

## Case Study C – Portsmouth City Council

### ***Local Authority Housing Management***

#### **Background**

After studying their service in detail, the Portsmouth housing managers made an informed choice to set their own measures rather than focusing on the centrally set targets and specifications which were imposed on their service.

Their housing service has become one of the public sector's most fully-developed examples of systems thinking, with systems principles in use across the whole department. In particular, the Council's housing repairs and maintenance service is now delivering beyond previous expectations as it is fully designed around meeting customer needs instead of achieving targets. However, before it made these changes, the department was ranked highly against conventional measures of success.

In July 2006, the Audit Commission rated the Council as doing very well: the Housing Service had been rated as three out of a possible four on the council's Comprehensive Performance Assessment (CPA) scorecard and had achieved Beacon status.

Despite this strong record of achievement in the service, local councillors would regularly accost the Head of Housing Management, to tell them that their surgeries were filled with residents complaining about having to wait for up to a year for repairs to be attended to in their council houses.

The Council's KPIs showed that repairs were being carried out within budget and within the time targets as specified centrally and measured by the Audit Commission. The Head of Housing Management decided to investigate further what was causing these contradictory messages.

As a result of extensive demand analysis throughout the department, Portsmouth has found that managing in accord with centralised housing policies was resulting in poorer services for local residents that were rife with inefficiencies.

## **Purpose of intervention**

After an initial period listening in on actual customer phone demands that were coming into the call centre, the check team were given an insight into the customer's housing requirements from the system. It was then that the team agreed upon what they thought was the purpose of the system:

*'To do the right repair at the right time'*

This was in contrast to the existing de facto purpose, which paid more attention to the Council's strategies and business plans, focusing on measures of activity for elements of work over specified time periods or budget expenditure or against Key Performance Indicators (KPIs).

## **Capability**

The statistical process charts demonstrate the capacity of the system to deliver end-to-end repairs. Predictably and reliably, it was taking 98 days for a repair to be completed, with a mean time of 24 days.

When investigating the current system's capability to deliver against the purpose of the system, the check team was astonished to find that none of the current measures in use were relating to this purpose. All of the existing measures variously related to activity, budgets or performance against KPIs as specified centrally and measured by the Audit Commission.

A great deal of the staff's time was being spent collecting unreliable, inaccurate data. As soon as the team began to piece together end-to-end times for repairs based on historical records, they found that actual times were substantially longer than the previously reported conventional measures were suggesting. In fact, they discovered that 15 per cent of all repairs required four or more visits for a job to be completed.

The Head of Housing Management was able to relate a personal anecdote which demonstrated what he had learnt during his time exploring the flow. He had quickly found that, in reactive repairs, things were only fixed when they became really bad. On one occasion, he was following a plumber in the work for a day when they

went to see a repair of a leaky tap. The plumber's behaviour was driven by the fact that each patch had an amount to spend each month, so repairs were only undertaken on the problem which was reported, not any other problems which presented themselves.

He quickly realised that this was causing calculations about costs based on false economy. For example, by changing a washer in a dripping tap costs approximately £25, whereas it was estimated that changing a tap would cost £35 plus parts. The plumber would therefore be required to do the cheaper piece of work and change the washer to provide a short term fix to a leaky tap. However, when the check team drilled down into the information, they found that some washers had been changed 3 times.

Therefore, a more realistic calculation was to compare the costs of  $3 \times £25 + £35 + \text{parts} = £105 + \text{parts}$  against the one-off cost of  $£35 + \text{parts}$ . The right repair would have been the right one for the property and the customer.

Going through the check process meant that the team learned many more detailed things about the system along the way. These included:

- Staff throughout the system were focused on meeting budgetary targets and improving KPI scores. In turn, this was aimed at protecting the organisation's good external image.
- The service was completely reactive rather than proactive, and good service was being judged on the quantity of complaints received rather than direct feedback from residents.
- There were very high levels of waste, which were resulting in poor utilisation of staff resources and skills.

In the systems thinking model, the system conditions are the things that explain why the system behaves in the way it does, and the major conditions identified were summarised as being:

- The targets imposed on the system from above in the form of policies and procedures;
- Pressure to meet budgetary requirements (managing costs);
- The division of work into functional specialisms; and
- The inflexibility of the I.T. systems.

Identifying these system conditions exposed the thinking which was underlying the way the system had been designed and managed. Changing this thinking is the ultimate goal of systems thinking:

### **Redesign**

The redesign incorporates the experimentation with both the new methods of working in the 'Plan' stage and then the roll-in of the rest of the organisation in the 'Do' stage.

The changes of redesign aimed at only doing the value steps (assess, diagnose, complete repair). This required the best expertise to be placed at the front end of the process. Housing staff now focus on questioning customers about their problem to ensure the right skilled tradesperson is sent to the repair at a convenient time for the customer. This has resulted in the right tradesperson making the first assessment of the problem.

As they progressed through redesign the team realised "wouldn't it be good to fix everything which may need fixing at the same time?" This required a change of thinking: they now had to trust the tradesman to act professionally.

**Costs:** Reactive repairs costs increased as they discovered latent demand from houses that had become run down over time.

Portsmouth report that costs per job fallen by 7 per cent through the redesign. However, by removing the arbitrary distinction between planned and reactive repairs, Portsmouth discovered that the savings from the planned maintenance budget more than funded the increase in reactive repair costs. Repair costs have also fallen year-by-year. The Council has now worked on (and succeeded in) reducing the end-to-end time for all repairs, including those only discovered on arrival at the property.

### **Systems thinking integrated along the supply chain**

Before the intervention, end to end times averaged 13 days with an upper control limit of 59.1 days. Post-intervention, these figures have fallen to an average of 2.8 days, with an upper control limit of 9.4 days. As a result of making a first time fix reduction of visits per job

from 2.9 down to 1.9) the average repair cost per job fell from £258 in April 2009 to £114 in October 2009.

## **Conclusions – the achievement of effective local service delivery**

Portsmouth City Council's approach has had a dramatic impact on the provision of housing services. Customers are experiencing the benefits, as is shown by the customer satisfaction data collected after a repair has been made.

In Portsmouth's experience, centrally controlled housing policy dictates the quality of service provision. Regulations and incentives, of either additional funding, targets or corporate assessments, work to the detriment of the customer. They also hinder individuality, stifle progress and prevent local housing authorities from allocating resources to those most in need. In Portsmouth's opinion, local housing authorities have the capability and local knowledge to provide the best service to customers and should be empowered to do so.

### **How Systems Thinking provides a framework for change**

The methodology gave a framework for understanding the true nature of their current performance and thus current problems (which in each case was different to that which had been perceived). In contrast with many other change methodologies, there was no toolkit to be applied to managers' problems. Instead; participants were required to continue to follow the method and to ensure that they were engaged in the study of their service in a systematic way.

A key feature of the systems thinking approach studied in this report is its emphasis on effectiveness thinking as opposed to efficiency thinking.

Another feature of the approach was that workers themselves were responsible for the redesign of the system in which they worked – a powerful way of creating the engagement of the workers.