

RESPONSE OF THE CJC TO THE GERSHON REPORT ON PUBLIC SECTOR EFFICIENCY

Who we are and why we are responding

- 01** The CJC comprises representatives of all the local authorities' associations in the UK, and of more than 40 officers' organisations. These cover the disciplines involved in all aspects of commissioning local authority services and works. Our website is at www.cipfa.org.uk/pt/cjc.cfm
- 02** We agree entirely that further efficiency should continue to be pursued throughout the public sector, and we are pleased to respond to the Report. Some of its conclusions suggest however that the review team has not made full allowance for
- ¥ the wide use which local authorities already make of most of the reforms described in the Report
 - ¥ the time needed to make a proper job of the further reforms which the Report now proposes. In many cases the time needed is all the greater because of authorities' complex constitutional, budgetary and funding arrangements, mostly created of course by recent legislation or other government initiatives
- 03** We note that, although the Report put firm figures on how much could be saved by efficiency gains in the public sector, and although it briefly described many different reforms by which such gains could be made, it nevertheless
- ¥ did not commit itself as to the relative importance of the different reforms. When large numbers of factors are known to be at work, the impact of some is usually highly significant, while for others it is marginal. But not knowing which factors the review team placed most reliance on puts us at a disadvantage in responding
 - ¥ left it open in many cases whether savings should be deducted from budgets or reapplied to greater effect elsewhere
 - ¥ did not address, or even acknowledge, any of the formidable conceptual and costing problems to be overcome in **putting figures** to many of the reforms which it described

Where does the report leave us ?

- 04** The Report states (at 3.5) that the public sector could achieve efficiency gains of £20b during the period 2005-6-7-8, of which £6.45b (almost a third) is expected from local government in England.
- 05** The Report defines (1.7) five types of efficiency, depending on whether they achieve
- ¥ reduced numbers of inputs . . . whilst maintaining the same level of service provision
 - ¥ lower prices for the resources needed . . .
 - ¥ additional outputs, such as enhanced quality or quantity of service, for the same level of inputs
 - ¥ improved ratios of output per unit cost of input
 - ¥ . . . greater overall output for the same inputs ("allocative efficiency").
- 06** The Report at several points distinguishes accordingly between
- ¥ cashable efficiency gains, which release funds or manpower for the front line
 - ¥ other types of gains, which presumably enable overall budgets to be reduced
- but it does not make clear
- ¥ which reforms generate which of these two types of gains, or
 - ¥ how much of the various reported totals of gains are therefore to be released for front line services, or deducted from budgets

- 07** The Report nevertheless says (at C.20) that at least half of local government's projected total gains of £6.45b 'will be cashable, releasing resources to front line activities'. But the written statement of the Minister of Local Government to the House of Commons, on 13 July, said only that 'efficiency savings and productivity improvements totalling £6.45b . . . will release additional resources to the front line'.

The well-established reforms addressed

- 08** We attach, as an appendix, a list of the 25 reforms mentioned in the Report.
- 09** Most of these reforms (a to n on our list) undoubtedly lead to efficiency gains but **are now accepted parts of good management generally**, certainly in local government. Indeed, for all except e and g, local authorities were among their earliest pioneers. We know of no reason to believe that they might offer significant new efficiency gains which are not already built in to normal budgets.
- 10** Striking examples include joint support services, and joint procurement. Local authorities have led the field in joint procurement for many years, probably since before World War 2. Most county councils have active supplies departments which sell extensively to their shire district councils and often to neighbouring authorities; and also, since budget delegation, to their own schools. Some of these departments have grown into successful regional supply consortia, such as the Eastern Shires Purchasing organisation and the Yorkshire Purchasing Organisation. In the police, an increasing proportion of procurement is on the basis of nation-wide contracts.
- 11** Other supplies departments have been adopted as the bases for regional centres of procurement excellence, to which they naturally lend themselves. Most now have statutory power to sell to government departments, and we hope this opportunity will now be explored.
- 12** We do not of course suggest that all possible scope for the listed reforms has been exhausted. We do however suggest that many of the juiciest and most accessible cherries have already been picked. Inevitably, those left will take longer to pick and will be less rewarding, and may not even be worth picking at all. We see no evidence however that the review team has in this respect allowed realistically for the law of diminishing returns.
- 13** Other reforms (o to s on our list) are now part of the National Procurement Strategy for Local Government in England. All are now being introduced, and efficiency gains will undoubtedly ensue but there is lively debate about their likely amount. Speed of universal take-up is moreover best decided by the client bodies which will have to pick up the pieces in the event of system failures, which self evidently are not uncommon when as now political pressure to implement projects is intense.

New reforms proposed

- 14** Yet other reforms (t to w) on the other hand are undoubtedly new, and have indeed not yet been worked up or discussed with practitioners in the fields in question. They may well lead to efficiency gains, but it would at this stage be **unrealistic to quote dates** by when any gains will take effect.
- 15** We have (since the publication of the report) learned that Ministers expect gains of £0.6b from **social services** alone (u on the list). This is of special interest to us, because we have, in partnership with the Association of Directors of Social Services and the Association of Directors of Social Work, recently completed a Guide to the Commissioning of Social Care. We looked closely at all the changes now being made in this hard-pressed service, including the

arrangements being made, despite the intractable legal and financial obstacles, to facilitate joint assessment and joint funding with health care. These joint arrangements were not themselves made for the purpose of getting lower prices, but to provide end-users with the care packages which best suited their individual needs.

- 16 It was of course impossible for us not to see, at the same time, all the usual signs of severe underfunding, and also some unusual signs, including for example
- ¥ the watering down of selection criteria
 - ¥ the increasing readiness of service providers to go to court about what they see as their unreasonable treatment by social care authorities
 - ¥ the growing fragility of specialist providers, and the increasing difficulty in providing for end-users who have special or multiple requirements
- 17 We made our own practical suggestions for some major changes in evaluation criteria, payment mechanisms, and contract periods. This was to help social care commissioning bodies and practitioners to make the best use of their limited funds, and thereby to get some improvement in quantity and quality for the same money. These suggestions have been well received by practitioners, but the going is notoriously hard in social care, and we would not presume to measure the value of suggestions such as our own in fractions of a billion pounds.
- 18 We are now currently well on with a review of
- ¥ the different types of funding available for bringing local authority housing up to **decent housing standards**
 - ¥ the volume and dependability of such funding and
 - ¥ the different types of contract, packaging and payment mechanism best suited to it
- 19 We had not however heard of the national network (described in type v) which ODPM is to roll out. We conclude that it is early days to forecast the value and delivery date of this network.
- 20 Neither had any of our members or nomination bodies heard of the efficiencies of £0.19b in local authority **road maintenance** which the Department of Transport is to deliver using Highway Agency expertise. Nor were they willing to speculate about which particular expertise DTp has in mind. We conclude, again, that it is too soon to forecast the value and delivery date of these efficiencies.
- 21 Finally, we are not entirely clear what is meant by the last two reforms (x and y). But, if they are meant to include local government, **they would need legislation.**

Generic reform

- 22 Besides identifying specific reforms, the Report also used a generic reform map (chart 2.2) to show where efficiencies are most likely to be found. It also proposed the appointment of change agents to pursue them, and suggested (4.13) that, for local government, change agents should be appointed by sponsoring government departments. Generic functions for change agents are set out in Box 2.1.
- 23 We accept entirely that frameworks of this sort are thought-provoking and instructive. But we feel it unlikely that change agents will find much in local government that has not already been reviewed repeatedly over the last 15 years.
- 24 So, although further efficiencies would no doubt result from another method of review, we see no reason to believe that they would exceed those which would in any case result from all the other reviews already made, or in progress

Conflict with current initiatives.

- 25** A recurrent comment on many of the reforms (notably f and w) is that they appear to ignore the growing extent to which local authorities voluntarily or compulsorily **delegate budgeting and client discretion to smaller bodies**. For example
- ¥ the greater part of the education budget is spent by school governing bodies
 - ¥ shire district councils often delegate, to town and parish councils, budgets for services with high local impact
 - ¥ an ever increasing share of the social services budget is being delegated, sometimes by Order, to care trusts and other NHS bodies. Even these bodies are no longer free to seek their own best procurement strategies, and are increasingly required to cede client discretion (via direct payments) to service users
 - ¥ local housing authorities are encouraged to delegate the greater part of their budgets voluntarily to ALMOs, and in some circumstances compulsorily to tenant management organisations
 - ¥ police authorities are required to delegate substantial parts of their budgets to basic command units
 - ¥ large parts of some services, notably sport and leisure, have been delegated or contracted out to trusts formed for the purpose
- 26** The statutes have constituted most budget-receiving bodies as corporate bodies, in some instances specifically to enable them to place contracts in their own right. For some of these bodies, notably school governing bodies, there has never been any expectation that their procurement decisions should take into account the viability of LEA-wide support services, or LEAs' overall financial advantage. If indeed authority-wide economies of scale, or other financial advantages to the authority, are now to be sought, **amending legislation will be needed** to modify current statutory arrangements.
- 27** Local authorities now also share discretion with a variety of non-statutory partnership bodies. Most such bodies are non-corporate, but many procurement decisions need to be agreed with them. Partnerships are not partnerships without meaningful consultation and consensus.
- 28** Grant conditions sometimes limit effective discretion. In the police, both civilian and uniformed staff (80% of the budget) are effectively off-limits for efficiency gains. Reducing the number of civilian staff would risk uniformed officers having to be taken out of the front line, while reducing the number of uniformed officers would have the immediate effect of reducing Crime-Fighting Fund grant at the annual rate of £29,000 per officer.
- 29** Authorities are thus no longer the free agents which might be imagined from reading the Report. The budgets over which authorities still have control include several major heads of expenditure, such as loan charges, and the cost of making good deficits in pension funds; so that their budgets are for present purposes fixed. It will often be unrealistic to expect that annual gains equal to 2½% of whole budgets to will be found in the shrinking area over which authorities have absolute discretion.
- 30** Several reforms (and especially f, p and r) and also the pressure to maximise the use of buying power and economies of scale (mentioned six times in the Report) appear to conflict with
- ¥ the Treasury's pressure for the **greater use of small enterprises**
 - ¥ the pressure of the Departments of Health and Trade & Industry, and ODPM, for the **greater use of Voluntary & Community Organisations**
- 31** The Treaty of Rome precludes public authorities from giving contracts either to small enterprises or VCOs merely because that is what they are. This is still so even if the EU

directives do not apply, and if the employment of such bodies would as usual manifestly help to achieve economic and social wellbeing of the client authority's area. Ministers pressing for greater use of small enterprises and VCOs have not acknowledged this constraint. Local authorities have nevertheless overcome it by finding methods of advertisement, specification, packaging and tenderer selection which legitimately bring out the strengths of small enterprises and VCOs, and thus greatly increase the volume of business given to them.

- 32** This is constructive because both types of body have a great deal to offer local government services, in particular their
- ¥ knowledge of end-users, and their credibility with end-users and with local communities generally
 - ¥ convenient location, and willingness to work from local bases
 - ¥ knowledge of vulnerable service users such as disabled people, drug addicts and ex-offenders
 - ¥ amenability to change, and ability to apply new technology and adopt new approaches to the service
 - ¥ acceptance of small packages
 - ¥ readiness to provide add-ons to bigger and more complex contracts and services
 - ¥ ability, in the case of minority service providers, to meet contract conditions and input specifications which might deter non-minority contractors
- 33** None of these benefits will however be available to client bodies which simply seek the maximum use of buying power, and economies of scale, through for example the use of high volume indivisible framework contracts.

How realistic is the target ?

- 34** We therefore believe that, for the following reasons, it would be unrealistic to expect the reforms described in the Report to deliver significant gains in 2005. These reasons are
- ¥ easiest applications already achieved
 - ¥ the need to validate, work up and consult on the new reforms announced by the Report
 - ¥ the pre-emption of much of authorities' client discretion by other government initiatives
 - ¥ the need in some cases for amending legislation
 - ¥ and as always the lead-in time needed for retraining staff, and terminating or renegotiating contracts
- 35** We accept that it is always possible to get lower prices, however low they already are, but the lower the prices, the greater the risk of higher long term cost in other ways, for example debilitating damage to relationships with both service users and service providers. Farm prices are regularly cited as the worst example. Social care prices are not quite in the same class, but are almost universally agreed to be too low to sustain a confident and effective service.
- 36** The repairs of local authority housing provide another example. They have been carried out, for decades, on lower budgets and at lower tender rates, than for housing in any other sector. The low level of budgets is clear from the low level of unit costs for the work, whether done in-house or by contractors. Low unit costs may indicate the most efficient possible use of funds, but housing authorities have increasingly claimed that even so they do not have the capacity to do enough long term repairs. The UK now faces a bill of the order of £20b to make up all the lost ground.
- 37** We are therefore anxious that savings of £6.45b are going to be pursued under the misapprehension that they can be, or ought to be, accommodated with no reduction in the quality or quantity of services.

Assessments of efficiency savings

- 38** The report says (4.11) “that the 2004 Spending Review announces that departments will produce Efficiency Technical Notes (ETNs) setting out the measures and methodologies that they will use to assess efficiency savings. These notes will cover the whole range of savings, and will be a key mechanism for ensuring accountability of progress towards the Government’s headline target of £20b”.
- 39** The Report does not say in so many words that local authorities will complete ETNs. It does however say (4.11) that “the Government is inviting the . . . the Audit Commission to scrutinise . . . ETNs before publication. . .”.
- 40** Nor does the report say whether
 ¥ the £6.45b target will be apportioned between authorities, and if so, who will do the apportioning
 or whether
 ¥ authorities will set their own targets, which will then be aggregated to ensure that they add up to £6.45b; and if so, who will collect and aggregate them
- 41** Some notoriously intractable problems will need to be solved in time for 2005-6, in particular making all performance measures transparent and auditable (4.11) despite the conceptual and practical problems (some as yet unsolved to general satisfaction in any sector) in identifying even subjective performance measures. What transparent and auditable measures are there for example for crime prevention, the cleanliness of buildings and streets, the correctness and helpfulness of advice, or user-satisfaction with packages of social care ?
- 42** Practical problems which are almost as intractable include
 ¥ deciding which changes, including any already in progress on 1 April 2005, count as reforms for the purpose of ETNs
 ¥ distinguishing between
 - the variations in complements and costs which occur as a result of reforms
 and
 - all the other variations which happen all the time in all except the smallest organisations
 ¥ ascertaining all the before and after costs for dispersed activities such as joint procurement
 ¥ pricing enhanced quality or quantity of service (1.7). General agreement to any such pricing is well known to be elusive, except of course where for any reason all the parties involved are anxious to be able to state some agreed figure

Publicity

- 43** We have no objection to our response being copied to any parties who might be thought likely to be interested.

APPENDIX - THE REFORMS DESCRIBED

- a** emphasis on asset management and estate rationalisation (1.8)
- b** activity based costing (1.9.5)
- c** off the shelf corporate policies which work across the organisation (2.7.1)

- d** simplification, standardisation and sharing of transactional support services (2.7.3) including with other external service users (1.9.3)
- e** active sick absence management (2.7.2)
- f** best value strategic sourcing (2.7.2)
- g** migrating particular customer segments to new channels (2.15.2)
- h** restructuring internal processes to reduce time spent on paper handling, data entry and correction (2.15.2)
- i** enhancing productive time by providing bursars, administrative assistants and classroom assistants in schools, and similar developments in the police (2.24.1)
- j** realising the benefits of ICT to modernise the delivery of services in police and schools (2.24.2)
- k** The Home Office, with ACPO, to increase time spent on front-line policing by maximising the effective use of support staff (3.19.1)
- l** DfES to enable front-line professionals in schools, colleges and higher education to use time more productively through ICT (3.19.2)
- m** increased usage of financial benchmarking information and dissemination of best practice in schools (3.21)
- n** pursuing improvements in the vfm of all procurement of external professional services, ensuring that costs are scored against administration budgets by putting in place strong controls on the engagement of external service providers, and ensuring public visibility of expenditure on these services (3.24)
- o** e-enabled channels for contact with the public (1.9.4)
- p** e-auctions (1.9.6)
- q** gateway reviews of projects and programmes (2.26.2)
- r** conducting all procurement is either via a process (for example a framework agreement, catalogue, or procurement card) that has been put in place by a procurement professional, or has the direct support of procurement professionals (3.25.iv)
- s** achieving high take-up of e-enabled transactional services by appropriate customer groups (3.26)
- t** improved DEFRA approach to waste collection and disposal (3.12.1)
- u** DoH to lead on developing new ways to collaborate with the suppliers of social care services to improve efficiency and service delivery, following the principles of the Kelly Report (3.12.2)
- v** ODPM to roll out a national network of local collective purchasing consortia, for repairs to social housing, based on the Fusion 21 model (3.13)

- w** DfT to lead improvement of roads procurement using Highways Agency expertise (3.14)
- x** reducing cross-organisational duplication eg in relation to payment of housing benefits (2.15.3)
- y** reducing multiplicity of contacts between one individual and different government agencies (2.15.3)