



What's driving your service and can it improve?

James Pearson, Senior Consultant

The problem



The Micawber principle

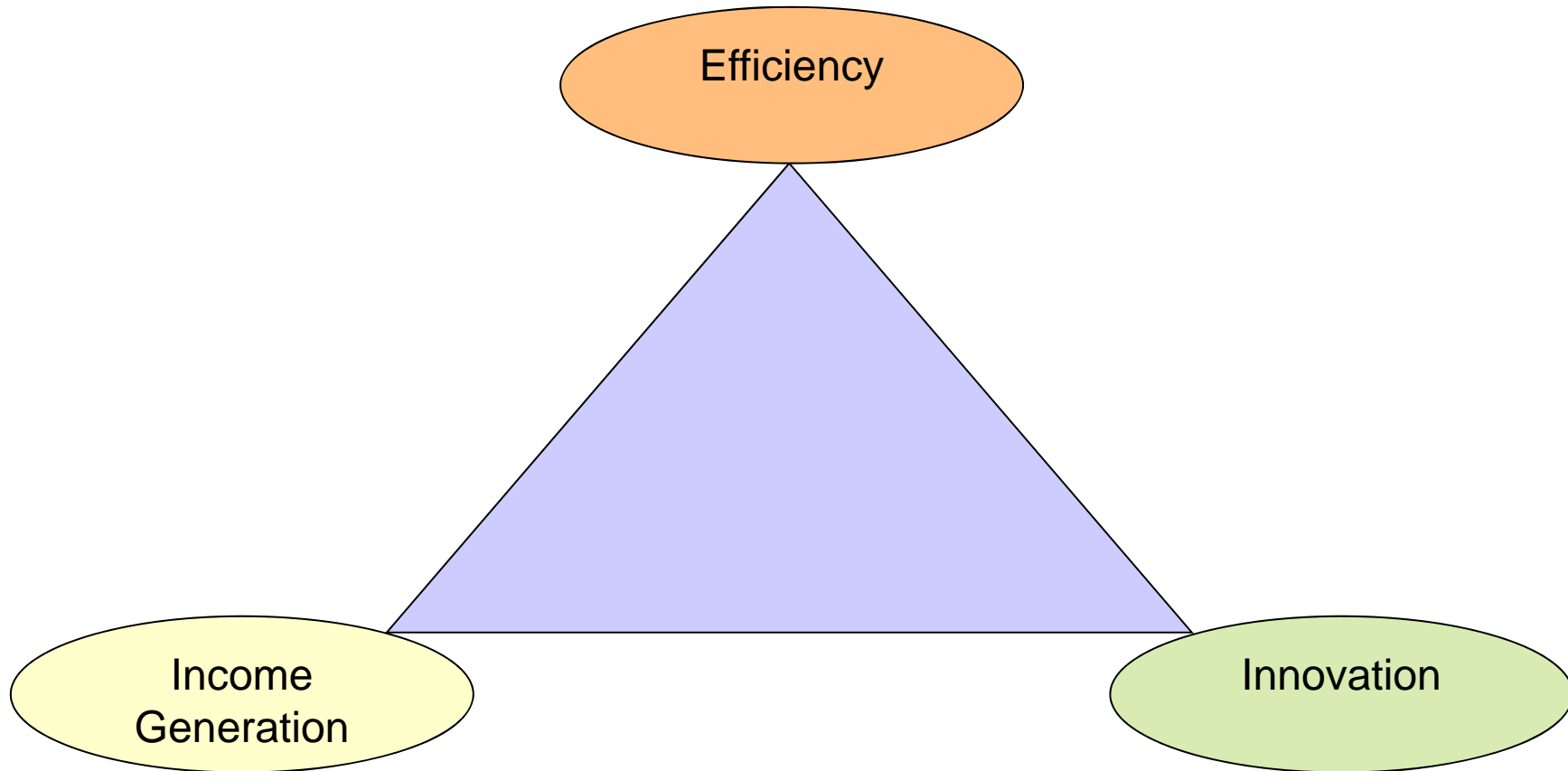
"Annual income twenty pounds, annual expenditure nineteen pounds nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."
(Dickens, David Copperfield, 1850)

What we are facing

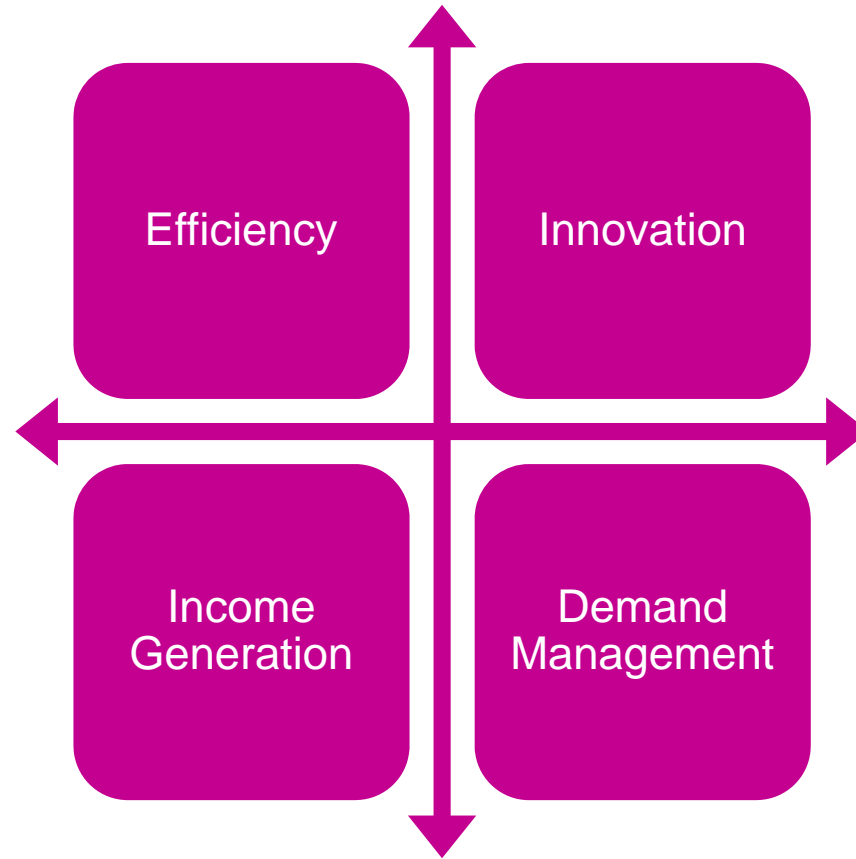


- Year on year reductions on top of year on year reductions
- A freeze in Council tax revenue
- Business rates?
- A drying up of capital finance
- Consultancy market place

Meeting the challenge



The pillars of excellence





APSE Services thinking

- Customer focused
- Removal of waste
- Collaborative redesign
- Shared services
- Performance and evidence
- Communicative
- Continuous Improvement

Key questions



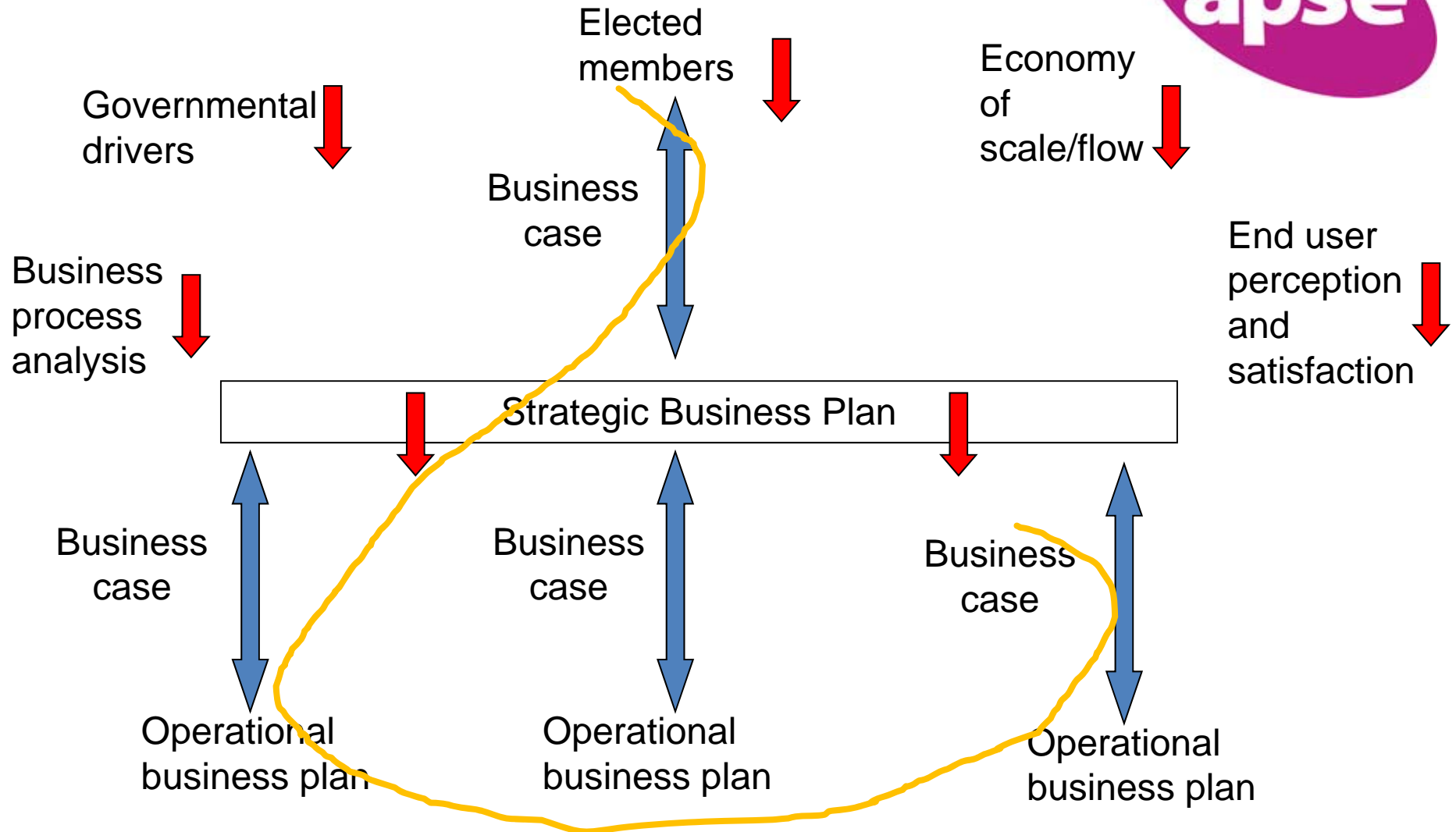
- What is the service for?
- Where does demand come from?
- Does it tackle root causes i.e. Could demand be reduced by doing something else?
- How predictable is demand?
- How much is failure demand and reworking?

Aims of services thinking



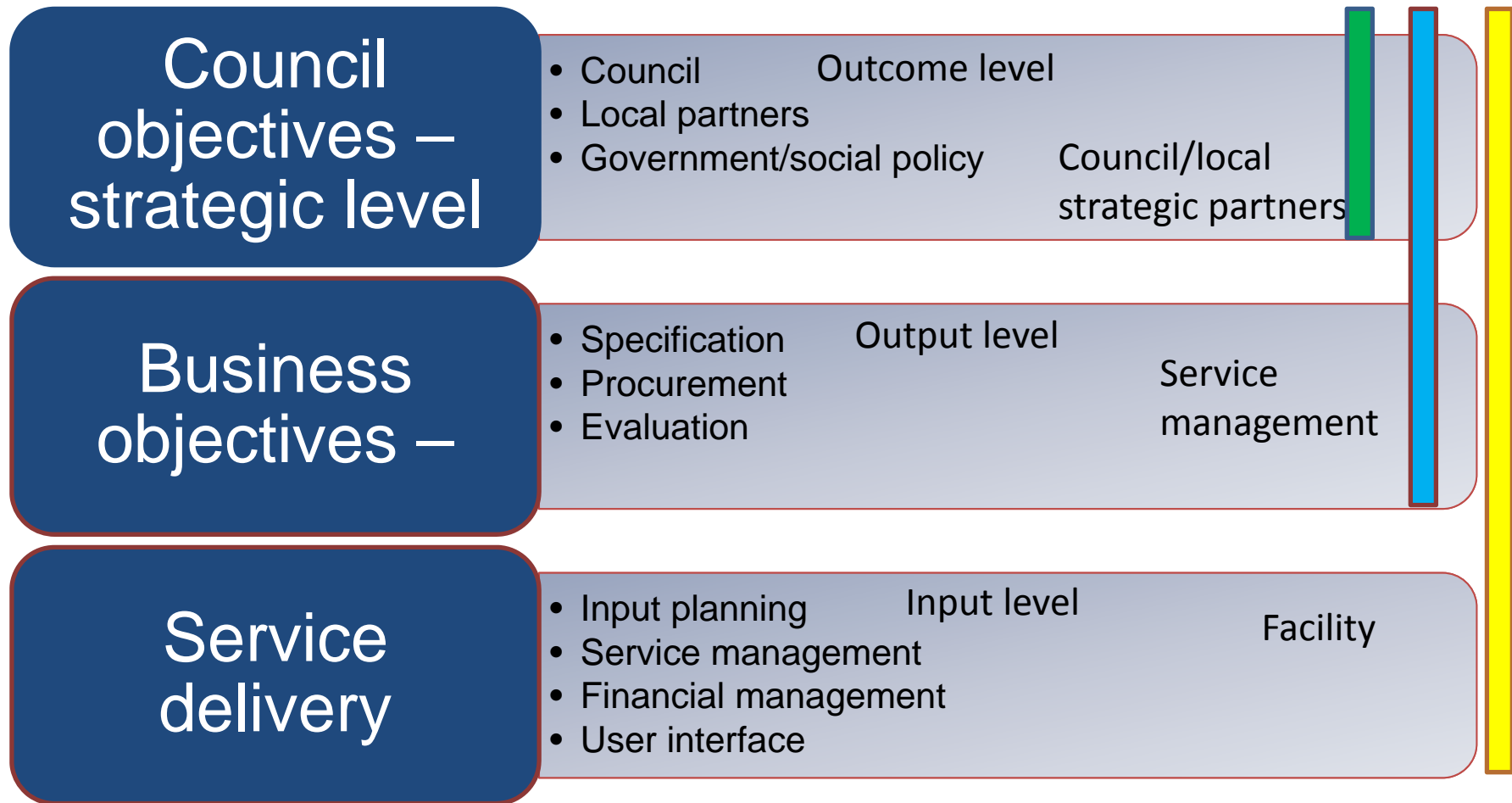
- Get people thinking in terms of end to end process
- Identify potential for reducing cost
 - Unpredictable demand
 - Failure demand
 - Duplication
 - Redundant process or activity

A business case driven approach



→ Process
→ Driver

Inputs, outputs and outcomes



Likely sources of saving



- Better resource utilisation
 - Reduced vehicle down time
- Reduced wages bill
 - Design overtime and shift payments out by designing against actual demand
- Improved business process
 - Remove hand offs and stop batching work
- Stop doing things that don't need doing
 - Cleaning clean streets
- Eliminate failure demand
 - Right first time approach

Making the books balance under budget pressure



- Traditional
 - Salami slicing of cost centres
 - Arbitrary staff reductions through ‘natural wastage’
 - Restructuring - see above
- Radical
 - Surgical amputation of service areas
 - Blind pursuit of scale economy

Limitations – Traditional Approach



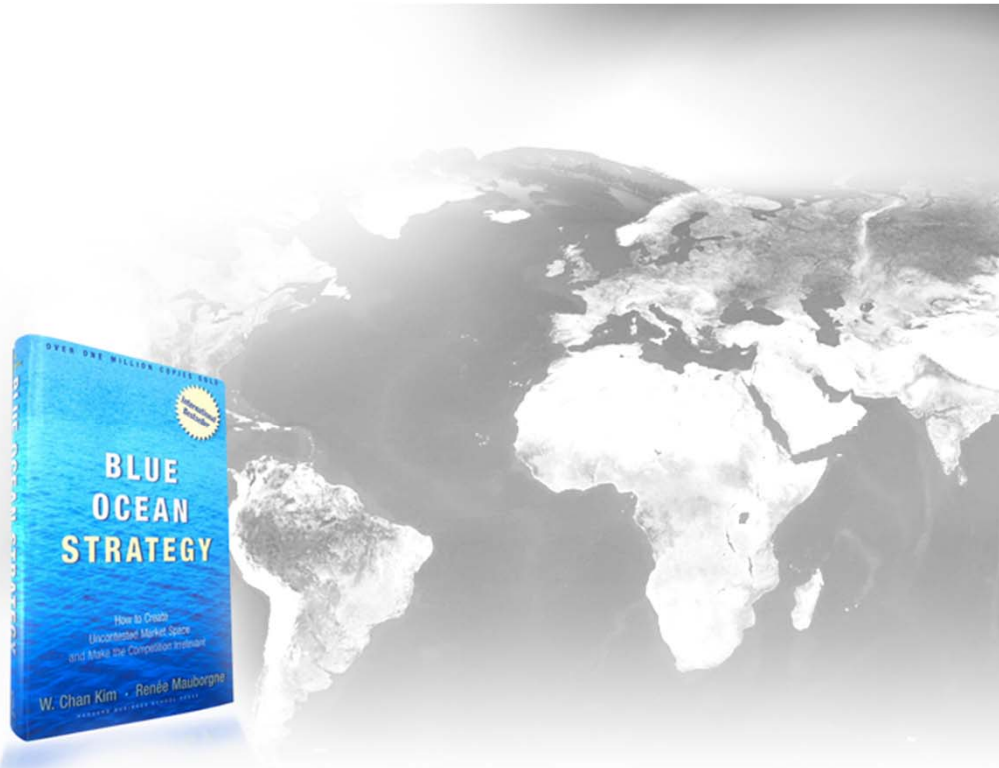
- Running out of salami
 - Spiral of decline
- Cuts in one area can be cost increases in others
 - Cut vehicle maintenance – increase cost of refuse collection
- Matching remaining staff to needs of services
 - And loss of experience and knowledge
- Unsustainable
 - Unless we change how we do things the underlying resources requirement will not change

Limitations Radical Approach



- Which street lights should we not replace/switch off councillor?
- Law of unintended consequences
 - Pot holes = more third party claims
 - No road repairs = no inward investment
 - No essential public services = higher per capita expenditure and greater inequality = greater demand for public services

Blue Ocean Strategy



**Key principles: W Chan Kim and
Renee Mauborgne
Blue Ocean Strategy Unit: INSEAD**



- Value innovation
- Thinking beyond competition strategy
- Creating new demand
- Finding uncontested market space
- Avoiding commoditisation of product

Types of businesses



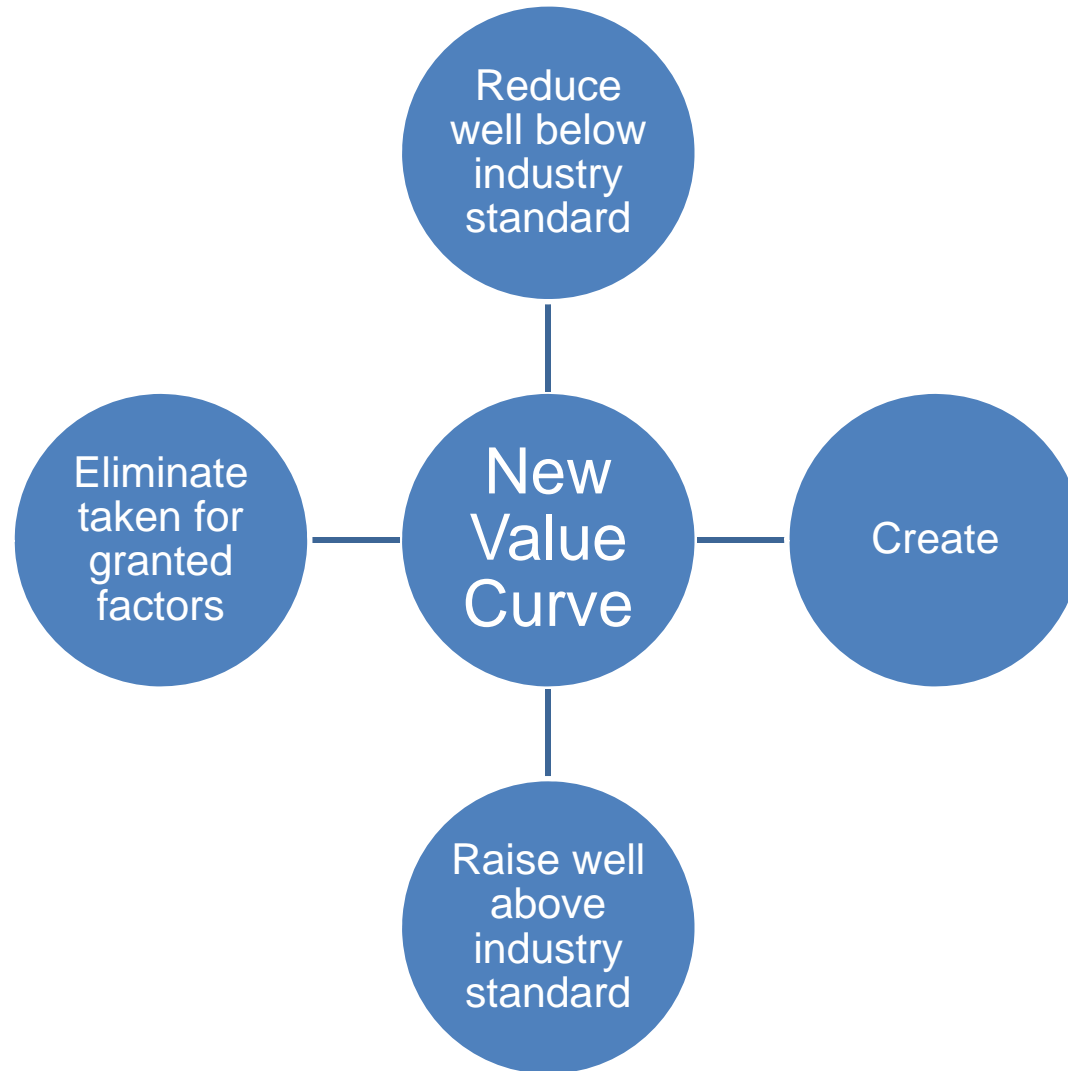
- Pioneers
 - Seeking blue oceans
- Settlers
 - Red ocean competitors
- Migrators
 - More for less

Key relevance to public sector

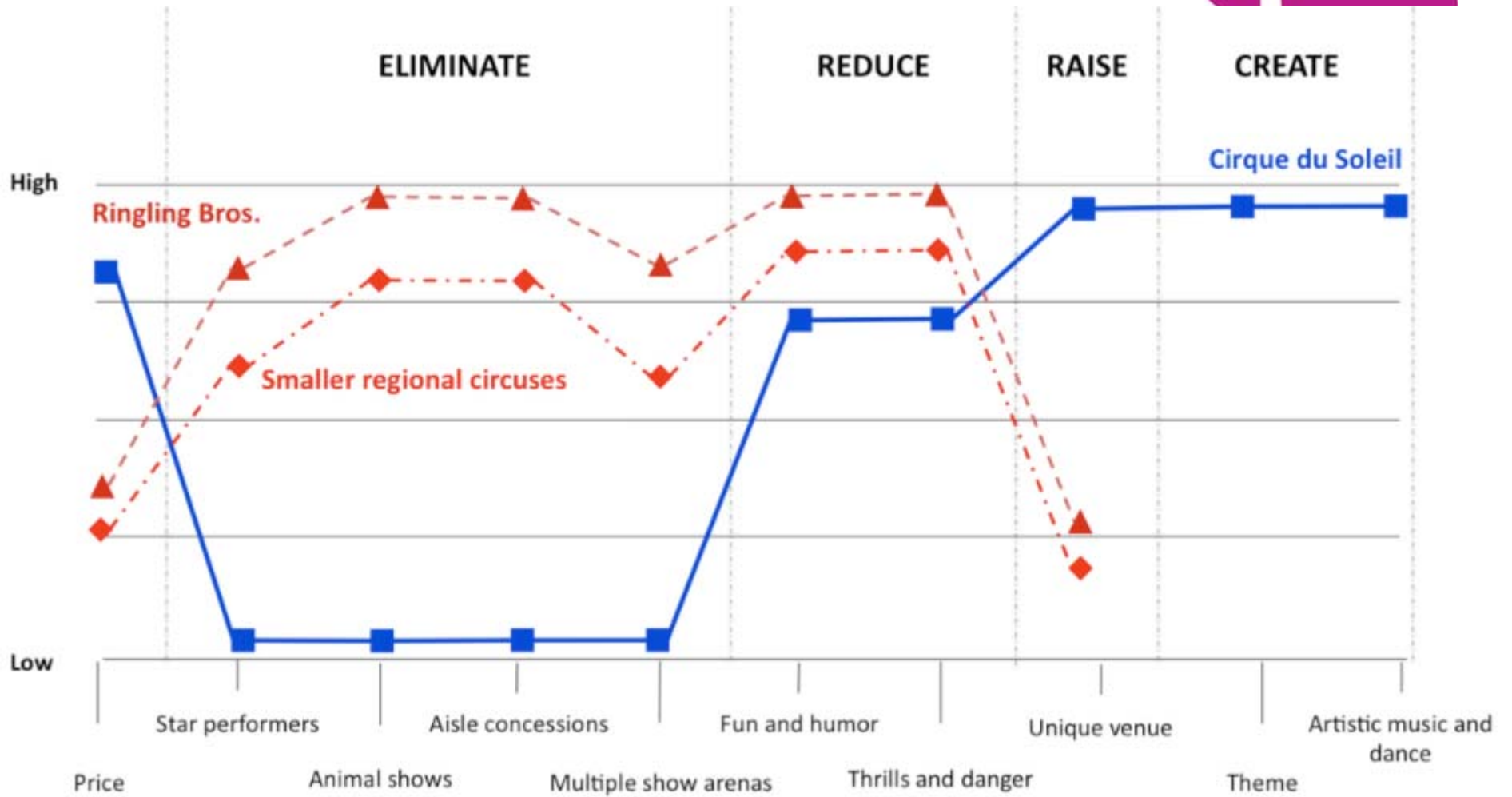


- Blue ocean is consciously concerned with demand side
 - Creating new demand
 - Managing demand through re-focussing
- Transcends marginal savings available on supply side
 - Competition and contestability theory focus on cost control and efficiency – not enough
 - Entrenches current approach to delivery

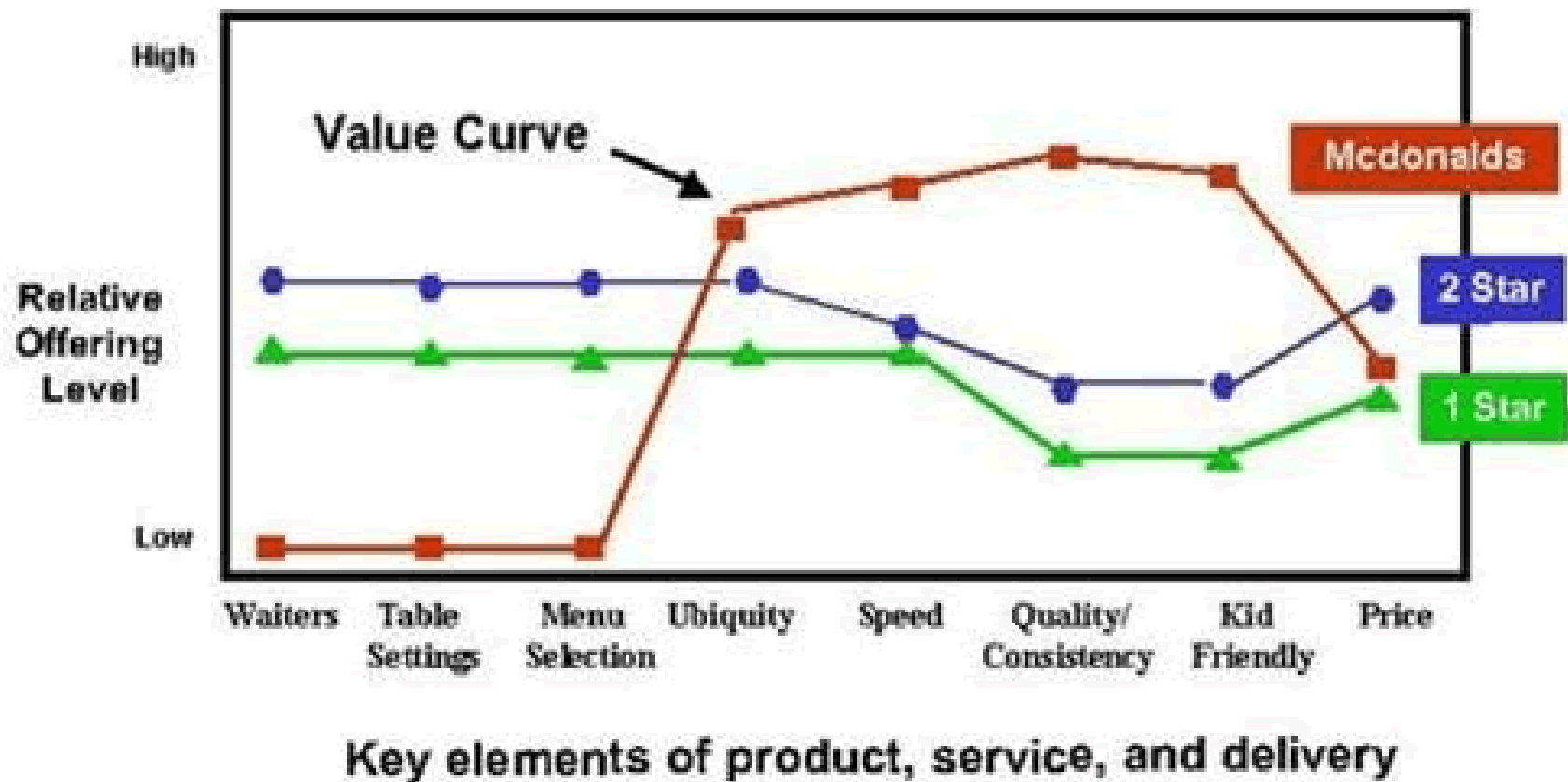
Action Framework



Value curve: Cirque du Soleil



Strategy canvas: McDonalds



Qualities of blue ocean strategy



- Focus
- Divergence
- Compelling tag-line

To reconstruct market boundaries



- Look across alternative industries
- Look across strategic groups within industries
- Look across the chain of buyers
- Look across complimentary product and service offerings
- Look across functional or emotional appeal to buyers
- Look across time

Making change happen



- Factors of disproportionate influence
 - People, acts, activities
- Fair process
 - Keeping the workforce on board
 - Stakeholder analysis (power/influence)
- Focus divergence
 - Functional to emotional
 - Demand chain
- Compelling tag line
 - Marketing

Making change happen



- Kingpins
 - Key organisational influencers
- Fish bowl management
 - Transparency
 - Inclusion
 - Fair process

Demand and the public services



- Demand in a non market system
 - No price mechanism
 - And demand is a bad thing right?
- Understanding where demand comes from
 - Individuals
 - Personal services
 - Society
 - Economic prosperity
 - Social well being
 - Public service is not philanthropy

What we've learned from Lean



- Efficiency means meeting demand in the most cost effective way
- Processes
- Work systems
- Tackling causes not symptoms
- Optimising use value of assets

But what happens if this is not enough?



- In manufacturing the answer is to increase demand for end product (or go bust!)
 - To increase revenue
 - To achieve optimum level of production
 - To reduce debt ratio
- In public services it must be to reduce demand
 - To reduce expenditure
 - To reduce input requirements
 - To reduce debt

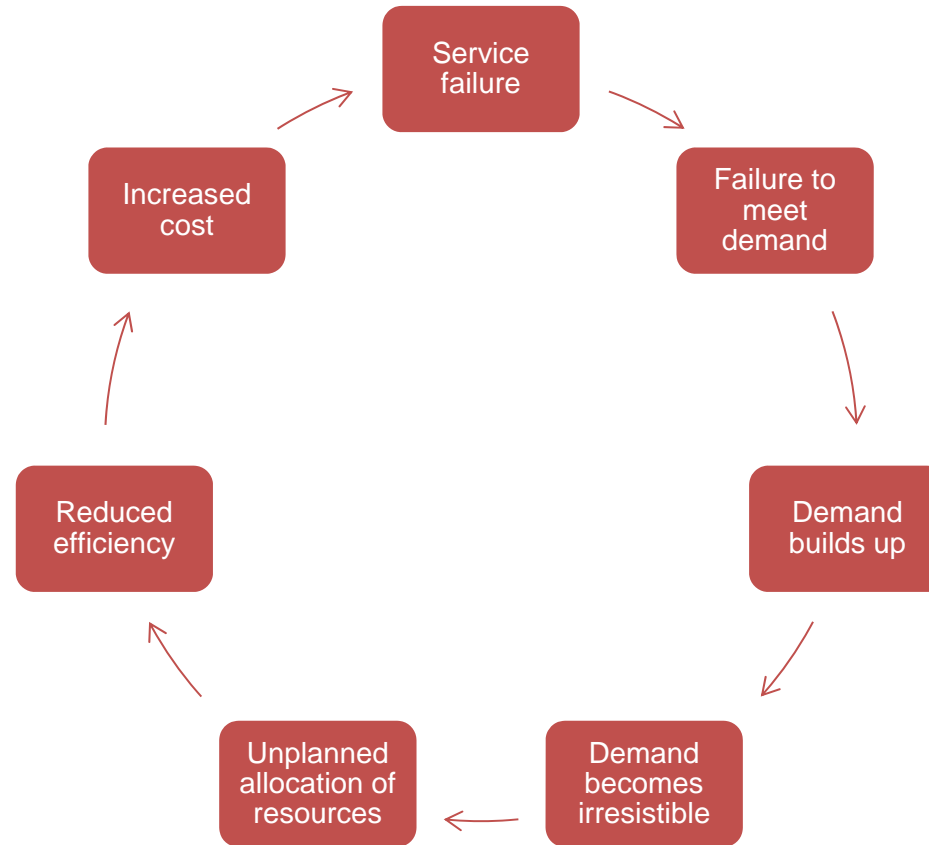
How can demand be reduced?



- Government cuts?
 - Impact of recession (and government cuts)
 - Mismatch between what government wants and what happens
- Government investment
 - Impact of growth
 - Less reliance on some services
 - But greater demand on some others
 - Clash with economic policy and fear of rating agencies

Assuming no increase in funds what can we do? - Failure is an option

apse



Or – can we reduce the failure threshold?



- Do we really know what the underlying demand actually is?
 - Knowing who the ‘customer’ is
 - Does consumerism cloud our judgement?
 - The importance of democratic control in avoiding pseudo markets
- Do we manage expectations effectively?
 - Publishing service standard
- Can we manage underlying demand down?

Managing demand down



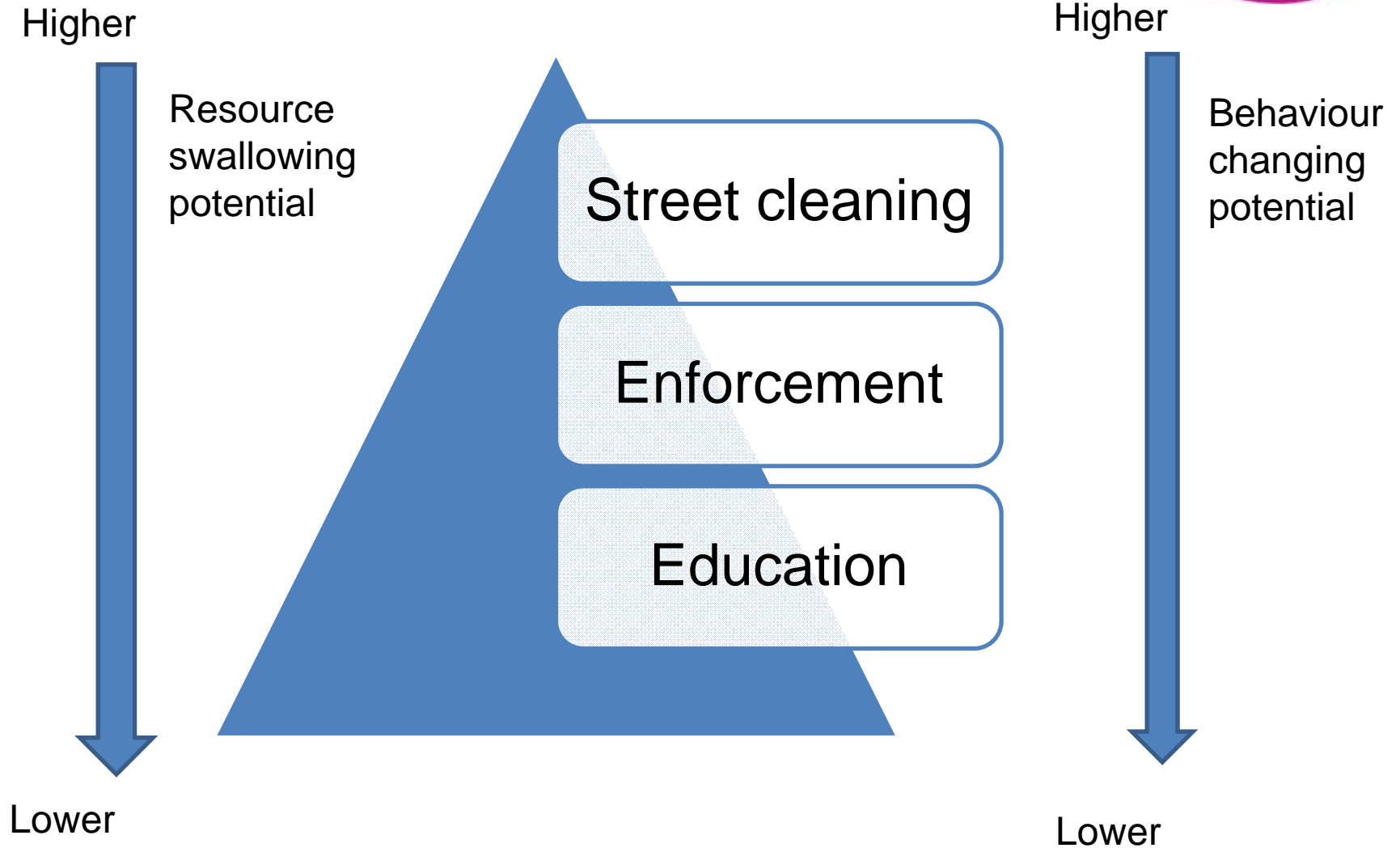
- Knowing what we are trying to achieve
- Inputs to achieve outcomes measured by outputs
- Separating cause from effect
- Tackling causes not symptoms
- Redirecting (rebalancing) expenditure
- Involving volunteers

An example: Street Cleaning

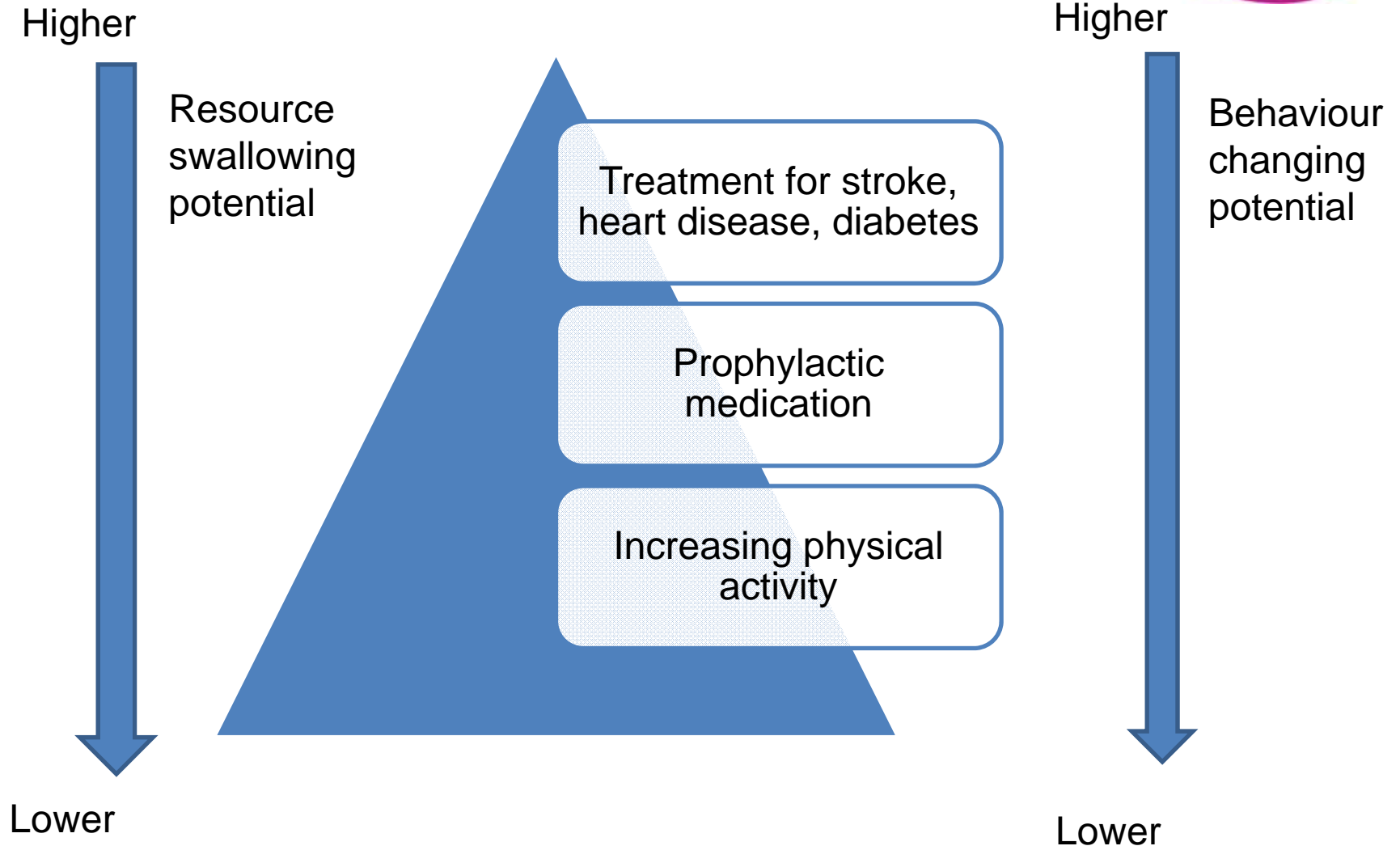


- What are we trying to achieve?
 - Street cleaning or
 - Clean streets
- And why – outcomes?
 - Public health?
 - Economic development?
 - Pleasing the small percentage of people who complain?

Tackling cause not symptoms: changing behaviour



On a bigger scale: tackling causes saves money



There are alternatives that still meet outcome requirements



- Refuse collection
 - What? – effective removal of domestic rubbish
 - Why? – public health
- So, why do we have to have bins outside every house collected once a week?
 - Because that is the current demand
- Could it change and still meet outcomes?
 - It already has – back door to kerb side collection
 - Could we move to communal bins?

Well, could we?



- Learning about the need to change underlying demand?
 - Fortnightly collection
- The essential role of elected members
 - Demand is a political issue
- Public not personal service
 - Keeping sight of the required outcomes

Challenges



- We cant afford to fail
- And we must therefore be as efficient as possible
- But we will need to try and reduce demand
- Tackling causes not symptoms
- Clarity about what we are trying to achieve
- Gaining support (i.e. changing demand) for new ways of doing things



www.apse.org.uk

The new Cleaning Vehicle

Examples of charging & trading powers



- Civic Restaurants Act 1947
- s.45 Environmental Protection Act 1990
- s.19 Local Government (Miscellaneous Provisions) Act 1976
- s.145 Local Government Act 1972
- s.150 Local Government & Housing Act 1989
- s.32 Local Government (Miscellaneous Provisions) Act 1976
- s. 38 Local Government (Miscellaneous Provisions) Act 1976
- s.45 Road Traffic Act 1988
- s.11 Local Government (Miscellaneous Provisions) Act 1976

The Goods and Services Act 1970: A power to do and a power to charge



“...any public body...supply of goods or materials...provision...of any administrative, professional or technical service”

“use of vehicle, plant or apparatus” and appropriate staff

“works of maintenance” – not new build

- Not limited to “spare capacity” – YPO case
- Express charging power, but must be public body
- Can make a profit
- Separate account

Developing Framework



Section 2 Local Government Act 2000

- Anything likely to promote economic, social or environmental wellbeing
- Limitations on use
- Local Government Act 2003
 - S93 Charging Power
 - S95 Trading through a company
- Localism Act 2012
 - General power of competence

“Council spends £1m on its own quarry”

This is Cornwall

CORMAC Aggregates and Recycling



- The Quarry offers the following range of products:
- Full range of coated macadam to BS EN 13108:2008 formally BS4987-1:2005
- AC32 AC20 AC14 AC10 and AC6 at various pen
- Porous asphalt surface course mixtures 20, 10 and 6
- Stone mastic asphalt 14, 10 and 6
- Design mixes available on request



Telford & Wrekin Council



- In 2007 – faced with increasing road repair costs and needing a cost-saving solution – Telford and Wrekin Services, the DLO responsible to the borough, commissioned Nu-Phalt's thermal repair system. An initial trial proved successful, offering seamless repairs without compromising on quality or longevity. Four years on the Nu-Phalt process is still successfully servicing the borough, with savings of at least £5 per square metre over traditional methods.

London Borough of Croydon

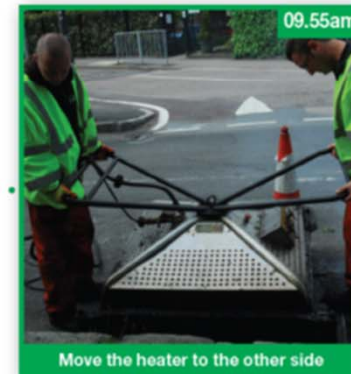
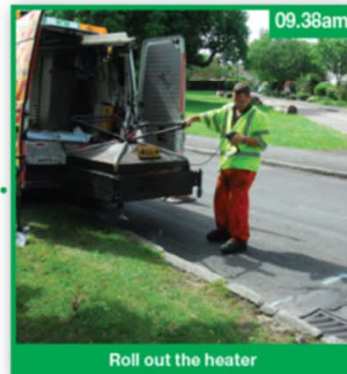


“ We reuse most of the existing road material on-site and need to add only a small amount of fresh material to each repair. There are no noisy compressors, and the system cuts the number of vehicles and staff involved in each repair. ”
Tony Whyatt

motorists' blues



New road repairing kit, currently on trial on the borough's roads, drastically reduces the time it takes to make good the damage done by the Arctic conditions that swept the country last winter.





**Total time:
39 minutes**



Applications



Reactive Maintenance / Cat 1 Defects

Planned Defects

Potholes

Joint Failures

Metal work

Utility tracks

Cracks & Cracking

Consequential Damage

Crowning / Depression in Carriageway

Footpaths



System capable of repairing a wide range of defects



World 1st - Innovative heat technology combined with single vehicle solution



- Unique NIT technology delivers a pulsed heat cycle to penetrate wearing course
- System has been BBA HAPAS approved as permanent hot patch repair for 5 years
- New Code of Practice ratified by ADEPT
- Supports HMEP right first time philosophy
- Seamless joint negates future water ingress
- System acknowledged by HSE with H&S award for innovation
- 30 x Nu-phalt system in operation throughout the UK



*Cheaper and more sustainable
alternative to traditional repair methods*

Understanding Demand



‘Giving the people what they want is fundamentally and disastrously wrong. The people don’t know what they want...(Give) them something better’

Samuel ‘Roxy’ Rothapfel



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