

# Follow the Golden Spiral

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How do we go about reducing our costs by one-third? At one level, cutting service budgets by one-third is theoretically easy.

Here are two simple solutions: either you provide the same service to just two-thirds of those who currently get the service (reducing the service coverage), or you cut the level of the service by one-third (reducing the service standards).

But, we also know that most services need bringing into the 21st century. Many were designed for the needs of the 1950s and are, at the very least, beginning to lose their relevance.

The task is not just to provide the same services at lower cost but to reshape the nature of public services so as to lower their cost, and raise their relevance.

The budgetary challenge faced by UK local government requires us to go beyond the traditional efficiency and productivity agendas and, it is why throughout the sector, there is a renewed focus on the management of service change.

At the SOLACE 2014 Summit, one of the subjects being discussed is the potential for service design and redesign.

I developed a diagram based on the 'Golden Spiral' that is based on the Fibonacci sequence (a set of numbers that starts with a one or a zero, followed by a one, and proceeds based on the rule that each number - called a Fibonacci number - is equal to the sum of the preceding two numbers).

The idea is to illustrate how different approaches generate a different scale of savings.

My use of this spiral is to point to the increasing returns that are gained by using different approaches to reducing cost.

These are not precisely derived estimates, the spiral simply gives an illustrative outline as to what can be achieved by adopting different approaches.

To achieve first-order efficiencies we need to pay continual attention to trimming back service costs. Each and every service area is able to make minor efficiencies of this nature by microscopically examining costs and reducing them. Simply altering inflation assumptions or other salami-slicing approaches generates savings.

Second, all organisations can reduce the cost of their supervision and management by paying attention to the layers of management and the acceptable 'spans of control' for each manager in each layer.

In large councils, the tiers of management tend not only to be overelaborate, they can also serve to undermine accountability through role confusions and overlapping responsibilities. That is why de-layering management can save more money than a focused attention at paring efficiency costs.

However, I suggest that merging functions can save much more money than just de-layering the management.

In local government this is often done superficially - by combining, say, two functions under one common manager.

Savings are best made when complementary activities of 'linked services' requiring 'like skills' are properly merged across functional activities.

Mergers of this nature can save much more than managerial de-layering.

When mergers are achieved across organisations (by combining functional specialties together) this counts nowadays as saving money through shared services.

And, I suggest that shared services conducted at scale across large councils are able to save more than smaller-scale internal mergers within councils.

Generally speaking, internal mergers involve re-grouping managerial responsibilities and saving managerial costs, whereas externally-shared services establish a new cost platform across a broader area for services of the same type and character.

We know, however, that shared services are difficult to achieve. True, they can provide savings - principally through service standardisation.

But, I suggest that management approaches what mixes technology with labour differently and offers the prospect of more substantial savings.

After all, when two councils share an old-fashioned, low productivity service between them, they achieve little and avoid the main challenge.

New forms of digital service delivery offer substantial improvements in cost reduction strategies and more relevant utility to current-day customers. This digital agenda is important - and it needs to be grasped by all councils.

However, I suggest that smarter supply management can save councils substantially more. For example, the average London borough spends over £200m with many thousands of external suppliers (from adult social care providers to contractors cutting grass or providing specialist IT support).

The local government supply market is nowhere near as mature and competitive as we would like. And, adopting a smarter, tighter control of suppliers, can generate

substantial savings over a three-year horizon by applying a fair, but firm, squeeze on supply costs.

In my Fibonacci sequence, better supply management saves more than shared services, but less than demand management.

Improved management of demand is essential in the achievement of substantial savings in local government budgets.

First, we need to have a strong grip on the cost of 'failure demand' and then a firm grasp of how best to meet customer needs through more self service, better channel management and lower cost delivery platforms.

Identifying how to get ahead of the demand for high cost services by early intervention and preventative work is quickly becoming the holy grail of service management in children's services and in some areas of adult social care.

The scale of budget savings required from local government can only be met through successful demand management across very many service areas. This brings us to service design and redesign.

Reshaping and resizing services may not be enough. They have to be thoroughly redesigned. That is why I place radical service redesign at the end of my Fibonacci sequence.

I believe that it offers the most potential for saving the most money, because it is only by examining the fundamentals of service purpose from the citizens' perspective that we can begin to uproot service costs and resettle them in new places.

The citizen-centric approach of service design, coupled with the emphasis on prototyping and deep learning, meets the demands of the moment.

Service redesign starts with radical questions: it privileges the service user; it questions vested interests; it makes change tangible through visualisation and, more generally, it engenders an enquiring approach.

Of course we cannot radically redesign everything all at once. We need to work our way through the Golden Spiral in a measured way.

My point is that we tend to spend too much of our managerial time on those approaches that generate relatively small savings for the taxpayer.

I suggest that you work your way through the Golden Spiral. Just make sure you spend sufficient time on radical service redesign. It offers the best prospect for saving the most and retaining relevant and valued services.

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