



Management efficiency

John Davies and Malcolm Towle looks at how the Gershon Report has the potential to act as a wind of change for efficiency in public services.

substantial savings, in particular with labour intensive activities. Other savings could be achieved by reorganising systems, removal of non-value added operations, elimination of delays and so on. There are thousands of examples that could be quoted which could include line balancing in the processing industry, conveyor and bunkerage capacity planning in mining and the introduction of wheelie bins in local government.

Annual auditing by a third body, of savings achieved and/or comparison between savings claimed possible with those actually made. Some organisations have felt that any single measure like annual savings were meaningless. Such activities involving product layout, design of systems, value analysis programmes provided a much-needed service that was difficult to measure on an annual basis.

Sadly, many cost reduction schemes involve the outsourcing of manufacturing to overseas nations where the labour cost is cheaper but the quality and service provisions are no way inferior.

During 1997, the *best value regime* was introduced in local government and many management services departments were heavily involved. The authorities had to compare their current and prospective performance against other public service/voluntary/private sector bodies. Best value involves the setting of objectives, programme of performance reviews, publishing a performance plan, undergoing inspection/audit, and subject to

The term 'management services' is generally used for those groups of activities that assist management in the improvement and control of efficient working practices.

The economic situation today is one of increasing uncertainty. Foreign competition has grown, technological change is shaping our social fabric and the working environment is changing.

Productivity can be said to be the *raison d'être* of management services and has become an everyday word. In recent years, governments, politicians, academics and economists have all stressed the importance of productivity because of its relationship with the general economic health of the nation. Governments have stressed the relationship between productivity,

the standard of living, inflation and economic growth.

Productivity may be defined as: *The output obtained from an undertaking divided by the amount of resources used to produce this output. Hence, if the UK's productivity/standard of living/quality of public services are to improve, it is necessary to either increase the output obtained from the same amount of resources or decrease the amount of resources used for a given output of goods and services.*

History of management services and productivity

For many years, industrial and commercial management employed management services on the basis that it would be at nil cost to the company. For many years, incentive bonus schemes proved to create

intervention by the Secretary Of State, if services fail. Comparisons were made on the basis of outcomes.

The Gershon report

At the request of the Chancellor of the Exchequer, Sir Peter Gershon, head of the government's efficiency review, prepared an interim summary of his work in December 2003. The detailed proposals were due to be fed into a final report on 26 April 2004 for decisions in the July 04 spending review, which set departmental budgets up to 2007.

If implemented, the programme would represent as big a change in the way a government does business as the privatisations of the 1980s and 1990s did.

In the public sector, £8 billion (four per cent) of the government spending is going on policy making, on providing funding to everything from NHS trusts to the police and business grants and on inspection and grants.

The report recommends a loss of up to 80,000 jobs in the civil service and others in the back room functions of local government and health services.

Regulation

Reform of regulation could create up to £15 billion in savings by transforming regulation, inspection and funding in the private and public sectors.

It is claimed that there is excessive inspection that in turn has become costly, frustrating and dysfunctional. Delivery is fragmented, effort is duplicated, central government monitoring is heavy handed and there is a growing burden of bureaucracy on the front line.

Private sector regulation costs £7 billion per annum and employ more

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than 5000 staff in more than 500 organisations. These include central government, 400 local government and 100 other bodies from the health and safety executives to commodity councils. However, the cost to business is 'many times greater' and the total compliance cost could be 10 per cent of turnover.

Communication

The government spends huge sums of money on 'external interface', that is expensive and probably unable to meet customer expectations. For example, the government in 2005 at a cost of £150 million will still issue 100 million payable orders. Some 1.5 billion forms will be processed each year, 95 per cent of them received by post. The government sends 2.3 billion documents at a cost of £1 billion per annum. Cheques are the means by which 55 per cent of the money is received by the state and only 30 per cent is by direct debit. In addition, central government still has 1800 local offices, whilst local government has between 3000 - 4000 public access points.

e-Government has received an £8 billion investment but many of those consulted believe that the benefits from the communication source has not been realised.

Procurement

Central and local government are huge purchasers of goods and services for the state and its citizens.

Companies providing goods, services and information technology will face fewer and more skilled purchasers as they competed for £120

billion a year spent by the public sector

Government at all levels will attempt to exploit its purchasing buying power. Local authorities will join forces to buy everything from street cleaning to house maintenance and care home places, slashing the number of purchasers from 400 to as few as four for each service.

Companies would enjoy lower compliance costs, but they would face stiffer criminal penalties and higher fines, potentially linked to turnover, for breaches of health, safety and other regulations.

Other strategies

There are many other recommended strategies contained in the report. These include the elimination of the DVLA and authorising the insurance companies to collect vehicle taxation dues.

Another recommended practice is to recruit more police support officers and thereby enable police to undertake more front line and visible duties.

Gershon at the sharp end – Local government

There can be little doubt that the Gershon initiative has the potential to



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act as a wind of change for efficiency in public services. The headline figure for 'auditable and transparent efficiency gains of over £20 billion in 2007-8 across the public sector' (p3) breaks down into a massive £6.45 billion for local government and another £6.47 billion for health. At the level of an individual local authority this becomes a 2.5 per cent saving, not just for one year, but on an annual basis. Furthermore, bearing in mind the overall objective of releasing funds to frontline services, at least 50 per cent of the savings must be 'cashable' and can include such items as procurement savings through reduced cost of services and goods, and savings from improved time productivity, such as reduced sickness absence. 'Non-cashable' services will include quality improvements for the same input. Cuts in services cannot be considered as cost savings!

To add to the gravitas of Gershon and focus the organisational mind, an annual efficiency statement has to be produced and signed off by the leader of the council, chief executive and chief financial officer. It must review the past, and look to forward plans. The initiative will also feature as a significant element of the *comprehensive performance assessment*, and be assessed by the Audit Commission. In the light of all this, it is perhaps not surprising that organisations have established efficiency boards and adverts have appeared for head of efficiency posts.

Faced with this challenge, where do local authorities start? Well, if this is to become part of the culture, the Gershon requirements need to be included in mainstream activities such as business planning and performance management. However, helpfully Gershon has identified a number of workstreams which might be investigated in the search for savings. The themes will be familiar to IMS practitioners. They include back office functions, transactional services, procurement and policy funding and regulation.

The back office analysis for which a number of generic models are offered addresses the simplification of policies and the rationalisation of staffing requirements. The transactional services workstream includes proposals for the extension of e-government to services allowing direct customer access in areas such as housing benefit.

Perhaps the most interesting strand is the strategic procurement initiative. Not only is this a recognition of the



enormous buying power of public authorities which, by working with other authorities will offer up economies of scale, it is also an opportunity to reflect upon the core activities of local authorities and consider opportunities to outsource functions currently provided in-house. This inspires the debate about whether an authority should be the administration and commissioning body for the delivery of local services, or in fact whether it should be a local employer of in-house services. The first option is the 'thin' council, the latter is the 'fat' council solution. It is likely that most authorities will cherry pick 'fat' or 'thin' solutions for different services, but the review is a

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stimulus to consider these options.

The focus on productive time has come to the fore in education where teachers are being freed up from non teaching duties which are passed to classroom assistants. Similarly, in the NHS, nurses have passed non nursing activities to care assistants. This principle is assisted by ICT initiatives, and the pro-active management of sickness absence is a further theme within the report.

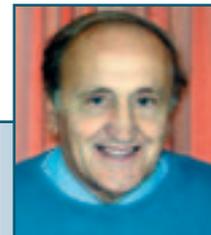
Clearly, there is much to be done in response to this report, and many opportunities to be taken. It has been recognised that there is a need to pump prime the initiative, and

Gershon has identified and made available a network of change agents to assist and facilitate the delivery of these savings. Does this mean that management services are back in the public sector?

Conclusion

Management services have a history of contribution in the achievement of more cost effective and efficient systems, and thereby increasing the value added components in industry and commerce.

The need for greater government efficiency has been recognised by all political parties, professional consultants and in-house staff. Hence, the Gershon Report was commissioned and published. Its implementation by local government (as highlighted in this article) gives a positive indication of the role that is being played by practicing management services' officers.



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