effectively cutting child abuse and neglect. But the overall costs of the programme are saved by the time the children are four through reduced health service use, reduced welfare use and increased earnings of mother. The biggest long-term savings are because both mother and child tend to be less involved with the criminal justice system.

But it will not be enough for a few innovative programmes that can prevent, while other services remain the same. Prevention needs to go at the very heart of the commissioning process. Bids for contracts for all mainstream and acute services, including contracts for back office or call centre services, should be required to show how they plan to:

- Reduce demand on their services over the period of the contract.
- Build social capital and create the local supportive networks of users in order to do that.
- Maximise the positive impact on the local economy.

The idea is to move away from the perverse incentives that operate now and which encourage demand, and reward rising throughput as evidence of success. Instead, anyone bidding for a public sector contract should have to demonstrate that they have plans in place

to reduce this demand, and answer questions on them – to make sure that the preventive infrastructure is in place to help them achieve it.

To show this, contractors will have to reach out across sectors and silos and work together to make it possible. They will also have to include the cost in their bids for supporting their corner of the preventive infrastructure they need to make it possible.

The prevention agenda also implies an approach where commissioners are encouraged to:

- **Evaluate projects according to time donated:** using broad measures of social capital and the Big Society, measured in time given through time banks and similar infrastructure to their local neighbourhood by beneficiaries of a project or service.

- **Share a proportion** of the financial benefits of prevention with successful contractors, so that it can ploughed back into more prevention.

- **Give contractors incentives** to maximise impacts on the environmental or the social fabric, rather than requiring them to meet certain minimum environmental or social standards in the delivery of the service.
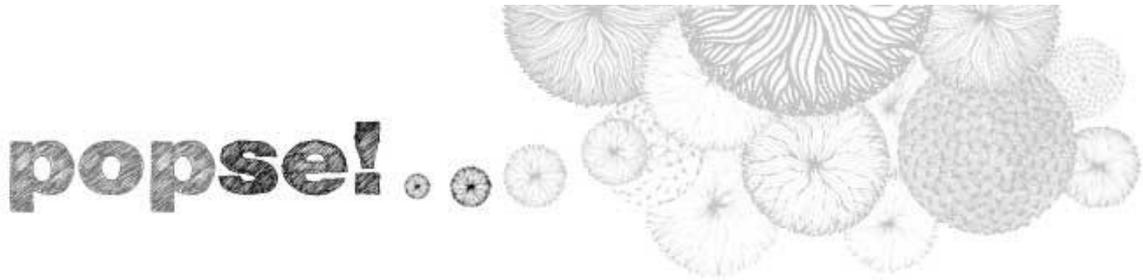
Third task: Co-produce services to reach out and rebuild community.

Imagine going along to your local doctor's surgery to learn IT skills or creative writing, or to find a friend. You might get support to give up smoking, but even so most of these are not usually on the list of services available on the NHS.

Nor are services like lifts to hospital appointments or collecting prescriptions for people who are too ill to go themselves, even though these are pretty important health objectives. Yet these are among the services available at the innovative Paxton Green Group Practice, on the borders of Southwark and Lambeth in south London.

Paxton Green is one of the latest surgeries to use time banking and co-production, and it means that people who live in the same area, whether or not they are actually patients at the practice, can now get involved in a range of activities including befriending, visiting, lifts, art, creative writing, meditation, walking and much more besides. All these services are delivered by other members of the time bank.

This is public services imagined more broadly. What makes Paxton Green, and those like it, different to the mainstream is their attitude to their patients. They recognise that these are

people who, whatever health problems they might have, also have huge experience, skills, often time – certainly the human ability to connect with other people.

What Paxton Green is doing now is building on pioneering work which began in Brooklyn in New York City in 1987, run by one of those health insurance companies which seem so alien to the UK. This one was called Elderplan, and they originally launched their Member to Member scheme, their own version of the Paxton Green Time Bank as a way of getting their members to look after people who were slightly more infirm, so that they could stay in their own homes for longer.

They earned 'time dollars' for the effort they put in, which gave them the right to draw down time from somebody else in the system when they needed it. It was an outline of a mutual support system which measured and rewarded the effort everyone put in.

To Elderplan's surprise, the real health impact wasn't on the very old who were being helped; it was on the rather younger ones who were doing most of the helping. It gave them a purpose; a reason for getting out of bed in the morning. So much so that Elderplan let members pay a quarter of their insurance premiums in credits they had earned helping neighbours.

What was fascinating about the success of these medical time banks is that the members are doing very simple things, often no more than companionship or picking up the phone, but they make a huge difference to people. The driver seems to be that these are often people who had been the recipients of care for decades, who had never been asked to give anything back themselves.

The point is that patients in these surgeries represent a huge untapped resource which could humanise the service, broaden the support available and – crucially – reduce demand. The challenge is to break out of the pattern where public services are just places where people have to be passive and grateful, while the professionals around them can barely cope with the need.

But once again, this kind of preventive infrastructure is threatened by a one-size-fits-all commissioning system that is increasingly distant from the communities it serves. An alternative model is Local Area Co-ordination (LAC), pioneered in Western Australia, which lies behind similar services that are being planned in Middlesborough, covering disability services, mental health, older people's support and other services.[12]

These are all based on the idea that people's needs are better, more humanely, and more precisely met when the first priority of service planners is to find ways of supporting people to build long-term relationships in the community, to build networks of support, to find resources and contacts locally which are primarily informal, and strengthen people to recover more quickly or find the help they need.

LAC has been built on the idea that relationship-based resources come first, supported by the local co-ordinators, and that more conventional services – organised as flexibly as possible – should be commissioned to provide for people or situations that fall outside this scope.
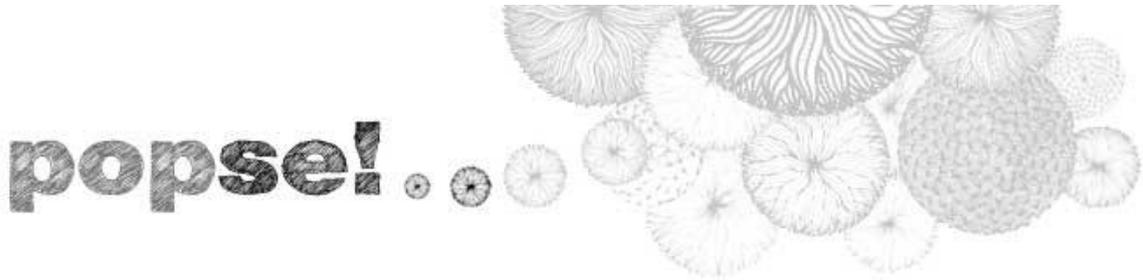
This implies a new commissioning system that has three elements, rather than one inflexible one, which should make it more effective and cost-effective. The system would put the preventive infrastructure first. It has priority over other layers, which need to fill in the gaps to create support and services for people who genuinely need it. This proposal reverses the traditional order, whereby gaps are filled between acute services.

The three-fold system means that commissioners have to cover these three areas:

- **The preventive infrastructure**. This would be a resource available to all services, which they can draw on to reduce future demand – or help people recover, or deal with life once professional help is withdrawn. It is designed to strengthen people and families and to prevent difficulties emerging in the first place. It includes a network of interlocking time banks, local area co-ordinators, and other informal services, the main purpose of which is to create that networks of support, links, advice and direction that can provide mentoring and guidance, and can mobilise huge goodwill and local support where it makes a difference.
- **The commissioning intermediaries**. These are necessary in order to achieve those tasks which mainstream commissioners find it hard to do directly, either because they are too distant or because they don't have the specialist expertise. Tasks include building up managing a local market of small, informal or micro providers, particularly on behalf of personal budget-holders – also creating and supporting the new mutuals.
- **The mainstream and acute services**. These will cover the gaps in the basic preventive infrastructure, and will not therefore need functions like outreach or community engagement, because they will contract with elements of the preventive infrastructure to achieve that. This will help avoid the multiple overlap of these functions at present.

The purpose of the new system is to shape a network of public services that not just meet needs, but do so without overlapping – and without confronting people who need support with a multiplicity of rival agencies and professionals, none of whom feel responsible for the whole person. It is to shape a new public service network that can use the hidden resources of the human skills of ordinary people.

These shifts are also required to make co-production easier. 'Co-production' is a term coined by the Nobel prize-winner Elinor Ostrom originally to explain why crime went up in Chicago when the police started patrolling in cars – in describes the crucial role that service

users play, working alongside professionals. Co-production is the way that people help deliver services, not just the users, but their families and friends – not necessarily the same services either, but crucial work that provides mutual support or prevention.[13]

The evidence is that co-produced services can cut their cost and enormously increase their effectiveness.[14] The best-researched examples are in the USA and Australia (Nurse-Family Partnerships, Local Area Co-ordination), but community justice panels, expert patients, time banks, co-operative nurseries are increasingly homegrown.

Encouraging co-production means commissioning on that basis. In practice, it means turning public service outposts into catalysts for local neighbourhood renewal. It means a huge increase in local volunteering, not through the voluntary sector but through the public sector. It also means:

- **Rewarding reciprocity:** some co-production programmes have reserved part of their resources to reward people for taking part, perhaps most obviously in the time banking model pioneered in the South Wales Valleys.[15]

- **Expecting public services to find ways of involving users as equal partners in the delivery of services:** this doesn't mean consulting them more intensively; co-production is about transforming people by getting them to do things.

- **Reforming professional training**, so that they look at clients not just for what they need but also for what they might give in return – not just as a drain on dwindling resources, but as resources in themselves.

- **Providing a 'Big Society Guarantee'.** All over Scandinavia and the USA, there are examples of co-operative nurseries that are both high quality and considerably cheaper even than the cheapest childcare here. One of the few surviving co-operative childcare models in the UK, Scallywags Parent-Run Nursery in Bethnal Green, which charges just £2.50 an hour. They do so because parents take a turn once a week helping to staff the nursery. The others have been driven out of existence by intractable regulations and a quite unnecessary fear of ordinary people, which has been one of the side-effects of the 'safeguarding' regime. We need a 'Big Society Guarantee' which will allow local innovators to appeal over the heads of regulators, so that reasonable innovation can go ahead.[16]

Fourth task: Build human-scale public services.

Bob Stone had been the Pentagon's deputy assistant secretary for defence for installations in the 1980s, working out that about a third of the entire defence budget was wasted because of bad regulations, probably amounting to $100bn a year.

He experimented by cutting the regulation book for forces housing from 800 pages to 40. One commander asked permission to let craftsmen decide for themselves which spray paint cans could be thrown away, rather than having each one certified by the base chemist.

It was Stone, and the writer and consultant David Osborne, who met Vice President Al Gore in the winter of 1993 and came up with the idea of the National Performance Review, a grassroots movement to spread new ideas to make local services more effective.

Stone's experience at the Pentagon coincided with the revelations of the cost of simple items when it went through armed forces bureaucracy. The $7,622 coffee percolator bought by the air force was the most spectacular, but the one that really caught the public imagination was the $436 hammer bought for the navy, or – as the Pentagon called it – a 'uni-directional impact generator'. One of the first schemes the Review launched was an annual Hammer Award for public sector employees who had made huge efforts to work more effectively.

The Performance Review spread the word on junking the rule book by telling horror stories. One of the most famous of these was about the Occupational Safety and Health Administration (OSHA) office in Maine, the equivalent of the UK's Health and Safety Executive.

Maine consistently came top of the league for how much they were doing, for the most punitive citations and fines given out, yet the workplace safety in the state was the worst anywhere. It began to dawn on managers there that there might perhaps be a connection between his failure and the tight control they were exercising. Could it possibly be that all those exhausting audits and inspections and detailed rules were actually making matters worse?

When they had been convinced, they created a small revolution. They set aside the rulebook, and began by tackling the most difficult factories first. They created employee teams in each of them to tackle the safety problems. If the companies agreed to support these teams, inspections and punishments would be suspended. The result was that the accident injury rate went down by two thirds.

The role of the National Performance Review was to tell stories like that and their regular newsletters were packed with suggestions. Abandon sign-in sheets and clocking-in machines. Buy equipment locally if you think you can get a good price. Waive the need for travel expense receipts for sums under $75.

The Federal Reports Elimination and Sunset Act 1995 ended hundreds of reporting requirements, and ended the rest after five years unless they were specifically renewed. The 10,000 page Federal Personnel Manual was junked. And, most important of all, public organisations were allowed to recruit people however they wanted.

The UK government borrowed aspects of the Review, but never grasped the idea of empowering staff by letting go of tight control over them. Nor did Whitehall grasp the idea that, once you had recruited the most brilliant staff you could find, that it might make sense to use their skills to the full.

But the most important element that Gore's Review understood is the importance of scale. Real revolutions in cost-effectiveness, or anything else, do not tend to be top down. They rely on local inspiration and individual imagination, applying ideas and seeking out solutions in a million different ways at local level.

This is the heart of the changes that must happen in public services. Big, industrial systems do not produce this kind of flexibility or inspiration. Human beings do have that capability. Of course, human beings are expensive as a frontline tool, but not nearly as expensive as training professionals only to prevent them using their common sense to build relationships. Nor is it nearly as expensive as public services that do not work effectively or which have to constantly revisit previous interventions.

Whitehall remains wedded to the idea of economies of scale, which clearly exist, but they are often blind to the costs of externalities which result from these huge silos with their concrete processes – how they alienate the public, become obsessed with their own processes at the expense of the real work, corrode local initiative and fail to build effective relationships between professionals and the people they are trying to help. There is considerable evidence that bigger institutions are less effective, and therefore more expensive, than smaller ones.[17]

Good, cost-effective public services mean minimising the number of interventions that are needed. They mean getting to grips with the great failure of the Beveridge settlement – that his Five Giants come back to life every generation and have to be slain all over again. That means the culture of giant systems, of minimising human intervention, is now too expensive.

Conclusion

Is this going to happen? We will have to wait until the Service Reform White Paper this summer, but on the face of it there are some indications that elements in the coalition understand some of this new agenda. The emphasis on mutuals and social enterprises, the ending of the targets regime, the abolition of the Audit Commission, all suggest this.
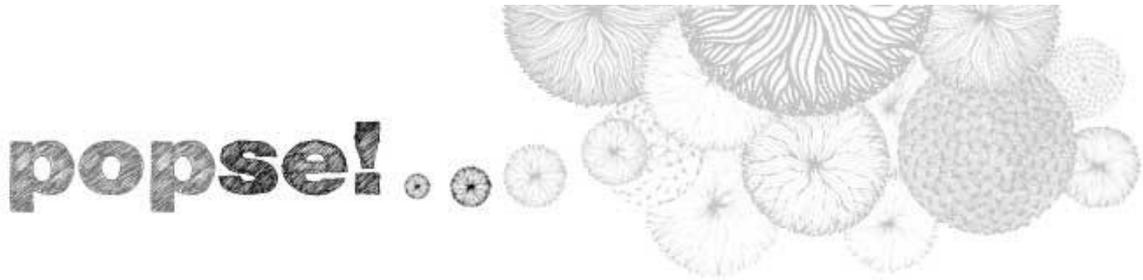
The problem is that there are so many indications the other way. Payment-by-results threatens to continue the targets regime under another name, but with even more danger of subverting services from within. The idea of shared back office services and shared administration, favoured by the same consultancies that pushed the last government down such a disastrous and expensive path, flies in the face of all the objectives set out here. That is the precise opposite of the flexible, human-scale services which can really reduce costs and increase effectiveness.

So while the rhetoric may be moving in the right directions, Whitehall is continuing with the old industrial scale, making services more inflexible.

This is a particular problem with commissioning services. The proposal above for a three-tier system of services that need to be commissioned requires commissioning to be carried out on a scale which is flexible enough to do this.

The problem is that the trends which are currently shaping the system tend to be in the opposite direction, in pursuit of economies of scale which are often swallowed up by the resulting externalities, and which may undermine the other objectives of making public services flexible, innovative, co-produced and preventive.

The direction the system seems to be going is likely to make it less able to deal with the variety of needs, and it will therefore deal with them inefficiently. Above all, the danger is that current trends seem likely to make the system increasingly conservative – and to miss out on the opportunities for making services cost less and still be more effective.

As a minimum, we need to make sure the systems of commissioning used by government departments don't undermine their broader objectives. It means organisations bidding for contracts need to be able to show how they plan to build social cohesion, reduce demand over time, build mutual support, encourage co-production and other areas which tend to get lost when outputs are too closely specified.

Camden Borough Council has led the way on this, beginning with their commissioning of mental health day care services in 2008.[18]

The approach set out here is designed to lead to more effective service organisations with empowered frontline staff, with more human systems that can deal with variety, and which can tackle the tasks effectively then and there, and do so sustainably.

The most expensive public services are, after all, those which don't work.

The key questions for system change are here. Does it make the service more flexible? Does it make it more human? Does it increase the ability of frontline staff to tackle problems

once and for all, and get it right first time? Does it reduce demand in the future? Does it allow services to become catalysts of local renewal?

David Boyle is a fellow of the New Economics Foundation, a founder of the time banks movement and the author of a number of books about the past and future, including The Tyranny of Numbers, Blondel's Song and Eminent Corporations. He is one of the pioneers of the movement known as 'co-production' in the UK, whereby people share with professionals responsibility for delivering public services. dcboyle@gmail.com

[1] John Seddon (2007) *Systems Thinking in the Public Sector*, Triarchy Press, Axminster.

[2] Goodhart's Law is called after Charles Goodhart, a former Bank of England director, and says that any figures used for control will be inaccurate.

[3] There are various examples of this in John Seddon's powerful *Systems Thinking in the Public Sector* (Axminster: Triarchy, 2007).

[4] "Any observed statistical regularity will tend to collapse once pressure is placed upon it for control purposes" (Charles Goodhart (1975), 'Monetary Relationships: A View from Threadneedle Street', *Papers in Monetary Economics,* Reserve Bank of Australia). The point is that, however incompetent staff may be, they will always be able to manipulate control data to make their performance look better.

[5] See David Craig and Richard Brooks' *Plundering the Public Sector* (London: Constable and Robinson, 2006).

[6] Again, see John Seddon (2007) *Systems Thinking in the Public Sector* (Axminster: Triarchy). Seddon argues that, in local authorities and police forces, as much as 80 or 90 per cent of contacts are avoidable and unnecessary. He suggests that 20 to 40 per cent savings might be possible in planning and road repairs, 20 to 30 per cent in the administration of housing benefits and 30 to 40 per cent in care services. "The bureaucracy is cemented with information technology," he wrote. "All of which has been designed from the point of view of electronic data management and reporting, not solving people's problems … the result is the consumption of resources to feed the reporting machine instead of doing the value work."

[7] The hammer that was procured by the US Navy at the cost of $436 ('a uni-directional impact generator') became symbolic of the folly of central procurement for simple items.

[8] David Varney (2006), *Service Transformation*, HM Treasury, London.

[9] Andy Goodman (2006), *The Story of David Olds and the Nurse Home Visiting Program*, Robert Wood Johnson Foundation.

[10] Department of Health (2009), *Family-Nurse Partnership: Information for commissioners*, London.

[11] Department of Health (2009), *Family-Nurse Partnership: Information for commissioners*, London

[12] David Boyle, Lucie Stephens and Julia Slay (2010), *Public Services Inside Out*, NESTA, London. See also Government of Western Australia (2003) 'Review of the Local Area Co-ordination Program' Perth, Government of Western Australia; Chenowith, L. and Stehlik, D. (2002) 'Building the capacity

of Individuals, Families and Communities' Available at:
www.otbds.org/downloads/publications/LACReport.pdf.

[13] David Boyle and Mike Harris (2009), *The Challenge of Co-production*, NESTA and New Economics Foundation, London.

[14] David Boyle, Lucie Stephens and Julia Slay (2010), *Public services Inside Out ,* NESTA and New Economics Foundation, London.

[15] See www.timebankingwales.org.uk

[16] See David Boyle, Anna Coote, Julia Slay and Chris Sherwood (2010), *Right Here Right Now: Taking co-production into the mainstream*, NESTA and New Economics Foundation.

[17] On schools, see Kathleen Cotton's article *New Small Learning Communities: Findings from Recent Literature* (Portland, Oregon, Northwest Regional Educational Laboratory, 2001). There is a more recent American summary by the Chicago Public Schools System at smallschools.cps.k12.il.us/research.html. The evidence of the rising costs of big US hospitals is by Martin Gaynor and Carol Proper ('Competition in Health Care: Lessons from the United States', *Bulletin of the Centre for Market and Public Organisation*, Bristol, Spring 2004). The evidence on the size of police forces is in *A New Force* (Dale Bassett and others, London: Reform, 2009).

[18] Josh Ryan-Collins, Lisa Sanfilippo and Stephen Spratt (2008) *Unintended Consequences*. London: New Economics Foundation.