

# *Understanding the true costs of Service Delivery*



## *From Possibility...*

Essex Probation Area, along with the rest of the National Probation Service, has been preparing itself for the new business challenges that Contestability will bring. A key part of this has been the need to develop an understanding of the true costs of delivering services to its customers.

With new targets to involve voluntary and charity sector partners in service delivery, an accurate view of the processes and resources consumed becomes even more important if these relationships are to be managed effectively.

Essex Probation had previous experience of doing process improvement projects but had never gone to the level of detail of costing activities, based on process analysis. Chief Officer Mary Archer and Treasurer Debbie Came were keen to involve staff as much as possible in doing this, to ensure both accuracy and ownership.

**Ad Esse was asked to help with this work and three objectives were set for the project:**

- To produce a documented set of process maps, agreed by the staff who operate them, available in a format that can be shared
- To complete an activity cost analysis of one of these processes, and an understanding of potential cost improvement opportunities
- To transfer skills to carry out further activity cost analysis, using the approach piloted here

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## To Actuality...



### QUANTIFYING THE REAL COST OF SERVICE DELIVERY

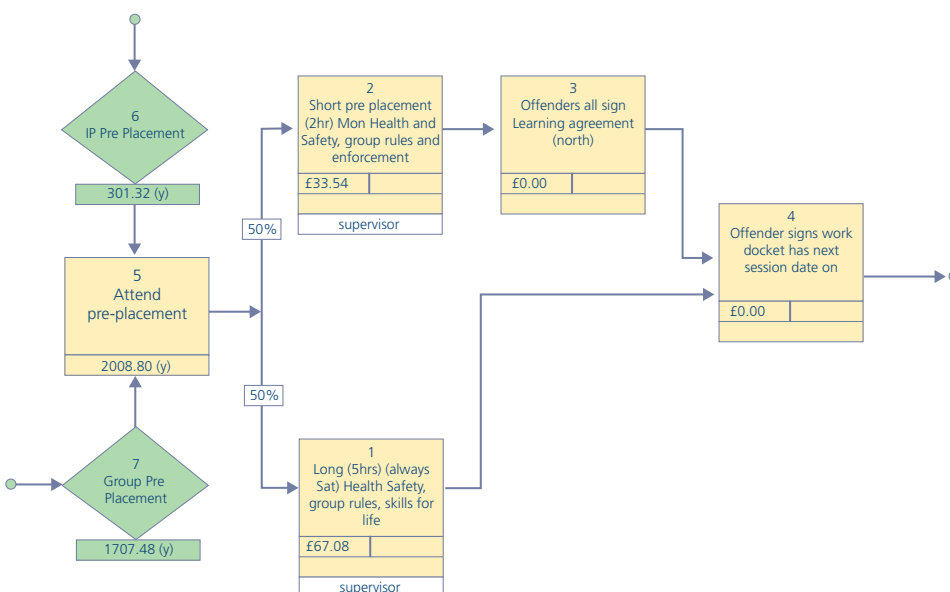
The task of developing an activity costing model had three stages...

- Detailed Process Mapping – This was been done in two phases with two groups. The initial group of middle managers created a high-level map which was then taken to a second group of staff who provided the detailed activities. The completed maps were then shown to the first group to cross-check the work.
- The second stage was to have the second group of staff go back through all the detailed maps and identify who carried out each activity and how long the activity took for a given volume; usually either a single offender, or group of offenders.
- The third stage was to use volume data taken from Essex Probation's IT systems and cost data taken from the budgets to calculate the overall cost for a given volume of offenders.

For accurate activity costing, you need to know:

- The detailed process volumes and times
- The staff costs (per hour) to carry out the process steps
- Costs directly attributable to the process (e.g. materials, facilities)
- An appropriate basis for attributing indirect/overhead costs (e.g. management time)

All of the information that we gathered during this project was captured using the software Control-ES. An example process costing model using control-ES is shown below (not real data). The model shows volumes of cases (per year), time per process step (hours) and cost of performing each step (£) based on the people carrying it out.



It was then possible to export the data from this package to Microsoft Excel for manipulation. There are a number of ways of reporting the data in Control-ES and we were able to show:

- Cost, broken down by staff type which corresponds to the budget.
- Total cost for the service, which is then shown as a cost per offender starting and completing an order.

## THE RESULTS

The main differences the model highlighted when compared to the budget were associated with the allocation of time and costs of managers, QAMs and Case Managers. Excluding these, the process model costs were within 4% of the budget figures.

### The process modelling has enabled Essex Probation to:

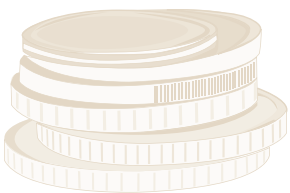
- identify the direct process cost of starts and completions
- quantify the overheads associated with delivering the service
- identify opportunities for streamlining and standardising the process, based on staff inputs on how their processes actually operate

The approach adopted here provides an accurate, bottom-up, process view of the costs of delivering a service. Costs are based on actual activity times, not **“we have 5 people to deliver this service, so the cost must be their salaries and overheads, divided by the number of offenders”**. It provides an ability to challenge the true value-add of each step in the process; something that is simply not possible when doing a more conventional costing and overheads allocation exercise.

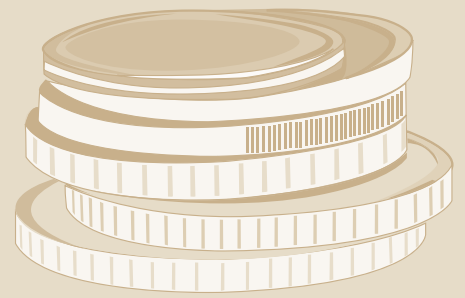
The use of the control-ES software provides a capability to capture, analyse and model business processes. Its speed of use means it can be used in **“live mapping workshops”** to gain consensus on current processes and to reach agreement on good practice. Finally, its outputs can be shared across the intranet, so all staff can have a single, agreed view of **“how work gets done”**.

The data already produced gives a clear indication of costs and has provided a template both for the process and output for further process and service delivery costing in other areas of Essex Probation. Importantly, it has also transferred the capability for more of this work to be done by Essex Probation staff themselves.

Next steps for Essex Probation are to complete the process mapping of their key processes and establish activity costs for these processes. Then, some useful decisions can be made about being competitive and ensuring value for money in delivering effective interventions and offender management processes.



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*“This project has provided the basis for a lot more work to accurately plot and evaluate the services we provide. The process and skills acquired have been valuable and I expect Essex to be better placed to meet the challenges of contestability as a result.”*

Debbie Came, Treasurer, Essex Probation

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