

The Illusion of Control

How Government Targets and Standards Damage Local Government Services

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Disclaimer

The views expressed in this document were drawn from correspondence and meetings with senior leaders in English Local Authorities. While many of these have adopted Systems Thinking as the principal means of service improvement within their authorities, the views expressed in this document do not necessarily represent the official policy of the contributors' councils.

Introduction

A growing number of local authorities throughout the United Kingdom are now using Systems Thinking to improve their services. While it is well documented in management literature that targets and standards often create perverse incentives that sub-optimize behaviour, informal discussions between these authorities have begun to reveal the extent of the problem, which is that in every service studied, using the methods of Systems Thinking, central government targets and standards, and the wider inspection regime, are causing serious harm to services. The cost of this is that our customers receive a far inferior service to that which is possible, and councils spend far more on services than they need to. It is difficult to quantify this cost, but across English authorities, the cost is likely to run into tens of millions of pounds, if not hundreds. And that is without considering the costs of data collection and inspection.

The purpose of this report is to document some examples of the pernicious effects of central Government's command and control regime. The examples herein, except where otherwise acknowledged, have all been provided by senior leaders of English local authorities in response to a request published in the SOLACE newsletter, or arose from discussions in a meeting of English local authorities using Systems Thinking in Benefits and Council Tax services. These authorities have shown that it is possible to achieve dramatic improvements in service at reduced cost by implementing Systems Thinking, and often this means setting aside government advice and guidance as to how services should be provided. However, the purpose of this is not to simply criticise the regime, as it is fully acknowledged that both central and local government have the same aims: better services at reduced cost to the taxpayer, and it would be naïve to pretend that local government services are as good as they can be, and that central government does not have a stake in seeing that services improve. So the next phase of this project will be to ask local government leaders how we can build a more mature relationship with central government, where ministers can be assured that local government is improving, without harming it in the process.

What is Systems Thinking?

Many of the principles behind Systems Thinking have been understood since the middle of the last century when first articulated by leading quality management thinkers such as W Edwards Deming and Joseph M Juran. Japanese business led the way in the early adoption of these principles, notably in the Toyota company, where early leaders, such as Taiichi Ohno, adapted the quality principles, and added some of their own about the flow of work, to create the widely admired Toyota Production System (TPS). The adoption and continuous development of TPS has enabled Toyota to establish itself as the world's leading mass motor vehicle manufacturer in terms of profitability; quality; the efficiency of its manufacturing plants; and its relationships with its supply chains. The approach, or perhaps philosophy, has since spread far beyond Japan and is much emulated—with varying degrees of success—not just in manufacturing, but also in a wide variety of industries and sectors.

Some of the fundamental principles of Systems Thinking are as follows:

The work must be understood from the outside in. The design of work should be based on customer demand and therefore must consider the work from the customer's perspective.

The system is designed against predictable demand. The demands on the service need to be analysed and understood to learn what the customer wants from the system.

Understanding the flow of work through the whole system is critical. This means developing an understanding of the work from end-to-end.

Pull. This means that the work is done against demand: only do something when it is needed; but when it is needed and make sure you have the resource to do it straight away.

The people on the spot have the responsibility and capability to do what is needed. The proper design of jobs ensures that people doing the job have the responsibility to act. With this responsibility comes an ownership of the work and pride in it. The organisation should make intelligent use of its intelligent people.¹

¹ A Systematic Approach to Service Improvement. Evaluating Systems Thinking in Housing. *Officer of the Deputy Prime Minister*. 2005. The study followed three pilots using the Vanguard Method in housing. The Vanguard Method is a Systems Thinking methodology used by Vanguard Consulting.

Centrally-Imposed Targets Harm Services and Drive Up Costs

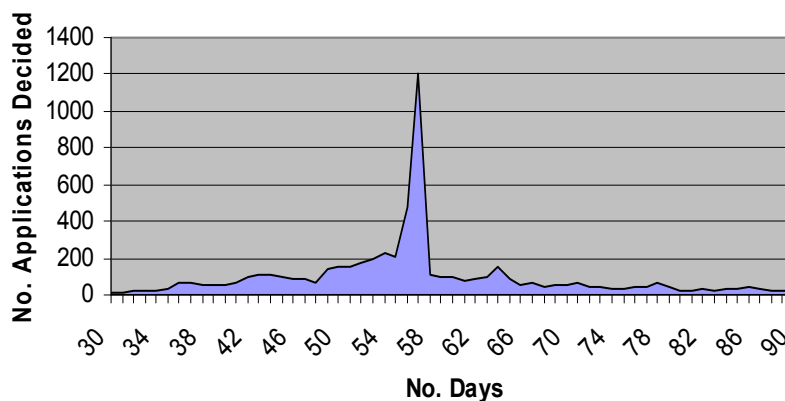
Development Control

The Best Value Performance Indicators (BVPIs) for development control were BV109 a-c (now NI157 a-c), which measured time to process 'Major', 'Minor' and 'Other' planning applications within government target times, which are 13 weeks for major applications and 8 weeks for minor and other applications. The following graph shows decisions made by days to decision for a district council that used Systems Thinking to improve their service.

The graph clearly shows that the government target of 8 weeks is driving the wrong behaviour in the decision process; there is no other reason why so many applications would take almost exactly eight weeks. Presumably some could have done in less time and it is equally possible that some should have taken more, which begs the question as to whether the right decision has been made. It also suggests that management attention is focused on making the targets. The council decided that their de-facto purpose was "to provide a lawful planning decision within the target time of 8 or 13 weeks". While this was by no means the only problem with the development control process revealed by Systems Thinking, this is a perfect illustration of how systems and managers respond to targets.

There is also a wider question about the use of targets in development control. The purpose of the system is to ensure a high quality, sustainable built environment but the government targets measure speed of response to applications, something quite different. While responding to customer requests promptly is unarguably important, the targets focus attention on the wrong thing.

Decisions Made by Days to Decision



A recent report from the National Audit Office has found that the target of 13 weeks for major applications has also distorted the planning process.² The review found that

² NAO (2008) *Planning for Homes: Speeding up planning applications for major housing developments in England*. Report By The Comptroller And Auditor General HC 15 Session 2008-2009 17 December 2008

the target regime has resulted in some cases in perverse consequences as Authorities focus their efforts on reaching a decision within the 13 week period.

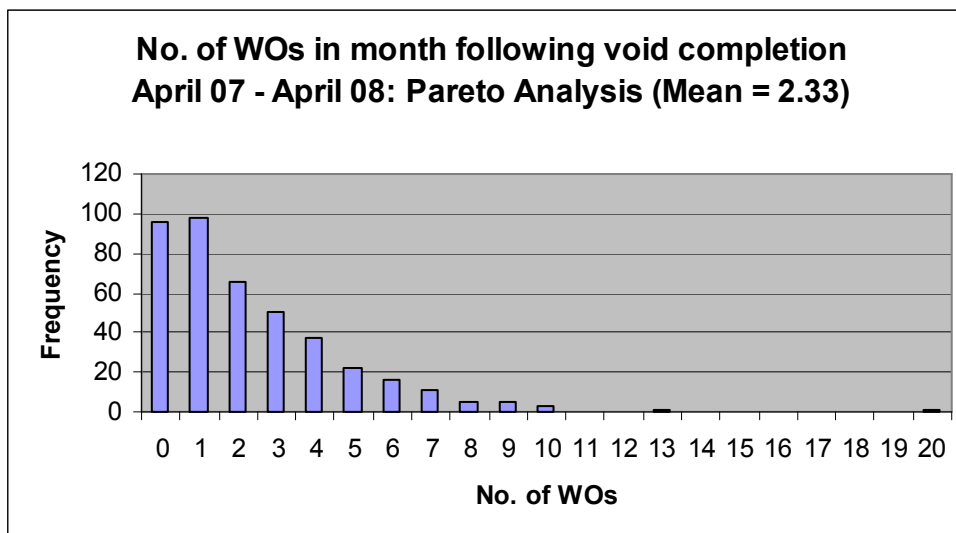
- According to developers, there was an incentive for Authorities to delay validating submitted applications to prevent the 13 week target period from starting.
- Authorities could either reject applications, or get the applicant to withdraw their application and re-submit at a later date, to meet the target.
- There was a lack of incentive for Authorities to tackle applications once they had missed the target. For those of the 100 cases not approved within 13 weeks in the study, approval took on average a further 27.6 weeks.
- There was an incentive to attach unresolved issues as conditions to permissions so that approval could be given within 13 weeks.
- Less emphasis was placed on the monitoring of the discharge of the conditions, including the date of the start of construction. For many of the Authorities they visited, this monitoring was poor.

Housing and Homelessness

The housing division of a district council used Systems Thinking to understand how their responsive repairs service was working. As with development control, there are three PIs, which relate to targets to complete work. In this case it is time to complete repairs according to priority: P1 (Emergency), P2 (Urgent) and P3 (Routine). The council's contractors had struggled to meet targets for P2 jobs, partly because some of them required the ordering of parts, such as sealed units of double glazing. The solution was to instruct the council's call centre staff to classify all non-emergency jobs as P3s, and if it was urgent to add a note saying ("Treat as P2"). In practice it was almost impossible to discern whether a job was urgent or not.

There is also a more serious effect that these targets have on housing providers, seemingly found in every system studied. This is that the targets create a de-facto purpose of 'close the job within the government target'. In practice, this means 'close the *works order* within the government target', *not* complete the job. When the work is studied from the customer's point of view, it quickly becomes apparent that true end-to-end times are far longer than the PIs would suggest with average end-to-end times usually measured in weeks, rather than days as a series of works orders are opened and completed to complete the work required to effect the repair.

Housing authorities are encouraged to re-let voids as quickly as possible by a performance indicator that measures time to re-let (BV212). A district council using Systems Thinking to understand their repairs service found that although their voids service was hitting its targets, this was apparently only achieved by not completing all the necessary work to make the dwelling habitable, as the graph below shows. This is a problem because it sets up the new tenancy on the wrong footing; tenants are immediately contacting the Council to ask for repairs rather than taking pride in their new home. It would be better to ensure that all works are completed in the void property before the tenant takes possession, or at least if works are to be completed at a later date it is with the agreement of the tenant and planned, rather than responsive.



A city council that used Systems Thinking to understand their homelessness service found that the target to have no-one in B&B accommodation for longer than 6 weeks whilst they are awaiting re-housing and/or having their circumstances investigated resulted in efforts being focused on moving people between B&B and places in homeless hostels, rather than focusing on underlying causes of delays in the end-to-end process for assessing homeless clients. In short, the six week target inadvertently absorbed valuable staff time in fire-fighting one symptom, rather than tackling the underlying causes of problems in the homeless assessment process.

Housing Benefits

As with housing repairs, the government-imposed performance indicators often under-estimate the true end-to-end time from the customer's point of view, and have the effect of driving in behaviour that ill-serves the customer. The PIs for benefits are speed of processing new claims and speed of processing changes of circumstances (BV78a/b, now NI 181). Defective claims (i.e. those for which the necessary evidence to process the claim has not been provided) may be made ineligible 30 days after claiming. The claimant then has a further 30 days to provide the necessary evidence to complete the claim, after which the claim is cancelled. A district council that had used Systems Thinking to understand its benefits service found that one in ten of its claims were made ineligible, but subsequently put into payment. Making claims ineligible 'stops the clock' as far as the BVPI is concerned so this helps the statistics. The rationale for doing this was to encourage claimants to bring in their evidence, but following re-design of the service, the same outcome was achieved by calling the claimants, surely a better service than waiting 30 days and issuing a letter. Some authorities routinely use 'adverse inference' where income details for a claimant are not forthcoming. This means that a notional income is input for the claim which effectively takes it out of entitlement, and stops the clock. The ball is then back in the claimant's court to bring in evidence of his or her income.

Waste Collection

A district council that used Systems Thinking to re-design their waste service found that inspections add no value because they essentially look at how cost effective the service is and if it has gone through a market tendering exercise, not what the causes of cost are in the business. They also found that the Best Value Performance

Indicators for Waste were flawed because for recycled materials collected they are based on weight of material collected. For Dry Recyclables this acts as a disincentive for authorities to recycle light materials like plastic and aluminium, which are either the most valuable materials to recycle or the least biodegradable, and push them toward collecting heavier materials such as glass, which is not as economic to recycle and reuse. With compostable waste collections (again based on weight) this leads rural authorities to drive large inefficient refuse trucks around their area to collect material from everyone's doorstep, when a far, cheaper and environmentally friendly answer would be to encourage or incentivise people to compost their own or take it to a central compostable collection point. Overall the weight based targets result in vast quantities of energy and fuel, and therefore cost, being utilised in the manufacture of unnecessary bins, trucks, and collection and movement of materials that either may not need to be collected and transported at all, or where it actually requires more energy to do collect and transport than to create the material in the first place. All of this focus detracts attention by the customer and the organisation away from the real prize of reducing the use of materials in the first place, reduced packaging etc. and creating markets for the materials that we collect in order that it is economically efficient to recycle.

Government Specifications Harm Services

When central government seek to influence the design of work at local authority level, it often has the opposite effect to that intended. For example, the drive toward 'e-enablement' has seen the introduction of CRM software and generic customer service staff who are handling increasing amounts of both face-to-face and telephone contact. For many services, this model is profoundly flawed, as it separates expertise from the customer. This, as seen in housing benefits for example, directly leads to an increase in 'failure demand', such as calls chasing progress or asking for explanation of correspondence.

Another example was the benefits Verification Framework, now thankfully consigned to history. Several authorities reported that the Framework had the effect of making the de-facto purpose of the benefits service about avoiding fraud rather than providing claimants with enough money to keep a roof over their heads. The effect of this was to deter many of those entitled, such as the elderly and vulnerable, from claiming. The deleterious effects of the Verification Framework were compounded by the DWP guidance on running the benefits service which gave a strong push towards using Document Image Processing and separating front and back office functions. As everyone who has used Systems Thinking to improve their benefits service has found, separating customers from those with sufficient expertise to competently advise the customer and gather the necessary evidence has the effect of increasing failure demand; lengthening the time required to process the claim or change of circumstances; introduces error into the system; and increases costs. Worse still, it also has a very negative effect on customer service, as customers traipse in and out of contact centres bringing in evidence to support their claim, and trying to find out what is happening with it. Little wonder then that many give up with the process. Simply handing claimants a form and expecting them all to be able to complete it is a failure to understand the needs of the customer. One authority found that 60% of forms issued were never returned. Many customers need help at the first point of contact; the system prescribed by the DWP makes this very difficult to achieve.

Risk Aversion Makes Services Cost More, and Harder to Access for Customers

In public service there is a paradigm that all customers are “liars and cheats” who are seeking to over-claim, avoid fines or in other ways try to subvert the system. In reality, most people are honest and yet the system they are confronted with has a series of checks and balances within it to catch the cheats and liars. The combination of political (local and national) pressure to not get things ‘wrong’, combined with a national press that assumes councils are incompetent, means that front line workers and designers of services are very risk averse. Services have layers of new checks added every time a ‘mistake’ is made which over time lead to very robust, but unnecessarily expensive, processes.

It is rare for managers and leaders in councils to accept the fact that perhaps one out of many thousands of claims / transactions is wrong without responding by adding in another check / sign off. Rarely do we use the mistake to streamline the process; rather the process grows onion-like layers. For example, many councils require significant documentation to issue a blue disabled parking badge, even when the applicant is clearly disabled. If the paperwork were simply not done how many blue badges would be issued wrongly? The answer is ‘some’, but the follow on question would be, does that matter when most honest applicants are getting a service in minutes not weeks?

Another example is the issue of equipment. If a resident asks for a walking frame or raised toilet seat our response is to carry out a needs assessment, which takes weeks and costs money. If we just gave people what they asked for the process would be both faster and cheaper, but would inevitably lead to the occasional wrongly issued piece of equipment.

Politicians and local managers would need to accept the risk of the occasional ‘scandal’ in the local press and be prepared to deal with it positively. The leadership challenge, particularly around risk tolerance, is an oft neglected aspect of any consideration of System Thinking – this is not just about business process redesign, the management and leadership context needs to be right so that front line staff are confident that they are operating in a system which actively supports their use of discretion, rather than merely just tolerates it when convenient.

The Paradox of Inspection: Trying to Manage Risk by Central Control Increases Risk

The death of Baby P while under close scrutiny from Haringey Council's Social Services Department has brought into national focus the unreliability of inspection. The 17-month-old boy suffered more than 50 injuries at the hands of his abusive mother, her boyfriend and their lodger, despite 60 contacts with the authorities over eight months. In two reports, published shortly before the abuse of Baby P began in November 2006 and three months after he was found dead in August 2007, inspectors from Ofsted praised the child protection service provided by Haringey and awarded the department three stars, the top accolade.

As with all such cases, there will inevitably have been a number of interrelated reasons why the system failed to protect this child, but there is growing evidence that the inspection and control regime, established with the best intentions following the death of Victoria Climbié, was a contributory factor to the eventual outcome.

Following the Laming Enquiry, a new system of electronic standard documents was introduced called the Integrated Children's System (ICS). ICS is a centrally specified system for categorising children and their needs. It also incorporates audit data on performance targets and demographics for the Department for Children, Schools and Families (DCSF) all of which must be entered by social workers.

The system, which is typical of central government-sponsored IT solutions to perceived service problems, breaks several fundamental Systems Thinking principles. Firstly, it results in fragmentation of work. The system is split between a front-end referral and assessment function that filters incoming cases, and a back end that handles demand for ongoing care; previously, cases were handled by a local team from start to finish. Secondly, the system treats all demand as if it was value demand and has not paid attention to the factors that increase demand on the system. So the introduction of the Common Assessment Framework (CAF) has had the unintended consequence of increasing demand, as in a high blame, high risk environment, rather than encouraging other agencies to work with children and families, it has been perceived as safer to refer children to social services.³ This, and other factors, have resulted in a high rate of referrals, most of which will not result in further action, but generate a high level of administrative work for social workers, who therefore spend less time with families. Sue White, Professor of Social Work at Lancaster University, and former social worker, who has led research into the system says that, "*It's an incredibly overstretched system. There are more and more cases coming in through the door, no more bodies to handle them, and every time they find an unofficial way of using discretion—buying extra time to make a tricky decision, for instance—the ICS is tightened up on them*".⁴ Social workers reported spending between 60% and 80% of their time at computer screens.

In the case of Baby P, although there were 60 contacts with Haringey officials, very few were with the same people. It is therefore very plausible that a significant factor

³ Hemming, J MP., Norman A. and White, S (2008) *Social Workers cannot be out seeing families while they are out in the office inputting data*. Family Law Week. <http://www.familylawweek.co.uk/site.aspx?i=ed27933>. Accessed on 2.12.08.

⁴ Caulkin, S. (2008) *Blame bureaucrats and systems for Baby P's fate*. The Observer. <http://www.guardian.co.uk/business/2008/nov/23/simon-caulkin-baby-p>. Accessed on 2.12.08.

in the case was that too much time was spent by social workers attempting to respond to uncertain and shifting human situations by looking at a computer screen, rather than talking to those involved. The system seems to work well at providing an audit trail for the inspectors, but is a dismal failure at assisting social workers to do their enormously difficult jobs.

It is vital to understand the thinking behind the government's promotion of ICT solutions, as the thinking pervades so many government initiatives, and is based on fundamentally false premises. The first premise is that interactions between services and the public can be broken down into units of work that can then be standardised and assembled into workflow using ICT systems. The next premise—according to the mass production management paradigm—is that it is more economic to deal with this workflow in large amounts, as economies of scale are realised. Both of these premises are faulty.

Interactions with the public fall onto a continuum of complexity, with relatively simple transactions at one end—renewing road fund licence for example—and highly complex interactions at the other, such as child protection cases. Interactions at the complex end of the continuum, and there are many of these, including taxation cases, benefits cases, social care cases etc, *do not submit to standardisation*. Every case is different and the judgement of trained and experienced human beings is required to deliver the service to the satisfaction and requirements of all parties. Trying to force multi-faceted demands into standard procedures results in waste and poor service. The second premise fails on two counts. Firstly, if standardisation does not work for complex interactions then it clearly will not work to treat them as such and bundle them up to achieve economies of scale. Secondly, the economies of scale case is a largely outdated concept anyway, as the most efficient manufacturers look for economies of *flow* anyway, not scale.

A Systems Thinking perspective would start from understanding the nature of demand. By doing this it is possible to find out how to turn off failure demand⁵, which frees up capacity in the system. It may also lead to treating different kinds of demand differently, based on the needs of the customer (the child). The emphasis would be to give the experts the time and resources they need to accomplish their task at the right time, pulling in support as required.

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The attempt to control local services by central government is understandable. The UK political system places a great deal of power with central government, whose departments are responsible for the distribution of a large proportion of revenue, and with that power comes risk and responsibility, as the public tends to hold central government to account for local failings. Unfortunately, however, the Baby P case would appear to exhibit many of the baleful effects of this attempt to control from the centre:

- the promotion of ICT solutions without proper understanding of how the system works, and without making sure that IT solutions support the flow rather than dictate it;

⁵ Failure demand is defined as “demand caused by a failure to do something or do something right for the customer” p26 Seddon 2005 “Freedom from Command and Control” Vanguard Press: Buckingham. First published 2003

- the fragmentation of work causing waste and de-humanising interactions with the public;
- the separation of expertise from the value work; and
- treating all demand as work to be done, rather than understanding what causes the demand in the first place.

More examples of these, and other failings, are discussed elsewhere in this report, but next we will stay with social care and examine the Adult Care system. Vanguard Consulting has worked with several local authorities in this field and the following case study is based on their submission to the government's consultation on the report "*Cutting the Cake Fairly: CSCI review of eligibility for Social Care*". The case study illustrates some of the negative effects of inspection but also serves as a case study to illustrate how Systems Thinking is applied. We are indebted to the author, Brendan O'Donovan, and Vanguard for their kind permission to use this material.

A Systems Thinking response to HM Govt Consultation paper (May 2008): “The case for change – Why England needs a new care and support system”

Following the study of several English local authorities who have redesigned the way that they deliver Adult Social Care services, this report documents the results achieved from an innovative approach to service design. The work undertaken challenges many of the conventions of current approaches to delivering care services. As a result, the report calls for further investigation to be undertaken into the wider application of these methods, and greater latitude to be given by the inspection authorities to councils who wish to experiment with new ways of delivering their services.

Summary of key findings

The experience gained from applying Systems Thinking principles to Adult Social Care in several local authorities has led us to believe that it is the way that the system is designed and managed which should be the primary focus for policy-makers. By redesigning the necessary work against the types of “demand” that come into the system and applying new “operating principles” which govern the way people approach all aspects of their work, it is possible to simultaneously reduce costs and relocate control over decision making back to the front-line professionals (i.e. the social workers, occupational therapists, etc.). As a consequence, the government’s stated desire for “personalised services” can truly be achieved.

As an example, the use of these methods in one local authority allowed for remarkable results to be attained:

- A fall in end-to-end waiting times from an average of 282 days to only 36 days
- A reduction in administrative costs of approximately 85% per case⁶
- Many unsolicited letters of praise and high levels of satisfaction from partner organisations, users and their families for the new standards of service being received
- 90% of cases being dealt with “right first time”

The findings recorded here also challenge the assertion that there is not enough capacity within the current care system to deliver against what is perceived to be an ever increasing demand for services. Moreover, it was discovered that the current performance measures/requirements of inspection are placing a heavy constraint on the system’s ability to “do the right thing” for the service user.

The report concludes with a call to CSCI/the Department of Health to approve further experimentation with “turning-off” those measures which have been discovered to be restrictive. In this way, services can be allowed to develop; with the newly developed innovative service design then being robustly tested and independently verified.

⁶ From a sample of 10 similar cases, comparing figures from before and after the redesign of the work

Required outcomes as stated in the consultation documents

“At the end of the changes, any new system must:

- promote independence, choice and control for everyone who uses the care and support system;
- ensure that everyone can receive the high-quality care and support they need, and that everyone gets some support from the Government, but that funding is targeted at those most in need; and
- be affordable for government, individuals and families in the long term.”
(HM Govt “The Case for Change” May 2008 p9)

According to CSCI’s report “Cutting the Cake Fairly”, the principles that underpin any eligibility based system should be:

- “Person-centred with a focus on the whole person
- Outcome based-promoting choice and independence
- Transparent
- Equitable and fair
- Wide in their scope and linkage
- Efficient and flexible
- Easy to implement”

(CSCI 2008 “Cutting the Cake Fairly” p63-4)

By applying Systems Thinking methods within the care system, innovative local authorities have shown these objectives to be achievable without the need for additional resources. This report brings together evidence from several English local authorities who have employed Systems Thinking methods. Through experimenting with the design and management of their work, these authorities have been able to remove the requirements to “feed the performance machine at all costs” which dominated the way that they used to approach their work. They had discovered that it was the requirements to comply with the specifications promulgated by regulatory bodies and inspection regimes which were the causes of many of their costs and behind subsequent poor service to the end service user. As a result, one of the recommendations of this paper is a call for relaxation of these specifications (such as the Fair Access to Care [FACS] criteria) in order to determine what results can be achieved in their absence, with external verification of these results to follow.

The consequences for the authorities can be extremely damaging if inspection and regulatory bodies disapprove of their experimentation with the best methods for delivering care services. The damage would now be increased as these authorities have seen what potential for improvement exists when these harmful measures are discarded. The fear of the inspection “regime” and any sanctions for not following the specifications have meant that the authorities involved have been reluctant to publicise their findings. As a result, the data used in this report will remain anonymous.

General principles for re-design

As the purpose of adult social care is to “help people live the way they want to”, the system should be designed to be preventative, in so far as is possible. It follows that the new design should respond to ALL customer demand, not turning people away as having insufficient need.

Managers and staff collectively made decisions about the principles they wanted to govern the re-design. These principles were:

1. Build relationships with customers by listening to and clarifying what they want
2. Anticipate needs
3. Have access to the right person (right expertise) at the earliest opportunity and the same person throughout
4. Treat people as valued individuals
5. Record and measure (proportionately) only relevant information linked to purpose
6. Support and trust staff
7. 'Pull' expertise (meaning when you need expertise you don't have, ask and it will come to you and the customer, the case should not be passed on)
8. Continuously improve, don't be afraid to get it wrong
9. Deliver the right service at the right time
10. Be honest
11. Confidentiality

The application of these principles in the work means that integral to the approach is the focus on the whole person and their carers. It is person-centred. By freeing up the social workers'/occupational therapists' time, they are able to build a relationship based upon trust and understanding with the user. There is a focus on promoting choice and independence with solutions that often do not cost anymore for the service. The service user and the expert are encouraged to identify and provide innovative and creative outcomes to meet the user's need. Because the relationship is with the individual, the end-to-end process is visible.

Everyone who approaches the service is dealt with by applying the above principles of working, ensuring that it is fair and equitable. The very fact that the whole foundation of a systems thinking approach is to understand individual needs means it is a fair system.

The principles stated above inherently encourage workers to work with other health professionals in order to meet the individual needs of the service users and their families.

For the social workers, occupational therapists and other professionals to apply these principles, the current focus and time spent on performance monitoring and recording of often irrelevant information has been temporarily suspended in the areas where the teams have been experimenting with this way of working. In place of the performance data, the teams have been able to establish measures within the work that will help them and their organisation to continually improve, through identifying and removing blockages that hinder the ability of the professionals to achieve what matters to the service users. It is quite clear from the work that has been done with a number of organisations that between 50 to 80% of a care professionals time can be spent tied up in bureaucracy relating either to recording performance data or putting right problems caused by a centralised commissioning team..

Design of first contact

Studying demand provided knowledge about the expertise that would be required to assess high-frequency predictable demand. Staff were enabled to develop this expertise such that assessments could be made at the earliest point in the process

via a face-to-face meeting. It was judged that this is the best way to gain a proper understanding of need and build the necessary relationship with the user. The new design is supported by only one assessment, provision and review form, replacing the many forms in the old design and determining review according to what is appropriate for the user. The information collected is limited to only that which is needed for the provision of the service (this is still subject to refinement with care workers).

To summarise the new design: At the first point of contact details are taken to establish if the person is known to us (if so, it is passed to the case worker) and if not the case is passed to the duty worker who will visit to make decisions about need and provision, pulling expertise from others as required (the case is not passed). Provision (helping people solve their problems) may involve sign-posting, and/or making creative use of all local authority, voluntary agency and community resources.

Once again this practical, in-the-work design means that there is a focus on the needs of the person as a whole, and it is easy to implement as long as there are enough experts (i.e. social workers) at the front face of the service. The use of one assessment, provision and review form means this is an efficient and flexible approach to the work designed around the individual demands or needs.

Impact of service delivery

The new design provides to the users' needs various examples include:

- In the old design users would not be provided with a homecare medication prompt. In the new design if this is judged as the right thing to do the service is provided.
- In the old design bathing assessments had been 'screened out' except for medical needs, whereas in the new system they are provided if it is deemed the right thing to do for the user.
- In the old system key-safes were expected to be provided by the user, whereas in the new system if a key-safe is judged as urgent it is provided.

All of these examples show an attitude of prevention and are taken because the view of the decision-maker is that doing the right thing will decrease the probability that the users' needs will increase. Taking these actions would previously not have been allowed under the strict application of the FACS criteria.

Gaining a true understanding of demand also helps the identification of needs that are not historically served, shaping the nature of provision in the future.

What has been achieved in the redesign in terms of care and economics?

Care

The new redesigned service is able to do what the users want. The care provided is genuinely personalised. The purpose of the design is to provide the right support for people in order to maintain their independence, quality of life and quality of community relations. Experience of the new design has been enthusiastically welcomed by users, with many offering unsolicited praise for the service:

Service users:

“I didn’t believe this would happen – it’s amazing!”

“My mum thinks you’re brilliant. She told everyone about you at dad’s funeral.”

“You’ve been so kind to me. God bless you!”

Service partners:

“This is great – you responded so quickly.” (District Nurse)

“Things are really changing... we’ve noticed the difference.” (GP surgery)

“What are you doing down there? It’s really good.” (Care Agency)

There is evidence from the re-design sites that would suggest low-cost early provision is preventing later higher-cost provision.

Capability

The new design has resulted in the development of different measures that help the people who do the work to continually improve and identify blockages in the system that prevent them from doing the right thing for the service user. The measures are used to help the people doing the work learn, understand and improve within the service in their locality and not used as a means to compare and benchmark.

The key measure is ‘right first time’ and typically in the redesign experiment, where all internal and external factors that currently hinder the work are suspended, the results show 90% right first time and end-to-end time has fallen to an average of 36 days. (It is relevant to note this is expected to fall much further when managers are able to take action on known blockages and permanently remove the key factors that distract professionals from the work they have been trained to do.)

Economics of the new design

Administrative costs

Whilst recognising that activity-based costing has serious flaws as a management tool⁷, using this method to make a comparison between administrative costs in old and new service provision is indicative.

An example from one site shows ten cases chosen at random from the ‘old’ and ‘new’ systems. Each group of ten included a range of services (home care, domiciliary care, adaptations and equipment).

Notional costs were given for each activity undertaken on the service user’s behalf, e.g. for a contact assessment, or for a multidisciplinary meeting. These costs were generated through an estimation of the average time required for such an activity, then multiplying this by the mid-point of the salaries of the workers involved.

Administration activity costs: ‘old’ system (ten cases taken at random):

- End to end⁸ average: 282 days

⁷ See: “Systems Thinking in the Public Sector”, John Seddon, Triarchy Press, pp 182-3.

- Staff time average: 39.1 hrs
- Staff costs average: £923.00
- Mileage costs average: £75.00
- Gross Administration costs average: £998.00

Although this is a limited data set, the findings from work done in a number of organisations indicates that the removal of FACS criteria does not mean that demands will exceed supply. Most demands that were previously turned away using the FACS criteria came back either to adult social care or health at a later date. When this happened, the user was often in crisis and would cost both the care service and the health service much more than if the care professionals had taken the opportunity to spend the right time with the service user at an early stage, thus preventing future demands.

The average cost of the services provided for the above ten cases was £105. At its starkest this suggests it costs almost £1,000 to provide a service that costs £100. Of course this is a chance reflection of the cases, for often the costs of provision are high and thus would increase any measure of the average.

Nevertheless it makes sense to compare the administration costs between the old and new designs. Following the same method, the costs of administration in the new design are £134. This is a significant fall in costs, which can be converted into a greater capacity for providing services.

Costs of provision

The evaluation of the costs of provision in the new design will require studying the data over time. The assumptions in the new design are that early provision will prevent or delay later, more costly, provision. As a corollary, users will maintain their independence for longer. It is also recognised that helping people live the way they want to is often best achieved through relationships in the community or other sources of provision and would not always incur a cost for the Local Authority.

Creating capacity

As Ohno taught, a systems' capacity (the number of things it can do) is a combination of the work and waste; thus to increase capacity one must remove the waste⁹. The case shows how removing waste requires the re-design of the system, removing the causes of waste.

Failure demand removed

Providing adult care services right first time prevents people in need returning as further more complex demands; it also prevents other types of failure demand¹⁰. In

⁸ "End to end" is measured as the time taken from the date of the first contact by a service user to the point at which their demand is satisfied. This measure gives a "customer's eye view" of how the system is performing.

⁹ See Ohno, T 1988 'Toyota Production System' Productivity Press p19

¹⁰ Failure demand is defined as "demand caused by a failure to do something or do something right for the customer" p26 Seddon 2005 "Freedom from Command and Control" Vanguard Press: Buckingham. First published 2003

some sites where they have had opportunity to experiment fully with a different design the failure demand is now below 10%.

Waste in flow removed

The re-design identifies the value work (assess and provide) and builds roles to do that (and only that). Achieving assessments in days and provision in weeks (rather than months or years) is releasing resources, increasing the capacity to do more.

Removing wasteful roles

In many of the Adult Social Care systems studied here, the old system has the traditional hierarchical design. Usually this hierarchy is structured with districts or areas each having a director, district/area managers, service managers and case managers. This hierarchy sits above the care workers (social workers, social worker assessors, OTs, OT assistants, homecare workers, etc.). At the time of writing, one organisation has a district experimenting with Systems Thinking and being re-designed, starting from the user and determining the roles required to build an effective structure. It has been determined that the best way for the system to be designed in order to achieve purpose is to give care workers control of their own geographical areas, with knowledge of the particular types and frequencies of demand historically having been received from that area. The care worker teams need the core skills required to service predictable user demands. Where less-predictable demands require other expertise (for example psychiatry) the support skills are to be 'pulled' by the core team workers. Core service delivery teams will be supported by leaders, whose focus is on working to the new operating principles, ensuring the effectiveness of care delivery and shaping the development of services in the community. This amounts to fewer managerial roles.

Interestingly, most organisations implementing systems thinking methods have focused on adding management and "support" roles to their hierarchies. Example of such positions would be Performance Managers, Policy and Strategy Managers. These roles are distant from the service user and, in stark terms, add no value at all to the core work and purpose of the adult social care system. Despite recognition that resources are scarce, routinely these limited resources are directed away from the frontline and into "non-value" roles. The increasing ratios of "non-value" to "value" roles has meant that there has been in effect an ongoing and systematic erosion of resource at the point of demand where the service user most needs service. If this continues, it will result in services being stretched yet further, staff being placed under greater pressure and inevitably increased errors. Until there is a re-focus of energy and resource onto the single over-riding purpose of the adult social care system, there is a very real danger that service users' lives will be put at risk.

Removing waste associated with IT

The redesign shows that the use of IT is now limited to recording only the information required to achieve the organisation's purpose. Indications are that a complex and costly IT infrastructure is unnecessary. In many instances, in-house ICT would be able to provide a solution that is directed by the new design and useful to doing the necessary, much-reduced work.

Removing waste associated with training and organisation development

The new design has taught managers what competences are required in the new roles and thus is more efficient in terms of training and development. It is anticipated that working in this less stressful and more motivating environment will lead to less staff turnover and hence less training costs.

Removing the waste associated with greater user dependence and/or amplified need

This is, perhaps, the greatest waste, in both human and financial terms.

Is demand rising?

It appears to be the received wisdom that demand for care services will rise. Where these studies have been undertaken it has proved possible to measure the number of people receiving services and demand was found to be stable at 25,000 people. An associated concern is that removing FACS would lead to a spike in demand. However, the experience gained from experimenting in a number of organisations is that this has not happened. New 'low' and 'moderate' demands amount to only 7% of all demand and solving peoples' problems was not costly.

More than being attentive to demand volumes, it is important to be developing knowledge about demand types. If the future of adult care is to be thought of as personalised, only good knowledge about demand from the users' point of view would enable organisations to build services to deliver it.

Conclusion

These organisations who have been willing and bold enough to try something different (i.e. use Systems Thinking principles) have developed a potential method which will achieve the key principles as outlined in the "Case for Change" consultation paper and in the recent findings from CSCI's "Cutting the Cake Fairly".

The current system is not sustainable and there needs to be a radical rethink in the assessment and provision of care services nationally. The successful application of Systems Thinking and the Vanguard Method has also been documented in other fields¹¹. The findings of this work leads us to hope that the organisations studied will be given the opportunity by Government and the regulators to "switch off" some of the underlying conditions which have been discovered to be distracting care professionals from being able to do the "value work" for the service users. Organisations must be enabled to redeploy resources from the centralised control and policy functions to the core work of assessing care needs and getting the right solution for the individual. It is only then that the stated ideal of truly "personalised" care can be achieved.

¹¹ For example, see Office of the Deputy Prime Minister (ODPM) 2005 "A Systematic Approach to Service Improvement Evaluating Systems Thinking in Housing" ODPM publications: London. More information can be found at www.systemsthinking.co.uk

Inspection

External inspection of public services is not a new phenomenon, but the scale and scope of inspection has increased significantly since the mid-1970s.¹² The rise of inspection has been driven by a combination of factors including:

- the 'crisis' of public spending in the 1980s and the increasing need to demonstrate 'value for money';
- decreasing levels of trust in the capacity of professionals to safeguard the interests of service users and taxpayers; and
- the perceived need for new mechanisms to monitor and control public services in the increasingly fragmented environment of service provision that emerged in the 1980s and 1990s¹³.

These influences have resulted in changing roles for the Audit Commission and other inspectorates. Davis *et al* found that the '*Commission has been instrumental in encouraging a managerialist, performance-orientated approach to inspection that has increasingly been reflected in the work of other inspectorates*'¹⁴. This trend was accelerated by the introduction of Best Value, placing new demands on inspectors and inspected bodies, and introducing, for the first time, comprehensive inspection of all local government functions.

The cost of inspection is considerable. The IPPR estimated the cost of inspection of local government in 2000 as £600 million for 2000/01¹⁵. Since then there has been some rationalisation of inspectorates, and it would appear that there has been some reduction in costs. The 2006/07 accounts for the three inspectorates that inspect local government show total expenditure as follows:

Inspectorate	Total Expenditure
Audit Commission (local government inspection)	£149m
OFSTED	£182m
Commission for Social Care Inspection	£163m
Total	£494m

While this reduction in direct costs may be welcomed, the burden on the taxpayer is still very considerable, and this does not include the indirect costs, which include the following:

- Compliance costs, for example the costs of the preparation of written strategies, performance plans, audit trails and the performance data required

¹² Davis, H, Down, J and Martin, S. (2001) *External Inspection of Local Government. Driving Improvement or drowning in detail?* York: JRF

¹³ Ibid.

¹⁴ Ibid. P2.

¹⁵ Institute for Public Policy Research (IPPR) (2000) *Delivering Change, Supporting Change*. London: IPPR

by inspectors. The cost of liaising with inspectors before and after inspection visits and participating in interviews. Some bodies prepare for inspection by paying consultants to conduct 'mock' inspections to assess the adequacy of their procedures and documentation.

- Avoidance costs. An alternative strategy deployed by some inspected bodies is to seek to circumvent legislation. This incurs legal and staff costs.
- Opportunity costs – the activities that cannot be undertaken as a direct result of staff spending time on inspection-related activities.
- Displacement effects. Most inspected bodies priorities outcomes and activities that are monitored by the inspection regime and therefore de-prioritise activities not inspected, but may be at least as important as those scrutinised.
- A reduced inclination to experiment and innovate with fear of failure acting as a disincentive to try anything new.
- Damage to staff morale. The sense of being checked up on and the workload involved in preparation for inspection may damage morale regardless of the outcome of inspection and services judged to be failing may make it difficult to attract high calibre staff.¹⁶

Another significant cost is the writing of the specifications against which public services are judged.

Perhaps the greatest cost, however, is the cost of the specification being wrong, as in the housing benefits example discussed above. John Seddon, the founder of Vanguard Consulting, which has extensive experience in the public sector, says that *'For every service we have experience of, without exception—to be precise, housing benefits, housing repairs, letting, Consumer Direct, NHS Direct, the police, the ambulance service, adults social care—we have found compliance to specifications to be at the heart of the problems the specifications are all based on plausible ideas coupled with fashionable opinions, with command-and-control principles at their heart. These bad designs have driven enormous costs into public services'*.¹⁷

Given the enormous direct and indirect costs of inspection—all money that could, potentially, be spent on front-line services—it seems reasonable to ask what evidence there is for inspection having driven improvement in local government. Bodies such as the Local Government Association argue that CPA has provided evidence of real improvement in local government performance. For example, they point out that in December 2002 the number of Good or Excellent upper tier councils was 76, but following the 2006 'harder test' the number now stands at 121. At the same time the number of 0 or 1 star councils has reduced from 34 to 5 and similar improvements have been made by district councils, with three times as many district

¹⁶ Davis, H, Down, J and Martin, S. (2001) *External Inspection of Local Government. Driving Improvement or drowning in detail?* York: JRF

¹⁷ Seddon, J (2008) *Systems Thinking in the Public Sector*. Axminster: Triarchy Press. P195.

councils rated Good or Excellent than Poor or Weak in the original assessments.¹⁸ However, it could be argued that all this is demonstrating is that councils have become more adept at compliance with the inspection regime, and evidencing what they have done. Of course if the contention that many of the government-promoted specifications are wrong is correct, then compliance with the regime may have the opposite effect to that intended, i.e. may make services worse. A more objective measure would seem to be resident satisfaction with councils. However, the trend over time for BV3 (Overall satisfaction with the council) has been downwards: the outturn for England has slipped from 64% in 2000/01 to 55% in 2003/04 and finally 54% in 2007/08. While it is possible that satisfaction may have been influenced by national politics, it is hardly a ringing endorsement for the current inspection regime and definitely leaves open the possibility that inspection may be making services worse.

Davis *et al*, in their second report on local government inspection for the JRF suggested that there were four possible mechanisms for inspection to drive improvement:

- By providing what one inspector called “...*shock therapy for poor authorities that are in denial or not aware of how poor they are and have their heads in the sand*”.
- By empowering ‘change agents’ within councils by making public problems that it would be otherwise difficult for the authority to own up to.
- By bringing to wider attention problems understood by some staff, but not others.
- By acting as a ‘fresh pair of eyes’ to give fresh insight to officers too close to problems to acknowledge them.¹⁹

However, it was suggested that these mechanisms may apply disproportionately to poorly performing authorities, and may have little effect on the rest. One of the inspectors interviewed for the report opined that, ‘*Although inspection in local government has made a very big impact on the floor it has not had much effect on the ceiling*’.²⁰ The authors were also ‘disappointed to find little evidence of service improvements resulting directly from inspection in the authorities where we have shadowed inspections’.²¹ Nevertheless, they thought that, despite the flaws of Best Value and CPA, the regime had ‘*increased self awareness and encouraged a more corporately focused and outward-looking approach*’.²²

¹⁸ Comprehensive Performance Assessment. Local Government Association.
<http://www.lga.gov.uk/lga/core/page.do?pagelid=18420>.

¹⁹ Davis, H., Downe, J. and Martin, S. (2004) *The changing role of Audit Commission inspection of local government*. York: JRF.

²⁰ Ibid. P42.

²¹ Ibid. P46.

²² Ibid. P46.

Despite the large amount of inspection data and so called 'best practice' available very little of it has been codified, or presented in a manner which can be easily used to improve service provision at the front line.

Inspection depresses the appetite for risk and pushes everyone to the safe centre ground. If transformation is to become the norm a very different approach to service design is needed which designs service for the honest majority not the dishonest minority. If this minority do gain advantage from the system then they need to be very publicly exposed as being to blame. The current national press approach is to blame the council / government for not 'checking', and in the next breath look for efficiencies. In short this will need people to view their role in society very differently – is the new austerity of an economic crisis likely to lead to a heightened sense of civic duty and a preparedness to see public services more positively. This is however not a simple move from one approach to another and probably needs a more systematic reputation management campaign by LGA and the government so that one side does not blame the other. Poor management of this area will snuff out any fledgling attempts at risk taking.

Another pernicious effect of the inspection regime may be that over time it contribute to a state of 'learned helplessness' within organisations, and the thinking pervades and is re-enforced through the inspection regime that they cannot help themselves and cannot see the ways to improve; they need to be helped through the improvement process. This leads to a lack of courage to "have a go" without external validation, and therefore comes with the associated costs of expensive consultants, or cost of not improving things that we could today; but worst is the associated thinking that everything is so complicated and difficult, when it is actually quite simple.

Comprehensive Area Assessment

At the time of writing, in 2004, Davis *et al* noted that the widespread concern about the proportionality of the inspection regime and a perceived need to emphasise corporate capacity was driving the Commission to consider moving to a more risk-based approach to inspection. There was also an increasing acceptance of the 'inspection for improvement' paradigm, at least within the Audit Commission, if not so much within the other inspectorates. These tendencies are presently coming to fruition within the new Comprehensive Area Assessment (CAA) regime.

CAA is a highly ambitious attempt to capture the delivery of outcomes for an area and represent these data in a way that is meaningful for the public, the inspected bodies and other stakeholders. According to the latest consultation document, it aspires to provide:

- a catalyst for better local outcomes, more effective partnership working, more responsive services and better value for money;
- a source of independent assurance for citizens, service users and taxpayers;
- an independent evidence base for central government on progress against national priorities; and

- a means of focusing, rationalising and co-ordinating inspection.²³

While the new arrangements may improve on the previous CPA and Best Value inspection regimes, there remain a number of challenges from a Systems Thinking perspective. These may be summarised as follows.

- *Reliance on targets.* Although the total number of indicators has been reduced, if anything, there will be even more reliance on performance data by inspectors. As councils will be compared using these benchmarked data, this will create de facto targets with all the attendant problems this creates. In addition, the LAA targets will become critical for success, which will create strong incentives for sub-optimisation of resources, and gaming. The National Indicator set at the core of these inspections is a somewhat random mix of areas to be measured – there are no real unifying themes, clear priorities or links to critical success factors. The over reliance on averages leads to a smoothing of performance that hides real customer experience. Measures should instead have a focus on ranges of values, i.e. the difference between the fastest and slowest payment of a transaction as this talks to the competence of a process, which in turn indicates the likelihood of a customer getting what they consider is a ‘good’ service. It focuses service designers and operators on the whole group of customer rather than creating perverse incentives as described above.
- *Inspection.* While the burden of inspection may have been reduced, much of it remains and creates all of the costs and waste discussed above.
- *The emphasis on partnership working* between tiers and agencies to address complex issues in society is, on the face of it, unarguable. However, to be successful, partnership working must be founded on a clear understanding of purpose, robust data on demand, and a good understanding of the capability of current systems to respond to that demand. There is nothing in the CAA regime to push public sector bodies in this direction; rather there are incentives to rush towards technological solutions to problems such as sharing ‘front office’ services. While for some services this may improve customer service, for many it manifestly does not; fragmenting service provision in this way is one of the major causes of waste.

There are also significant challenges, even if the conventional paradigm of inspection is accepted as being beneficial. These include:

- The difficulty of assessing whether outcomes are as a result of the actions of agents being inspected, or due to influences outside of the control of those agencies, such as macroeconomic factors, demographic and social changes or changes in technology. If it is accepted that many, most, or even all outcomes are influenced differentially by all such factors, ascribing relative influence is clearly an enormously difficult task.

²³ (2008) *Comprehensive Area Assessment. Joint Inspectorate Proposals for Consultation. Summer 2008.* London: Audit Commission, Commission for Social Care Inspection, Healthcare Commission, HM Inspectorate of Constabulary, HM Inspectorate of Prisons, HM Inspectorate of Probation and Ofsted – July 2008

- The difficulty of assessing the effectiveness, or otherwise, of partnership working. This is particularly difficult in multi-tier areas with their multiplicity of LSPs, county councils, district/borough councils and town/parish councils.
- Potential overlapping responsibilities between Government Offices and the inspectorates.
- The difficulty in representing and communicating findings to the public and other stakeholders in a meaningful way.
- The lack of 'real time' data and reliance on backward-looking indicators - some indicators of social outcomes are particularly lagging so it is very difficult to judge the effectiveness of programmes.
- Managing the differences in style and working practices between seven inspectorates, and managing effective communications.
- Potential role confusion for inspectors who are both 'watchdogs' and 'guidedogs'.
- Working in a field of increasing complexity, for example the introduction of Multi-Area Agreements.
- The potential for accountability to become even more diffuse than before and the risk that governance will be weak, or so complex that it will slow activity down to a standstill.

The Way Forward

So how should central government help councils to improve? Is there a legitimate and useful role for inspection, and if so what form could it take? Is there any performance data that could usefully be collected nationally? Can local authorities help each other to improve, or must change *always* come from within? These questions, and others, will shortly be addressed by the next phase of this project, which is to undertake qualitative research with Systems Thinking leaders to see if there is a consensus as to the way forward, or at least some common points of reference.