



Is big beautiful?

Andy Mudd, APSE Solutions



Eric's case

- London tri-boroughs agreement saved £7.7m in its first year - 2012

"Potentially £2bn of taxpayers' money could be saved if other councils were able to copy such sensible savings across the country."

But then John Seddon says...



- Economy of scale is a myth
- Shared services do not result in a reduced total cost
- In fact the cost may even go up as 'failure demand' will increase

And then the Williams Commission in Wales says

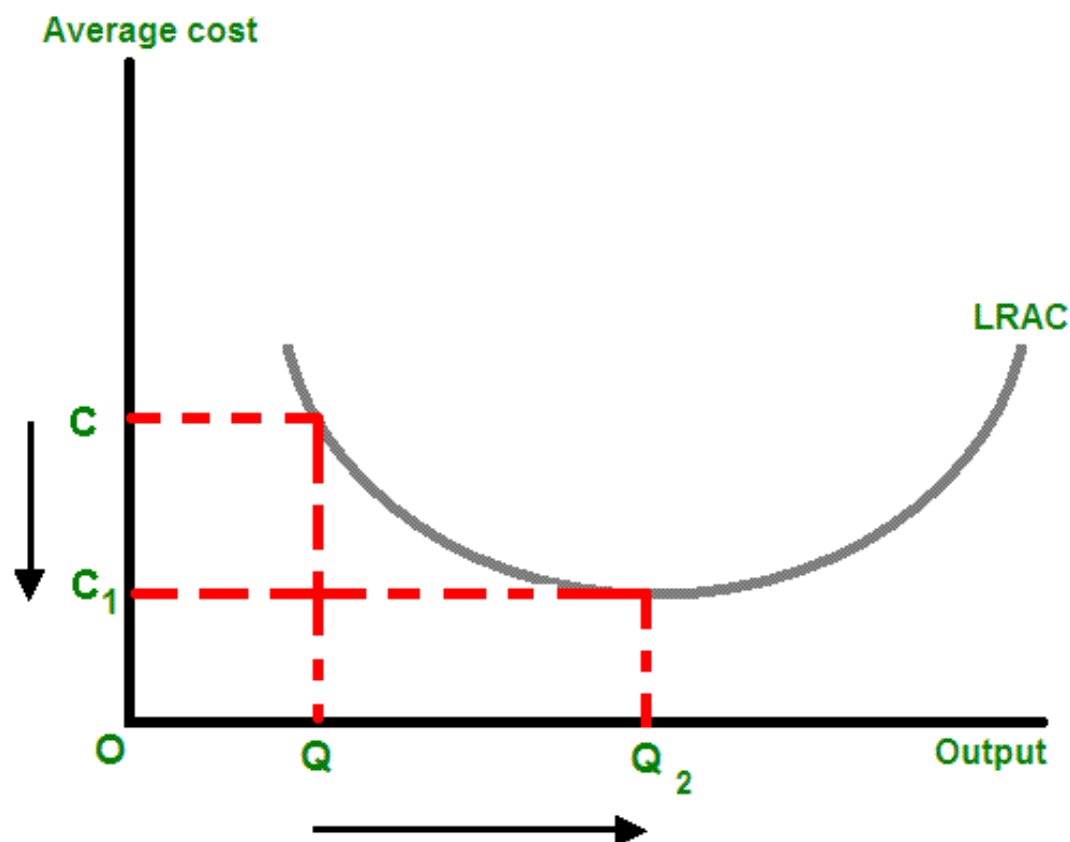


....

‘Economies of scale also exist in the unit costs of particular services’

For refuse collection ‘ it is clear that economies of scale are at work: as service volume increases, unit costs decrease’

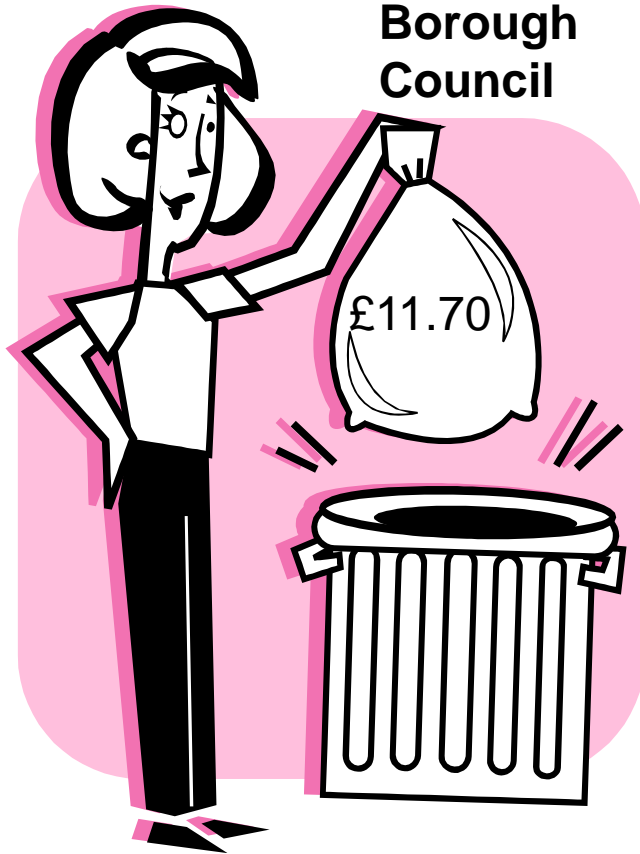
Confusing eh? What does economics say?



What do the data tell us?

apse

Cheapville
Borough
Council



Poshville
Borough
Council



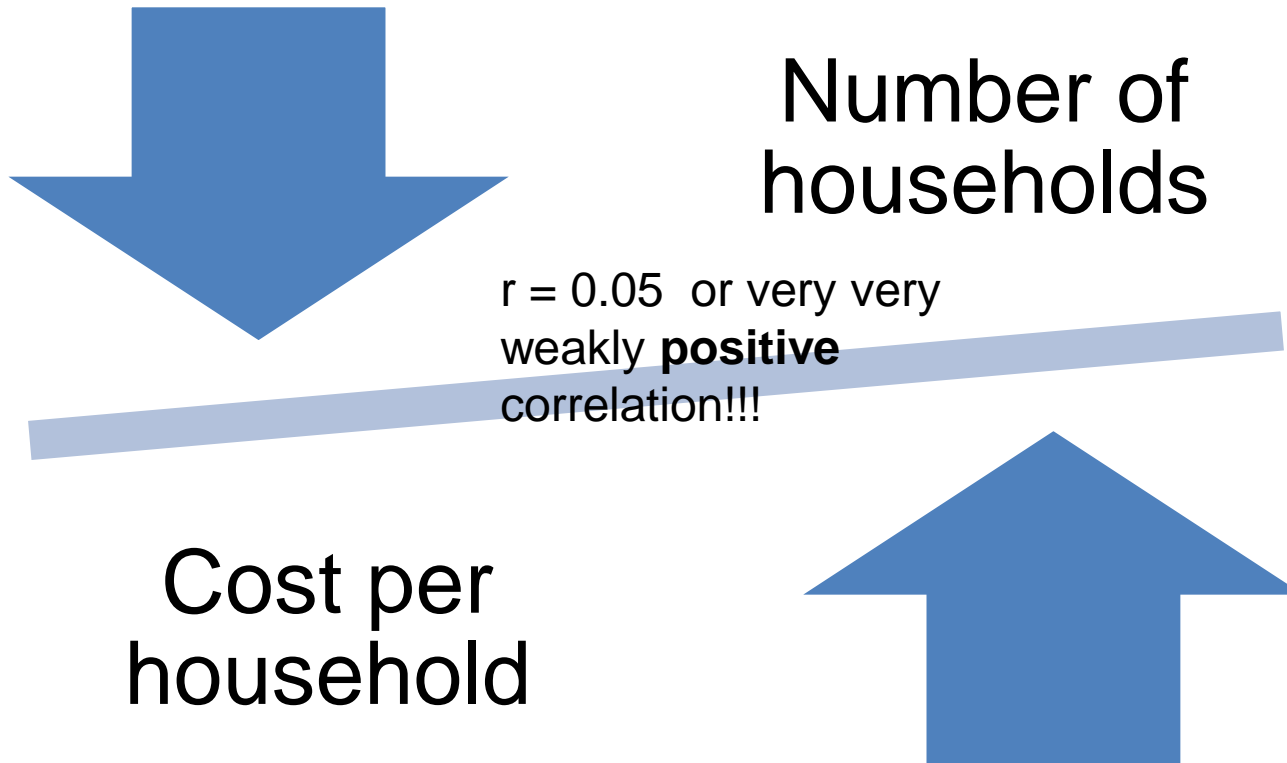
PI 02b – Cost of service per head of population
(excluding CEC)

What does the evidence tell us?



- As Williams points out refuse collection unit costs vary enormously
- This is not a normally distributed data set
- So something is going on

But is it down to scale?



Bigger area?

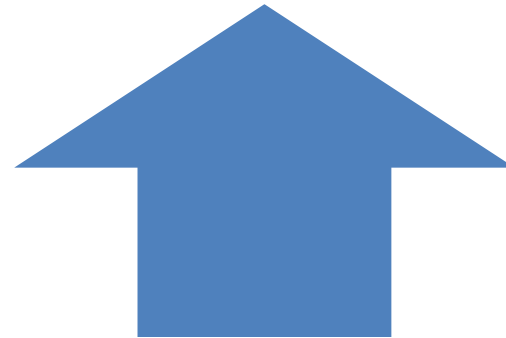


Hectorage

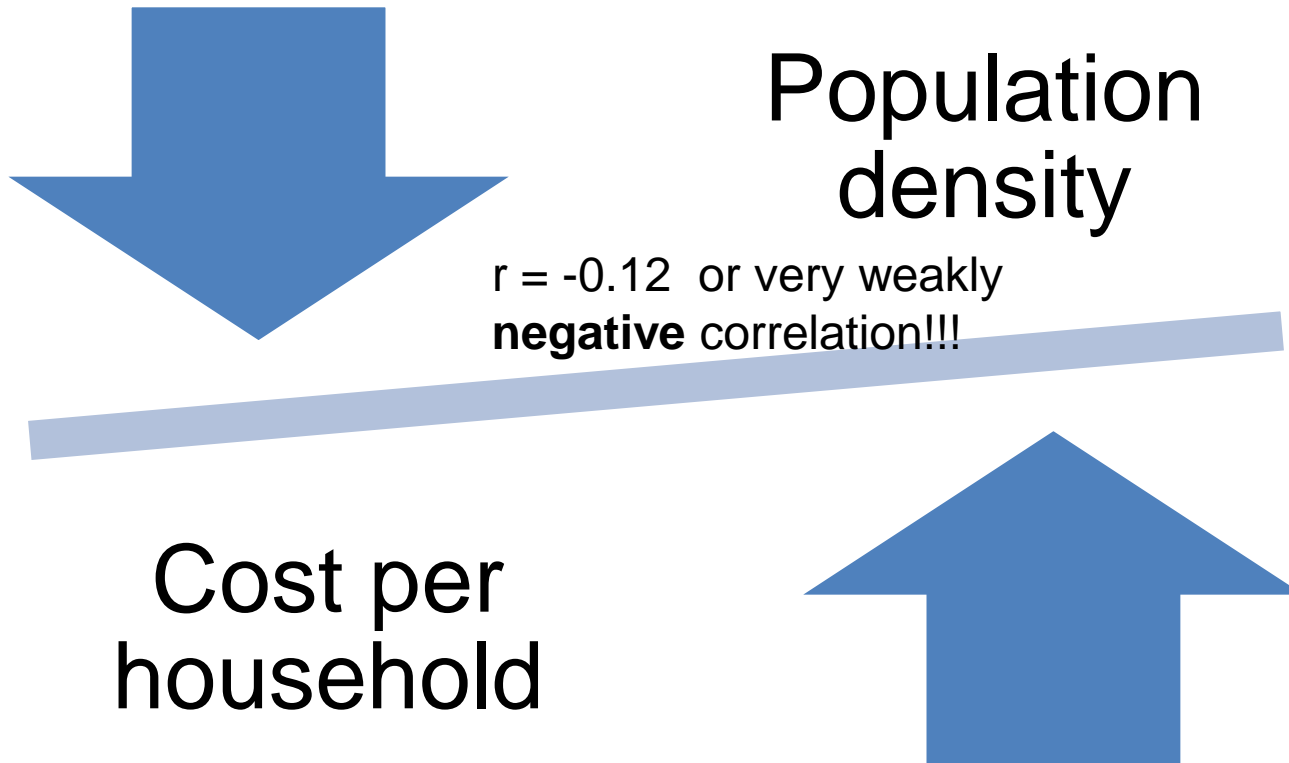
$r = 0.14$ or very weakly
positive correlation!!!



Cost per
household



What about population density?



So does refuse collection benefit from scale?



- The answer is no – sorry Eric
- But why do the unit cost vary so much?
- Topography?
- Refuse collection methodology?
- Efficiency – economy of flow on planet Seddon

What about other service areas



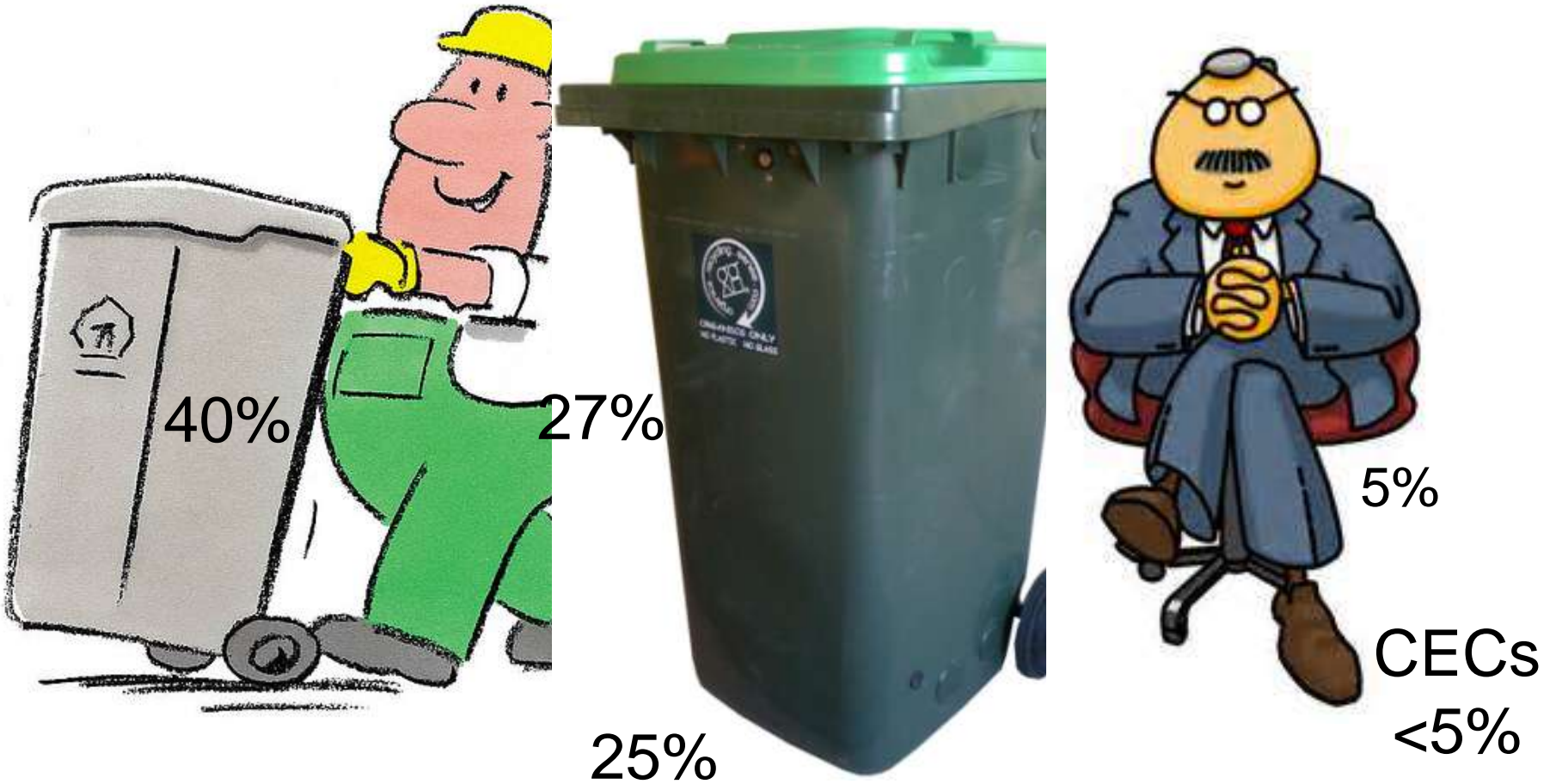
- Parks and cleansing
- Williams Commission on education and social care
- Expertise
- Resilience

How about shared management?



- Are managers sat about doing nothing?
- Overburdening is wasteful
- What happens when span of control is stretched

Surely we can save central costs by merging?



So what can we conclude



- Don't believe everything the secretary of state tells you
- But that doesn't mean John Seddon is right all the time either
- Don't jump to unevidenced conclusions
- Find the optimum scale not the biggest

And..... In the words of Eric Pickles (well maybe not)



‘Keep submitting data to Performance Networks. Its shared data not bulking up that will help us make the right decisions for the future’



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