

CIPFA in the Midlands

30th September 2010

Systems Thinking in Staffordshire –
How can Finance support Value for Money?

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Welcome to the session

Andrew Burns

Director of Finance and Resources

Staffordshire County Council

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What is Systems Thinking?

Lee Assiter

Principal Accountant (Innovation & Efficiency)

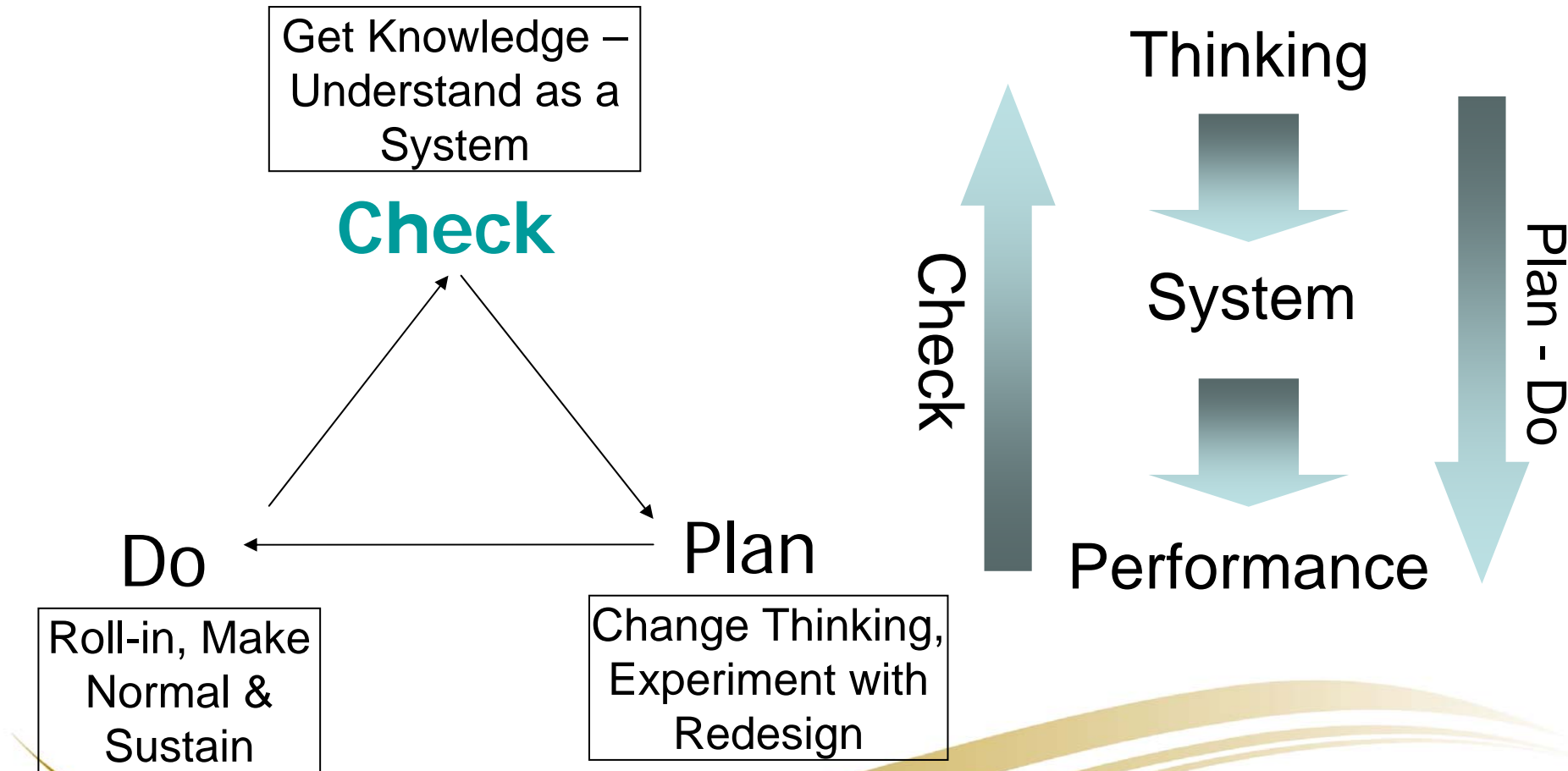
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Context

- County Council decided to engage Vanguard in 2007
- Worked with council's Corporate Change Team to "skill up" members
- Initial pilot in our HR Shared Service Centre 2007 (Vanguard led)
- Finance system 2008 (SCC led)

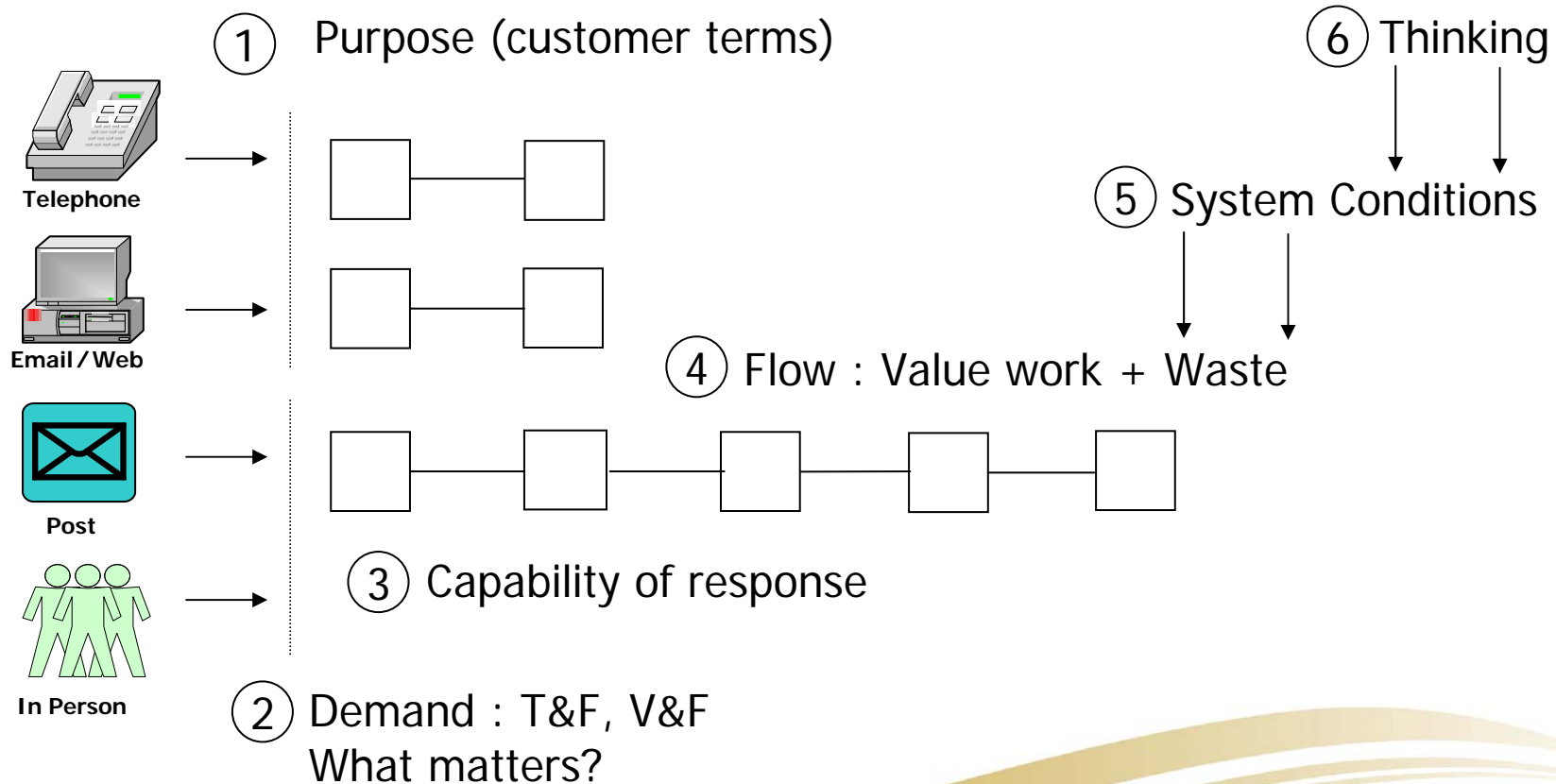
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Change must be based on knowledge



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The Vanguard model for 'Check'



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Applying Vanguard's model for "Check" to a whole finance system

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What did we do?

- 3 day scoping exercise Dec 07
- Pulled together a team of six people (full time) from Finance Directorate
- Begun in summer 2008
- Led by a SCC internal Change Consultant and Finance Operational Lead

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“Check” Phase

- Spent 14 weeks doing this
- Defined a purpose for finance
- Analysed 2000+ customer demands
- “Flowed” all the major finance processes
- Identified key system conditions / management thinking
- Struggled with defining “measures” for finance

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Purpose of Finance

“Help me determine and manage the financial resources I need to improve my service”

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So what did we learn from doing “Check”?

3 Finance Parodies

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Findings from 'Check'

Budget Setting -

Top-down approach
Death by 1,000 cuts
Budget protection behaviour

Budget Monitoring -

Standardised process
Monitoring predictable spend
Inappropriate level of detail

Year End -

Spending to budget behaviour
"Jiggery Pokery!"

High levels of "failure" demand – But good at dealing with it!

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Failure Demand Examples

- Can you help explain how the legal budget is set up?
- Can you let me know whether these two items of expenditure are included in my Accountability statement or someone else's?
- I have some invoices for repair of fire doors, I could code them to 29712, but there is no budget there, is that ok?
- Where is my budget?
- Please can you confirm if we have paid invoice number 200802461?
- Could you please supply the details behind the following non order invoice?
- I haven't got a clue what the invoice is for against my cost code, can you give me a clue?
- I am not clear on my budget, especially some charges. Can you help me?
- How do I look it up on SAP
- I have paid the wrong vendor, how do I correct?

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Findings from 'Check'

- Huge variety in demand from customers
- Focus on satisfying stakeholders at expense of customers
- Huge amount of time spent on very detailed financial forecasting
- Didn't directly measure how good we were at meeting our purpose
- Thousands of Emails everywhere!

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System Conditions

- ICT Systems (SAP)
- Coding structures
- Devolved arrangements
- Organisational rules, fin regs, contract standing orders, fin instructions
- MTFS requirements
- Statutory requirements

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Management Thinking

- We think finance is complicated and therefore budget holders need us to help them manage finance
- We want to achieve a 4-star rating for the 'Use of Resources' assessment and satisfy other external stakeholders
- Reducing the amount of money given to budget holders will force them to improve their services
- By making budget holders accountable you will make them more responsible and lead them to improve their services
- Functional specialisms will create more effective and efficient ways of working

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How did we approach the Plan / Do stages?

Ian Wilkie

**Head of Joint Finance Unit,
Directorate for Children, Young
People and Families,**

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Plan Stage

- Initially original “Check” team but not sustainable
- Ideas for new principles from team
- Begun in Social Care & Health Directorate
- Team wanted to “be radical”
- Where to start was an issue

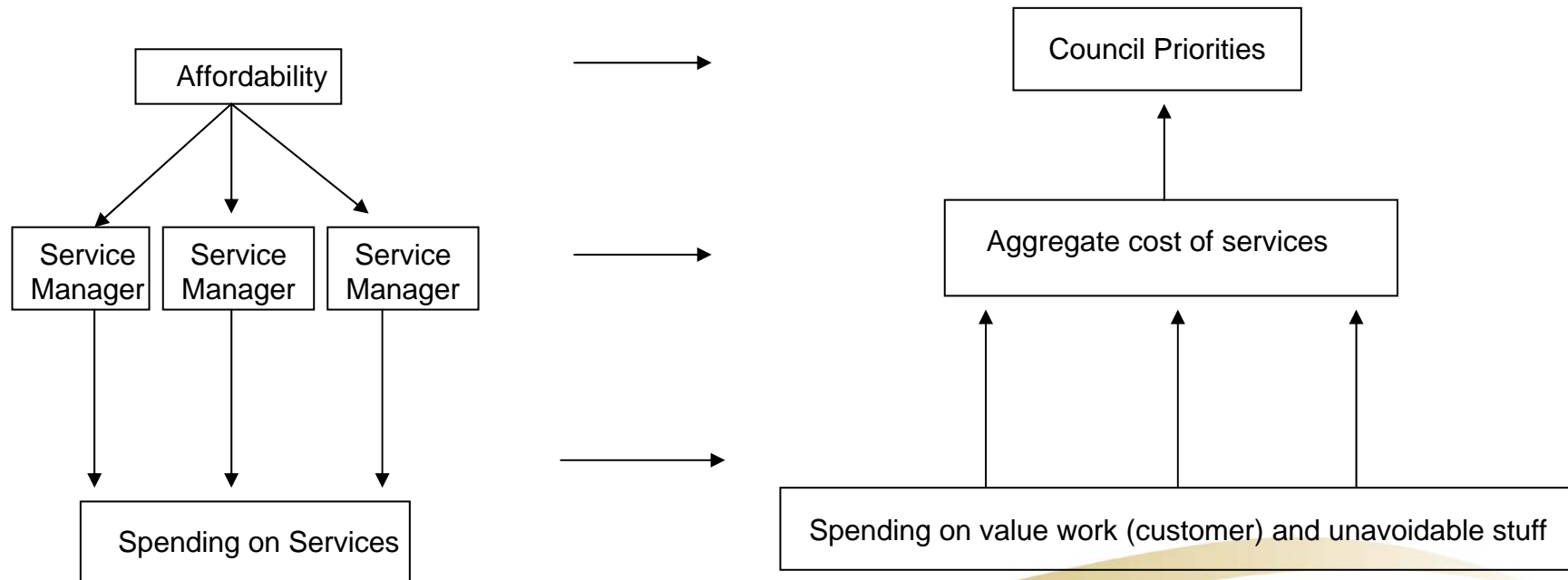
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New Vision / Operating Principles

- Vision developed by Management Team
- A new set of operating principles developed and communicated to people
- Focus on minimising stewardship and do more decision support
- Understand costs and cost drivers
- Move away from simply comparing spend to budget and start to get into VFM

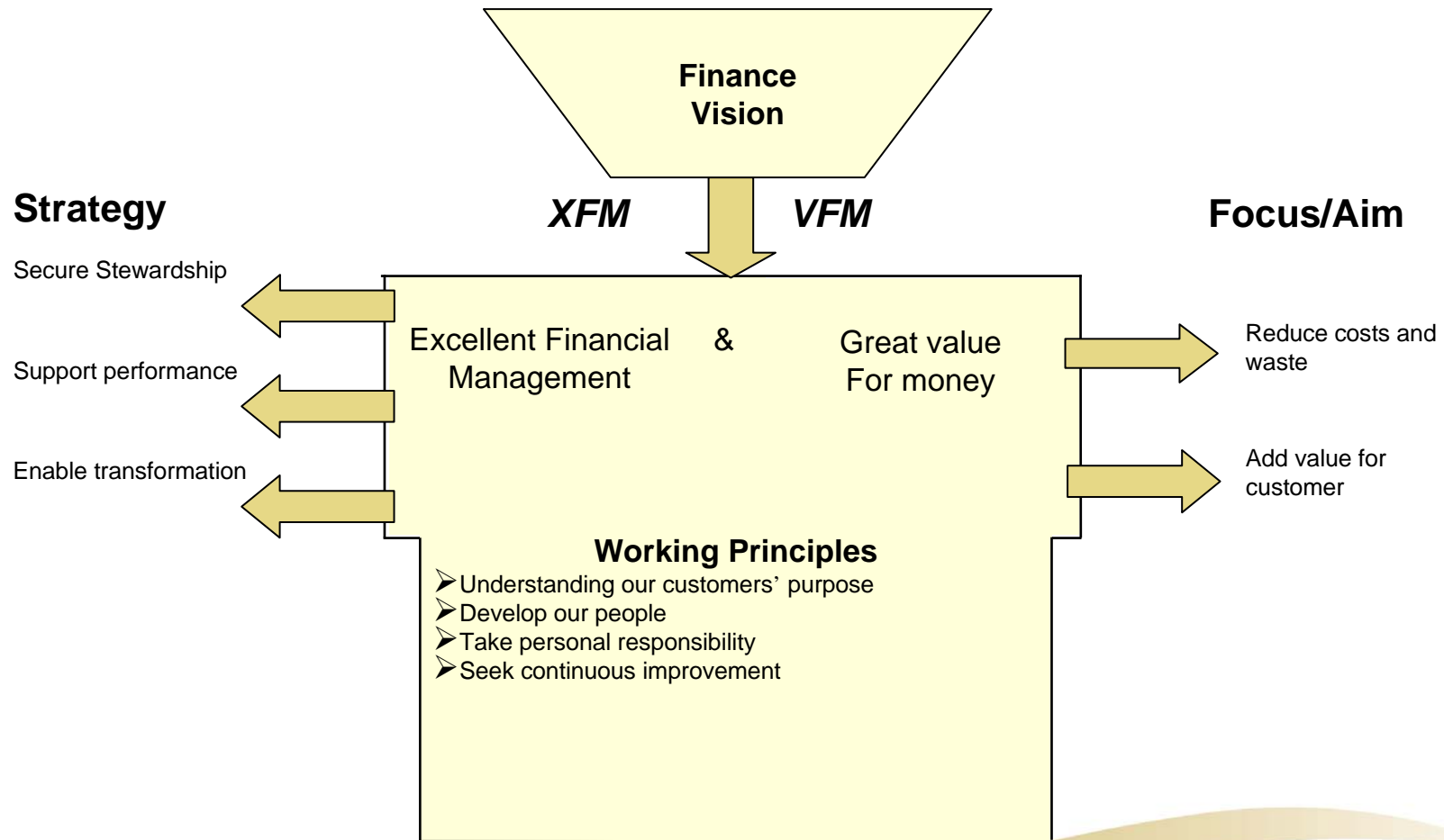
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Initial Redesign Thoughts (Budget Setting)



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New Finance Vision



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New Finance Directorate Operating Principles	
Inward looking	Outward looking
<ul style="list-style-type: none"> •We will design our work to meet customer purpose and then satisfy stakeholders, not the other way around 	<ul style="list-style-type: none"> •We will support services to make good decisions based on a long term view of them continually improving their VFM position
<ul style="list-style-type: none"> •We will have a governance framework that is proportionate to risk 	<ul style="list-style-type: none"> •We will develop our people so that they have the right mix of skills and competencies needed to meet demands from our customers/stakeholders
<ul style="list-style-type: none"> •We will continually improve our own VFM position through reducing waste and “failure” demand in our system 	<ul style="list-style-type: none"> •We will design a finance system that absorbs variety and makes it easy for users to do things themselves and get them right first time
<ul style="list-style-type: none"> •We will make time for change and improvement 	<ul style="list-style-type: none"> •We will work closely with our customers to have a detailed understanding of their business

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Beyond Budgeting

- “Check” told us the annual budget was a problem
- Acted as a ceiling on spending but also a floor
- Team begun to think “what about if we ditched budgets”?
- Did some research and found others had done it
Beyond Budgeting by Jeremy Hope & Robin Fraser, 2003, Harvard Business School Press
- Proposal developed to operate one Social Care District with managers not told their budget

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Beyond SCH

- Social Care work delivered some real improvements
- FMT members led pieces of work in other areas
- “Check” team members used back in their own areas
- Supported by Corporate Change Team
- Used knowledge from “Check”

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So what have been the benefits?

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Benefits

- Completely new management information pack provided to Social Care District Directors
- Simplified procurement process within Sap
- Better working between JFUs and Corporate Finance
- Ended production of a Budget Book

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Benefits

- Designing monitoring reports to meet managers needs
- Moved away from standardised reporting
- Slicker Internal Audit processes
- £150k cashable savings in HR Shared Service alone due to this work

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Benefits

- Stopped some non value adding tasks
- Customers like the changes
- Met our savings targets
- Improved our “Use of Resources” rating

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Challenges

- Where to start?
- Making time for change
- Resist urge to standardise where not appropriate
- Cynicism around Systems Thinking method – “its just another initiative”
- “you have missed my value demand”

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Challenges

- Getting the right measures for finance which relate to purpose
- Helping leaders to think differently is not easy
- Can get stuck in a “Single Loop” learning mode
- Getting staff to believe you are serious about change
- Managers want things that are not always useful/needed – how do you get round this?

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Refreshment Break

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Operational Lead's Perspective

Ian Wilkie

Head of Joint Finance Unit,
Directorate for Children, Young People
and Families,

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Putting the Team Together

- Will be different for different services
- Diagonal slice
- “Constructively awkward”
- Potential candidates for promotion
- Backfill arrangements

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Communication, Communication, Communication!

- Those outside need to know what's going on – validation of purpose from colleagues and customers is essential
- You will have people who don't believe in it – work with them – find out what's going on and design contact time to help them!
- Leadership is key to the success of the intervention

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Timescales

	Vanguard Typical Duration	Actual Duration
“Check”	6-8 weeks	14 weeks
Plan / Do	6-8 weeks	Ongoing

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Supporting VFM

We learnt:

- that costs are in flow
- to be careful of relying on unit costs data (what about failure demand)
- to only standardise when the demand is the same
- to be careful of process benchmarking

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Key Issues

- Significant time commitment
- Part of the team in check
- Use leadership to reinforce the message
- Be prepared for the odd “wobble”
- Understanding “system conditions” and impact of lifting them
- Confidentiality and sensitivity – it’s not the people it’s the system they work in!

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Question and Answer Session

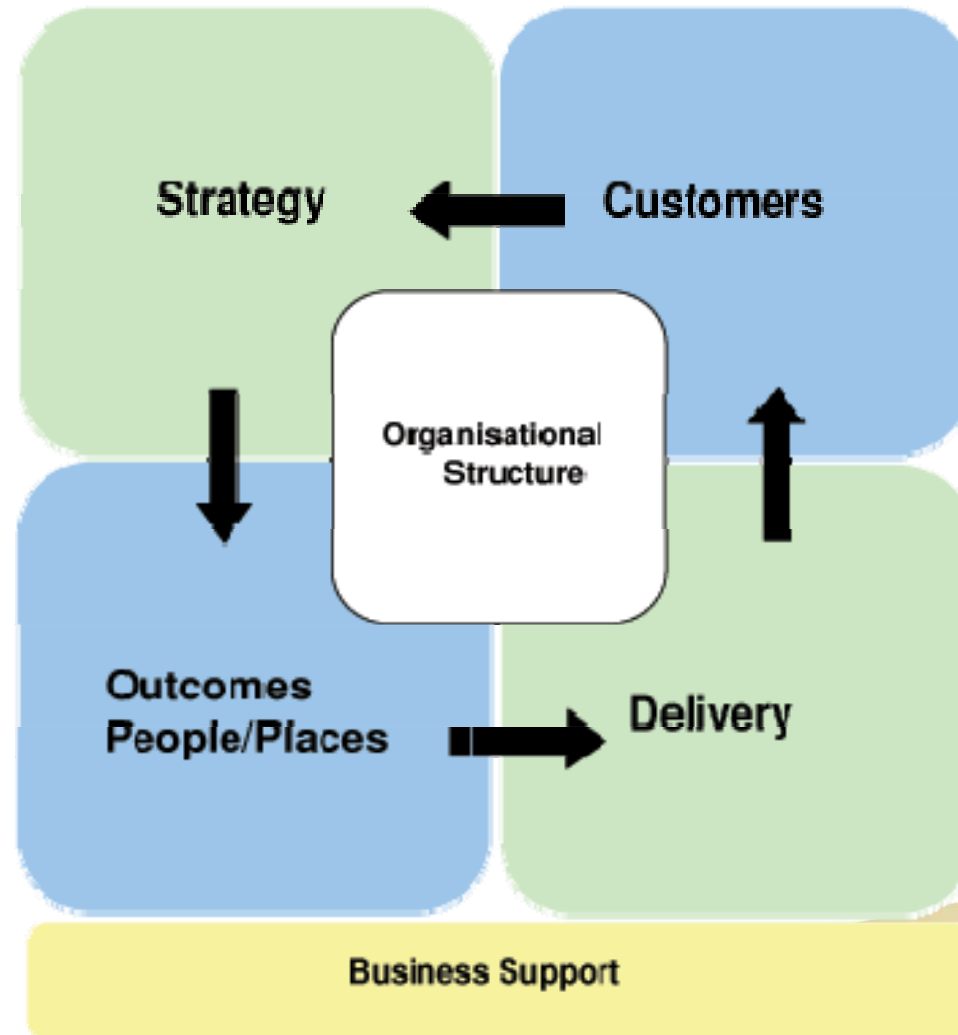
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The Next steps.....

Andrew Burns
Director of Finance and Resources
Staffordshire County Council

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Council's New Operating Model



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Finance & Resources – Proposed Operating Model

DECISION SUPPORT

Internal (freedom from choice)

Commissioners Place / People
 Service Managers / teams
 Support Service Managers
 Senior Leadership Team
 SCC Traded Services?

Decisions Making Support

Strategic Planning
 Commissioning
 Business Cases
 Option Appraisals
 Make v Buy v Enable
 People or
 Technology?
 Supplier A or B?
 Best Outcome : Best
 VFM

External (choice)

Schools
 GP consortia
 Other LAs
 Police
 Fire
 3rd Sector
 Private Sector
 SCC Traded Services?

ASSURANCE & STAKEHOLDERS

*Strategy
 Policy
 Advice*

Operations:
transactions

HR

Aims
*Simplify / Standardise
 Once and Well
 Best Way
 Scheduled and Planned
 Reduce Cost
 Add value for customers
 Easy Self Serve
 Grow via external
 customers*

FINANCIAL OPERATIONS

*Strategic
 Property
 Asset Man*

Operations:
Facilities Man

PROPERTY

*Strategy
 Development
 Intelligent Client*

Operations:
*Hardware
 Software
 Applications
 Infrastructure*

ICT