

**REDESIGNING THE STATE**

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**Information Age  
Government:  
Delivering the  
Blair Revolution**

*Liam Byrne*

**FABIAN**  
SOCIETY



# INFORMATION AGE GOVERNMENT: DELIVERING THE BLAIR REVOLUTION

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*Dedicated to bureaucrats everywhere*

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## FOREWORD - PATRICIA HEWITT MP

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Governments everywhere are under pressure to 'do more with less'. More demanding citizens, more complicated lives, new risks and an ageing population require more sophisticated and more flexible services. But resources are limited, and most of the efficiency gains to be made within existing structures have already been achieved.

Thus, 'doing more with less' requires government to do things differently. The *how* of government is becoming as important as the *what*. New Labour must start with the needs of the individual citizen, the family, the community - and those needs do not come neatly packaged into 'housing', 'social security', 'employment' and the other boxes into which we organise government.

As Liam Byrne explains, simple government is a strategic approach to addressing these problems; it is about finding ways to seize the opportunities enabled by new information and communication technologies to imagine government from the citizen's point of view - and then deliver it.

Instead of forcing the lone mother to go to the Job Centre for work, the Benefits Agency for income, the Careers Service for training and all around town for childcare, Cambridge Childcare - the brainchild of Anne Campbell MP and the prototype of new Labour's New Deal for lone parents - creates a virtual one-stop 'welfare to work' shop. Although the services remain distinct, the citizen can enter through a single door. The next stage will inevitably be closer co-operation, integration and, in some cases, transformation of the services themselves.

Until now, radical re-engineering of services from the customer's point of view has been led by the private sector. Liam Byrne's pamphlet describes how governments in North America and elsewhere are pioneering the new approach. In Australia, for instance, the Internet enables a small rural office to deliver a full range of government services, while networked kiosks permit an unemployed person to find out about job vacancies all over the country.

Although some may disagree with some proposals, Liam Byrne's analysis of the possibilities for radical change in Britain's governance will stimulate debate and advance action in an area that is vital to new Labour's success ●

## INTRODUCTION AND SUMMARY

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The heart-warming stories of Labour's flying start are about to give way to a disheartening realisation: the civil service cannot deliver Labour's plans for Britain.

Blair wants to change Britain. But unless Britain's bureaucracy is modernised, he courts failure. Not because the strategy is wrong, but because the execution fails.

Labour is ambitious to create an active and enabling government - a government that works with people, servicing their everyday needs. The party has not set before the electorate plans as bold as Welfare to Work, Lifelong Learning, and the devolution of power since the second world war.

But the government machine cannot deliver. Its organisation is too fragmented, and its procedures are too cumbersome to serve Britain's modern society satisfactorily.

- Why are there *six* different public service networks? How will they deliver Labour's already complex welfare plans?
- Why do we have a Benefits Agency, Employment Service, *and* a local council office in every major town?
- How will the Government effectively help young people when there are *eleven* different offices involved - none of which talk to each other? Or single mothers, who are served through *seven* different outlets?
- How will the Government explain its work clearly when there are over thirty different Citizen's Charter helplines?
- How will the Government revive enterprise when business is bothered by an endless stream of inspectors at the door, coming from up to 10 different agencies and costing small business the equivalent of hiring an extra member of staff?
- And is it any surprise that bureaucracy costs tax-payers £38 billion every year?

In short, Her Majesty's Government (HMG) is a fractured bureaucracy of obsolete structures, antiquated procedures and out-dated technology, incapable



of delivering Blair's agenda to information age Britain. While new possibilities transformed the organisational principles of the world's private sector, the Conservatives, more concerned to implement their vision of a minimal state, left the fundamentals of the public sector untouched. While UK plc moved on, HMG stood still. Why, when their work is so similar in form, can banks reduce their head-count by 17% since 1989, and central government only manage 6%?

All good strategies need an organisation fit to deliver them. Blair does not have long to create a machine that is fit for his purpose, and fit for modern Britain.

This is a Government that was given an overwhelming mandate to make a difference. The electorate will expect results sooner rather than later. What is more, Blair has a fundamental political point to prove: after fifty years of the Right saying the state should give way to the individual, Blair has to show that Governments can be made to work. Labour got it wrong in the 1970s. Now Labour has been re-elected to make a difference, it cannot afford to get it wrong again.

This pamphlet argues that the Byzantine complexity of Britain's bureaucracy may confound new Labour's ambitions. It presents the case for a Government that is simple: customised, convenient and cost-effective whenever we deal with it.

Next year, inspired by the fabulous success of Clinton and Gore's \$108 billion Reinventing Government programme, Labour publishes its White Paper on *Better Government*.

This pamphlet sets out what that White Paper should say. It argues that Labour must automate, integrate and devolve the civil service organisations, and describes how Labour can harness the power of business, new technology, and local leaders to do so, saving £3.5 billion in the process.

Six reforms are prescribed which introduce these principles to strategic points where government and the outside world meet, and it outlines how, beginning with pilots, these changes can set off a chain reaction which in time transforms the entire service.

It proposes to:

- Privatised payments of benefits and introduce an electronic benefits card so that people can pick up benefits from cash-points, or even from the till at Tesco's;
- hand over Benefits Agency and Employment Service offices to local councils which can prove they are effective, so that local people can enjoy service delivery solutions customised to their area;

- merge the Inland Revenue and HM Customs and Excise, and introduce a statutory obligation to co-ordinate with local regulators to lighten the burden of inspectors at the door;
- introduce a local helpline for people to find out what is going on in their area, and to get answers from their councillors and MPs;
- end HMSO's monopoly on publishing Government information so that firms can compete in delivering public information in new and imaginative ways;
- appoint a high-powered 'Minister for Reinvention' to co-ordinate change, backed by the Efficiency Unit and reporting on progress to the Prime Minister once a week ●



## CAN LABOUR MAKE GOVERNMENT GOOD?

1

**N**ew Labour has managed to persuade the British people that government can be good. The strength of the Conservatives' argument ensured it was no easy case to win. But the challenges which people in Britain saw when they looked out to the future for themselves and their families inclined them to give Blair and his team a chance.

Now, Labour has to prove it is right. The challenge is two-fold: not only must the strategies be correct, but the implementation must be near perfect. There will be no prizes, nor re-election, for a government that is noble in mind, but incapable.

The argument of this pamphlet is that implementation of Labour's plans is impossible with the current organisation at the government's disposal. Labour has come to power with an ambitious strategy to create an 'active', enabling government, only to find that the tools left by the Conservatives are quite out of date and pared down to the organisational requirements of the minimal state. Today, Her Majesty's Civil Service is inconvenient, costly and complicated and, in short, quite unfit to deliver Labour's strategy to an information age Britain.

Unless Labour makes root-and-branch reforms to create an organisation which reflects its own, rather than the Conservatives', agenda it risks failing altogether.

### *What Britain wants*

The question of government's role in society has long been one of the most important dividing lines between left and right. Now, after a period of supporting the 'rolling back of the state', the electorate has decided that henceforth it needs a little more help from central government.

It is not surprising. The array of problems facing the individual in post-modern Britain amounts to a rather unpleasant 'double whammy': on the one hand, a constant struggle to keep abreast of change (especially the need to out-pace obsolescence in the labour market) and on the other, less and less recourse to traditional support structures such as the family and the community.

These facts have been well-appraised. Britain is fully part of a global economy and information technology has advanced to the stage where seemingly anything can be automated. The pressure to stay productive squeezes nearly every section of the working population. Globalisation has for many years enabled firms to relocate to areas with cheaper labour costs than those in the West. Now the computer revolution has created the same opportunities for 'service functions' such as accounting or data processing, creating for firms the option of relocating an even greater proportion of their operations overseas.

Even at home, in the non-internationally tradable service sector, foreign investment by multinationals, such as McDonald's or Coca-Cola, has created subsidiaries which have the power to disperse innovation developed *anywhere* in their worldwide operations to the frontline *everywhere* within months. As Lewis and Harris point out,<sup>1</sup> while it took 200 years for the potato to be cultivated around the world after its discovery, new methods of producing semi-conductors took approximately two and a half years to spread throughout the global economy.

Alongside these trends, new working patterns and family structures have either removed or weakened traditional forms of private support and rendered public support inappropriate. The life-cycle identified by the Commission on Social Justice is quite different to that identified by Beveridge. More than a quarter of households in Britain in 1994-5 consist of one person living alone (double the proportion in 1961) and the proportion of families headed by a lone parent increased from eight per cent in 1971, to 22 per cent in 1993.<sup>2</sup>

### ***Britain today***

The appeal of Labour's trinity of policies - welfare to work, excellence in education and life-long learning, and the devolution of power from Westminster - is not, therefore, hard to understand.

But what Labour has not yet articulated is that just as it has modernised *strategies* for helping individuals and businesses, so too it must modernise its *methods* of service delivery; just as it has modernised its view of the *state*, so too it must modernise its view of the *government machine*.

For, implicit in new Labour's strategies are three requirements that are new and which will require fundamental readjustments in our administrative order.

The first is the need to modernise the relationship between state and citizen such that public help is provided far more on the individual's, rather than the state's, terms. State intervention or help must be seen by the citizen to be convenient, customised, and cost-effective if consent, indeed support, for the redistributive welfare state is to continue.



2

This has quite revolutionary consequences for the organisation of public service because information age Britain has become such a diverse - and demanding - place. 'Convenience' and 'excellence' will have to be redefined.

For example, people now work on modern production schedules running on 24-hour shifts. Much greater use is made of part-time workers, particularly women. The population's working patterns have polarised such that some people work extremely long hours. Only 41 per cent of the working population work a standard five day a week, nine to five. Twenty per cent of people now work more than 50 hours a week, and 23 per cent of the population work six or seven days per week; 28 per cent of men work more than 48 hours each week, and one in eight managers works 60 hours a week. Equally 53 per cent of women now work.

As such, few now have the time to trek round public offices and it is little wonder that citizens stand just a 10 per cent chance of finding a service open at the times when they are free.<sup>3</sup>

Rising expectations, too, will become a problem for a government that does not keep up. One of the emerging trends in the application of new technology is how firms are using it to differentiate themselves in the market-place by 'customising' their products around individual tastes - even to the extent of letting the consumers help design and create their own products. Citizens will soon question why governments cannot do the same.

The second implication of Labour's new regime for the civil service is the acute need for optimum efficiency in the administration budget, with much greater trimming of the duplication that exists in departments' work and much greater sharing of resources, such as distribution outlets. Labour's programmes are potentially far more costly in administrative terms than the policies of the do-nothing Conservatives. Administration already costs £38 billion a year. With low departmental spending ceilings, somehow the bill has got to go down rather than up.

Finally, Labour's proposed programmes will require a degree of policy co-ordination unparalleled since the war because they are so complicated. Successful implementation involves the precise co-ordination of countless resources - the vast computers and databases, public offices, staff, and budgets - such as the nexus of the DSS, the DfEE and the Treasury which will power the Welfare to Work programme. In short, government will have to work seamlessly, and interact with the people it serves, in a flexible, modern way.

### ***High stakes***

The stakes for which Blair's team are playing are high. The Conservative bat-

tle-cry of 'government is bad' is deeply set in the popular psyche. Their ideas have enjoyed popular appeal for decades, are intellectually persuasive and are worth a swift resume.

The Right has argued the impossibility of state action which effects positive social change since the French Revolution. But after the second world war its case was immeasurably strengthened with a series of epistemological, ethical, economic and practical and popular buttresses.

Successively, libertarians, conservatives and public choice theorists argued that it is impossible for state servants to 'know' a sufficient amount about the desires, instincts and possible reactions of every constituent member of society in order to plan effectively;<sup>4</sup> that the redistribution organised by the welfare state was not just impossible but immoral because it infringed individuals' 'natural' property rights;<sup>5</sup> that redistribution was economically doomed because of its inflationary consequences; and finally, that state action was unsustainable because of the unstoppable upward spiral it unleashed in public spending, fuelled by well-organised pressure groups and self-interested bureaucrats.<sup>6</sup>

Today, the left has an answer for every point. But only practical action has the power to wipe the slate clean. This period of office may be, therefore, the British left's last chance to prove the right wrong. Labour's strategies have been much debated and enjoy popular appeal. But, as a swift assessment of the government machine shows, the civil service has been left outmoded and worn away ●



## DID THE CONSERVATIVES RE-INVENT GOVERNMENT?

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### *The intact bureaucracy*

**B**ureaucracy in Britain began when the medieval monarchs started to worry about collecting their taxes, and expanded exponentially as industrialisation spread. In the nineteenth century, hundreds of overlapping local trusts and networks were licensed by Parliament to provide the infrastructure for a newly urban Britain and a measure of civilisation.<sup>7</sup> Roads, pavements, systematic relief of the poor, public health and schools were all largely a product of these different bodies which together made up the British state.

Order for this 'mish-mash' of authorities was not created until the years 1875 to 1933. Overhaul came as late as 1945 when Labour transformed the system by creating single-purpose agencies where there were economies of scale (such as the NHS and the National Assistance Board), and relying on local authorities where subsidiarity was more important (such as in education, housing, planning, and secondary care).

The administration of the British state consequently resembles a state of the art industrial age bureaucracy circa 1950.

Like a production line, work is sub-divided between departments where specialists beaver away on the business of government in a carefully regulated hierarchy. In Whitehall, departments are structured around narrowly defined 'categories of need'. There is a department for 'illness', a department for the unemployed, a department for business matters, a department for paying taxes, and so on, and their work is complicated by the presence of local authorities which supply two additional levels of government (county and district councils) and provide many services directly.

The inter-relationships between all of these components is defined by nine-

25  
teenth century possibilities. Departments do not treat the individual as a corporate being, but as an unrelated collection of needs, each one of which is to be satisfied separately. The co-ordination of departments' outputs is something that happens *externally* - by the individual running round collecting them all - rather than *internally* by the bureaucracy.

Work in each of these quarters is performed at a slow pace because over the years, with each government error, ever more extensive checking procedures have been put in place to minimise the risk of bureaucrats ever repeating mistakes or, more importantly, performing something illegal.

It is a 'Fordist's' dream. A standardised system delivering standardised 'products' honestly, regularly, predictably. It was this that the Conservatives inherited in 1979, and which over 18 years, they left by and large intact.

### ***The Conservatives' reforms***

The Conservatives' reforms came in three phases and are set out in table 1. The first phase, from 1981-85, focused on cutting spending and on improving basic management, introducing tools like the Financial Management Initiative (1982).

The second phase, from 1985-92, devolved executive functions (as opposed to powers of policy-making) to semi-autonomous 'Next Step' agencies, such as the Benefits Agency, and introduced internal markets into the health and education systems.

Finally, John Major introduced a systematic process for 'market-testing' state activities (*Competing for Quality*), a framework for publishing information about the service standards (Citizen's Charter), innovations such as Business Links in the service delivery system, and reforms to the personnel procedures for top bureaucrats, reducing their numbers in the process (*Continuity and Change*).

***Table 1: Summary of Conservative reforms***

- The original 'Rayner scrutinies' conducted by the Efficiency Unit
- Financial Management Initiative (FMI) - introduced in 1982 to encourage managers to outline clearer views of objectives, devolve budgetary responsibility, provide for more, better management information, measure performance more accurately and define responsibilities more clearly
- Next Steps - provides a framework for devolution of executive functions



to agencies, regulated by tightly defined targets and budgets; ownership and personal accountability for results, including quasi-contractual relationship with Chief Executive (ACEs). Framework enhanced following reports in 1991, 1994, 1995

- Introduction of internal markets into the health system and the break-up of local education authorities (1987-88)
- Citizen's Charter/ Competing for Quality (1991) initiative to allow for published standards; complaints procedures and means for redress; enforced contracting out and market testing and regular 5 year 'Prior Option' reviews examining whether the service could be better run in the private sector. Eight organisations privatised under the programme (six more announced), and 27,000 staff eliminated
- Continuity and Change (1994) increases the amount of open competition for senior jobs;<sup>8</sup> introduces written contracts, links salaries to performance, introduces Senior Management Reviews, devolves pay and grading responsibility to departments; announces the Efficiency Plan; increases the emphasis on providing training for the task in hand and encourages all departments to seek Investors in People accreditation; introduces a new service-wide Civil Service Code, and appoints CSC as final court of appeal in cases of disagreement
- Introduction of twelve regional offices, accountable for all the programmes and statutory functions of the DTI, Home Office, DfEE, DoT and DoE in their areas, to catalyse local partnerships, and to present to the government a 'balanced view of needs and priorities from the local level'<sup>9</sup>
- Introduction of the Senior Management Review to be conducted in all departments by the end of April 1996. Involved cuts in central staff as the work of core departments is re-visited in the wake of devolution of executive functions to Next Step Agencies
- Creation of Business Links, to join together local partnerships consisting of chambers of commerce, training and enterprise councils, local authorities and enterprise agencies
- Development of 'micro-level' initiatives, such as Job Seeker's Allowance, and the announcement of the Joint Working Programme linking the Contributions Agency, HM Customs and Excise, and Inland Rev-

- Merger of the Departments for Education and Employment

### *The Conservative legacy*

The results are, at first glance, a curious mixture of the radical and the conservative. In essence, the change can be characterised as 'fracture' - in links between departments, in links between the centre and the front-line and, increasingly, in the once homogenous values of the service.

The service certainly has not been reinvented. Management has been improved, and the balance of power within departments has been altered in favour of the 'front-line'. But the traditional bureaucratic structure and the old inter-relationships between departments have been preserved, and the intrinsic fragmentation has not only been preserved, but exacerbated.

The improvements are important. Next Step agencies provide a much more 'steerable'<sup>10</sup> array of executive functions with a much sharper 'customer' focus. Initiatives like the Job Seeker's Allowance, Business Links, and the 'Joint Working Programme' have begun to simplify some of the more ridiculous inconveniences for individuals and businesses. PFI has introduced a new order of possibilities.

There is a much stronger base of information with which to manage and a much improved information processing capability. The installation of large transaction processing systems (such as the benefit processing system, or computerisation of the PAYE system) has presaged extensive automation. The creation of nation-wide networks providing PCs on the desks (such as the Employment Service's new Labour Market System) has improved productivity.

But the defects are far more grave, and follow by and large from the fact that Britain's bureaucracy remains based on the organisational possibilities of 1945 and the quirks of British history ●



## INCONVENIENT, COSTLY AND COMPLICATED

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3

The Conservatives' lack of belief in government closed their eyes to the new administrative possibilities of the information age. Their approach is perhaps best characterised by Stephen Dorrell, then a Cabinet Office minister, when he said 'We are no longer simply looking for obvious candidates for privatisation... Now we should be asking ourselves "what must we keep? What is the inescapable core of government?"'.<sup>11</sup> The traditional bureaucratic structure therefore remained fractured, and the work of government departments remained unintegrated, and cumbersome.

As a result Britain's government is inconvenient, costly and complicated. It is far from being the machine which Labour needs to implement welfare to work, lifelong learning, and a more open and accountable regime.

### *Inconvenient*

The most everyday consequences are felt by people forced to run around lots of government agencies to collect all the help they need because collectively, departments of government cannot treat individuals 'corporately'.

Take for example Britain's 4.7 million young adults. Many will be leaving home, to join the one in four people in public housing. One in four men and one in three women will be looking for work and many others will want to join the one in eight of their peers in further education and training. Yet to collect all of the help on offer, they need to visit up to *eleven* different sorts of government and private agencies.<sup>12</sup>

Or take the more than one in six families headed by a single mother. Many will be looking after one of the 896,000 children under the age of five, but will be seeking to go back to work. They have to visit up to *seven* different sorts of

government and private agencies.<sup>13</sup>

Or take the parents of the nine million children of school age who do not have time to visit all the local schools to check exam results and meet the teachers.

Or the fifteen per cent of people over the age of sixteen who provide care for someone but who must deal with a range of agencies, including the county council social services, the Benefits Agency, plus a range of local private and charitable providers. Or the person trying to claim invalidity benefit faced with co-ordinating bits of information from different parts of the health service and the Benefits Agency. Or the person trying to find where to get a sick note. The examples are endless.

Worse still, government is very slow because information is never in one place, and because case work often has to be handed from one department to the next (see table 2). Although humankind can move billions of pounds around the world in a second, it still takes the British government one month to process a citizen's first Child Benefit cheque (see table 3) or up to two and half weeks for the first Income Support cheque - and then one in seven payments will be wrong.

**Table 2: Complexity in the service delivery process (estimated)**

	Processes	People involved	Hours effort	Days elapsed
Human services (e.g. Benefits Agency)	21	4	8	12
Revenue collection	16	n/a	16	21

*Source: private analysis*

**Table 3: How well is Government doing?**

- 2 to 2.5 weeks to issue first unemployment benefit claim (12 working days)
- 2 to 2.5 weeks to clear the average Income Support claim
- 1 in 7 Income Support payments are wrong
- 1 in 7 customers are dissatisfied with Benefit Agency performance



- Child Benefit claims take an average of a month to process
- £2.2 billion of tax is outstanding for more than 3 months
- 1 in 6 Schedule D tax returns is processed incorrectly
- 1 in 12 Schedule E tax returns is processed incorrectly
- 1 in 10 Contribution Agency enquiries takes more than 2 weeks to deal with; it takes 2 days to process a benefit enquiry

*Source: Next Steps Review 1996; Inland Revenue 137th Report, March 1995*

And what about businesses? Shop owners don't meet one inspector a year - but up to ten - all different (table 4)! The Forum of Private Businesses recently calculated that the constant flow of different 'inspectors at the door' can cost the average small business up to 7 per cent of its turnover (the cost of employing an extra worker as table 5 sets out). In part this is driven by the cost of returning the, on average, *thirty* different types of forms to different regulators.

***Table 4: An inspector calls: Inspectors at a typical shop each year***

- Inland Revenue
- HM Customs and Excise
- Health & Safety Executive
- Local authority Sunday Trading inspectors
- Building Requirements inspectors
- Shops Acts inspectors
- Trading Standards inspectors
- Consumer Credit inspectors
- Inland Revenue Valuation Officers
- Compulsory Purchase Order inspectors

*Source: Forum for Private Business; Federation of Small Businesses*

**Table 5: Cost of compliance for average small business**

	<b>Cost</b>	<b>As % of turnover</b>
Setting up new procedures	£9,000	3%
Annual cost of compliance (mostly VAT and PAYE)	£4,000	1%
Understanding over-complex regulations	£6,768	2%
Answering informal queries	£1,700	0.25%
<b>Total cost of compliance</b>	<b>£21,468</b>	<b>7%</b>

*Based on small engineering company, employing 6 people, turning over £300,000.*

*Source: Forum for Private Business*

### **Costly**

The old-fashioned division of labour naturally means that very similar functions are duplicated within each government department.

The best example is in the public service delivery network. There are six different public service delivery 'chains' (Inland Revenue, Post Office, Benefit Agency, Employment Service, Libraries, Local authorities) with approximately 45,500 outlets - or one for every 504 members of the population. A conservative estimate of the running costs of these chains is around £11 billion (see table 6).

A second example is the government's databases. Because the government has never developed any form of shared data network to allow departments to record individual information just once and then share it, there are approximately seven different parts of the government machine operating discrete information storage and processing systems. A rough list would include the Inland Revenue (and PAYE system), local authorities, the DSS (Benefits Agency), health services, the Employment Service, the local education authority, and the public records office (the birth, marriage and death certificates so often required by all the other government departments).

Few economies of scale have been realised, and crucially, gaps are left for criminals who defraud the system for about £8 billion each year - 60 percent by mis-representing their earnings (see table 7). This would be impossible of course if the people delivering benefits talked to the people collecting taxes.

Unsurprisingly, when comparing the efficiencies won in government since the advent of re-organisation based on new technology, with efficiencies won in the private sector, there is a world of difference. Whereas the banking industry, which performs work of an extremely similar nature to government, has re-



duced its headcount by 17% since 1989, central government has shrunk by just 5.8%.

**Table 6: Overlaps in the public service delivery network**

Network	Running Costs	Accommodation costs	Offices	Staff (FTEs)
Inland Revenue	£1,852m	£239.2m	351	63,520
Local authorities	£3,887m	£380m	3,200	730,117
Libraries	£783m	£94.6m	21,076	29,665
Post Office	£659m	£441m	19,400	12,627
Social Security (Benefits Agency)	£3,463m	£163m	473	89,960
Employment Service	£545m	£206.1m	1,100	49,500
<b>Total</b>	<b>£11,189m</b>	<b>£1,523m</b>	<b>45,600</b>	<b>975,389</b>
<b>Per Capita</b>	<b>£326.9</b>	<b>£45.6</b>		

Sources: Benefits Agency Business Plan 1995-96; Inland Revenue 137th Report; CIPFA Financial Statistics, England 1996; CIPFA Public Library Statistics, 1996-97; Employment Service Annual Report, 1996; Post Office Annual Report, 1996

**Table 7: Fraud in the DSS**

Type of fraud	% of total	£m
Fraudulent identity	10%	£800m
Manipulation of payments system	10%	£800m
Misrepresenting personal circumstances	80%	£6,400m
- Misrepresenting earnings	20%	£1,600m
- Misrepresenting household circumstances	60%	£4,800m
<b>Total benefits fraud</b>	<b>100%</b>	<b>£8,000m</b>

Source: DSS estimates

### **Complicated**

Finally, the Government machine is highly complicated for people trying to find out about its performance.

This is important because the shared values that once regulated civil service behaviour have been put under great pressure by contracting-out. The Public Accounts Committee recently reported for the first time 'a number of serious failures in administrative and financial systems and controls within departments and other public bodies'.<sup>14</sup>

The Conservatives did attempt to remedy the problem. Next Steps reforms, the Citizen's Charter, the *Code of Practice on Access to Government Information* (published April 1994), and the Parliamentary Ombudsman have all increased the amount of information available.

But a lot of this is of the wrong sort. The 1995 Next Steps Review noted that nearly half of agency performance indicators were set lower than the previous year's outturn.<sup>15</sup> Worse, specific information is impossible to obtain quickly. When the Citizen's Charter was launched, not one, but *thirty-nine* help-lines were publicised. Even today, the progress of the Citizen's Charter is spelt out in *forty* different reports.

The situation is even worse at a local level where there are now fifteen different service providers, including central government, government offices for the regions, executive agencies, health authorities and trusts, housing associations and housing action trusts, TECs (England and Wales) and LECs (Scotland), Urban Development Corporations, GM schools, further and higher education institutions, police authorities, careers companies, privatised utilities, regulatory bodies, national quangos and tribunals, national/regional quangos for London, N Ireland, Scotland and Wales, voluntary sector and charities.<sup>16</sup>

Just four per cent hold open meetings, just five per cent of which are subject to the Code of Practice for Open Government<sup>17</sup> ●



## NEW TECHNOLOGY, NEW POSSIBILITIES

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4

Overhauling a £38 billion pound organisation employing 484,000 staff is not a small undertaking. Fortune, however, has happily blessed would-be reformers with three substantial resources: new technology, new public electronic networks created by the private sector, and the innovative spirit and expertise of local government. Each provides a lever with which reformers can overcome the old division of labour to create a government machine that is automated, integrated, and devolved.

### *The revolution in IT*

New technology is perhaps the resource which has created the greatest excitement.

Driving the change is the power of an equation first articulated by Gordon Moore, co-founder of Intel. He spotted that that computer processing power doubled every one and a half to two years. Now even that algorithm appears conservative.

This growing power is important because it allows computer scientists to provide cheaply the visually intensive interfaces - like Microsoft Windows or 3-D modelling - that make computers user-friendly for all of us, and because it allows businesses to make rapid and cheap alterations to complex programmes when new demands emerge.

The power to transmit information - using high capacity switches and fibre-optic cables - has kept pace with these developments<sup>18</sup> such that Bill Gates confidently predicts that: "We will have infinite bandwidth in a decade's time."<sup>19</sup>

Media technologies have provided the third important field of progress. Now programmers are becoming increasingly adroit at designing interfaces that render computers easy to use for everyone. In time, the development of voice and handwriting recognition will make it even easier.

### *'Virtual integration'*

In the early 1990s, the flurry of speculation about the information superhighway centred on the consumer, and how in a few years time Information Elysium was to be created in the nation's living rooms (in November 1994, Newsweek estimated that 39,500 articles had been published about the consumer potential of the information superhighway).

In fact, business, in search of ever greater productivity, has exploited new technology first. A survey in 1995 revealed that 83% of European business leaders believed new IT applications will improve productivity; 32% believed it would improve dramatically.<sup>20</sup>

Their reasoning is straightforward. Technology is now at the stage where a step change in the scope of automation is possible. It can now encompass what were once considered to be 'white collar' administrative jobs - particularly paper-based processing and routine customer contact.

For the first time, white collar managers are able to horizontally or 'virtually integrate' the complex tasks and processes which in a typical bureaucracy were sub-divided and out-sourced to different departments. This rebundling allows execution 'all at once' either by automating the process altogether, or by electronically synchronising joint efforts.

Two ways of using the technology are especially important. The first is so-called 'process automation' programmes which use document imaging and workflow software to automate all sorts of routine paper-based processes. One US-based insurance company, for example, which until recently used clerical staff to handle enormous quantities of paperwork, has now automated 95% of its process for new insurance policy applications. Forms are simply scanned in, read by the computer and automatically calculated. The need for forms to pass for processing through several different departments has been eliminated.

The second 'application' is often known as 'collaboration support' and includes applications such as video-conferencing and document sharing software. It allows workers in different places to work together at the same time to discuss a case, or to work on the same spread-sheets or 3-D Computer Assisted Design representations. Often this is accompanied by rapid help-screens which step workers through a procedure, helping reduce the number of errors still further.

The productivity savings are enormous. Often the need for human workers is eliminated altogether, just as the printing press eliminated hand-copying of manuscripts. More often, electronic co-ordination and support saves the time lost when work is handed on 'down the line'. Furthermore, when work is performed or supported electronically the number of errors made is reduced and



therefore the need for re-work.

### ***The implication for governments***

Civil servants and management consultants have not been slow to appreciate how the principle of horizontal, 'virtual integration' could deliver improved productivity and improved service in the British system.

As we noted above, British bureaucracy has two characteristics: the division of labour is based on categories of need and two levels of government, and its procedures are heavily regulated to minimise the risk of illegal action and inaccurate distributions of monies.

Through the lens of new technology we can quickly see that functions are being performed in several departments which, while they are sufficiently different to justify division and specialisation when only humans are available, are actually sufficiently similar to be performed by integrated computer applications.<sup>21</sup>

Equally, new technology provides plenty of opportunity to automate complex regulatory procedures. Banks, in particular telephone-based banks such as First Direct, have led the way in devising systems safe enough for customers to use to transfer millions of pounds from the end of a phone. As new personal identification technologies such as voice and finger-print recognition mature, more opportunities for government will be forthcoming.

### ***How foreign governments have already started***

Taking advantage of these developments requires bold thinking. But the principles are straightforward. While few politicians want to start tinkering around with the government machine so soon after taking office and at a time when they need bureaucrats' support rather than their obstruction, a great deal of case evidence is beginning to build up around the world. Four examples give a flavour of what governments abroad are doing:

- New Brunswick, Canada: One Stop Government. The government discovered that citizens might find their personal data in as many as 50 different places, often duplicated and inaccurate. The provincial Government of New Brunswick is structuring its contacts with its citizens through a variety of one-stop shops, which can be found in offices, electronic kiosks, or at the end of a phone line. Sixteen departments and agencies now operate through a single front office
- Spanish Ministry of Labour and Social Security. In order to improve the administration of social security and healthcare benefits, the

ministry will be issuing 40 million smart cards, installing 1,600 kiosk terminals and connecting 3,300 healthcare centres and 21,000 physicians to the network. The system will simplify the way basic information is obtained and automate numerous routine transactions, reducing the case load and administrative burden on staff, and reducing the risk of fraud

- Michigan Employment Security Commission. Improvements have been made to service delivery by introducing an interactive voice response system allowing people to interrogate the system outside normal office hours and find out the amount of benefit paid to them, and when it has been issued
- Californian Human Services Agency. The Agency has automated the process of eligibility determination, by making available all of the rules and benefits levels in a one-stop shop. Citizens now need only complete a one-page form and schedule an interview within 48 hours ●



## PRIVATE SECTOR HELP

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**T**his new automation has equal importance for the organisation's relationships with the people it serves, as it does for the inter-relationships between the people it employs. For the first time electronic representations are to be substituted for physical presence, transforming the economics of providing services, and opening the door to 24-hour service at the user's convenience.

Even better news for the government is that the private sector, in its rush to take advantage of the same economics, is creating public networks on which the government may be able to 'piggy-back', saving the expense of building a network from scratch.

### *The technological principles*

Over the next ten years, the public will witness growing numbers of public screens on which they will be able to interact with multimedia applications to obtain information and order services. Many of these screens will be television screens in people's living rooms.

The technological breakthrough which has supported this development is simply computers that are powerful enough to generate images, and transmission technologies capable of beaming information - such as video images - across a public network.

These 'public access' systems are already used to complement, rather than fully replace, the physical service offered by staff in a shop or other public place. Increasingly they will enable companies to locate staff in a completely different place to the consumer (for instance, at home or in a regional customer service centre). Direct-line banking and insurance services use the telephone as their public access system; others will come to rely upon multimedia kiosks or screens.

These electronic 'platforms' will take many different shapes, and as the power of technology increases they will become more and more inconspicuous. We already have desk-tops PCs and multimedia kiosks. In the future there is no reason why we should not be able to use digital 'smart cards' to log into services from what were once public telephone kiosks. Their use will doubtless become

second nature to us.

### ***Why the private sector is creating public networks***

The economics of dealing with customers through an electronic rather than a physical presence are clearly quite appetising. The prospect of lucrative 'virtually intimate' relationships with consumers will drive an exponential development of public access networks over the next ten years.

In many industries, where the product can be entirely digitised, the benefits are potentially enormous. But more businesses will increasingly use electronic channels to deliver supplementary 'virtual' services - such as advice, ordering services, or as a way of involving the consumer in the design and production of goods, which can then be sold at a premium. In America, for example, Levi Strauss is already able to use computers to offer a made-to-order service for customising women's jeans. Customers can try on sample jeans in a store to perfect the fit, whilst an assistant enters precise specifications into a computer that wires the information to a fabric-cutting machine that creates a product perfectly suited to the individual. The jeans cost just \$10 more than usual, and \$15 more if they are delivered direct to the home.

Furthermore, by using electronic interaction with the consumers, mass producers can garner information about their customer which they can use to conduct an individualised 'relationship' in the future, offering them precisely what they want, in order to retain their custom. The computer firm ICL, for example, has created loyalty card schemes for retailers such as Sainsbury's and W.H. Smith.

### ***'Piggy-back' government***

This technology will provide considerable benefits for governments.

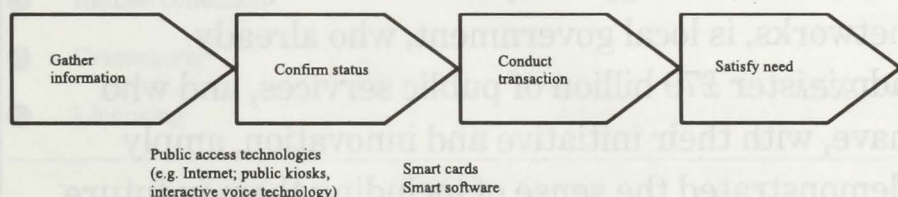
Much of the relationship between government and the individual concerns distributing or collecting information or money (e.g. gathering taxes, compliance regulation, distributing benefits). This is work which can be 'virtualised' or automated using public access network technologies like video-conferencing or smart cards. This raises the possibility of relieving large numbers of staff from the routine process of checking and distributing benefits, and opens the way for their redeployment on more value-added tasks.

Service levels too could be transformed. There are four key stages to picking up benefits: gathering information; confirming status; conducting the transaction; and fulfilment. Typically, people have to go through the whole process for each type of benefit they are entitled to. Now, however, 'gathering information'



about different services can be done all at once. Different agencies can simply 'electronically co-locate' information on a single screen and smart cards can be used to automate the process of confirming a citizen's status and eligibility before transactions are electronically executed.

**Figure 1: The service delivery process and automation**



#### **AUTOMATION TECHNOLOGIES**

The private sector's networks will be built to support the same kind of thing. The smart cards they will use are already called loyalty cards. There is no reason, therefore, why Government cannot piggy-back on these networks in the future. All it requires reformers to do is to take the lead now in setting open, inter-operable technology standards ●

# 6

## LOCAL LEADERS

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The third resource at the disposal of a reforming Government, in addition to new technology and private sector public access networks, is local government, who already administer £79 billion of public services, and who have, with their initiative and innovation, amply demonstrated the sense of including them in future designs.

Suspicion of local competence has always been a hallmark of the centre's relations with the local authority. But the efforts made by local councillors over recent years to put their houses in order provide a firm foundation for a more trusting relationship as a prelude to greater delegation of responsibility. The advantages for central government are simple: solutions developed within a framework of local authority provision are more likely to be customised to local needs. Along with the development of shared infrastructures, such as computer data-pools or outline codes of procedure, the centre will be equipped with all the control it needs.

### *The role of local government*

Local authorities already play a central, if increasingly marginalised, role in the delivery of the services set out in table 8.

*Table 8: Local authority services*

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- Local tax collection
  - Education
  - Cultural services
  - Transportation
  - Social services
  - Civil protection



- Housing
  - Local economic development
  - Planning
  - Recreation services
  - Refuse collection
  - Crematoria
  - Licensing
- 

Under the Conservatives, of course, local power was severely constrained. Councils such as the GLC were abolished, while responsibility for housing, education, urban redevelopment, transport, health, police and training services has been handed to quangos (which involve 50,000 people and spend a third of public money.)<sup>22</sup> Locally-raised taxes represent just 15 per cent of local spending, and councils are not able to spend above a centrally-determined 'standard spending assessment'.

The difficulty for Labour is that the Conservative putsch was not really a historical aberration, but the dramatic culmination of a trend extending back to Henry II.<sup>23</sup> Central government has been quite effective in establishing ever greater powers of regulation and inspection over local services since 1839 and in successive acts it has underwritten these powers with hand-outs from Treasury coffers, rising from £1.25 million (5 per cent of local spending) in 1874 to £63.2 billion (80 per cent of local spending) today.

To build a genuine partnership with local government, Labour have not only to repair the damage caused by Conservative pathology, but to remove the centuries-old, unspoken prejudice in Westminster and Whitehall that local councils are ineffective and lack legitimacy.

It will not be easy. Public enquiries in 1925-9, 1945-9, 1954, 1958, 1963, and 1966 all argued that local authorities do not work on a scale large enough to be effective,<sup>24</sup> and investigations since the 1834 survey of Municipal Corporations<sup>25</sup> have high-lighted local government's lack of popular legitimacy.<sup>26</sup>

### *A house in order*

But local leaders today have gone a long way to prove they are deserving of a more trusting attitude in national leaders, and a greater role. Not only have

6  
they put their 'houses in order' but they have demonstrated their value in developing service strategies tailor-made to improve local circumstances.

Councils these days are far better strategic managers. Councillors focus more on the 'bigger picture' of longer-term challenges, policies, and organisational requirements than day-to-day operational management. They are far more accustomed to working with the private sector thanks to the Conservatives' City Challenge initiative which by 1994 embraced 30 out of 57 urban priority areas.

**Table 9: Examples of local partnerships**

- Leicestershire County Council: Formed a joint Community Care Plan and a 'Healthy Alliances' initiative with Leicestershire Health Authority.
- Harlow District Council: Instituted Anti-Poverty Alliance to co-ordinate the work of over twenty local players in combating local hardship.
- Norwich City Council: Developing 2020 Vision project to secure agreement amongst major organisations working in the city about its future.
- Nottingham City Council: Created Nottingham Partnership Forum, a group of eighty partners including major private companies, the TEC, members of the local voluntary sector and housing associations, to work in initiatives like the city's Single Regeneration Bid.
- Wandsworth Borough Council: Instituted a committee to co-ordinate crime prevention strategy with the Metropolitan Police.

These efforts can be seen in the plethora of mission statements - such as Cardiff City Council's 'Towards 2000' or Cheshire County Council's 'Cheshire Values' - which testify to the number of councils 'taking stock' of where they are, calculating precisely where they want to be and making the appropriate trade-offs.

Local leaders have also proved their worth by the innovation they have shown in implementing ideas for local intervention. They have developed a socialist conception of the 'enabling, not providing' framework popularised in Britain by Nicholas Ridley,<sup>27</sup> and known in America as 'steering not rowing'.<sup>28</sup> Unlike their continental counterparts, British local authorities have no power of 'general competence'. Instead, many are seeking to become 'general influencers', using their local mandate, their initiative and their administrative resources to piece



together coalitions of local service providers with a shared strategy,<sup>29</sup> typically derived from the council's overall mission statement and tending to cover economic regeneration, crime and community safety, and preventative healthwork.

It is still difficult to generalise about councils' different approaches, but the number of examples is growing across the local political spectrum, as table 9 illustrates ●



## **SIMPLE GOVERNMENT: CONVENIENT, CUSTOMISED AND COST-EFFECTIVE**

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**G**iven the vast scale of government, it is impossible to define a blue-print for reform. What can be described is a vision and a place to start. Labour's end-game, quite simply, should be a government machine that is convenient, customised, and cost-effective. In other words, a government, that for the citizen and business, appears simple.

### *Convenient government*

The advent of the '24-hour society', changes in the patterns of working lives and new digitally-enabled private sector service standards, all mean that traditional notions of public sector convenience will have to be re-thought.

As we noted above, Government today produces 'outputs' - cash benefits, advice on jobs, child care, etc - in an uncoordinated stream, and which it expects the citizen to run round and collect. Services are co-ordinated *externally* by the individual. Using new technology, however, it becomes possible for the Government to co-ordinate those outputs electronically on a screen and via a smart-card, presenting the citizen with an 'integrated package' to be collected at his or her own convenience.

As the private sector develops 'public access networks', Government will be able to piggy-back onto them, saving the expense of building its own. An ICL study found that banks, airports, rail and bus terminals, and post-offices were the best places to make services available. One day, just as cashiers in Tesco's currently ask customers if they would like to withdraw money at the till from their bank accounts, so, in the not too distant future, they will ask the customer if she or he would like to pick up their child benefit.

What is required of the reformers is that they take a 'citizen-centred approach', that thinks in terms of the single, corporate individual and all of his or her interactions with the government, rather than taking each specific need and organising its satisfaction one need at a time.



### ***Customised government***

Equally, the Government machine will have to take individual preferences into account far more in the future. Not simply because needs are increasingly polarised, but because private sector innovation will fuel expectations of individualised public service.

The market today provides many examples of how businesses are already using technology to 'customise' their goods. British Telecom gives its customers breakdowns of their most frequently used numbers to encourage people to join its Friends and Families programme (and so lower defections to cable companies). Supermarkets, using loyalty cards, will soon print individualised discount vouchers for customers' most frequent purchases, to keep them coming back.

Personalising government services will be harder. Different treatment would quickly come to be seen as 'special treatment' and would infringe one of the five guiding principles of civil service behaviour, that of 'impartiality'.<sup>30</sup> What is possible, however, is to work with local councils to customise public service approaches at the level of the community. Britain is a diverse place; the needs of people in inner-city Bristol are quite different to those in Berwick upon Tweed. Reforms to the government machine should reflect local imperatives, and joint working with local councils is the way to do this.

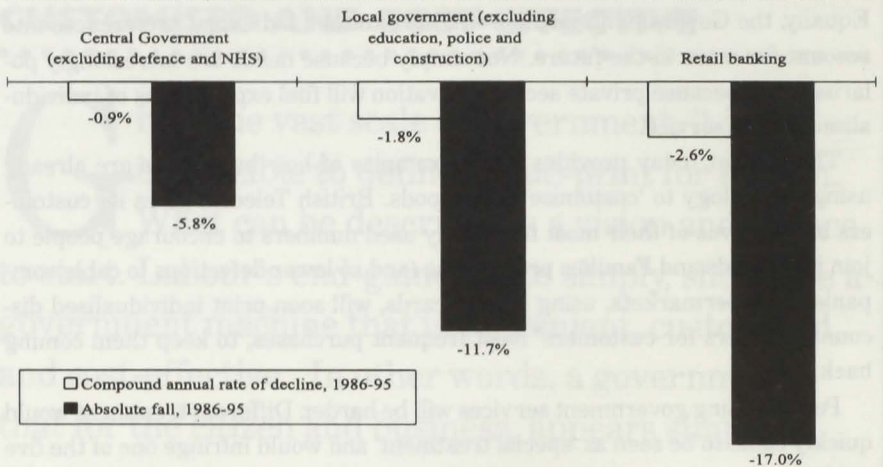
### ***Cost-effective government***

Finally, solutions devised should save on the £38 billion plus government administration bill.

While the Conservatives did squeeze costs, the biggest proportion of savings came from using privatisation to transfer staff to the private sector. Now there is a myth that no more can be cut. This is unsurprising given the current structure of government. When the organisation chart consists of lots of small boxes, it does become increasingly difficult to squeeze them even smaller. What the private sector discovered, however, when it came to using technology to integrate the work of functionally-based departments, was astounding. By thinking 'outside the box' so to speak, and re-organising antiquated divisions of labour which were based on industrial age technology, it produced remarkable savings.

It is one reason why if we compare cost savings in government with the banking industry - which performs work of a very similar nature to governments - we find that banks have saved far more (see table 10).

**Table 10: Staff reductions in banking and government, 1989-95**



Source: *British Banking Statistics, 1996; Civil Service Statistics, 1996; CIPFA*

The reason is that banks have invested heavily in technology to automate routine processes (with innovations like cash dispensers and telephone banking), and ensure that staff working in different departments work closely together, standing in for each other when necessary. Since 1989, when advanced technology began to be introduced, banks have reduced their head-count by 17 per cent - compared to just 6 per cent in central government (excluding defence and NHS). Given that most of government's cost is staff cost, we can safely assume that with new technology, government could make savings of the same order - at a value of approximately £3.5 billion.

**Managing the change**

Creating simple government will be no easy job.

But, before anything can start, the Prime Minister has to publicly back the change, and appoint a high profile 'Minister for Reinvention'. This should be the Chancellor of the Duchy of Lancaster, and s/he should be equipped with the power to stop other departments proceeding with wrong-headed ideas. At the moment, we face the nonsense of at least three different government departments - the DSS, the Employment Service, and the Northern Ireland Office - all planning to trial new technology, each without reference to each other. Countless others are being pursued by local government offices and local authorities up and down the country. This is not a credible strategy.

The new Minister for Reinvention should start with pilot programmes to



fine-tune strategic principles and to generate enough excitement and momentum to carry experiments through into broader change programmes. Five golden rules should be obeyed:

- Pilots should be organised in small parts of a large operation to ensure that major 'turf battles' do not break out at an early stage, but so that benefits, if generalised, are significant
- Users and providers should help in design at an early stage. Groups of users must be small and tightly defined, and training or coaching should be used extensively to generate initial demand for the new way of doing things
- Successes when they arrive must be communicated widely, and ideally the pilot should unfold in two stages allowing an opportunity for feedback - including feed-back from support functions - after stage one
- Technology development risks should be kept to a minimum by using reliable and robust technology, based, where possible, on accepted, inter-operable standards. Project-management must be obsessive: the pilot must be kept to a series of short 'deliverables' - 2-3 months maximum - and 'learning' should be made the key project result
- Finally, evidence from over 80 change programmes in the private sector and from governments abroad indicates that it is vital that two or more parts of the government machine are involved in the change, as this allows for a more broad-reaching re-design of internal processes - the primary driver of big benefits ●

# 8

## WHERE DO WE GO FROM HERE?

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To create a government that is focused on the needs of its citizens and businesses, it makes sense to start at the point where government, citizen and business meet. Conceptually, there are three such points: when we consume public services; when we obey the law - for example, paying our taxes, and submitting to inspection and regulation; and when we seek information about the government's performance and submit our opinion in the privacy of the ballot box on who should run the country.

In each of these areas, we must think through just what convenient, customised and cost-effective government means, outline what key changes will effect wholesale transformation, and identify what pilot projects are necessary for fine-tuning.

The following should lie at the heart of the Government's forthcoming White Paper on *Better Government*.

### ***Consuming public services***

1. Privatised benefits payments and create an electronic benefits card so that people can pick up benefits from cash-points, or even the till at Tesco's
2. Hand over management of Benefits Agency and Employment Service offices to local councils which can prove they are effective. Encourage development of electronic 'one-stop shops' and create a government-wide, integrated 'data-pool'

Government is hardest to deal with when we need help. But it assists so many people that designing a single model convenient for everyone is difficult.

Bringing together local councils, local Benefits Agency and Employment Service offices, however, covers the government agents required for the vast majority of people. Pilot projects will be required to test the best combinations for



different areas. Some 'shops' might wish to include educational trusts, local housing associations, local health trusts, along with private sector partners, such as estate agents, building societies and recruitment agents.

For the maximum benefit, this system should be supported with a data-pool upon which authorised public servants can draw, including, crucially, the Inland Revenue. This will allow enormous time savings, because information will only have to be captured once. And it will dramatically curtail the £1.6 billion worth of fraud which occurs when people mis-represent their earnings.

Finally, the introduction of an electronic Benefits Card and a benefits payments scheme run by the private sector has numerous benefits. It opens the door for delivery of benefits through convenient private sector networks - bank cash point machines, the till at Tescos, perhaps even the next generation of National Lottery terminals. Furthermore, automating and outsourcing this currently labour-intensive, routine process, has the triple benefit of freeing public servants' time to focus on providing more value-added help, of allowing citizens to collect the benefits they are due at their own convenience, and of helping with the fight against fraud.

In the long term, management by the local authority, albeit within nationally determined frameworks, provides the best dynamic for local adaptation. Some authorities will not be ready for this, and there is no reason why a 'variable' approach cannot work. The Government could ask the Audit Commission to 'licence' the authorities it thinks are up to the job. Nor should we forget that local authorities are subject to rigorous inspection from the Local Government Ombudsman, in addition to local electoral tests.

In the short term, coalitions of local service providers should be invited to bid to run pilot projects with the objective of answering the following questions:

- How, in their area, can the fullest range of public services be provided at the maximum number of public service outlets, such as Benefits Agency and Employment Service branches, libraries, local council offices and Citizens Advice Bureau outlets?
- How can multi-media technology be made widely available in facilities such as kiosks, to automatically provide information about services, calculate eligibility and entitlements, and make appointments?
- How can fraud best be eliminated through the one-off collection and electronic sharing of information and how can legitimate benefit uptake be maximised?

- How can service delivery networks be shared with the private sector, such as banks and supermarkets, local building societies (in the field of housing) and cable communication companies?
- What times, modes of access, and technologies are most convenient for people?

Pilots could be run and managed by local public-private partnerships which could have the option to form limited companies for the duration of the project. Public sector partners could apply to the Single Regeneration Budget to help fund their financial commitment, but most financing should derive from the private sector which has a major financial interest in this sort of work unfolding on a government-wide basis. Programmes like Andersen Consulting's 'Cambridge Childcare', Sema's pilots in Manchester and ICL's 'Pathway' project have already broken new ground.

### ***Enforcing the law***

3. Merge the Inland Revenue and HM Customs and Excise, and introduce a statutory obligation to co-ordinate with local regulators to lighten the burden of 'inspectors at the door' for businesses

When it comes to obeying the law, it is actually Britain's corporate citizens who face the greatest challenges.

The UK's problem differs slightly to that of America, where much of Al Gore's Reinventing Government programme has focused on repealing out of date regulations which dictate how a process should be executed, in favour of legislation which sets out the objectives business should achieve. The UK does have its fair share of burdensome regulation, but it is mostly a problem with DTI officials 'platinum-plating' EC regulations.

What is most intolerable, however, is the way in which these regulations are monitored and enforced, and the way tax is levied and collected.

Creating convenient government, however, is in principle straightforward. It essentially comes down to merging regulators into a single inspectorate. While this would not be practicable in the foreseeable future (given that most inspectors are actually employed by local authorities), substantial progress could be made by merging the two biggest sets of inspectors - the Inland Revenue and HM Customs and Excise - who actually deal with extremely similar functions; levying and collecting taxes, respectively corporation tax and VAT.

We can begin to address the problem of co-ordinating the countless other regulators by anointing the newly merged Revenue/ Excise as 'lead regulator'



and introducing a statutory obligation on it to co-ordinate its work with other inspectors in order to minimise disruption. It might even make sense to give businesses the right to sue the government where they can prove that this did not take place.

An electronic infrastructure should support this system. A shared data-pool would allow the authorities to collect information once, rather than as happens now under the joint-working arrangement between the Revenue and the Excise, under which files are faxed over to different offices - effectively double-handling the work.

This shared data facility should also be equipped with diary and document-sharing software to enable inspectors to synchronise inspections.

Increased cost effectiveness will follow quickly, principally from the elimination of lots of different people collecting the same amount of information, or having to return to businesses to collect information that was missed. In the long term it may be possible to develop multi-functional inspectors who are competent in monitoring compliance and assessment across a range of areas, thereby reducing the need for so many staff.

Again, pilots will be required to fine-tune principles. These should group local regulators and inspectors and equip them with technology such as document and diary sharing software. The pilots would be encouraged to report back on the following:

- How disruption and the cost of compliance for business can be minimised
- How inspection can be upgraded to advice-giving without infringing compliance or adversely affecting costs of inspection
- How information used in common by each inspectorate can be collected once and shared

The composition of partnerships may vary from area to area, but the Government should expect them to include local council inspectors, independent regulators, such as the Health and Safety Inspectorate, and departmental inspectors such as Customs and Excise, PAYE and the Inland Revenue. The local chambers of commerce should be heavily involved in the development of these partnerships.

The net cost of pilots would be low because existing staff would be more effectively deployed. Given the low cost of networked software, very little if any additional IT spending will be implied either. Where local partnerships can argue that small amounts of spending will be incurred, then the Government

should investigate the possibility of diverting some of the DTI Challenge Funding Budget.

### ***Obtaining information***

4. Introduce a local helpline for people to find out what is going on in their area, and to put questions to their councillors and MPs so it becomes easier for people to find out what is going on
5. End HMSO's monopoly on publishing government information so that firms can compete in delivering public information in new and imaginative ways

Most of our information about government comes from the media. But, if the Government is serious about improving the quality of our democracy and strengthening grass-roots pressure on bureaucrats to improve the quality of public services, it must address two related problems: on the one hand the paucity of useful information about the government's work - what we might call 'information thirst' - and on the other, the sheer volume of raw often unstructured data and performance indicators - what we might call 'information overload'.

Labour must create a user-friendly balance. The most obvious mode of service delivery is to create a locally administered, single number, telephone helpline which local people can call to have their questions answered. The strategy should not be seen in isolation from the development of help-desks set up to provide citizens with better information about the benefits to which they are entitled. The services should be offered together.

In the long term, however, the Government should review the very way that public information is distributed, and investigate whether it would be possible to allow re-sellers to compete with HMSO in selling this valuable commodity. As the Queen's publishers, HMSO is in a unique position. What it publishes can be admitted as evidence in court, and as such certain controls would have to be created to prevent presentation that distorts the meaning of material. But, it is undeniable that competition would create a greater freeflow of structured information of the sort not provided by the media, about the Government and its work, and as a result, a greater general awareness of the Government's performance.

In the short term, smallscale pilots are again the best way to establish a design for the service that can be replicated all over the country. The pilots should seek to establish answers to four questions:



- How can information be most conveniently disseminated to people?
- How can the speed and simplicity of service and information delivery be maximised?
- How can the information distributed by local service providers be consolidated or rationalised for presentation to the public?
- What is the scope for rationalising 'front-office' facilities of local partners?

Again local partnerships should be invited to bid to run pilots, which in this case should allow local people to call one, free or low-cost, information line to get information about local services, order published information about the performance of service providers, register a complaint, and file questions with local councillors, and ideally their MP.

The information lines could be run by different mixes of service providers but should include the local council, schools and colleges, hospital community health trusts, police, and local offices of government agencies, such as the Benefits Agency and Employment Service, as well as elected representatives.

Calls would come through to a call centre, perhaps run by the local council, where operators would elucidate the nature of the problem, and using electronic communications and databases, forward the request to the appropriate authority, or answer the query directly.

During the pilot stage, local councils take the lead in the partnership, and provide the call centre. The revenue costs would be very small and could be accommodated within existing resources, for example, by diverting some of the resources currently used to promote the Citizen's Charter at local level. Similarly, capital costs would be negligible. They could be met in the first instance through partnerships with private sector interests and if necessary, from the Single Regeneration Budget ●

## NOTES

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- <sup>1</sup> W Lewis and M Harris, 'Why Globalisation Must Prevail', *McKinsey Quarterly*, 1992/ 2, pp.114-131
- <sup>2</sup> *Social Trends*, HMSO, London, 1996, chapter 2
- <sup>3</sup> Quoted, G Mulgan and H Wilkinson, 'About Time', *Demos Quarterly* 2/ 1995.
- <sup>4</sup> F A Hayek, *The Road To Serfdom*, Routledge, London, 1962
- <sup>5</sup> R Nozick, *Anarchy, State and Utopia*, Basil Blackwell, Oxford, 1974, pp.333-4
- <sup>6</sup> M Pirie, *Micropolitics*, Wildwood House, Aldershot, 1988, p. 73
- <sup>7</sup> The Webbs provide a first-rate resume. See S & B Webb, *English Local Government Vol. 4: Statutory Authorities For Special Purposes*, Frank Cass & Co, London, 1963
- <sup>8</sup> *Taking Forward Continuity and Change*, HMSO, London, 1995, Cmmd 2748
- <sup>9</sup> Department of Environment, Press Release 216, March 28 1994, p. 1
- <sup>10</sup> I owe this term to Sue Goss, Professor of Public Management at University of Birmingham
- <sup>11</sup> Stephen Dorrell, speech to the Centre for Policy Studies, November 1992
- <sup>12</sup> To find somewhere to live, people will have to visit the local council both for housing and housing benefits. They may also have to visit local housing associations, and private sector suppliers. To find work, they will have to visit the Employment Service, local authority careers advisers (now privatised), as well as local firms and private recruitment consultants. To obtain benefits while they find work, they will have to visit the local Benefit Agency, and the Post Office or their bank to cash their money. Finding training places may involve visits to local colleges and Training and Enterprise Councils.
- <sup>13</sup> Finding work and obtaining financial help will mean visits to the Benefits Agency, the post office or bank, the Employment Service, and local employers for interviews, just as it does for young people. But, in addition, mothers will have to visit the local council and local childcare providers to find care for their children, and will soon have to deal with



the Department for Education and Employment to obtain nursery vouchers.

- 14 Public Accounts Committee, HC 1993-94 154 para 1
- 15 Next Steps Review 1995, HMSO, London, 1996, p. 6
- 16 Local Government Information Unit
- 17 Local Government Information Unit, *Secret Services*, LGIU, 1996
- 18 This is commonly referred to as Amdahl's Law
- 19 Quoted in *PC Magazine*, 10 November 1994
- 20 Coopers and Lybrand, 'Communication Renaissance', February 1995
- 21 As Sir Peter Kemp noted, the civil service is essentially aggregated and disaggregated at the wrong levels
- 22 Commission For Local Democracy, *Taking Charge: The Re-Birth Of Local Democracy*, Municipal Journal Books, London, 1995, p. 8.
- 23 Arguably, it can be dated to the King's Inquest into the conduct of the sheriffs in 1170
- 24 See for example, Redcliffe-Maud, Lord, *Royal Commission On Local Government In England 1966-69*, Vol I Report, Cmnd 4040, HMSO, London, 1969, quoted in D Wilson and C Game, *Local Government in the UK*, Macmillan, London, 1994, p. 51.
- 25 *ibid*, p. 378
- 26 K B Smellie, *A History of Local Government*, George Allen and Unwin, London, 1968, p. 124
- 27 Nicholas Ridley, *The Local Right: Enabling Not Providing*, Centre for Policy Studies, London, 1987
- 28 D Osborne & T Gaebler, *Reinventing Government*, Addison-Wesley, New York, 1992
- 29 Research is now forthcoming in this area. See for example, C Painter et al, *Changing Local Governance: Local Authorities And Non-Elected Agencies*, Local Government Management Board, forthcoming
- 30 These are the so-called Butler principles: impartiality, integrity, objectivity, selection and recruitment on merit, and accountability through ministers to Parliament

## **INFORMATION AGE GOVERNMENT: DELIVERING THE BLAIR REVOLUTION**

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