RADICAL EFFICIENCY

Different, better, lower cost public services

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EXECUTIVE SUMMARY

'Radical efficiency' is about different, better and lower cost public services. It is about innovation that delivers much better public outcomes for much lower cost.

Radical efficiency is not about tweaking existing services. Rather, it is about generating new perspectives on old problems to ensure a genuine shift in the nature and efficiency of the services on offer and to transform the public's experience of these services.

This is not an abstract theory – radical efficiency is based on hundreds of well-evidenced examples from around the world, from different services, contexts and on very different scales. It is also being put into practice in a joint project between NESTA and the Innovation Unit working with local authorities to transform early years provision.

In the short term, radical efficiency can help to tackle the unprecedented financial pressures in public services – evidence from our case studies suggest savings of between 20 per cent and 60 per cent are possible, alongside better outcomes. If the UK can realise the potential for radical efficiency that we have seen in cities and states around the world then this would amount to both huge savings for government and better outcomes for citizens. In the long term, radical efficiency is the necessary foundation of the UK's response to the changing nature of demands on public services.

The radical efficiency model

From Chicago's approach to community-based policing to restorative justice in Brazil, and from patient rehabilitation in Sweden to tackling worklessness in Sunderland, radical efficiency is demonstrably different, better and lower cost than traditional approaches.

We have examined more than 100 case studies of radical efficiency in action in different places, contexts and services across the globe. In this report we present ten of these cases in more detail, and develop a model that explains what it is about these innovations that make them different, better and more affordable.

There are four parts to radical efficiency:

- New Insights – where new ideas come from.

- New Customers – re-conceptualising customers.

- New Suppliers – looking again at who is doing the work, and reconsidering the role of the customer.

- New Resources – tapping into latent resources locked up in the people, assets and organisations that are often taken for granted.

There are many examples of innovations that successfully achieve 'more for less', often by using new suppliers and mobilising new resources. However, the most important and radical innovations also generate significant new insights and reconceptualise who their customers are. These examples produce the greatest savings and improvements in services; they represent radical efficiency in action.

Radical efficiency depends on a different approach to reforming public services

There are five conditions for those wishing to develop radically efficient public services. These conditions are illustrated by the ten cases that are the focus of this report.

1. **Make true partnership with users the best choice for everyone.**

The Chicago Police Department developed a much stronger partnership with the public by engaging

frontline police officers and the community in mapping crime and criminal networks in real time. Violent crime decreased by 16 per cent and the Police Department has achieved a 20 per cent increase in officer time on the streets.

2. Enable committed, passionate and open-minded leaders to emerge from anywhere.

Mental Health First Aid was founded in Australia by a husband and wife team who wanted to train community members to support fellow citizens in moments of mental health crisis in the same way they do in physiological crisis. Their approach offers early identification of and intervention in mental ill health, with implications for long-term savings by avoiding spending on expensive, acute care.

3. Start with people's quality of life not the quality of your service.

Ubudehe, founded on a community tradition of mutual support, began in Rwanda in 2001 following a 'Declaration of National Unity' that committed the government to engaging citizens in public policymaking. Today, one-quarter of the population are involved in prioritising, running and monitoring their own community projects, often delivering them at one-third of the cost that government can.

4. Work with the grain and in the spirit of families, friends and neighbours.

Restorative Circles were founded in 1996 by Dominic Barter, whose shock at the poverty and crime in Rio de Janeiro's favelas drove him to talk to its residents and explore how he could help. Restorative Circles focus on engagement and understanding of the roots of disagreements. Dominic's work with young people in schools has led to a 50 per cent reduction in referrals to youth courts.

5. Manage risks, don't just avoid them.

In 2007, more than a quarter of the working age population in Sunderland was economically inactive. Livework – a service design company – used ethnography to unpick the real story of people's often difficult and bureaucratic journey back to work and designed a suite of services that supported them through it. In its initial phase, the Make It Work programme supported more than 1,000 people, generating early savings of more than a quarter of a million pounds for the council. Their approach was experimental but it was informed by rigorous evidence and was tested by iterative prototyping.

Recommendations for radical efficiency

As all of these examples demonstrate, radical efficiency requires a significant degree of local autonomy in order to flourish. National governments cannot hope to have the responsiveness to and empathy with different communities that radical efficiency requires. Radical efficiency depends on national governments' ability to 'let go' of the reins of innovation and liberate local innovators to develop new types of services and approaches that will serve their communities in different and better ways for much lower cost.

But radical efficiency isn't just about the devolution of power and responsibility to local agencies and communities, crucial though this is. It will require clear, distinct and mutually reinforcing roles for central strategy and local action. National government should provide strategic direction, whilst the organisations closest to the citizen design, develop and deliver new public services.

National government should be responsible for establishing a clear agenda and direction based on the pursuit of long-term goals such as quality of life and sustainable economic growth. An aspirational framework, describing UK citizens' shared conception of the outcomes to which all can collectively aspire, is critically important. This approach would replace more technocratic targets, performance indicators and performance management that have dominated public services for the past 30 years.

In order to liberate innovators from within and beyond the old system, this new system would have to create the space and incentives for creative people to design and deliver services in new ways. Realising the power of a new framework would require a completely different system for the accountability and commissioning of public services. This new system would have to create the space and incentives for creative people to design and deliver services in new ways. This includes access to at least two types of risk capital: central risk capital to address systemic challenges; and local risk capital to tackle local priorities.

Localities should become the leaders of innovation – only they can take responsibility for connecting deeply with their communities to explore how they can best contribute to achieving these ends in better and more sustainable ways.

Clearly, this represents (and is dependent on) a long-term vision for how public services need to work differently. But we also believe that immediate action is required. Local public services must pioneer a different approach and create a

different culture if innovation is to deliver the better outcomes and lower costs that are required. We believe that the right next step is a series of radical efficiency zones. These would create the space and encourage the aspiration in local authorities to rethink how they can improve the quality of people's lives in their area. Radical efficiency zones build on the work of the Total Place pilots but are definitely not the same thing – they are public-facing, starting with local communities, and require both better outcomes and lower costs. They go much further in their aspirations for the local reform of public services and the freedoms necessary to realise them.

This is not a reversion to earlier strategies that 'let a thousand flowers bloom'. This is about highly rigorous and evidenced development, commissioning and monitoring of services around a deep understanding of user needs. Radical efficiency is about enabling the right people with the right motivation and the right tools to set their imagination free. The result: different, better and lower cost public services.

Recommendation: Invite 20 pioneering localities to form 'radical efficiency zones' with barriers to innovation removed and tough new requirements to produce different, better and lower cost services

These radical efficiency zones should be modeled on 'enterprise zones' and abolish barriers to innovation through:

- Replacing the requirement to report output and input-based performance indicators to national government with a duty to develop 'radical transparency': evaluation indicators and processes defined and developed by local providers to help them understand how well they are contributing to the outcomes users want to see.

- Replacing all planned statutory inspections for three to four years on the local authority, the Primary Care Trust (PCT), and the police authority with the 'radical transparency' above and the duty to request external evaluation if local indicators and/or user feedback suggest underlying, systemic problems.

- Changed accounting rules that enable council funding, NHS funding, police and prison funding to be pooled under new common governance arrangements.

- The creation of new Trust arrangements that integrate leadership and governance arrangements across services within a locality (including integrating Care Trusts, PCTs, and Probation Trusts).

- The flexibility to use capital funding as local risk capital in the form of loan, grant or equity investment in new social innovations.

- The right to retain and reinvest any savings made beyond the original negotiated budget allocation.

In return, radical efficiency zones would be required to:

- Negotiate more demanding lower budget allocations with national government over a three to four year period and indicate what savings they will retain and reallocate locally.

- Adopt and use an evidence-based methodology for putting radical efficiency into practice.

- Generate and publish their own long term outcome-based measures of success (for this they may need to partner with organisations who are good at developing and implementing new outcome metrics).

- Make all their ideas, innovations, learning and performance measures open source so they can be adapted and adopted in other contexts.

- Define their own partners and structures for the programme and the size and scope of the locality they want to operate in (this could be bigger or smaller than the local authority area).

- Engage in ongoing internal and external evaluation activity.

- Operate under a legal 'duty to promote innovation' (similar to the NHS).

Figure 1. Estimated cost savings for radical efficiency case studies as a percentage of previous spend
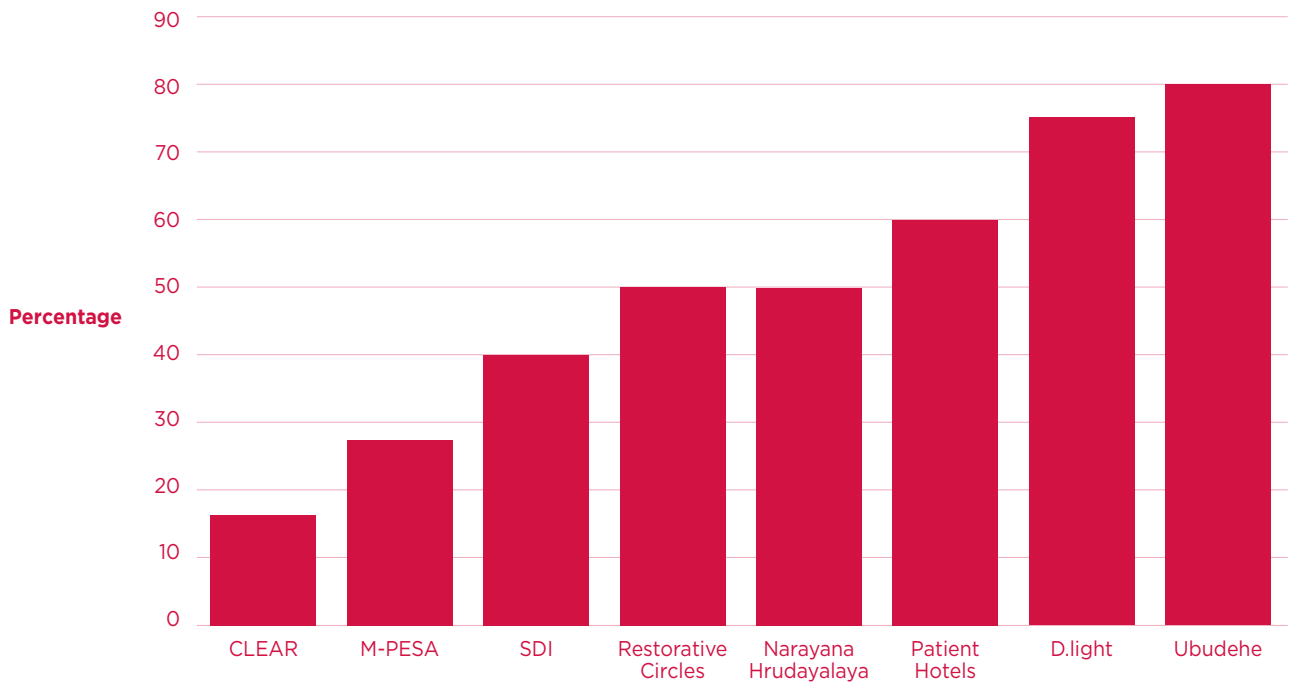
System change for central government

This implied system change – in the short and the long term – requires a corresponding shift in responsibility for innovation and change. As we explore in depth in Part 3, all of our case-studies of radical efficiency rely on generating empathy with and responsiveness to the different communities they serve. National or central government can never hope to do that. It is impossible to engage and empathise with a whole, diverse population. Success depends on central government's ability to 'let go' of the reins of innovation and liberate local innovators to develop new systems that will serve their communities in different and better ways for much lower cost. The alternative is that we end up with 'less for less' by pumping the tired old system for more than it can give.

The following sections look at the characteristics of radically efficient services and what is necessary to enable them. Finally, we look at the policy implications of radical efficiency for UK public services: what is required immediately, and over the long term, to facilitate the local autonomy required for radical efficiency to flourish.

Analysis

A new partnership with users is the crucial underpinning of radical efficiency. It is a non-negotiable shift that enables innovators to develop and define their mission, construct the best possible service offer and draw on new resources to deliver them.

This section will outline why this partnership is central to success. It will also describe the necessary incentives for both innovators and service users to make it happen.

Why a new partnership?
Radical efficiency requires innovators to re-conceptualise who their customers are. Innovators must learn how to reach out to new customers; and think of an individual user's family, household, neighbours and community as the people they serve and can work with.[22] Many innovators in our case studies commit to doing this through deep, granular work with communities to understand their lives and networks better.[23] SDI works closely on the ground with shack and slum dwellers from Mumbai to Mombasa. D.light employees live with their users for extended periods. Dominic Barter spent months talking with the young people of the favelas who he wanted to serve. The Ubudehe process literally maps the lives and networks of the communities it supports.

Service users are also crucial partners in developing ideas for new services. This is as much about working closely with users to understand their lives and needs deeply, as it is about asking them about ideas for how to resolve them. It is also about seeing them as a continual development resource with whom to test and challenge emerging practices.[24] As Dominic Barter of Restorative Circles explains, he had no preconceptions of what his restorative justice tool would end up looking like. He just spoke with local children to understand their lives and tested prototypes out with them: *"…through many years of experimenting with this [Restorative Circles] with kids and then adults, learning from their stories I got used to certain ways of hosting the conflict."* Similarly, the CLEAR tool is still evolving and being improved eight years on through constant engagement with users and their development ideas.

Innovators work with users to understand and assess what resources they can bring to help provide a service. These might range from their insider knowledge (as in helping crime fighting in Chicago) or their homes (as in Ubudehe) to their labour (Mental Health First Aid) or even their families (as with Patient Hotels in Sweden).

Innovators also seek a profound shift in responsibility for certain elements of service delivery.[25] The 'co-production' that happens when users become suppliers might range from self-monitoring of blood samples or simple bandaging (in Patient Hotels), to running and managing their own community projects (as with Ubudehe) or managing their own conflicts (as with the schools involved in Restorative Circles). It is a fundamental transfer of risk and responsibility.

This partnership is a force for driving change as well as a critical tool for delivering it. It is the crucible for identifying future priorities as well as resolving current ones. As Charlie Leadbeater puts it: *"the public good emerging from within society…self-organising solutions"*,[26] facilitated by public service professionals, not delivered by them. This emerges vividly from the CLEAR project in Chicago as well as from Mental Health First Aid, Ubudehe and SDI. Each of these creates the tools and capacities that enable citizens to drive service development tomorrow as well as helping to design and develop it today.

Partnership

None of this is easy. It is a major new commitment from innovators and service users – and not always an obviously attractive one, despite the evidence of radically improved outcomes as a result. For professionals, it is a relinquishing of power and identity,[27] which can also be perceived as a major risk when they are accountable to government for specific targets. For users, it can be seen as 'more work' and may also be a loss of identity in another sense – many UK citizens expect to 'receive' public services, bred into us by years of a system that has done exactly that. In some cases this antipathy towards greater engagement can even lead to 'sabotage' of experiments in co-production.

Radically efficient innovations overcome this reluctance in both professionals and users by making partnership the most desirable option. They do not use coercion.

Partnership is desirable to users in all our case-studies because it saves them time and money at the same time as generating quick, relevant

CASE STUDY

Restorative Circles: community self-management of conflict in Brazil

Brazil's favela shanty towns are some of the most conflict-ridden and dangerous places on earth. In Rio alone 5,000 people die every year as a result of gun crime.[65] Dominic Barter, a self-educated restorative justice practitioner, ignored these dangers and, in the mid 1990s, walked into favelas to propose a dialogue with residents, gangs and police. His aim was not to convince them to change, but to explore whether there are ways to respond to conflict other than violence.

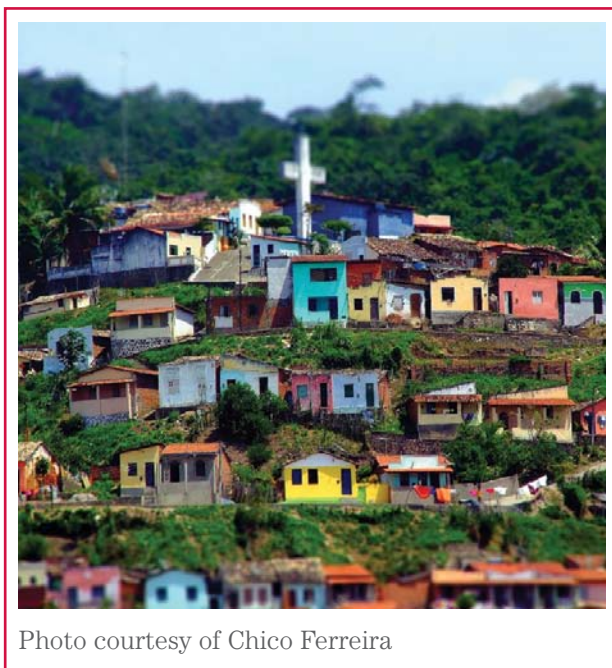> "I wanted to do something about it, and was told that it was too dangerous to do something about it."

Photo courtesy of Chico Ferreira

Over his years with these communities, a process emerged that came to be known as Restorative Circles. At its core lies an understanding of conflict as something to be engaged with and learnt from, not 'resolved'. For Dominic, the question became how to create the conditions for conflict to 'flower fully' without getting distracted by violence and blame, transforming defensiveness into engagement. A key element was to bring all those involved together in a space of 'shared power', within a community-owned agreement to generate common understanding.

Dominic's personal experience with conflict came from social justice movements in Europe in the 1980s, far away from the favelas. While living in Amsterdam, Dominic encountered a couple fighting in a narrow street.

> "While watching them argue, I had the strange idea that they were raising their voices to compensate, not for the physical distance between each other, but for the growing distance in their understanding of each other."

Dominic thought often about his observation, but did not act on it until he followed his Brazilian girlfriend to Rio de Janeiro in 1992. Arriving in Rio, Dominic was startled by his starkly contrasting first impressions – the natural beauty of the city and its high levels of crime, reflecting the huge gap in living standards between rich and poor. He was particularly shocked by how ingrained the structural violence was, seeming to involve everyone while bringing safety and wellbeing to none.

Remembering his insight from the couple in Amsterdam, he wondered what would happen if the opposite dynamic was applied: would mutual comprehension reverse the trend and diminish levels of painful conflict that precede violence?

> "This was completely counterintuitive to me – to walk towards the pain. If what I saw in Amsterdam was accurate...and I walk towards the point at which the conflict is manifesting, I should see the level of violence diminish."

This began a long process of learning from and with favela residents. Initially, the only people willing to talk with him were young children on street corners. Over time older kids, many already running errands for the drug gangs that control the communities, got involved too. They brought teenagers, and eventually adults to the conversation.

> "I was interested in listening to the stories they told me, and learning more...It began to occur to me that there were patterns emerging that I could respond to."

Noticing that his preconceptions and desire to help often interfered with meaningful partnership and dialogue, he focused increasingly on

following the requests of those he met, or the ideas that emerged from their conversations. This built trust. In response, the residents opened up about the tough issues they faced. Dominic *"began to receive these stories of conflict as gifts"*. Seeking to understand them more deeply, a process emerged – the seed of what would become Restorative Circles.

> *"I got many more things wrong than I got right. Restorative Circles are the way that they are, because of being honed. Everything based on opinion but not on practice got discarded over time... people simply didn't use it, because it was less effective."*

Until 2000 this research and development occurred on a small, community scale. Around this time Dominic began experimenting with the process in schools and other organisations where conflict-phobic cultures stifled connectedness and trust. However, the larger change happened with the hijacking of an urban bus just a kilometre from his home – a police officer shot the hijacker and one of the passengers. Dominic was shocked by the police's lack of preparation and confrontational style and realised the potential in implementing what he had learned more widely.

Soon after, he began working with the municipal government in Rio to mediate between favela residents and police, and between gangs. This culminated in a presentation of the principles of what was now called Restorative Circles at the World Social Forum in 2005 alongside judges and others interested in bringing restorative practices into the judicial and education systems. Following this event, the Brazilian Ministry of Justice (MoJ), with funding from UNDP, established pilot projects in restorative justice. Dominic was asked to apply Restorative Circles in Porto Alegre and Sao Paulo. The MoJ understood that very little scientific data could be generated, *"they just wanted to see what would happen over a year with Restorative Circles"*.

> *"Much of this came about because people don't have answers for the questions that I ask them. Whether they are drug gang leaders, police, teachers or judges, they can't really stand up and say we have a solution for this and it works. People are willing to apply this – and give it the benefit of the doubt – because the alternative is so extremely expensive, in all the ways they understand expense."*

In both cities, Dominic worked primarily with young offenders. In Sao Paolo young people who are caught breaking the law and who attend a high school close to the city's biggest favela, 'Heliopolis', are immediately offered a Restorative Circle at their school, at the police station or at the courthouse. In some areas, the police have been given the authority to offer Restorative Circles as an alternative to going to the police station. These districts have seen a subsequent drop in referrals to the juvenile courts by 50 per cent.[66]

Ongoing cooperation with particular schools and families builds the trust and reputation that is pivotal to successful Restorative Circles. Schools are critical because they engage continually with young people. Teachers are important mediators, but Dominic stresses that they are often the ones with the fewest spare resources in a school. He therefore puts an emphasis on training janitors, cleaners, canteen staff and pupils to be Circle facilitators. The facilitator can vary between sessions but always reflects the local community.

> *"I would like everyone in the school's community, not [just] the school hierarchy, to feel that they own this process and collaborate with it."*

Restorative Circles have to be adaptable to spread successfully. In one area, two neighbouring schools participated in the program. After two months, there were key differences in how each project worked but results were equally impressive. In situations where participants are initially unwilling to meet face-to-face, hand-written notes, text messages and any other form of communication can be used to ensure dialogue. This kind of flexibility and scalability have seen the program spread to 14 different countries over the last two years, including cultures as distinct as Uganda, Iran, Germany and Korea.

Restorative Circles are also being used as young people leave the penal system. Schools are often reluctant to accept young ex-offenders, which increases the risks of recidivism. Use of Restorative Circles at this point has been shown to generate 28 per cent more successful cases of reintegration.

Restorative Circles have had other impressive, documented successes. A survey of 400 Restorative Circles in Sao Paulo showed that 93 per cent ended in agreement. Another survey in the Campinas Municipal School District showed an impressive decrease in arrests following Restorative Circles: in 2008, there were 71 police visits ending in student arrest and subsequent court appearance; in 2009, after school-wide adoption of Restorative Circles, there was one such arrest, a drop of 98 per cent.

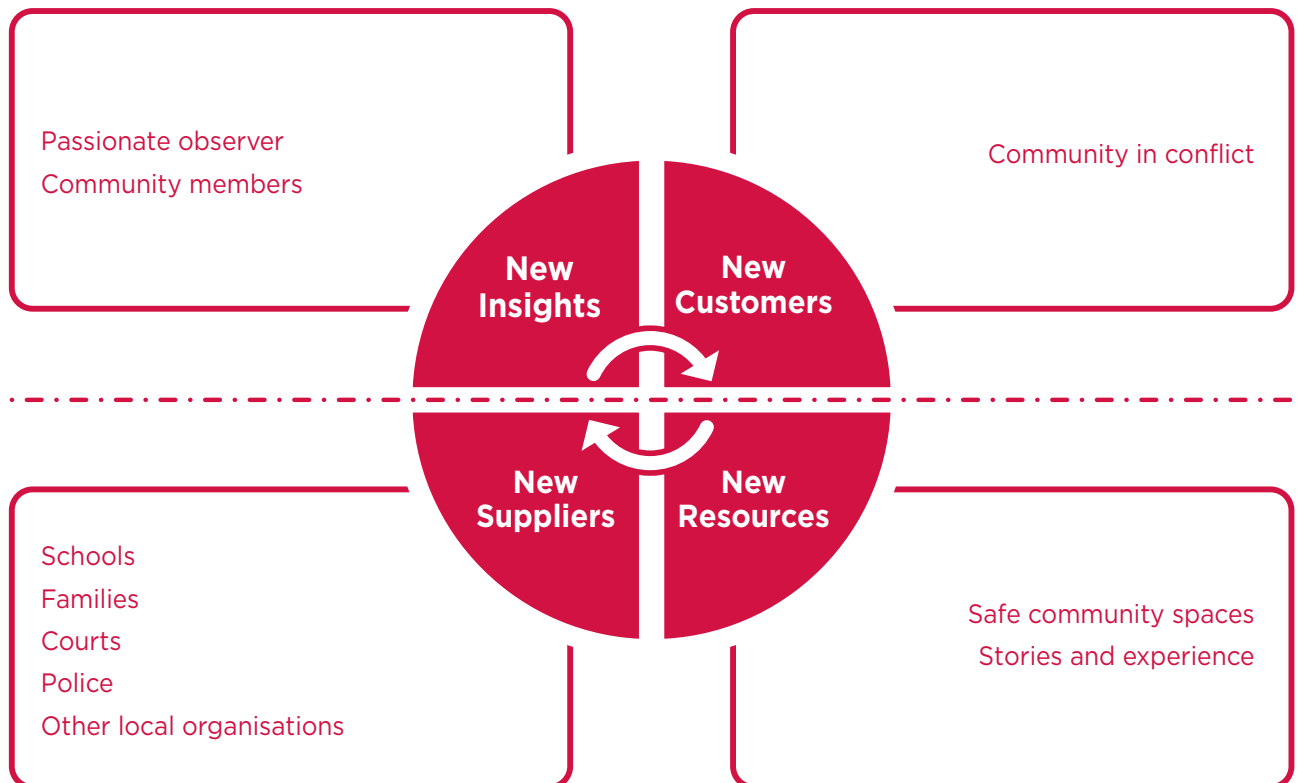## Figure 10. Restorative Circles and radical efficiency

Passionate observer
Community members

Community in conflict

New Insights

New Customers

New Suppliers

New Resources

Schools
Families
Courts
Police
Other local organisations

Safe community spaces
Stories and experience

Table 8. Benefits and cost savings from Restorative Circles

Benefits	Cost savings
Fewer referrals to (juvenile) court due to out of 'system' conflict settlement.	Cost of arrest/referrals to court.
Fewer conflicts in school.	Costs of youths going into crime as a result of failed re-entry.
Community capacity to deal with conflict as it arises.	Costs of decreased community cohesion – whether in neighbourhoods, families, organisations or elsewhere.
Surveys at two schools districts in Sao Paulo show that 93-95 per cent of Restorative Circles ended in agreement.	Costs of broken agreements leading to separation, misunderstanding and lost learning about why this happened and its potential benefit.
After introducing Restorative Circles to one school a survey showed a drop from 71 to 1 (98 per cent) in student arrests that led to court appearance.	Costs of investing resources in fighting reality – conflict is an everyday occurrence in any group.
Other tests show a reduction of 50 per cent in court appearances.	
Used as a re-entry program, Restorative Circles have led to a 28 per cent increase in young people being reaccepted into school (normally they would be excluded).	
	UK equivalent (conservative estimate).
	Based on estimates from the Youth Justice Board the annual costs of youth crime in 2009 were between £48 billion and £60 billion.
	In 2009 YJB reported that 2,600 custodial places were occupied by young offenders.
	The cost of taking these young offenders to trial and imprisoning them adds up to a total cost of £143 million per year.[67] If referrals to youth courts could be reduced by 50 per cent this would mean an annual saving of £71.5 million.