Managing and improving business operations in the UK public sector

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Purpose

We are going to show you that managing and improving business operations:

- is **not different** in government
- can be especially **difficult** in government
- is **worth the investment** given the benefits

We will share our insights and knowledge on how we know this to be true, what good looks like and provide examples drawn from our experience

Note: *by 'business operations' we mean delivering government business / public sector management*

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The role of the National Audit Office

- We **scrutinise public spending** on behalf of UK Parliament

- We help to **hold government departments to account** for how they use public money

- We do this through a programme of financial audit and **value for money audit**

- Our work **helps public service managers to improve performance** and service delivery, nationally and locally

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What we mean by improvement

- Decisions are made on strong evidence

- Public money is better directed and controlled

- Financial management is more robust

- It helps Parliament and government deliver lasting improvement in public services

= Government spends wisely

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What we mean by 'Government'

- It is big

- It is complicated

- It does everything

- It has all the complications of a multinational corporation…

- …plus some more

Why we are interested in managing and improving business operations

- **Value for money at stake** - £300 billion spent on running business operations and 70% of staff working in operational roles

- 2005 – **growing use of principles** such as lean thinking, systems thinking and continuous improvement in government

- **Across all parts of UK government** – health, education, defence, justice, tax, home affairs, social security, local government

- We think **using these principles** to manage and improve **is a good thing**……..if done well

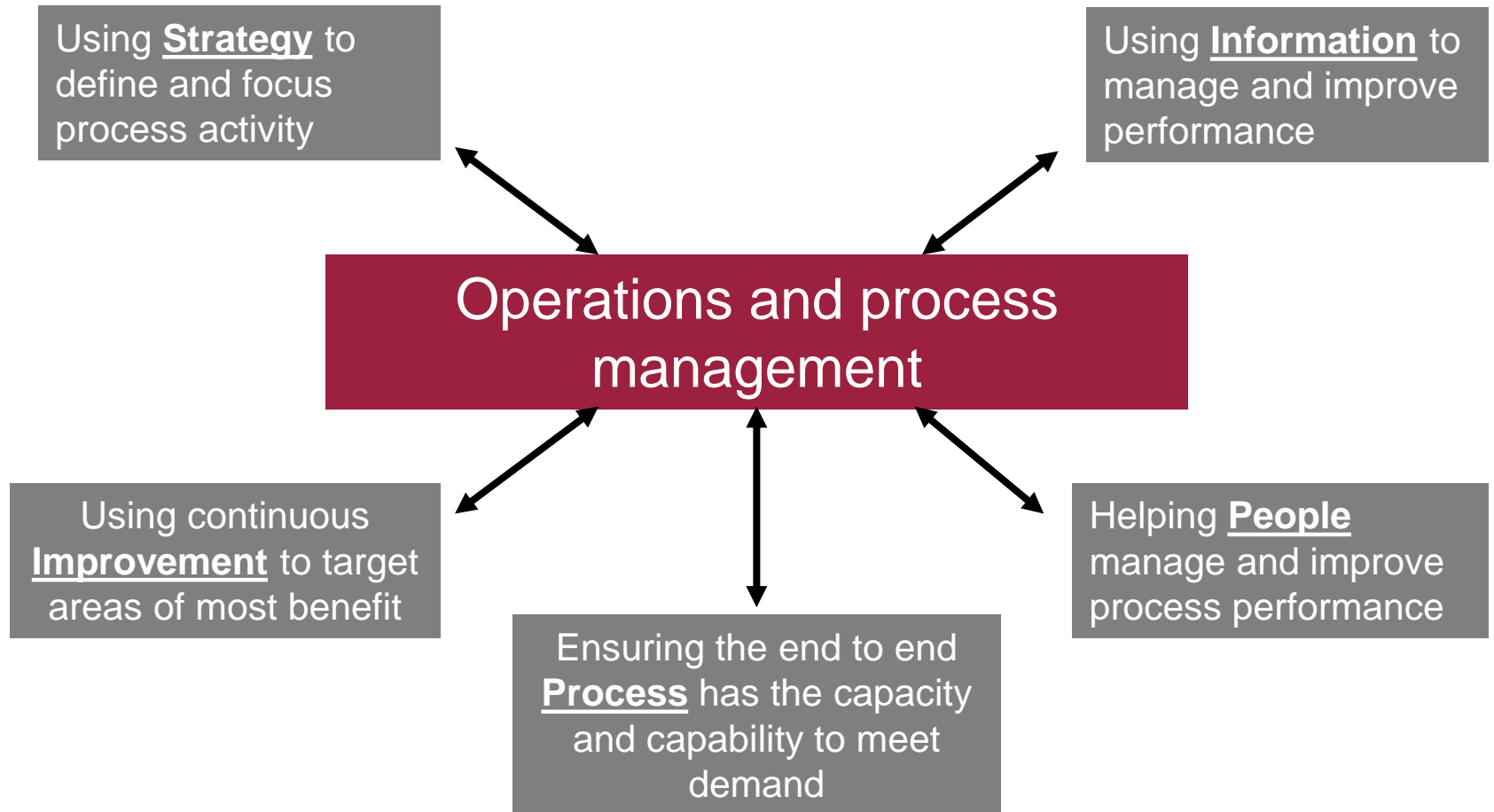# Why we are interested in managing and improving business operations

- UK government has made **using lean principles a mandatory requirement**

- 2011 – Cabinet Office **continuous improvement strategy for UK government**

- All **departments must have** a **continuous improvement strategy** (to use these principles)

- 2012 - **Civil Service Reform Plan** set a challenge to "raise its game to the level of the best"

- Departments must have an **Annual Improvement Plan**

- **A good thing……if done well**

'If done well' - the questions we answer

- How capable is the organisation in managing and improving business operations?

- What are the organisation's **priority** business problems?

- How can this understanding be used to achieve sustainable improvement?

We assess the components of a good management system

Using **Strategy** to define and focus process activity

Using **Information** to manage and improve performance

Operations and process management

Using continuous **Improvement** to target areas of most benefit

Helping **People** manage and improve process performance

Ensuring the end to end **Process** has the capacity and capability to meet demand

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Testing 40 questions across the 5 areas

Strategy　　　**Information**　　　**People**　　　**Process Management**　　　**Improvement**

Alignment of the organisation across the 5 areas – the 'corporate centre'

and alignment between the 'corporate centre'…

….and operational delivery

Alignment of operational delivery – services / processes

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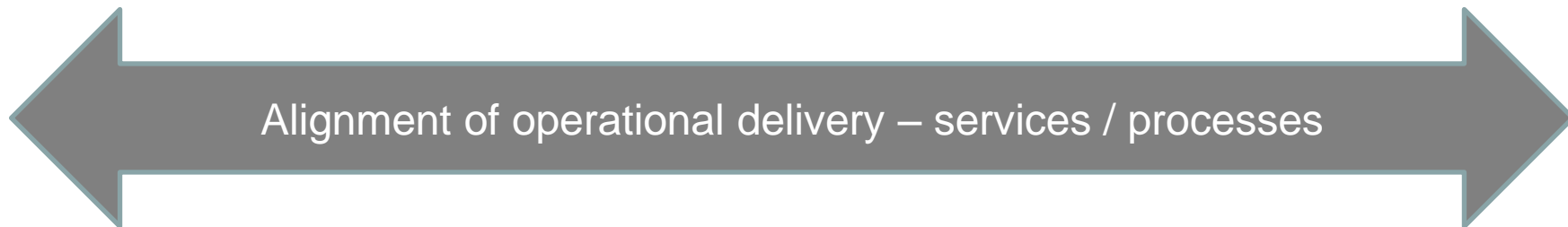
We've applied our test of the management system:

- to **UK central and local government** organisations

- across **all types of government business** – health, education, welfare, defence, regulation, immigration……

- across **all types of business operations** – policy making to paying social security, front line / back office services

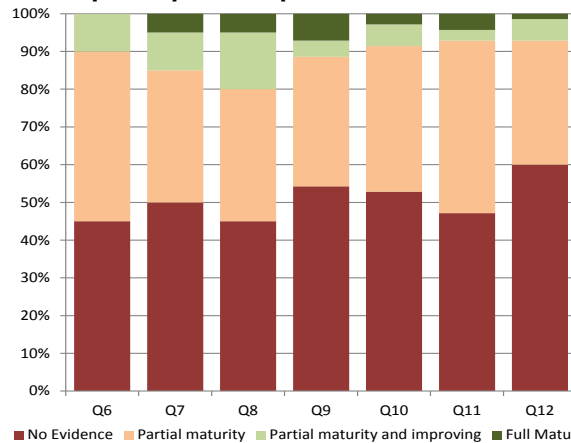- with **more than 100 organisations** across UK government

Our data is enabling us to **understand and interpret performance** - helping UK government improve

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UK government: aggregate results
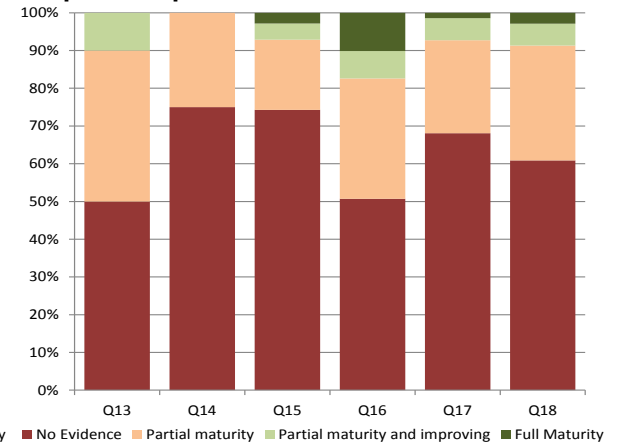
Using <u>Strategy</u> to define and inform operational activity
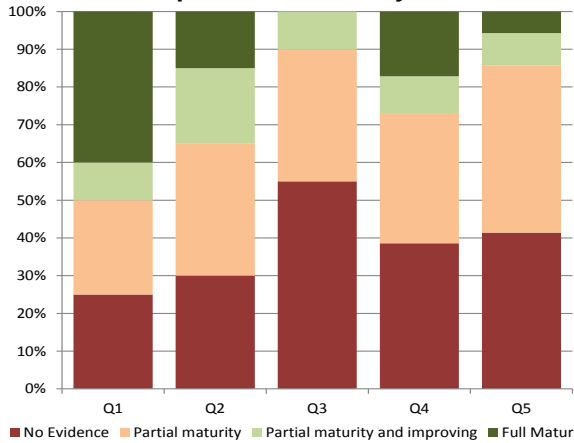
Using <u>Information</u> to manage and improve process performance

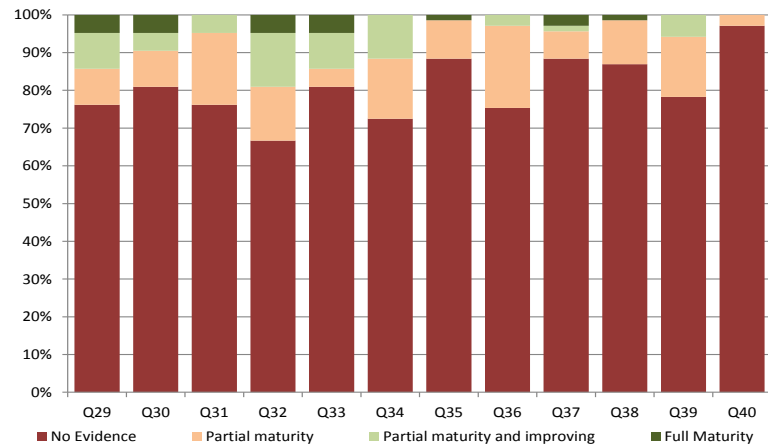### Helping <u>People</u> manage and improve process performance

Ensuring end to end <u>Process</u> has the capacity and capability to meet demand

Using continuous <u>Improvement</u> to target areas of most benefit

Legend (for all charts): ■ No Evidence ■ Partial maturity ■ Partial maturity and improving ■ Full Maturity

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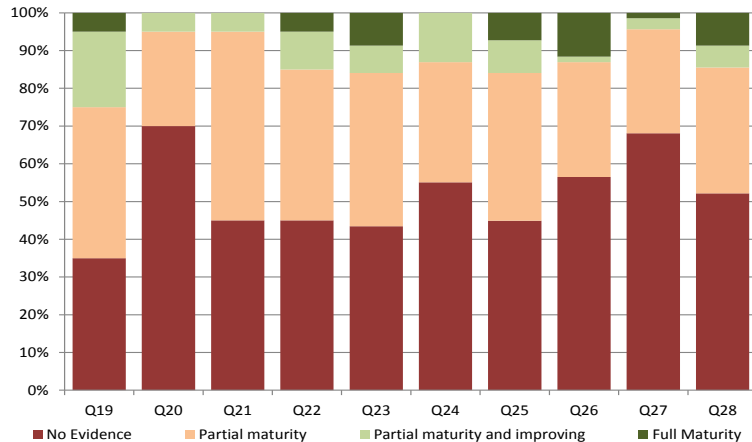
We are using the data to understand what the best organisations are doing

We analyse performance against themes which run 'horizontally' through the model; e.g. control, measure & improve

Strategy	Information	People	Process	Improvement

Establishing **control** through strategy deployment and clarity of end to end delivery

Using information to **measure** performance and target improvement

Using a consistent approach to **improve** priority areas
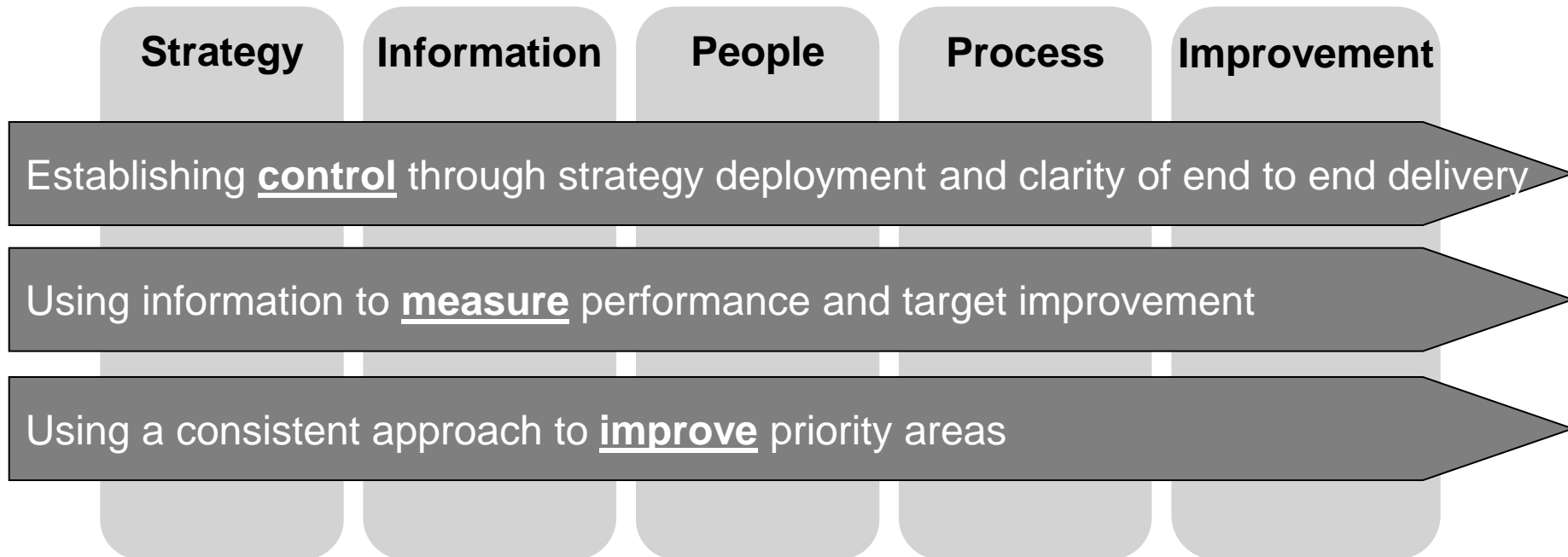
Organisations with control characteristics perform better overall

Improvement that is built to last contributes to structured cost reduction

Stages of cost reduction

Sustainability

Identifying and focussing on the vital few things
Doing things differently or not at all
Understanding relationships across the system

Mature operations and process management is business as usual and is applied to the whole organisation

Focussing on one process at a time

Sustainable cost reduction

C

Strategic operational realignment

B

Tactical efficiency savings

A

Quick wins

Prioritisation, localised cost savings/process improvement/ performance improvement

Cost:value ratio – better utilisation/ optimisation of people, processes, technology, procurement, capital assets

Change customer expectations/ consider alternative delivery models/shift customer channels

Structured cost reduction programme/ transformational change programme

Ongoing embedded cost management and continuous improvement

Operational / specific process focus

Implementation time/cost

Organisation approach

Organisations are typically working on aspects of all three stages

Benefits achieved across UK government

Organisation	Initiative	Benefit	Benefit type
HM Revenue and Customs	PaceSetter – operational improvement programme	Productivity improvements (2005-06 to 2010-11): • £400 million resource savings • £860 million tax yield	• Cost reduction • Quality – better results
Work and Pensions	Improving call centre operations	• 112 Full time staff savings (8% of workforce) • 14% increase in call success rate	• Cost reduction • Increase in quality to customer

Note: *All benefits are the organisation's reported figures*

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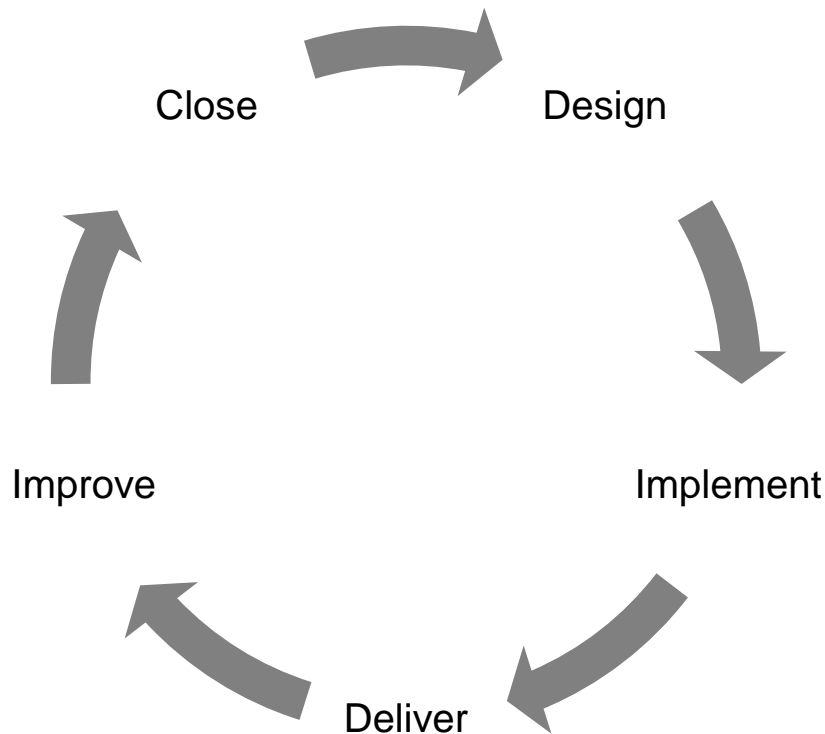
Department for Education: background

Our vision is a highly-educated society in which opportunity is more equal for children and young people no matter what their background or family circumstances. Five strategic aims:

- Raising standards of educational achievement
- Closing the achievement gap between rich and poor
- Reforming the schools system
- Supporting all children and young people, particularly the disadvantaged
- **Improving the effectiveness and efficiency of the Department**

- Historically a policy department delivering policy through others (for example, Local Government) – now increasingly delivery focused with more work brought into the central Department (42% of staff in delivery roles)

- Two challenges:
  - Required 50% reduction in operating cost from election to election **but** maintain the same level of service
  - We follow a 5-yearly Parliamentary cycle then normally large scale change **so** need to continually respond to changing policies

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Policy lifecycle

This is what we do
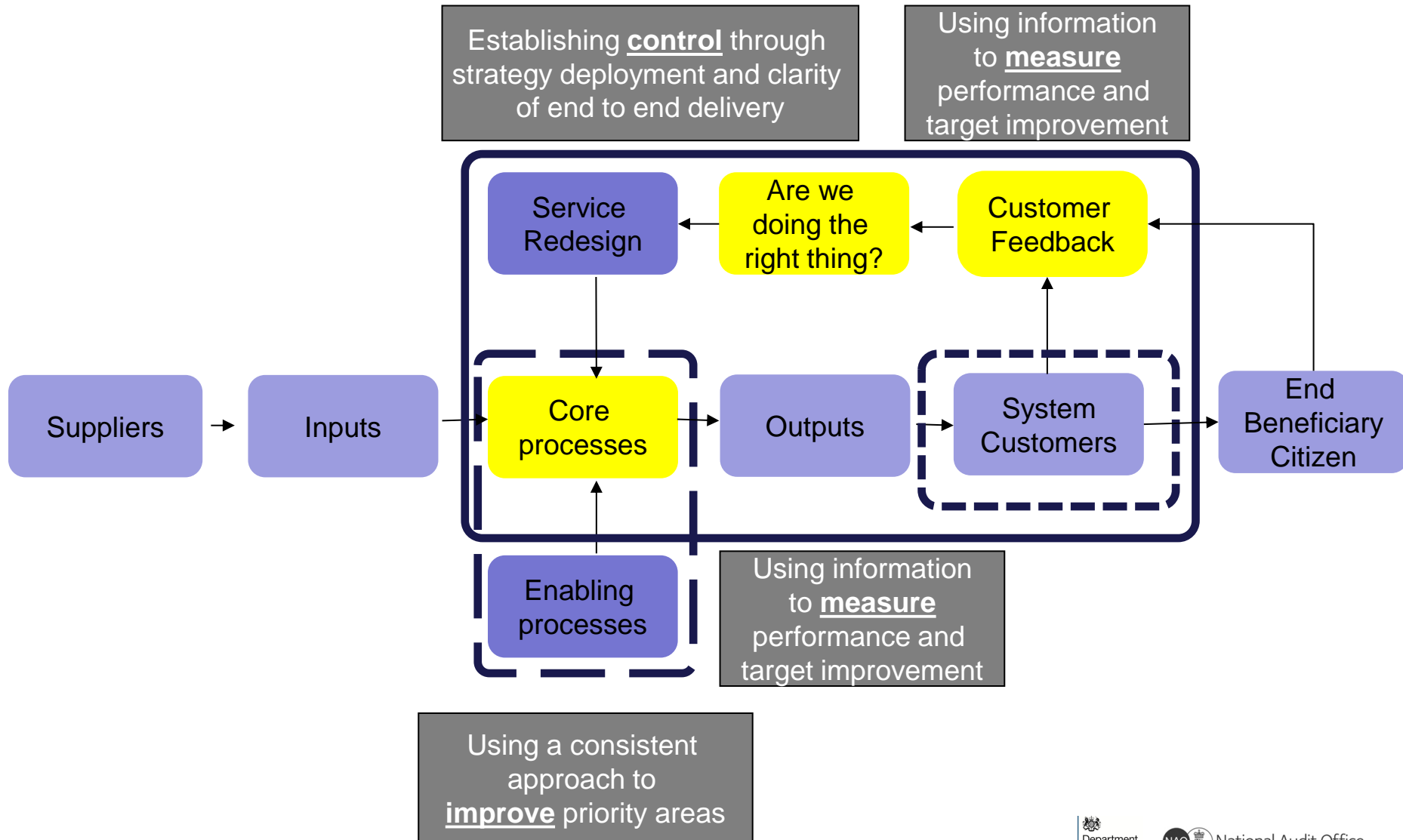
Close → Design → Implement → Deliver → Improve → Close

So our process needs to:

- Have 'good signals' that tell us when we need to change or improve *

- Understand the inherent 'variability in the system' *

- Understand the 'feedback from the education system' and have mechanisms to act on that

- A 'controlled environment' to manage the lifecycle

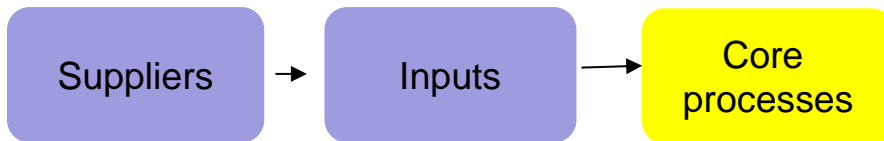- Understand our Ministers' requirements and help them to be an 'intelligent customer' *

* - work already underway

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Our approach at a strategic level

Establishing **control** through strategy deployment and clarity of end to end delivery

Using information to **measure** performance and target improvement

Service Redesign

Are we doing the right thing?

Customer Feedback

Suppliers → Inputs → Core processes → Outputs → System Customers → End Beneficiary Citizen

Enabling processes

Using information to **measure** performance and target improvement

Using a consistent approach to **improve** priority areas

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Working with Ministers

The Minister as an effective customer

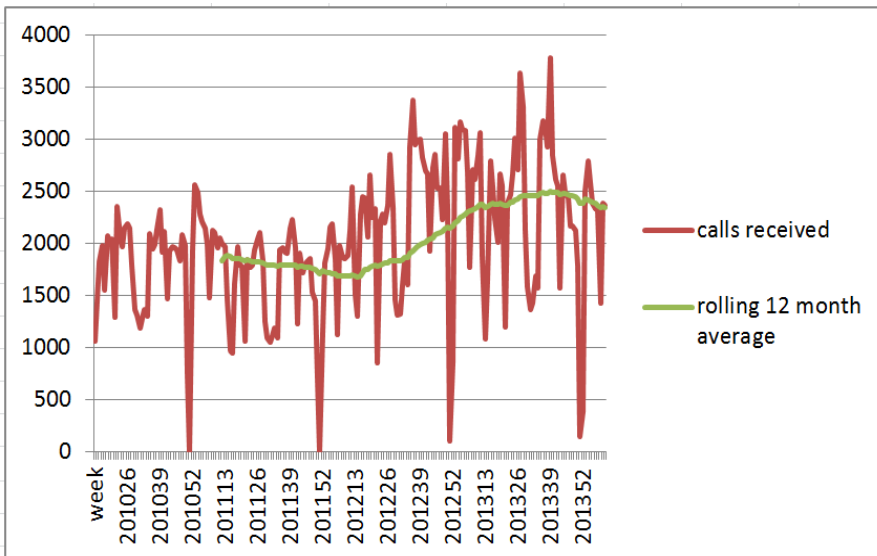| Suppliers	→	Inputs	→	Core processes

- Helping the Minister commission their requirements more effectively through better discussion – thereby supplying process with clearer instructions
- Requirements meetings to understand quality criteria for work
- Feedback loops to evidence why things are happening with better data

Enables us to respond better to Ministers' needs

- Improvements agreed included:

  - Layout of reporting templates - ensuring key information was always located at the start of the template and always in the same place
  - Simple decisions streamlined through better presentation of data
  - Civil Servant chairs the meetings to allow Minister to focus on decision making and questioning data

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Using information effectively - correspondence

We are using data more …

- calls received
- rolling 12 month average

Data shows the very low level of queries received during Christmas, New Year and school holidays – this enabled us to design 3 processes to cater for different demands on the process.

… enabling us to make good decisions

- Moving to a telephone response from written responses to citizens' correspondence
- Adapting our website to reduce the amount of correspondence
- Streamlining how we deal with correspondence
- Enables us to spend less on preventable demand (where can I find this? Who do I apply for this) and more on improving educational policy

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Organisational realignment around the customer – Opening new schools

Appropriate standards

- Moving from a bespoke model to a modular approach
  - Standardising to guarantee consistency in core outputs
  - Additional elements for specific problems
- Standardising quality for schools but maintaining flexibility for Department
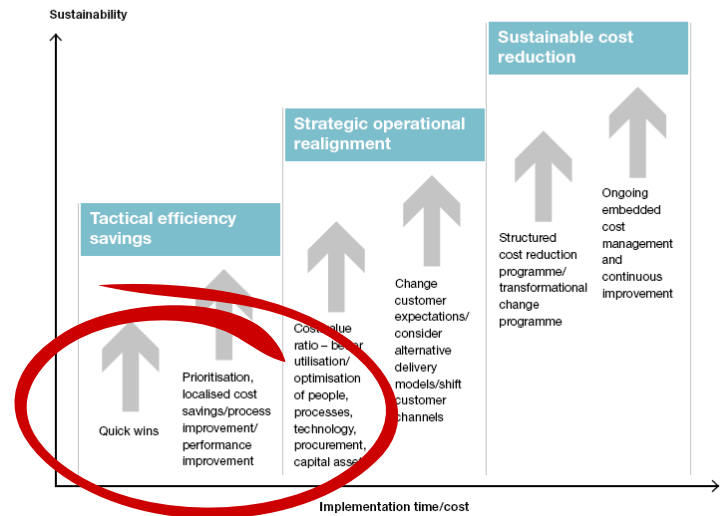
Benefits

We are now starting to see benefits consistent with what we would expect from a first cycle of process improvement.

We are:

- **More efficient:**
  - 21% more projects per member of staff in Academies Delivery Unit
  - 25% reduction in unit costs.
  - 25% productivity improvement using simplified letters.
  - 80% cheaper to use phone rather than letters to respond to Citizens

- **More responsive to our customers**
  - We respond quicker to Ministers and Citizens
  - There has been a 50% reduction in time taken for schools to accredit to become teacher training providers.

Stages of cost reduction

Sustainability

Sustainable cost reduction

Ongoing embedded cost management and continuous improvement

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Tactical efficiency savings

Prioritisation, localised cost savings/process improvement/ performance improvement

Quick wins

Implementation time/cost

A structured way to prioritise improvement – focusing on critical projects

Establishing control of **purpose** through strategy deployment and clarity of end to end delivery

Using control of data and information to **measure** performance & target improvement

Using control of **method** to improve priority areas

But to make this transition you need to keep in mind

- The number of initiatives, approaches and new challenges makes it very difficult for continuous improvement to be overheard above the noise – **"disposable quality"**

- What must you do today and what can wait? Focus on the **critical few things** and do them well to gain buy in

- Continuous improvement language alienates people – focus on what you are trying to achieve not what you call it. **What is the problem you are trying to solve?**

- Ability to adopt, adapt and abandon quickly is crucial – **"don't keep pushing an approach that doesn't work"**

- Without continued leadership engagement it will not sustain (Civil Servants and Ministers) - **"a powerful guiding coalition"**[1]

1. *Kotter's change model*

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