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Pioneers

The 2015 Senior Managers' Risk Report



In association with SOLACE

Introducing the pioneering spirit



This year Zurich Municipal has spoken to Chief Executive Officers (CEOs) of diverse councils across the country, narrating a snapshot in time that spans the end of one era and the breathtakingly rapid onset of another, during the first eight months of 2015.

Few thought that public services would ever be **“exciting and dangerous”** but surprisingly, that’s where we are now. In 2014 we talked about The Transformers: those spearheading a movement to deliver public services differently, funding them with commercial projects that took local authorities outside of their comfort zone. Last year we discussed ambitions, this year we reflect actions. Huge changes have been made and are being made: some of them very quickly.

The freedom to ‘do anything,’ along with the prospect of even less money to do anything with, and everyone doing something different, has produced a frantic atmosphere in public services. Senior managers are focusing on opportunities and risk taking is widespread. Potential danger lies in this anything goes, pioneering public services environment. One CEO exclaims: **“it’s like the Wild West out there!”**

There’s no doubt that frontiers are being crossed. Future ambitions may be beyond the wildest dreams of most public sector strategists and beyond the ken of unwitting citizens.

Some three-year plans concentrate on minimising and offloading services to the extreme, and statutory duties may be under threat. Infrastructure is crumbling, with noticeable degradation of highways and physical assets.

The ‘risk’ in public services is becoming more complex, more interconnected, and just more **risky**. It is increasing exponentially as experimentation continues. In an unusually adrenaline-fuelled City-like ambiance, decisions are being made that will shape society for the future. Are we heading for a crash?

Councils of all colours are involved in this race to rethink and reform. We recognise those taking the risks but who is managing them?



Last year we reported on The Transformers, those who were spearheading a movement. They were talking about delivering public services differently and taking local authorities outside of their comfort zone. This year, the radical thinking and planning is starting to be put into action. Changes are being made, some at breathtaking pace. There is a true pioneering spirit, which is needed, but who understands the risks?”

Paul Tombs, Head of Public Services, Zurich Municipal



Local Government used to be accused of risk aversion. Plodding, safe and beige. Well, no more! We are rising to the opportunity/challenge of not wasting a good crisis and, in doing so, an ever-increasing number of councils are becoming pacy, adventurous and multi-coloured. Consequently, our view of risk is also changing: we’re actively seeking how to push the boat out – and not always checking the lifebelts first!”

Mark Rogers, Solace Chair 2015 & Chief Executive, Birmingham City Council

The chief executives’ perspective

There is optimism and enthusiasm from senior managers. New found freedom to try new things means solutions can be found locally, unrestricted by central government diktats. The escalating problems of economic deprivation; health inequality; overwhelming social care need; failing children’s services; inadequate housing; and broken transport; can now be addressed head on.

CEOs are thinking creatively to find new ways to tackle pressing 21st Century problems and to bring wellbeing and prosperity to their communities. These new models for local government are not without risk of failure: for the CEOs themselves as well as their expectant communities.

In July 2015 the Chair of the Local Government Association Cllr Gary Porter said: **“If our public services are to survive the next few years, we urgently need a radical shift in how public money is raised and spent, combined with proper devolution of decision-making over transport, housing, skills and social care to local areas.”**

“Local Government is becoming an outdated, ineffective model.”

“Any local authority going bust would be doing it almost deliberately to make a point.”

“This is about risk appetite – people taking the risks no one would take before.”

“Fundamental change is required for health and social care. The current model for children’s and adult services is inherently broken.”

“Our physical infrastructure is crumbling.”

“We’ll soon be at the point where fulfilling statutory responsibilities becomes almost impossible.”

“We have three basic rules: don’t kill anyone, don’t break the law and don’t break the bank. Apart from that, anything goes.”

“This is a mass experiment – we will plagiarise the best ideas.”

“Welfare reform only scratched the surface. We don’t want to see the gap between rich and poor get bigger.”

“We’ve created a culture of learned helplessness.”

“I’m very excited about the future: we have permission to think very differently.”

“It’s about markets and market making. We’re creating mixed market economies.”

“We are going into house building – we are going to have some fun!”

“It’s about collaborative leadership – you get more power by giving power away.”

“We have a growth strategy for every department.”

“We are using digital to manage demand – it’s a channel shift.”

“There’s massive inherent risk in innovation and experimentation.”

Innovation and experimentation

Innovation and experimentation is trending in local government. Apart from new and shiny devolution schemes, local authority innovation spans a breadth of projects and philosophies. These include: reducing retained organisations to a ‘hollow’ core; county alliances, co-operative councils and consortia; consumer led choices for public services with personalisation of care; and public service marketplaces. As one CEO states: **“nothing is off the table.”**



Case Study: Doncaster City Council Innovation and risk

Doncaster looks at the future differently: **“To raise money we have to grow the economy,”** says CEO Jo Miller.

The Council realised that poor connectivity was holding back Doncaster: it is close to four major road routes but not connected to them. Central to fulfilling the Council’s plan for the future is creating access to the south of the borough.

The Council applied for government funding and was turned down. It decided to take an enormous risk by seeking alternative backing. In 2013 the Council secured collaborative funding from three private sector developers and the Regional Growth Fund (RGF), which culminated in £1.7bn investment to the area. There would have been no cavalry coming to Doncaster’s rescue if this unique project had failed.

The Finningley and Rossington Regeneration Route Scheme (FARRRS) will impact Doncaster, the wider Sheffield City Region, and beyond. It includes creating a corridor of land for a major housing scheme and half a million square metres of rail-linked warehousing. The project is the UK’s largest planning consent and will employ up to 5,500 people on completion.

“What matters is what works for the people and we are ideologically driven by our purpose,” says Miller. Staff as well as citizens are connecting with this new style council: **“Staff survey results are the strongest they have ever been. We have a shared sense of direction. I feel humbled by the changes people have brought to Doncaster.”**

Case Study: Northamptonshire County Council Radical innovation

Flagged as a next generation authority, Northamptonshire is a council held up as a dramatic example of innovative practises born out of radical rethinking. **“The world has changed and local government is an ineffective model,”** declares trailblazing CEO Paul Blantern.

Among the innovations at Northamptonshire are: a new children’s services mutual; an accountable care organisation; Northamptonshire Place Shaping Partnership; an Economic Heartland Strategic Alliance with neighbouring authorities; and a Brussels office to generate EU funding!

The Council’s ultimate aim is to create a ‘hollow organisation’, reducing the core workforce from 4,000 to 150. These employees will be ‘enablers’ not ‘doers’. It’s **“quality over quantity”** and the Council is starting to acquire skill sets to fit this new model.

Finding the right people with the right skills may become a problem as the Council moves swiftly to the enabling model.

The plan is for a much smaller, commissioning organisation: Northamptonshire County Council Group. There will also be four new separate organisations employed by the Council to help deliver services.

The Council is a 33% shareholder in Breeze-e, a new online services mutual organisation. Breeze-e was launched in July 2015, providing an online marketplace for adult care services. The e-marketplace should generate an expected £2million for the Council as it receives a 2% fee for each transaction. **“We are focused on our customers: helping people to help themselves,”** says Blantern.

If this model of an enabling council is deemed a success, other councils will follow. **“Austerity and demand create a perfect catalyst for change,”** Blantern explains.



Organisations have more diversity in their structures, roles and approach to delivering outcomes than we’ve ever seen. There is a need to rebalance the economy between South East England and the regions and so far the emphasis is on urban areas (Scotland has a very different story to tell which we will explore in a future publication). For some it is **“back to the future”** for others it is the **“next generation”**.

Service delivery models are becoming more complex and extended. In the future there will be a dispassionate view of service providers and the focus will be on outcomes, not delivery methods. The support infrastructure from all sectors will continue to grow and will become more sophisticated and more competitive.



“We need to move to a federal model”

The right combination?

“The governance of combined authorities is not at all clear. There are many bodies all in the same space.”

“Local authorities will need to devolve up some activities to sub regional structures.”

“If we can do things better ourselves, we will do them.”

“We need to drive economic growth.”

There will be fewer, larger, enabling organisations in a federal structure, with authorities combining, devolving and integrating. Combined Authorities are seen as a stepping-stone to new entities.

Three combined authorities, Liverpool City Region; West Yorkshire and the North East came into force in April 2014. In August 2015 Liverpool City Region and in September 2015 West Yorkshire announced their intention to pursue devolution deals.

One combined council CEO tells us: “There were common discussions between councils but everyone was starting from a different point and had a different local perspective. As a result, individual councils went off and did their own thing.”

Combined authorities have legislative commitments (like directly elected mayors) and common themes that bind them. Fundamental principles include; the combining of at least two authorities and sharing of at least transport and economic development. However, there is room for interpretation and individuality in the arrangements.

They are not without risks. Typically ten leaders plus a mayor as chair run a combined authority. The lines of management that flow into this senior level are various and diverse, with the potential for inefficiencies, silo behaviour, culture mismatches and clashes, and gaps in governance and accountability. No-one knows the real impact on risk management.

Devolution revolution

“As individual organisations we clash but we need to see the bigger picture.”

“For some this is ‘back to the future.’”

“There will be three centres of power: the mayor’s office, the combined authority and the individual unitaries.”

“The business community really likes devolution, the NHS is undecided, and the public have a pride in the area.”

“Will devolution really help the health and social care agenda?”

“Health and wellbeing boards need a rethink.”

There will be relatively few (up to 50) strategic enabling authorities, like the combined authority structures. All eyes are on Greater Manchester (the Northern Powerhouse), which can be much bigger and more powerful than the sum of its parts. Its ambition is to control or influence all £22bn of public sector funding in Greater Manchester.

We spoke to CEOs in the Greater Manchester combined authority. One CEO describes the four levels of risk management as: “**what is done at Greater Manchester; what is done as clusters of authorities (for example, the Unitaries); what is done at the authority level; and at neighbourhood and wards level.**” Risk management is going to be difficult and risk accountability may be blurred.

In July 2015, the Government announced the county of Cornwall as the first rural area in the country to receive powers over elements of public policy. Cornwall unexpectedly trumped other rural clusters, so look out for more rural announcements.

One CEO describes the Communities Bill as an: “**enabling bill**” in that it allows the respective Secretary of State to devolve freedoms to authorities outside of the present remit. New organisations will emerge but over time these, through efficiencies and streamlining, will be absorbed into even greater entities, creating regional super structures.



Integration revelation

Integration is the furthest step to take in devolved and unified regional power. It requires a realignment of roles and responsibilities with other regional delivery organisations such as police, fire, transport, health and welfare.

These new models will need novel structures to integrate governance and delivery, with clear lines of accountability for risk.



Case Study: Greater Manchester Integration preparation

According to the Memoranda of Understanding, the overriding purpose of the Greater Manchester Health & Social Care Integration initiative (as part of Greater Manchester Devolution) is: 'to ensure the greatest and fastest possible improvement to the health and wellbeing of the 2.8 million citizens of Greater Manchester.'

Participating CEOs have their own views on the opportunities, threats and unknowns associated with such a vast, groundbreaking project.

Opportunities

- The NHS can be restructured around centres of excellence, resulting in investment in community services
- There will be investment in prevention
- We'll have the chance to embed public health into every strategy
- We can use both NHS excellence and local government excellence
- We can get kids early and help improve lifestyle, diet, health, behaviour and opportunities
- Integration will help deal with housing, work and community services.

Threats

- It will test whether we can really own risk together
- Governance is a real concern
- Everyone is involved in decision-making but who is liable?
- Integration doesn't solve the adult social care problem
- There is a coherent story about 'Integration' and one about Social Care but they are not well aligned
- Health will be difficult to integrate
- Shifting the emphasis from 'cure' to 'prevention' only works if people take responsibility for their own health
- Deficit reduction is a huge risk to integration.

Unknowns

- Will shared governance make us better at managing risk?
- How are we going to work with hospitals?
- How do we deliver on health inequalities?

"We've let care of the elderly become a local issue from local taxes, irrespective of needs – how did this happen?"

"There has to be an element of double funding for social care."

"Currently clinicians decide how money is spent whereas it needs to be the public."

"There is total confusion among the public about what adult social care is."

"We are moving to prevention rather than cure – education is key."

"Look at health inequalities: the years in the life and the life in the years."

"Health requirements will need to be tailored to the locality."

"Our hospital trust has huge financial challenges. Health and social care integration will not be easy."

"Hospitals should be place of last resort."

"The NHS is still seeing whether the jacket fits."

"Social care is creaking. Society should take more responsibility."

Health and Social Care

"Despite all the investment over the years, why have we not improved outcomes?"

"We've over-professionalised social care."

"The Troubled Families' Initiative has delivered benefits."

"Welfare reform has only scratched the surface – we don't want to see the gap between rich and poor get bigger."

"There needs to be an honest conversation about what 'state' we can afford."

"We see the public not as assets but as liabilities."

"People aren't hard to reach, we just have to go to them."

"All of these changes are going on, but the community doesn't really understand it and they are not in the loop."

Local authorities want to improve life chances but there are huge health inequalities. The breadth of inequality, even in a single borough, is shocking. One CEO tells us that when comparing the life expectancy of a woman it can vary by as much as 11.4 years even when the wards are just four miles apart.

Health and wellbeing go hand in hand. The shift is from cure to prevention. This represents a power and budget shift too, with increased activity at the primary care and public health end of the spectrum. Hospitals will cover acute and serious chronic complaints only, and there will be fewer of them (if there is the political will).

The impetus is for social care and long-term, managed healthcare to be offered in the community. Not so much 'care in the community' as caring **for** the community.

The Citizen's Contract

In the last five years local authorities have done a good job of absorbing cuts: now they have to make cuts the public will notice.

Local authorities have been trying to bolster adult social care by raiding everything else but it is no solution. Most of our CEOs admit integration of health and social care will help but won't prevent crises. Adult social care across England is fragile at best and at breaking point for many. One frustrated CEO asserts: **"There has to be a better way of supporting and caring for people in old age."**

Many argue for a complete rethink of the system and of the public's expectations. A hardened view on **"unreasonable public expectation"** is emerging.

A culture of learned helplessness has developed, with a portion of society relying on the Council to do for them what others do for themselves.

The contract between citizens and councils is being re-written: in most cases behind town hall doors. There is little evidence of communication with citizens, let alone consultation, and employees may be as clueless as 'customers'. This may be concerning to those managing transformation risks.

What happens when citizens start noticing that Society as they know it is disintegrating? They may not realise they may become part of a social experiment.

“
If you stay on the bus for a couple more stops, you might live 12 years longer”



“How will the devolution agenda affect districts?”

The guardians of localism?

Through devolution agreements councils are taking on greater responsibility for promoting economic growth. These federal structures and government promoted projects may drive ambition for community improvement but are delivered locally.

Counterpoint to the gigantic authorities are the districts. They believe they are perfectly placed to deliver at grass roots level, becoming the 'doers'.

In many of the large scale developments districts are on the fringe. With elected mayors, a super race of politicians will have greater power and greater control. They will have set agendas: so how will districts influence their decisions?

There is no political impetus for wholesale reorganisation. Some view districts as the last champions of localism; others see them as an unsustainable tier of local government. Exactly where do districts fit?

Case Study: Districts Safety in numbers?

Districts also see strength and sustainability in numbers: one of our CEOs has partnered with a neighbouring district. They share a business plan and have one staffing structure and back office between them.

“There is an ‘all right Jack’ disparity between districts and counties.”

The councils have their own constitutions, so democratic services remain separate, and each maintains their sovereignty. Each has communications teams that overlap, and they are moving towards combined elections administration. A CCG covers both districts but the rest of health is shared: local needs are addressed at a neighbourhood level.

Our CEO explains that political and cultural mixes are too diverse to merge. However, even with population disparity: in wealth, health, wellbeing, aspirations and identity, the two leaders take a pragmatic approach and make the partnership work.

Our CEO has ambitions about sharing further to employ economies of scale. He has one county and perhaps police and health authorities in mind, pointing to a successful local project. **“If people are not restrained by boundaries we can make an improvement,”** he says.

“Partnership and collaboration is good but people are not recognising the drain on time and resources. There must be a different model that can redefine the public sector. What about a community council that is tailored to what the community needs?”

It’s like the Wild West out there!

Local government is becoming more ‘local’ and less ‘government’. This presents opportunities for authorities but budgets are being cut further. Is the new government’s vision a fettered dystopia or an opportunity to continue the impetus for transformation and disruptive local strategies?

This year the radical thinking and planning has been put into action. There is little evidence that citizens have been engaged in these mass and massive community experiments. Who has won their hearts and minds, and their consent?

Managing risk and resilience will grow in importance as diversity and complexity increase. Each authority is going its own way, few in tune with one another. In a cash-strapped future, frontier towns may turn into ghost towns.

Up to 2015 we’ve experienced Austerity Lite, now we embark on Austerity Heavy: cuts will impact on everyone and everything.

Owners of individual risk management cannot keep up, let alone work out horizontal lines of responsibility. In this **“making it up as we go along,”** era, some wonder if existing governance and risk management structures can cope. Will this pioneering spirit bring unintended consequences?

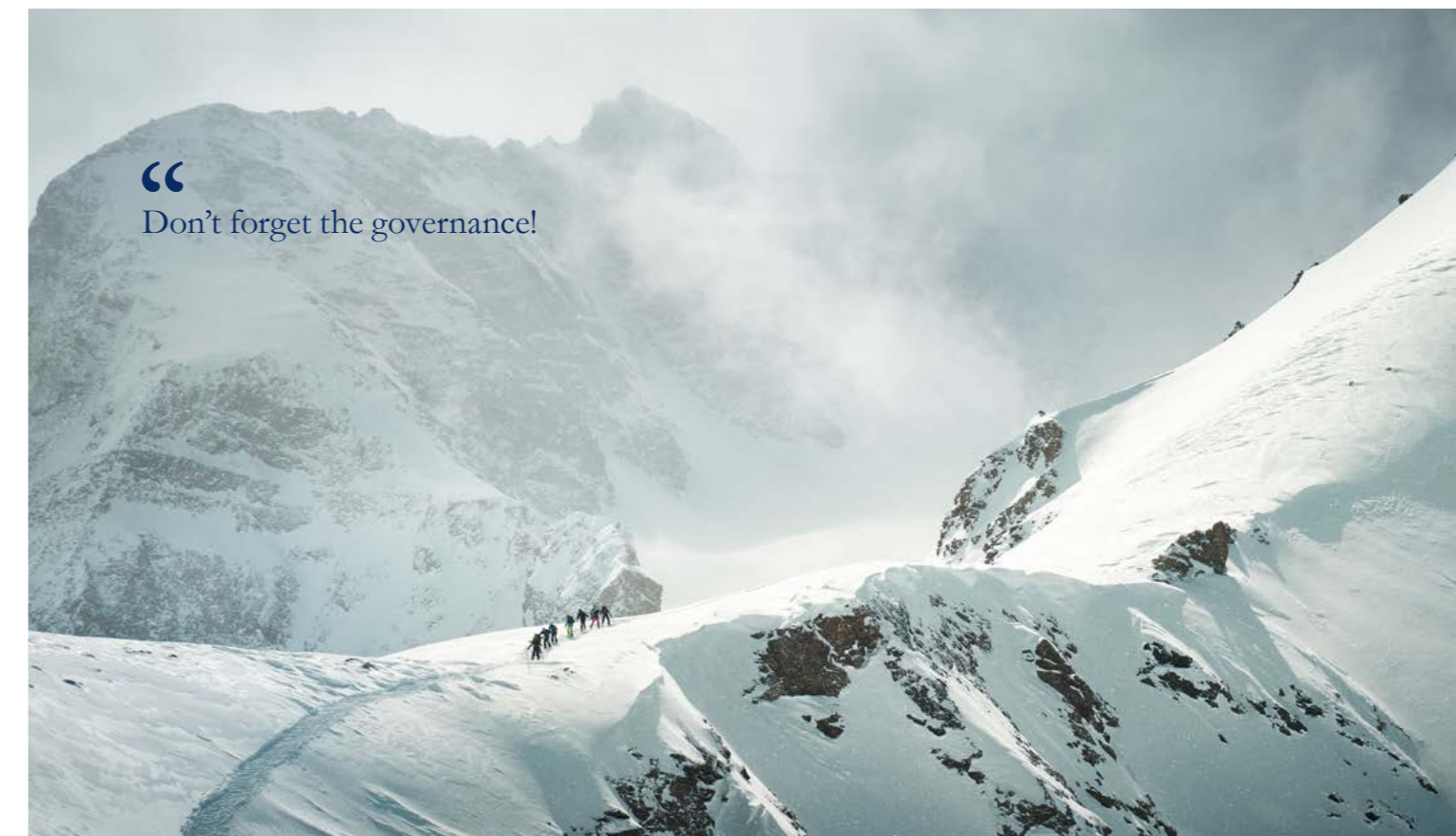
“We need to bite the bullet for the next few years.”

“There’s a budget black hole after 2017.”

“Savings will not come through for many years – maybe decades.”

“The tectonic plates are shifting.”

“Don’t forget the governance!”



“Don’t forget the governance!”

Zurich Municipal would like to thank the participating local authority Chief Executives and Senior Managers, and SOLACE for their support in making this report possible.

We would welcome your feedback on the contents of this report. Please contact Julie Hannington, Research and Insight Manager, if you would like to share your views:

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