

Schedule 35

Continuous Improvement

Introduction

The JVCo is required to assist the Authority in continuously improving the Authority's services. There are a number of obligations on JV Co which are intended to facilitate this requirement.

The purpose of this schedule is to provide context for the requirement for continuous improvement, to identify without limitation parts of the Agreement to which JV Co must have regard for the purpose of meeting that requirement and to specify particular actions which the JV Co must take and tools and processes which the JV Co must utilise in performing its obligations with respect to continuous improvement.

This Schedule is in addition to and not in substitution for any other obligation on the JV Co under this Agreement or Law including without limitation compliance with the obligations set out in this Agreement in respect of continuous improvement. Nothing in this Schedule shall limit, restrict or otherwise prejudice the rights and entitlement of the Authority under this Agreement. In the event of any conflict, discrepancy or ambiguity the requirements of the clauses within the Agreement will take precedence. .

The JV Co shall implement this Schedule and carry out its responsibilities and obligations hereunder at its own cost

Without limitation to any other obligation, JV Co shall report extent of progress in achievement of continuous improvement and in respect of its responsibilities under this Schedule within the reporting processes (as if this has been specifically referred to therein) and in accordance with the requirements for such reports referred to within Schedule 13.

Context for Continuous Improvement

The JVCo acknowledges that:

1.1 The Authority is performing statutory duties and functions within a limited budget for which it is in accordance with its duties (including those under Best Value Section 3 of the Local Government Act 1999) required to secure continuous improvement having regard to a combination of effectiveness, efficiency and economy.

1.2 The Authority is in addition to the requirement to achieve continuous improvement also required to demonstrate that it has met and will continue to meet efficiency savings targets set by Government.

1.3 The Authority is required:

- to demonstrate its achievement of Best Value on an ongoing basis;

- to operate in an open and transparent manner in respect of its performance of services and progress made in achieving continuous improvement; and
- to ensure those who it engages to provide services operate in the same way.

1.4 The Authority has a requirement to secure continuous improvement from partners and others with which it operates.

1.5 The Authority is rated as "excellent" and "four star" for the purpose of the the revised Comprehensive Performance Assessments ("CPA"). These are the top rankings and the Authority requires retention and consolidation of an equivalent assessment throughout the Contract Period in respect of the CPA and any successor regime (currently the Comprehensive Area Assessment ("CAA")) For the purpose of this Schedule all references to CPA shall mean the most up to date version from time to time of the Comprehensive Performance Assessments or the most up to date version from time to time of any successor regime.

2. The JV Co recognises and agrees that the Authority:

2.1 has engaged JV Co for the purpose of assisting the Authority to achieve the requirements and expectations referred to in paragraph 1;

2.2 is relying upon the JVCo in the performance of the Services to ensure that in respect of the Services the requirements and expectations set out in paragraph 1 are met

2.3 is relying upon JV Co to facilitate and contribute to the achievement of the requirements and expectations referred to in paragraph 1 in respect of performance of its role as strategic partner of the Authority and in connection with the identification and where authorised under the Transformation Approval Procedure the development of Transformation Projects.

The Authority is also required to agree targets for the purpose of the Local Area Agreement (or any replacement thereof) and to meet certain targets such that failure to achieve such targets may result in a loss or reduction of funding or a requirement to repay funds.

3 The Authority and central government has a number of mechanisms to ensure or test continuous improvement.. A number of these are defined within Schedule 22 – Policies and Plans. However, Schedule 22 is not an exhaustive list in this regard. The JVCo must adopt and implement all such mechanisms in respect of the Services. If the JVCo can demonstrate to the Authority's reasonable satisfaction that the requirement to comply with a policy or plan of the Authority containing such mechanisms which is not in Schedule 22 and was also not in operation within the relevant parts of the Authority at the Agreement Date will necessarily result in JV Co incurring material additional costs, the parties will meet to discuss in good faith if this should be regarded

as a Change Request (in accordance with the provisions of Schedule 14) requiring additional funding, or reductions in service elsewhere to provide appropriate compensation to JV Co. Any requirement to implement such recommendations, which the JV Co could be required by the Authority to implement pursuant to any other provision of this Agreement shall be implemented without such requirement being treated as a Change Request by reason of this paragraph 3.

4 Without limitation to the generality of the foregoing JVCo will undertake the activities and matters referred to in paragraphs 5 – 22 inclusive as part of its obligations to assist in achievement of continuous improvement, either jointly with the authority or in isolation.

5. Comprehensive Performance Assessment (CPA) or its successors

5.1 CPA has a number of component parts and the Authority requires that as part of maintaining its CPA rating the current scoring of each element is also maintained or improved upon with a view to scoring the maximum possible in the following areas:

- 2.1.1 Direction of Travel
- 2.1.2 Use of Resources
- 2.1.3 Corporate Assessment
- 2.1.4 Data Quality
- 2.1.5 Relevant Service Scores

5.2 JV Co shall perform the Services so that;

- they do not prejudice the achievement by the Authority of the requirement in paragraph 5.1; and
- at least maintain at the level which was achieved by the services comprised in the Services prior to the date of this Agreement the contribution which the Services make towards the achievement of paragraph 5.1

5.3 As part of its contribution to the achievement of continuous improvement the JVCo will at its own cost co-operate with, fully participate in and contribute towards successful:

- CPA (and any successor) inspections;
- improvement planning;
- Implementation of inspectorate, audit and authority recommendations. Where the JVCo can demonstrate that by implementing such recommendations it will incur material additional cost the parties will meet to discuss in good faith if this should be regarded as a Change Request requiring additional funding, or reductions in service elsewhere to compensate. Any requirement to implement such recommendations, which the JV Co could be required by the Authority to implement pursuant to any other provision of this Agreement shall be implemented without

such requirement being treated as a Change Request by reason of this paragraph 5.3.

6. Systems Thinking

The JVCo undertakes to facilitate, guide and promote the transformation of the business of the authority. Attached at Appendix A is that part of the Bid Documents submitted by the PSP explaining their approach to business process re-engineering and the methodology, processes and procedures forming their "Systems Thinking" business process re-engineering process. JVCo undertakes to comply with the approach, methodology, processes and procedures referred to therein as if statements referring thereto in appendix A were the statements of JVCo. JVCo will implement the "Systems Thinking" approach to identify areas for transformation, the options for achieving transformation and the means to deliver it and to do so in such a way as will maximise the effectiveness and efficiency of any transformation of the Authority's business. It is recognised that the "Systems Thinking" process may evolve and develop in line with Best Practice (and references to the "Systems Thinking" approach shall be to that process as applicable for the time being in accordance with such development).

7. Annual JVCoSurvey

7.1 The JVCo will undertake annual customer and client satisfaction surveys and comply with Schedules 13 and 32 in doing so.

7.2 This is in addition to the Annual Staff Survey within the scope of work for HR and detailed within the HR Output Specification of MSDC 2.

The survey will:

7.2.1 Give an insight into client and customer attitudes, perceptions and preferences

7.2.2 Compare perceptions with the Authority's and JVCo's ambitions and define goals for change

7.2.3 Provide data for benchmarking

7.2.4 Identify the JVCo's and separately the Services' strengths and key issues to inform action planning producing visible changes and demonstrating continuous improvement

7.3The Authority and JVCo shall agree the content and timing of the questionnaire on the basis of Best Practice for the purpose of achieving the objectives set out in paragraph 7.2 and to demonstrate in a transparent way progress made in achieving continuous improvement.

7.4 Survey results will be benchmarked by JVCo with the results from other local authorities and world class organisations. The JV Co shall implement improvement actions with the objective of reaching the top 25% of local authority performers

7.5 JVCO will use reasonable endeavours to maximise the number of returned questionnaires by encouraging clients and customers and promoting the benefits of the survey.

7.6 The JVCo will disaggregate results (breaking down information to units of information suitable for identification of trends to highlight:

- areas of good practice and performance which can be used as a means to identify practices and processes which might be applied more widely across other parts of the JVCO and/or the Authority
- areas of material poor performance which will enable development and implementation of targeted action -

7.7 The JVCo will complete each survey and analysis of the information it produces as soon as reasonably practicable and in accordance with Good Industry Practice. The JV Co will summarise the survey results, analysis and other information gained through the process referred to in this paragraph 7 and conclusions and report to the Authority within [30] days of each survey being completed.

7.8 The JVCo will at the Authority's discretion either participate in or undertake statutory customer satisfaction surveys in relation to the Authority.

8. EFQM Self-Assessment

8.1 The EFQM model is a framework that supports the introduction of a culture of continuous improvement. It allows an organisation to systematically identify its strengths and areas for improvement. The EFQM Process is the application of the EFQM model (including without limitation the assessment of business processes and organisational fitness, analysis and improvement planning) to an organisation.

8.2 The JVCo shall undertake an annual EFQM self assessment using the relevant Authority's corporate standard and/or as otherwise specified in Schedule 2 (or as may be agreed between the parties a developed standard to reflect the achievement of a shared approach for the Founding Authorities) as to how this will be conducted. For the avoidance of doubt the JV Co will be required to hold British Quality Foundation (BQF) membership to make use of the EFQM model and its copyright;

8.3 The JVCo will implement the EFQM Process throughout its organisation and without limitation thereto in respect of all parts of its organisation involved with or connected to the delivery of the Services and/or fulfilment of JV Co's responsibilities and obligations under this Agreement . The Authority will remain open to discussion on proposals from JVCo to implement an alternative but equivalent quality management system for parts of the organisation.

8.4 The JVCo will adopt and use a suitable package of tools (which shall include annual staff surveys, benchmarking, customer feedback and other mechanisms set out in this Schedule) to inform the EFQM Process.

8.5 JV Co shall ensure that its staff (including without limitation the Seconded Employees) will be consulted and given the opportunity to contribute their views, experience knowledge and expertise to the EFQM self-assessment.

8.6 The JVCo will undertake improvement planning as part of and using the results of the EFQM Process. The EFQM results will be used to inform service planning in conjunction with the Authority and will form part of the reporting requirements (monthly, quarterly and annual) as part of the processes set out in Schedule 13

9. Best Value and its successors

9.1 In connection with assisting the Authority to meet its Best Value obligations, the JVCo will follow the corporate requirements for the Authority for the time being that are designed to meet Best Value obligations by strategically targeting reviews of Service Elements. Currently the corporate requirements for the Authority are represented by the Performance Matrix Review Programme. Under this programme each service is required to submit data by service on performance, benchmarking, Value for Money, customer satisfaction and efficiency. Reviews or inspections would be required where services are not performing well. All such information, analysis and other data shall be presented in the Quarterly Reports and Annual Reports in accordance with the process set out in Schedule 13 (and shall as a minimum include the information relating to the Services which the Authority are required to provide to Government as part of the Best Value Duty) JV Co shall at the same time provide any explanation for performance failures or under performance (when compared with any benchmarks, statutory or advisory performance targets) and shall discuss these in good faith, openly and transparently with the Authority to assist the Authority in responding to Government in respect of its Best Value Duty and so that service improvement planning for the Services can be appropriately targeted and agreed with the Authority.

10. Benchmarking

10.1 Benchmarking is used as a means of continuous improvement. Without prejudice the provisions of Schedule 28 [Benchmarking], and the benchmarking required as part of Schedule 2 the following shall apply.

10.2 The JVCo shall provide annually the sum of £10,000 to be shared between the Founder Partners to be allocated to undertake annual benchmarking of Service Lines or elements of those Service Lines such benchmarking to be undertaken in addition to any other requirement set out in this Agreement for benchmarking with which JV Co could be required to comply. The use of such sum will be agreed between the Parties, agreement to be reached on the basis of achieving a benchmarking exercise which will

assist in assessment of performance against others and facilitate achievement of continuous improvement (and in the absence of agreement to be determined through reference to Dispute Resolution Procedure) . Where this amount is used to fund days of effort by JVCo staff (including any Seconded Employees) assigned to benchmarking activities, the number of days which it funds will be calculated based on the daily rates in operation at the time ascertained in accordance with Schedule 4. The amount allocated for benchmarking pursuant to this paragraph 10.2 may be increased for a given annual period with the mutual agreement of the parties if the Authority so requests in writing but any such increased in the funding required shall to be met in equal shares by the Authority and JV Co.

10.3 The JVCo will as may be reasonably instructed by the Authority from time to time participate in any benchmarking activity being undertaken by the Authority.

10.4 The Authority benchmarks the national performance indicators against: all councils nationally, county or district councils (as appropriate) and the relevant CIPFA family group. The aspiration is to maximise performance indicators achieving the best quartile position and minimise performance indicators in the worst quartile. The JVCo will assist the Authority in this aspiration and shall undertake the Services with a view to achieving such targets.

11. Targets

11.1 Targets are a commitment to achieve a specific and better quality or level of service over a specified timeframe. Targets help to focus on what needs to be achieved to ensure performance is brought up to levels achieved elsewhere. The JVCo will in respect of the Services develop through its annual planning process and identify in the Annual Plan - challenging targets for the Services for this purpose.

11.2 The JVCo will as a minimum be required to achieve the targets stipulated within the service output specifications and key performance indicators of Schedule 2.

11.3 The JVCo will be required to achieve shared national or local targets and standards. These may be statutory such as those for the Local Area Agreement, statutory performance indicators and the new National Indicator set. They may also be local such as those within the Community Strategy, Annual Plan and Directorate plans.

11.4 JV Co will co-operate in good faith with the Authority in providing information and responses in connection with (and where required by the Authority participating in), any discussions with Government or other Stakeholders for the purpose of agreeing performance standards and targets which will be set specifically for the Authority ("Authority Performance Targets") and in respect of which the JV Co's performance of the Services could impact. As part of such co-operation JV Co shall propose Performance

Levels in draft Service Delivery Plans submitted for approval to the Authority in accordance with Schedule 13 and Schedule 3 for the time being to which the Services will perform in order to ensure that the Services do not cause or contribute to any failure by the Authority to meet any Authority Performance Targets.

11.5 JV Co shall if requested by the Authority nominate and make available to the Authority a suitable representative from JV Co to be involved in any such process with the Government and/or Stakeholders referred to in paragraph 9.4 to ensure that such discussions are fully informed as to Authority Performance Targets which though challenging are reasonably achievable and to which achievement the Performance Levels for the Services which will be committed by JV Co will contribute (at no additional cost to the Authority).

12. Self-Assessment

12.1 The authority undertakes a number of self-assessments for inspections, such as CPA and Data Quality; and award submissions. The JVCO will be expected to assist the Authority to undertake these where reasonably required, to at least the same level as the services comprised with the Services would have assisted prior to the Service Commencement Date.

12.2 Without limitation to paragraph 12.1 JV Co shall:

- Provide information to the Authority (promptly as and when required) which it has concerning the Authority, its functions and services and which is reasonably required by the Authority. It shall without limitation be reasonable for the Authority to require information to demonstrate: compliance with any legal requirement, and/or achievement of targets, and/or standards achieved for the purpose of any assessment of the Authority (for example assessing direction of travel) or required to comply with the requirements of the Government or any Regulatory Authority for such information
- provide information concerning the Services which may contribute to any of the matters identified in [the paragraph above] -

13. Not used

14. Customer Complaints

14.1 The JVCo will regularly analyse and contribute to corporate and client reporting for the Authority in respect of customer complaints to identify trends and poor service delivery. JV Co will comply with Schedule 8 in respect of Customer Complaints.

14.2 The JVCo will implement actions to improve service delivery following analysis of any complaints in accordance with paragraph 12.1.

15. Value for Money

15.1 The JVCo is required to demonstrate Value for Money in the delivery of the Services. The Authority has challenging annual efficiency savings targets which are delivered through the efficiency and economy of all services which will include the Services.

15.2 The JVCo will demonstrate through the Continuous Improvement Plan that its services are Value for Money in comparison to other providers and which will contribute to the achievement of the annual efficiency savings targets referred to in paragraph 15.1.

16. Schedule 13 Plans and relation with Continuous Improvement

Schedule 13, together with Schedule 3 sets out a process for planning, monitoring performance, reporting and improving service delivery. Set out below are brief details of the various plans required to be provided by JV Co and a brief explanation of their context in relation to continuous improvement.

- **5 Year Management Plan**

The JVCo is required to provide on a rolling annual basis a 5 Year Management Plan in respect of the Services,

The 5 Year Management Plan will set out the high level strategic direction of the JVCo and the Services over the forthcoming 5 years. The Plan includes an outline as to how the JVCo will achieve Continuous Improvement.

- **3 Year Service Plan**

The JVCo is required to provide on a rolling annual basis input into a 3 Year Service Plan in respect of each Service Line, which will be produced by the Authority. The 3 Year Service Plan will include service developments and improvements which the JV Co will implement and which will be designed to demonstrate continuous improvement.

- **Annual Service Delivery Plans**

The JVCo is required to provide on a rolling annual basis a Service Delivery Plan in respect of each Service Line.

The purpose of each Service Delivery Plan includes describing on an annual basis how each Service Line will be improved. The Service Delivery Plan will reflect the Authority's expectation (ascertained in accordance with this Agreement including without limitation Schedule 2, Schedule 3, Schedule 13, Schedule 33 and this Schedule 35) for continuous improvement in the Services during the Contract Period.

17. Official Authority meetings

17.1 The JVCo will where required in accordance with the Agreement to produce reports, or attend meetings co-operate in good faith with the Authority

in an open and transparent manner to assist the Authority to meet its Best Value Duty and to identify and agree actions to be taken to improve performance of the Services to meet the requirements of this Agreement (including without limitation this Schedule) .

18. Investors in People (IIP)

18.1 The JVCo will be required to achieve IIP accreditation as soon as reasonably practicable and in any event by March 2010

18.2 The JVCo will be required to implement any improvements in order to attain or maintain IIP once achieved.

19. Improvement Plans

19.1 The JVCo will use reasonable endeavours to implement actions and changes to processes as stipulated within the Authority's corporate and service improvement plans from time to time applicable.

20. Output Specifications

20.1 Schedule 2 sets out certain performance standards relevant to the Authority's CPA and which in respect of the Services the JV Co must achieve.

20.2 JV Co acknowledges that as each Best Value Authority is required to continuously improve, the performance standards which it is necessary to achieve during the Contract Period in order to maintain the Authority's current CPA rating will be raised. Accordingly JV Co will, through annual reviews with the Authority of Output Specifications (in accordance with Schedule 2 (Umbrella)) and Service Delivery Plans (in accordance with Schedule 3 [Service Delivery Plans]) , or more frequently as appropriate, aim to continuously improve performance standards at its own cost and as such ensure that the Authority's ability to maintain its CPA rating is not prejudiced, and improvements relative to the achievements of other Best Value Authorities are achieved.

20.3 Output specifications are required to be updated annually in accordance with clause 20.2. Each update of an output specification comprised in Schedule 2 will have due regard to the requirement to secure continuous improvement and the obligation under paragraph 20.2 (and so shall where appropriate include increased targets within the suite of performance indicators). No update of an Output Specification pursuant to this clause 20.2 shall be subject to the provisions of Schedule 14 (Change Control).

21. Continuous Improvement Section

21.1 The JVCo will add a specific section on Continuous Improvement in respect of the Services,(a "Continuous Improvement Section") to the 5 year Management Plan as referred to in Schedule 13.

21.2 The Continuous Improvement Section will detail for each of the Service Lines:

21.2.1 How the JVCo improved the Service Line over the previous 12 months expiring immediately prior to that financial year having regard to the obligations on the Authority to secure continuous improvement and having regard to the obligations and responsibilities of JV Co under this Agreement (including without limitation this Schedule).

21.2.2 How the JVCo intends to improve the Service Line over the 12 months comprised in that financial year.

21.3 The Continuous Improvement Section will;

- reflect the achievement of continuous improvement in respect of the Services in a way which suitably reflects and addresses the matters referred to in this Schedule including without limitation;
 - the Best Value Duty (both in terms of the Authority's duty and the contribution and assistance which is expected to be provided by the JV Co to the Authority in relation to the Services);
 - outcomes from the EFQM Process;
 - survey responses, analysis and resulting improvement planning;
 - complaints monitoring and resulting improvement planning;
 - setting of targets for the Services which support Authority Performance Targets and contribution to negotiation of the Authority Performance Targets;
 - benchmarking of performance and tracking of top quartile performers;
 - contribution to self assessments of the Authority and achievement of Value for Money;
 - improvement required in connection with IIP accreditation or maintaining such accreditation;
- satisfy the Authority that compliance with such Continuous Improvement would secure the responsibilities and obligations of the JV Co under this Agreement (including the duty to achieve continuous improvement);
- not be inconsistent with any other obligation of or other plan or programme applicable to JV Co or the Services
- not reduce any entitlement or right of the Authority, increase any obligations of the Authority under this Agreement or would otherwise be prejudicial to the Authority; or
- be in accordance with the requirements of this Schedule and/or support the criteria and meet the expectations referred to in paragraph 2 of Schedule 13

Appendix A

1.1 ***Approach Redesigning Transactional Service Delivery***

- § The partner provider's approach to business transformation utilising tools and techniques, which may include:
- Business process analysis and re-engineering;
 - IT investment; and
 - Programme management methodologies.

1.1.1 Introduction

In this section of the Method Statement, we describe our approach to business transformation and the tools and methodologies that we use including:

- A "Systems Thinking" approach to business process re-engineering
- IT investments
- Programme management methodologies.

1.1.2 Overall Approach

In our experience, service improvement initiatives are most successful when they address the whole end-to-end delivery process. This process often extends across the partner's "in-scope" service responsibilities and into the councils' service responsibilities.

For example, a citizen calling the ISiS contact centre to report a missed refuse collection will have the call taken by an ISiS customer service agent, this will result in a job ticket for the Borough Council's environmental services and the final fulfilment of the citizen's call may be done by a private sector environmental services contractor. The citizen has no interest whatsoever in the detail of this service delivery structure: all he/ she wants is that the missed refuse is collected and taken away with minimal fuss.

We are totally focused on overall end-to-end service improvement across all those involved in delivering the service to the ultimate customer.

We use our Systems Thinking re-engineering approach to focus on the true purpose of a particular service, the real nature of customer demand for that service and the most effective and efficient way of meeting that customer demand. This is an "end-to-end" approach: it extends across the process regardless of which organisation (council, ISiS, 3rd party) is responsible for the individual steps in the overall process.

We believe that the key factors in redesigning transactional service delivery are:

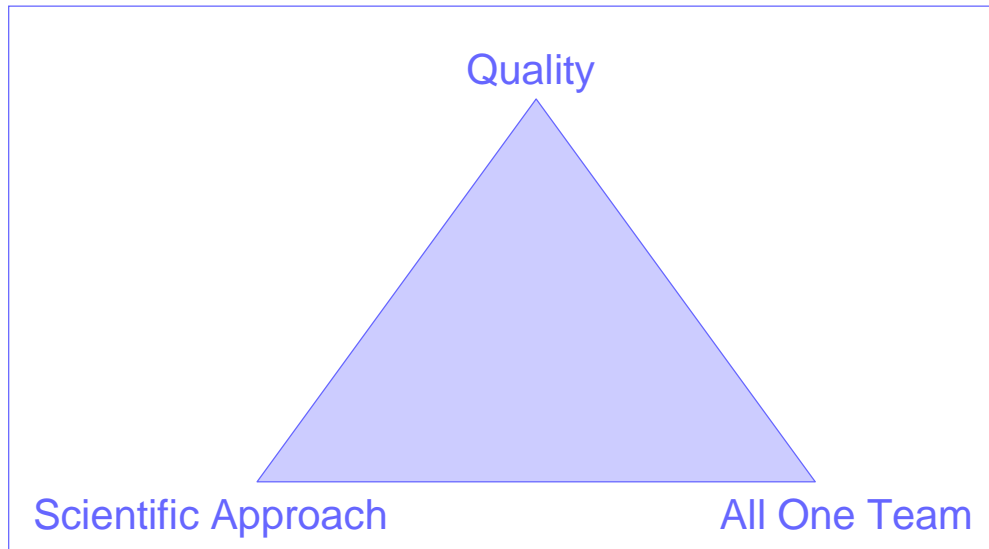
- Working closely with frontline directorates and their partners (e.g. PCT, environmental services providers)
- Following an approach to service improvement that crosses organisational boundaries
- Sharing benefits across boundaries
- Citizen service is the catalyst for cross-council improvements and sets expectations
- Osmosis – we believe that where one set of services dramatically improves, a process of osmosis influences improvements in other services

- ▀ Working together leads to cultural change
- ▀ Aligned performance management

1.1.3 Systems Thinking Approach to Business Transformation

We will use a Systems Thinking approach to redesigning transactional delivery that puts the customer at the centre of a council's services and empowers staff to effect positive change in his/her work and community environment.

The following is a model that underpins what we aim to achieve by the use of this thinking and methodology:



Quality – quality is defined by the customer; developing an obsession for delighting customers, not being satisfied with merely getting rid of what annoys them but going beyond to understand their current and future needs deeply, to surprise them with a quality of service they didn't believe was possible. This understanding is no longer the domain of special groups within the organisation; rather it's shared with and further developed by employees

Scientific Approach – Learning to manage the organisation as a system, developing process thinking, basing decisions on data and understanding variation

All One Team – Believing in people; treating everyone in the organisation with dignity, trust and respect; working towards win-win instead of win-lose for all stakeholders (customers, employees, shareholders, partners, suppliers, the communities in which we live)

This radically different way of working delivers a step change to:

- | | |
|-----------------------------|------------------------------|
| ▀ Culture and behaviours | ▀ Roles and responsibilities |
| ▀ Skills and competencies | ▀ Business processes |
| ▀ Organisational structures | ▀ Information management |
| ▀ Performance | ▀ |

Introduced and implemented correctly, a Systems Thinking transformation is embraced by enthusiastic staff and dramatically enhances the way they work and the quality of their output. It is not a method that imposes an outsider's view upon a team; rather it is an

approach by which staff are enabled and empowered to transform themselves and their work.

The Transformation Methods we use are based on the work of Dr W Edwards Deming, Taichi Ohno (Toyota Production System), John Seddon, Peter Scholtes and Brian Joiner.

The methods we use results in:

- Change that is sustainable because it is led
- Change that is sustainable because it is delivered with operational teams
- Change that delivers value for the customer as it introduces an “outside-in” or customer perspective to everything that we do
- Change that delivers financial benefit as it removes waste from the system
- Change that improves staff satisfaction
- Change that provides measures to prove we are continuing to improve the quality of service against customer demand
- Change that delivers excellent working relationship between partners.

This translates as:

- Working specifically with leaders to allow them to test the thinking and the methods for themselves – generate commitment to the approach and to transformation;
- Allowing them to have input and ownership over the intervention design;
- Understanding what this means for them and how it will translate to role change for sustainability of the change;
- Involving leaders in scoping where to begin the intervention – based on the study of customer demand – where the greatest initial benefits might be gained;
- Carrying out a programme of orientation/awareness raising about the methods and approaches and what we are trying to achieve with managers and staff to ensure good communication and involvement;
- Carrying out the interventions in operations, involving leaders (including political), managers and staff – understand how the work works;
- Agreeing how we experiment with change as a result of the knowledge gained;
- Continuing to gather measures to establish improvement;
- Planning how we make this sustainable in operations;
- Establishing how this links to the strategic direction of the organisation and create the mechanisms for leaders to review the new measures.

Critical to our approach is the fact that any change must be based on knowledge. The steps outlined above allow us to get knowledge about the system and allow us to change thinking and systems as a result of this.

At the conference “Efficiency in Local Government 2005: The Second Wave” in London on 15th September 2005, local government minister Phil Woolas had this to say about the Systems Thinking approach.

“At its simplest, Systems Thinking considers any system as a whole - in looking at efficiencies it considers the impact of making change in one part of the system on another. The approach, pioneered by Toyota, evaluates how we deliver services from the customer perspective and made changes to services based on what the customer needed, not on what the service

dictated. Reengineering of the systems we looked at produced startling results. The time it now takes to do a repair in one pilot reduced from 46 days to under 6 days; the time it took to let a Council house in another dropped by 50%. “

1.1.4 The Systems Thinking Method

Our Systems Thinking method has the following principal steps, beginning with understanding of the theory “map” that includes:

- How we understand systems
- How we understand people
- How we understand variation
- How we change and improve in a sustainable way

Our Methods develop Continual Improvement and Knowledge Transfer

The change methods used do not follow the traditional project lifecycle. Transformation (which is the output of our Systems Thinking method, cannot be seen or understood as a “project” as it will not be sustained. The methods that leaders and staff undertake includes:

Phase 1

Work with leaders

- Scoping their own systems, understanding the factors in their system that may get in the way of them achieving transformation. Preparing them for communicating the process and leading the transformation
- Leading System Improvement Planning events – which are strategic processes which allows leaders to find out where the greatest wins for the organisation lie – and then develop a plan by which they lead transformation

Phase 2

Transforming the work

- Based on the priorities set out in the plan, lead tactical events to get knowledge about current operational systems and performance and understand customer demand
- Experiment with change
- Get new measures
- Connect measures to the strategic direction of the organisation
- Transfer thinking and method to leaders and people in the work

Phase 3

How we make it stick (sustainability)

- Establish leaders understanding of how the new measures help them continue to support transformation
- Establish continuous improvement as the “norm” within the organisation
- Establish organisational leaders, expert in method to support leaders continue to support transformation

1.1.5 Focus on the Customer

Our Systems Thinking approach to business transformation puts the customer at the centre of a council's services. The Systems Thinking approach challenges established processes and ways of working with a view to identifying better, and more efficient, ways of eliminating "wasted" activity in delivering a council's services to citizens and re-introducing the "joy of work" to council employees.

1.1.6 Working end-to-end with the Service Delivery Teams

We work with service teams to help them understand the demands placed upon them, to identify true "demand that we want" and design out of their work all causes of "the customer demand that we don't want". The demand that we don't want includes all activity, such as progress-chasing telephone calls and repeated internal checks, which only occur because the work process did not allow requests to be handled fully and correctly first time.

Our approach will enable the councils' service delivery teams (both in scope of ISiS and retained functions) to redesign their work processes and will result in a virtuous circle that motivates staff in a "blame free" environment, reduces operational costs and improves citizen service. The net result dramatically increases the proportion of customer transactions that are handled fully and correctly on first contact with a council - leading to truly satisfied customers.

We believe that growth and development of the Customer Services function will transform other areas of the councils. It will drive re-organisation of working practices and processes around delivery of services to their citizens and make a major contribution to the achievement of the councils' wider objectives and priorities.

1.1.7 What the Systems Thinking Approach Achieves

We use a Systems Thinking approach for service transformation that puts the customer at the centre of a council's services. Our Systems Thinking approach looks at service delivery from a customer's viewpoint. Practices and processes are built to make the customer's interaction easier, resulting in an excellent experience for the customer when contacting their council. (A "Customer" will be the citizen or business dealing with the organisation and also internal "customers" for business support services).

We support operational delivery teams to help them review and renew their team's end-to-end working practices in order to introduce "step change" improvements in the way they deliver their services.

Systems Thinking encourages a team to look from first principles at "how their work works":

- How it does (or does not) support their customers' needs
- How to plan the flow of work to eliminate unnecessary steps (i.e. "waste" in the terminology of Systems Thinking)
- How to pilot and "roll in" the new, improved working method
- The Systems Thinking method achieves major change encompassing:
 - Culture and behaviours
 - Skills and competencies
 - Organisational structures

- Roles and responsibilities
- Business processes; and
- Information management.

The approach involves running one or more Systems Thinking interventions in each service area to be transformed.

1.1.8 Understanding “How the Work is *actually* working”

Our Systems Thinking approach is fundamentally about enabling staff to look at “how their work is actually working” through analysing and interpreting data about the work and the customer experience. Teams look at “system conditions”, i.e. those factors external to the operational process, such as measurement and reporting systems, to understand how these affect how the work is being performed.

We gain employee buy-in because staff who have been asked to analyse and take stock of their whole work process are then able (with support) to design new and better ways of working. Teams become empowered to design out of their work those tasks that do not address “value” customer demand.

The role of line managers changes from managing their teams and day-to-day issues to becoming specialists in removing obstacles to the improved flow of work and leading continuous improvement

Performed correctly, a Systems Thinking transformation is undertaken by enthusiastic leaders, managers and staff who dramatically enhance the way they work. The method does not impose an outsider’s view upon a team; instead, they are enabled and empowered to transform themselves and their work. This dramatically increases the proportion of customer requests that can be handled fully and correctly first time. Improvement will not be restricted to reaching an arbitrary target, such as a KPI figure, but continues until work is done in the best possible way.

Normally, the planned processes will be simpler than before, with IT systems designed to fulfil customer requests rather than enforcing business processes and data flows. Continued application of the approach helps operational teams further optimise their work processes as demands change. This results in a virtuous circle of motivated staff, reduced operational costs and improved customer service.

1.1.9 Deciding where to begin

The traditional approach to deciding where to invest effort is based on judging competing business cases for the largest anticipated return-on-investment. However, most business cases are produced by people not involved in performing the work to be changed and who do not fully understand the current operation. Such cases may even understate the scope for improvement if the true level of waste were known.

In Systems Thinking substantial savings are always anticipated. The goal is to eliminate all waste, then keep adapting to subsequent changes in customer demand to prevent waste reoccurring.

In our experience, all services contain substantial “waste” but the true level of waste can only be established by performing a full “check” on each operational service. Hence the true potential for service improvement can only be found once the “check” phase of a service transformation has been completed.

To get an indication of the likely level of waste, we recommend that strategic System Improvement Planning events be performed on candidate processes for transformation.

1.1.10 Managing a Systems Thinking Intervention

1.1.10.1 Commitment from the top

Implicit in our approach is the need for full support from senior managers at all levels in the organisation. Making such radical change requires full backing from directors and chief executives. There has to be “buy in” to the need for change and demonstration of their own commitment through proactive involvement in the transformation programme and their work to remove blockages in support of their staff.

Senior managers need to support the introduction of performance measures related to true customer “purpose” and supporting the Systems Thinking approach rather than more measures of “activity”.

1.1.10.2 Support from a skilled Systems Thinking consultant

Systems Thinking consultants are trained to act as leaders, they use tried and tested techniques such as facilitation, data analysis, measures based upon customer purpose and team leadership in a specific manner that has a strong academic pedigree and a practical track record of achieving transformation in industries as diverse as manufacturing and public sector services.

1.1.10.3 A team trained in Systems Thinking

Team members and line managers are supported by the Systems Thinking consultant who needs to ensure the team has members with the necessary range of skills and process knowledge. Some team leaders may be active team members, but should be chosen on the same basis as other team members, i.e. for their knowledge of a part of the end-to-end business process, rather than purely on the basis of their post.

Managers, supported by the consultant, analyse and improve the matching of measurement systems to the work. They are supported to become facilitators, their role becoming one that includes removing blockages to improve the way their team’s work works.

1.1.10.4 Involvement of key stakeholders

The Systems Thinking method, by design, involves all key stakeholders. It asks customers about the service they need, what they currently receive and the redesign of what they would like to receive. All participants in service delivery are empowered to understand what currently happens and question why things happen so that the causes of waste can be designed out.

Although it is a bottom-up process, where those who are engaged in the delivery of day-to-day services have the greatest input into the process, the approach requires strong involvement from line managers and senior management. Starting from first principles, it is essential all stakeholders are involved in, and committed to, the main objective of improved service delivery.

1.1.11 The importance of people in Systems Thinking

The purpose of a move to Systems Thinking is to transform an organisation to focus on delivering exactly what its customers need. A successful organisational intervention achieves both service improvements and efficiency savings. This will involve significant

cultural change for staff in a traditional hierarchical organisation. Staff at all levels will be trained to become genuinely empowered to undertake whatever is required to improve the way service is delivered to their customers. Managers at all levels will become focused on removing whatever blockages are found to service improvement.

In committing to Systems Thinking, an organisation's senior management needs to both understand Systems Thinking and be actively involved in interventions, e.g. as sponsors for those affecting their business area. For example, involving a finance executive in a procurement process intervention may help that person understand not just what financial savings are being missed in the organisation, but also how traditional measures may be driving staff to behave in ways that lead to poor and costly procurement decisions.

Operational staff involved in a Systems Thinking intervention will build considerable skills from:

- Understanding what their customers really need
- Redesigning work to best deliver their team's service
- Piloting the "roll-in" of new working methods.

They will learn new skills of communication, service design and measurement. These new skills can be applied to continue to improve their team's service long after the successful completion of the initial intervention. Some staff may become sufficiently skilled in the Systems Thinking techniques of service improvement to become capable of supporting further interventions within the organisation.

1.1.12 Roles in a Systems Thinking organisation

Many organisations have a range of operational or clerical levels with roles at each level mapped to specific tasks with each individual's role handling a small part of an end-to-end transaction for a customer. By eliminating unnecessary work and hand-offs, a Systems Thinking intervention will lead to fewer staff operating more tasks through to completion on behalf of each customer request.

Whilst the initial focus of planning resources post intervention may be on "how many" staff can be released for other work, the organisation should also consider the effect on the required future skill levels of staff to perform the transformed work.

Removal of waste tasks such as counting or reporting activity measures can reduce need for supervisory staff.

Sufficient knowledge for staff to handle all aspects of a customer's request to completion may require more skills in some individuals than in an organisation where knowledge is heavily compartmentalised. However, such staff are also likely to become more satisfied in their work and retention may well improve.

The removal of waste tasks such as counting, batching, copying and routing paper can reduce the need for numbers of junior clerical staff dedicated to such tasks.

If back-office staff who are used to only undertaking detailed work are needed to work with customers directly to resolve their detailed requests at the time of asking, the competencies of such staff will need to include customer-service as well as technical skills. Contrary to common expectation, we normally find many such staff are delighted to be able to resolve complex customer issues directly, rather than being kept away from customers and only receiving requests from, or passing responses to, third parties.