

Cutting costs and boosting services in local government:

Achieving the impossible with
process simulation

BY
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Cheryl Peters, Business Improvement Manager, Wychavon District Council

Introduction

As last year’s Comprehensive Spending Review (CSR) saw local government funding cut by 26% in real terms, with councils set for a 7.1% annual fall in budgets over the next four years, and an estimated 490,000 job losses forecast for the sector, the role of the local government CEO/FD in 2011 is one few would envy.

As we enter the new financial year, finance chiefs within local government face an unprecedented number of pressures and challenges, as they are tasked with a seemingly conflicting agenda to deliver substantial cuts, while at the same time improving services.

The CSR is said to be underpinned by *“a radical programme of public service reform, changing the way services are delivered by redistributing power away from central government and enabling sustainable, long term improvements in services.”*

According to Communities Secretary, Eric Pickles:

“This settlement and the major reforms...will together allow us to wrest power away from Whitehall and to end the era of inefficient regional bureaucracy as we make good our commitment to devolve power and decision-making to councils and local communities.”

If local councils are to embrace this power shift and achieve the seemingly unachievable, they need to think differently, and be supported by a different set of tools to make these all important decisions in the new era.

They require a bigger, more holistic approach - simply shaving bits off here and there will have little impact in the long term, and in fact, may actually prove detrimental to wider goals. In order to navigate the abyss of potential inefficiencies and to know where to cut and to what degree, they need the equivalent of a corporate crystal ball which can tell them what needs to be done, where, how and by whom. Only through achieving this level of granularity and insight will local government be able to deliver the most impact from a savings perspective, while maintaining, or indeed improving services.

Predicting and shaping the impact of change

So first the bad news. Corporate crystal balls don’t exist – and even if they did, their predictions couldn’t be relied upon.

Now for the good news. The real-world equivalent of a corporate crystal ball does exist in the form of process simulation – a proven, reliable, tangible means of delivering the kinds of informed decisions and predictions necessary to run local councils effectively in this age of austerity. Process simulation models can tell you everything you need to know about making change in a virtual risk-free environment and crucially, prior to any investment (or indeed divestment) is committed.

Just to be absolutely clear, these applications are not, in themselves, tools to generate the savings per se. The software market is awash with applications which can improve processes and visibility of information – all with the objective of making savings. While for the most part these applications are entirely valid in helping the drive for efficiencies, this is neither the claim nor the purpose of simulation.

Simulation applications analyse all relevant information to identify where savings exist and map the best, cheapest, fastest route, to realising these savings, while protecting, or improving service levels in a local government environment.

So for example, if a CEO/MD believes that sharing services in a particular area; realigning procurement strategy; or consolidating contact centres might yield savings without impacting service, simulation can evaluate the precise cost, resource and service impact of each of these initiatives. It analyses all of the applicable variables and interdependencies, and provides accurate, 'scientific' answers on which approach will deliver the desired outcome and which variables must be changed to meet this outcome.

For example, consolidating all of a council's call handling into one centralised contact centre might be attractive as an option to realise large scale savings. But through mapping the full extent of process change required, the software might flag that while the cost savings associated with such an approach are high, through looking at alternative approaches, such as up-skilling staff or sharing resources with another council, simulation can identify the best possible strategy - not just a good one.

The number of areas which can benefit from simulation within local government are infinite and span both strategy and operations. Simulation can ensure waste management is delivered in the most productive, time effective, fuel efficient means; in adult services, it can look at the impact of accommodation availability, counselling and support for vulnerable people to improve service and avoid duplication; transport planning can benefit through a comprehensive understanding of the volume, frequency and patterns of passengers on a particular bus station or interchange; car parking can be optimised to increase revenue without affecting capacity; and so the list goes on.

The time is now

So why haven't we heard about the benefits of process simulation in local government before now? There are a number of reasons why this is the case.

Demanding more

Of course, the CSR means there is a far greater need for accurate predictive tools which can identify the maximum level of savings achievable, crucially without risk. But that is only part of the picture.

Coming of age

You'd be forgiven if you held associations of simulation software with clunky manufacturing environments such as automotive, defence and aerospace, as simulation effectively grew up in these sectors. Often these industries employ specialist personnel with skillsets to use, what was traditionally highly specialised software, to enhance the productivity of a plant or manufacture a new model. And in fact up until five years ago, simulation software simply wasn't available in a format which was feasible for the majority of business users.

However simulation has now come of age and can be deployed, and used quickly and easily by anyone who is familiar with mainstream business applications such as Windows. It stands to deliver substantial benefit to any organisation which is subject to targets and where change is constant, generating answers to questions about driving savings or improving services, in a matter of minutes, with minimal training.

Testament to this new 'grown up' breed of simulation software is the fact that all 43 police forces in England and Wales have used it to tackle inefficiencies held in unnecessary or duplicated processes across numerous areas within the criminal justice system.

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Vic Allison, Financial Director, Wychavon District Council

For example, as part of a review of its call handling and contact centre operations, one force used process simulation application to model a wide range of changes. When implemented, these changes improved the working patterns in the contact centre, reducing the amount of money spent on shift allowances. At the same time, operator resources were optimised and duplicated processes eliminated. This realised a total of £2.5 million in cashable savings and a further £4 million in productivity savings that followed from better officer deployment.

Following observations that West Mercia Police’s larger custody facilities were sometimes underused while others were stretched beyond capacity due to an imbalance in staff, it used simulation to model staffing levels to accommodate throughput of detainees, as well as exploring how to optimise these resources to get even more done with the same personnel.

And for those local councils which are already using process simulation to achieve their ambitions, a number of benefits have already been reported.

Wychavon District Council’s Financial Director, Vic Allison explains:

“As a dynamic council which recognises and celebrates success, communicates clearly, and explains the hard choices, we are constantly looking at new ways to help achieve the ever-growing challenges we face. Testament to our strategy is the fact that we have won awards for both Local Government Chronicle’s Council of the Year, and The Times’ Best Councils to Work For.”

“Through using process simulation from Lanner, we have been able to evaluate various options in our drive to improve first call resolution rates and reduce the cost footprint of our call handling functions. Clearly, resolving queries pertaining to any issue from waste management and lost dogs, to parking, planning and permits, quickly, meets both cost and service improvement objectives. The simulation application has shown us precisely how to deploy staff more effectively, thus maintaining control of the service, but providing a better service at a much lower cost base.

Cheryl Peters, Business Improvement Manager at Wychavon District Council adds:

“Process simulation really helps to bring multiple scenarios to life, so it helps us to quickly assess the pros and cons of project planning. We can channel the time we would have spent debating the best plan directly into the projects themselves. That means we remove any subjectivity involved, so we can get a clear view on the best option to take.”

Armoury for a new era

While rash cost cutting and knee-jerk reactions to the CSR may not always represent the best decisions, councils do need to act very quickly in developing strategies for long term change.

Process simulation isn’t a silver bullet to surviving this financial year and managing the era ahead, but it is essential armoury for any CEO or FD in local government who is looking to achieve the seemingly impossible – to make long term, sustainable cost reductions while continuing to improve services and protect their reputation.