

Leaner and fitter

Boosting productivity in public services



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Acknowledgements

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Foreword



Our public services face a significant productivity challenge. The story of the past decade was one of decline. While benefiting from hugely increased levels of investment, the productivity of the NHS, education and other important public services edged downwards – a stark contrast with rising trends across the wider economy.

We know that in the years ahead there will be much less money available for investment in public services. Every penny spent must secure value and deliver the quality public services that citizens expect. This will require across-the-board increases in productivity – maintaining or improving outcomes, while using less in the way of human and other resources. In this respect, the story of this new decade must be one of continuous improvement.

Recognising the need for improvement is the simple part. The big question is about how best to achieve it. We could take a top down approach and say that each part of the public sector must cut its budget by an arbitrary amount – salami slicing by cutting jobs, costs and overheads. This might improve the bottom line but it would be very unlikely to improve quality.

To improve quality as well as cutting costs, we need to think and act smarter. This CBI report captures examples of the good practices that independent sector providers – working with their public sector partners – are using to develop more productive public services and deliver the outcomes that citizens want. While the routes to

higher productivity are varied, all our case studies have in common the understanding that it is an organisation's people that are central to its productivity record. Productivity improvements happen through engaging staff in new ways of working, ensuring their buy-in and enabling them to utilise their potential.

With this in mind, we have identified ten essential principles that are relevant to all those public service organisations that want to improve their levels of productivity. We wouldn't for a moment suggest that applying the lessons is a simple matter, but it can be done. And the case studies featured here show how valuable the involvement of private and third sector providers can be in shaping higher productivity approaches to the delivery of good quality public services.

Our evidence provides a compelling case to the new government. The productivity challenge is central to economic recovery, and finding solutions must be at the top of any credible plan for getting a grip on public finances. By drawing on our ten-point checklist, the new government can start its first year as it must continue.

A handwritten signature in blue ink, which appears to read 'Richard Lambert'.

Richard Lambert
CBI director-general

Overview

In a prosperous modern economy, citizens rightly expect to have access to properly funded, high-quality public services. But in the years ahead, those services are going to be under intense pressure to achieve savings on a substantial scale as part of rebalancing the public finances. The central message of this report is that improved productivity in public services can and should make a major contribution. The experience of the case study organisations covered in this report shows public services can be leaner and fitter without damage to quality.

Restoration of public finances is essential in the years ahead. The CBI has already spelled out its views on the scale of action needed, the urgency of a credible strategy to achieve this and the importance of rethinking public services as part of the process.¹ Improving productivity has a central role to play. In this report we:

- Assess recent trends in productivity in the public services
- Outline the key areas for action to boost productivity
- Provide detailed case studies of initiatives to increase efficiency and raise productivity in a wide variety of organisations delivering public services, showing how improvements can be achieved.

The scale of the productivity challenge

- In recent years, the track record of the public services as a whole has been deeply disappointing. While manufacturing and private sector services have improved productivity year by year, public services have been heading in the opposite direction, with an average decline of 0.3% a year during the decade to 2007
- Taking public services as a whole, the extra resources committed by taxpayers in recent years have not resulted in proportionate gains in volume and quality of services. Instead, those resources have been used with decreasing efficiency
- If public service productivity had increased by just 1% a year over the decade to 2007 – roughly in line with the wider economy – spending on those services could have been £31bn a year lower by 2007-08 without loss of quality
- The trend of declining productivity has to be reversed – resources need to be used more efficiently, not less.

Responding to the challenge

On the basis of the case studies and other discussions, ten key lessons for improving productivity in public services have emerged, pointing to the importance of:

- **Clarity about purposes and intended outcomes** – Many public services have grown up over decades, with the result that it can now be hard to give a simple answer to the question: what are we here for? The case studies highlight the value of thinking through the answer to that question to provide an explicit focus for activities – and to stop doing those things that don't contribute. Clarity of purpose – and the better definition of responsibilities flowing from that – can be important in helping make an organisation's mission clear to staff
- **Having the right managers in place with explicit accountabilities** – A second question that can often be hard to answer in the public services is: who's responsible for managing this activity? Public sector bodies tend to have more layers of management with narrower spans of control and weaker accountability than is usual in the private and third sectors. An essential change in several of the case studies was slimming down the management team and tighter definition of responsibilities

‘The trend of declining productivity has to be reversed’

- **Generating a positive climate for change** – The language of ‘productivity’ can all too easily seem negative to employees. The case studies point to the need to engage staff in terms that resonate with them. Staff understand the importance of making best use of available resources and usually welcome the chance to gain and use wider skills
- **Engaging and empowering staff** – The case studies show the value of engaging staff and their representatives in the change process from the earliest stages. Employees are much more likely to adopt new ways of working if they are involved in shaping them. Frontline staff also often know best where savings can be made. A recurring theme is the value of empowering managers and staff to use their judgement and trusting them to apply their solutions
- **Readiness to rethink processes and jobs** – A key feature of many of the case studies is the elimination of unnecessary processes and duplication of effort, applying ‘lean’ thinking. Rethinking job content – and creating new types of jobs – can also be an important part of new processes
- **Using new technology effectively** – Applying technology effectively can play an important part in boosting productivity. The changes of technology in the case studies involve practical application of systems with relatively limited objectives such as remote/shared access and ensuring data is captured only once
- **Managing performance actively and helping employees develop their skills** – Many of the case study organisations revamped people management as an integral part of the productivity improvements. Increasing the sense of ‘ownership’ and personal responsibility among employees is central to some. Several feature a more active approach to performance management. For people to work more effectively and apply new techniques, they often need new skills, so training and development initiatives can be required as well as steps to spread good practice
- **Using measures that improve processes – and hence outcomes – rather than relying solely on targets** – The unintended adverse consequences that can result from excessive reliance on targets are well recognised. The lesson to emerge from the case studies is that measurement is of great importance, but it has to be done in ways and at stages that contribute to improving processes, which in turn lead to better outcomes. Mapping and measuring processes to see what really happens and finding what people actually spend their time doing can be of great value
- **Recognising small changes can make a big difference** – Small changes can signal to employees that an organisation is taking a fresh approach, setting the tone for improvements in productivity. In the same way real improvements in productivity are ultimately achieved in local units and departments by individuals doing things differently. Collectively, those small changes can add up to big improvements
- **Protecting outcomes, not budgets** – In the debate about future public finances, there has been an emphasis on ring-fencing particular budgets. But what matters to users is the availability and quality of a service, not the budget. One lesson above all that emerges from the case studies is the scope to improve productivity. They include examples where the same services are being delivered but at an annually reducing cost, so productivity improvement becomes part of the way of life. The case studies show the process is best approached as a journey, not a one-off change.

Case studies of practice

The detailed case studies featured in the report span a wide variety of public service activities, localities and sizes of organisation. The organisations have been selected to illustrate a variety of approaches taken in different public service settings to improve productivity performance and the results that can be achieved.

Higher productivity – necessary but not sufficient

The focus of this report is on transforming services to raise productivity and reduce costs of service delivery. This has an essential part to play in rebalancing the public finances, but on its own it is not a complete solution. Steps to raise productivity in public services must go hand-in-hand with other measures:

- Ensuring best value in public service provision by applying competition and operating fair and transparent markets
- Using new models of commissioning and delivery to bring about innovation, drawing on the experience of public service providers elsewhere in the world
- Improving procurement mechanisms and value-for-money assessments to put the emphasis on outcomes.

The productivity challenge

Improving productivity performance is essential for economic growth and prosperity. But while the UK achieved overall growth in productivity from the mid 1990s until recession struck in mid 2008, that growth was very unevenly spread. While the market sector – manufacturing and services alike – grew productivity fairly steadily, the productivity of key public services declined during the decade to 2007. If their productivity had risen by 1% a year – broadly in step with the market sector – the cost of public services by 2007-08 would have been £31bn a year lower.²

In this section we outline the scale of productivity challenge facing our public services. The need for improvement was highlighted in 2009 when the Office for National Statistics (ONS), published its assessment of productivity trends in the major areas of public services.³ The results show a decline in productivity for most years between 1998 and 2007 (the techniques for measuring productivity are outlined in the annex). This section looks at:

- The importance of public services productivity
- What the latest ONS statistics tell us about the decline in public services productivity
- The extent to which public services productivity performance has been falling behind the market sector
- The compounding effect of faster rising input costs to public services
- The need for action to secure productivity improvement.

Improving productivity in public services is essential to the UK economy

A country's ability to raise the standard of living over time depends almost entirely on its ability to raise output per worker. Quite simply, improving productivity generates better living standards. An increase in productivity involves increasing the amount and quality of output without a corresponding increase in labour and other inputs – in other words, making better use of the available resources.

Public services account for more than a fifth of gross domestic product. If such a large part of the economy is achieving no or negative growth in productivity, the result is to drag down the rate of productivity improvement for the economy as a whole. It means there is no increase – or a decline – in the efficiency with which those resources committed to the publicly-funded part of the economy are used.

That would be an important issue at any time, but it is given added urgency by the current state of the UK public finances. The CBI has highlighted the critical importance of a credible strategy to restore the public finances, pointing to the need for radically redesigning public services if the necessary savings are to be achieved and quality maintained or improved.⁴

Exhibit 1 Public service outputs, inputs and productivity 1998-2007 (Annual % change)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Average
Volume of output	1.6	2.1	3.6	3.2	4.5	4.2	3.7	2.7	2.6	1.3	2.9
Volume of input	1.3	2.8	4.6	2.8	5.9	5.7	4.0	3.4	2.0	0.6	3.3
Productivity	0.2	-0.7	-0.9	0.4	-1.2	-1.4	-0.3	-0.6	0.6	0.6	-0.3

Source: ONS

Exhibit 2 Productivity estimates by public service 1997-2007

	Health	Education	Adult social care	Social security admin	Child social care	Public order & safety	All other*
% of govt spending 2007	31.5	19.3	6.4	1.5	2.4	4.2	34.6
Average annual change in productivity	-0.4	-0.4	-0.4	1	-2.3	-1.8	0.0**

Source: ONS

*Includes police services and defence ** As outputs are treated as equal to inputs

Productivity on a declining trend

The estimates published by the ONS in June 2009 show marked fluctuations in annual public services productivity changes in the period 1998 to 2007. But taking the period as a whole, they show an average annual decline of 0.3% (**Exhibit 1**).

The rapid increase in public spending after 1998 is reflected in the rising volume of inputs, reaching a peak increase of 5.9% in 2002. The volume of output generated by this extra spending also rose but at a slower rate, so productivity declined over the period. The ONS cautions that there can be time lags between an increase in inputs and a resulting increase in outputs, so it is unwise to look at individual years in isolation. For example, it can take time for improved medical equipment or techniques to be used to their full potential.

Within public services, healthcare and education (excluding universities) together account for more than 50% of all public spending, so the trends in these sectors are particularly important (**Exhibit 2** shows the results). The sectoral productivity figures cover service provision from all sources, whether provided directly by public sector organisations or by private and third sector suppliers.

The biggest decline in measured productivity (-2.3% a year) was in children's social care – a relatively small area of public service spending – but this result needs to be treated with extreme caution. There has been a big shift away from residential care to fostering and adoption, together with an expansion in social services departments handling these and other child protection activities. The nature of the service has therefore changed substantially. The result has arguably been a step improvement in quality of care, but quality adjustments are not yet being applied for this sector.

By far the biggest contributor to the fall in public service productivity – and one that takes account of quality – was healthcare. This sector accounted for more than a third of the total decline in productivity over the period. In education, the massive commitment of extra resources – up by 31% in the decade to 2007 – improved results measured by pupil attendance and GCSE exam results. But the improvement in these outcomes failed to match the growth in resources invested, leading to a fall in productivity.

The only area to show an improvement in productivity over the 1997-2007 period was the administration of social security, with an average annual increase of 1%.

Exhibit 3 Estimated changes per unit of public services output 1997-2007
(Cumulative % change)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Annual average
Input per unit of output	-0.2	0.5	1.4	1.0	2.3	3.8	4.1	4.8	4.1	3.5	0.3
Relative price per unit of output	0.3	2.8	4.2	6.1	6	6.3	7.7	8.2	9.9	9.8	0.9
Relative cost per unit of output	0.1	3.2	5.7	7.2	8.4	10.3	12.2	13.4	14.4	13.7	1.3

Source: ONS

Public services productivity performance trails the market sector

Productivity can be measured in different ways. The method used by the ONS for the public services is termed ‘multi-factor’ or ‘total-factor’ productivity.⁵ This brings together productivity from a variety of sources, combining:

- Labour productivity, generated by people working more efficiently, or using equipment better
- Capital productivity, resulting for example from more intensive use of technology, better use of buildings, improved IT systems
- Other productivity improvements, produced for example through organisational change, better management or development of new materials.

Much of the comment about public service productivity has overlooked the fact the ONS figures are based on multi-factor productivity (MFP). Comparisons have been made only with changes in labour productivity (output per employee) in the market sector.⁶ Labour productivity tends to increase more rapidly than other forms because no adjustment is made for increasing capital quantity and quality over time.

But while there may have been confusion about the precise comparisons, the trend is not in doubt: analysed on an equivalent basis using MFP, the data shows productivity growth in the public services trailing behind productivity increases in the market sector. In the market sector, MFP growth averaged 1.1% annually in the period to 2007. MFP growth for the whole economy averaged 0.8% a year, pulled down by negative productivity growth in public services.⁷ Despite huge investment in IT and other capital expenditure designed to improve results – as well as vastly increased spending on staff – public services failed to improve their efficiency.

Escalating costs of public services

At the same time as productivity declined, the costs of inputs to public services rose more rapidly than those across the economy as a whole, producing a compounding effect.⁸ The costs of inputs to public services include pay rates as well as the cost of bought in goods, equipment and services. Between 1997 and 2007, the price of inputs to public services rose by 9.8% more than prices across the whole economy – equal to 0.9% a year.

When these two negative trends are put together, the result is a sharp rise in the cost of each unit of public service output, such as each health procedure performed or school pupil taught. Over the period 1997 to 2007, the unit cost of public service output in total grew by 13.7% more than unit costs for the whole economy. That was equivalent to an annual rise of 1.3% in the cost of each unit of public services relative to all units of output (**Exhibit 3**). Only in 2007 did the cost of the average unit of public sector output rise less than costs across the economy in general.

Broad indicators rather than exact measures

Although the ONS has made great progress in developing measurement of public service productivity, the results are best seen as indicators of trends rather than exact measures. The ONS itself describes the results as ‘estimates’. In interpreting the figures it is important to recognise:

- **The limitations of measurement:** The development of public service productivity measurement is very much a work in progress. A third of public services are not yet measured on an output basis and quality measures are in place only for health and education. Even here, the measures are inevitably approximations. In education, for example, the quantity of output is measured by days of pupil attendance while quality is based on

‘This growing waste of resources has to be tackled urgently’

GCSE results. If improvements are made at primary school level, they will take a long time to show up in GCSE results. And if the improvements relate to some desirable outcome not captured in exam results, they will not currently show up in the figures at all. The limitations underline the importance of treating the statistics as broad indicators

- **Improvements in productivity may have other causes:** Apparent increases in productivity may be a result of changes other than improved delivery of a public service. GCSE results, for example, may improve because private tuition becomes more widespread or healthcare outcomes may improve because a more effective drug is developed. The ONS endeavours to adjust output data to take account of external factors but there is inevitably imprecision
- **Not a simple private v public sector productivity comparison:** The public service productivity data relates to all services financed by the government or other public bodies. For example, productivity in healthcare measures the performance of private and third sector healthcare suppliers rolled in with the results of NHS bodies, although NHS provision dominates. Comparisons of the market sector with public services are based on the industrial sector in which the activity is undertaken, not the nature of the organisation carrying it out.

Lack of clear public service objectives poses a challenge

An essential element of developing effective measurement is clarity about desired results so the right activities can be measured. These are often lacking in public services.

The main public and political interest is in overall outcomes rather than specific outputs – for example in improving the health of the population, not the number of people who attend a smoking cessation class in a given period. This is more than simply a technical matter about measurement systems. As we show in the next chapter, it raises bigger questions about what particular public services are trying to achieve and the need to define this. Allocating resources, managing them effectively and measuring outcomes depends on clear purpose.

Diminishing returns from committing extra resources

As ever more resources have been committed to public services, it becomes increasingly likely there will be diminishing returns on the extra inputs – in other words, productivity will decline. If, for example, shorter waiting times mean patients with less severe symptoms are treated, they are likely to receive less benefit from treatment, so the measured output is less. Or more resources may be committed to adding extra treatments to those already being provided for those people with the most complex, intractable health problems. Given the potentially infinite demand for services free or virtually free at the point of delivery, policy makers face hard decisions on the limits of public service provision.

Time to close the productivity gap

While recognising the limitations of the ONS public service productivity statistics and the evolving measurement techniques, they do provide a broad indication of patterns and trends.

The central message of the data is that the extra resources committed to public services since the late 1990s have not resulted in a proportionate gain in volume and quality of services for users. Each extra pound spent has been working less hard than the previous one. A widening gap in productivity performance between the public services and the market sector has opened up. This would in any event warrant action, but the urgency of the issue is greatly magnified by the state of public finances.

If public service productivity had increased in line with multi-factor productivity in the rest of the economy in the decade to 2007, spending on those services could have been £31bn a year lower by 2007-08 without loss of quality. This growing waste of resources has to be tackled urgently.

Responding to the challenge

The case studies in this report cover an enormous range of public service activity, from healthcare and education to defence services and scientific research. But while the activities are diverse, shared lessons emerge on how to achieve improvements in productivity.

Productivity is about people – how engaged they are as employees, how they are managed day-to-day, how they use technology and apply their skills, how far they try doing things differently. The reality is that the optimum functioning of work systems and processes, technology and buildings depends on the workforce. To boost productivity, ten key principles emerge from the case studies, highlighting the importance of:

1. Clarity about purposes and intended outcomes
2. Having the right managers in place with explicit accountabilities
3. Generating a positive climate for change
4. Engaging and empowering staff
5. Readiness to rethink processes and jobs
6. Using new technology effectively
7. Managing employee performance actively and helping develop their skills
8. Using measures that improve processes rather than relying solely targets
9. Recognising small changes can make a big difference
10. Protecting outcomes, not budgets.

1. Clarity about purposes and intended outcomes

Many public services have grown up over decades, with the result that it can now be hard to give a simple answer to the question: what are we here for? The case studies highlight the value of thinking through the answer to that question to provide a focus for activities – and to stop doing those things that don't contribute.

At the National Physical Laboratory (NPL), for example, creation of the new government-owned, contractor-operated (GOCO) organisation gave the stimulus to make explicit for the first time NPL's strategic aims and purposes. Formulating these, with their focus for example on the conduct of excellent science and world-class metrology, opened the way to developing a series of measurement processes to assess and improve the organisation's performance in a way that had not happened before. It also helped make the NPL's mission clear to staff.

Separating out particular service activities can play an important role in clarifying aims and raising productivity. In transforming adult social care in Suffolk, the Customer Services Direct (CSD) partnership took over handling urgent responses and the conduct of most initial assessments, enabling its teams to specialise in those activities and freeing up area social work teams to concentrate on longer-term, complex work with clients. In Bedfordshire, the contract with Amey separated management of road works involving utility companies from other local authority road responsibilities. Creation of a team specifically focused on this activity for the first time has reduced local authority operating costs and improved performance.

Clarity of purpose – and the better definition of responsibilities that flows from that – can make a big difference. Otherwise, as one interviewee put it, "It can be all too easy for other people to assume that somebody else is doing it if you share the job around."

The benefits of clear purpose and separation of activities show up in healthcare too. The cost effective, high quality outcomes of Interhealth Canada's independent treatment centres (ISTCs) can in part be attributed to the focus on a relatively narrow set of patient needs. In Newham, the community matron scheme applies focus in a different way. The community matrons act as case managers for an allocated group of patients with long-term health problems, establishing a single point of contact in relation to other agencies – such as social services – as well as healthcare. Again, however, the end result is a more cost-effective and improved service.

2. Having the right managers in place with explicit accountabilities

A second question that can also often be hard to answer in the public services is: who's responsible for managing this activity? Public sector bodies tend to have more layers of management with narrower spans of control and weaker accountability than is usually the case in the private and third sectors.⁹

An essential change in several of the case studies was slimming down the management team and tighter definition of their responsibilities. At Faslane naval base, for example, Marine Division at Clyde reduced the size of the management team by about half, slimming eight tiers of management to a maximum of four, and in many parts of the business, to three. The organisation has also moved to greater professionalisation, switching from a generalist approach to recruit specialist managers for functions such as finance, IT, project planning and HR. Similarly at NPL, there was a move to a leaner, more specialist management team involving less bureaucracy, freeing up scientists to concentrate on science. The number of project managers, for example, was cut from over 200 to around 40 and their accountabilities clarified.

As well as the benefits of faster decision making, better leadership, lower costs and clearer accountability, reducing layers of management improves communication with employees, increasing the likelihood that messages and objectives will reach all employees rather than getting lost en route. There is also less risk of employee feedback being distorted or lost.

3. Generating a positive climate for change

As one interviewee put it, particularly among those employees dealing with vulnerable users of public services, "There's a language challenge – the word 'productivity' does not mean anything to them in a real sense but means negative things because there's a sense that you are trying to liken patient care or family support with widgets." More generally, steps to improve efficiency can all too easily be condemned as 'cuts', regardless of the actual impact on service users.

Time and again in the case study organisations, managers pointed to the need to engage staff in terms that resonate with them: "The language of the production line is not going to make your average

Exhibit 4 Moving to outcome-based commissioning

With the introduction of programmes such as the Flexible New Deal (FND), the welfare-to-work sector has been a pioneer of an outcome-based approach to commissioning. Providers such as A4e, Serco and Working Links are at the forefront of this transformation in service delivery.

The FND programme encourages prime contractors to work with local providers to pick and choose best quality services, tailoring a package to meet an individual's needs. Outcome-based commissioning transfers risk to the provider, meaning that failure to find an individual work costs the service deliverer, providing an incentive to help each unemployed person into work. Individuals receive only the services they need, saving the taxpayer money, while improving outcomes for the unemployed.

The move to greater focus on outcomes across the public services offers the potential of real improvements in wider productivity. With providers being commissioned on a 'by results basis' the incentive to ensure productivity gains is clear.

nurse tick." On the other hand, staff understand the need to make the best use of the resources available and often welcome the chance to gain and use new skills.

School janitors in East Renfrewshire covered by the public-private partnership contract with BAM, for example, have responded positively to the chance to acquire extra skills and tackle a variety of maintenance work, so reducing the need for external contractors. At Customer First in Suffolk, changes in work methods have increased cost efficiency, but social care staff perceive the benefits in terms of in their ability to respond rapidly to clients' problems and put solutions in place.

4. Engaging and empowering staff

The case studies show the value of engaging staff and their representatives in the process of change, beginning to communicate from the earliest stages. As one manager put it, “You’ve got to get staff involvement from day one.”

For example, when taking over management of print services at Essex County Council, senior CDS managers met the staff concerned at the outset and aimed to set up a two-way conversation from there onwards about new ways of working. Similarly, when taking

up its contract with Castle Point council, Pinnacle at the outset held team meetings and individual discussions with staff to explain its aims and objectives, address concerns, learn about them as individuals and listen to their ideas. All staff also took part in a one-day team-building exercise off-site, something they had never done before.

At Faslane, a sustained effort has been put into communication with employees and union representatives, recognising the scale of culture change to be achieved. Initiatives have ranged from mailing

Exhibit 5 Applying lean thinking at Hereford Hospitals NHS Trust

Since 2006 Hereford Hospitals NHS Trust has been applying the principles of lean thinking to improve patient experience and reduce waste. Process improvements have been applied in areas ranging from radiology to pharmacy. The project to increase efficiency in pathology – supported by the NHS Institute for Innovation and Improvement¹⁰ – illustrates the methods and the scale of improvement that can be achieved.

Pathology – a key service in patient flow

Since 70% of clinical decisions in hospitals depend on pathology, it plays a crucial role in determining the flow of patients and potentially reducing lengths of stay. If test results are slow to come through, discharge of patients is held up. As well as carrying out tests for hospital patients, the pathology department at the trust also conducts tests for local GPs, with a disproportionate number of specimens arriving from them late in the afternoon.

The trust embarked on a review to improve turnaround times, use staff more effectively, improve quality and reduce costs. The trust’s service improvement team held a one-hour training session for over 40 staff involved in pathology work to introduce them to the principles of increasing workflow and eliminating waste. Staff then completed waste identification forms to help identify the main areas for improvement.

The service improvement team tracked the pathology process through all stages, from the request for a test being made to the results becoming available. In doing so they worked with staff from the transport provider bringing in tests from GPs as well as staff in the pathology department. The exercise involved mapping processes, monitoring demand for services by the hour and reviewing the physical flow of work.

Changes to improve efficiency

The review resulted in changes spanning almost every part of the process including:

- Courier routes were revised to stagger arrival times for specimens from GPs, so smoothing out workflows
- Specimen reception switched from being unmanned to manned, almost eliminating delays there and ensuring urgent work received priority
- Standardised processes were introduced for labelling, centrifuge use and booking, eliminating duplication
- Layout of the department was reorganised to minimise movement and reflect flow of work
- A visual management system was introduced, enabling porters to sort their own specimens rather than rely on pathology staff.

The single most dramatic improvement was a 40% cut in turnaround times for tests, reducing the average time between receipt of the specimen and results being available to just 38 minutes. This faster service, allowing clinical decisions to be taken quicker, freed up two hospital beds a day. Other measurable gains in efficiency included a £10,000 a year saving in staff costs, as improvements in the time taken for specimens to be picked up from reception meant fewer staff were needed. Centrifuge productivity at peak times increased by 252%, saving £5,000.

‘Frontline staff often know best where savings can be made’

an annual summary business plan to employees at home to involving them in ‘rich picture’ discussion groups, explaining in broad terms the phased transformation that needs to be achieved.

Employees are much more likely to adopt new ways of working if they are involved in shaping them. Frontline staff also often know best where savings can be made: “At the end of the day, it’s the people doing the job who know where they can be more efficient.”

At Dudley Group of Hospitals NHS Foundation Trust (DGoH), for example, the Project Apollo programme of efficiency improvement initiated by Interserve was essentially driven by employees themselves, with support from the recognised unions. In staff forums, employees identified things that got in the way of better patient care in their day-to-day work and developed potential solutions, rapidly coming up with a series of substantial productivity improvements. In a similar spirit, pathology staff at Hereford Hospitals NHS Trust (working with a service improvement team) were able to identify changes generating significant cost savings and major service improvements, such as a 40% cut in turnaround times for laboratory tests.

A recurring theme is the value of empowering managers and staff to use their judgement and trusting them to apply their solutions. In managing offender learning and skills services (OLASS), for example, A4e encourages staff to do whatever is necessary to contribute to the outcome of enhancing work opportunities for learners. If a trainer believes some minor spending would make a difference, no further authorisation is needed. In helping benefit claimants into work, Working Links has freed up its advisers to develop non-routine, personalised approaches (Exhibit 7).

It has to be recognised that empowering staff can work only if they are prepared to take on responsibility – hence BAM’s approach of recruiting janitors for their positive, proactive attitude and then providing training fitted to individual learning needs. As a manager in another case study organisation put it, “You can have the technology, you can put the processes in place, but if on the ground floor you don’t have good, committed staff, you’re not really going to make the savings.”

Employee empowerment can be seen as involving risk – something public services are traditionally wary about. But with proper processes of assessment and phased introduction of changes, risks can be kept to acceptable levels.

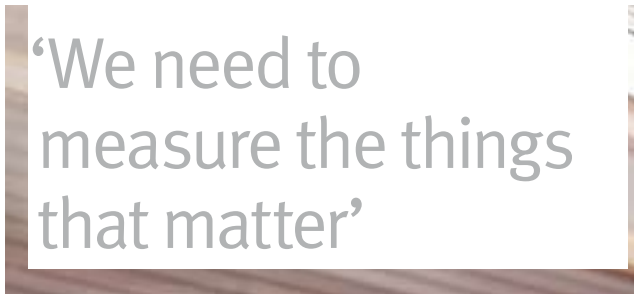
5. Readiness to rethink processes and jobs

A readiness to try doing things differently is fundamental to driving up productivity. A key feature of many of the case studies is the elimination of unnecessary processes and duplication of effort, applying lean thinking. In essence, fewer stages in a process mean more productivity.

At Interhealth Canada’s ISTC in Runcorn, for example, most patients have all pre-operative assessments and diagnostics undertaken in a single visit – elsewhere the same procedures often involve multiple visits. The ISTC also runs an easily accessible satellite clinic in central Liverpool to handle pre-operative stages closer to patients’ homes. This approach reduces the risk of missed appointments and other sources of delay. It plays an important part in achieving a median referral-to-treatment time of just 5.5 weeks (compared to the national NHS target of 18 weeks).

Changes to processes to improve efficiency can be simple ones. In Pinnacle’s grounds maintenance work at Castle Point, for example, better co-ordination to ensure litter picking is carried out before grass cutting teams arrive means the teams no longer need to have their own litter pickers. In running print activity for Essex County Council, CDS applies a systematic triage process to every new piece of work to steer it into the most cost-effective channel, taking account of the constant evolution of print technology.

Rethinking job content – and creating new types of jobs – can be an important part of new processes. The custody service developed for Sussex Police Authority by Reliance (Exhibit 6), for example, saw creation of a new role – the detention supervisor – to take on many of the activities previously performed by warranted police officers, freeing up 35,000 hours of police time a year to be spent on operational duties. In the case of Newham, upskilling health visitors to become community matrons, qualified to dispense prescriptions, has been central to reducing calls on GP and hospital resources.



‘We need to measure the things that matter’

6. Using new technology effectively

Applying technology effectively can play an important part in boosting productivity in service activities.¹¹ But development and introduction of new IT systems in public services have, at best, a mixed reputation.¹² The changes of technology in the case studies, however, have involved practical application of systems with defined, relatively limited objectives.

In the case of Bedfordshire Highways, for example, issuing inspectors with data capture devices enabled their work to be transformed from an office-based, pen-and-paper activity into one where inspectors spend most of their time out and about. By submitting reports to the office remotely and using digital cameras and GPS positioning to build a detailed, specific record of repair works, productivity has been raised by about 20%.

In Newham, the community matrons use laptops to connect them to a central electronic patient records system via 3G wireless technology. They can call up existing records and add to them in real time. Shared use of the online system by other care professionals means data has to be captured only once, cutting out duplication of information gathering and addressing a cause of frustration among patients. The technology has also made possible a range of other efficiencies. In a similar way, the Customer First service in Suffolk is underpinned by a single electronic case recording system, enabling all those involved in adult social care to access one set of records. Combined with sophisticated telecommunications technology, this has opened the way to a redesigned service.

Through Project Apollo at Dudley hospital, application of IT provided a means of resolving difficulties experienced by the hospital sterilisation and disinfection unit (HSDU). To reduce the time wasted by operating theatre staff and HSDU staff in sorting out problems over ‘trays’ of surgical instruments, online tracking was developed, enabling all concerned to check where every tray is and what is available.

7. Managing employee performance actively...

One of the most striking features of the case study organisations is the extent to which they revamped people management as an integral part of productivity improvement. The drive towards clearer accountabilities for individual managers was mentioned above. In a similar spirit, a number of the organisations have aimed to increase the sense of ‘ownership’ and personal responsibility among employees.

In Castle Point, for example, Pinnacle broke the large street cleaning team into a series of smaller teams with responsibility for their own areas, so generating a healthy sense of rivalry between teams. The move has also engendered a strong sense of mutual responsibility within teams, illustrated by decreased levels of sickness absence. Similarly, as part of Project Apollo, Interserve’s hospital domestic workforce split into teams with allocated responsibility for particular zones. This achieved a 25% increase in time spent on cleaning activities rather than on moving around, plus a sense of ownership and engagement with specific wards.

Accountability goes hand in hand with more active performance management. It is important to stress that performance management is at least as much about reinforcing and encouraging positive behaviours as changing negative ones, and the evidence shows it can have a real impact on improving service outcomes.¹³ Traditionally, though, performance management – particularly of poor performance – has been seen as a weakness in the public sector.¹⁴ One interviewee with extensive experience of public organisations for example commented: “What managers often don’t have is the ability to confront individuals and hold them responsible for their own performance and their contribution to the team.” Concerns are often expressed for example over what is seen as a reluctance to tackle higher levels of sickness absence in the public sector.

A number of the case studies feature a more active approach to performance management. As one manager saw it, “The average member of staff doesn’t like the fact there’s somebody out there giving them a bad name. They’d rather see that dealt with.” Developing performance management was seen as best tackled by training managers to apply the process effectively – rather than trying to change wider attitudes – and arming them with hard data wherever possible.

In Pinnacle's operations in Castle Point, the regular individual performance reviews are underpinned by data from an electronic performance monitoring system, giving a breakdown of the work each team is involved in. Marine Division at Clyde put a new performance management scheme in place, drawing on a balanced scorecard and based on objectives supporting the business plan. The technology adopted for Amey's management of road works in Bedfordshire makes it possible to measure the effectiveness of team members, giving objective data to show areas for improvement.

... and helping them develop their skills

For people to work more effectively and apply new techniques, they often need new skills. Skill initiatives in the case studies range from acquisition of the advanced practitioner qualification by community matrons in Newham to allow them to dispense prescriptions to the training of around 60 people across the Faslane naval base in lean manufacturing and 'six sigma' tools to help support line managers in raising productivity. Training by BAM for janitors at the schools in East Renfrewshire is tailored to plug gaps in their range of skills, so they can tackle a wide range of tasks, including electrical and plumbing work.

Helping staff learn from experience elsewhere is a recurring theme. In the OLASS operations run by A4e, for example, good practice is spread partly through regular meetings of regional managers but also via an annual conference focused on exchange of experience about what works most effectively. The company also operates its own internal inspections (in addition the independent inspections covering the service) involving managers from other locations, so all concerned can learn from practice elsewhere.

8. Measuring to improve processes rather than relying on targets

The unintended adverse consequences that can result from systems designed exclusively around targets have been increasingly recognised.¹⁵ The lesson to emerge from the case studies is that measurement is of great importance, but it has to be done in ways and at stages that contribute to improving processes and, therefore, to outcomes. As one senior manager commented, "We need to measure the things that matter." Another pointed to the importance of data as a lever for change: "You're not dealing with anecdotal information, you can take the personalities off the table and deal with the matter ... you can focus a lot better."

Where a lean approach is adopted, the starting point is often tracking the journey of clients or mapping and measuring processes to see what really happens and how improvements could be made.

Exhibit 6 Handling a 35% increase in workload at no extra cost

Since 2002, the custody service of Sussex Police Authority has been delivered through a partnership with Reliance Secure Task Management as part of a 30-year PFI agreement. A key feature of the service has been the creation of a new role – the detention supervisor – staffed by Reliance employees. The detention supervisors have taken over the custody officer role, previously filled by warranted police officers, except for authorisation of detention and the reading of rights.

By using this new category of trained, dedicated custody personnel, the amount of time spent at the custody suite by the two police officers involved in an arrest has been reduced from 30 minutes to just nine minutes on average. With more than 50,000 detentions each year, this saving leads to over 35,000 extra hours that police officers can spend on operational duties – the equivalent of 20 additional officers on frontline policing duties. According to a detailed analysis of custody service by BDO Stoy Hayward over the period 2002 to 2006:

- A 21% increase in the number of detentions was absorbed by the 14 detention supervisors, without an increase in the number of warranted police officers involved in custody duties
- The unit cost for each detainee fell by nearly 2% compared with the initial expected cost at the outset of the contract and there was a small reduction in the average cost per detainee
- The number of complaints from detainees fell by more than half, meaning that less police time had to be spent investigating these
- The combination of increased detentions and new activities such as retention of DNA samples increased the workload of custody services by 35% over the period, but this was handled at no extra cost to the police authority.

In its 2006 report on the authority, Her Majesty's Inspectorate of Constabulary described the results of the revamped custody service as "...an outstanding success, allowing warranted officers to return to valuable core policing roles."

Exhibit 7 Empowering staff to achieve results

The objective of getting people into work has been at the heart of Working Links' activities in the Employment Zones where it operates. This has required its people to take an active and flexible approach, engaging with and motivating those who have been out of work for long periods.

Working Links was set up in 2000 to bring together private sector drive, public sector ethos and voluntary sector ethics to help tackle long-term unemployment. Jointly owned by the Department for Work and Pensions (DWP), the private sector companies Manpower and Capgemini, and Mission Australia, a voluntary sector organisation, it has grown to employ over 1,800 people and has helped around 130,000 clients into work so far.

Working Links' initial purpose was to run welfare to work activities in the government's then newly created Employment Zones – areas characterised by high long-term unemployment where conventional Jobcentre Plus (JCP) approaches were stretched to capacity. Contractors were encouraged to pursue new initiatives to help people into work. Participation is compulsory for those aged over 25 who have not been able to find a job for over 18 months.

Working Links secured nine of the initial Employment Zones contracts, running for up to four years from 2000. In 2004 new contracts were tendered and zones were extended to cover young people on a mandatory basis and lone parents on a voluntary one. The scheme essentially involves a risk-reward contract for providers, as almost all fees depend on getting clients into work and their still being in work after 13 weeks.

Securing people with the right approach

When Working Links was initially set up, people were seconded from JCP, DWP, Capgemini and Manpower. It rapidly became clear that the proactive nature of the work did not suit everyone. The company aimed to do whatever was necessary to help clients into work. This meant its people needed to become actively involved advisers with a commercial edge rather than more passive counsellors or administrators. It also meant breaking with established methods and developing non-routine, personalised approaches. While many of those seconded from JCP were able to deliver a tailored solution, some found the new non-formulaic approach uncomfortable and opted to return to the civil service.

Most of those taking part in the programme have been out of work much longer than 18 months, often for more than a decade. Personal advisers need to be able to assess people rapidly and determine how best to develop rapport to help people rediscover their motivation. The work also demands flexibility as advisers have to shape their activities around their individual clients, ranging from helping to make them presentable for interviews to setting them day-to-day goals.

Fostering local flexibility

A key element in Working Links' approach has been to go out to establish contact with unemployed people. It has adopted unconventional approaches to reach potential participants, such as offering activities for children as a means to make contact with lone parents in a positive environment. As with its policy of enabling personal advisers to adapt their approaches to individual clients, the philosophy on 'outreach' activity has been to experiment as necessary to find what works.

Flexible approaches have been essential to take account of the varied backgrounds and needs of those without work in different localities – what works to build rapport with Bangladeshi groups in east London is very different from what has proved successful with ex-miners in South Wales. The company recognises it has to allow local managers autonomy if they are to find effective ways to engage with client groups.

Trusting its people

The company has relied on managers to make appropriate use of their flexibilities with minimal central direction, on the basis that they have developed local labour market knowledge. It similarly needs to trust personal advisers to decide how best they should work with individual clients, with discretion to spend money for example on clothes for clients to attend interviews.

Achieving results

Of those who manage to cope with the first four weeks at work – a difficult time when people have to establish new routines and adjust to the move off benefits – around 60% to 80% of Working Links' clients have still been in work after 13 weeks.

At its most basic is the question: What do people actually spend their time doing? The Apollo project, for example, included detailed measurement and analysis of cleaning activities. This showed up just how much time domestics were spending on simply moving around the hospital.

At Interhealth Canada's ISTC in Runcorn, performance measures and data comparisons are constantly being used to drive improvement. In the operating theatres every stage from the starting time of the list onwards is timed, recorded and subsequently analysed to see where lessons can be learned and how use of theatre time can be improved. In addition, to help keep them in touch with how processes are working from a patient's perspective, all senior managers spend some time each month working alongside frontline staff.

On the social care side, the Customer First service in Suffolk regularly analyses call data. As well as helping to match staffing levels to demand, the data can show where care arrangements are repeatedly breaking down for particular clients. Action can then be taken to put more resilient long-term arrangements in place, reducing the need for emergency support.

9. Small changes can make a big difference

Small changes can make an important difference, signalling to employees that an organisation is taking a fresh approach and setting the tone for improvements in productivity. At Castle Point, Pinnacle moved swiftly to improve the quality of protective clothing and basic equipment previously supplied to staff. It took the view that for staff to know they are working with good quality equipment boosts morale and employee engagement, easing implementation of changes in working practices.

In Suffolk, popular changes such as dress-down Fridays, a summer ball and participation in special days such as Children in Need were introduced as part of the new culture at CSD, blending local authority and private sector practice and reflecting wider changes in services.

In the same way that small changes in the way employees are managed can yield benefits in terms of engagement, real improvements in productivity are ultimately achieved in local units and departments by individuals doing things differently. As noted above, it's people doing a job who know best how their efficiency can be improved – successful change programmes focus on the frontline work itself.¹⁶ Collectively, those small changes can add up to big improvements.

10. Protecting outcomes, not budgets

In much of the debate about how to get public finances back into balance, there has been an emphasis on ring-fencing particular budgets: this emphasis is misplaced. What matters to users is the availability and quality of a service, not the size of budget. One lesson above all that emerges from the case studies is the scope to improve productivity.

A commonly identified challenge is that budgetary control systems in the public services can encourage money to be spent to protect budget allocation for the following year.¹⁷ While managers in every sector should be focused on making the most effective use of inputs to maximise outcomes, it has to be recognised that not every system and structure encourages this.

The case studies show the scope for very different approaches. At Faslane, the Marine Division at Clyde is required to deliver the same service to the MoD but at an annually reducing cost. The means of generating cost reductions have been enormously diverse, but the need to achieve them has given a clear, long-term sense of direction. Securing the cost reductions has been managed through a four-phase framework of change, planned to take effect over an eight to ten-year period, so productivity improvement becomes part of the way of life. In a similar spirit, the NPL is required to be run in a manner that reflects its importance as a national asset and ensures its enduring capability, but with a steadily shrinking contribution from the government's science budget.

So what scale of improvements in productivity can be achieved across the public services? There is no simple answer to that, but the case studies show the process is best approached as a journey, not a one-off change. Or as one interviewee put it, "How do you eat an elephant? One mouthful at a time."

Secondly, as the DeAnne Julius review of the public services industry noted, research on competitive tendering typically shows savings of around 20% being achieved, without loss of quality.¹⁸ The review found savings are driven primarily by the competitive and contractual process itself rather than by any change of provider. It is the impetus to seek efficiencies and effective management of their implementation that makes the difference. That impetus will certainly be there as the government sets about rebalancing the public finances.



Case studies

The 11 case studies featured in the following sections of the report span a wide variety of public service activities, localities and sizes of organisation. The organisations have been selected to illustrate a variety of approaches taken in different public service settings to improve productivity performance and the results that can be achieved.

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1 Transforming adult social care in Suffolk

Adult social care in Suffolk has been radically restructured. Customer First, the first point of contact for enquiries on social care issues, has been redesigned. Changes include setting up new mechanisms to handle care crises requiring an urgent response and dealing with most initial assessments by telephone, using a single electronic case recording system shared by social care practitioners. The new approach has resulted in a much improved service delivered by a slimmed-down team.

Development of CSD

Customer Service Direct (CSD) is a partnership between BT, Suffolk County Council and Mid Suffolk District Council. It was established in 2004 as a joint venture company to provide back-office services such as IT, finance and HR under a ten-year contract. It also runs a number of customer-facing services such as managing the county council's main contact centre. BT is the majority shareholder at 80.1%, with the county council and district council holding 16.4% and 3.5% respectively. In creating the joint venture, the councils were keen to gain access to fresh skills and thinking. CSD is run by a partnership board made up of four BT representatives and the leaders of the two councils. The contractual arrangements provide the partnership with an index-linked monthly fee based on the budgets of council services covered.

Customer First is one part of the CSD family of services delivered in Suffolk. It provides a single point of contact for adult social care services across the county.

Re-thinking adult social care delivery

By 2005, it was clear that adult social care provision in the county needed to be rethought. The councils faced lengthy waiting lists for assessment of needs and escalating costs of service provision. The changing demographics of Suffolk were a further pressure, with an ageing population contributing to increasing demand for services such as domiciliary care, daily living equipment and community meals.

Before the service redesign in 2006, there were essentially two points of contact for adult social care services in Suffolk. The first was the original Customer First call centre taking all initial enquiries. With only minimal filtering, these were then passed on to area social work teams who would carry out assessments, normally in the form of home visits – a time-consuming process with a lot of time spent travelling in rural areas. The same teams would also be involved in fire-fighting urgent care problems and trying to carry out longer-term, complex work with clients. The teams were spread across offices throughout the county, although clients rarely came into the offices.

The review process started with seminars among the social services and CSD management teams to assess the problems and consider how best to deliver services. These culminated in a five-day workshop at which participants set out to redesign the customer experience and journey through social care to make it the best it could be.

Splitting out activities

The result was a new approach, with more frontline filtering of enquiries and a new structure to split the urgent care and routine assessment processes from the complex work needing long-term commitment by social workers (See Exhibit 8). The new structure involves:

- The Customer First contact centre managed by CSD, enhanced and redesigned to act as the first point of contact. With some 22 customer service staff handling around 15,000 calls a month, the team signposts around half the enquiries to other appropriate providers or resolves the queries in other ways
- Three social work hubs in different parts of the county, managed by CSD as part of Customer First. Staffed by mixed teams of qualified and unqualified social workers and occupational therapists, the teams handle enquiries for services referred on by the contact centre. The teams deal with care emergencies that need immediate resolution, such as a carer being taken into

Exhibit 8 Split of roles

Customer First contact centre:

- Checking eligibility
- Screening
- Signposting

Customer First hubs:

- Assessment for care and equipment
- Daytime duty care (responding to crises)
- Safeguarding vulnerable adults
- Daily living equipment
- Some reviews of care plans

Area teams:

- Complex assessment work
- Complex review or safeguarding work
- Long-term case work
- Annual customer reviews

hospital. They also handle most initial assessments. In contrast to previous practice, the work of the hubs is mostly conducted over the phone, with home visits conducted exceptionally to deal with cases of dementia or safeguarding the vulnerable for example

- Seven area social work teams (based in four areas), managed by Suffolk County Council. These handle more complex, longer-term work with clients, freed up from dealing with crises and the routine work of assessments.

A key element of the new arrangements – and one reflecting the closeness of working arrangements between the partners – is that senior practitioners in the hubs can commit spending from area team budgets within pre-agreed limits to deal with crises and provide support for clients following assessments. This has greatly speeded up and simplified decision making on care.

When the structure was originally designed, the number of posts shifted from the former area teams to staff the new hubs was put at 77. But CSD believed that the gains in efficiency generated by new working systems – such as spending less time travelling to visits – should require fewer staff, so staffing was reduced to 66. The cut in team size was achieved without redundancies as there were a number of unfilled posts at the time of the reorganisation. As well as meaning a smarter utilisation of staff resources, the outcomes for the customers are greatly improved. As Bridget Taylor, CSD's chief executive comments, "By creating multi-disciplinary teams in the front office, the focus has been firmly on providing more assessments more quickly. Over 75% of assessments are now made at the first point of contact, enabling reduced waiting times for care and a faster, more responsive service."

CSD itself does not employ any staff – the workforce is made up of social care employees seconded from each of the councils plus BT secondees providing technical support and some management input. Staff are consequently on three different sets of terms and conditions, with different practices over matters such as Christmas leave arrangements.

Using technology to deliver high quality care

The service offered by Customer First is highly dependent on the effective use of technology, drawing on BT's expertise in telecommunications. Moving to a system where most casework is dealt with via the telephone was the first major technological innovation. When the telephone service first started, a lo-call number was used, but CSD realised that this might not be the most cost-

effective service for all clients. It therefore partnered with the Helplines Association to set up a new freephone number. Importantly, given the centrality of mobile phones to people's lives today, this number is also free from all mobiles. An additional freephone number for clients with a learning disability, their families and carers also went live to give them a more dedicated service.

All calls to Customer First are captured by a recording system so they can be monitored and listened to again if necessary, allowing information to be checked or in the event of a complaint.

Underpinning operations more generally is a unified electronic case recording system – the CareFirst 6 platform, a web-based system delivered through a local intranet. This enables staff in the contact centre, the hubs and the area teams to access and add to client records, so ensuring data is captured only once and that all concerned can check on the latest information about any client.

Despite best efforts, the service still finds itself having to deal with paper – many GPs for example have proved reluctant to use the phone or electronic means of accessing Customer First and prefer to write letters about assessments.



Empowering to deliver and creating a positive working environment

Moving from a system where most social care was delivered by home visit to one where much of it is delivered over the telephone represented a big cultural shift for the staff involved. Many enjoyed the human interaction afforded by home visits and were worried this would be lost. The initial solution was to rotate care staff between the area teams and the hubs.

Experience of work in the hubs rapidly changed the views of the vast majority of staff, however, and rotation has been ended. Far from work in the hubs being seen as a loss of contact, staff there now feel they do a better job as they are closer to the customers, get a quicker sense of what their problems are and are empowered to put solutions in place. Many of the calls handled are of a fairly urgent nature, requiring quick thinking and effective action – staff are able to use their skills to deliver the support and care required. As one manager summed it up, “There’s a sense of being a bit autonomous, being able to make decisions, having a bit of freedom to be imaginative within parameters.”

The culture developed at CSD has been a blend of public and private sector practice. For instance, dress-down Fridays have been introduced – appreciated by staff as adding a little informality to the end of the week. Further changes include employer contributions towards Christmas lunches, participation in special days such as Children in Need and a summer ball – all a new experience for council employees. As one senior manager found, “It’s amazing how even really simple things make a difference.”

Wellbeing and fitness are also taken seriously: the team feel there is an important correlation between employee health and the quality of service offered to local citizens. A good work-life balance has been fostered and a flexible approach to working time developed.

Keeping track of performance to ensure service quality

For CSD, monitoring team performance drives both wider service improvement and staff development. Rigorous performance targets are in place: 75% of calls have to be answered in 30 seconds and there is a target of less than 10% for abandoned calls. The team is currently exceeding this with more than 90% of calls being answered in the first 30 seconds and less than 1% being abandoned – meaning more calls are answered first time. All assessments having to be completed within 28 days – ensuring no customer waits too long to receive the care they need.

Backing up the contractual targets are the quarterly performance clinics held with the councils to review activity and outcomes against the agreed targets and work through areas identified for improvement. Excellent data is essential to this exercise, generated by the systems underpinning operation of Customer First. For instance, the management team has access to detailed data on call volumes, broken down by month, week, day and even hour. This helps in planning appropriate staff levels. The data can also identify, for example, recurring breakdowns in care arrangements for particular clients, showing where remedial action is needed to reduce unnecessary calls for emergency support.

Key performance indicators

- ▼ Significant reduction in customer waiting times – 90% of customers in a recent four-month period said they were happy not only with the way their assessment had been conducted but also with the length of time it took
- ▼ Online self assessment systems for people needing assistance with occupational therapy equipment, leading to faster assessments and handling times
- ▼ Around 15,000 calls a month handled, with more than 90% answered in the first 30 seconds and less than 1% abandoned
- ▼ Improved handling of urgent and sensitive calls by dedicated teams with direct access to resources
- ▼ Improvement in customer satisfaction, with over 95% affirming Customer First staff treated them with dignity and respect
- ▼ Leaner staffing, with just 66 care assessment staff in hubs rather than 77.

2 Apollo launches service improvements

Actively engaging staff in rethinking activities has yielded major benefits in delivery of Interserve's facilities management services at Russells Hall Hospital, part of the Dudley Group of Hospitals NHS Foundation Trust (DGoH). Staff from Interserve and the trust teamed up to come up with ways of improving facilities management (FM) processes. As a result of the initiative – Project Apollo – patients are getting a better service, productivity has been boosted and cost savings achieved.

Interserve and DGoH

Interserve is a services, maintenance and building group operating in the public and private sectors in the UK and internationally. It offers advice, design, construction and facilities management services. Employing a workforce of 50,000 worldwide, Interserve works in and around many types of buildings and infrastructure.

The DGoH is one of the largest acute NHS trusts in the country, as well as being a teaching trust for Birmingham University. It provides clinical care to over 400,000 people in an area of about 70 square miles around Dudley.

In April 2000, Summit Healthcare – a consortium of Interserve, Halifax Bank of Scotland and Sir Robert McAlpine – won a 40-year, £1bn PFI contract that centralises inpatient facilities at the refurbished and extended Russells Hall Hospital. In addition to developing the 762-bed hospital, the PFI contract also involved construction of new centres to provide out-patient care at the Corbett and Guest sites.

Interserve's day-to-day activities at the Russells Hall site consist of providing a full range of hard and soft facilities management services, from reactive maintenance services, security, car parking and energy management through to catering, portering and reprographics. The Interserve operation employs about 600 people, some 460 of whom are permanent staff. Staff turnover is very low, close to 1%.

A difficult climate at the outset

Interserve's operations in providing facilities management services at Russells Hall started in a difficult climate. The redevelopment and expansion of the hospital formed part of a wider restructuring of local healthcare arrangements, involving the phased closure of a number of smaller Victorian hospitals. The majority of Interserve's staff were transferred under TUPE, so they changed employer as well as workplace, moving from the surrounding local hospitals that Russells Hall was replacing.

Prior to the transfer to Interserve, these staff members had been involved in one of the longest strikes in NHS history in opposition to the changes. They were very unhappy about the closure of local hospitals and the effect this might have on the close-knit community. They were sceptical about the merits of the new hospital and were also in many cases unhappy about the transfer of their employment to a private sector provider.

At the outset of the contract, staff turned up to work unsure what the future held for them. The employee relations challenges faced by Interserve were compounded by the fact that large parts of Russells Hall were still being constructed around the transferring staff. This made for difficult – and constantly changing – day-to-day working conditions.

Given this background, Interserve initially put the emphasis on providing as much stability as possible. It took the view that staff needed time to come to terms with all the changes they had already experienced. A period of stability would also give them the chance to adjust to the change of employer and gain confidence in Interserve, while on the company's side it had the chance to build a full understanding of its new staff and their activities.



Working through the problems together: Project Apollo

By early 2005 the major construction work at the hospital was complete and the Interserve management team felt it was time to start improving the efficiency of services. The initial suspicion felt by staff transferred to the company in 2001 had waned and employees had had sufficient time to build up experience of the new working environment.

The solution Interserve developed to tackle service improvement was Project Apollo, launched in 2006. Drawing on the lean thinking approach advocated by the NHS Institute for Innovation and Improvement, Apollo's purpose was two-fold: to enhance employee engagement and improve productivity and effectiveness. While staff were delivering activities in line with the contract, the company felt they had much more to contribute and services needed to evolve to reflect the constant changes in the way healthcare is delivered.

Starting with service heads (middle managers) and subsequently extending throughout the workforce, Interserve held a number of discussion workshops. At these the management team explained its vision for the hospital and the critical role of FM staff in fulfilling that vision, recognising the shared concern among employees to contribute to patient wellbeing. In particular, it emphasised the company did not have a blueprint of the changes that ought to be made. Awareness of problems and knowledge of how to improve services was held by those carrying out the work rather than by senior managers. As one manager puts it, "At the end of the day, it's the people doing the job who know where they could be more efficient."

The forums operated under 'rules' that involved a no-taboos, no-blame approach, with frankness and honesty being welcomed. The central idea was that staff should be able to voice anything that caused them frustration or concern in their day-to-day work, with the aim that by the time each meeting ended potential solutions should also have been identified. Crucially, the Apollo sessions had full union buy-in from Unison and Unite, the two recognised unions, before the process began, which offered extra reassurance to staff about the purpose of the discussions. The company aimed to draw a wide spread of staff into the sessions, particularly those who might be expected to be most sceptical of this kind of initiative. As one staff member commented, "From the very beginning you could see it was a different kind of group."

Interserve managers acted as facilitators at the meetings, typically attended by eight to ten staff. Some of the Apollo meetings involved representatives from just one service area while on other occasions there were mixed service meetings. A great number and range of items were raised, all of them logged to ensure none was overlooked. After each meeting, data and evidence was collected on the issues raised to assess whether the suggested solutions to problems were likely to work.

Building partnership with the NHS trust

It rapidly emerged from the Apollo sessions that a lot of the inefficiencies were not solely related to Interserve's own activities, but came at the interface with the DGoH Trust. Interserve managers realised they would need to involve trust staff to make real progress. As one manager describes it, "We are so heavily integrated with the trust workforce ... if you look at any of the processes to make efficiencies, and then you look at all the stakeholders we have, you actually can't do it in isolation."

Once Project Apollo had been explained to trust managers, they gave their full backing to the initiative and trust staff became enthusiastic participants in the sessions. This was important since, as one manager comments, "As a manager, I had an impression of how things were being done but when I spoke to staff, no they weren't."

Boosting productivity among porters

An enormous range of items were raised in the Apollo discussions, but portering emerged as an area particularly in need of change – with a team of 70 porters responding to over 10,000 requests each month, the service needs to operate as smoothly as possible.

One concern raised by trust medical staff was over the delivery of patients to and collection from operating theatres. Delays in this had knock-on effects, disrupting the whole schedule of operations, so there were calls to increase the number of porters to overcome the risk of delays. But discussions in the Apollo forums rapidly identified a simple barrier to improved productivity in that two porters had always been required to take a patient down to theatre, as well as patients being accompanied by two theatre staff. Moving to just one porter wheeling the patient, assisted by the theatre staff, achieved immediate gains of over 20% in portering efficiency. The change generated the spare capacity to minimise any risk of delays in theatre activity.

Overall the Apollo initiative in its first few months identified over £90,000 of ‘waste’ activity within the portering service and scope to make savings of a further £40,000 in the future. It also achieved a range of improvements in work patterns – such as smoothing out workloads by making better use of night staff – and equipment changes that resulted in improved patient care. One theatre sister commented, “I didn’t think anything would be achieved, but I was absolutely amazed at what the results were.” The quick wins made in this area demonstrated the benefits of the Apollo approach, encouraging other FM services to take part.

Better use of cleaners’ time

Russells Hall is a particularly large hospital – with floorspace of more than 70,000 square metres and 14 miles of corridors – cleaned by Interserve’s 200 domestic staff. Prior to Interserve taking on the service, the trust had slimmed down staffing by dispensing with cleaning supervisors.

In response to points raised in Apollo forums, the company set about a detailed measurement and analysis of cleaning activities. It discovered that about 50% of domestics’ time was spent walking the labyrinth-like corridors – time which was being wasted. Without supervisors, domestics were on occasion unsure about priorities, and because they did not work in any particular part of the hospital on a consistent basis, there was little sense of ownership about the standards of cleanliness.

The solution developed in discussion with staff was to break the hospital up into a series of zones for cleaning purposes. In late 2007 domestics were divided into teams and allocated responsibility for a specific zone, giving them a sense of ownership and encouraging greater engagement with other staff on those wards. Basing staff in their zones greatly cut down in time spent moving around. The end result was a big increase in time spent on cleaning activities, from around 50% to more than 75% – a major improvement in productivity.

Enhancing efficiency of sterile services

Hospital sterilisation and disinfection unit (HSDU) services are highly sensitive given the risks involved, but after the successes of the portering and domestic services reviews there was general readiness to tackle this area too. Apollo sessions revealed a range of problems – uncertainty over what and how many ‘trays’ of surgical instruments the trust had, inaccuracies in the contents lists and so on. As a result, a lot of time was being wasted by operating theatre staff and HSDU staff in trying to sort out problems on an ad hoc basis.

Among the improvements made as a result of the Apollo review, an online tracking system was introduced. This enabled all concerned to check at any time where all the trays were and what was available, so ending the time wasted searching for trays.

Future of the project

In the light of the success of Interserve’s initiative, the trust planned to set up its own version – Project Enterprise – to cover the trust as a whole. In the event, the wider project did not take off in the same way as Project Apollo had, so it may be that Apollo is revived in the future to continue the process of identifying more improvements in efficiency.

Key performance indicators

- ▼ Major improvements to portering, including increased theatre efficiency through a 20% improvement in porter response times
- ▼ Cleaning service reorganised to boost effective work time from 50% to over 75%
- ▼ HSDU activities improved to reduce loss of time by theatre staff
- ▼ Providing a model to the wider trust of how to involve employees in process of improving efficiency.

3 Phasing efficiency improvement at Faslane

Since taking on management of a range of activities at HM Naval Base Clyde at Faslane in 2002, Babcock has embarked on a four-phase strategy to transform efficiency over an eight to ten-year timescale. Using a wide variety of improvement techniques, the company has so far delivered savings of £114m against an initial target of £76m and has exceeded every performance target.

Babcock's involvement at Faslane

Located 30 miles west of Glasgow, Faslane is home base for the UK's nuclear submarines and a range of other naval vessels. With more than 6,000 civilian and naval personnel, it is the largest defence establishment in Scotland. Faslane provides maintenance facilities for the vessels based there and others – its shiplift for example can lift a 16,000 tonne submarine out of the water. The site also includes large hotel and leisure facilities for the naval crews when ashore.

Marine Division at Clyde – part of the Babcock International Group – has managed a significant part of the base's activities since 2002. The partnering agreement was the first of its kind between the MoD and a private sector provider. With a workforce of some 1,500 employees transferred to it under TUPE, 200 staff seconded from the Royal Navy and 50 from the MoD, the company manages engineering work on all ships and submarines at the base and provides support services – including logistics, facilities management and the provision of accommodation, catering and domestic services for naval personnel.

Obstacles to change

By far the biggest obstacle to improvement was the complex culture of the base, with its mix of naval personnel, MoD staff and employees transferred from the MoD to the company under TUPE. No attempt had been made in the past to institute process improvement in any systematic way and there was no track record of change management. A time-consuming industrial relations culture among the transferred workforce – which had given rise to constraining procedures – discouraged innovation, as did understandable concerns on the navy and MoD side to maintain nuclear safety by observance of strictly defined processes.

There were inevitably culture clashes between the MoD ethos of stability and the company's approach, focused on making far-reaching changes to remove inefficiency. But by adopting a long-term, phased strategy of incremental change, a partnership has been successfully developed between the naval side and the company's senior managers and maintained through changes of personnel.

A phased approach to improving productivity

The primary purpose of the partnership agreement is to provide the same service as was previously provided by the MoD itself but at an annually reducing cost. The contract includes an agreed target cost and profit mechanism. Cost savings exceeding the target cost are shared between the company and MoD in accordance with an agreed ratio so both parties benefit.

In view of the scale of the challenges, the company has adopted a four-phase framework to achieve change over an eight to ten-year period, tackling the most immediate issues first with the simplest techniques. With each phase majoring on a different theme, the four phases are:

- Coordination – doing the right things at the right time (through effective control of processes, getting data accurate, scheduling work properly, delivering on time and reducing waste)
- Process control – doing things right (a major focus on improving quality of work and processes to do things error-free and on time)
- Systemisation – doing things at lowest cost (identifying processes that are time-consuming, tedious or error prone and changing the system to tackle them by investing in technology or making other major changes to boost efficiency)
- Integration – doing business in new ways (using the skills and intellect of the workforce to innovate technology applications, services and processes in a flexible, integrated business environment).



The original plan was for each phase to last two to three years, allowing a large number of improvement initiatives in each phase to be grouped into a coherent campaign that could more easily be communicated to employees. The company was also concerned to avoid individual changes being seen as ‘flavour of the month’, with the associated risk that they would be regarded as a passing fad.

Inevitably progress has been faster in some areas than others, but the phased approach is generally seen to have worked well, particularly as a means to explain the overall strategy. As time has gone on, the distinctions between the phases have become less clear cut, but most parts of the company are now engaged on the process control phase.

Communicating plans

A great deal of effort has been put into communicating with the workforce, recognising the scale of the culture change needed and the importance of securing their engagement in developing new methods of work. The company has seen it as particularly important to help them recognise that individual change initiatives form part of a wider, longer-term strategy. For example, each year a summary business plan is produced in colourful booklet format, summarising what has been achieved in the previous year and the objectives for the coming one. The booklet is sent to all employees at home. The messages of the plan are backed up through other channels such as team briefings, newsletters and roadshows – all styles of communication not used before Babcock at Clyde became involved at the base.

Other approaches have included a series of discussions with groups of about ten employees at a time drawn from all levels and parts of the company. The discussions centred on ‘rich pictures’ putting over the need for change, its scale and the phasing of transformation the company is aiming to achieve. All this was designed to generate feedback from employees and wider discussion across the workforce.

Changing management style

The management structure has gradually been streamlined to reduce complexity and give clearer accountability for achieving business goals. Changes have included reducing the size of the team by about half to around 125 and slimming eight tiers of management to a maximum of four – and in many parts of the business, three. Fewer layers should have the added benefit of improving communication, so there is a greater likelihood that messages and objectives will be transmitted to all employees.

The company has also moved towards greater professionalisation in the management team, switching from the generalist approach that has often characterised the public sector to recruit specialist managers for functions such as finance, IT, project planning and HR. Bringing in those with external experience and familiarity with good practice elsewhere also helps generate more ideas for change.

As successive phases of the productivity improvement plan are rolled out, the general style of leadership is expected to shift steadily from ‘command and control’ towards developing self-managed teams and adopting a coaching style. As part of their development programme, all managers and supervisors take part in a results-based leadership programme.

Methods and skills to enhance performance

To monitor and keep on track the key processes in each phase of the change programme, a balanced scorecard system has been developed. Presented as an electronic dashboard and used by all managers, it enables them to review progress on the basis of a wide range of indicators and identify those areas where extra resources or attention are needed. As one senior manager comments, “Measurement and visibility drives managers to manage.”

This has proved particularly useful in the ‘co-ordination’, phase, when the emphasis has been on achieving on-time delivery, due-date performance, defined lead times and data accuracy: “In finance for example we report the number of payroll errors ...But

below that we measure the number of input errors we receive from team leaders and that informs what we need to spend time on. Is it training? Is it individuals, do they not understand? Is the process too difficult?"

A staff performance management scheme has been also been developed, drawing on the balanced scorecard and the business plan. The aim of the scheme is to ensure employees' objectives help support achievement of the wider business objectives. This clarifies the basis for their performance appraisals.

There are also regular capability assessments to review the potential for employees to enhance their skills and take on larger roles. Training and development programmes to upskill employees have played an essential role in underpinning the change programme. Around 60 people across the business have, for example, been trained in process change techniques such as lean manufacturing and six sigma tools to help support their line managers improve performance in their areas. Process mapping has been widely used to identify ways to streamline operations.

Results achieved so far

Since the contract began, Babcock at Clyde has exceeded every performance target and delivered £114m of savings to the MoD against the initial £76m target. As a result, in recognition of the benefits delivered by the partnering arrangement, in 2005 the MoD enhanced the original £400m, five-year contract with a 5½ year extension to 2013. Along with the re-let came a savings target of a further £67m over the second term of the contract.

Just as the range of activities managed by the company at the base is hugely diverse, the nature of the savings has been equally so. The sources have included the slimmed-down management team, a drive to reduce accidents to zero, more active attendance management reducing days lost through absence by 20%, and a host of changes in work practices and operating efficiencies in individual departments. On the workshop side, for example, development of cross-skilled teams operating improved facilities in a centralised workshop allowed for leaner staffing and generated

savings of £85,000 a year. Working arrangements have been changed on the cleaning and catering side to achieve better alignment of staff working time with the work that needs to be done. After tackling a backlog of assets with no maintenance schedules in 2007, in 2008 the technical author group rationalised maintenance schedules to generate savings estimated at more than £120,000 a year.

Key performance indicators

- ▼ Cumulative total savings of £114m achieved in period 2002 to March 2009
- ▼ Every performance target exceeded covering volume, speed and quality of service, measured against levels achieved prior to the partnering agreement
- ▼ Commitment to continue reducing the cost of the service for every year of the contract

4 Optimising long-term condition care

Developing a community matron service in Newham has achieved major reductions in hospital admissions and other non-routine calls on health services. Key to the change has been upskilling of health visitors to provide the service, which in turn has empowered patients with long-term conditions to manage their own health more effectively. The programme was developed from an initial scoping exercise by Serco for Newham Primary Care Trust (PCT).

Long-term conditions in Newham

Newham in east London is one of the most deprived districts in England and the third most deprived borough in London. Death rates from avoidable causes of death in the period 1998-2000 were over 70% higher than the national average and were the highest of any district in London.

As well as the impact of long-term conditions on the quality of people's lives, such conditions make heavy demands on the health service. Recent estimates suggest that half of all GP consultations, two thirds of outpatient appointments and over 70% of all in-patient bed days are associated with long-term conditions such as diabetes, chronic obstructive pulmonary disease (COPD) and heart conditions. An estimated 80% of costs and over two thirds of NHS activity relate to the one third of the population with the highest need.



In 2006 Serco was commissioned by the PCT to carry out a scoping exercise to explore the health needs of the community and the idea of developing a community matron service as part of the response. At that time there was a team of health visitors providing services for those with long-term health conditions, so the review looked at the possibility of upskilling the team and increasing the scope of their activities. In particular, it was seen as a priority to reduce the time spent as in-patients in hospital by people with complex, long-term conditions.

Building the team

Based on the results of the scoping exercise, which showed up the issues and the potential for improvement, a new approach was developed. This was designed to create a team of around ten community matrons, each caring for approximately 50 patients, providing the care and support needed as close to patients' homes as possible.

Three clinicians from Serco provided support to the existing team of health visitors. This included developing new ways of working with patients, acting as mentors and fostering good practice. At the same time, training was organised by the PCT so team members could gain the advanced practitioner qualification to enable them to dispense prescriptions in their role as community matrons.

From the start of 2007 the new community matron scheme became fully operational. The Serco clinicians remained involved during the first year to provide ongoing support and help manage the process. The matrons continue to use the Serco technology and clinical system designed for the initiative.

Helping patients manage their conditions

An essential element of the changes has been improving the knowledge and understanding of patients and their carers to manage their conditions more effectively – for example by contacting their community matron if they feel their condition is exacerbating rather than going to A&E at the hospital after it has deteriorated. This both improves their quality of life and is much more cost-effective. As one manager of the programme puts it, “A huge part of this is about empowering the patients to look after themselves and keep themselves healthy.”

The community matron role is also designed to recognise that many of the calls on health services come about for reasons other than purely medical matters. Accordingly, community matrons act in many ways as case managers for their patients. They will make contact when necessary with other agencies, such as social services, to try and organise appropriate support.

Managing information effectively

During development of the community matron programme it became clear how important easy access to patient records would be and the scope technology offered for improving efficiency. An ‘informatics’ system has therefore been developed, which underpins the programme and helps improve care more generally.

Each community matron uses a laptop that connects by 3G wireless technology to a central electronic records system. They can use this to call up existing records for patients they are seeing and also to add to those records in real time, ensuring they are always up to date for any subsequent use. This approach also means there are no records held on the laptop itself, so there is no risk to patient confidentiality or loss of data in the event of a laptop going missing.

Making as many processes as possible electronic has helped generate other efficiencies. For example a form that would normally have taken a couple of hours to complete can be done in around 40 minutes in electronic format. Community matrons can use the system to generate ‘stratified’ reports, enabling them to see who is making the greatest demand on health service resources. This identifies those patients where extra assistance can yield the biggest potential benefits. There are gains for managers too, as they can use the system to manage the most efficient allocation of patients across team members.

The centralised information system, accessible by other care professionals, has the added advantage of overcoming one of the most common complaints identified during the scoping exercise, when patients voiced frustration at having to provide the same information time and again to different health and social care professionals.

Major gains in efficiency and patient experience

At the outset, the programme had the target of reducing the number of in-patient hospital days by at least 5% for the patients covered. Evaluation during the course of 2007 showed results far in excess of this, with emergency hospital admissions down by a quarter. Non-routine contacts with primary care practitioners – such as visits to GPs and practice nurses – had fallen by more than half, representing a major saving in healthcare resources.

At the same time, every patient covered by the scheme reported they were either satisfied or very satisfied with the service. As one put it, “Knowing that I’m being checked at regular intervals puts my mind at rest and the community matron can tell just by seeing me if anything is wrong, and I can talk to her with my concerns before anything gets too bad.”

Equally positive views came from the 13 GP practices providing feedback. Experience of the scheme turned round some initial scepticism, with one GP commenting, “Surprisingly, patient care is much improved.”

Quality of staff key to success


Successful operation of the programme relies on staff being highly engaged, responding to the responsibility and trust given to them and using their initiative. As one Serco manager put it, “You’re reliant on the quality of your staff. You can have the technology, you can put the processes in place, but if on the ground floor you don’t have good, committed staff, you’re not really going to make the savings. ...The clinicians we were working with were very focused on what needed to happen.”

Potential for expanded use of technology for care management

Serco’s clinicians have moved on from the community matrons’ programme to work on a trial scheme in Newham for the expanded use of technology to achieve integrated health and social care, known as whole system demonstrators. The trial is intended to test the potential benefits of telehealth and telecare to help the growing numbers of elderly people and those with chronic health conditions to live independently.

Key performance indicators

- ▼ Emergency hospital admissions down by 26% (some of the most experienced community matrons achieved reductions of up to 40%)
- ▼ A&E attendances down by 16%
- ▼ Non-routine contact with primary care (visits to GPs etc) down by 57%
- ▼ Among GPs and patients responding, 100% said they were either ‘satisfied’ or ‘very satisfied’.



5 Engaging employees to drive up standards

Pinnacle is responsible for street cleaning and grounds maintenance in the borough of Castle Point in Essex. Through the smooth transfer of employees and engaging with them from the outset of the contract to develop new ways of working, the company has achieved significant improvements in the quality of service while at the same time reducing the costs to the residents.

Originally established as a manager of social housing, Pinnacle now delivers a range of public services solutions working alongside public and private sector agencies to deliver housing, facilities management and other services.

Pinnacle took over the grounds maintenance and street cleansing services at Castle Point in June 2006 following a competitive tendering exercise. The services were previously run directly by Castle Point District Council who recognised that a partnership with Pinnacle would act as a catalyst to improve performance and reduce costs.

The contract lasts for an initial seven years with a potential extension for a further three years. The cleaning side of the contract covers all streets and shopping areas in the borough – including 14 main roads and 60 miles of residential roads – while the grounds maintenance side includes all the borough’s grass cutting, parks maintenance and hedge cutting. The workforce is made up of 41 permanent staff supplemented by seasonal employees helping on grounds maintenance for about six months a year.

First principles: engaging with staff from the outset

Much of Pinnacle’s business includes TUPE transfers. This means that the success of many of its contracts is built on the smooth transfer of public sector staff. Getting this crucial element of contract management right is something that Pinnacle has developed across a range of services since its formation. As one manager put it: “Our approach will be from as early as possible to engage with the staff as completely as we can.”

It put this experience to good use on the Castle Point contract. During the pre-mobilisation period, Pinnacle and the client held joint team meetings followed by individual discussions with its new staff members to address any of the concerns they had and to learn about them: “We try to make sure people understand very clearly what our aims and objectives are.”

To help in shaping a fresh approach, managers and supervisors attended a two-day workshop to develop their managerial techniques. All staff also took part in a one day team-building exercise off-site – something they had never done before.

Listening to staff and responding to their ideas

As part of the initial discussions with staff, the company conducted a skills audit. This assessed what skills individuals had and the extent to which they were interested in developing new ones. It also threw up everyday items such as the quality of the boots and the availability and speedy delivery of stores and equipment. Listening to these issues meant that they could be dealt with very quickly within the Pinnacle management structure, making a quick win on both sides.

Pinnacle was clear that continuous staff engagement would be crucial to achieving its overall objectives. It put into place monthly team meetings to establish good lines of communication between staff and management – supported by joint meetings with the client. The emphasis of the team meetings is on a two-way exchange and it was through this process important changes in working arrangements were developed to enhance efficiency. The management recognised the value of the knowledge and experience of its employees: “They’ll see a problem before we do – it’s always worth listening to them.”

The impact of the new approach is illustrated by the experience of one staff member. A groundsman with many years of experience who had risen to supervisor level, he was particularly uncertain about the new contract, after being under local authority management all his working life. Under Pinnacle management, however, he came to feel his ideas were listened to and it gave him the confidence to suggest solutions and become fully involved in championing reshaped working methods, allowing his impressive knowledge (he knew every street in the borough) to be put to full use.

Rethinking work methods

Improved staff engagement meant employees were much more prepared to move away from ‘the old way of doing things’ to try new methods. Having a real three-way partnership between the staff, management and the client has paved the way for some radical changes to how services are delivered. One of the changes was a reorganisation of street cleaning routines. Whereas previously employees had grown accustomed to cleaning streets as part of one large team every month, under the new structure they were split into smaller teams, giving each team its own cleaning area. Over time, cleaning frequency has been improved from every month to every 12 days. Independently monitored standards of cleanliness have also improved by ten points, pushing Castle Point District Council into upper quartile performance nationally.

On the grounds maintenance side, there has been a similar improvement in the frequency of activities by moving to smaller teams of three or four people. Grass cutting has improved from once a month to once every 12 days (in season) and the company aims to bring the frequency down to ten days.

For the contract to be delivered efficiently, there was a clear need for close co-ordination between the street cleaning teams and the grounds maintenance side – the two had previously had little contact. Teams going out to cut grass had included a litter picker as they could not be confident that those on the street cleaning side would already have cleared litter for them. Simply by ensuring co-ordination between the two sides, it became possible for the grounds maintenance teams to dispense with this role. As a result of these and other changes, the number of seasonal grounds staff taken on to supplement the permanent team has been reduced from 40 to just 14.

Changing from large teams to a number of smaller teams has also had a knock-on effect in terms of the responsibility staff feel for their job. A healthy sense of competition has emerged between the teams, each vying to ensure their area is the cleanest or that they are team of the month. As one manager put it, “People want to be the best”. Also, when a member of staff is off sick it now has an obvious impact on the rest of the team. As a result, sickness absence levels have decreased by 25%, raising productivity and saving the time, effort and money managers would otherwise spend on providing cover.

Further reinforcement for these behavioural changes is provided by a scheme of modest bonuses introduced by Pinnacle. The monthly bonuses are calculated on the basis of a variety of performance indicators but are not paid to employees whose records show unauthorised absence in that period.

The right tools for the job

Pinnacle acquired plant and equipment from the council as an integral element of the contract which allowed the Council to maximize its investment. As part of their successful bid for the contract they committed to purchasing a second road sweeper and have replaced other machinery on a phased basis. Castle Point’s foresight in letting the contract on a seven-year (plus three-year option) allowed long-term investment in equipment and machinery. It makes a real difference for staff to know that they are working with good-quality equipment, giving a further boost to morale and employee engagement.

In addition, as Pinnacle has its own local repair workshop, repairs can be turned around rapidly, giving staff confidence that they will have access to reliable, trouble-free equipment.

Reviewing performance and recognising contribution

Individual performance reviews are held every six months to ensure standards are being maintained and to look to the future. Some of this assessment is based on Pinnacle’s electronic performance monitoring system which gives the supervisors and managers a full breakdown of the work each team is involved in. They are able to compare this with set objectives, highlighting areas for improvement and allowing benchmarking against other teams. Sharing performance information with the client further enhances the partnership.

The reviews are also a time to see whether employees are interested in adding to skills and progressing. For example, Pinnacle ran a workshop for those potentially interested in supervisory roles to give them a taste of what the job would involve. Already one transferred employee has progressed within the company to become a supervisor on another contract.

Where necessary, the company has not hesitated to tackle poor performance through its procedures: “The average member of staff doesn’t like the fact there’s somebody out there giving them a bad name. They’d rather see that dealt with.”



Nurturing an active sense of team spirit is not a ‘one-off, start-of-contract’ exercise for Pinnacle. Each contract area holds a social event for its staff every quarter. Events of this kind also mean employees get to meet senior managers from across the business.

Measuring results

It has been a contract requirement that, among other measures, street cleanliness in the borough should be in the upper quartile nationally – a result that has been achieved. Moreover, service delivery is under constant public scrutiny: “It’s an incredibly high-profile service. People walk out of their front door and the first thing they’re going to see is whether the street’s clean and the grass has been cut.”

Improved outcomes measured by frequency of service have also been achieved on the grounds maintenance side with much reduced seasonal staffing.

Making an active contribution to the community

The contribution that Pinnacle makes to the residents of Castle Point extends beyond its contractual obligations. On all its contracts the company undertakes a special community project to give something extra to local residents. At Castle Point this activity centred on the Thorney Bay foreshore. Residents and councillors had identified this area as a potential community project where there was no money available to create the change necessary. Pinnacle set this as an immediate management challenge for its local staff. The beach was cleared and an attractive rockery built with recycled materials. The whole beach area is now a major community facility and feedback from local residents and stakeholders has been very positive.

Working in partnership with Castle Point District Council

Our relationship with the Castle Point District Council senior management team and council leadership has been crucial to these achievements. Their support and enthusiasm for improving performance, providing value and accountable services underpins the successes Pinnacle and its staff have achieved.

Key performance indicators

- ▼ Measured by the government’s street cleansing standard (NI195) – on which the lower the score, the better the result – Castle Point has progressed from 13% when the contract started, to 3%, representing a ten-point improvement in three years
- ▼ Grass cutting frequency improved from every three weeks to every 12 days
- ▼ Street cleaning frequency improved from every three weeks to every 12 days
- ▼ Size of seasonal workforce reduced from 40 to 14.



6 Thinking lean to boost health outcomes

Since Interhealth Canada was awarded one of the first contracts to set up and run Independent Sector Treatment Centres (ISTCs), it has been achieving surgical outcomes that are highly cost-effective and receive outstanding ratings from NHS patients. Key factors have been building unified teams focused on patient care and the application of lean thinking to bring about continuous improvement.

InterHealth Canada – applying international experience in the NHS

InterHealth Canada is a global healthcare management firm established in 1994 with the aim of exporting Canada's intellectual and management expertise in healthcare to the international market. It has a focus on delivering patient care to high international standards combined with value for money.

In 2005, InterHealth Canada was awarded a five-year ISTC contract to plan, finance, build, staff, and operate a new orthopaedic hospital in Runcorn and provide consultants, nurses, and other clinical staff to run a second smaller facility in Kidderminster. The new hospital received its first patients in June 2006. Expert assistance and advice for the project were provided by a number of leading Canadian health centres acting as strategic partners, enabling it to draw on ideas and good practice from varied sources.

The company's UK facilities carry out elective orthopaedic surgery for NHS patients under the government's ISTC initiative. Any patient registered with a GP in England can choose to be referred to one of the centres and treated free of charge as an alternative to using an NHS-managed hospital. The company now delivers around 7,000 surgical procedures a year, primarily through its Runcorn hospital.

Clearly articulated objectives

The creation of ISTCs forms part of the government's strategy to inject greater choice and so more competition into state-funded healthcare to improve standards. Recognising this drive, Interhealth Canada adopted a clearly defined set of objectives for its ISTC activity from the outset:

- To be the patient's provider of choice
- To deliver the best and continuously improving clinical outcomes
- To be the employer of choice
- To be the most efficient, without compromising quality
- To be recognised as the best provider by commissioners.

As one senior manager explains, "It was very important that we established a culture that patients came first – patients first, staff second, shareholders third." The objectives are regularly communicated to staff from induction onwards and the company uses a variety of measurement and benchmarking techniques to assess how far they are being fulfilled.

Clarity about what is to be achieved is further aided by the fact Interhealth Canada's contract focuses on elective orthopaedic surgery. This allows the company to organise itself around a fairly narrow set of patient needs by comparison with a general hospital, enabling it to streamline activity. It also avoids the disruption of scheduled operations that occurs where elective surgery uses the same theatres as accident and emergency care. Streaming in this way is seen as an important source of productivity.

Building a multidisciplinary team

All employees at the Runcorn facility – including some 160 medical, nursing, clinical, administrative and support staff – have been recruited and employed directly by InterHealth Canada (facilities management services are subcontracted to OCS, a company with a similar quality ethos to Interhealth Canada). As a senior manager puts it, "There are only two types of staff in this organisation – those who provide direct care and those who support those providing direct care." Its salaried doctors are contractually restricted from working for other healthcare providers, ensuring all their attention and energies are focused on patients at the ISTC.

Plans for staffing the new facilities had to meet so-called ‘additionality’ obligations as part of the ISTC contract, requiring that the company should not employ any medical or nursing staff engaged on NHS work in the previous six months. This has been achieved in part by recruiting staff – particularly clinicians – trained in leading hospitals in locations as diverse as Hungary, Germany and Sweden as well as the UK, bringing together teams with experience of varied care regimes and without preconceptions about how NHS-funded care should be delivered. Coming into a new organisation and setting up systems from scratch suited some people but not others, leading to relatively high staff turnover in the first year, but this has now stabilised at low levels.

An incentive plan, applying equally to medical and other staff in order to foster teamwork, has been developed which is simple to understand and intended to reinforce alignment between employees and fulfilment of corporate objectives. An annual incentive pool at each site is linked to quality, patient satisfaction and profit indicators. Up to 25% of profit above budget is shared among staff.

Using measurement to enhance performance

Interhealth Canada is subject to similar targets and standards as NHS organisations and it has to comply with these. But the main focus for the business is to deliver against a series of qualitative and quantitative measures which it recognises as important to patients and which drive improved clinical outcomes, safety and quality. It sees targets by contrast as generating potentially perverse behaviours such as not continuing to improve once a target is met, and putting targets ahead of what is best for patients.

In the company’s experience, many NHS organisations appear to find a tension between directors on the one hand – who are driven by government targets – and frontline clinicians on the other who are more concerned to seek to do the best for each individual patient. In contrast, the senior management team at Interhealth Canada sees its role as protecting frontline staff from such tensions, and ensuring that everyone is focused on patient care. Internally, Interhealth Canada uses performance measures, not targets. This may seem a subtle distinction, but it is a significant one, leading to very different behaviours.

The use of performance measures and data comparisons forms part of the company’s drive for continuous improvement – measures from staff attendance levels to instances of patient infection are displayed on notice boards across its facilities. In the operating theatres, every stage from the starting time of the list onwards is timed, recorded and subsequently analysed to see where lessons can be learned, particularly to optimise use of theatre time.

Empowering staff to focus on patient care

The company strongly believes in applying the subsidiarity principle, whereby decisions are taken as close to the frontline as possible, within a clearly defined schedule of delegated authority. Staff are encouraged to use their judgement about what is in the patient’s best interest, rather than follow set rules. For example, if a patient misses their bus due to a clinic running late, the receptionist can book a taxi to take the patient home at company expense. They are also encouraged to come up with ideas for improving quality and performance, with the guarantee of feedback after evaluation.

One outcome of the emphasis on the priority of patient care is the low levels of staff sickness absence. These are monitored against economy-wide benchmarks and, at around 4% in Runcorn and lower still in Kidderminster, are well below average levels across healthcare.

Applying lean thinking to achieve continuous improvement

Lean thinking is used to drive improvement. The underlying philosophy is to ‘manage value’, not ‘manage costs’ – Interhealth Canada invests resources in activity that improves patient care and quality, but avoids investing in any activity which does not. As an example, therapy costs per joint replacement patient are probably higher than in many NHS trusts, but the company believes this is important to ensure excellent rehabilitation outcomes and reduce the risks of costly additional surgery.

Lean thinking is built in to all stages. Most patients, for example, will have all pre-operative assessments and diagnostics undertaken in a single visit – a sharp contrast to practice in many other hospitals which involves multiple visits. The organisation also offers clinics on Saturdays, early in the mornings and in the evenings to fit patient requirements. It now runs a satellite clinic in central Liverpool to handle pre-operative stages closer to patients’ homes. In part because of this patient-centred approach, the median referral-to-treatment time is 5.5 weeks and 90% of referrals are treated in under 11.5 weeks, compared to the NHS target of 18 weeks.

A lean approach is also applied to staffing to ensure resources are concentrated on frontline care. The number of non-clinical staff in the company's facilities equates to under a third of the number of clinical staff – in NHS hospitals the number of non-clinical staff typically equals the clinical. The company applies a lean approach to purchasing too: it uses a standardised range of proven prostheses from a single supplier for example, a much more cost-effective approach.

To apply lean thinking and continuous improvement effectively, however, requires regular and extensive measurement and benchmarking of activities. Surveys of patients, referring GPs and staff are used to inform improvement and management decision making. The company assesses performance not only against UK benchmarks but also international ones, covering aspects ranging from referral-to-treatment times to the cost and the number of joint replacements carried out on a typical operating list: "We're constantly changing to improve, using not only local benchmarks but international benchmarks and best practices from around the world."

As part of the drive for constant practical improvement, all senior managers spend at least two hours a month working alongside frontline staff in a variety of areas to understand how the overall processes are working from the patients' perspective. This is also a further chance to hear directly from staff, supplementing the views and ideas gathered through more formal employee communications forums.

Managing performance and developing skills

Individual accountability is seen as critically important. The organisation attaches a lot of weight to its performance management arrangements for staff. This is to tackle any underperformance at an early stage but also to help with staff development. There are robust procedures to check that formal appraisals are conducted as scheduled, supplemented by regular informal reviews.

In the past year or so, a 360-degree procedure has been added for managers, giving them feedback on the basis of a series of behaviours identified as important. Once this has been refined, it will be extended to other senior staff, including nursing and therapy staff.

The company invests heavily in training, matching the NHS allowance of protected training time to ensure skills are up to date. It also provides places for students nurses and therapists. The vast majority of staff hold, or are working towards, level 3 qualifications. As well as formal training, the organisation takes the view that it is important for staff to understand how the different sections operate, both to maximise flexibility and also so people can be aware of potential knock-on effects. So nursing staff, for example, rotate on a planned basis between the wards and between the wards and outpatients.

Because of its relatively small size, the organisation believes it is important for staff such as therapists to have external mentors, so avoiding the risk of working in isolation. In the early days it found other NHS bodies reluctant to help, but now that it has become established and built a strong reputation for quality of care, this problem has been largely resolved.



▼ Key performance indicators

The company uses a wide variety of qualitative and quantitative performance measures. A selection are shown below.

	Interhealth data	NHS data*
▼ Clinical indicators		
Revision surgery within 12 months of knee/hip joint replacement (Around half of revisions result from trauma or other factors outside hospital control)	0.8%	1.4%
Length of stay for hip/knee replacement	<3.5 days	>7 days
▼ Cost indicators		
Costs as % of tariff inc market forces factor	83%	100%
Cost of typical hip prostheses	£500-£600	£800-£1,000
▼ Quality indicators		
Patients describing their care as very good or excellent	96%	79%
% who would recommend	>99%	Not measured
Staff who would be happy for family or friends to be treated	97%	Variable but as low as 27%

* Although the NHS is not a single homogenous organisation, aggregated data exists (hospital episode statistics, reference costs, and aggregated patient satisfaction surveys) which allows broad comparisons to be made.





7 The NPL: Less overhead, improved delivery

Converting the National Physical Laboratory (NPL) into a government-owned, contractor-operated (GOCO) venture in 1995 was the start of major changes. Since then a combination of greater clarity of purpose which is communicated to all staff, tackling excessive overheads and changes that enable the frontline scientists to focus their time and energies on the organisation's core work has resulted in major, sustained improvements in performance.

A world-leader in measurement

The NPL is a national laboratory, based in Teddington, that focuses particularly on its role as the UK's national measurement institute. Ranking among the top three such institutes in the world, it is positioned at the interface between business, government and academia.

Its scientific projects are geared to improving economic performance and/or quality of life. Employing some 650 staff, 450 of whom are graduate/PhD scientists, the NPL is BIS's largest science and technology asset and is recognised as strategically important. About two thirds of its £70m annual budget comes from the government's science programme, but this contribution is shrinking.

The NPL develops and disseminates national and international measurement standards in almost every area of activity as well as techniques for measurement, ranging from underwater noise monitoring to developing a bomb-proof thermometer. A fast-growing part of its work involves knowledge transfer – the NPL has developed a wide range of tools and techniques to maximise the economic and social impact of the science and technology it generates and uses these to help other organisations.

Defining the outcomes

When in the 1990s the government was considering how the operation of the NPL could be improved, it was concerned not only with reducing costs – important though this was as an objective. It was also seeking ways to preserve and enhance the quality of scientific work undertaken and to maintain the NPL's essential role as the UK's national measurement institute.

Recognising its national importance, the solution devised was creation of a GOCO. In practice this means the government owns the laboratory buildings, equipment and most of the intellectual property created while an independent provider, Serco, is responsible for the laboratory's people and ensuring the work of the NPL is conducted efficiently and effectively.

A critically important feature of developing the initial contract between the government and Serco was identifying and spelling out the desired outcomes. Having been run as part of the civil service since its inception, the strategic aims and purposes of the NPL had not previously been thought through systematically and made explicit. The contract agreed in 1995 was based on recognition of the importance of the NPL as a national asset and the need for it to be run in a way that would ensure its enduring capability. This centred on four outcomes:

- Excellent science – in particular, world-class metrology
- Maintenance of the NPL's national and international status and influence
- Real and demonstrable impact of its work on the economy and quality of life
- Development of the NPL as a growing and sustainable business.

Processes were devised to assess achievement against these desired outcomes. They include, for example, regular audits by the Royal Society and Royal Academy of Engineering to check on the quality of the science work being carried out by the NPL, with results reported directly to the BIS secretary of state. The growth of the NPL's knowledge transfer activity has been important both in increasing the impact of its work and in generating evidence of its measurable benefits. Following a successful initial contract, Serco won a ten-year renewal in 2004 through a retendering exercise.

Tackling the overheads

When Serco first took over management of the NPL, its priority was to establish a proper understanding of the organisation beyond the outline provided in the contract discussions. This included such basics as establishing what assets were on the site as well as building a comprehensive picture of its activities.

It was clear there was an urgent need to tackle the imbalance between the scientific/commercial base of the organisation and the overheads. Because of its civil service origins, the NPL had a management and administrative structure very different from that found in most commercial laboratories. A lot of management was preoccupied with activities such as seeking permission for purchases through bureaucratic processes, excessive record keeping and reporting, and other types of administration.

Many of the actions which followed were seemingly simple, common sense moves but they were fundamental to delivering better services. During the course of the first contract after 1995, Serco concentrated on developing a leaner, more specialist management and support team to provide the infrastructure of the organisation. For example, procurement specialists were brought in to handle purchasing, operating with more streamlined systems. Accountants were recruited to the finance side and there were changes to free up scientists who had been preoccupied by management activity to focus on science. Much of the bureaucratic activity was cut and a great deal of waste and duplication eliminated.

The end result was a sharp reduction in overheads: full economic cost overheads (expressed as a percentage of the gross earnings of those engaged in science) were reduced from 252% to 166%, while staff utilisation (a measure of the time worked on funded projects) was increased from 66% to 74%.

While greater internal efficiency was part of achieving a better balance, boosting income by raising third-party sales of services was also important. By 2004, annual sales of the NPL's services to organisations outside government had risen to £10m. This was achieved without any adverse impact on the quality of the NPL's output – the independent inspections have consistently verified the quality of science undertaken. Since 2004 the NPL has further increased this revenue to over £20m a year.

Setting priorities and focusing on core activities

A key element in boosting results was introduction of a rigorous, standardised process for deciding what projects should be prioritised. Getting these decisions right was essential if the NPL was to achieve progress on the desired outcomes agreed with the government and to make the best use of resources.

By the time the contract was renewed in 2004, it had been possible to review the way science activity was carried out. So having tackled overheads, the focus moved to the effective management of the science projects themselves and those engaged on them. The number of project managers was reduced from over 200 to around 40, further streamlining the structure. Their role changed so their activities were focused on ensuring projects were properly completed to time and budget, managing people and resources to best effect.

More broadly, a lot of work has been done across the NPL to clarify roles and what is expected of staff. This particularly applied to scientists, freeing them from other activities so they could concentrate on the technical content of projects. An important cultural shift has been to improve awareness among scientists about the end purpose and beneficiaries of projects, the timescales, funding arrangements and who the client is. Many now have more engagement with external bodies, explaining their work and helping others apply it. The performance management and personal development system has been overhauled and conducting appraisals consistently is now recognised as a priority. As part of this, work is being done to benchmark the quality and methods of scientific work being carried out by individual NPL scientists against external scientists to identify areas for potential improvement.

Managing staff expertise effectively

When Serco took over the management of the NPL, all staff were transferred to it from the civil service with TUPE safeguards. Staff were on a variety of terms and conditions, and as far as possible, these have been standardised. New recruits joining the GOCO come in on Serco terms. In particular, they are eligible for a stakeholder pension scheme rather than the civil service defined benefit scheme that still applies for those transferred in 1995, with all the unlimited risks and hefty costs such schemes entail.

A great deal of effort was put in to communicating with staff to allay concerns about the GOCO. The emphasis on letting scientists concentrate on the science and greater clarity about the work programme of long-term projects have both helped in securing engagement. New career possibilities are open within the Serco group – for example the Atomic Weapons Establishment and the National Nuclear Laboratory are also managed by the company. The NPL now operates much more flexibly to secure the variety of specialist skills needed to tackle particular projects. It is for example making increasing use of contract staff or ‘guest’ workers to bring in additional expertise and minimise the risks of redundancy at the end of projects among its core staff. It also takes a more flexible line on pay when it needs to secure a particular specialist.

Key performance indicators

Key measures of productivity improvement in the period 1995-2008 included:

- ▼ Full economic cost overheads reduced from 252% to 166% (expressed as a percentage the gross earnings of individuals engaged in science)
- ▼ Staff utilisation excluding holidays (a measure of the time worked on funded projects) increased from 66% to 74%
- ▼ 15% reduction in cost of the NPL to government
- ▼ Sales of services to third parties increased from £6m a year to over £20m
- ▼ Maintenance of quality of science audited through by the Royal Society/Royal Engineering Academy
- ▼ Increase in peer reviewed papers by 60% to 190 a year and increase in citation index by 75%.



8 Rethinking road works management to save spending

Contracting out inspection and management of road repairs undertaken by utility companies has saved £130,000 a year of council staff costs in Bedfordshire and is on course to generate further council savings by reducing the need for future road repairs. Amey has created a dedicated team to handle the activity at no cost to the councils concerned. Arming inspectors with appropriate technology has enhanced their productivity by about 20%.

Amey and Bedfordshire Highways

Amey is one of the UK's leading support service suppliers, working with customers across the aviation, central government, defence, education, local government, rail and strategic highways sectors.

Bedfordshire Highways is a partnership between Amey, Bedford Borough Council and Central Bedfordshire Council to manage the road system in the county. The contract was initially awarded in October 2005, based on an extendable term of five-and-a-half years. The value of the agreement is estimated at £30m a year and includes four main services: network management, network engineering, business management and fleet maintenance. Under the contract, Amey manages and maintains 2,200 kilometres of roads, 330 bridges and over 42,000 streetlights. In the first year of the contract, savings of more than 20% were achieved in the cost of structural maintenance and road safety improvements.

An important part of the contract is management of road works carried out by the utility companies. Under the 1991 New Roads and Streetworks Act, councils have the power to fine companies that fail to complete work to an agreed time and/or do not adequately repair the road surface. Amey exercises the councils' powers on their behalf.

Creating a focused team

When utility companies dig up roads to carry out renewal or repair work, the result can be not only traffic disruption but also shortening the life of the road surface if repairs are not carried out to an adequate standard. Before the contract with Amey, managing road works by the utility companies was handled as part of wider council work on road matters. There were no staff with specific responsibility for levying fines where these were justified, and as a result, these tended not to be actively pursued.

In taking on the contract, Amey created a focused team. This comprises three specialist inspectors dedicated to sampling 10% of utility company repairs at regular intervals to assess standards and six safety inspectors to check roads, streets and general levels of maintenance. A further three staff manage the schedule of utility works and levy fines for those works not completed on time or to standard.

A few staff transferred under TUPE from council employment but the team mainly contains new employees. This provides the advantage of a degree of continuity with openness to new approaches. From the council side, the transfer of responsibility enabled it to reduce staff posts to the value of £130,000 a year, based on the time spent by staff members on utility-related activity. Amey receives no payment from the councils, but is instead entirely reliant on fines levied on utility companies – a powerful incentive that was previously lacking.

Professionalising the workforce

Before Amey took over the contract, not all of those undertaking inspections were directly employed by the councils – some of the inspectors were freelance workers. The first major change by the company was that all staff became directly employed. This improved professionalism and unified the workforce: for instance, when undertaking an inspection, staff do so in Amey clothing and drive liveried vehicles, which makes a difference to the mindset of those they are inspecting.

Adoption of new technology was central to improved effectiveness. Previously, reporting on inspection of roads and streetworks was a pen-and-paper activity. Inspectors would go out from the council offices to visit a particular site, note down their findings and then return to the office to record them – often a time consuming, laborious process.



Amey transformed work methods by equipping all inspectors with data capture devices. These minimise the time inspectors need to spend in the office, allowing them to plan inspections and report the results back to the office remotely. Using digital cameras and GPS positioning to pinpoint locations improves outcomes in two key ways: it saves time and builds a better evidence base. It is much more difficult for a utility company which leaves a road in a poor state of repair to contest this breach when it is presented with photographic evidence stamped with the date and time, tied to a specific location. Across its specialist inspectors, the company estimates the changes of technology have freed up time to allow extra inspections, raising productivity by 20%.

While the technology offers clear benefits, Amey recognised that some of its staff were not initially comfortable with it. It responded by providing dedicated support to staff, with personalised training to enable them to feel confident in using the new devices.

Managing employee performance

The second major area of change concerned managing the performance of individual employees. Separating out the management of utility-related road work from other local authority activity helped clarify what the employees should concentrate on. They are clear about their roles and understand, for example, the levels of income the team should be looking to generate.

The changes in technology and work methods also make it possible to compare the effectiveness of individual team members. The management team, for instance, was able to identify the poorest performing inspector. By showing him how his levels of activity compared and working with him to improve his inspection regime, his productivity increased by 50%.

Measuring the outcomes

As well as reducing local authority costs, the contract is designed to reduce traffic disruption by tightening up management of highway work and save money longer term by reducing the frequency of council-funded repairs. There are therefore a mix of performance measures, including:

- The extent to which works are completed to time
- The proportion of roads needing repair each year
- Achieving the target of sampling at least 10% of works
- Keeping the number road reinstatements required below the regional average (the logic behind this is to try to change the behaviour of utility companies so they reinstate roads better in Bedfordshire).

By scoring highly on the measures, Amey has won extensions to the initial contract, so it now runs to 2013. The greater the company's success, the lower its income from fines will be. Recognising this, it is looking to win similar contracts with neighbouring local authorities which will allow overheads to be spread across a larger operation.

Key performance indicators

- ▼ Savings of £130,000 a year in council staff costs
- ▼ Closer management of highway repairs carried out by utility companies, designed to generate further savings in the longer term through less frequent council-funded repairs
- ▼ Increases of up to 20% in staff productivity through use of technology and new work methods.

9 Improving learning outcomes for offenders

To raise the quality of learning and skills delivered in prisons, A4e has combined local flexibility for staff with centrally-managed initiatives to boost standards. Developing the professionalism of staff, spreading good practice between institutions and putting an emphasis on enhancing the employability of learners have all contributed to achieving better outcomes.

A4e's involvement in OLASS activities

A4e is an international business that manages, operates and delivers frontline public services. Its activities range from helping people move into work and raising their skill levels to providing access to legal services and generic financial advice. Since its creation in 1991 the company has grown to operate in 11 countries.

Since winning its first contract to operate offender learning and skills services (OLASS) in 2004 when the Learning and Skills Council took over responsibility for the services, A4e has become the largest independent OLASS provider. It now operates the services in 29 prisons in four regions of England. Over 600 A4e staff are engaged in delivering 220,000 hours of learning each year. The main focus of their work is helping offenders develop skills that will improve their life chances in the outside world – literacy, numeracy and other basic skills, skills for life and vocational skills. This activity builds on A4e's track record as a major service provider in helping people move into employment and understanding the skills employers need them to have.

Professionalising the workforce

In recent years a lot of OLASS work has tended to be carried out by a sessional, relatively casualised workforce. The single biggest change made by A4e in those institutions where it took over responsibility for the service was to transfer over 50% of the OLASS workforce onto permanent employment contracts. It took the view that a settled, committed team would improve the quality of the curriculum delivered and its members would be more prepared to go the extra mile when necessary. All new OLASS staff since then have been recruited onto the same A4e permanent contracts.

In addition to stabilising the workforce and showing long-term commitment, the company has built up a national database of around 500 security-cleared supply staff it can call on to create flexibility of cover. This includes people with specialist skills, recruited by local advertisements or through networking by managers, to strengthen the company's ability to deliver vocational training in fields such as construction and welding.

Allowing local flexibility

A4e recognises each OLASS centre is different, reflecting differences in security levels, facilities, relations with governors and other factors. So the company devolves decision making as much as possible to the local level, giving the managers on the ground real autonomy. It aims to keep the focus on the end objective of enhancing the work opportunities of learners and doing whatever is necessary to contribute to that. If, for example, a trainer believes lack of a pair of scissors stands in the way of an learner developing potential employment as a barber, petty cash will be used to make the necessary purchase immediately without further authorisation. Similarly, a tutor may decide that buying some special interest magazines will help in developing the literacy of a particular learner.

The approach adopted by the company is perhaps best summed up by comments from one member of staff: "I have worked in prison education for ten years and I can honestly say that A4e are by far the most supportive company I have worked for. A4e is an innovative company who expect their employees to work hard. They allow managers to manage and give wide limits of discretion."

Driving up performance

For the managers running the day-to-day learning activities, there is a system of performance-related pay and discretionary bonuses which rewards achievement in four areas seen as critical to successful outcomes: managing people, financial performance, quality of training and the ‘consumer’ experience. Across the workforce more generally, a competency framework is in place to underpin performance management and succession planning. Staff have regular appraisals to help those delivering learning improve their performance.

Sharing good practice

As an operator spanning a large number of prisons, A4e has been keen to spread good practice as part of the drive to raise standards. Some of this is done through meetings of regional managers, held every six weeks. In addition, A4e holds annual conferences bringing together the managers from its individual sites to exchange experience and learn from each other about what works most effectively.

A consequence of the historically fragmented nature of the OLASS service has been a tendency in the past for the curriculum in particular prisons to be built around the specialisms of the tutors available. With its wider reach and ability to bring in staff from elsewhere within A4e, the company has been better able to gear courses and training to the needs of learners.

Ensuring quality of service

Like every supplier of OLASS services, A4e activities are subject to independent inspection to ensure quality standards are being maintained. But A4e does not believe reliance on this external inspection is enough. To really test and stretch the standards of service, A4e operates a system of internal inspection. This is intended both to ensure the quality of service is robust and foster a mindset among staff whereby they should be ready to face scrutiny and demonstrate excellent service standards as a matter of routine. The internal inspections are conducted by the quality manager together with managers from other prisons and regions, providing a further opportunity to spread good practice.



Measuring the outcomes

A key test of A4e’s progress is provided by results from the independent inspections by OfSTED of OLASS work. Services are classified on a four-grade scale. In the period since August 2006, 16 of the prisons where the company runs the OLASS services have been subject to full formal inspections. In 13 of these the inspection grade has been raised – a major improvement as the movement from one grade to another represents a big jump – while in the other three the grading level has been maintained. There have also been six unannounced inspections, the completed five of which reported some or significant progress in the OLASS activities run by A4e.

Key performance indicators

Since August 2006 there have been six unannounced inspections of OLASS operations run by A4e. One report is awaited but the outcomes of the others have been:

- ▼ Significant progress – three prisons
- ▼ Some progress – two prisons

Since August 2006, there have been 16 full announced inspections of which the outcomes have been:

- ▼ Grade 2 (good) in ten prisons
- ▼ Grade 3 (Satisfactory) in six prisons

Compared to their full inspection results prior to A4e taking over the OLASS contracts, the inspection grade has:

- ▼ Been raised in 13 inspections
- ▼ Remained the same in the other three inspections.



10 Empowering janitorial staff to deliver

The public-private partnership between BAM and East Renfrewshire Council to redevelop four schools and provide support services has attracted considerable attention as an exemplar, being visited by a number of international delegations. A key feature of BAM's activities has been developing a janitorial team motivated to take a proactive approach, ready and able to tackle a wide range of tasks and take an active part in the life of the schools. The result has been a highly cost-effective service with spin-off educational benefits.

BAM's involvement in East Renfrewshire PFI

BAM Construct UK Ltd is part of the European construction enterprise, Royal BAM Group, with UK activities stretching back to 1874. Operating in sectors as varied as education, retail, health, offices, leisure and justice, BAM companies span all phases of construction from initial design to maintenance and facilities management of the finished building.

BAM became involved in delivering services to four schools on the south side of Glasgow in East Renfrewshire as part of a public-private partnership (PPP). To deal with overcapacity at some schools and annexes in poor condition at others, East Renfrewshire Council decided to replace the existing Williamwood High School and Carlibar Primary School and provide extensions to Mearns Castle and Woodfarm High Schools. The project – the council's third Public Finance Initiative (PFI) deal – was a complicated one as much of the construction work had to be carried out while the schools remained open. The final phase of building work by BAM Construction was completed in 2006. The premises are used not only for teaching and school activities but also for wider community activities, operating seven days a week.

Strong partnership working

The council's familiarity with PFI procurement meant it was clear from the outset what it wanted from BAM and this helped in building a strong partnership. Following completion of the construction phase, effective communication between the parties continues to be important – daily, weekly and monthly meetings take place between the partners at various levels to ensure the smooth running of the contract and reinforce the spirit of partnership.

BAM FM delivers a range of facility management services at the schools. The council decided to manage the cleaning and catering activities itself, but BAM provides:

- Building maintenance
- Grounds maintenance
- Helpdesk operation
- Janitorial services.

In developing its janitorial services, the company set out to provide a service going beyond what it saw as the customary pattern of janitors calling in other – potentially costly – providers to carry out virtually any maintenance task beyond the most basic, with all the associated delays and inefficiencies.

Recruiting for attitude...

Janitorial services in the schools are provided by a team of around 20 people. Although one member was an existing employee of the council transferred to the BAM team under TUPE arrangements, all other BAM janitors were new recruits. This offered a distinct advantage as it allowed for a fresh start rather than the company having to secure changes in long-established patterns. With the premises in use seven days a week and in the evenings, the janitorial team needed to have a flexible approach to provide extended cover.

Recruitment of janitors was done locally, bringing in people who knew and cared about the local community and understood the role of the schools in contributing to enhanced life chances. Many of the new recruits had already built up extensive experience in other jobs and joined the East Renfrewshire schools project looking to use this experience to give something back to local children and the wider community. In the recruitment process, the company put the emphasis on the positive, proactive attitudes of potential janitors.

... and training for skill

BAM builds on the qualities its janitorial staff bring through a structured training programme, reflecting the company's overarching goal of investing in its workforce. The nature of the training depends on the initial skills particular staff members start with, and many of them bring considerable skills with them from earlier jobs.

At the outset of their employment, all new janitors are given some experience of each of the four schools to understand the way they operate and gain exposure to the techniques and practices already in use. When familiar with the sites, they complete their training in day-to-day tasks and first aid training.

Once established, all staff undertake a programme of training which is best suited to their individual learning needs. This can include electrical and/or plumbing training, which BAM is in a position to provide through its own training services. This investment in the janitorial staff is repaid through the way in which they tackle their work. BAM has been keen to foster the proactive attitudes of staff. It has found the team is keen to 'get stuck in' and able to tackle a wide variety of maintenance work without having to call in other assistance. Staff welcome the variety of work and the opportunities their training opens up. BAM recognises and rewards excellent contributions through succession planning, and some janitors have moved up through the ranks to become technicians.

Contributing to school life more widely

As part of developing a strong sense of common purpose and effective teamworking, BAM sees it as important for its staff at the schools to share the broader vision of contributing to improved educational outcomes. Janitorial staff are fully integrated into the life of the school and have been involved in social and charity events, such as a team-building weekend for school staff. Some have become involved in mentoring pupils and helping in other ways. One of the school heads, for example, has described them as "Excellent with children, especially when it comes to taking account of the children who have additional support needs."



Value for money outcomes

The high quality facilities provide sustained value for money as well as providing scope for increased community activity in the evenings and at weekends, enabling the council to boost its income by charging for use of the premises. The contract management for the schools is informal and built primarily on trust. BAM has forged a relationship with East Renfrewshire council which means the contract is managed to a high standard so it essentially stays in the drawer, saving on the time of council staff.

It is normal for PFI schools to face deduction for occasional failures to deliver services to full contract standard. Remarkably, the contract for the four East Renfrewshire schools is about to enter its fifth year and so far there have been no performance-related deductions. The janitorial team has played a major part in this achievement, reflected in the low rate of calls to the services helpdesk – the great majority of tasks needing attention are dealt with by team members without having to be notified through formal channels. Their skill levels also mean there has been little need to use external sub-contractors, with consequent cost savings.

Key performance indicators

Key measures of productivity and performance:

- ▼ No penalty deductions for shortfalls in service delivery since start of the contract
- ▼ Proactive, speedy service, minimising use of costly sub-contractors
- ▼ Contribution to educational attainment of pupils through active involvement in life of the school.

11 Securing print value at Essex County Council

Since winning the contract to manage all print services for Essex County Council in 2008, CDS has revamped the service to achieve sustainable savings for the council and provide a highly responsive service. Key features of the changes included bringing all print-related activity together in one unit at the council's offices and assessing each job through a triage process to determine the most cost-effective method of handling it.

CDS and the county council

Essex County Council is one of the largest county councils in the country and employs approximately 39,000 staff in jobs from social care, waste, recycling, community planning, transport and schools to sport development, libraries, policy development, heritage, tourism and emergency planning.

Set up in 1994, Corporate Document Services (CDS) provides a range of services to help its clients communicate with customers, suppliers, staff and the public.

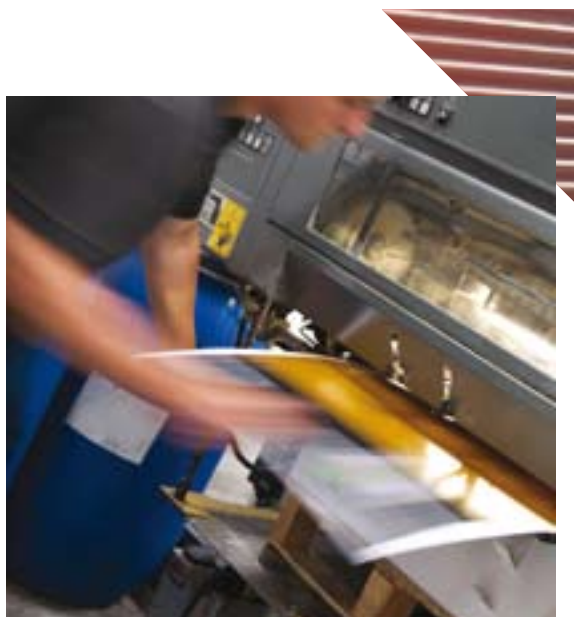
Back in 2000, the county council began reviewing how best to run its print operations. At that stage it operated two facilities, one offering commercial print services and the other providing an internal reprographic service to meet its own needs. CDS won the print management contract, convincing the council that it was unrealistic to persist with its efforts to run a commercial print business. With technology changing fast and a constant need to invest in new equipment to gain the benefit of advances, the best option for the council was to outsource longer-run lithographic printing to external printers, with CDS managing the process.

The CDS arguments and figures won the day and the company ran print management for the council successfully for an initial five-year period from 2001, securing substantial savings on print costs. Meanwhile, an in-house team continued to meet the council's internal requirements for shorter-run digital print work. Over time, however, the benefits of having two separate entities providing print services became increasingly questionable. As technology moved on, the borderline between those tasks best handled by digital printing and those most suited to litho constantly shifted, meaning the two units tended to be competing against each other without real benefit to the council.

Moving to an integrated service

Accepting the case for the potential benefits of combining the services, the council invited bids for an integrated service to run from April 2008, covering all print activity (though council staff retained the freedom to use other print arrangements if they saw fit). The new service would cover graphic design and forms management as well as print buying and in-house reprographics.

CDS won the contract and set about establishing a single unit on the council's premises. This involved moving its existing print buying staff into the new unit and taking on a dozen staff from the council, transferred under TUPE arrangements, plus all their associated equipment. The company was very conscious that the council staff – who included the DTP team and the print machine operators – did not have to transfer but CDS wanted their skills and organisational knowledge. With experience of previous TUPE exercises, it understood the central importance of carrying the workforce with it. It recognised that "What we need to do is inform people, to try and make their transition from their current employment situation as smooth and informed as possible." This included securing admitted body status to the local government pension scheme to safeguard the position of employees in terms of their pension rights.



With agreement of the council, Mitch Fisk, the manager of the in-house reprographics unit moved across to CDS some months ahead of April 2008 to help with the transition. This move was important as it allowed a human connection to be made – Mitch acting as an anchor reassuring other members of staff about their job security under CDS. As soon as the contract was announced, senior CDS managers met the staff concerned as the start of the communications process. From then on, the company aimed to have a continuing two-way conversation about the way the new unit would work and the transition of staff to it.

In the event, all council staff affected by the transfer opted to move over to employment with CDS and, nearly two years on, all but one member of staff are still with the unit.

A new relationship

One cultural aspect of the change CDS has focused on is helping employees to appreciate the changed nature of the relationship with their former employer. People who were their colleagues are now their customers. So staff now need to be thinking in terms of aiming for full customer satisfaction. They also have to think along more commercial lines to ensure products are delivered in line with customer requirements.

At the same time, the consultancy and advice side of the unit's work has expanded. The former head of the in-house reprographics team has moved into a business development role, raising awareness of the CDS unit across the council and the services it can provide.

Securing cost savings

The presence of the new combined print unit at the council's offices has been critical to success of the contract. Even though the print buying operation was previously only half a mile away, it saw a 30% jump in usage by council staff once it was on the spot. With easy face-to-face communication and greater awareness of what the unit could offer, council staff with print requirements have increasingly used the unit: "Being on-site, being in front of the client, bringing everything together into one controlled environment has been the most successful thing we've done."

During the initial contract from 2001, CDS had secured savings for the council of around £250,000 a year on a print budget of £1.8m, primarily through more effective print buying. In the first year of the new contract for the unified service, it has generated savings of around £500,000 on the now combined budget of about £3.2m. The result was achieved through what one senior CDS manager describes as "a true partnership".

The key source of savings has been introduction of a triage process applied to every piece of work coming to the unit to determine the most cost-effective means of producing it. This seems a simple change, but it has proved an essential reform of process. As a result, the print team are handling a much expanded volume of print work at lower cost to the council. Creation of a single unit has also reduced administration and enabled adoption of an improved management information system to handle the growing volume of work.

Sharing its services

The unit is also now starting to win business beyond the county council itself from district and borough authorities. In fact any UK local authority can 'piggy back' on the Essex County Council print contract. CDS's new clients under the contract include Harlow Council, Basildon District Council and the London Borough of Bromley. This has direct benefits for these authorities by cutting their own print production costs through sharing the service – as a CDS manager comments, "It's very easy to talk to an authority and show them the benefits."

Key performance indicators

- ▼ On top of savings of around £250,000 a year for the county council generated by the original 2001 print management contract, additional savings of about £500,000 a year are now being achieved, equivalent to more than 10% of the total print budget
- ▼ Savings are being generated for other local authorities by making the cost-effective service available to them.

Annex

Measuring public service productivity

Analysing productivity requires accurate measurement of inputs and outputs. In the market sector, where outputs can often be clearly quantified, this is relatively straightforward: firms buy in resources (inputs) and sell their output on the market. Like some private sector services, public services are much more of a challenge to measure.¹⁹ While the inputs are known, public service outputs are mostly provided to users either free of charge or at a nominal price not intended to cover costs. There is no market generating price information to measure the quality and value attached by consumers to public services.

A developing technique

While prices for public service output are not available, the services are plainly not without value. From schools and hospitals to environmental protection and policing, users value public services. They add to consumers' and society's overall welfare. They can also boost economic performance – for example by raising skills levels.

To recognise and measure this value, the traditional approach was to set the value of public service output as equal to the expenditure used to produce it – so the value of the outputs was treated as equal to the inputs. This meant that productivity was unchanging over time. It in effect ruled out the idea that the quality or volume of public services delivered for any given amount of spending or other inputs could be improved or might deteriorate.

In 1993, however, as part of a review of the national accounts system, the United Nations proposed moving away from this convention and instead recommended measuring public service output directly. The change would make it possible to measure movements in public service productivity.

UK leads the way on measurement

The UK made faster progress on changing its measures than most other national statistical institutes. By 1998 the ONS had moved to a new system, with two thirds of public service spending measured using new direct output measures. The ONS statistics aim to measure the services generated by the current expenditure of the central and local government sectors. Examples of direct output measures include:

- Health volume output measured by cost-weighted activity index of NHS activities and family health services (number of GP consultations, prescriptions, sight tests, dental treatments etc)
- Education volume output measured by pupil attendance adjusted for quality by GCSE results
- Administration of social security volume output measured by the number of benefit claims for the 24 largest benefits
- Volume output of fire services measured by number of fires and incidents attended plus a measure of fire prevention activity.

This was pioneering work. In order to check whether the new estimates of output and productivity were capable of bearing the weight being put on them, Sir Tony Atkinson was commissioned to carry out an independent review. The Atkinson review published two reports, an interim one in 2003 to allow experts to have some input and a final report in January 2005.²⁰ This strongly endorsed the basic direction that ONS methods had taken and recommended further refinements, particularly to take account of quality changes. This is important as a higher quality is worth more – representing greater productivity – than a lower quality service. As yet, changes in quality of services are taken into account only in healthcare and education. Quality changes in healthcare, for example, now reflect measures such as survival rates, waiting times and surveys of patient experience.

Despite the progress on measurement, for around a third of public services (as a proportion of public spending) outputs continue to be treated as equal to inputs. Services treated in this way include 'collective' services such as police, defence and much central government activity.

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The CBI's Public Services Strategy Board – aims and principles

Private providers make a significant contribution to public services in the UK. Competition has been used to cut maximum waiting times for hospital treatment, improve results in schools, reduce re-offending, build and maintain modern public buildings, release more resources to the military front line, make streets cleaner and safer and much more.

Economic uncertainty means our public services face an unprecedented challenge. Now more than ever the government should explore innovative ways to deliver them and to measure and compare the different ways of delivering these services.

The CBI Public Services Strategy Board believes competition amongst providers is the most powerful tool the government has to improve the value and quality of our public services and generate fresh ideas. The best providers, regardless of sector, should compete on a level playing field to deliver public services.

Business needs effective public services to operate efficiently and should be part of the fabric of how they are delivered.

This is why we will continue to pursue vigorously the modernisation agenda.



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